ANNUAL REPORT 1998

LEMMINKÄINEN

CONTENTS

The Konho interchange was completed on Highway 3 at Toijala.

FINANCIAL REPORTING

During the course of 1999 Lemminkäinen Corporation will publish a bulletin on the 1998 financial statements, an annual report and three interim financial reviews. The latter will appear on the 19th May, 18th August and 10th November.

The annual report and interim financial reviews will be published in Finnish and English. The publications will be mailed to the Company's registered shareholders. The publications may also be ordered from the Company's information services by phone: +358 9 159 9511, or by e-mail: aila.karhapaa@lemminkainen.fi

CURRENCY

All monetary sums reported throughout this annual report are in Finnish marks and in units of 1000. Middle rates of exchange as quoted by the Bank of Finland on 31st December 1998 against some selected currencies were as follows.

DEM (German marks)	3.04
USD (U.S. dollars)	5.10
GBP (Pounds sterling)	8.43
SEK (Swedish crowns)	0.63
DKK (Danish crowns)	0.80
EUR	5.94573

An asphalt roller driver at work.

Nokia Corporation's office building was completed in Tampere.

LEMMINKÄINEN IN BRIEF

The Lemminkäinen Group operates in all sectors of the construction industry: civil engineering, building contracting and the manufacture of building materials and related contracting.

BUSINESS SECTORS

PAVING AND MINERAL AGGREGATES DIVISION

The Division produces asphalt, recycled asphalt macadam and specialist paving. It carries out contracting in the fields of road paving, milling and road marking as well as quarrying and crushing. The Division also produces mineral aggregates for resale.

BUILDING MATERIALS DIVISION

The Division manufactures and imports a range of building products, and carries out contracting related to these materials. The main product groups are bituminous roofing materials, pre-cast concrete and natural stone products, and materials used in the construction of sporting facilities.

LEMMINKÄINEN CONSTRUCTION LTD

Lemminkäinen Construction Ltd is a building project contractor operating both in Finland and on the international market. In Finland the company focuses on demanding civil engineering projects and complex project management contracts. The regional emphasis in international operations is primarily on the Nordic countries, the Baltic states and Europe. The relative importance of Russia as a foreign market has diminished.

OY ALFRED A. PALMBERG AB

Oy Alfred A. Palmberg Ab, the parent company of the Palmberg Group, operates in the Helsinki metropolitan area and Southwest Finland. In addition to the parent company, the Group has ten subsidiaries, each operating regionally under its own name.

The Group's business areas include competitive tender contracting of both new and refurbishment work as well as private-sector housing, commercial and industrial developments.

THE LEMMINKÄINEN GROUP

LEMMINKÄINEN CORPORATION	LEMMINKÄINEN CONSTRUCTION LTD	OY ALFRED A. PALMBERG AB
PAVING AND MINERAL AGGREGATES DIVISION	Civil Engineering	Helsinki Metropolitan area
Paving	Project Exports	Southwest Finland
Mineral aggregates	Project Management	Palmberg-Urakoitsijat Oy
Road marking		Oka Oy
Central Laboratory		Rakennusliike Seppo J. Räty Oy
BUILDING MATERIALS DIVISION		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

1998 IN BRIEF

DOMESTIC CONSTRUCTION DEMAND CONTINUED TO GROW STRONGLY.

LEMMINKÄINEN GENERATED NET SALES OF FIM 4,255 MILLION, 24% UP ON THE PREVIOUS YEAR.

PROFIT BEFORE EXTRAORDINARY ITEMS ROSE TO FIM 161 MILLION.

A SLOWDOWN IN THE GROWTH OF NET SALES IS ANTICIPATED, BUT CONDITIONS ARE REGARDED AS BEING FAVOURABLE FOR FURTHER IMPROVEMENTS IN PROFITS.

THE BOARD OF DIRECTORS WILL PROPOSE A DIVIDEND OF FIM 3.00 PER SHARE FOR THE 1998 FINANCIAL YEAR.

The Finnish construction market continued to develop favourably in 1998.

The growth in construction demand in 1998 was generated especially by the ongoing restructuring of the Finnish economy. The demographic trend of migration towards growth centres has increased the need for housing as well as office and commercial developments. The engines driving this trend have been telecommunications and electronics companies, which are constantly in need of more space to accommodate their rapid growth. On the other hand, the less favourable outlook for traditional manufacturing industry has had little impact on the total construction demand because industrial building investments account for a relatively small proportion of the total value of construction.

Civil engineering investments have been insufficient for the development of the public road network and government spending inadequate for its upkeep. The view shared by of all interested parties is that merely maintaining the condition of the public road network in its present state will in future require significantly higher spending. Expensive overmanning of the Finnish National Road Administration still exists. This has led to the State winning market share in private-sector areas in which it has no demonstrable interest.

There are signs of concentration in the building industry, as large construction companies are growing faster than total demand in the sector. This probably stems from an increase in the average project size and the capital needs of housing production and property development. The wider responsibilities of contractors may also be promoting an increase in company size. As far as building markets in the Baltic Rim region are concerned, the development of the Finnish construction industry must be regarded as being characteristic of the sector and structurally favourable.

Lemminkäinen's operations continued to develop favourably. The 24% rise in the Group's net sales to FIM 4,255 million was markedly faster than the growth of the domestic construction market. The improved profit of FIM 161 million is reasonably satisfactory, especially when compared to the average profitability level of building companies internationally. The growth was successfully financed with cashflow from business operations, maintaining the Group's equity ratio at a high level and boosting the return on investment to a very satisfactory 18%.

The share of net sales generated by operations abroad appears to have stabilised at just over a fifth. The combined net sales of the various divisions in Russia were about FIM 350 million. It does not seem likely that this level will be maintained in the coming years.

The Paving and Mineral Aggregates Division succeeded in increasing its net sales and improving its result in spite of a slight decline in the demand for asphalt production volumes both in Finland and in export markets of the Baltic Rim region. The Division's favourable volume and profitability development continued due to the improved cost effectiveness of operations, the focus of production on high-value special products, the narrowing gap between regional price differences, steady growth on the Finnish mineral aggregates market and the company's increased share of mineral aggregates market.

The net sales and result of the Building Materials Division also developed favourably, but more slowly than expected. Heavy rainfall hampered contacting operations and reduced the demand for roofing and urban environment products. The demand for bituminous roofing materials in the Baltic Rim region and in Southeast Asia also declined. On the other hand, the growth of concrete product sales, especially pre-cast concrete stair units, remained stable thanks to the buoyancy of domestic building contracting.

The net sales of Lemminkäinen Construction Ltd rose significantly, but the company did not attain its profitability target. This unsatisfactory performance was due, on the one hand, to external market factors in Russia and the Far East and, on the other, to problems with resource allocation.

Even so, the company is still competitive in several specialised civil engineering sectors and in serving Finnish industry in its investment projects abroad. The company will strive for improved profitability by focusing its operations on these growth markets.

Oy Alfred A. Palmberg Ab's rapid growth continued. The demand for building construction and Palmberg's established position in the country's growth centres were a natural foundation for the company's development. This growth coupled with tight controls on production costs and capital improved profitability measured in terms of earnings and return on investment. The fact that all of the companies belonging to Palmberg Group operated profitably was particularly satisfying.

Lemminkäinen can face the coming year with confidence because the outlook for all of its divisions remains reasonably good. The company intends to continue developing its services and competitiveness in those area in which its position is already well established.

I would like to thank the Company's staff for their hard work and also our various interest groups for their confidence and co-operation.

PARENT COMPANY BOARD OF DIRECTORS

Heikki Pentti

Teppo Taberman

Paul Blomqvist

Erkki J. Pentti

Juhani Sormaala

BOARD OF DIRECTORS

Heikki Pentti (52)
B.Sc. (Econ)
Chairman since 1994
Member of the Board of Directors since 1969
Company employee since 1973

Teppo Taberman (54)
M.Sc. (Econ)
Member of the Board of Directors since 1997
Vice-chairman since1998

Paul Blomqvist (67)
B.Sc. (Econ)
Member of the Board of Directors since 1968
Company employee 1960-1990

Erkki J. Pentti (50)
Graduate in business studies.
Member of the Board of Directors since 1975
Company employee since 1973

Juhani Sormaala (49)
M.Sc. (Eng), B.Sc. (Econ)
Managing director since1994
Member of the Board of Directors since 1989
Company employee since 1981

BOARD OF DIRECTORS' REPORT FOR THE ACCOUNTING PERIOD
1st Jan. 1998 - 31st Dec. 1998

CONSTRUCTION MARKETS

Domestic construction demand continued to grow steadily at an annual rate of 11%, which was approximately the same as in 1997.

The fastest growth was once again in new building at about 20%. The volume of housing production rose to approximately 32,000 housing units, with private-sector house building exceeding state-subsidised production for the first time since 1991. The volume of office and commercial developments rose by a third while industrial construction grew only slightly.

The growth in refurbishment work was about 6%. The volume of civil engineering contracting remained stable at its established level. The volume of asphalt paving contracting declined by about 8% to approximately 3.7 million tonnes. The demand for crushed aggregates rose by about 6% and the volume of rock engineering contracting remained unchanged.

The total value of the Finnish construction companies' international operations was about FIM 2.8 billion. The Russian construction market collapsed as most Russian clients were no longer able to finance their projects and Western investors adopted a more cautious stance.

NET SALES AND PROFIT

Since 1st January 1998 the consolidated and parent company financial statements have been prepared in accordance with the percentage-of-completion method, whereby income from construction projects is recognised according to the degree of project completion. The previously employed completed contract method recognised such income upon project completion and hand over to the client. In this annual report the comparative income statement figures for 1997 are based on a pro forma statement conforming to the percentage-of-completion practice. The other comparative figures are taken from the official 1997 financial statements.

Lemminkäinen Group's net sales rose 24% and were FIM 4,255 million (3,433), of which operations abroad accounted for FIM 949 million or 22% (22). The improvement in the Group's result continued. The operating profit was FIM 182 million (133), the profit before extraordinary items FIM 161 million (115), the profit before taxes FIM 231 million (115) and the profit for the accounting period FIM 84 million (75). The return on investment was 18.0% (12.8), the return on equity 5.6% (12.1) and earnings per share FIM 2.03 (4.36).

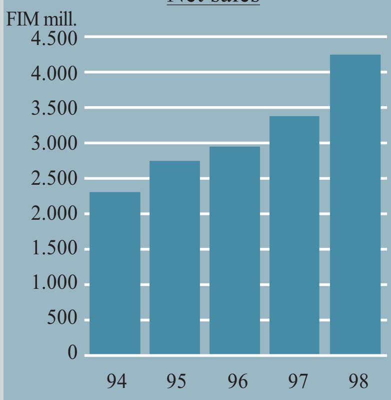
Direct taxes, FIM 143 million, include a tax demand for FIM 76 million in respect of the 1990 accounting period. This tax demand, against which the company is appealing, essentially reduced the profit for the accounting period and substantially weakened the Company's equity ratio, return on equity and earnings per share. Without this tax liability, the equity ratio would have risen to 47%, the return on equity to 15.7% and earnings per share to FIM 6.57.

The adoption of the percentage-of-completion accounting practice boosted the Group's result by FIM 70.2 million, which is recorded on the consolidated income statement under extraordinary income and expenses. This item consists of net sales earned in respect of work in progress at the time of the change in accounting practice (extraordinary income) and their corresponding expenses (extraordinary expenses). On the balance sheet the change in accounting practice shows up as a significant reduction in current liabilities and correspondingly in inventories.

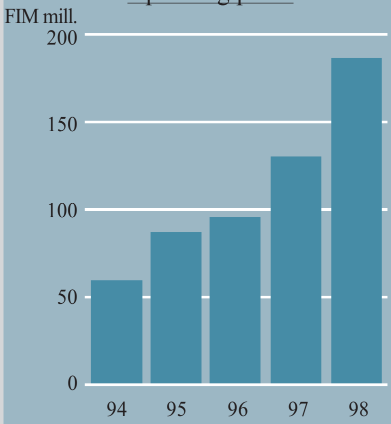
INVESTMENTS

The Group's gross investments in the accounting period were FIM 112 million (110). Net investments in fixed assets were FIM 101 million (83). Machinery and equipment investments were replacement investments in asphalt batching, laying and transporting equipment for both domestic and

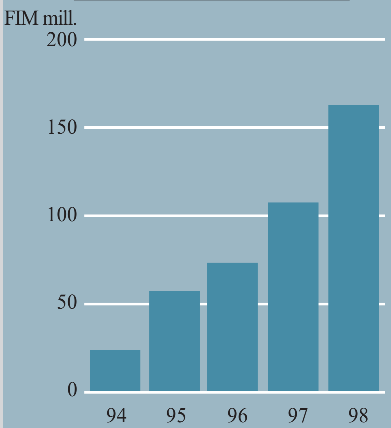
Net sales

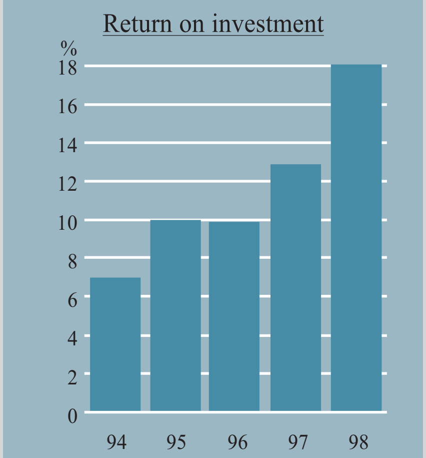


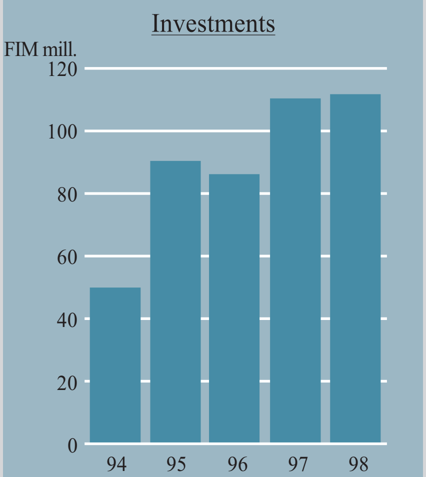
Operating profit

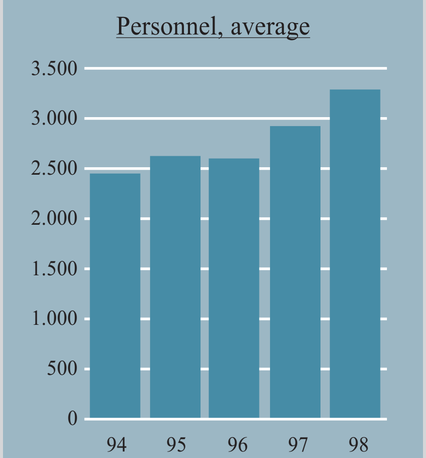


Profit before extraordinary items and taxes









foreign operations, quarrying, crushing and loading plant for aggregate production, and building materials manufacturing equipment. Additional site equipment was purchased to meet the needs of increased building contracting. Procurements for the company's mineral aggregate operations included stone crushing works and plant purchased from Napapiirin Kuljetus Oy. Three Estonian asphalt production companies were acquired jointly with NCC Ab of Sweden. After the end of the accounting period, part of Tauno Valo Oy's mineral aggregate operations were acquired at a cost of FIM 17 million.

ORDER BOOK

The value of the Group's uninvoiced orders at the end of the accounting period was FIM 2,308 million (1,751), of which operations abroad accounted for FIM 516 million (496).

FINANCING

Net financing expenses were FIM 21 million (18), representing 0.5% (0.5) of net sales.

Cash flow from business operations as shown in the statement of source and application of funds was FIM 102 million (157). The net increase in outstanding loans was FIM 13 million (decrease 106).

The equity ratio was 42.6% (44) and equity per share FIM 42.6 (38.75). As a consequence of an increase in share capital, shareholders' equity rose by FIM 47.1 million. Dividends totalling FIM 32.4 million were distributed. Interest-bearing liabilities amounted to FIM 377 million (372). There were no outstanding foreign currency loans. Interest-bearing net liabilities were FIM 224 million (238). The Company has overdue receivables of FIM 22 million outstanding to Russian public-sector clients.

PERSONNEL

The average number of employees in the Group in 1998 was 3,288 (2,966) of whom 1,164 (1,049) were salaried staff and 2,124 (1,917) hourly paid employees. The number of employees at the end of the year was 2,954 (2,623).

Wages, salaries and emoluments paid by the Group amounted to FIM 557.3 million (481.9), of which the members of the Boards of Directors and the Managing Directors received FIM 7.4 million (7.8).

The focus of employee training was on the development of business operations and competitiveness. Particular attention was paid to quality work and quality systems. This training was given in all of the company's units and at all organisational levels.

Emphasis was also placed on broadening the professional skills of employees. Staff capabilities were developed in order to ensure professional competence both now and in the longer term. With this objective in mind the Company established officially approved vocational qualitications in two areas of Lemminkäinen's operations that have not traditionally fallen within the scope of the vocational training system. Two study groups established on the basis of a training agreement began the study course in the Roofing Unit.

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 served all the divisions and companies of the Group in development work. The Laboratory was awarded the SFS-EN ISO 9001 quality certificate in Autumn 1998.

The focus of the Paving and Mineral Aggregates Division's R&D work was on environmental issues. The most important technical development projects of the Paving Unit were concerned with environmental geotechnology. Development work on environmentally friendly pavement structures has led to the creation of a family of asphalt products and new contracting services. These have been applied, for instance, in the construction of an extension to a landfill site in Oulu. A bentonite-based mineral liner was developed for groundwater protection applications. The Paving Unit also investigated how contaminated soil and industrial by-products could be immobilised and utilised by means of asphalt technology.

The Concrete Products Unit has developed new types of pre-cast concrete stair units faced with natural stone. The range of natural stone products has been expanded. The Roofing Unit's most important development project involved rationalisation and expansion of production at the Lohja bituminous roofing plant. Better polymer-modified bituminous membranes were developed. Roofing contracting has been improved with the aid of a quality system, which is being developed with a view to future certification.

Lemminkäinen Construction Ltd brought a new method of jet-grouting into use in its foundation works. A new type of v-cut opening technique and a hybrid blasting technique have been developed in order to control vibrations. A GPS-based measuring method was introduced to open-cut excavation work. The energy efficiency of ice stadia has been studied and improved in a project financed by the Technology Development Centre (Tekes).

A quality system encompassing the entire Palmberg Group has been developed.

ENVIRONMENTAL PROTECTION

Lemminkäinen aims to provide its customers with products and services that combine the characteristics of economy, customer satisfaction, quality, safety and environmental welfare. The Company strives to promote environmental protection, safety and employee well-being.

Development work was targeted at the identification and evaluation of environmental perspectives, and the present state of environment protection was assessed. In addition, environmental issues have been incorporated into development work on quality systems. The Company's environmental policy was revised.

Environmental protection was developed in accordance with revealed needs. Development work was done on risk management in the treatment and storage of hazardous wastes. The sorting of wastes was improved in order to promote their utilisation. Environmental protection was incorporated into internal training. Matters affecting other interest groups were dealt with in collaboration with them.

GROUP STRUCTURE

There were no changes to the Group structure during the accounting period.

SHARE CAPITAL AND SHARES

The share capital of Lemminkäinen Corporation is FIM 170,212,500. Under the Articles of Association the minimum share capital is FIM 100,000,000 and the maximum share capital FIM 400,000,000. The nominal value of the share is FIM 10. There are 17,021,250 shares in the Company and one share series.

The Company's share capital was raised during the accounting period by FIM 8,212,500. The increase in share capital was based on bonds with equity warrants issued to key personnel on 18 May 1994. In accordance with the terms of this issue, a total of 821,250 new shares were subscribed at a price of FIM 57.41 per share. The increase was recorded on the Trade Reg-

KEY FIGURES BY BUSINESS SECTOR

FIM mill.	**Net sales**			**Operating profit**			**Net investments**		**Order book**	
	Percentage of completion method	Pro forma	Completed contract method	Percentage of completion method	Pro forma	Completed contract method				
	1998	1997	1997	**1998**	1997	1997	**1998**	1997	**1998**	1997
Lemminkäinen Corporation										
Paving and Mineral Aggregates Division	**1,055.3**	989.2	1,000.1	**100.7**	73.9	70.7	**64.5**	48.5	**142.1**	206.7
Building Materials Division	**424.8**	391.9	396.8	**18.3**	14.1	14.6	**12.8**	22.9	**65.9**	45.3
Lemminkäinen Construction Ltd.	**1,026.0**	687.3	615.3	**11.9**	9.1	9.5	**8.5**	20.3	**859.2**	716.5
Oy Alfred A. Palmberg Ab	**1,824.7**	1,410.8	1,398.0	**64.1**	47.6	43.3	**14.9**	-7.8	**1,240.6**	782.4
Other items	**-76.1**	-46.1	-29.9	**-13.0**	-11.6	-11.3	**0.3**	-0.9		
Group total	**4,254.7**	3,433.1	3,380.3	**182.0**	133.1	126.8	**101.0**	83.0	**2,307.8**	1,750.9

ister of Finland on 29th May 1998 and the new shares became eligible for trading on HEX Helsinki Exchanges from 1st June 1998.

Management share ownership

As of 31st December 1998, the members of the Board of Directors and the Managing Director held a total of 7,500,062 shares, representing 44.1% of the Company's shares and their conferred voting rights.

Share issue authorisation

The Board of Directors is not currently authorised to make a share issue; neither is it authorised to issue convertible promissory notes or bonds with equity warrants.

Place of trading

The Company's shares are listed on HEX Helsinki Exchanges. The Company has a market-making agreement with Merita Pankkiiriliike Oy.

Share price and trading

The average listed price of Lemminkäinen Corporation's share during the accounting period was FIM 55.39 (51.42) and the market capitalisation at the end of the accounting period was FIM 766 million (745.2), at which time the price of the Company's share was FIM 45.00 (46.00). A total of 2,078,721 shares were traded during the accounting period. The Company's shares are included in the book entry system for securities. The Company did not submit any notices as defined in section 2, article 9 of the Securities Market Act.

Shareholder agreements

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

ADMINISTRATION

Lemminkäinen Oy's Annual General Meeting was held on 26th March 1998. The Company's Articles of Association were amended in the manner prescribed in the Companies Act amendment that came into force on 1st September 1997. The Company was converted into a public limited company and its name was changed to Lemminkäinen Corporation.

The Company's Board of Directors comprised Messrs. Heikki Pentti (Chairman), Teppo Taberman (Deputy Chairman), Paul Blomqvist, Erkki J. Pentti and Juhani Sormaala.

The Managing Director of Lemminkäinen Corporation is Mr. Juhani Sormaala.

The Company's auditors are Messrs. Jan Holmberg, M.Sc. (Econ.), A.P.A. and Jarmo Alén, M.Sc. (Bus.), A.P.A. The deputy auditors are Authorised Public Accountants Oy Joe Sundholm & Co. Ab and Mr. Kim Karhu, M.Sc. (Bus.), A.P.A.

PREPARATIONS FOR THE YEAR 2000

The Lemminkäinen Group has investigated and taken precautions against possible millennium-related effects on its businesses. The millennium-compliance of the Group's computer systems and software has been verified. In addition, all security systems and business-critical functions have been updated.

The millennium-preparedness of interest groups with an essential bearing on the operations, profitability or financial standing of the Company has been assured. Lemminkäinen has also received adequate assurances concerning the preparedness of its key suppliers and subcontractors.

The Lemminkäinen Group is now regarded as being well prepared for the year 2000. The operating season of almost all the Parent Company's businesses closes well before the turn of the millennium and does not open again until the spring. As far as the non-seasonal business operations of the Parent Company and the Group are concerned, the turn of the millennium is not critical in the sense that it would have a significant effect on operations, profitability or financial standing.

OUTLOOK FOR 1999

The growth of domestic building demand is expected to continue, albeit at a reduced annual rate of 5-6% (11). The growth of new building construction is expected to slow down the most, the forecast rate for 1999 being about 8% (20). The growth of refurbishment work and civil engineering contracting will probably continue at approximately the same level, i.e. 5% (6) and 2% (2), respectively.

No significant changes in demand are expected on the domestic market of the Paving and Mineral Aggregates Division. In the Division's export markets there are presently no foreseeable factors that would essentially affect the development of net sales. Efforts will be made to improve the Division's result by developing competitiveness.

The growth in demand for the products and services of the Building Materials Division is expected to continue due to the growth of domestic building construction and refurbishment work. The Division's net sales are not expected to grow essentially, but conditions are regarded as being favourable for improved profits.

The order book of Lemminkäinen Construction Ltd has continued to develop favourably. However, instead of aiming for increased net sales, the Company will strive to improve its result through better resource allocation and by developing the degree of site control.

Palmberg's markets will probably continue to develop favourably due especially to the demand for private-sector housing and business premises. The Company's net sales are expected to grow more slowly and profitability to remain at last year's level.

The outlook for the construction market remains good. Lemminkäinen's order books are healthier than they were a year ago. Growth in the Group's net sales will probably slow down, but conditions are still favourable for improved profitability.

THE COMPANY'S MAJOR SHAREHOLDERS 31st Dec. 1998

Shareholder	Number of Shares	% of total stock
Heikki Pentti	3,813,956	22.41
Erkki J. Pentti	3,673,956	21.58
Olavi Pentti	3,673,953	21.58
Pohjola Non-Life Insurance Company Limited	1,322,400	7.77
Ilmarinen Mutual Pension Insurance Company	280,400	1.65
Varma-Sampo Mutual Pension Insurance Company	242,900	1.43
The Local Government Pension Institution	201,800	1.19
Tukinvest Oy	201,600	1.18
Aktia Capital	169,200	0.99
ABB Pension Foundation	160,200	0.94
Total, 10 largest	13,740,365	80.72

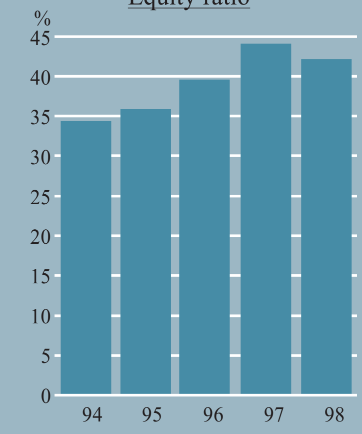
OWNER GROUPS 31st Dec. 1998

	Number of shareholders	% of shareholders	Shares held (1,000)	% of total
Individuals	1,587	84.19	12,212,448	71.75
Companies	199	10.56	719,523	4.23
Financial institutions	29	1.54	2,235,804	13.13
Public corporations	22	1.17	1,348,900	7.92
Non-profit organisations	43	2.28	252,900	1.49
Foreign owned or foreign nominee-registered	5	0.26	234,335	1.38
Not registered as book entry units			17,340	0.10
Total	1,885	100.00	17,021,250	100.00

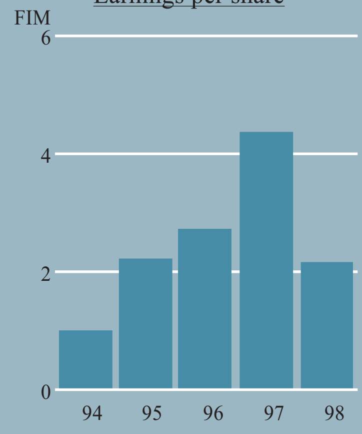
SHARE OWNERSHIP DISTRIBUTION 31st Dec. 1998

No. of Shares		Number of shareholders	% of shareholders	Shares held (1,000)	% of total stock
1-	100	428	22.71	23,507	0.14
101-	1,000	1,119	59.36	437,591	2.57
1,001-	10,000	281	14.91	896,942	5.27
10,001-	100,000	42	2.23	1,077,815	6.33
100,001-	1,000,000	11	0.58	1,875,290	11.02
1,000,001-		4	0.21	12,484,265	73.35
Nominee-registered				208,500	1.22
Not registered as book entry units				17,340	0.10
Total		1,885	100.00	17,021,250	100.00

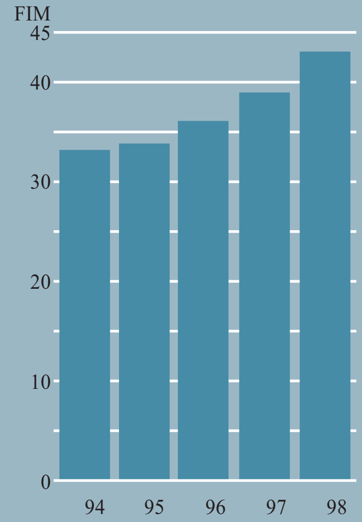
Equity ratio



Earnings per share



Shareholders’ equity per share



ECONOMIC TRENDS AND FINANCIAL INDICATORS

ECONOMIC TRENDS

	1998 FIM mill.	1997 FIM mill.	1996 FIM mill.	1995 FIM mill.	1994[1] FIM mill.	**1998[4] EUR mill.**
Net sales, FIM million	**4,254.7**	3,380.3	2,898.0	2,718.7	2,267.9	**715.6**
Exports and operations abroad	**949.2**	738.8	711.8	475.3	258.0	**159.6**
% of net sales	**22.3**	21,9	24.6	17.5	11.4	**22.3**
Operating profit, FIM million	**182.0**	126.8	94.7	88.0	55.2	**30.6**
% of net sales	**4.3**	3.8	3.3	3.2	2.4	**4.3**
Profit before extraordinary items and taxes	**161.2**	108.8	73.9	57.7	23.5	**27.1**
% of net sales	**3.8**	3.2	2.6	2.1	1.0	**3.8**
Profit before taxes	**231.4**	108.8	73.9	57.7	21.2	**38.9**
% of net sales	**5.4**	3.2	2.6	2.1	0.9	**5.4**
Profit for the accounting period	**84.4**	70.7	52.7	26.6	9.1	**14.2**
% of net sales	**2.0**	2.1	1.8	1.0	0.4	**2.0**
Fixed assets	**678.3**	663.7	682.9	694.2	700.6	**114.1**
Inventories	**690.2**	1,190.0	1,132.7	1,257.0	1,036.3	**116.1**
Current assets	**681.7**	464.7	493.4	493.2	539.3	**114.7**
Shareholders´equity	**725.1**	627.7	581.6	545.0	534.6	**122.0**
Minority interests	**12.7**	9.0	5.1	3.4	0.4	**2.1**
Interest-bearing liabilities	**376.7**	372.2	469.7	534.2	565.3	**63.4**
Interest-free liabilities	**935.7**	1,309.5	1,252.6	1,361.8	1,175.9	**157.4**
Total equity and liabilities	**2,050.2**	2,318.4	2,309.0	2,444.4	2,276.2	**344.8**
Return on equity, %	**5.6**	12.1	8.0[3]	6.6[3]	2.2	**5.6**
Return on investment, %	**18.0**	12.8	9.8	9.9	6.9	**18.0**
Equity ratio, %	**42.6**	44.0	39.5	35.8	34.3	**42.6**
Interest-bearing net liabilities	**223.5**	238.1	276.9	273.9	297.0	**37.6**
Gross investments	**112.0**	109.5	82,8	89.0	49.7	**18.8**
% of net sales	**2.6**	3.2	2,9	3.3	2.2	**2.6**
Order book 31.12.	**2,307.8**	1,750.9	1,370.8	1,160.6	978.4	**388.1**
Employees	**3,288**	2 ,966	2,637	2,662	2,484	**3,288**

SHARE-ISSUE-ADJUSTED FINANCIAL INDICATORS

	1998 FIM	1997 FIM	1996 FIM	1995 FIM	1994 FIM	**1998 EUR**
Earnings per share (EPS)	**2.03**	4.36	2.70[3]	2.19[3]	0.96	**0.34**
Equity per share	**42.60**	38.75	35.90	33.64	33.00	**7.16**
Dividend per share	**3.00[2]**	2.00	1.50	1.00	1.00	**0.50[2]**
Dividend to earnings ratio, %	**150.8**	45.9	55.5[3]	45.6[3]	104.5	**150.8**
Effective dividend yield, %	**6.7**	4.3	3.8	3.7	2.6	**6.7**
P/E ratio	**22.2**	10.5	14.6[3]	12.3[3]	39.6	**22.2**
Share price						
mean	**55.39**	51.42	38.29	33.76	35.93	**9.32**
lowest	**37.00**	42.00	27.00	22.00	14.53	**6.22**
highest	**71.00**	58.00	43.00	36.00	48.33	**11.94**
at end of period	**45.00**	46.00	39.60	27.00	37.90	**7.57**
Market capitalisation 31.12., FIM million	**766.0**	745.2	641.5	437.4	614.0	**128.8**
Share trading						
Shares traded (1,000)	**2,079**	4,345	2,712	749	2,435	**2,079**
% of total	**12.4**	26.8	16.7	4.6	15.0	**12.4**
Shares in issue						
during the accounting period, (1,000)	**16,700**	16,200	16,200	16,200	16,200	**16,700**
at end of accounting period, (1,000)	**17,021**	16,200	16,200	16,200	16,200	**17,021**

Formulae for calculation of financial indicators are given on page 11.

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.
4) 1 EUR = 5.94573 FIM

FINANCIAL INDICATOR CALCULATION FORMULAE

RETURN ON INVESTMENT %

Profit before extraordinary items + interest and other financing costs x 100
Balance sheet total - non-interest-bearing liabilities
(average for the accounting period)

RETURN ON EQUITY %

Profit before extraordinary items - taxes x 100
Shareholders´equity + minority interests
(average for the accounting period)

EQUITY RATIO, %

Shareholders´equity + minority interests x 100
Balance sheet total - advances received

INTEREST-BEARING NET LIABILITIES

Interest-bearing liabilities - investments and cash in hand and at banks

EMPLOYEES

Sum of monthly employee totals
Number of months in accounting period

EARNINGS PER SHARE

Profit before extraordinary items - taxes - minority interests
Share-issue-adjusted average number of shares

EQUITY PER SHARE

Shareholders´equity
Share-issue-adjusted number of shares at end of period

DIVIDEND PER SHARE

Dividend for accounting period
Share-issue-adjusted number of shares at end of period

DIVIDEND TO EARNINGS RATIO, %

Dividend for accounting period x 100
Profit before extraordinary items - taxes - minority interests

EFFECTIVE DIVIDEND YIELD, %

Dividend per share x 100
Final share quotation

P/E RATIO

Final share quotation
Earnings per share

MEAN SHARE PRICE

(share-issued-adjusted)

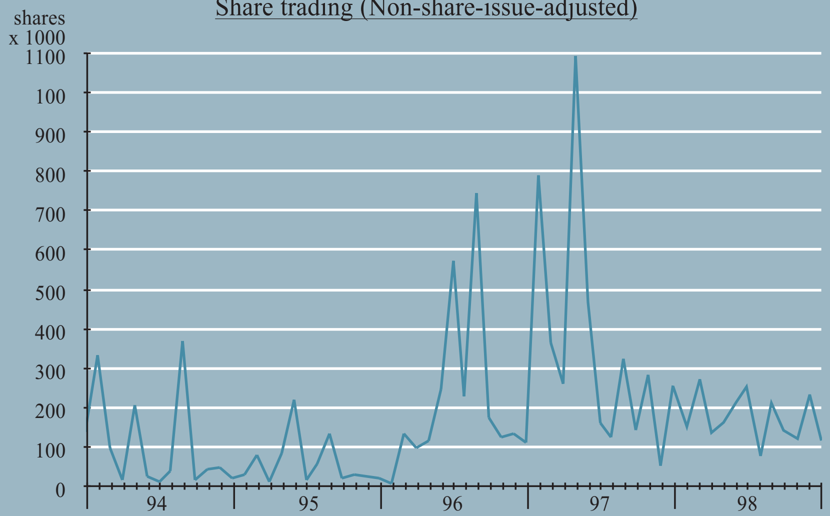
Trading value of total share turnover
Share-issue-adjusted number of shares traded during the period

MARKET CAPITALISATION

Number of shares x share price at end of accounting period

Share-issue-adjusted price trend

Share trading (Non-share-issue-adjusted)



CONSOLIDATED INCOME STATEMENT

	Note	1.1.1998-31.12.1998	1.1.1997-31.12.1997
NET SALES	1.1	4,254,681	3,380,314
Increase (+) or decrease (-) in stocks of finished goods and in work in progress		132,855	26,125
Production for own use		948	2,300
Other operating income	1.2	14,809	41,597
Materials and services	1.3	2,955,636	2,220,444
Personnel expenses	1.4	709,929	614,937
Depreciation	1.5	99,490	92,833
Other operating expenses		456,257	395,334
OPERATING PROFIT		181,981	126,788
Financial income and expenses	1.6	-20,786	-18,026
PROFIT BEFORE EXTRAORDINARY ITEMS		161,195	108,762
Extraordinary items	1.7	70,156	
PROFIT BEFORE TAXES		231,351	108,762
Direct taxes	1.9	-142,534	-34,510
Minority interests		-4,442	-3,561
PROFIT FOR THE ACCOUNTING PERIOD		84,375	70,691

FIM in thousands

CONSOLIDATED BALANCE SHEET

	Note	31.12.1998	31.12.1997
ASSETS			
NON-CURRENT ASSETS	2.1		
Intangible assets	2.1.1	7,223	7,297
Goodwill on consolidation	2.1.2	33,694	50,818
Tangible assets	2.1.3	567,860	549,752
Holdings in affiliated undertakings	2.1.4	12,355	6,201
Other investments	2.1.4	57,212	49,572
		678,344	663,640
CURRENT ASSETS	2.2		
Inventories	2.2.1	690,156	1,189,973
Non-current receivables	2.2.2	3,182	3,183
Deferred tax asset	2.2.3	11,152	
Current receivables	2.2.4	514,175	333,991
Investments	2.2.5	27,750	51,540
Cash in hand and at banks		125,444	76,057
		1,371,859	1,654,744
		2,050,203	2,318,384
LIABILITIES			
SHAREHOLDERS' EQUITY	2.3		
Share capital		170,213	162,000
Share premium account		66,385	27,450
Revaluation reserve		1,089	1,230
Retained earnings		403,053	366,356
Profit for the accounting period		84,375	70,691
		725,115	627,727
MINORITY INTERESTS		12,726	8,980
OBLIGATORY PROVISIONS	2.5	19,027	11,980
LIABILITIES	2.6		
Deferred tax liability	2.6.1	100,040	66,566
Non-current liabilities	2.6.2	291,081	307,328
Current liabilities	2.6.3	902,214	1,295,803
		1,293,335	1,669,697
		2,050,203	2,318,384

FIM in thousands

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1.1.1998-31.12.1998	1.1.1997-31.12.1997
INCOME FINANCING		
Operating profit	181,981	126,788
Depreciation	99,490	92,833
Financial income and expenses	-20,786	-18,026
Extraordinary items	70,156	
Taxes	-132,598	-90,193
Total	198,243	111,402
CHANGE IN NET WORKING CAPITAL		
Increase (-) or decrease (+) in inventories	499,817	-57,229
Increase (+) or decrease (-) in advances against work in progress	-551,773	49,018
Increase (-) or decrease (+) in current receivables	-180,184	-18,613
Increase (+) or decrease (-) in interest-free current liabilities	136,065	72,056
Total	-96,075	45,232
CASH FLOW FROM BUSINESS OPERATIONS	102,168	156,634
INVESTMENTS		
Investments in fixed assets	-111,980	-109,549
Disposal of and other changes in fixed assets	10,994	26,555
Total	-100,986	-82,994
CASH FLOW BEFORE FINANCING	1,182	73,640
FINANCING		
Increase (-) or decrease (+) in non-current receivables	1	5,946
Increase (+) or decrease (-) in non-current liabilities	-16,247	-82,000
Increase (+) or decrease (-) in current liabilities	29,167	-23,971
Distribution of dividend	-32,400	-24,300
Share issue	47,148	
Others	-3,254	304
Total	24,415	-124,021
INCREASE (+) OR DECREASE (-) IN LIQUID FUNDS	25,597	-50,381
Liquid funds at 1. 1.	127,597	177,978
LIQUID FUNDS AT 31.12.	153,194	127,597

FIM in thousands

	Note	1.1.1998- 31.12.1998	1.1.1997 - 31.12.1997
NET SALES	1.1	1,297,058	1,245,941
Increase (+) or decrease (-) in stocks of finished goods and in work in progress		95	-22,717
Production for own use			1,475
Other operating income	1.2	7,574	8,920
Materials and services	1.3	656,826	642,503
Personnel expenses	1.4	329,747	308,666
Depreciation	1.5	51,077	47,365
Other operating expenses		134,764	132,226
OPERATING PROFIT		132,313	102,859
Financial income and expenses	1.6	-6,660	-10,420
PROFIT BEFORE EXTRAORDINARY ITEMS		125,653	92,439
Extraordinary items	1.7	7,246	
PROFIT BEFORE PROVISIONS AND TAXES		132,899	92,439
Provisions	1.8	26,366	25,914
Direct taxes	1.9	-117,816	-33,826
PROFIT FOR THE ACCOUNTING PERIOD		41,449	84,527

FIM in thousands

PARENT COMPANY BALANCE SHEET

	Note	31.12.1998	31.12.1997
ASSETS			
NON-CURRENT ASSETS	2.1		
Intangible assets	2.1.1	6,250	7,604
Tangible assets	2.1.3	354,823	331,435
Holdings in group undertakings	2.1.4	551,844	512,469
Other investments	2.1.4	54,399	41,688
		967,316	893,196
CURRENT ASSETS	2.2		
Inventories	2.2.1	120,497	134,082
Non-current receivables	2.2.2	2,807	2,808
Current receivables	2.2.4	142,387	141,237
Investments	2.2.5	27,500	51,500
Cash in hand and at banks		15,522	9,687
		308,713	339,314
		1,276,029	1,232,510
LIABILITIES			
SHAREHOLDERS' EQUITY	2.3		
Share capital		170,213	162,000
Share premium account		65,935	27,000
Revaluation reserve		1,089	1,230
Retained earnings		339,557	287,430
Profit for the accounting period		41,449	84,527
		618,243	562,187
APPROPRIATIONS	2.4	157,586	183,952
LIABILITIES	2.6		
Deferred tax liability	2.6.1	12,386	
Non-current liabilities	2.6.2	132,054	170,305
Current liabilities	2.6.3	355,760	316,066
		500,200	486,371
		1,276,029	1,232,510

FIM in thousands

PARENT COMPANY STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1.1.1998-31.12.1998	1.1.1997 - 31.12.1997
INCOME FINANCING		
Operating profit	132,313	102,859
Depreciation	51,077	47,365
Financial income and expenses	-6,660	-10,420
Extraordinary items	7,246	
Taxes	-117,816	-33,826
Total	66,160	105,978
CHANGE IN NET WORKING CAPITAL		
Increase (-) or decrease (+) in inventories	13,585	25,731
Increase (+) or decrease (-) in advances against work in progress	-32,901	-51,709
Increase (-) or decrease (+) in current receivables	-1,150	7,096
Increase (+) or decrease (-) in interest-free current liabilities	78,523	6,036
Total	58,057	-12,846
CASH FLOW FROM BUSINESS OPERATIONS	124,217	93,132
INVESTMENTS		
Investments in fixed assets	-118,135	-69,615
Disposal of and other changes in fixed assets	5,183	2,796
Total	-112,952	-66,819
CASH FLOW BEFORE FINANCING	11,265	26,313
FINANCING		
Increase (-) or decrease (+) in non-current receivables	1	
Increase (+) or decrease (-) in non-current liabilities	-38,251	-38,849
Increase (+) or decrease (-) in current liabilities	-5,928	6,800
Distribution of dividend	-32,400	-24,300
Share issue	47,148	
Total	-29,430	-56,349
INCREASE (+) OR DECREASE (-) IN LIQUID FUNDS	-18,165	-30,036
Liquid funds at 1. 1.	61,187	91,223
LIQUID FUNDS AT 31.12.	43,022	61,187

FIM in thousands

ACCOUNTING PRINCIPLES

CHANGES IN ACCOUNTING PRINCIPLES

Changes required by new legislation

The consolidated financial statements and the financial statements of group undertakings in Finland have been prepared in accordance with the new Accounting Act and Ordinance that came into force at the end of 1997. The financial statements of foreign subsidiary undertakings have been adjusted so that they conform to Finnish accounting principles. The income statements, balance sheets and notes to the financial statements used in the previous accounting period have been reformatted to conform to the new practice.

Recognition of income from construction projects

Since 1st January 1998 the consolidated and parent company financial statements have been prepared in accordance with the percentage-of-completion method, whereby income from construction projects is recognised according to the degree of project completion. In earlier financial statements that were prepared in accordance with the completed contract method, such income was recognised upon project completion and hand over to the client. Although the completed contract method of income recognition has still been used in the official financial statements of subsidiary undertakings, they have prepared additional financial statements based on the percentage-of-completion method. The comparative figures taken from the 1997 financial statements have been revised to conform to the percentage-of-completion method. The adoption of the percentage-of-completion accounting practice boosted the Group's result by FIM 70.2 million, which is recorded on the consolidated income statement under extraordinary income and expenses. This item consists of net sales earned in respect of work in progress when the change in accounting practice took effect at the end of 1997 (extraordinary income) and their corresponding expenses (extraordinary expenses). On the balance sheet the change in accounting practice shows up as a significant reduction in advance payments under current liabilities and correspondingly in inventories under current assets.

The degree of project completion is calculated as the ratio of actually incurred expenses to estimated total expenses. Anticipated losses from unprofitable projects on the order book are fully capitalised.

ACCOUNTING PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

All the group and affiliated undertakings classified as fixed assets are included in the consolidated financial statements.

Intra-group shareholdings have been eliminated using the past equity method, whereby the acquisition cost of shares in subsidiary undertakings has been eliminated against the shareholders' equity of the subsidiary undertakings at the time of acquisition. The provisions of subsidiary undertakings at the time of acquisition less the deferred tax liability are included in shareholders' equity. Where the cost of acquiring shares in a subsidiary undertaking exceeds the corresponding value of its shareholders' equity, the excess is assigned to fixed assets and/or goodwill. Goodwill accrued prior to 1st September 1993 is written off over ten years, and after that date over five years.

Intra-group transactions and the internal margin included in inventories have been eliminated in the consolidated income statement, as have intra-group receivables, liabilities and dividend payments.

Minority interests have been deducted from the Group's profit and shareholders' equity and entered as a separate item in the consolidated income statement and balance sheet.

Figures from the final accounts of foreign subsidiary undertakings have been converted into Finnish marks at the rates of exchange quoted by the Bank of Finland on the last day of the accounting period. Translation differences arising from eliminations of the shareholders' equity in foreign subsidiary undertakings have been recorded in shareholders' equity.

The accounts of affiliated undertakings have been consolidated using the equity method. The Group's share of the profit/loss of affiliated undertakings on the basis of proportional ownership is entered in the consolidated income statement under other operating income/expenses.

VALUATION AND DEPRECIATION OF FIXED ASSETS

Fixed assets are shown on the balance sheet at their original acquisition costs less accumulated annual planned depreciation. In addition, the values of some land, buildings and shareholdings include re-valuation increases, which are based on professional market valuations of the assets in question. Depreciation according to plan is computed using the straight-line method and is based on the economic lifetimes of the assets.

The depreciation periods are as follows:

Intangible assets	
- 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 tangible assets	
- mineral deposits	depreciation for decrease of substance
- others	10 years

Depreciation has not been charged to the revaluation increases. The revaluation increase applying to any item sold in connection with the disposal of fixed assets has been reversed.

VALUATION OF INVENTORIES

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

VALUATION OF FINANCIAL ASSETS

Investments are valued at their acquisition cost or, if lower, their market value.

FOREIGN CURRENCY ITEMS

Receivables and liabilities denominated in foreign currencies have been converted into Finnish marks at the rates of exchange quoted by the Bank of Finland on the last day of the accounting period. Foreign currency receivables and liabilities protected by forward rate agreements are valued at the forward rate, and the interest share is periodised on the basis of the duration of the agreements.

PENSION LIABILITY

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

RESEARCH AND DEVELOPMENT EXPENSES

R&D expenses are recorded in the year during which they are incurred.

FINANCE LEASING

Finance leasing payments are recorded as annual expenses. The remaining rental payments of finance lease contracts are presented in the notes to the financial statements under liabilities.

DIRECT TAXES

Taxes calculated on the basis of the results of group undertakings for the accounting period, adjustments to the taxes of earlier accounting periods, and the change in the deferred tax liability and asset are recorded as direct taxes on the consolidated income statement. The deferred tax liability or asset is calculated for the timing differences between taxation and accounting using the tax rate in force at the closing of the accounts. Confirmed losses that are deductible against taxation are treated as a tax asset to the extent that the Company will likely be able to utilise them in the near future.

	CONSOLIDATED		PARENT COMPANY	
	1.1.1998-31.12.1998	1.1.1997-31.12.1997	**1.1.1998-31.12.1998**	1.1.1997-31.12.1997

INCOME STATEMENT

1.1 NET SALES AND OPERATING PROFIT

Net sales by business sector				
Paving and Mineral Aggregates Division	**1,055,364**	1,000,168	**892,074**	879,370
Building Materials Division	**424,840**	396,806	**395,976**	357,820
Lemminkäinen Construction Ltd	**1,026,015**	615,303		
Oy Alfred A. Palmberg Ab	**1,824,747**	1,397,973		
Intra-group sales / others	**-76,285**	-29,936	**9,008**	8,751
Total	**4,254,681**	3,380,314	**1,297,058**	1,245,941
Net sales by market area				
Finland	**3,305,494**	2,641,545	**1,215,729**	1,100,660
Nordic countries	**284,629**	185,974	**16,906**	18,556
Eastern Europe	**524,921**	425,565	**60,801**	122,074
Western Europe	**68,781**	50,228	**1,191**	29
Asia	**25,850**	77,002	**1,183**	4,622
Africa	**45,006**		**1,248**	
Total	**4,254,681**	3,380,314	**1,297,058**	1,245,941
Operating profit/loss by business sector				
Paving and Mineral Aggregates Division	**100,699**	70,701	**114,297**	87,461
Building Materials Division	**18,343**	14,580	**18,016**	13,828
Lemminkäinen Construction Ltd	**11,894**	9,528		
Oy Alfred A. Palmberg Ab	**64,093**	43,262		
Group eliminations / others	**-13,048**	-11,283		1,570
Total	**181,981**	126,788	**132,313**	102,859

1.2 OTHER OPERATING INCOME

Profit on the sale of fixed assets	**4,770**	34,976	**2,174**	3,883
Share of the results of affiliated undertakings	**2,440**	1,564		
Others	**7,599**	5,057	**5,400**	5,038
Total	**14,809**	41,597	**7,574**	8,921

1.3 MATERIALS AND SERVICES

Raw materials, consumables and goods				
Purchases during the accounting period	**1,479,248**	1,137,687	**370,529**	348,529
Change in inventories	**-53,497**	-31,757	**-11,485**	3,014
	1,425,751	1,105,930	**359,044**	351,543
External services	**1,529,885**	1,114,514	**297,782**	290,960
Total	**2,955,636**	2,220,444	**656,826**	642,503

FIM in thousands

	CONSOLIDATED		PARENT COMPANY	
	1.1.1998- 31.12.1998	1.1.1997- 31.12.1997	**1.1.1998- 31.12.1998**	1.1.1997- 31.12.1997

1.4. NOTES CONCERNING PERSONNEL, MANAGEMENT AND BOARD MEMBERS

Personnel expenses				
Salaries, wages and emoluments	**561,186**	485,213	**257,233**	243,695
Pension fund payments	**95,732**	81,571	**44,894**	40,867
Other personnel-related expenses	**53,011**	48,153	**27,620**	24,104
Total	**709,929**	614,937	**329,747**	308,666
Management salaries and emoluments				
Members of boards and managing directors	**7,416**	7,770	**1,797**	1,745
Average number of employees				
Salaried staff	**1,164**	1,049	**444**	434
Hourly paid employees	**2,124**	1,917	**1,039**	994
Total	**3,288**	2,966	**1,483**	1,428
Average number of employees by business sector				
Paving and Mineral Aggregates Division	**997**	985	**904**	896
Building Materials Division	**575**	563	**579**	532
Lemminkäinen Construction Ltd	**495**	462		
Oy Alfred A. Palmberg Ab	**1,221**	956		
Total	**3,288**	2,966	**1,483**	1,428

Pension commitments with regard to board members and managing directors

The retirement age of the managing directors of Lemminkäinen Corporation, Oy Alfred A. Palmberg Ab, and Lemminkäinen Construction Ltd is 60 years. The retirement age of the managing directors of other group undertakings is the statutory retirement age.

1.5 DEPRECIATION

Intangible rights	**1,048**	928	**478**	409
Goodwill	**17,659**	18,763	**2,075**	2,405
Other capitalised expenditure	**78**	131	**46**	46
Buildings	**12,595**	12,789	**5,870**	6,415
Machinery and equipment	**64,811**	57,124	**41,011**	36,367
Other tangible assets	**3,299**	3,098	**1,597**	1,723
Total	**99,490**	92,833	**51,077**	47,365

1.6 FINANCIAL INCOME AND EXPENSES

Dividend income				
From group undertakings			**686**	
From others	**2,329**	495	**2,146**	478
Total	**2,329**	495	**2,832**	478

FIM in thousands

	CONSOLIDATED		PARENT COMPANY	
	1.1.1998- 31.12.1998	1.1.1997- 31.12.1997	**1.1.1998- 31.12.1998**	1.1.1997- 31.12.1997
Other interest and financial income				
From group undertakings			**2,879**	1,430
From others	**5,754**	4,470	**3,387**	3,530
Total	**5,754**	4,470	**6,266**	4,960
Interest expenses and other financial expenses				
From group undertakings			**-1,362**	-1,601
From others	**-28,869**	-22,991	**-14,396**	-14,256
Total	**-28,869**	-22,991	**-15,758**	-15,857
Net financial income/expenses	**-20,786**	-18,026	**-6,660**	-10,419
Net financial income/expenses, including exchange rate differences (net)	**-5,372**	84	**-587**	1,325
1.7 EXTRAORDINARY ITEMS				
Extraordinary income				
Percentage-of-completion (part belonging to the previous accounting period)	**744,834**		**32,410**	
Extraordinary expenses				
Percentage-of-completion (part belonging to the previous accounting period)	**-674,678**		**-25,164**	
Total	**70,156**		**7,246**	
1.8 APPROPRIATIONS				
Difference between depreciation according to plan and depreciation charged against taxation			**26,366**	-8,848
Discharge of the transitional reserve				34,762
Total			**26,366**	25,914
1.9 DIRECT TAXES				
Income taxes on extraordinary items	**-19,644**		**-2,029**	
Income taxes on normal business operations	**-36,603**	-89,547	**-39,636**	-33,451
Income taxes in respect of previous years	**-76,351**	-645	**-76,151**	-375
Change in deferred tax liability	**-9,936**	55,682		
Total	**-142,534**	-34,510	**-117,816**	-33,826

FIM in thousands

	CONSOLIDATED		PARENT COMPANY	
	1.1.1998-31.12.1998	1.1.1997-31.12.1997	**1.1.1998-31.12.1998**	1.1.1997-31.12.1997

BALANCE SHEET

2.1 NON-CURRENT ASSETS

2.1.1 Intangible assets				
Intangible rights	**2,614**	3,058	**1,405**	1,613
Goodwill	**803**	1,338	**3,535**	5,610
Other capitalised expenditure	**2,830**	2,899	**335**	381
Advance payments	**976**	2	**975**	
Total	**7,223**	7,297	**6,250**	7,604
2.1.2 Goodwill on consolidation	**33,694**	50,818		
2.1.3 Tangible assets				
Land and waters	**45,717**	41,399	**42,131**	37,949
Buildings	**218,506**	226,725	**95,957**	99,241
Machinery and equipment	**264,622**	239,403	**195,280**	168,982
Other tangible assets	**35,346**	35,878	**18,132**	18,916
Advance payments and construction in progress	**3,669**	6,347	**3,323**	6,347
Total	**567,860**	549,752	**354,823**	331,435
2.1.4 Investments				
Holdings in group undertakings			**551,844**	512,469
Holdings in affiliated undertakings	**12,355**	6,201	**6,788**	1,745
Other shares and holdings	**57,212**	49,572	**47,611**	39,943
Total	**69,567**	55,773	**606,243**	554,157

2.1.1 Intangible assets				
Intangible rights				
Acquisition cost 1.1.	**6,516**	5,696	**3,813**	3,055
Translation difference	**-9**			
Increases	**725**	973	**271**	958
Decreases	**-269**	-162	**-240**	-200
Acquisition cost 31.12.	**6,963**	6,507	**3,844**	3,813
Accumulated depreciation 31.12.	**-4,349**	-3,449	**-2,439**	-2,200
Book value 31.12.	**2,614**	3,058	**1,405**	1,613
Goodwill				
Acquisition cost 1.1.	**11,260**	10,560	**18,166**	18,166
Increases		700		
Decreases	**-990**		**-990**	
Acquisition cost 31.12.	**10,270**	11,260	**17,176**	18,166
Accumulated depreciation 31.12.	**-9,468**	-9,921	**-13,641**	-12,556
Book value 31.12.	**802**	1,339	**3,535**	5,610

FIM in thousands

	CONSOLIDATED		PARENT COMPANY	
	1.1.1998-31.12.1998	1.1.1997-31.12.1997	**1.1.1998-1.12.1998**	1.1.1997-31.12.1997
Other capitalised expenditure				
Acquisition cost 1.1.	**3,694**	3,647	**462**	173
Increases	**33**	338		289
Decreases	**-221**	-291		
Acquisition cost 31.12.	**3,506**	3,694	**462**	462
Accumulated depreciation 31.12.	**-676**	-795	**-127**	-81
Book value 31.12.	**2,830**	2,899	**335**	381
Advance payments				
Acquisition cost 1.1.	**2**	1,133		1,050
Increases	**976**		**975**	
Decreases	**-2**	-1,131		-1,050
Acquisition cost 31.12.	**976**	2	**975**	0
2.1.2 Goodwill on consolidation				
Acquisition cost 1.1.	**163,475**	163,498		
Decreases		-23		
Acquisition cost 31.12.	**163,475**	163,475		
Accumulated depreciation 31.12.	**-129,781**	-112,657		
Book value 31.12.	**33,694**	50,818		
2.1.3 Tangible assets				
Land and Waters				
Acquisition cost 1.1.	**26,895**	27,247	**23,444**	23,047
Increases	**538**	548	**382**	398
Decreases	**-438**	-900	**-417**	-1
Acquisition cost 31.12.	**26,995**	26,895	**23,409**	23,444
Revaluation increases	**18,722**	14,504	**18,722**	14,504
Book value 31.12.	**45,717**	41,399	**42,131**	37,948
Buildings				
Acquisition cost 1.1.	**353,529**	366,267	**154,528**	150,670
Increases	**5,477**	9,981	**3,505**	5,678
Decreases	**-3,614**	-22,719	**-2,606**	-1,820
Acquisition cost 31.12.	**355,392**	353,529	**155,427**	154,528
Accumulated depreciation 31.12.	**-152,346**	-142,264	**-74,930**	-70,747
Revaluation increases	**15,460**	15,460	**15,460**	15,460
Book value 31.12.	**218,506**	226,725	**95,957**	99,241
Machinery and equipment				
Acquisition cost 1.1.	**542,163**	550,924	**380,632**	409,100
Translation difference	**315**			
Increases	**98,990**	85,125	**71,271**	54,192

FIM in thousands

	CONSOLIDATED		PARENT COMPANY	
	1.1.1998-31.12.1998	1.1.1997-31.12.1997	**1.1.1998-31.12.1998**	1.1.1997-31.12.1997
Decreases	**-26,825**	-93,571	**-10,344**	-82,660
Acquisition cost 31.12.	**614,643**	542,478	**441,559**	380,632
Accumulated depreciation 31.12.	**-350,021**	-303,075	**-246,279**	-211,650
Book value 31.12.	**264,622**	239,403	**195,280**	168,982
Other tangible assets				
Acquisition cost 1.1.	**51,695**	50,157	**32,986**	31,795
Translation difference	**-4**			
Increases	**2,854**	2,013	**841**	1,682
Decreases	**-406**	-479	**-348**	-491
Acquisition cost 31.12.	**54,139**	51,691	**33,479**	32,986
Accumulated depreciation 31.12.	**-18,794**	-15,813	**-15,347**	-14,070
Book value 31.12.	**35,345**	35,878	**18,132**	18,916
Advance payments and construction in progress				
Acquisition cost 1.1.	**6,347**	1,073	**6,347**	88
Increases	**3,681**	6,347	**3,323**	6,347
Decreases	**-6,359**	-1,073	**-6,347**	-88
Acquisition cost 31.12.	**3,669**	6,347	**3,323**	6,347
2.1.4 Investments				
Holdings in group undertakings				
Acquisition cost 1.1.			**512,470**	512,435
Increases			**39,374**	35
Acquisition cost 31.12.			**551,844**	512,470
Holdings in affiliated undertakings				
Acquisition cost 1.1.	**6,201**	4,924	**1,745**	1,745
Increases	**7,074**	1,277	**5,043**	
Decreases	**-920**			
Acquisition cost 31.12.	**12,355**	6,201	**6,788**	1,745
Other shares and holdings				
Acquisition cost 1.1.	**47,544**	45,122	**37,916**	37,578
Increases	**684**	4,337	**305**	1,464
Decreases	**-1,070**	-1,914	**-664**	-1,126
Acquisition cost 31.12.	**47,158**	47,545	**37,557**	37,916
Revaluation increases	**10,054**	2,027	**10,054**	2,027
Book value 31.12.	**57,212**	49,572	**47,611**	39,943
2.1.5 Revaluation increases				
Land				
Value 1.1.	**14,504**	14,504	**14,504**	14,504
Increase	**4,218**		**4,218**	
Value 31.12.	**18,722**	14,504	**18,722**	14,504

FIM in thousands

	CONSOLIDATED		PARENT COMPANY	
	1.1.1998-31.12.1998	1.1.1997-31.12.1997	**1.1.1998-1.12.1998**	1.1.1997-31.12.1997
Buildings				
Value 1.1.	**15.460**	15.460	**15.460**	15.460
Value 31.12.	**15,460**	15,460	**15,460**	15,460
Shares				
Value 1.1.	**2,027**	2,281	**2,027**	2,281
Increase	**8,169**		**8,169**	
Decrease	**-142**	-254	**-142**	-254
Value 31.12.	**10,054**	2,027	**10,054**	2,027

2.2 CURRENT ASSETS

2.2.1 Inventories				
Raw materials and consumables	**42,575**	31,423	**35,119**	23,635
Building plots	**205,937**	186,736		
Work in progress	**254,586**	798,926		29,769
Apartments and premises	**102,013**	92,193		
Finished products / goods	**85,045**	80,695	**85,377**	80,678
Total	**690,156**	1,189,973	**120,496**	134,082
2.2.2 Non-current receivables				
Loan receivables	**3,182**	3,183	**2,807**	2,808
2.2.3 Deferred tax asset				
Timing differences	**11,152**			
2.2.4 Current receivables				
Accounts receivable	**361,992**	275,208	**67,003**	62,223
Amounts owed by group undertakings				
Accounts receivable			**7,055**	3,649
Other receivables			**42,729**	57,106
Prepayments and accrued income			**1,065**	706
Total			**50,849**	61,461
Amounts owed by affiliated undertakings				
Accounts receivable	**252**		**252**	
Loan receivables	**25,103**	20,862	**2,013**	2,415
Other receivables	**5,110**	3,310	**543**	442
Prepayments and accrued income	**121,718**	34,611	**21,727**	14,695
Total	**151,931**	58,783	**24,283**	17,552
Current receivables, total	**514,175**	333,991	**142,387**	141,236

FIM in thousands

	CONSOLIDATED		PARENT COMPANY	
	1.1.1998-31.12.1998	1.1.1997-31.12.1997	**1.1.1998-31.12.1998**	1.1.1997-31.12.1997
2.2.5 Investments				
Other securities	**27,750**	51,540	**27,500**	51,500
2.3 SHAREHOLDERS' EQUITY				
Share capital 1.1.	**162,000**	162,000	**162,000**	162,000
New share subscription	**8,213**		**8,213**	
Share capital 31.12.	**170,213**	162,000	**170,213**	162,000
Share premium account 1.1.	**27,450**	27,450	**27,000**	27,000
Issue premium	**38,935**		**38,935**	
Share premium account 31.12.	**66,385**	27,450	**65,935**	27,000
Revaluation reserve 1.1.	**1,230**	1,484	**1,230**	1,484
Increase	**12,386**		**12,386**	
Decrease due to sale of fixed assets	**-141**	-254	**-141**	-254
Transfer to deferred tax liability	**-12,386**		**-12,386**	
Revaluation reserve 31.12.	**1,089**	1,230	**1,089**	1,230
Retained earnings 1.1.	**437,047**	390,656	**371,957**	311,730
Distribution of dividend	**-32,400**	-24,300	**-32,400**	-24,300
Translation difference	**-1,594**			
Retained earnings 31.12.	**403,053**	366,356	**339,557**	287,430
Profit for the accounting period	**84,375**	70,691	**41,449**	84,527
Shareholders' equity, total	**725,115**	627,727	**618,243**	562,187
Distributable funds 31.12.				
Retained earnings	**403,053**	366,356		
Profit for the accounting period	**84,375**	70,691		
Equity share of depreciation reserve and untaxed reserves	**-44,109**	-73,083		
Distributable shareholders' equity	**443,319**	363,964		
2.4 APPROPRIATIONS				
Depreciation reserve				
Intangible rights				
Depreciation in excess of plan 1.1.			**615**	684
Increase / decrease			**-150**	-69
Depreciation in excess of plan 31.12.			**465**	615

FIM in thousands

	CONSOLIDATED		PARENT COMPANY	
	1.1.1998-31.12.1998	1.1.1997-31.12.1997	**1.1.1998-31.12.1998**	1.1.1997-31.12.1997
Buildings				
Depreciation in excess of plan 1.1.			**22,950**	18,754
Increase / decrease			**-1,575**	4,196
Depreciation in excess of plan 31.12.			**21,375**	22,950
Machinery and equipment				
Depreciation in excess of plan 1.1.			**148,907**	144,187
Increase / decrease			**-13,214**	4,720
Depreciation in excess of plan 31.12.			**135,693**	148,907
Other tangible assets				
Depreciation in excess of plan 1.1.				
Increase / decrease			**53**	
Depreciation in excess of plan 31.12.			**53**	
Shares in group undertakings				
Depreciation in excess of plan 1.1.			**11,480**	11,480
Increase / decrease			**-11,480**	
Depreciation in excess of plan 31.12.			**0**	11,480
Depreciation reserve				
Depreciation reserve 1.1.			**183,952**	175,104
Increase / decrease			**-26,366**	8,848
Depreciation reserve 31.12.			**157,586**	183,952
Division of appropriations between tax liability and shareholders' equity				
Depreciation reserve in the financial statements of individual group undertakings	**197,494**	237,736		
Deferred tax liability	**-55,298**	-66,566		
Equity share	**142,196**	171,170		
Eliminated at time of acquisition	**-98,087**	-98,087		
Remaining equity share included in shareholders' equity	**44,109**	73,083		

2.5 OBLIGATORY PROVISIONS

Guarantee provisions	**7,518**	12,118
Other obligatory provisions	**11,509**	-138
Total	**19,027**	11,980

2.6 LIABILITIES

2.6.1 Deferred tax liability

Appropriations	**55,298**	66,566

FIM in thousands

	CONSOLIDATED		PARENT COMPANY	
	1.1.1998-31.12.1998	1.1.1997-31.12.1997	**1.1.1998-31.12.1998**	1.1.1997-31.12.1997
Revaluation increases	**12,386**		**12,386**	
Timing differences	**32,355**			
Total	**100,039**	66,566	**12,386**	
2.6.2 Non-current liabilities				
Loans from credit institutions	**231,406**	211,938	**132,054**	79,966
Pension loans	**59,675**	90,339		90,338
Other non-current liabilities		5,051		
Total	**291,081**	307,328	**132,054**	170,304
Liabilities due after 5 years or later				
Loans from credit institutions	**63,686**	10,461	**27,143**	
Pension loans	**20,375**	67,578		67,578
Total	**84,061**	78,039	**27,143**	67,578
2.6.3 Current liabilities				
Loans from credit institutions	**75,757**	49,616	**42,912**	30,174
Pension loans	**9,825**	6,800		6,800
Advances received	**319,768**	871,541		32,901
Accounts payable	**133,455**	120,870	**22,766**	26,158
Amounts owed to group undertakings				
Accounts payable			**3,000**	2,078
Other liabilities			**127,273**	137,264
Accruals and deferred income				7
Total	**130,273**	139,349		
Other liabilities	**37,943**	30,129	**676**	2,551
Accruals and deferred income	**325,466**	216,847	**159,134**	78,133
Non-current liabilities, total	**902,214**	1,295,803	**355,761**	316,066

2.7 EFFECT OF PERCENTAGE-OF-COMPLETION METHOD ON BALANCE SHEET ITEMS

Inventories / work in progress	**1,427,189**		**63,345**	
Portion recognised as income	**-1,172,603**		**-63,345**	
Work in progress on the balance sheet	**254,586**		**0**	
Liabilities / advances received	**1,594,423**		**72,626**	
Portion recognised as income	**-1,274,655**		**-72,626**	
Advances received on the balance sheet	**319,768**		**0**	

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	CONSOLIDATED		PARENT COMPANY	
	1.1.1998-31.12.1998	1.1.1997-31.12.1997	**1.1.1998-31.12.1998**	1.1.1997-31.12.1997

2.8 CONTINGENT LIABILITIES

Loans				
Loans from credit institutions	**307,164**	261,554	**174,966**	110,140
Pension loans	**69,500**	97,138		97,138
Total	**376,664**	358,692	**174,966**	207,278
Securities for own commitments				
Property mortgages	**56,792**	91,220		15,000
Business mortgages	**276,550**	280,550	**150,000**	150,000
Bonds pledged as security	**34,353**	57,208		
Total	**367,695**	428,978	**150,000**	165,000
Guarantees given on behalf of others				
Bonds pledged as security	**1,253**			
Pension liabilities	**221**	218		
Finance leasing liabilities				
Amounts payable in 1999			**6,591**	9,332
Amounts payable later			**3,413**	10,004
Total			**10,004**	19,336
Guarantees given				
On behalf of group undertakings			**580,394**	503,949
On behalf of affiliated undertakings	**1,400**		**1,400**	
On behalf of others	**71**	1,676	**71**	106
Derivative contracts				
Forward foreign exchange contracts				
Nominal value	**16,499**		**16,499**	

FIM in thousands

15. SHARES AND HOLDINGS OF THE GROUP AND PARENT COMPANY

GROUP UNDERTAKINGS 31.12.1998

COMPANY	CONSOLIDATED	PARENT COMPANY			CONSOLIDATED
	Share-holding (%)	Share-holding (%)	Number of shares held	Book value of share-holding FIM in thousands	Book value of holdings in other group undertakings FIM in thousands
Oy Finnasfalt Ab, Helsinki	100.0	100.0	200	58	
Kainuun Murske Oy, Kajaani	54.2	54.2	13	885	
Lemminkäinen Construction Ltd., Helsinki	100.0	100.0	100	10,000	
Sica Oy, Helsinki	100.0	100.0	1,003	332,639	
Oy Alfred A. Palmberg Ab, Helsinki	100.0	51.5	2,551	166,242	61,788
Tielinja Oy, Helsinki	100.0	100.0	75	1,835	
Lemcon Company S.A., Luxembourg	100.0	100.0	1,605	182	
Lemcon Baumanagement GmbH, Germany	100.0	100.0	100	122	
Lemcon Bauprojekt-Management GmbH, Austria	100.0	100.0	1	108	
Lemminkäinen Svenska Ab, Sweden	100.0	100.0	10	70	
Lemminkäinen A/S, Denmark	100.0	100.0	45,500	36,391	
Lemcon (U.K.) Ltd., Great Britain	100.0	100.0	100	1	
Lemminkäinen Eesti AS, Estonia	100.0	100.0	10	15	
Omni-Sica Oy, Helsinki	100.0	100.0	50	55	
ZAO Lemdorstroi, Russia	100.0	100.0	49	3,241	
As Rajar Tl, Estonia	58.0				27
WPL-System Oy, Helsinki	100.0				249
Neccos Oy, Helsinki	100.0				50
Lemcon Latvija SIA, Latvia	100.0				20
Lemcon Vilnius UAB, Lithuania	100.0				11
Lemcon Polska Sp.z o.o, Poland	100.0				150
ZAO Lemstroi, Russia	100.0				104
ZAO Neccos, Russia	100.0				9
ZAO Lemminkäinen/St. Petersburg	100.0				4
ZAO Rakennus Lemminkäinen/Moscow	100.0				10
Kiinteistö Oy Esterinportti 2, Helsinki	100.0				135,658
Rakennustoimisto Palmberg Oy, Tampere	90.0				4,369
Oy Konte Ab, Vaasa	90.9				1,000
Palmberg-Rakennus Oy, Oulu	100.0				1,000
Rakennusliike S. Horttanainen Oy, Porvoo	100.0				3,000
Byggnads Ab Forsström Rakennus Oy, Kokkola	75.0				900
Savocon Oy, Kuopio	92.7				2,144
Palmberg-Urakoitsijat Oy, Hyvinkää	90.0				270
AAP-Insinöörit Oy, Helsinki	100.0				15
Rakennus-Otava Oy, Jyväskylä [1]	100.0				3,542
Oka Oy, Kouvola	70.0				14,645
Rakennusliike Seppo J. Räty Oy, Imatra [2]	70.0				280
Total				551,844	229,245

1) Wholly owned through a subsidiary undertaking

2) 70 % owned through a subsidiary undertaking

AFFILIATED UNDERTAKINGS 31.12.1998

COMPANY	CONSOLIDATED	PARENT COMPANY			CONSOLIDATED
	Share-holding (%)	Share-holding (%)	Numbers of shares held	Book value of share-holding FIM in thousands	Book value of holdings in other group undertakings FIM in thousands
Pointti-Talo O	45.0	45.0	27	1,745	
Tasfil AS, Estonia	40.4	40.4	949	3,389	946
Talter AS, Estonia	50.6	50.6	810	1,653	909
Laing-Loy Management Ltd, Great Britain	50.0				50
P-Turku Oy, Turku	44.1				30
Oy Jakobe Ab	33.2				2,272
Oy Tara-Element Ab, Kokkola	48.9				1,360
Total				6,787	5,567

OTHER SHARES AND HOLDINGS 31.12.1998

COMPANY	Shareholding (%)	Number of shares held	Nominal value FIM in thousands	Book value FIM in thousands
Helsinki Halli Oy A, Helsinki		12	120	1,200
Merita Pankki, Helsinki		410,199	4,102	8,509
Oy Nordgolf Ab Y, Åminnefors	5.0	57	1,425	1,091
Sampo Vakuutus Oy, Turku		17,692	88	907
Talentum Oyj, Helsinki		97,344	243	1,436
Thomesto Trading Yhtiöt Oy, Helsinki		80,000	800	2,000
Vierumäen Kuntokylä Oy, Helsinki	3.4	2,640	264	817
Property company shares				12,748
Residental company shares				24,032
Other shares and holdings				4,472
Total				57,212

BOARD OF DIRECTORS PROPOSAL FOR APPROPRIATION OF RETAINED EARNINGS

Distributable funds shown on the consolidated balance sheet at the end of the accounting period amount to FIM 443,318,689.89. The Parent Company's retained earnings from previous years is FIM 339,557,239.00, the Parent Company's profit for the accounting period is FIM 41,449,501.65 and the Parent Company's total retained earnings at the end of the accounting period are FIM 381,006,740.65. The Board of Directors will propose to the Annual General Meeting that a total dividend of FIM 51,063,750.00 be paid to shareholders, after which retained earnings would stand at FIM 329,942,990.65.

Helsinki, 17th February 1999

Heikki Pentti

Teppo Taberman

Paul Blomqvist

Erkki J. Pentti

Juhani Sormaala
Managing Director

AUDITORS' REPORT

To the shareholders of Lemminkäinen Corporation

We have audited the accounting, the financial statements and the corporate governance of Lemminkäinen Corporation for the financial year ended December 31, 1998. The financial statements, which include the report of Board of Directors, consolidated and parent company income statements, balance sheets and notes to financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine 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 result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director can be discharged from liability for the financial year audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

We have reviewed the interim reports published during the financial year. The interim reports have been prepared in accordance with applicable regulations.

Helsinki, 11 March 1999

Jan Holmberg
Authorised Public Accountant

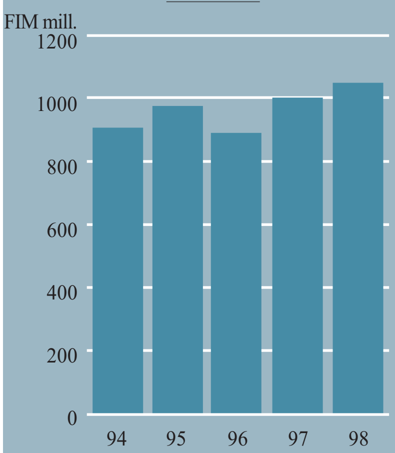
Jarmo Alén
Authorised Public Accountant

PAVING AND MINERAL AGGREGATES DIVISION

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

FIM mill.	**1998**	1997
Net sales	**1,055.3**	989.2
Operating profit	**100.7**	73.9
Net investments	**64.5**	48.5
Employees	**997**	985

Net sales



The Paving and Mineral Aggregates Division produces asphalt, recycled asphalt macadam and specialist paving. It carries out contracting in the fields of road paving, milling and road marking as well as quarrying and crushing. The Division also produces mineral aggregates for resale.

The overall level of demand fell in some of the Division's business areas. This was caused by reduced government funding of the Finnish National Road Administration (Finnra) and a weakening in the finances of the local authorities.

The buoyancy of the building contracting market increased the demand for mineral aggregates and urban environment products.

The Division's net sales were FIM 1,055.3 million (989.2). Net sales in Finland rose 10% to FIM 842.8 million (767.6). Net sales from exports fell slightly to FIM 212.6 million (221.6). Exports accounted for 20% (22) of the Division's net sales.

The Division's operating profit rose to FIM 100.7 million (73.9). The average number of employees in the Division in 1998 was 996 (985).

Net sales by business area

	1998 FIM mill.	1997 FIM mill.
Asphalt Paving	**842.6**	810.4
Mineral Aggregates	**197.9**	158.2
Tielinja Oy	**16.6**	27.2
Internal invoicing	**-1.8**	-6.6
Total	**1,055.3**	989.2

ASPHALT PAVING

The downward trend in domestic demand that has persisted throughout most of the 1990s continued. The volume of orders received from the Finnish National Road Administration fell by about a quarter. The volume of work received from local authorities declined by a fifth, but this was partly offset by increased orders from the private sector.

The Company produced 2.9 million tonnes (3.2) of asphalt, retaining its position as the market leader in Finland. Production fell by 9% in Finland and by 15% abroad. Most of this decline was due to the financial crisis in Russia.

Sales of paving-related ancillary products as well as environmental geotechnology products and services grew considerably. The most important contract in the latterly mentioned business area was an extension to a landfill site in Oulu, which was built using a watertight asphalt structure – the first time such a solution has been applied in the Nordic countries.

The net sales of the Paving Unit were FIM 842.6 million (810.4), of which operations abroad accounted for 24% (25).

In Russia the Minsk highway contract and the second stage of the Moscow ring road were completed. The Unit also produced the asphalt required to pave a 40 km section of the Nikel-Murmansk highway. In St. Petersburg and Togliatti the Unit produced asphalt for resale and contracting use.

In Estonia, paving contracts were carried out for the Estonian National Road Administration, the City of Tallinn and private-sector clients. Three Estonian asphalt production companies were acquired jointly with NCC of Sweden. In Latvia, a number of fairly small paving contracts were completed for the national road administration of that country.

In Denmark the asphalt production volume declined slightly due to a fall-off in demand following the completion of some major motorway projects. Three batching plants were in operation compared with four previously.

In Zambia a highway improvement contract covering a 200-kilometer road section will be completed in summer 1999. The construction work has been underway since summer 1997.

The average number of employees in 1998 was 720 (726). The Head of the Unit is Mr. Matti Kokko, B.Sc. (Eng.).

MINERAL AGGREGATES

Domestic demand for the products and services of the mineral aggregates industry rose by 6% in the review year. Most of this growth was due to the buoyancy of building contracting as well as motorway and airport runway contracts.

The Mineral Aggregates Unit produced 11.4 million tonnes (10.1) of crushed aggregates during the review year. Over 80% of the raw material for this production was obtained from bedrock excavations. About a fifth of this amount was excavated on site prior to construction.

The net sales of the Unit were FIM 197.9 million (158.2).

The most important domestic contracts during the review year were the production of mineral aggregates for the third runway at Helsinki-Vantaa Airport, the Ämmässuo landfill extension contract, and rail track ballast deliveries to customers all over the country.

The most important export projects were the production of mineral aggregates for paving contracts in the St. Petersburg area and a crushing contract for the Nikel - Murmansk highway improvement project.

The average number of employees in the Mineral Aggregates Unit in 1998 was 168 (155). The Head of the Unit is Mr. Juhani Innanen, B.Sc. (Eng.).

TIELINJA OY

Tielinja Oy carried out a total of 329,000 m^2 (582,000) of road markings in paint and a further 234,000 m^2 (370,000) in thermoplastics. The Company produced a total of 1,640,000 kg (1,800,000) of thermoplastic road marking materials and cement-based repair mortars and façade coatings. The fall in production volumes was due to a further reduction in orders from the Finnish National Road Administration and project cutbacks resulting from the financial crisis in Russia.

The Company's net sales were FIM 16.6 million (27.2), with operations abroad accounting for 36% (52) of the total.

The most important export contracts were road marking works carried out for the national road administrations of Sweden and Estonia. In addition to these, several thermoplastic road marking contracts were carried out for clients in Russia.

The average number of employees in the Company in 1998 was 29 (29). The Managing Director of the Company is Mr. Risto Vento.

RESEARCH AND DEVELOPMENT

Lemminkäinen's Central Laboratory is located in Tuusula near Helsinki-Vantaa Airport. It serves the needs of the Group in development work, quality assurance and testing, and also undertakes technical assignments for the business units and their clients.

The most important technical development projects were concerned with environmental geotechnology. New waterproof asphalt pavements and structures were developed for groundwater protection applications. In addition, the use of asphalt technology to encapsulate and utilise contaminated soil and industrial by-products was studied in depth.

In November the Central Laboratory celebrated the fiftieth anniversary of its establishment and is therefore one of the building industry's oldest laboratories. The research establishment was awarded the SFS-EN ISO 9001 quality certificate in connection with the celebrations.

The Central Laboratory has a staff of 13 (13) and is headed by Mr. Lars Forstén, M.Sc.(Eng.).

The demand for mineral aggregate products rose. Eleven million tonnes of crushed aggregates were produced.

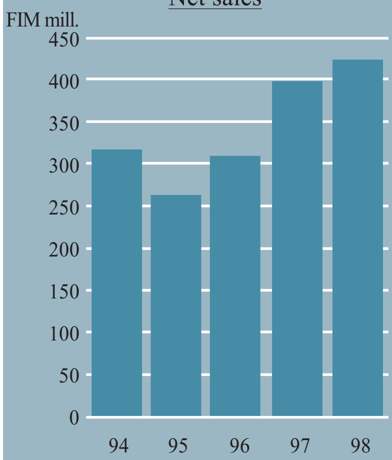
An extension to the Rusko landfill in Oulu was built using a watertight asphalt structure. Mineral insulation work in progress.

BUILDING MATERIALS DIVISION

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

FIM mill.	1998	1997
Net sales	**424.8**	391.9
Operating profit	**18.3**	14.1
Net investments	**12.8**	22.9
Employees	**575**	563

Net sales



The Building Materials Division manufactures and imports a range of building products, and carries out contracting related to these materials. The main product groups are bituminous roofing materials, concrete and natural stone-based urban environment products and pre-cast concrete stair units. The Division also imports building boards and materials used in the construction of sporting facilities.

The Division's net sales continued to grow during the review year. Earlier acquisitions were integrated into the Division's operations, and investments targeted at improved production efficiency were finalised. Delays in the implementation and commissioning of some investments combined with the summer's unsettled weather slowed down the improving trend in profitability.

The net sales of the Building Materials Division were FIM 424.8 million (391.9).

The Division exceeded the result for the previous year, but because of the above-mentioned factors the set profitability target was not achieved. The Division's operating profit was FIM 18.3 million (14.1). The result for the coming operating season is expected to continue to develop favourably.

The average number of employees in the Division in 1998 was 576 (563).

Net sales by business area

	1998 FIM mill.	1997 FIM mill.
Roofing	**279.4**	252.8
Concrete products	**118.7**	101.2
Omni-Sica Oy	**31.0**	42.6
Internal invoicing	**-4.3**	- 4.7
Total	**424.8**	391.9

PRODUCTION OF ROOFING MATERIALS AND ROOFING CONTRACTING

Lemminkäinen Corporation is a bituminous roofing manufacturer and Finland's leading roofing contractor. The business volume continued to grow thanks to exports and tiled roofing contracting. Sales of bituminous roofing materials and related contracting were adversely affected by heavy rainfall and economic problems in the Far East and Russia. Export markets in Sweden also weakened.

The net sales of the Roofing Unit were FIM 279.4 million (252.8).

The commissioning of the third phase of an investment programme at Lohja bituminous roofing plant began in January 1998. The production plant was rationalised and its internal logistics improved by renewing the final section of the production line. A new production line for roof shingles was brought into use in August 1998.

The net sales and profitability of roofing contracting both improved in the review year. Notable roofing contracts included the FM Logistics terminal in Moscow and the Finnish embassy in New Delhi, India. Development work on a quality system for roofing contracting continued, and the quality system will be certificated in spring 1999.

The Roofing Unit was reorganised on 1st November 1998 by combining material sales and the Lohja plant. The purpose of the reorganisation is to further improve efficiency and service.

The average number of employees in 1998 was 341 (337). The Head of the Unit is Mr. Ari Junttila, M.Sc. (Eng.).

CONCRETE AND NATURAL STONE PRODUCTS AND CONTRACTING

The buoyancy of domestic construction was reflected in the operations of the Concrete Products Unit as a 20% increase in the manufacturing volume of pre-cast concrete stair units and a doubling of the volume of terrazzo floor tiles compared with the previous year. The manufacture of urban environment concrete products remained unchanged at the 1997 level. The production and sales of natural stone products increased significantly with the opening of a new production plant at Viitasaari. Urban environment construction as well as contracting related to terrazzo floor tile and natural stone products increased, with 100% capacity utilisation throughout the entire work season.

The net sales of the Concrete Products Unit were FIM 118.7 million (101.2).

The most important contracts carried out during the review year were a pedestrian precinct in Hanko, Pori and Hämeenlinna stations and Kuopio harbour. The manufacture of new sand-blasted concrete products started up in Orimattila. The importance of the environment was emphasised in the development of operations.

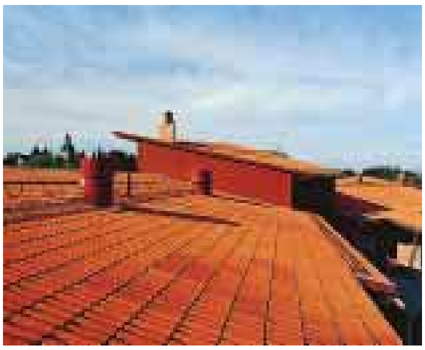
The average number of employees in 1998 was 182 (166). The Head of the Unit is Mr. Juhani Uljas, M.Sc. (Eng.).

OMNI-SICA OY

The main business lines of Omni-Sica Oy are sales of sports-related surfacing systems and related contracting, urban environment construction and polyurethane waterproofing systems. In addition to these, the company imports Mondo floor coverings and Audience spectator stands.

The sports-related construction market remained buoyant throughout the work season. The most important projects were the complete renewal of the Valkeala athletics field, a surfacing contract for a new soccer hall at Eerikkilä, and Mondo jogging tracks installed on Superfast cruise liners. The emphasis in urban environment construction was on park restoration work in the Helsinki metropolitan area, with new irrigation systems being installed in three parks. Waterproofing works were carried out on several sites.

The company's net sales were FIM 31.0 million (42.6). The average number of employees was 25 (28).The Managing Director of the company was Mr. Erkki J. Pentti. Mr. Pekka Peho became the company's new Managing Director with effect from 1.1.1999.



The tiled roof that Lemminkäinen built for Huittinen old persons' service centre was chosen "Roof of the Year".

Sports-related construction remained buoyant. The Valkeala athletics field was completely renewed.

The production line at Lohja bituminous roofing plant was modernised.

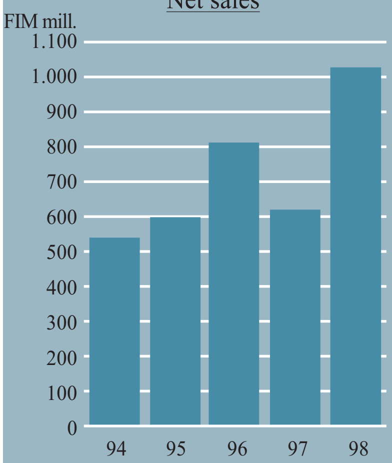
Urban environment construction and terrazzo floor tile and natural stone contracting increased. Extensive stone works were carried out in the centre of Lammi.

LEMMINKÄINEN CONSTRUCTION LTD.

Managing Director of Lemminkäinen Construction Ltd., Mr. Matti A. Mantere M.Sc. (Eng.)

FIM mill.	**1998**	1996
Net sales	**1,026.0**	687.3
Operating profit	**11.9**	9.1
Net investments	**8.5**	20.3
Employees	**495**	462

Net sales



About two-thirds of Lemminkäinen Construction Ltd's business operations are located abroad. In the review year the focus of these international operations shifted even further towards the Nordic countries and Europe. The situation in Russia was reflected in the Company's operations and result. The order book remained good. At the end of the year it was FIM 859 million (716), which offers a better outlook for the coming year.

The net sales of Lemminkäinen Construction Ltd were FIM 1,026 million (687.3) and its operating profit FIM 11.9 million (9.1). The average number of employees in 1998 was 495 (462), of whom 318 (267) were salaried staff.

Net sales by business area

	1997 FIM mill.	1996 FIM mill.
Civil Engineering	**418.1**	301.6
Project Exports	**424.7**	314.6
Project Management	**183.2**	71.1
Total	**1,026.0**	687.3

CIVIL ENGINEERING

The net sales of the Civil Engineering Unit were FIM 418.1 million (301.6).

The most important projects were located in the city centre of Helsinki. The biggest of these contracts was the Kluuvi underground parking facility for 720 vehicles including the underground book depository of the University of Helsinki. The excavation work for both parts of the project was completed by the end of the review year. Construction work on platform roofs at Helsinki's main railway station began at the end of year. The combined value of these projects is over FIM 170 million.

In Turku, preparatory work on the construction of an underground parking facility for 600 vehicles began in the immediate vicinity of the market square. The project is worth about FIM 90 million. Motorway construction work on Highway 3 continued. The Konho interchange was completed at Toijala and work on a 13-kilometre motorway contract at Kulju continued. Work started on an extensive 1.7 million m^3 surface excavation contract at Helsinki-Vantaa Airport.

Deep stabilisation work was buoyant during the review year. The Unit's foundation building capabilities were strengthened by the acquisition of jet-grouting equipment.

In Sweden, construction work on traffic tunnels continued. Norrala railway tunnel, the country's longest, and a high-speed tramway tunnel in Stockholm were both handed over. Stabilisation operations were also initiated in Sweden.

In Norway, work started on the construction of underground gas storage facilities near Bergen. The client is Statoil. Construction work on their associated butane and propane plants will be completed during 1999.

The number of employees in the Civil Engineering Unit was 277 (266). The Head of the Unit is Mr. Erkki Holopainen B.Sc. (Eng.).

PROJECT EXPORTS

Net sales from project exports, excluding project management contracting, were FIM 424.7 million (314.6), with two-thirds of that amount being generated in the St. Petersburg area and in the Baltic states. The focal point of project exporting operations was once again in Russia, where the most significant projects were in Moscow, Tosno and Lomonosov. In Moscow, the first stage of a logistics centre was completed for the French firm, Faure & Machet, and work began on the second stage. A TV and radio centre was completed at Khanti-Mansiisk.

In St. Petersburg the Volhovo station and the construction works of Vena Brewery's bottling plant were completed. The construction of the brewery itself will continue in 1999. An oil products terminal is being built for Neste Corporation at Lomonosov near St. Petersburg, and work began on the construction of an assembly plant for Caterpillar Inc. at Tosno. The value of this contract is about FIM 80 million.

Two major contracts were completed in Estonia: Rocca al Mare, the country's largest shopping centre, in Tallinn, and RAS

Kiviter's wastewater treatment plant at Kohtlajärve.

In Lithuania an FIM 80 million wastewater treatment plant was opened at Klaipeda. The new plant, which was jointly funded by the Nordic countries, is the most significant project ever supported by Finland in the Baltic Rim region. Three raw water pumping stations were built in Egypt.

The Unit continued to operate in several countries in the Far East and other remote regions: the framing work for the Nordic Centre was carried out in Singapore, and diesel power plants were built in Sri Lanka, Vietnam, Bangladesh and Peru. The construction of a mobile phone network began in Singapore towards the end of the year.

Because of continuing difficulties in Russia and their impact on operations, the company's project exporting functions were combined in November 1998. The number of employees in the Unit in 1998 was 127 (148). The Project Exports Unit was headed by Mr. Osmo S. Härkönen, M.Sc. (Eng.).

PROJECT MANAGEMENT CONTRACTING

Net sales from project management contracts were FIM 183.2 million (71.1). The dual focal points of these expanding operations were in Finland and Europe, but significant contracts were also underway in the Far East and in Russia. Income was generated in more than ten different countries during the review year.

In Germany, construction work on the Regensburg ice stadium continued and an extension to a mobile phone factory was completed for Nokia Mobile Phones GmbH at Bochum. At the end of the year a contract was signed for the construction of a new plant in the same locality, and a letter of intent was signed for the construction of a new factory in Hungary.

In the United Kingdom, the Shotton Paper Company's deinking plant was completed in collaboration with a British partner.

Project management consulting for Nokia Telecommunications continued on the basis of the framework agreement made during the previous accounting period.

Rocca al Mare, Estonia's biggest shopping centre, was completed in Tallinn.

A logistics centre was constructed for a French client, Faure & Machet, near the Sheremetjevo Airport in Moscow.

These project management consulting services concern a number of projects in various countries.

In Russia, the most important project management contracts were a logistics centre under construction in Moscow and an oil products terminal being built for Neste Corporation at Lomonosov in collaboration with the Project Exports Unit.

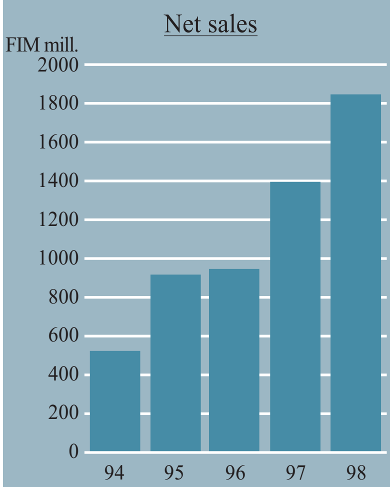
In Finland, the construction of Hartwall Arena's training ice hall got underway in the spring. Kulosaari tennis hall was completed in the autumn. An office building was completed for Nokia Corporation in Tampere in collaboration with Rakennustoimisto Palmberg Oy. The second stage of the project will start in the autumn.

The average number of employees in the Project Management Contracting Unit during the review year was 50 (30). The Head of the Unit is Mr. Juha Nurmi, M.Sc. (Eng.).

OY ALFRED A. PALMBERG AB

Managing Director of
Oy Alfred A. Palmberg Ab
Mr. Risto Bono M.Sc. (Econ.),
MSc. (Eng.)

FIM mill.	**1998**	1997
Net sales	**1,824.7**	1,410.8
Operating profit	**64.1**	47.6
Net investments	**14.9**	-7.8
Employees	**1,221**	956



The Palmberg Group consists of the parent company, Oy Alfred A. Palmberg Ab, and its ten regionally operating subsidiary undertakings.

The Group's business areas include competitive tender contracting of both new building and refurbishment work as well as private-sector housing, commercial and industrial developments.

The Group's net sales were FIM 1,824.7 million (1,410.8), representing a 29% increase in business volume. The value of the order book at the end of the accounting period stood at FIM 1,241 million (782). The Group's operating profit improved compared with the previous year and was FIM 64.1 million (47.6).

The number of own residential development apartments completed by the Group was 389 (162). At the end of the accounting period, 462 (305) own development apartments were under construction. New apartments completed under competitive tender contracting totalled 1,011 (1,078), and 1,004 (803) apartments were under construction at the end of the accounting period.

The average number of employees in the Group during the accounting period was 1,221 (956), of whom 351 (288) were salaried staff.

Net sales of the Group`s building operations by business area

	1998 FIM mill.	1997 FIM mill.
Competitive tender contracting		
Housing	**378.7**	312.2
Other new building work	**528.1**	391.9
Refurbishment work	**260.7**	179.3
Developments		
Housing	**288.6**	135.1
Commercial and industrial buildings	**65.1**	2.7
Total	**1,521.2**	1,021.2

COMPLETED CONTRACTS AND WORK IN PROGRESS

Palmberg's most important residential building contracts included new housing developments of 114 apartments in Vaasa and 79 apartments in Turku. In Tampere an industrial building was extensively remodelled to create 106 student accommodation units, and in Helsinki a housing development of 178 units is being built for Sato-yhtiöt.

In Helsinki, three parking facilities with a total capacity of 700 vehicles were completed and a fourth with space for 790 vehicles is under construction. In Kouvola, work began on the Hansa Centre, a devel-

Rakennus-Otava Oy constructed the new Ambiotica building for the University of Jyväskylä.

opment consisting of 100 housing units, 7,000 m^2 of business premises and parking for 350 vehicles. In Espoo the Stella Business Park is being built in a joint-venture.

Two new developments were completed in Tampere: phase I (approx. 25,000 m^2 of floor space) of a research centre building for Nokia Corporation, and a 150,000 m^3 extension to Pirkkahalli. In addition, the Wasa Theatre was completely refurbished. In Kajaani a barrack building was completed for the Kainuu Brigade. The Ambiotica multi-purpose building is being built for the University of Jyväskylä, and in Helsinki the 20,000 m^2 Kokos building is being converted for use by the Helsinki University of Dramatic Arts.

The OMG cobalt extraction plant was completed in Kokkola, and a 65 MW waste-fired power plant is under construction at Umeå, Sweden. Puijo's K120 ski-jumping hill was completed, and a bridge spanning the over 400-metre-wide straits of Kyrönsalmi is under construction at Savonlinna.

Three apartment blocks under construction in Helsinki.

PALMBERG GROUP

	Region	Net sales FIM mill.		Personnel total		Regional Director
Parent company, Oy Alfred A. Palmberg Ab		403.5	(403.4)[1]	229	(201)	
Helsinki Metropolitan Area Unit	Helsinki metropolitan area					Mr. Pauli Mäkelä
Western Finland Unit	Turku, Salo and surrounding areas					Mr. Raimo Salo

Subsidiary undertakings	Region	Net sales FIM mill.		Personnel total		Managing Director
Palmberg-Urakoitsijat Oy	Western Uusimaa	137.0	(81.4)	26	(20)	Mr. Ahti Kara
Rakennusliike S. Horttanainen Oy	Eastern Uusimaa	40.8	(56.5)	14	(37)	Mr. Ahti Kara
Oka Oy [2]	Kymenlaakso and Eastern Karelia	302.3	(201.0)	237	(139)	Mr. Juhani Pousi
Rakennustoimisto Palmberg Oy	Tamperere and southern central Finland	310.5	(141.1)	198	(140)	Mr. Jukka Vahila
Rakennus-Otava Oy	Jyväskylä and neighbouring municipalities	78.0	(55.3)	62	(38)	Mr. Jussi Kari
Oy Konte Ab	Ostrobotnia, Southwest Finland, projects in Sweden	298.3	(211.8)	226	(166)	Mr. Göran Pellfolk
Byggnads Ab Forsström Rakennus Oy	West coast region	79.3	(91.8)	108	(100)	Mr. Peter Forsström
Palmberg-Rakennus Oy	Provinces of Oulu and Lapland	138.2	(136.4)	90	(86)	Mr. Ahti Heikka
Savocon Oy	Kuopio and surrounding areas	43.8	(35.3)	32	(23)	Mr. Martti Kankkunen

1) Also includes Teollisuuden Rakennuspalvelu Oy, which was sold during the 1998 accounting period.
2) Also includes Rakennusliike Seppo J. Räty Oy, in which a majority interest was acquired during 1997.

HEAD OFFICE

LEMMINKÄINEN CORPORATION
Esterinportti 2
00240 Helsinki
Telephone +358 9 15 991
Fax +358 9 140 672
E-mail: matti.aalto@lemminkainen.fi
www.lemminkainen.fi

REGIONAL OFFICES

HUITTINEN
Risto Rytin katu 22, 32700 Huittinen
+358 2 569 236

HÄMEENLINNA
Tölkkimäentie 4, 13130 Hämeenlinna
+358 3 628 000

IMATRA
Karjalantie 857, 55800 Imatra
+358 5 473 8666

JOENSUU
Parrutie 1, 80100 Joensuu
+358 13 264 210

JYVÄSKYLÄ
Vasarakatu 1, 40320 Jyväskylä
+358 14 334 400

KAJAANI
Brahenkatu 16 as. 9, 87100 Kajaani
+358 8 613 1303

KEMI
Valtakatu 30, 94100 Kemi
+358 16 221 647

KOKKOLA
Outokummuntie, 67100 Kokkola
+358 6 831 1089

KOTKA
Valajantie 7, 48230 Kotka
+358 5 228 8433
+358 5 228 1800

KOUVOLA
Alakyläntie 23, 45100 Kouvola
+358 5 375 6910

KUOPIO
Yrittäjäntie 17, 70150 Kuopio
+358 17 264 4000

KUUSAMO
Kalliovaara
93600 Kuusamo
+358 8 851 4468

LAHTI
Kerintie 20, 15500 Lahti
+358 3 874 200

LAPPEENRANTA
Ruukintie 9, 53500 Lappeenranta
+358 5 416 2025
+358 5 416 2940

LOHJA
Puistokatu 25, 08150 Lohja
+358 19 362 0231

MIKKELI
Kaarikuja 1 C 20, 50170 Mikkeli
+358 15 366 034

MUIJALA
Pysäkkitie 14, 08680 Muijala
+358 19 335 245

OULU
Sälpätie 5, 90630 Oulu
+358 8 556 0111
+358 8 556 0255

PORI
Tuomolantie 2, 28360 Pori
+358 2 646 2505
+358 2 646 0961

RAAHE
Brahenkatu 23 B 1, 92100 Raahe
+358 8 223 7019

SALO
Perämiehenkatu 9, 24100 Salo
+358 2 777 828

SAVONLINNA
Pohjolankatu 21, 57230 Savonlinna
+358 15 515 750

SEINÄJOKI
Teollisuuskatu 11, 60100 Seinäjoki
+358 6 420 3500

TAMPERE
Possijärvenkatu 3, 33400 Tampere
+358 3 237 6600

TURKU
Voimakatu 13, 20520 Turku
+358 2 274 6611

TUUSULA
Sammonmäki, PL 10, 04321 Tuusula
+358 9 870 441

VAASA
Teollisuustie 11, 65610 Mustasaari
+358 6 322 3557
+358 6 322 1656

VALKEAKOSKI
Vainionkatu 2
37600 Valkeakoski
+358 3 584 4344

VANTAA
Elannontie 5, 01510 Vantaa
+358 9 478 4410

FACTORIES

CONCRETE PRODUCTS FACTORIES

Sammonmäki, PL 10, 04321 Tuusula
+358 9 870 441

16300 Orimattila
+358 3 887 450

NATURAL STONE WORKS

07600 Myrskylä
+358 19 677 0650

Kölkynvuorentie 6
44500 Viitasaari
+358 14 570 010

BITUMINOUS PRODUCTS FACTORY (ROOFINGS)

Puistokatu 25-27, 08150 Lohja
+358 19 362 0201

DOMESTIC SUBSIDIARIES

LEMMINKÄINEN CONSTRUCTION LTD.
Esterinportti 2
00240 Helsinki
+358 9 15 991
Managing Director Matti A. Mantere

OY ALFRED A. PALMBERG AB
Esterinportti 2
00240 Helsinki
+358 9 15 991
Managing Director Risto Bono

S.W. Finland regional unit
Linnankatu 3 a B, 20100 Turku
+358 2 274 5800
Area Manager Raimo Salo

Palmberg-Urakoitsijat Oy
Uudenmaankatu 32-34
05800 Hyvinkää
+358 19 475 9100
Managing Director Ahti Kara

Oka Oy
Ilmarinkuja 3, 45100 Kouvola
+358 5 741 8100
Managing Director Juhani Pousi

Rakennusliike Seppo J. Räty Oy
Sukkulakatu 3, 55120 Imatra
(05) 436 7066
Managing Director Seppo Räty

Rakennustoimisto Palmberg Oy
Sorinkatu 4 C, 33100 Tampere
+358 3 213 7300
Managing Director Jukka Vahila

Rakennus-Otava Oy
Pajatie 8, 40630 Jyväskylä
+358 14 339 3800
Managing Director Jussi Kari

Oy Konte Ab
Olympiakatu 16, 65100 Vaasa
+358 6 323 0311
Managing Director Göran Pellfolk

Byggnads Ab Forsström Rakennus Oy
Åströminkuja, 67100 Kokkola
+358 6 823 2200
Managing Director Peter Forsström

Palmberg-Rakennus Oy
Valtatie 21, 90500 Oulu
+358 8 554 2511
Managing Director Ahti Heikka

Savocon Oy
Puijonkatu 29 A, 70100 Kuopio
+358 17 261 3400
Managing Director Martti Kankkunen

TIELINJA OY
Päiviöntie 3, 12400 Tervakoski
+358 19 754 600
Managing Director Risto Vento

OMNI-SICA OY
Esterinportti 2, 00240 Helsinki
+358 9 148 1144
Managing Director Pekka Peho

FOREIGN SUBSIDIARIES

Denmark
LEMMINKÄINEN A/S
Damhaven 5 B, 1. sal.
7100 Vejle
+45 75 725 722

Estonia
LEMMINKÄINEN EESTI AS
Liivalaia 14, Tallinn EE0001
+372 6 461 125

Lithuania
UAB LEMCON VILNIUS
A. Juozapaviciaus 9/k. 308
2686 Vilnius
+372 2 728 413

Poland
LEMCON POLSKA Sp. z o.o.
ul. Marconich 9 m 4, 02-954 Warsaw
+48 22 409 837

Russia
ZAO RAKENNUS LEMMINKÄINEN
Ul. Narodnaja 12, 109172 Moscow
+7 095 956 0472

ZAO LEMMINKÄINEN
Pr. Kosmonavtov 1, 196105 St. Peters-burg
+7 812 298 8700

Sweden
LEMMINKÄINEN CONSTRUCTION LTD.
Torsgatan 12, 11123 Stockholm
+46 8 247 850

Vietnam
LEMMINKÄINEN CONSTRUCTION LTD.
23, Nquyen Van Thu
District 1
Ho Chi Minh City
+84 8 8230 359

LEMMINKÄINEN

LEMMINKÄINEN CORPORATION
Esterinportti 2, FIN-00240 HELSINKI
P.O.Box 23, FIN-00241 HELSINKI
Tel.int. +358 9 15 991

NOMINI 1999 Helsinki