



A N N U A L R E P O R T I 9 9 9



LEMMINKÄINEN

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Financial reporting

During the course of the year 2000 Lemminkäinen Corporation will publish a bulletin on the year 2000 financial statements, an annual report and three interim financial reviews. The latter will appear on the 17th May, 16th August and 8th 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: library@lemminkainen.fi

Currencies used in the annual report

All the monetary amounts in the Board of Directors' report, the table of economic trends and financial indicators, the income statements, the balance sheets, the statements of source and application of funds, and the notes to the financial statements are in euro. For

comparison, the 1999 figures in the table of economic trends and financial indicators, the income statements, the balance sheets and the statements of source of application of funds are also given in Finnish marks.

The monetary amounts reported in the business sector reviews are in Finnish marks.

EUR 1 = FIM 5.94573



■ A new runway is being constructed at Helsinki-Vantaa Airport.



■ The Pikipoika roofing shingle is an impressive roofing material. Haukilahti Marina in Espoo.



■ Street Print, a new product designed to liven up different asphalt applications.

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 ready-mixed concrete and mineral aggregates for resale, as well as environmental geotechnology products and services.

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 an international building project contractor. In Finland the company carries out demanding civil engineering projects and offers a diverse range of project management services. The company operates internationally from the Far East to Central America, with a strong focus currently in Europe.

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 eight 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



1999 in BRIEF

- Domestic construction demand continued to grow strongly.
- Lemminkäinen generated net sales of EUR 826 million, 15% up on the previous year.
- The profit before extraordinary items rose 47 % to EUR 40 million.
- The favourable development of the construction market is expected to continue. Lemminkäinen's outlook for the year 2000 is good from the perspectives of both growth and profitability development.
- The Board of Directors will propose a dividend of FIM 5.00 (EUR 0.84) per share for the 1999 financial year.

Lemminkäinen enjoyed considerable success in 1999. Net sales continued to grow faster than the market as a whole. The result improved to a very satisfactory level and the balance sheet strengthened. Favourable market conditions undoubtedly contributed to this success, but it was equally a consequence of the purposeful long-term operating policy pursued by the company.

The Group's portfolio of businesses is clearly defined and limited, which has improved business manageability. At the same time, however, we have sought to preserve the business diversity necessary to avoid over-sensitivity to the cyclical nature of the Finnish construction market. We have focused on business sectors with sufficiently large markets in which we can achieve a leading or at least significant position. At the same time we have avoided business sectors that are overly labour intensive with high entry thresholds and low value added. The importance of regional operation has been recognised. We have constructed vertical processing chains and successfully achieved internal synergy benefits. Special technologies that improve competitiveness have been actively developed.

In practice, the selectivity of the operating policy pursued has not turned out to be an obstacle to Lemminkäinen's growth. Continuing migration of the Finnish population to urban growth centres has boosted the demand for residential, commercial and office developments. Palmberg is well placed to satisfy this growing demand, which seems likely to remain at a healthy level for the foreseeable future. The Group's parent company, for its part, has traditionally concentrated on the production of services necessary for the upkeep of buildings and transport infrastructure, road paving and roofing contracting being good examples. The demand for these services is expected to grow in the long term, regardless of the volume of new building construction. The same applies to the demanding foundation and rock engineering works carried out by Lemminkäinen Construction Ltd.

Lemminkäinen is also seeking growth throughout the Baltic Rim region, but not just for the sake of



growth nor at the expense of profitability. This means adopting a conservative approach to general contracting, where a Finnish construction company operating in a foreign country is able to produce as little value added as a local counterpart can in Finland. Moreover, the margins of international general contracting are too narrow to meet Lemminkäinen's profitability targets. In operations abroad we intend to maintain the emphasis in businesses where a local presence and our special expertise will enable us to achieve a significant regional market position. Notable examples include road paving works in Russia, in the Baltic states and Denmark, and rock tunnel construction, ground stabilisation and road marking contracts in Sweden. The potential of Poland's growing market has been recognised. The possibility of establishing a presence in Poland has been actively studied, but at the time of writing the criteria set for the project have not yet been fulfilled in practice. Project management contracting at the foreign investment sites of Finnish industry, a business that has proved most successful, will continue outside the Baltic Rim region.

Lemminkäinen's balance sheet has long been strong in comparison with the general level of the industry, and we have consciously sought to keep it as such. Even though the balance sheet was further strengthened in the review year,

I do not believe that the company's equity ratio has yet risen to too high a level. However, a good return on capital is being achieved, and the cyclical nature of construction should be borne in mind.

The listed price of Lemminkäinen's share rose last year by 29 %, which naturally did not match the price development of technology stocks. The construction industry is regarded as a low-tech branch characterised by modest growth opportunities and high risks. Moreover, it is held in low esteem on the Helsinki stock exchange compared with foreign stock exchanges. Considering Lemminkäinen's business sectors, the company should not perhaps be classified as a typical construction company in the normal sense of the word. Lemminkäinen has a proven track record of profitable growth, and the business risks associated with domestic new construction are limited. The company's share seems to have attracted the interest of parties seeking long-term and secure investments providing a good dividend yield.

Lemminkäinen's outlook for the year 2000 is good. This gives me good reason to thank all the employees of the company for their excellent work and the other stakeholder groups for their co-operation and confidence.

PARENT COMPANY BOARD OF DIRECTORS



Heikki Pentti (53)
• B. Sc. (Econ.)
• Chairman of the Board since 1994
• Board member since 1969
• Company employee since 1973



Teppo Taberman (55)
• M. Sc. (Econ.)
• Vice-chairman since 1998
• Board member since 1997



Paul Blomqvist (68)
• B.Sc. (Econ.)
• Board member since 1968
• Company employee 1960-1990



Erkki J. Pentti (51)
• Graduate in business studies
• Board member since 1975
• Company employee since 1973



Juhani Sormaala (50)
• M.Sc. (Eng.), B.Sc. (Econ.)
• Managing Director since 1994
• Board member since 1989
• Company employee since 1981

Construction market

Domestic construction demand continued to grow, albeit at a slower rate of approximately 5 % (11).

The fastest growth was once again in new building at about 6 % (20). The number of new housing starts was approximately 34 000 housing units (32 000). The total volume of residential, office and commercial developments exceeded the level of the mid-1980s, but still fell well short of the peak level achieved towards the end of that decade. The volume of industrial construction fell slightly as a consequence of the slack demand in export markets.

The growth in refurbishment work and civil engineering contracting continued to grow steadily in line with expectations: 4 % (6) and 3 % (2), respectively. The value of civil engineering contracting in 1999 was approximately EUR 3.4 billion, of which investments accounted for EUR 2.2 billion and upkeep for EUR 1.2 billion. The volume of asphalt paving contracting remained at the previous year's level of approximately 3.7 million tonnes. The demand for crushed aggregates rose by about 3% and the volume of rock engineering contracting remained unchanged.

The share of Russian contracts in the Finnish construction companies' international operations fell to below 50 %.

Net sales and profits

The net sales of the Lemminkäinen Group rose 15 % and were EUR 826.4 million (715.6), of which operations abroad accounted for EUR 139.6 million or 17 % (22). The improvement in the Group's result continued. The operating profit was EUR 42.8 million (30.6), the profit before extraordinary items EUR 39.9 million (27.1), the profit before taxes EUR 39.9 million (38.9) and the profit for the accounting period EUR 26.4 million (14.2). The return on investment was 21.7 % (18.0), the return on equity 20.6 % (5.6) and earnings per share EUR 1.55 (0.34).

The net sales of the Paving and Mineral Aggregates Division were EUR 175.9 million (177.5). The Division's operating profit improved and was EUR 19.1 million (16.9), even though the total production of asphalt declined.

The favourable trend in profitability was based on improved cost effectiveness and continued growth of demand both for specialty products and in the private sector. Net sales from exports and operations abroad fell as a consequence of the subdued Russian market and were EUR 23.1 million (35.8).

The net sales of the Building Materials Division rose and were EUR 74.1 million (71.4). The Division's operating profit improved and was EUR 4.4 million (3.1). The growth of the construction market had a positive effect on the volume and result of the whole Division. Full utilisation of investments and more favourable weather conditions than in the previous year also contributed to the Division's improved performance.

The net sales of Lemminkäinen Construction Ltd rose 7 % and were EUR 185.0 million (172.6). The company's operating profit improved and was EUR 3.2 million (2.0). The performance improvement is based on the company's considered policy of focusing on its traditional strengths of civil engineering and project management contracting. The regional emphasis of Lemminkäinen Construction Ltd's operations switched from Russia and the Baltic states to Finland and Western Europe.

The net sales of Oy Alfred A. Palmberg Ab, which specialises in building contracting on the Finnish market, rose 30 % and were EUR 399.6 million (306.9). Palmberg's operating profit improved by as much as 62 % and was EUR 17.5 million (10.8). This favourable development was based on the company's improved competitiveness and the continued healthy demand for residential and commercial properties. The number of own residential development apartments completed by the company was 481 units (389). New apartments completed under competitive tender contracting totalled 888 (1 011).

Investments

The Group's gross investments were EUR 42.2 million (18.8). Net investments were EUR 28.7 million (17) after a financial leasing agreement worth EUR 12.6 million was made in respect of equipment.

The investments of the Paving and Mineral Aggregates Division were replacement investments in asphalt batching, laying and transport equipment and in quarrying, crushing and loading plant for mineral aggregate production. The Division's investments also included the mineral aggregate operations and plant acquired from Tauno Valo Oy, the asphalt production and related fixed assets of JJ-Asfaltti Oy, the acquisitions of Stenberg-Yhtiöt Oy and Forssan Betonituote Oy, and the 67 % interest acquired in the Lithuanian company AB Vakaru Automagistrale.

The investments of the Building Materials Division were replacement investments in material production plant and site installation equipment. A new recycling plant for grinding water was completed at Tuusula concrete products factory.

The investments of Lemminkäinen Construction Ltd were replacement investment in civil engineering plant for tunnelling and foundation building. The company's investments also included the 70 % interest acquired in the Hungarian company ICM International Construction Management Rt.

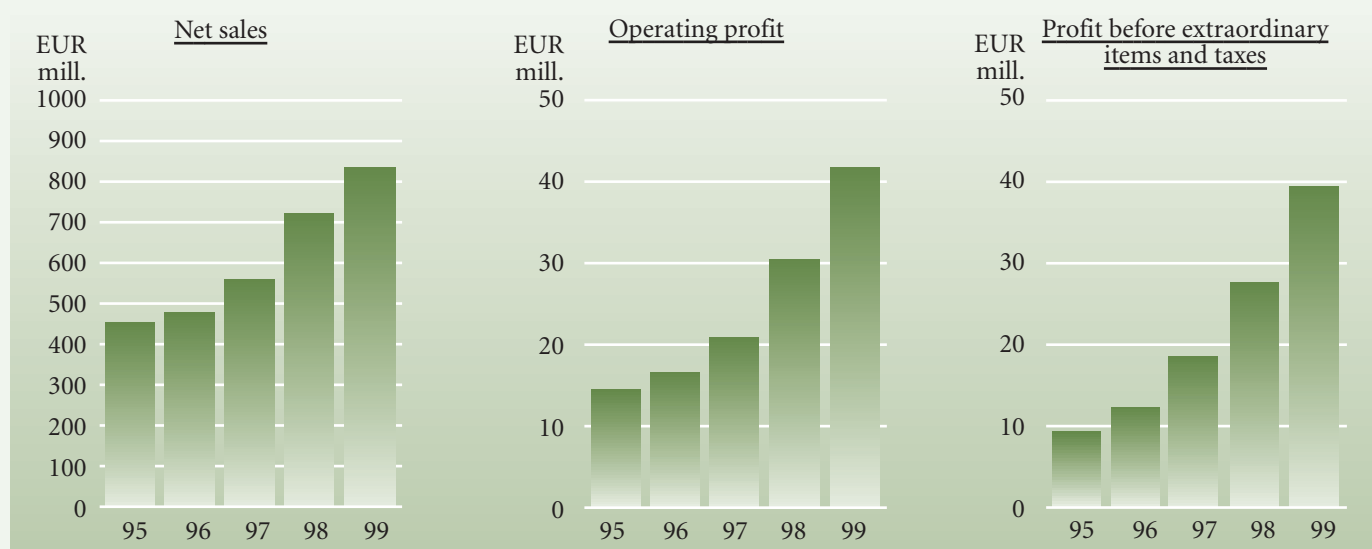
Oy Alfred A. Palmberg Ab acquired site equipment to meet the needs of its increased building production.

Order book

The value of the Group's uninvoiced orders at the end of the accounting period was EUR 386.6 million (388.1), of which operations abroad accounted for EUR 56.5 million (86.8).

Financing

Net financing expenses were EUR 2.9 million (3.5), representing 0.4 % (0.5) of net sales. According to the source and application of funds statement, the cash flow from business operations was EUR 26.8 million (17.2). The net increase in outstanding loans was EUR 10.0 million (2.2). The equity ratio was 43.5 % (42.6) and the equity per share EUR 8.20 (7.16). Dividends totalling EUR 8.6 million were paid. Interest-bearing liabilities were EUR 73.3 million (63.4). There were no outstanding foreign currency loans. The interest-bearing net debt was EUR 47.3 million (37.6).



Personnel

The average number of personnel in the Group in 1999 was 3 500 (3 288), of whom 1 218 (1 164) were salaried staff and 2 282 (2 124) hourly paid employees. The number of employees at the end of the accounting period was 3 329 (2 954).

Wages and salaries paid by the Group amounted to EUR 101.3 million (93.7), of which the members of the Boards of Directors and the Managing Directors received EUR 1.3 million (1.2).

The focus of employee training was on the development of business operations and competitiveness. The quality systems of the Group's businesses were further developed and additional quality training was given. 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. The company also forged close links with vocational training schools in different parts of the country in order to ensure the future supply of young professionals. The study groups established on the basis of a training agreement in the previous year continued their vocational studies 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.

The focus of the Paving and Mineral

Aggregates Division's R&D work was on environmental issues. New environmentally friendly asphalt pavements and paving structures were further developed, which has led to asphalt paving solutions being more widely approved for groundwater protection applications. The Division developed new methods of immobilising contaminated soil, and these were used to clean up soil contaminated with oil in the aftermath of a train crash at Vainikkala and land contaminated with heavy metals at Kyläsaari in Helsinki. The Paving Unit also launched new special pavements on the market. These included patterned asphalts and an asphalt developed especially for refrigerated skiing tracks. Tielinja Oy developed new products and methods for road marking applications.

As the result of an extensive research and development effort, the Roofing Unit succeeded in improving the low-temperature properties of bituminous membranes. A good understanding of the durability, service life and environmental effects of roofs and bituminous membranes was obtained by carrying out a condition survey and life cycle assessment on a number of roofs. This work was done within the framework of the vocational training course underway in the unit.

A certificate based on SFS-EN ISO 9001 was awarded for roofing contracting. The product development work of the Concrete Products Unit focused on new natural stone products.

Lemminkäinen Construction Ltd continued to develop its new jet-grouting method, applying the method to different projects in Finland and Sweden. The Civil Engineering Unit was awarded a certificate based on ISO 9001 in summer 1999.

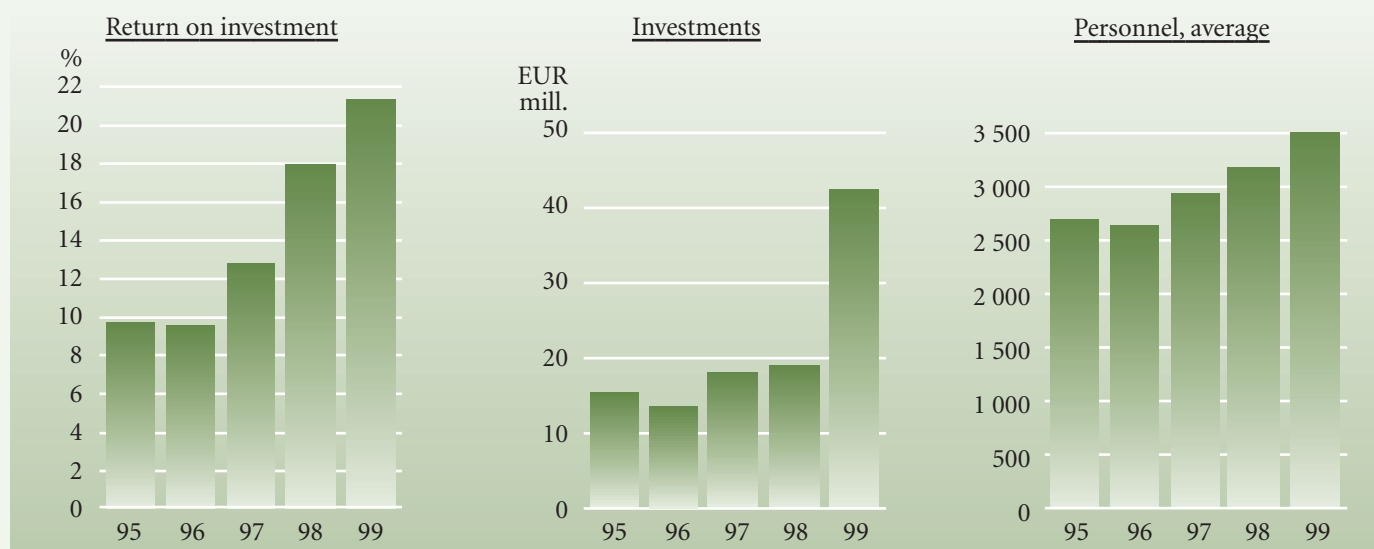
The work done by the Palmberg Group in pursuit of business excellence was rewarded in 1999 by the receipt of eight different quality certificates. Palmberg also took part in research projects of the ProBuild technology programme.

Lemminkäinen's Central Laboratory served all the Group's divisions and companies of the Group in research and development work.

Environmental protection

The company continued to develop its operations from the perspective of environmental protection. The Building Materials Division and the Paving and Mineral Aggregates Division continued to assess the environmental effects and risks of their own operations, and implemented active measures to reduce and control them. Environmental protection was included in the internal training of the company's units. Lemminkäinen continued to incorporate environmental issues into development work on its quality systems.

The most concrete measures promoting environmental protection were implemented in the Group's production of building materials. A new recycling plant for grinding water was brought into service at Tuusula concrete prod-



ucts factory. The new plant significantly reduces the amount of fresh water used in the grinding of concrete products. The grinding sludge generated during production is processed into a solid form and then recycled back for further use. A study aiming to clarify the impacts caused by malodorous bituminous vapours continued at Lohja bituminous roofing plant. The plant's environmental risks were minimised by improving the storage of chemicals. Dust emanating from the production process was recovered for utilisation.

Impacts on the environment around building sites and production plants have been surveyed in collaboration with the interest groups concerned.

Group structure

Lemminkäinen Corporation's sub-

sidary Lemminkäinen Construction Ltd acquired a 70 % interest in ICM International Construction Management Rt, a Hungarian company engaged in project management contracting. Founded in 1989, ICM has constructed a number of office, embassy and industrial buildings mainly in and around Budapest. Its net sales in 1999 were EUR 17.5 million.

In October, Lemminkäinen Corporation acquired Stenberg-Yhtiöt Oy (mineral aggregate operations) and Forssan Betonituote Oy (production of ready-mixed concrete). The companies' combined net sales in 1999, without the businesses excluded from the acquisition, were about EUR 17.3 million.

In December, Lemminkäinen Corporation acquired a 67 % interest in AB Vakaru Automagistrale, a Lithuanian

asphalt paving contractor. The company's net sales in 1999 were about EUR 2 million. After the end of the accounting period, an offer to redeem the remainder of the company's shares was made to the minority shareholders. The offer will end on 24.3.2000.

Share capital and shares

Lemminkäinen Corporation's share is included in the book entry system for securities. The share is listed on Helsinki Exchanges. The company has a market-making agreement with Merita Pankkiiriliike Oy.

The share capital of Lemminkäinen Corporation is FIM 170 212 500 (EUR 28 627 687.43). Under the Articles of Association the minimum share capital is FIM 100 000 000 (EUR 16 818 792,64) and the maximum share capital FIM

KEY FIGURES BY BUSINESS SECTOR

EUR mill.	Net sales			Operating profit			Net investments		Order book	
	1999	1998	Change	1999	1998	Change	1999	1998	1999	1998
Lemminkäinen Corporation										
Paving and Mineral										
Aggregates Division	175.9	177.5	-1.6	19.1	16.9	2.2	21.8	10.8	31.9	23.9
Building Materials Division	74.1	71.4	2.7	4.4	3.1	1.3	2.3	2.2	11.4	11.1
Lemminkäinen Construction Ltd	185.0	172.6	12.5	3.2	2.0	1.2	2.8	1.4	112.7	144.5
Oy Alfred A. Palmberg Ab	399.6	306.9	92.7	17.5	10.8	6.7	3.3	2.5	230.5	208.7
Others	-8.3	-12.8	4.5	-1.4	-2.2	0.8	-1.5	0.1		
Group total	826.4	715.6	110.8	42.8	30.6	12.2	28.7	17.0	386.6	388.1

400 000 000 (EUR 67 275 170,58). The nominal value of the share is FIM 10 (EUR 1.68). There are 17 021 250 shares in the Company and one share series.

The Board of Directors will propose to the Annual General Meeting that the Company's share capital and the nominal value of the Company's share be denominated in euro, and that the share capital be raised to EUR 34 042 500 by means of a EUR 5 414 812.57 bonus issue, whereby the amount corresponding to the increase is transferred from the share premium account to share capital. The nominal value of each share after the increase would be EUR 2.00. The bonus issue would not involve the issue of any new shares and the number of shares would not change.

Share price and trading

The average listed price of Lemminkäinen Corporation's share during the accounting period was EUR 8.78 (9.32). The year-end price of the Company's share was EUR 9.80 (7.57). At the end of the year the Company had 1 738 (1 885) shareholders. The trading volume was 1 657 490 shares (2 078 721).

Notice as defined in section 2, article 9 of the Securities Market Act

During the accounting period the company received one notice as defined in section 2, article 9 of the Securities Market Act. It is based on an amendment that came into force on 1st April 1999 concerning the flagging thresholds specified in the Securities Market Act. According to the notice, Pohjola Insurance Group plc's shareholding in Lemminkäinen exceeded the 5 % threshold.

Shareholder agreements

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

Share issue authorisation

The Board of Directors is not currently authorised to make a share issue; neither is it authorised to decide on convertible promissory notes, bonds with equity warrants or the purchase of own shares.

Management share ownership

As of 31st December 1999, 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.

Administration

The Annual General Meeting of Lemminkäinen Corporation was held on 23rd March 1999.

The Company's Board of Directors comprised Messrs. Heikki Pentti (Chairman), Teppo Taberman (Vice-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, B.Sc. (Econ.), A.P.A. and Jarmo Alén, M.Sc. (Econ.), A.P.A. The Deputy auditors are Authorised Public Accountants Oy Joe Sundholm & Co. Ab.

Insider rules

New insider rules corresponding to the listed company insider rules drawn up by Helsinki Exchanges, the Central Chamber of Commerce of Finland, and the Confederation of Finnish Industry and Employers will be adopted by Lemminkäinen Corporation on 1st March 2000.

Outlook for the year 2000

The growth of domestic building demand is expected to continue. The forecast annual growth rate is 6-7 %, which is slightly higher than last year. Construction is still forecast to grow faster than GDP, largely as a consequence of new building construction. Especially residential, commercial and office construction will be brisk. The number of new starts is expected to rise by over 10 %. The growth in civil engineering contracting will probably continue at a steady 2-3 %.

Even though the deterioration of the public road network is already an established fact, no significant changes in demand are expected on the domestic market of the Paving and Mineral Aggregates Division. International competition is keen in those export markets

where demand is growing. The Division's net sales will be boosted mainly by the companies and business operations acquired during the accounting period. The aim is to improve the Division's result by developing and increasing the proportion of high-value specialty products in the product range.

Demand for the products and services of the Building Materials Division will probably continue to be brisk thanks to the growth of domestic building construction and refurbishment work. No significant increase in the Division's net sales can be expected without investments in new production capacity. Profitability is expected to rise or at least to remain at the level of the accounting period.

The outlook for Lemminkäinen Construction Ltd in both project management contracting and civil engineering contracting is good. Conditions are regarded as being favourable for improved profits even at the present level of volume.

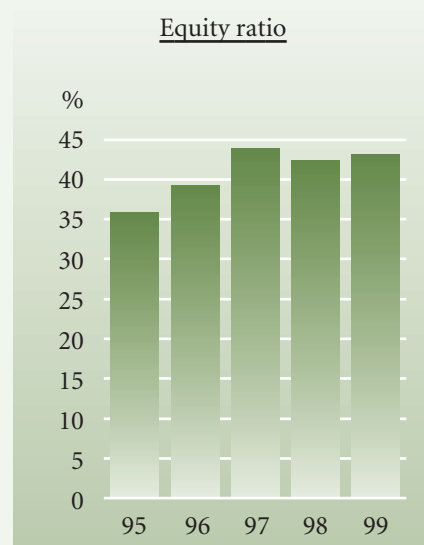
The growth of Palmberg's net sales is expected to continue. Growth will probably be accentuated in the Helsinki Metropolitan Area, where construction activity is high. At the end of the year there were 730 apartments under construction on own housing development sites. The number of completed own development apartments is expected to rise to 850 this year. In particular, sales promotion concerning a number of current office and commercial building developments will influence the Company's result.

According to information received after the end of the accounting period, Helsinki Administrative Court has set aside Lemminkäinen Corporation's reassessed taxation for the year 1990, and has reinstated the Company's original tax assessment. There is still a possibility of an appeal being made against the decision. If the decision gains legal force, it will mean a EUR 12.8 million tax rebate, which will be credited plus interest to the Company's result.

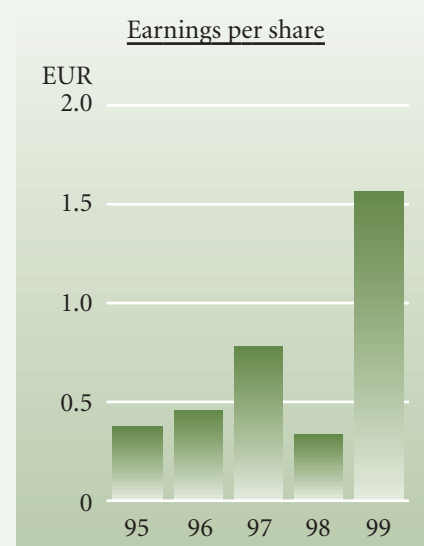
The favourable development of the construction market is expected to continue. Lemminkäinen's starting points for the year 2000 are good from the perspectives of both growth and profitability development.

THE COMPANY'S MAJOR SHAREHOLDERS 31st December 1999

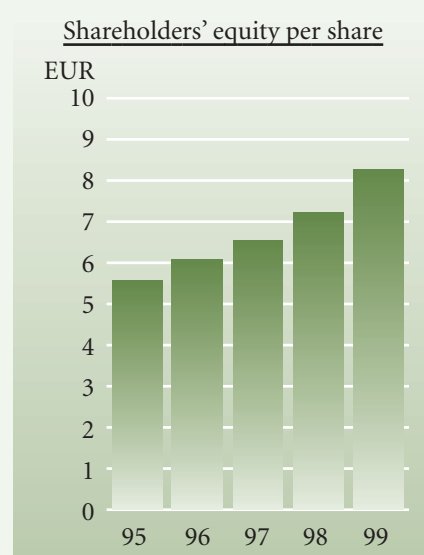
Shareholder	Number of shares	% of total
Heikki Pentti	3 813 956	22.41
Erkki J. Pentti	3 673 956	21.58
Olavi Pentti	3 673 953	21.58
Pohjola Non-Life Insurance Company Limited	1 322 400	7.77
Varma-Sampo Mutual Pension Insurance Company	441 100	2.59
Placeringsfonden Aktia Capital	380 800	2.24
Ilmarinen Mutual Pension Insurance Company	300 000	1.76
The Local Government Pension Institution	201 800	1.19
Tukinvest Oy	201 600	1.18
LEL Employment Pension Fund	156 600	0.92
Total, 10 largest	14 166 165	83.22

OWNER GROUPS 31st December 1999

	Number of shareholders	% of shareholders	Shares held	% of total
Households	1 484	85.39	12 215 859	71.77
Firms	166	9.55	789 427	4.64
Financial institutions	26	1.50	2 287 299	13.43
Public corporations	20	1.15	1 313 500	7.72
Non-profit organisations	35	2.01	270 100	1.59
Foreign owned or nominee-registered	7	0.40	127 335	0.75
Others			17 730	0.10
Total	1 738	100.00	17 021 250	100.00

SHARE OWNERSHIP DISTRIBUTION 31st December 1999

Number of shares per shareholder	Number of shareholders	% of shareholders	Shares held	% of total
1 - 100	404	23.25	22 357	0.13
101 - 1 000	1 014	58.34	392 201	2.31
1 001 - 10 000	261	15.02	801 942	4.71
10 001 - 100 000	48	2.76	1 373 555	8.07
100 001 - 1 000 000	7	0.40	1 805 900	10.61
1 000 001 -	4	0.23	12 484 265	73.35
Nominee-registered shares			123 300	0.72
Others			17 730	0.10
Total	1 738	100.00	17 021 250	100.00



ECONOMIC TRENDS AND FINANCIAL INDICATORS

ECONOMIC TRENDS

	1999 EUR mill.	1998 EUR mill.	1997 EUR mill.	1996 EUR mill.	1995 EUR mill.	1999 FIM mill.
Net sales	826.4	715.6	568.5	487.4	457.3	4 913.3
Exports and operations abroad	139.6	159.6	124.3	119.7	79.9	830.2
% of net sales	16.9	22.3	21.9	24.6	17.5	16.9
Operating profit	42.8	30.6	21.3	15.9	14.8	254.5
% of net sales	5.2	4.3	3.8	3.3	3.2	5.2
Profit before extraordinary items	39.9	27.1	18.3	12.4	9.7	237.1
% of net sales	4.8	3.8	3.2	2.6	2.1	4.8
Profit before taxes	39.9	38.9	18.3	12.4	9.7	237.1
% of net sales	4.8	5.4	3.2	2.6	2.1	4.8
Profit for the accounting period	26.4	14.2	11.9	8.9	4.5	156.7
% of net sales	3.2	2.0	2.1	1.8	1.0	3.2
Fixed assets	124.5	114.1	111.6	114.9	116.8	740.1
Inventories	114.6	116.1	200.1	190.5	211.4	681.1
Current assets	153.4	114.7	78.2	83.0	83.0	912.2
Shareholders' equity	139.6	122.0	105.6	97.8	91.7	829.9
Minority interests	3.3	2.1	1.5	0.9	0.6	19.7
Interest-bearing liabilities	73.3	63.4	62.6	79.0	89.8	435.8
Interest-free liabilities	176.3	157.4	220.2	210.7	229.0	1 048.0
Balance sheet total	392.5	344.8	389.9	388.3	411.1	2 333.4
Return on equity, %	20.6	5.6	12.1	8.0 ²⁾	6.6 ²⁾	20.6
Return on investment, %	21.7	18.0	12.8	9.8	9.9	21.7
Equity ratio, %	43.5	42.6	44.0	39.5	35.8	43.5
Gearing, %	33.1	30.3	37.4	47.2	49.9	33.1
Interest-bearing net liabilities	47.3	37.6	40.0	46.6	46.1	281.3
Gross investments	42.2	18.8	18.4	13.9	15.0	250.8
% of net sales	5.1	2.6	3.2	2.9	3.3	5.1
Order book 31.12.	386.6	388.1	294.5	230.6	195.2	2 298.4
Number of employees	3 500	3 288	2 966	2 637	2 662	3 500

SHARE-ISSUE-ADJUSTED FINANCIAL INDICATORS

	1999 EUR	1998 EUR	1997 EUR	1996 EUR	1995 EUR	1999 FIM
Earnings per share (EPS)	1.55	0.34	0.73	0.45 ²⁾	0.37 ²⁾	9.21
Equity per share	8.20	7.16	6.52	6.04	5.66	48.76
Dividend per share	0.84 ¹⁾	0.50	0.34	0.25	0.17	5.00 ¹⁾
Dividend to earnings ratio, %	54.3	150.8	45.9	55.5 ²⁾	45.6 ²⁾	54.3
Effective dividend yield, %	8.6	6.7	4.3	3.8	3.7	8.6
Price/earnings ratio	6.3	22.2	10.5	14.6 ²⁾	12.3 ²⁾	6.3
Share price						
mean	8.78	9.32	8.65	6.44	5.68	52.20
lowest	7.25	6.22	7.06	4.54	3.70	43.11
highest	10.10	11.94	9.75	7.23	6.05	60.05
at end of accounting period	9.80	7.57	7.74	6.66	4.54	58.27
Market capitalisation, mill.	166.8	128.8	125.3	107.9	73.6	991.8
Share trading						
Shares traded, 1 000	1 658	2 079	4 345	2 712	749	1 658
% of total	9.7	12.4	26.8	16.7	4.6	9.7
Issue-adjusted number of shares						
average of accounting period, 1 000	17 021	16 700	16 200	16 200	16 200	17 021
at end of accounting period, 1 000	17 021	17 021	16 200	16 200	16 200	17 021

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

1) Board of Director's proposal

2) A EUR 1.5 million tax assessment levied in 1995 and reimbursed in 1996 has not been taken into consideration when calculating the financial indicator.

FORMULAE FOR CALCULATION OF FINANCIAL INDICATORS

RETURN ON INVESTMENT, %

$$\frac{\text{Profit before extraordinary items + interest expenses and other financial expenses} \times 100}{\text{Balance sheet total - interest-free liabilities}} \times 100$$

(average for the accounting period)

RETURN ON EQUITY, %

$$\frac{\text{Profit before extraordinary items - income taxes} \times 100}{\text{Shareholders' equity + minority interests}} \times 100$$

(average for the accounting period)

EQUITY RATIO, %

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

GEARING, %

$$\frac{\text{Interest-bearing net liabilities - investments - cash in hand and at banks} \times 100}{\text{Shareholders' equity + minority interests}}$$

INTEREST-BEARING NET DEBT

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

EMPLOYEES

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

EARNINGS PER SHARE:

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

SHAREHOLDERS' EQUITY PER SHARE

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

DIVIDEND PER SHARE

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

DIVIDEND TO EARNINGS RATIO, %

$$\frac{\text{Dividend for the accounting period} \times 100}{\text{profit before extraordinary items - taxes - minority interests}}$$

EFFECTIVE DIVIDEND YIELD, %

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

P/E RATIO

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

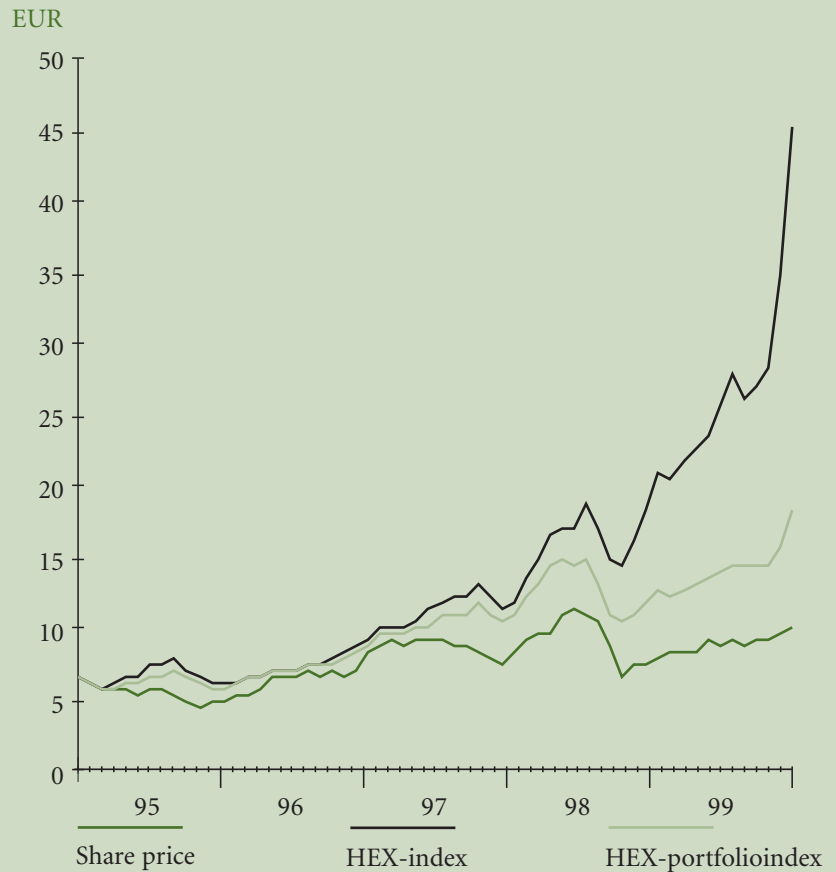
MEAN SHARE PRICE

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

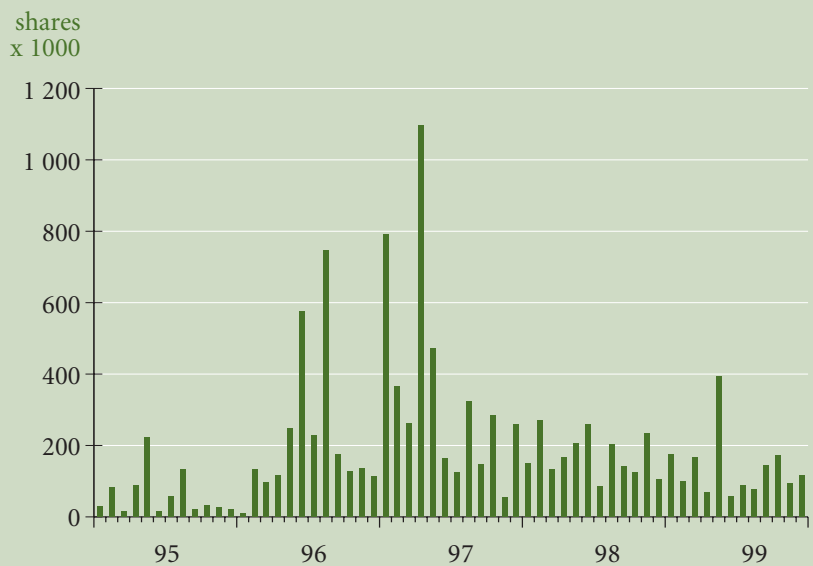
MARKET CAPITALISATION

Number of shares x final share quotation

Share-issue-adjusted price trend



Share trading (Non-share-issue-adjusted)



CONSOLIDATED INCOME STATEMENT

	Note	EUR 1 000 1.1.1999-31.12.1999	EUR 1 000 1.1.1998-31.12.1998	FIM 1 000 1.1.1999-31.12.1999
NET SALES	1.1	826 354	715 586	4 913 281
Increase (+) or decrease (-) in stocks of finished goods and work in progress		-3 709	22 344	-22 052
Production for own use		660	159	3 924
Other operating income	1.2	3 562	2 491	21 183
Materials and services	1.3	554 760	497 102	3 298 455
Personnel expenses	1.4	130 053	119 401	773 259
Depreciation	1.5	18 383	16 733	109 304
Other operating expenses		80 870	76 737	480 834
OPERATING PROFIT		42 801	30 607	254 484
Financial income and expenses	1.6	-2 920	-3 496	-17 361
PROFIT BEFORE EXTRAORDINARY ITEMS		39 881	27 111	237 123
Extraordinary items	1.7		11 799	
PROFIT BEFORE TAXES		39 881	38 910	237 123
Direct taxes	1.9	-12 335	-23 972	-73 343
Minority interests		-1 186	-747	-7 048
PROFIT FOR THE ACCOUNTING PERIOD		26 360	14 191	156 732

CONSOLIDATED BALANCE SHEET

Note	EUR 1 000 31.12.1999	EUR 1 000 31.12.1998	FIM 1 000 31.12.1999
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	2 738	1 215	16 277
Goodwill on consolidation	4 480	5 667	26 638
Tangible assets	106 922	95 507	635 728
Holdings in affiliated undertakings	2 496	2 078	14 844
Other investments	7 847	9 622	46 656
	124 483	114 089	740 143
CURRENT ASSETS			
Inventories	114 558	116 076	681 133
Non-current receivables	229	535	1 360
Deferred tax asset	2 011	1 876	11 960
Current receivables	125 192	86 478	744 357
Investments	6 365	4 667	37 843
Cash in hand and at banks	19 619	21 098	116 647
	267 974	230 730	1 593 300
	392 457	344 819	2 333 443
LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	28 628	28 628	170 212
Share premium account	11 165	11 165	66 385
Revaluation reserve	183	183	1 089
Retained earnings	73 251	67 789	435 528
Profit for the accounting period	26 360	14 191	156 732
	139 587	121 956	829 946
MINORITY INTERESTS			
	3 308	2 140	19 666
OBLIGATORY PROVISIONS			
	1 899	3 200	11 291
LIABILITIES			
Deferred tax liability	16 722	16 825	99 424
Non-current liabilities	59 264	48 956	352 372
Current liabilities	171 677	151 742	1 020 744
	247 663	217 523	1 472 540
	392 457	344 819	2 333 443

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	EUR 1 000 1.1.1999-31.12.1999	EUR 1 000 1.1.1998-31.12.1998	FIM 1 000 1.1.1999-31.12.1999
INCOME FINANCING			
Operating profit	42 801	30 607	254 484
Depreciation	18 383	16 733	109 304
Financial income and expenses	-2 920	-3 496	-17 361
Extraordinary items		11 799	
Taxes	-13 257	-22 301	-78 830
Total	45 007	33 342	267 597
CHANGE IN NET WORKING CAPITAL			
Increase (-) or decrease (+) in inventories	1 517	84 063	9 022
Increase (+) or decrease (-) in advances against work in progress	10 461	-92 801	62 196
Increase (-) or decrease (+) in current receivables	-38 714	-30 305	-230 182
Increase (+) or decrease (-) in interest-free current liabilities	8 531	22 884	50 723
Total	-18 205	-16 159	-108 241
CASH FLOW FROM BUSINESS OPERATIONS	26 802	17 183	159 356
INVESTMENTS			
Investments in fixed assets	-42 175	-18 833	-250 758
Disposal of and other changes in fixed assets	13 472	1 849	80 099
Total	-28 703	-16 984	-170 659
CASH FLOW BEFORE FINANCING	-1 901	199	-11 303
FINANCING			
Increase (-) or decrease (+) in non-current receivables	306		1 822
Increase (+) or decrease (-) in non-current liabilities	10 308	-2 733	61 291
Increase (+) or decrease (-) in current liabilities	-357	4 905	-2 126
Distribution of dividend	-8 588	-5 449	-51 064
Share issue		7 930	
Others	450	-547	2 676
Total	2 119	4 106	12 599
INCREASE (+) OR DECREASE (-) IN LIQUID FUNDS	218	4 305	1 296
Liquid funds at 1.1.	25 765	21 460	153 194
LIQUID FUNDS AT 31.12.	25 983	25 765	154 490

P A R E N T C O M P A N Y I N C O M E S T A T E M E N T

	Note	EUR 1 000 1.1.1999-31.12.1999	EUR 1 000 1.1.1998-31.12.1998	FIM 1 000 1.1.1999-31.12.1999
NET SALES	1.1	224 852	218 149	1 336 907
Increase (+) or decrease (-) in stocks of finished goods and work in progress		1 707	16	10 151
Production for own use		24		144
Other operating income	1.2	2 498	1 274	14 851
Materials and services	1.3	114 572	110 470	681 215
Personnel expenses	1.4	58 582	55 459	348 314
Depreciation	1.5	9 385	8 591	55 800
Other operating expenses		22 943	22 666	136 414
OPERATING PROFIT		23 599	22 253	140 310
Financial income and expenses	1.6	-1 793	-1 120	-10 657
PROFIT BEFORE EXTRAORDINARY ITEMS		21 806	21 133	129 653
Extraordinary items	1.7		1 219	
PROFIT BEFORE APPROPRIATIONS AND TAXES		21 806	22 352	129 653
Appropriations	1.8	5 951	4 434	35 386
Direct taxes	1.9	-7 830	-19 815	-46 558
PROFIT FOR THE ACCOUNTING PERIOD		19 927	6 971	118 481

P A R E N T C O M P A N Y B A L A N C E S H E E T

	Note	EUR 1 000 31.12.1999	EUR 1 000 31.12.1998	FIM 1 000 31.12.1999
ASSETS				
NON-CURRENT ASSETS 2.1				
Intangible assets	2.1.1	2 053	1 051	12 207
Tangible assets	2.1.3	55 130	59 677	327 791
Holdings in group undertakings	2.1.4	108 802	92 813	646 906
Holdings in affiliated undertakings	2.1.4	1 262	1 142	7 505
Other investments	2.1.4	6 196	8 008	36 838
		173 443	162 691	1 031 247
CURRENT ASSETS 2.2				
Inventories	2.2.1	22 763	20 266	135 341
Non-current receivables	2.2.2	166	472	985
Current receivables	2.2.4	24 481	23 948	145 557
Investments	2.2.5	6 068	4 625	36 077
Cash in hand and at banks		1 528	2 611	9 088
		55 006	51 922	327 048
		228 449	214 613	1 358 295
LIABILITIES				
SHAREHOLDERS' EQUITY 2.3				
Share capital		28 628	28 628	170 213
Share premium account		11 090	11 090	65 935
Revaluation reserve		183	183	1 089
Retained earnings		55 492	57 109	329 943
Profit for the accounting period		19 927	6 971	118 481
		115 320	103 981	685 661
APPROPRIATIONS 2.4				
		20 553	26 504	122 200
LIABILITIES 2.6				
Deferred tax liability	2.6.1	2 158	2 083	12 828
Non-current liabilities	2.6.2	29 304	22 210	174 232
Current liabilities	2.6.3	61 115	59 835	363 374
		92 576	84 128	550 434
		228 449	214 613	1 358 295

P A R E N T C O M P A N Y S T A T E M E N T O F S O U R C E
A N D A P P L I C A T I O N O F F U N D S

	EUR 1 000 1.1.1999-31.12.1999	EUR 1 000 1.1.1998-31.12.1998	FIM 1 000 1.1.1999-31.12.1999
INCOME FINANCING			
Operating profit	23 599	22 253	140 310
Depreciation	9 385	8 590	55 800
Financial income and expenses	-1 792	-1 120	-10 656
Extraordinary items		1 219	
Taxes	-7 831	-19 815	-46 558
Total	23 361	11 127	138 896
CHANGE IN NET WORKING CAPITAL			
Increase (-) or decrease (+) in inventories	-2 497	2 285	-14 844
Increase (+) or decrease (-) in advances against work in progress		-5 534	
Increase (-) or decrease (+) in current receivables	-533	-193	-3 170
Increase (+) or decrease (-) in interest-free current liabilities	-3 274	13 207	-19 466
Total	-6 304	9 765	-37 480
CASH FLOW FROM BUSINESS OPERATIONS	17 057	20 892	101 416
INVESTMENTS			
Investments in fixed assets	-34 906	-19 869	-207 541
Disposal of and other changes in fixed assets	14 843	872	88 252
Total	-20 063	-18 997	-119 289
CASH FLOW BEFORE FINANCING	-3 006	1 895	-17 873
FINANCING			
Increase (-) or decrease (+) in non-current receivables	306		1 822
Increase (+) or decrease (-) in non-current liabilities	7 094	-6 433	42 179
Increase (+) or decrease (-) in current liabilities	4 554	-997	27 080
Distribution of dividend	-8 588	-5 449	-51 064
Share issue		7 929	
Total	3 366	-4 950	20 017
INCREASE OR DECREASE IN LIQUID FUNDS	360	-3 055	2 144
Liquid funds at 1.1.	7 236	10 291	43 022
LIQUID FUNDS AT 31.12.	7 596	7 236	45 166

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.

Recognition of income from construction projects

Since 1st January 1998 the consolidated and parent company financial state-

ments 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. 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 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 recorded in total as 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 cancelled.

Valuation of inventories

Inventories have been valued according to the FIFO principle at their acquisition cost or, if lower, their new acquisi-

tion 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.

Financial leasing

Financial leasing payments are recorded as annual expenses. The remaining rental payments of financial leasing 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.

NOTES TO THE FINANCIAL STATEMENTS

Thousands of euro	GROUP		PARENT COMPANY	
	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998
INCOME STATEMENT				
1.1 NET SALES AND OPERATING PROFIT				
Net sales by business sector				
Paving and Mineral Aggregates Division	175 932	177 500	154 136	150 036
Building Materials Division	74 135	71 453	68 959	66 598
Lemminkäinen Construction Ltd	185 023	172 563	36	
Oy Alfred A. Palmberg Ab	399 569	306 900		
Intra-group sales / others	-8 305	-12 830	1 721	1 515
Total	826 354	715 586	224 852	218 149
Net sales by market area				
Finland	686 724	555 944	217 115	204 471
Nordic countries	35 483	47 871	1 265	2 843
Eastern Europe	38 797	88 285	5 547	10 226
Western Europe	52 338	11 569	494	200
Asia and Latin America	7 800	4 348	262	199
Africa	5 212	7 569	169	210
Total	826 354	715 586	224 852	218 149
Operating profit/loss by business sector				
Paving and Mineral Aggregates Division	19 048	16 936	18 224	19 223
Building Materials Division	4 433	3 085	4 337	3 030
Lemminkäinen Construction Ltd	3 249	2 000		
Oy Alfred A. Palmberg Ab	17 490	10 780		
Group eliminations / others	-1 419	-2 194	1 038	
Total	42 801	30 607	23 599	22 253
1.2 OTHER OPERATING INCOME				
Profit on the sale of fixed assets	1 755	802	1 559	366
Share of the results of affiliated undertakings	379	411		
Others	1 428	1 278	939	908
Total	3 562	2 491	2 498	1 274
1.3 MATERIALS AND SERVICES				
Raw materials, consumables and goods				
Purchases during the accounting period	251 616	248 792	64 184	62 318
Changes in inventories	-1 183	-8 998	-789	-1 931
	250 433	239 794	63 395	60 387
External services	304 327	257 308	51 177	50 083
Total	554 760	497 102	114 572	110 470

Thousands of euro	GROUP		PARENT COMPANY	
	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998

1.4 NOTES CONCERNING PERSONNEL, MANAGEMENT AND BOARD MEMBERS

Personnel expenses				
Salaries, wages and emoluments	102 636	94 385	45 934	43 263
Pension expenses	17 205	16 101	7 958	7 551
Other personnel-related expenses	10 212	8 915	4 690	4 645
Total	130 053	119 401	58 582	55 459

Management salaries and emoluments				
Board members and managing directors	1 324	1 247	323	302

Average number of employees				
Salaried staff	1 218	1 164	460	444
Hourly paid employees	2 282	2 124	1 101	1 039
Total	3 500	3 288	1 561	1 483

Average number of employees by business sector				
Paving and Mineral Aggregates Division	1 104	997	947	904
Building Materials Division	610	575	614	579
Lemminkäinen Construction Ltd	453	495		
Oy Alfred A. Palmberg Ab	1 333	1 221		
Total	3 500	3 288	1 561	1 483

Pension commitments concerning 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	211	176	102	80
Goodwill	65	90	378	349
Other capitalised expenditure	19	13	8	8
Buildings	2 075	2 119	864	987
Machinery and equipment	12 315	10 900	7 669	6 897
Other tangible assets	722	555	364	269
Depreciation of tangible and intangible assets	15 407	13 853	9 385	8 590
Depreciation of goodwill on consolidation	2 976	2 880		
Total	18 383	16 733	9 385	8 590

1.6 FINANCIAL INCOME AND EXPENSES

Dividend income				
From group undertakings				115
From others	251	392	230	361
Total	251	392	230	476

Thousands of euro	GROUP		PARENT COMPANY	
	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998
Other interest and financial income				
From group undertakings			227	484
From others	738	968	261	570
Total	738	968	488	1 054
Interest expenses and other financial expenses				
To group undertakings			-312	-229
To others	-3 909	-4 856	-2 198	-2 421
Total	-3 909	-4 856	-2 510	-2 650
Net financial income/expenses	-2 920	-3 496	-1 792	-1 120
Exchange rate differences (net) included in financial income/expenses	40	-904	-133	-99
1.7 EXTRAORDINARY ITEMS				
Extraordinary income				
Percentage-of-completion (part belonging to the previous accounting period)		125 272		5 451
Extraordinary expenses				
Percentage-of-completion (part belonging to the previous accounting period)		-113 473		-4 232
Total		11 799		1 219
1.8 APPROPRIATIONS				
Difference between depreciation according to plan and depreciation charged against taxation			5 951	4 435
1.9 DIRECT TAXES				
Income taxes on extraordinary items		-3 304		-341
Income taxes on normal business operations	-13 319	-6 156	-7 864	-6 666
Income taxes in respect of previous years	61	-12 841	34	-12 808
Change in the deferred tax liability	923	-1 671		
Total	-12 335	-23 972	-7 831	-19 815
BALANCE SHEET				
2.1 NON-CURRENT ASSETS				
2.1.1 Intangible assets				
Intangible rights	877	447	650	236
Goodwill	1 076	135	1 222	595
Other capitalised expenditure	664	469	64	56
Advance payments	121	164	117	164
Total	2 738	1 215	2 053	1 051

Thousands of euro	GROUP		PARENT COMPANY	
	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998
2.1.2 Goodwill on consolidation	4 480	5 667		
2.1.3 Tangible assets				
Land and waters	8 048	7 689	7 297	7 086
Buildings	37 088	36 750	15 903	16 139
Machinery and equipment	53 687	44 506	27 232	32 844
Other Intangible assets	7 370	5 945	3 908	3 049
Advance payments and work in progress	729	617	790	559
Total	106 922	95 507	55 130	59 677
2.1.4 Investments				
Holdings in group undertakings			108 802	92 813
Holdings in affiliated undertakings	2 496	2 078	1 262	1 142
Other shares and holdings	7 847	9 622	6 196	8 008
Total	10 343	11 700	116 260	101 963
2.1.1. Intangible assets				
Intangible rights				
Acquisition cost 1.1.	1 259	1 184	646	641
Translation difference		-1		
Increases	645	121	516	45
Decreases	-48	-45	-41	-40
Acquisition cost 31.12.	1 856	1 259	1 121	646
Accumulated depreciation 31.12.	-979	-812	-471	-410
Book value 31.12.	877	447	650	236
Goodwill				
Acquisition cost 1.1.	1 727	1 894	2 889	3 055
Increases	1 006		1 005	
Decreases		-167		-166
Acquisition cost 31.12.	2 733	1 727	3 894	2 889
Accumulated depreciation 31.12.	-1 657	-1 592	-2 672	-2 294
Book value 31.12.	1 076	135	1 222	595
Other capitalised expenditure				
Acquisition cost 1.1.	501	533	78	78
Increases	215	5	15	
Decreases	-4	-37		
Acquisition cost 31.12.	712	501	93	78
Accumulated depreciation 31.12.	-48	-32	-29	-22
Book value 31.12.	664	469	64	56

Thousands of euro	GROUP		PARENT COMPANY	
	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998
Advance payments				
Acquisition cost 1.1.	164		164	
Increases	98	164	94	164
Decreases	-141		-141	
Acquisition cost 31.12.	121	164	117	164
2.1.2 Goodwill on consolidation				
Acquisition cost 1.1.	27 495	27 495		
Increases	1 789			
Acquisition cost 31.12.	29 284	27 495		
Accumulated depreciation 31.12.	-24 804	-21 828		
Book value 31.12.	4 480	5 667		
2.1.3 Tangible assets				
Land				
Acquisition cost 1.1.	4 540	4 523	3 937	3 943
Increases	293	91	145	64
Decreases	-8	-74	-8	-70
Acquisition cost 31.12.	4 825	4 540	4 074	3 937
Revaluations	3 223	3 149	3 223	3 149
Book value 31.12.	8 048	7 689	7 297	7 086
Buildings				
Acquisition cost 1.1.	59 773	59 459	26 141	25 990
Increases	2 413	921	629	589
Decreases	-223	-607	-176	-438
Acquisition cost 31.12.	61 963	59 773	26 594	26 141
Accumulated depreciation 31.12.	-27 475	-25 623	-13 291	-12 602
Revaluations	2 600	2 600	2 600	2 600
Book value 31.12.	37 088	36 750	15 903	16 139
Machinery and equipment				
Acquisition cost 1.1.	103 376	91 185	74 265	64 018
Translation difference	-5	53		
Increases	34 904	16 649	15 068	11 987
Decreases	-17 698	-4 511	-17 416	-1 740
Acquisition cost 31.12.	120 577	103 376	71 917	74 265
Accumulated depreciation 31.12.	-66 890	-58 870	-44 685	-41 421
Book value 31.12.	53 687	44 506	27 232	32 844

Thousands of euro	GROUP		PARENT COMPANY	
	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998
Other tangible assets				
Acquisition cost 1.1.	9 106	8 695	5 631	5 548
Translation difference		-1		
Increases	2 198	480	1 222	141
Decreases	-125	-68	-39	-58
Acquisition cost 31.12.	11 179	9 106	6 814	5 631
Accumulated depreciation 31.12.	-3 809	-3 161	-2 906	-2 582
Book value 31.12.	7 370	5 945	3 908	3 049
Advance payments and construction in progress				
Acquisition cost 1.1.	617	1 067	559	1 067
Increases	909	619	790	559
Decreases	-797	-1 069	-559	-1 067
Acquisition cost 31.12.	729	617	790	559
2.1.4 Investments				
Holdings in group undertakings				
Acquisition cost 1.1.			92 814	86 191
Increases			15 988	6 622
Acquisition cost 31.12.			108 802	92 813
Holdings in affiliated undertakings				
Acquisition cost 1.1.	2 078	1 043	1 142	294
Increases	455	1 190	120	848
Decreases	-37	-155		
Acquisition cost 31.12.	2 496	2 078	1 262	1 142
Other shares				
Acquisition cost 1.1.	7 931	7 996	6 317	6 377
Increases	205	115	15	51
Decreases	-1 980	-180	-1 827	-111
Acquisition cost 31.12.	6 156	7 931	4 505	6 317
Revaluations	1 691	1 691	1 691	1 691
Book value 31.12.	7 847	9 622	6 196	8 008
2.1.5 Revaluations				
Land				
Value 1.1.	3 149	2 439	3 149	2 439
Increase	74	710	74	710
Value 31.12.	3 223	3 149	3 223	3 149
Buildings				
Value 1.1.	2 600	2 600	2 600	2 600
Value 31.12.	2 600	2 600	2 600	2 600

Thousands of euro	GROUP		PARENT COMPANY	
	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998
Shares				
Value 1.1.	1 691	341	1 691	341
Increase		1 374		1 374
Decrease		-24		-24
Value 31.12.	1 691	1 691	1 691	1 691
2.2 CURRENT ASSETS				
2.2.1 Inventories				
Raw materials and consumables	8 105	7 161	6 696	5 907
Building plots	33 499	34 636		
Work in progress	33 801	42 818		
Apartments and premises	21 933	17 157		
Finished products/goods	17 220	14 304	16 067	14 359
Total	114 558	116 076	22 763	20 266
2.2.2 Non-current receivables				
Loan receivables	229	535	166	472
2.2.3 Deferred tax asset				
From timing differences	2 011	1 876		
2.2.4 Current receivables				
Accounts receivable	92 054	60 883	9 417	11 269
Amounts owed by group undertakings				
Accounts receivable			1 288	1 187
Other receivables			8 285	7 187
Prepayments and accrued income			179	179
Total			9 752	8 553
Amounts owed by affiliated undertakings				
Accounts receivable	144	42	144	42
Loan receivables	6 486	4 222	534	339
Other receivables	4 273	860	75	91
Prepayments and accrued income	22 235	20 471	4 559	3 654
Total	32 994	25 553	5 168	4 084
Current receivables, total	125 192	86 478	24 481	23 948
2.2.5 Investments				
Other securities	6 365	4 667	6 068	4 625

Thousands of euro	GROUP		PARENT COMPANY	
	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998
2.3 SHAREHOLDERS' EQUITY				
Share capital 1.1.	28 628	27 246	28 628	27 246
New share subscription		1 382		1 382
Share capital 31.12.	28 628	28 628	28 628	28 628
Share premium account 1.1	11 165	4 616	11 090	4 541
Issue premium		6 549		6 549
Share premium account 31.12.	11 165	11 165	11 090	11 090
Revaluation reserve 1.1.	183	207	183	207
Increase	74	2 083	74	2 083
Decrease due to sale of fixed assets		-24		-24
Transfer to deferred tax liability	-74	-2 083	-74	-2 083
Revaluation reserve 31.12.	183	183	183	183
Retained earnings 1.1.	82 248	73 506	64 081	62 558
Distribution of dividend	-8 588	-5 449	-8 589	-5 449
Translation difference	-409	-268		
Retained earnings 31.12.	73 251	67 789	55 492	57 109
Profit for the accounting period	26 360	14 191	19 927	6 971
Shareholders' equity, total	139 587	121 956	115 320	103 981
Distributable funds 31.12.				
Retained earnings	73 251	67 789		
Profit for the accounting period	26 360	14 191		
Equity share of depreciation reserve and untaxed reserves	-1 409	-7 419		
Distributable shareholders' equity	98 202	74 561		
2.4 APPROPRIATIONS				
Depreciation reserve				
Intangible rights				
Depreciation in excess of plan 1.1			78	103
Increase/decrease			48	-25
Depreciation in excess of plan 31.12.			126	78

Thousands of euro	GROUP		PARENT COMPANY	
	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998
Goodwill				
Depreciation in excess of plan 1.1				
Increase/decrease			172	
Depreciation in excess of plan 31.12.			172	
Other capitalised expenditure				
Depreciation in excess of plan 1.1				
Increase/decrease			1	
Depreciation in excess of plan 31.12.			1	
Buildings				
Depreciation in excess of plan 1.1			3 595	3 860
Increase/decrease			-163	-265
Depreciation in excess of plan 31.12.			3 432	3 595
Machinery and equipment				
Depreciation in excess of plan 1.1			22 822	25 044
Increase/decrease			-6 010	-2 222
Depreciation in excess of plan 31.12.			16 812	22 822
Other tangible assets				
Depreciation in excess of plan 1.1			9	
Increase/decrease			2	9
Depreciation in excess of plan 31.12.			11	9
Shares in group undertakings				
Depreciation in excess of plan 1.1				1 931
Increase/decrease				-1 931
Depreciation in excess of plan 31.12.				
Depreciation reserve				
Depreciation reserve 1.1			26 504	30 939
Increase/decrease			-5 951	-4 435
Depreciation reserve 31.12.			20 553	26 504
Division of appropriations between tax liability and shareholders' equity				
Depreciation reserve in the financial statements				
of individual group undertakings	27 319	33 216		
Deferred tax liability	-7 922	-9 300		
Equity share	19 397	23 916		
Eliminated at time of acquisition	-17 988	-16 497		
Remaining equity share included in shareholders' equity	1 409	7 419		
2.5 OBLIGATORY PROVISIONS				
Guarantee provisions	1 750	1 265		
Other obligatory provisions	149	1 935		
Total	1 899	3 200		

Thousands of euro	GROUP		PARENT COMPANY	
	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998
2.6. LIABILITIES				
2.6.1 Deferred tax liability				
Appropriations	7 923	9 300		
Revaluation increases	2 157	2 083	2 157	2 083
Timing differences	6 642	5 442		
Total	16 722	16 825	2 157	2 083
2.6.2 Non-current liabilities				
Loans from credit institutions	50 640	38 920	29 304	22 210
Pension loans	8 616	10 036		
Other non-current liabilities	8			
Total	59 264	48 956	29 304	22 210
Liabilities due after five years or later				
Loans from credit institutions	6 856	10 711	2 283	4 565
Pension loans	1 771	3 427		
Total	8 627	14 138	2 283	4 565
2.6.3 Current liabilities				
Loans from credit institutions	12 384	12 742	5 688	7 217
Pension loans	1 653	1 653		
Advances received	64 242	53 781	433	
Accounts payable	29 385	22 446	4 684	3 829
Accounts payable to group undertakings			347	505
Other liabilities to group undertakings			26 564	21 406
Other liabilities	15 232	6 381	1 039	114
Accruals and deferred income	48 781	54 739	22 360	26 764
Current liabilities, total	171 677	151 742	61 115	59 835
Items included in accruals and deferred income:				
Project expense liability	5 988	8 219		
Value added tax liability	7 969	6 767	4 446	2 241
Income tax liability	5 000	16 540	1 719	15 438
Wage- and salary-related expense liability	20 827	18 520	9 378	8 484
Other accruals and deferred income	8 997	4 693	6 817	601
Total	48 781	54 739	22 360	26 764

Thousands of euro	GROUP		PARENT COMPANY	
	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998	1.1.1999- 31.12.1999	1.1.1998- 31.12.1998
2.7 EFFECT OF PERCENTAGE-OF-COMPLETION METHOD ON BALANCE SHEET ITEMS				
Inventories				
Work in progress, total	233 913	240 036		10 990
Portion recognised as income	-200 112	-197 218		-10 990
Work in progress on the balance sheet	33 801	42 818		
Current liabilities				
Advances received, total	275 852	268 163		12 215
Portion recognised as income	-211 610	-214 382		-12 215
Advance received on the balance sheet	64 242	53 781		
2.8 CONTINGENT LIABILITIES				
Loans				
Loans from credit institutions	63 032	51 661	34 992	29 427
Pension loans	10 269	11 689		
Total	73 301	63 350	34 992	29 427
Securities for own commitments				
Property mortgages	10 181	9 552		
Business mortgages	48 546	46 512	25 228	25 228
Bonds pledged as security	5 221	5 778	93	
Total	63 948	61 842	25 321	25 228
Securities for commitments of others				
Bonds pledged as security	105	211		
Guarantees given				
On behalf of group undertakings			97 752	97 615
On behalf of affiliated undertakings	869	236	869	236
On behalf of others		12		12
Pension liabilities				
	37	37		
Financial leasing liabilities				
Payable in the year 2000	1 340		1 836	1 109
Payable in subsequent years	11 402		11 480	574
Total	12 742		13 316	1 683
Derivative contracts				
Forward foreign exchange contracts				
Nominal value	1 918	2 775	28	2 775

SHARES AND HOLDINGS

Company	Consolidated shareholding %	Parent company shareholding			Shareholdings of other group undertakings Value, EUR 1 000
		%	Shares	Value, EUR 1 000	
Group undertakings 31st December 1999					
Forsan Betonituote Oy, Forssa	100.0	50.0	1 000	1 580	168
Kainuun Murske Oy, Kajaani	54.2	54.2	13	149	
Lemcon Baumanagement GmbH, Germany	100.0	100.0	100	21	
Lemcon Bauprojekt-Management GmbH, Austria	100.0	100.0	1	18	
Lemcon Company S.A., Luxembourg	100.0	100.0	1 605	31	
Lemcon Építőipari Kft, Hungary	100.0	100.0		12	
Lemcon (UK) Ltd, United Kingdom	100.0	100.0	100		
Lemminkäinen A/S, Denmark	100.0	100.0	45 500	6 120	
Lemminkäinen Eesti AS, Estonia	100.0	100.0	10	3	
Lemminkäinen Svenska Ab, Sweden	100.0	100.0	10	12	
Omni-Sica Oy, Helsinki	100.0	100.0	50	9	
Oy Alfred A. Palmberg Ab, Helsinki	100.0	51.5	2 551	27 960	10 392
Oy Finnasfalt Ab, Helsinki	100.0	100.0	200	10	
Rakennus Oy Lemminkäinen, Helsinki	100.0	100.0	100	1 682	
Sica Oy, Helsinki	100.0	100.0	1 003	55 946	
Stenberg-Yhtiöt Oy, Forssa	100.0	100.0	500	14 397	
Tielinja Oy, Helsinki	100.0	100.0	75	308	
ZAO Lemminkäinen Dor Stroi (Lemdorstroi), Russia	100.0	100.0	49	544	
As Rajar TI, Estonia	58.0				5
WPL-System Oy, Helsinki	100.0				42
Neccos Oy, Helsinki	100.0				52
Lemcon Latvija SIA, Latvia	100.0				3
Lemcon Vilnius UAB, Lithuania	100.0				979
Lemcon Polska Sp.z o.o, Poland	100.0				25
ZAO Lemstroi, Russia	100.0				18
ZAO Neccos, Russia	100.0				2
ZAO Lemminkäinen/St. Petersburg	100.0				1
ZAO Rakennus Lemminkäinen/Moscow	100.0				2
ICM Infernational Construction Management, Hungary	70.0				497
Kiint. Oy Esterinportti 2, Helsinki	100.0				22 816
Oü Sten Killustik, Estonia	100.0				1
Rakennustoimisto Palmberg Oy, Tampere	90.0				735
Oy Konte Ab, Vaasa	90.9				168
Rekab Entreprenad Ab, Umeå	80.0				243
Palmberg-Rakennus Oy, Oulu	100.0				168
Rakennusliike S. Horttanainen Oy, Porvoo	100.0				67
Byggnads Ab Forsström Rakennus Oy, Kokkola	75.0				151
Savocon Oy, Kuopio	96.4				417
Palmberg-Urakoitsijat Oy, Hyvinkää	90.0				45
AAP-Insinöörit Oy, Helsinki	100.0				3
Rakennus-Otava Oy, Jyväskylä	100.0				596
Oka Oy, Kouvola	70.0				2 463
Rakennusliike S. Rätty Oy, Imatra	70.0				47
Total				108 802	40 105
Affiliated undertakings					
Pointti-Talo Oy, Lahti	45.0	45.0	27	293	
Talter AS, Estonia	51.0	51.0	810	417	215
Tasfil AS, Estonia	40.5	40.5	949	552	298
Laing-Loy Management Ltd, United Kingdom	50.0				8
Oy Jakobe Ab, Pietarsaari	33.2				425
Oy Tara-Element Ab, Kokkola	48.9				288
Total				1 262	1 234
Other shares and holdings					
		Shareholding		Nominal value	Total
		%	Shares	EUR 1 000	EUR 1 000
Helsinki Halli Oy A, Helsinki			12	20	202
Oy Nordgolf Ab Y, Äminnefors	1.9		22	9	84
Sampo Vakuutus Oy, Turku			17 692	15	153
Talentum Oyj, Helsinki			97 344	41	241
Vierumäen Kuntokylä Oy, Helsinki	3.4		2 640	44	137
Property shares					2 261
Housing shares					4 045
Other shares and holdings					724
Total					7 847

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 EUR 98 202 258.57 (FIM 583 884 114.87). The Parent Company's retained earnings from previous years are EUR 55 492 427.45 (FIM 329 942 990.65), the Parent Company's profit for the accounting period is EUR 19 927 152.10 (FIM 118 481 466.04) and the Parent Company's total retained earnings at the end of the accounting period are EUR 75 419 579.55 (FIM 448 424 456.69). The Board of Directors will propose to the Annual General Meeting that a total dividend of EUR 14 313 843.72 (FIM 85 106 250.00) be paid to shareholders, after which retained earnings would stand at EUR 61 105 735.83 (FIM 363 318 206.69).

Helsinki, 16th February 2000

Heikki Pentti

Teppo Taberman

Paul Blomqvist

Erkki J. Pentti

Juhani Sormaala
Managing Director

AUDITOR'S 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, 1999. The financial statements, which include the Board of Directors' report, consolidated and parent company income statements, balance sheets and notes to the 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 distributable funds is in compliance with the Companies Act.

Helsinki, 7 March 2000

Jan Holmberg
Authorised Public Accountant

Jarmo Alén
Authorised Public Accountant

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 ready-mixed concrete and mineral aggregates for resale, as well as environmental geotechnology products and services.

The production of ready-mixed concrete was added to the Division's business portfolio with the acquisition of Forssan Betonituote Oy in October. Stenberg-Yhtiöt Oy, which was acquired at the same time, significantly strengthens Lemminkäinen's position in the mineral aggregates market.

The acquisition of JJ-Asfaltti Oy's asphalt production operations in November broadens Lemminkäinen Corporation's range of environmentally friendly and recyclable asphalt paving products.

The Division's net sales were FIM 1 046.0 million (1 055.3). Net sales in Finland rose 9 % to FIM 908.3 million (842.8). Net sales from exports fell to FIM 137.6 million (212.6). Exports accounted for 13 % (20) of the Division's net sales.

The Division's operating profit rose to FIM 113.3 million (100.7). The average number of employees in the Division in 1999 was 1 104 (997).

Net sales by business area

	1999	1998
	FIM mill.	FIM mill.
Asphalt Paving	790.4	842.6
Mineral Aggregates	239.2	197.9
Road Marking	19.7	16.6
Internal invoicing	-3.3	-1.8
Total	1 046.0	1 055.3

Asphalt paving

The downward trend in domestic demand continued because the volume of orders received from the Finnish National Road Administration fell by about a quarter compared with the previous year. The volume of work received from local authorities declined slightly, which was offset by a corresponding rise in orders from the private sector.

The Company produced 2.5 million



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

tonnes (2.9) of asphalt, retaining its position as the market leader in Finland. Production fell by 6% in Finland and by about a third abroad. Most of this decline was due to the economic crisis in Russia.

Sales of paving-related ancillary products as well as environmental geotechnology products and services continued to grow. The most important contract in the latterly mentioned business area was the clean-up of an oil spill at Vainikkala railway yard, decontamination of the area and protection of the groundwater.

The net sales of the Paving Unit were FIM 790.4 million (842.6), of which operations abroad accounted for 19 % (24).

In Sweden the Unit carried out road stabilisation contracts and resurfaced the runway at Pajala airport as a subcontract for the Swedish main contractor.

In Russia the volume of paving contracting declined significantly as a consequence of continuing economic instability in the country. In St. Petersburg, asphalt was produced for resale and contracting use. In addition, bridge deck waterproofing systems and pavements were constructed at Saratov in southern Russia.

In Estonia, the asphalt operations owned jointly with NCC expanded as a result of increased orders from the City of Tallinn and the establishment of a presence at Tartu. In Latvia, stabilisation works were carried out for local road builders and asphalt paving contracts were completed for the City of Riga. Towards the end of the year Lemminkäinen Corporation acquired a majority interest in AB Vakaru Automagistrāle, a Lithuanian asphalt paving contractor.

In Denmark the asphalt production of Lemminkäinen's local subsidiary fell slightly. The highway improvement contract carried out by the same company in Zambia was extended and is now scheduled for completion in April 2000.

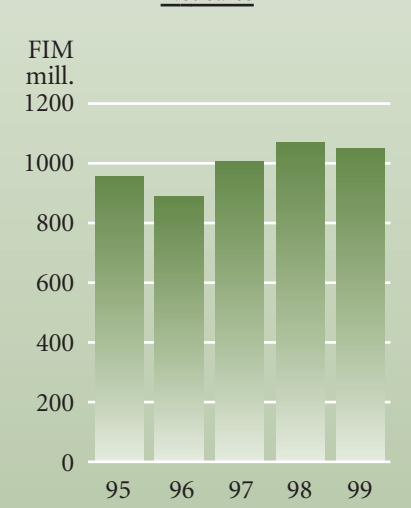
The average number of employees in 1999 was 766 (720). The Head of the Unit is Mr. Matti Kokko, B.Sc. (Eng.).

Mineral aggregates

The demand for mineral aggregates rose 2 % from the level of the previous year. Most of this growth was clearly generated in the Helsinki metropolitan area and regional growth centres, whereas

FIM mill.	1999	1998
Net sales	1 046.0	1 055.3
Operating profit	113.3	100.7
Net investments	129.3	64.5
Employees	1 104	997

Net sales





■ Over 12 million tonnes of crushed aggregates were produced.

demand in eastern and northern Finland declined slightly. The growth was due to the buoyancy of building contracting and the construction of transport facilities in population centres. On the other hand, the scant resources made available for public road building and upkeep reduced the consumption of mineral aggregates.

The Mineral Aggregate Unit produced 12.3 million tonnes (11.4) of crushed aggregates during the review year. The net sales of the Unit were FIM 239.2 million (197.9).

The business operations acquired from Tauno Valo Oy in the early part of the year were integrated into the Mineral Aggregates Unit and are included in the above figures. In addition, the November and December net sales of Stenberg-Yhtiöt Oy and Forssan Betonituote Oy, which were both acquired in the autumn, are similarly included in the Unit's net sales figures.

The most important contracts of the Mineral Aggregates Unit were the production of mineral aggregates for the third runway at Helsinki-Vantaa Airport, the excavation and processing of mineral aggregates in connection with the foundation works for a shopping centre at Matinkylä in Espoo, and rail track ballast deliveries to different parts of the country.

The average number of employees in the Unit in 1999 was 223 (168). The Head of the Unit is Mr. Juhani Innanen, B.Sc. (Eng.).



■ Asphalt can give a facelift to the urban environment. Ala-Mannerheimintie in Helsinki.

The average number of employees in the company in 1998 was 27 (29). The Managing Director of the company in the review year was Mr. Risto Vento. Mr. Harri Linnakoski took over as the company's new Managing Director at the beginning of 2000.

Research and development

Lemminkäinen's Central Laboratory is located in Tuusula near Helsinki-Vantaa Airport. It performs development work, testing and technical services for the Group's various units and companies.

The most important development projects were once again concerned with environmental issues. New waterproof asphalt pavements and structures were developed for groundwater protection applications. New techniques of immobilising contaminated soil was another area of research emphasis. The service life of bituminous roofing materials was examined with the aid of studies and condition assessments, and their low-temperature properties were improved. New products were developed primarily for the Paving Unit, Roofing Unit and Tielinja Oy.

The testing and quality assurance work carried out at the Central Laboratory was mainly concerned with asphalt pavements, mineral aggregates, bituminous roofing materials, concrete products and road marking paints.

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



■ An asphalt laying team at work in Heinola.

Road marking

Tielinja Oy carried out a total of 407 000 m² (329 000) of road markings in paint and a further 259 000 m² (234 000) in thermoplastics. The Company produced a total of 1 770 000 kg (1 640 000) of thermoplastic road marking materials and cement-based repair mortars and façade coatings.

The Company's net sales were FIM 19.7 million (16.6), with operations abroad accounting for 39% (36) of the total.

The most important export contracts were road marking works carried out for the national road administrations of Sweden and Estonia, and a paint marking contract completed in Zambia.

BUILDING MATERIALS DIVISION

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.

Demand for the Division's products and services was good throughout the work season. The investments made at Lohja bituminous roofing factory and Viitasaari natural stone works were fully utilised right from the beginning of the season. The Division's production and contracting capacity was almost fully utilised too. Good weather during the review year resulted in profitability being improved at a faster rate than the growth of net sales.

The Division's computerised manufacturing systems were renewed at the beginning of the year. The new software was brought into full operational use in June.

The net sales of the Building Materials Division were FIM 440.8 million (424.8). The Division improved its result compared with the previous year and exceeded the set profitability target. The operating profit was FIM 26.4 million (18.3). The growth of domestic construction and the positive development of exports will create opportunities for a further improvement in the result.

The average number of employees in the Division in 1999 was 610 (575).

Net sales by business area

	1999 FIM mill.	1998 FIM mill.
Roofing	277.7	279.4
Concrete Products	133.6	118.7
Sporting Facilities	30.9	31.0
Internal invoicing	-1.4	-4.3
Total	440.8	424.8

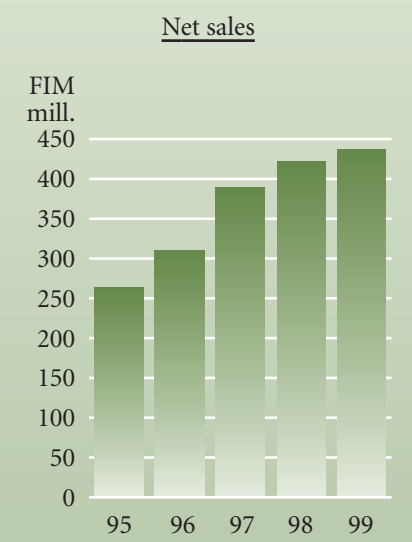
Production of roofing materials and roofing contracting

The Lohja plant manufactures bituminous roofing materials and primers for its



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

FIM mill.	1999	1998
Net sales	440.8	424.8
Operating profit	26.4	18.3
Net investments	13.9	12.8
Employees	610	575



own contracting, for resale through hardware stores, and for export. Bituminous roofing shingles, the most important export product, were exported mainly to other Baltic Rim countries, but significant quantities also went to South Korea and other countries. Lemminkäinen is Finland's leading roofing contractor, and the company's own contracting also serves as an important distribution channel for bituminous roofing materials. Tiled roofing contracting has developed into an important business in recent years.

The net sales of the Roofing Unit were FIM 277.7 million (279.4).

The Lohja plant was mainly operated on three shifts during the review year. With production volumes continuing to grow, measures aimed at increasing the capacity of the automated warehouse were implemented in autumn 1999. The sales and production of the Roofing Unit were combined at the end of 1998 in order to streamline operations and improve customer service. The new organisation worked well during the production season and its profitability improved markedly compared with the previous year.

Roofing contracting continued to grow profitably, further strengthening Lemminkäinen's position as Finland's leading roofing contractor. Contracting capacity was fully utilised, and the training of new roofers that began in 1998 was continued in order to ensure the future supply of professionally skilled labour. In October 1999 the Unit was awarded the ISO 9001 quality system certificate for roofing contracting.

The outlook for the Roofing Unit in the coming season is good, and a further improvement in profitability is expected. The Unit will develop its environmental system with the objective of gaining the ISO 14000 certificate during the year 2000.

The average number of employees in 1999 was 364 (341). The Head of the Unit is Mr. Ari Junttila, M.Sc. (Eng.).

Concrete and natural stone products

The growth of the construction sector coupled with the improved efficiency of the company's own operations were reflected as an increase in the volume and profitability of all the product



■ Lemminkäinen has been manufacturing bituminous roofing materials for 80 years.



■ Natural stone walls were built in the grounds of Gumböle manor house in Espoo.



■ The sports floor coverings installed at Paragon hall in Helsinki.

The average number of employees in 1999 was 194 (182). The Head of the Unit is Mr. Juhani Uljas, M.Sc. (Eng.).

Sporting facilities

Omni-Sica Oy is Finland's leading supplier and contractor of sports-related surfacing systems. The company's lines of business also include urban environment construction and polyurethane waterproofing systems. In addition to these, the company imports Mondo floor coverings and seating as well as Audience spectator stands.

After a quiet winter the sports-related construction market remained buoyant until the end of the year. In urban environment construction the strong demand for fences and watering systems that began in the previous year continued in 1999. Novokid, a new safety surfacing product designed for children's playgrounds, found a ready market. Seating products were delivered for installation in ships and ice halls. The most important projects included the renewals of Jämsä, Hanko and Vantaa athletic fields, the resurfacing contract at Paragon hall in Helsinki, the renewal of the watering system at Kuusankoski golf course, and the delivery of a new ice hall spectator stand in St. Petersburg.

The company's net sales were FIM 30.9 million (31.0). The average number of employees was 24 (25). The Managing Director of the company is Mr. Pekka Peho, B.Sc. (Bus.).

■ Impressive stone works were completed at Hotel Kämp in Helsinki.

groups and contracting of the Concrete Products Unit. The production resources for pre-cast concrete stair units were fully utilised, and spatial arrangements were made at the plant in order to ensure future growth opportunities as well. Newly acquired equipment improved production efficiency at the Viitasaari natural stone works.

The most important stair unit deliveries were made to Meritorni in Espoo and the Hansa Centre in Kouvolaa. The biggest terrazzo flooring contract ever undertaken in Finland was completed at the Jumbo shopping centre in Vantaa. The total floor area of the shopping centre is over three hectares. Natural stone works carried out at the Hotel Kämp in Helsinki was one of the most demanding contracting sites of the year. The biggest works completed in the field of urban environment contracting were Kangasala square, Forssa city centre, the Tuomas bridges in Turku, and a number of contracts carried out in Helsinki city centre.

The net sales of the Concrete Products Unit were FIM 133.6 million (118.7).

Factory, quality and environmental systems were singled out for develop-

ment in the review year. The most significant investment concerned environmental protection – a water recycling plant brought into service at Tuusula concrete products factory.



About a half of Lemminkäinen Construction Ltd's business operations are located abroad. In the review year the focus of these international operations clearly shifted from Russia and the Baltic states to Finland and Europe. The organisation was restructured to correspond to the changed market situation by forming two business areas: Civil Engineering and Project Management. The aim is to focus the company's business more precisely on areas of strong expertise. The company expanded its operations in Hungary. The order book remained good. At the end of the year it was FIM 670 million (859), a good starting point for the coming year.

The net sales of Lemminkäinen Construction Ltd were FIM 1 100 million (1 026) and its operating profit FIM 19.3 million (11.9). The average number of employees in 1999 was 453 (495), of whom 282 (318) were salaried staff.

Net sales by business area

	1999 FIM mill.	1998 FIM mill.
Civil Engineering	414.8	418.1
Project Exports	199.0	424.7
Project Management	486.3	183.2
Total	1 100.1	1 026.0

Civil engineering

The net sales of the Civil Engineering Unit were FIM 414.8 million (418.1).

The Civil Engineering Unit offers rock engineering, foundation building and other civil engineering services mainly in Finland and other Nordic countries. Other exports are project-specific. The demand for rock engineering contracting remained low in Finland. The company's most important rock engineering projects in Finland were the Kluuvi underground parking facility, the book depository for the University of Helsinki, and Leppävaara civil defence shelter in Espoo. Construction work began on the Puolalanmäki underground parking facility in Turku.

The market situation for foundation works was good thanks to the high level of building construction and especially

refurbishment work. In this sector the company achieved a good position in demanding foundation reinforcement projects. The demand for deep stabilisation works remained at the good level of the previous year.

The FIM 130 million Kulju motorway project continued and will be completed in autumn 2000. At Salmisaari in Helsinki work started on a technically demanding road intersection at the eastern end of the Hanko motorway. The roofing contract at Helsinki central railway station was completed at the end of the year.

In Norway construction work on underground gas storage facilities at Mongstad was completed. Another gas storage facility contract started up as a new export project at Sines in Portugal. In Sweden the construction of traffic tunnels continued north of Umeå, where a 1.1-kilometre-long railway tunnel is being built. Deep stabilisation and foundation reinforcement works were also carried out in Sweden.

The Civil Engineering Unit was awarded the ISO 9001 quality system certificate during the review year.

The average number of employees in the Unit was 271 (277). The Head of the Unit was Mr. Erkki Holopainen B.Sc. (Eng.). Mr. Timo Kohtamäki Lic. (Tech.) took over as the Head of the Unit from the beginning of 2000.

Project management

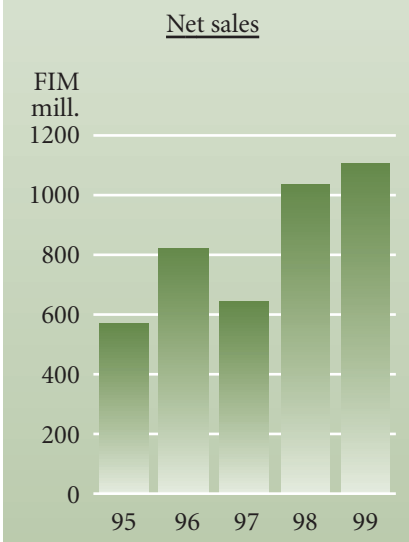
Net sales from project management and export contracts were FIM 685.3 million (607.9). The project export and project management units of Lemminkäinen Construction Ltd were combined in June to correspond better to the changed market situation. The relative importance of project management in the new unit's operations was further underlined during the review year. In addition to contracts in Finland and Europe, the Unit also carried out work in the Far East and in Russia. Income was generated in more than fifteen different countries during the review year.

In Germany, construction work on the Regensburg ice stadium was completed. A new mobile phone factory was built for Nokia Mobile Phones GmbH at Bochum, and at the end of the year construction work on a research and prod-



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

FIM mill.	1999	1998
Net sales	1 100.1	1 026.0
Operating profit	19.3	11.9
Net investments	16.9	8.5
Employees	453	495





uct development building began on the same site. Building work began on Finland's pavilion at the EXPO2000 World Fair in Hanover.

In Hungary Lemminkäinen acquired a majority interest in the construction company ICM International Construction Management Rt. At Komarom, ICM began the construction of a mobile phone factory for Nokia Mobile Phones

■ *The third runway at Helsinki-Vantaa Airport was Finland's biggest civil engineering site.*



and a production plant for Perlos. Project management consulting for Nokia Networks continued during the review year at various different sites in Hungary, Singapore, Taiwan and other countries.

In Russia a logistic centre in Moscow and Fortum's oil products terminal in Lomonosov were both completed. A project management contract for Caterpillar's assembly plant in Tosno continued all year. In the Far East, power plant projects were completed in Bangladesh and Vietnam.

In Finland, office and product development buildings were constructed for Nokia Corporation in Helsinki, Espoo, Tampere and Oulu. The projects in Tampere and Oulu were carried out in collaboration with Palmberg. Work began on the construction of Hanko sports hall and Myyrmäki Silva-Stadium.

The average number of employees in the Project Management Unit during the review year was 166 (200). The Head of the Unit is Mr. Juha Nurmi, M.Sc. (Eng.).

■ *Nokia's office building was completed in Helsinki.*

■ *The roof covering part of Helsinki central railway station's platform area.*

■ *An assembly plant was constructed for Caterpillar Inc. at Tosno in Russia.*





*Managing Director
Mr. Risto Bono, M.Sc. (Econ.),
M.Sc. (Eng.)*

The Palmberg Group consists of the parent company, Oy Alfred A. Palmberg Ab, and its eight regionally operating subsidiaries. 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 2 375.7 million (1 824.7), representing a 30% (29) increase in business volume. The value of the order book at the end of the accounting period stood at FIM 1 371 million (1 241). The Group's operating profit improved compared with the previous year and was FIM 104.0 million (64.1).

The number of own residential development apartments completed by the Group was 481 (389). At the end of the accounting period, 732 (462) own development apartments were under construction. New apartments completed under competitive tender contracting totalled 888 (1 011), and 1 675 (1 004) apartments were under construction at the end of the accounting period.

The average number of employees in the Group during the accounting period was 1 333 (1 221), of whom 408 (351) were salaried staff.

The Palmberg Group's regional units for Helsinki metropolitan area and southwest Finland as well as six of its eight subsidiaries each received the ISO 9001 quality system certificate in 1999. Development work on the quality systems of the two remaining subsidiaries will be completed in spring 2000.

in Tampere. In Kouvola, work is underway on the Hansa Centre, a development consisting of 100 housing units, 11 000 m² of business premises and parking for 350 vehicles. In Espoo, phases I and II of the Stella Business Park joint venture have been completed, and the next two phases and a second parking facility are under construction. A development of 98 apartments and 4 000 m² of business premises in Helsinki and another of 58 apartments and 1 500 m² of business premises in Lappeenranta are under construction.

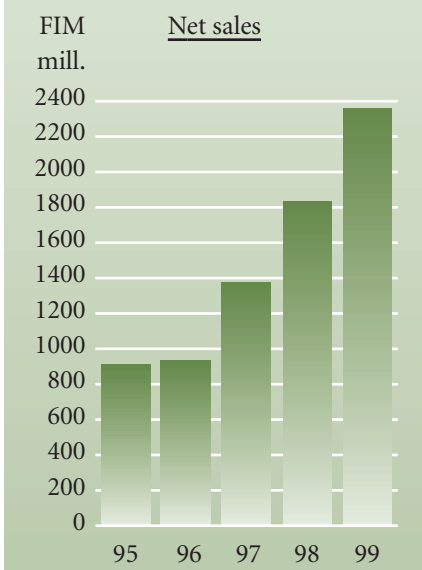
In Helsinki the conversion of the 20 000 m² Kokos building for use by the Helsinki University of Dramatic Arts is nearing completion. In Tampere, phase II (approx. 14 000 m² of floor space) of a research centre building for Nokia Corporation was completed, and Finlayson's old factory buildings were remodelled to accommodate Finnkino's theatre development. In Oulu the 25 000 m² Nokia House is under construction. The Ambiotica multi-purpose building was completed for the University of Jyväskylä, and Bioteknia 2, a laboratory and research building, was constructed in Kuopio.

Seinäjäki Arena (approx. 200 000 m²) is under construction in Seinäjoki and a bridge spanning the over 400-metre-wide straits of Kyrönsalmi is nearing completion at Savonlinna. A 65 MW waste-fired power plant was completed at Umeå in Sweden.

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

	1999	1998
	FIM mill.	FIM mill.
Competitive tender contracting		
Housing	425.0	378.7
Other new building work	427.6	528.1
Refurbishment work	342.2	260.7
Developments		
Housing	414.3	288.6
Commercial and industrial buildings	191.4	65.1
Total	1 800.5	1 521.2

FIM mill.	1999	1998
Net sales	2 375.7	1 824.7
Operating profit	104.0	64.1
Net investments	19.3	14.9
Employees	1 333	1 221



Completed contracts and work in progress

Palmberg's most important residential building contracts included new housing developments of 178 apartments for Sato-yhtiöt in Helsinki and 80 apartments in Turku. In Tampere the extensive remodelling of an industrial building to create 106 student accommodation units was completed, and the refurbishment of a building containing 168 rental apartments is underway. In Vaasa a residential development of 114 apartments was completed.

A parking facility for 790 vehicles was completed in Helsinki, and another with a capacity of 535 vehicles was completed



■ *Kokkola library*



■ *A bridge spanning the over 400-metre-wide straits of Kyrönsalmi nears completion in Savonlinna.*



■ *Bioteknia 2, a laboratory and research building, was completed in Kuopio (left).*



■ *Apartment building in Oulu.*

PALMBERG GROUP 1999

	Region	Net sales FIM mill.	Personnel total	Regional Director
Parent company				
Oy Alfred A. Palmberg Ab	Helsinki metropolitan area	780.0 (403.5)	292 (229)	Pauli Mäkelä
Helsinki Metropolitan Area Unit	Turku, Salo and surrounding areas			Raimo Salo
Southwest Finland Unit				
Subsidiary undertakings				
	Region	Net sales FIM mill.	Personnel total	Managing Director
Palmberg-Urakoitsijat Oy ¹⁾	Western Uusimaa	187.8 (177.8)	38 (40)	Ahti Kara
Oka Oy ²⁾	Kymenlaakso and Southern Karelia	385.3 (302.3)	260 (237)	Jorma Tamminen
Rakennustoimisto Palmberg Oy	Tampere and southern central Finland	369.4 (310.5)	318 (198)	Jukka Vahila
Rakennus-Otava Oy	Jyväskylä and neighbouring municipalities	57.5 (78.0)	35 (62)	Jussi Kari
Oy Konte Ab ³⁾	Ostrobothnia, Southwest Finland, projects in Sweden	305.3 (298.3)	242 (226)	Göran Pellfolk
Byggnads Ab Forsström Rakennus Oy	West coast region	80.3 (79.3)	90 (108)	Peter Forsström
Palmberg-Rakennus Oy	Provinces of Oulu and Lapland	165.6 (138.2)	113 (90)	Ahti Heikka
Savocon Oy	Kuopio and surrounding areas	49.9 (43.8)	26 (32)	Martti Kankkunen

¹⁾ Also includes Rakennusliike S. Horttanainen Oy, which discontinued its operations in 1999.

²⁾ Also includes Rakennusliike Seppo J. Rätty Oy, which discontinued its operations in 1999.

³⁾ Also includes the Swedish company Rekab Entreprenad Ab, which was acquired in 1999.

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■ In the year 2000 Lemminkäinen Corporation celebrates the 90th anniversary of its establishment. Between 1929 and 1974 the company was managed from its head office on Hakaniemi Square in Helsinki. "A wintry market day in Hakaniemi" was painted by Antti Favén in 1936-38. Lemminkäinen's old head office building and cement works can be seen in background.

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