Accounting Principles for IFRS Consolidated Financial Statements 31.12.2007

BASIC INFORMATION ON THE COMPANY

Lemminkäinen Corporation is a legally established Finnish public limited company domiciled in Helsinki. The Company's registered address is Esterinportti 2, 00240 Helsinki, Finland. Lemminkäinen Corporation is the parent company of Lemminkäinen Group. The Group operates in all areas of the construction sector.

The Group comprises the following business segments: the Paving and Mineral Aggregates Division, the Building Materials Division, Lemcon Ltd, Oy Alfred A. Palmberg Ab and Tekmanni Oy. Of these units, the Paving and Mineral Aggregates Division operates in the Nordic countries and Eastern Europe, and Lemcon Ltd globally. The other business units operate mainly in Finland and the surrounding region.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and the IAS and IFRS standards and SIC and IFRIC interpretations that were in force on 31 December 2007 have been observed in their preparation. The term International Financial Reporting Standards means standards and interpretations of them authorised for use in the European Union in accordance with the procedure prescribed in EU statute (EY) No. 1606/2002 as well as in Finnish accounting legislation and regulations based upon them. The notes to the consolidated financial statements are also in accordance with Finnish accounting and community legislation supplemental to the IFRS regulations. The consolidated financial statements can be ordered from the Company's Corporate Communications, tel. +358 207 153511, or by e-mail: julkaisut@lemminkainen.fi or on the website: www.lemminkainen.fi from week 10/2008 onwards.

The figures in the financial statements are denominated in EUR 1,000. Transactions are treated on the basis of original acquisition costs with the exception of available-for-sale investments and derivative contracts, which are fair-valued.

The Board of Directors approved publication of the consolidated financial statements on 13 February 2008.

PRINCIPLES OF CONSOLIDATION

Subsidiaries

The consolidated financial statements include Lemminkäinen Corporation and those subsidiaries in which the parent company directly or indirectly controls over 50 per cent of the conferred voting rights or otherwise has the right to define the company's economic or business principles. Intra-group shareholdings are eliminated using the acquisition method, and the assets and liabilities of an acquired entity are fair-valued at the time of acquisition and the remaining difference between the acquisition price and the equity acquired is goodwill. In accordance with the relief allowed by IFRS 1, acquisitions made before the IFRS transition date 1 January 2004 are not adjusted to conform to IFRS accounting principles. The goodwill included in the consolidated financial statements is recognised on the balance sheet in the currency of the acquiring company, and the goodwill arising from acquisitions is recognised in the functional currency of the foreign unit. Subsidiaries acquired during the accounting period are included in the consolidated financial statements from the time that the Group has a controlling interest, and sold ones up until the time that the controlling interest is relinquished.

Intra-group transactions, unrealised internal margins, as well as internal receivables, liabilities and dividend payments are eliminated on consolidation. The distribution of dividend to the shareholders of the parent company and to the minority interest is presented separately on the consolidated income statement. On the consolidated balance sheet the minority interest is included in the total equity of the Group.

Affiliated companies and joint ventures

Investments in affiliated companies (generally 20-50 per cent of the conferred voting rights or otherwise considerable influence over the company's affairs) and joint ventures in which the Group exercises authority jointly with other parties are included in the consolidated financial statements using the equity method. In that case, the Group's share of the result of an affiliated company corresponding to its ownership stake is included in the consolidated income statements. Correspondingly, the Group's share of the equity in the affiliated company, including the goodwill arising from its acquisition, is recorded as the value of its stake in the company on the consolidated balance sheet. If Lemminkäinen's share of the losses of an affiliated company exceeds the investment's carrying amount, the investment is assigned a value of zero on the balance sheet and the excess is disregarded, unless the Group has obligations concerning an affiliated company or joint venture.

Unrealised capital gains arising in connection with fixed asset transactions between the Group and affiliated companies or joint ventures are eliminated in proportion to the ownership share. The amount is deducted from the Group's retained earnings and non-current assets. The eliminated capital gain is recognised as income at the fixed asset's depreciation rate.

FOREIGN CURRENCY ITEMS

The consolidated financial statements are presented in euros, which is also the functional and presentation currency of the Group's parent company. In the Group companies' own bookkeeping, transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Receivables and liabilities denominated in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Exchange rate differences resulting from transactions related to sales and purchases are recorded as adjustments to the corresponding items above the operating profit. Exchange rate gains and losses related to financing are recognised as financial income and expenses, with the exception of loan-related exchange rate differences that are designated as hedges of foreign net investment and the hedging relationship remains effective.

Income statements are translated into euros using the average exchange rates over the accounting period. All balance sheet items, with the exception of the profit or loss for the accounting period, are translated into the Group's functional currency using the exchange rates prevailing on the balance sheet date. The translation differences resulting from the translation of the income statement and balance sheet at different exchange rates and from the elimination of shareholders' equity in foreign subsidiaries are recognised in equity.

With effect from the IFRS transition date (1 January 2004), goodwill arising from the acquisition of foreign subsidiaries as well as fair-value adjustments to the carrying amounts of the assets and liabilities of the foreign subsidiaries in connection with acquisition are treated as assets and liabilities of the foreign subsidiaries in question and are translated into euros at the exchange rates prevailing on the balance sheet date. The goodwill and fair-value adjustments of acquisitions that took place prior to 1 January 2004 are recorded in euros.

In accordance with the relief allowed by IFRS 1 for first-time adopters, translation differences accumulated before the IFRS transition date (1 January 2004) are recognised in retained earnings. With effect from the IFRS transition date, when preparing the consolidated financial statements, the translation difference resulting from exchange rate changes with regard to subsidiaries and affiliated companies is recognised as a separate item under the translation difference of the Group's equity. When foreign subsidiaries or affiliated companies are sold, the translation difference accumulated since 1 January 2004 is recognised as a capital gain or loss on the income statement.

FINANCIAL ASSETS

The Group recognises financial assets on the settlement date with the exception of derivatives, which are recognised on the transaction date. Financial assets are de-recognised and removed from the balance sheet when the Group has lost the contractual right to their cash flows or when it has substantially transferred their risks and returns to a party outside the Group. In connection with initial recognition, the Group classifies financial assets into the following categories: financial assets at fair value through profit and loss, available-for-sale investments, and other loans and receivables.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group has derivative contracts that do not meet the conditions set for hedge accounting. Changes in the fair values of derivatives are recognised through profit or loss. Receivable and payable items are included in current assets and liabilities on the balance sheet.

The fair values of derivatives are based on market prices. The fair values of interest rate swap agreements are based on discounted cash flows, and the fair values of currency and interest rate options are based on generally accepted valuation models. The fair values of forward foreign exchange contracts are based on forward rates at the balance sheet date.

AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale assets are financial assets, other that derivative contracts, that do not belong to the other classes of financial assets and can be sold as required. Available-for-sale investments are fair-valued. If a fair value cannot be measured, the investment is recognised at cost. Available-for-sale investments include listed shares, housing company shares, and other equity investments such as telephone shares. The fair value of unlisted shares cannot be reliably measured because they do not have a quoted price in an active market. Changes in the fair value of available-for-sale investments are recognised on the balance sheet in the fair-value revaluation reserve until such time as the investment is sold, whereupon the cumulative change in fair value recognised in equity is written off through profit or loss. The cumulative change in fair value recorded on the balance sheet is also recognised through profit or loss when the value of an available-for-sale investment has declined.

LOANS AND OTHER RECEIVABLES

Loans and other receivables are valued after initial recognition at amortised cost measured by the effective interest rate method. Loans and other receivables are items with fixed and determinable payments. They are included in current and non-current assets on the balance sheet.

CASH FUNDS

Cash funds comprise bank account balances and liquid, risk-free investments with maturities of less than three months. Cash funds are recognised at cost. Because the maturities of investments included in cash funds are short, their fair value is considered the same as their acquisition cost.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised on the basis of the corresponding asset received. Transaction costs are included in the original carrying amount of financial liabilities. Subsequently, all financial assets are valued at amortised cost measured by the effective interest rate method. Financial liabilities are included in non-current and current liabilities and they may be interest-bearing or non-interest-bearing.

DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

The Group applies hedge accounting for certain derivative instruments and foreign currency loans which are used to hedge net currency investments in foreign units and meet the conditions set for hedge accounting in IAS 39. When initiating hedge accounting the Group documents the relationship between the hedged asset and the hedging instrument as well as the aims of the Group's risk management and the hedge accounting strategy. At the same time and at least in connection with the preparation of each set of annual financial statements, the Group documents and assesses the effectiveness of hedging relationships by examining the ability of the hedging instrument to nullify any changes in the fair value of the hedged asset.

When forward foreign exchange contracts are used as hedging instruments, the change in fair value due to change in the spot rate of the forward contract is recognised directly in the translation difference in equity to the extent that the hedging relationship is effective. The ineffective part is recognised through profit and loss in financial income and expenses on the income statement for the accounting period. When the hedging instrument is a foreign currency loan, the exchange rate gains/losses arising from the loan are recognised in equity in the translation difference to the extent that the hedging relationship is effective. The ineffective part is recognised through profit or loss in financial income and expenses on the income statement for the accounting period. The cumulative change in fair value of a hedging instrument recognised in equity is written off the balance sheet through profit or loss in the accounting period during which the investment is partially or totally relinquished.

If the criteria set for hedge accounting in IAS 39 are not met, the hedging relationship is terminated. In that case the recognised profit or loss on the derivative instrument remains in equity until such time as the anticipated transaction occurs and is recognised through profit and loss. If the anticipated transaction is no longer expected to take place, the profit or loss recognised in equity is immediately transferred to financial items on the income statement.

Certain currency and interest rate derivatives do not meet the criteria set for hedge accounting in IAS 39 and they are classified as financial assets recognised at fair value through profit or loss. In the case of these derivatives the currency and interest rate risk management principles approved by the Board of Directors are observed. The external derivatives used in hedge accounting are described in greater detail in the section dealing with the management of financial risks in the notes to the financial statements.

INCOME RECOGNITION PRINCIPLES

Recognition of income from the sale of manufactured goods

The Group recognises income from the sale of its manufactured products at the time when the essential risks and benefits associated with product ownership are transferred to the buyer and the Group no longer has any authority or control over the product. As a rule this means the point in time when the product is handed over to the customer in accordance with the agreed terms and conditions of delivery. The fair-value income received, adjusted for direct taxes, discounts given and exchange rate differences on foreign currency sales, is presented on the income statement as net sales.

Recognition of income from construction projects

The financial statements for the accounting period are prepared in accordance with the percentage-of-completion method, whereby income from construction projects is recognised according to the degree of project completion. The degree of project completion is calculated as the ratio of actually incurred cost to estimated total costs. If it is likely that the total costs needed to complete a project on the order book will exceed the total income receivable from the project, the anticipated loss is immediately recognised in total as an expense.

When the incurred costs and recognised profits are greater than billing based on the project's progress, the difference is presented in the balance sheet item Trade and other receivables. If the incurred costs and recognised profits are less than the billing based on the project's progress, the difference is presented in the balance sheet item Accounts payable and other current liabilities.

Income from own building developments is recognised according to the overall degree of project completion. This is calculated by multiplying the percentage of construction completed by the percentage of housing units sold. The latter is calculated by dividing the debt-free selling price of the housing units sold by the total debt-free selling price of the whole project. Recognised expenses attributable to construction still unsold are presented on the balance sheet in inventories as work in progress.

The completed-contract method of recognising income from construction projects, which is based on Finnish accounting practice, is used by some subsidiaries in their official financial statements. These companies prepare additional financial statements based on the percentage-of-completion method for the purposes of consolidation by the Group.

VALUATION AND DEPRECIATION OF NON-CURRENT ASSETS

Tangible assets

The Group companies' tangible assets are shown on the balance sheet at cost less depreciation and impairment. Land is not subject to depreciation. Tangible assets are depreciated over their estimated economic lifetimes, which are as follows:

- Buildings and structures 10–40 years
- Machinery and equipment 4–10 years
- Mineral aggregate deposits depreciation based on substantial reduction
- Other tangible assets 10 years

A tangible asset is subject to depreciation from the time that is ready for service. Depreciation is charged over the period of time from the asset's introduction into use until the end of its useful economic life. The residual values and economic lifetimes of assets are reviewed in connection with the preparation of each set of annual financial statements, and if necessary they are adjusted to reflect any changes that may have occurred in the economic benefit expected of them.

The depreciation of a tangible asset is discontinued when it is classified as available-for sale as defined in IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Normal maintenance and repair costs are expensed as incurred. Significant improvements or additional investments are capitalised and depreciated over the remaining useful economic lifetime of the asset to which they pertain, provided that it is likely that the Company will derive future economic benefit from the asset. Capital gains on the sale of an tangible asset are presented in Other operating income, and losses in Other operating expenses. The Group expenses the interest costs of tangible asset acquisitions.

Financial assistance received

Financial assistance received from the Finnish State or some other public-sector source is recognised as income on the income statement at the same time as corresponding costs are expensed. Investment grants are deducted from the value of the asset in question.

Goodwill

Goodwill is the amount by which the cost of acquiring a company after 1 January 2004 exceeds the Group's interest in the net fair value of its identifiable assets, liabilities and contingent liabilities at the time of acquisition. The cost of acquiring an entity includes all the costs arising directly from its acquisition, e.g. the costs of legal and auditing services. Goodwill on consolidation of acquisitions made prior to 1 January 2004 is the carrying amount determined in accordance with earlier accounting standards, which is used as the IFRS deemed cost of acquisition. Goodwill is not amortised. Goodwill is regularly tested for impairment. The impairment tests are based on discounted cash flows of cash-generating units. Goodwill is recognised on the balance sheet at cost less impairment, which is expensed on the income statement.

Research and development expenditure

Research and development expenditure is expensed as incurred, with the exception of development expenditure satisfying the capitalisation criteria of IAS 38, which is recognised on the balance sheet and amortised through profit or loss over its useful economic lifetime.

Other intangible assets

Assets such as patents and software licence payments are classified as intangible assets. Other intangible assets are recognised at cost on the balance sheet and amortised over their useful economic lifetimes. The amortisation times of intangible assets are as follows:

- Software licence payments 5 years
- Other intangible assets 5–10 years

Impairment

The carrying amount of an asset is assessed on each reporting date to determine whether there are indications of impairment. If indications of impairment are found, the "recoverable amount" for the asset in question is assessed. Annual impairment tests are always made for goodwill. The recoverable amount for an asset is either its fair value less costs to sell or, if higher, its value in use. In measuring value in use, expected future cash flows are discounted to their net present value using discount rates that reflect the country's average capital costs before taxes. Market risk and liquidity premiums are taken into consideration when setting the discount rates. If it is not possible to calculate the recoverable cash flows for an individual asset, then the recoverable amount for the cash-generating unit to which the asset belongs is determined. An impairment loss is recognised on the income statement if the carrying amount exceeds the recoverable amount.

Impairment losses relating to tangible assets and intangible assets other than goodwill are reversed if circumstances have changed and the asset's recoverable amount has increased since the impairment loss was recognised. The biggest reversal allowed is such that the increased carrying amount due to reversal does not exceed what the depreciated historical cost would have been if the impairment had not been recognised. Impairment losses of goodwill cannot be reversed.

Investment properties

The Group has no assets classified as investment property.

LEASING AGREEMENTS WHERE THE GROUP IS THE LESSEE

Leasing agreements that concern tangible assets where substantially all the risks and rewards of ownership are transferred to the Group are classified as finance leasing agreements. Finance leasing agreements are recognised as assets on the balance sheet at a value equal to the fair value of the leased item on the date that the lease commences or, if lower, the present value of the minimum lease payments. A corresponding liability is recognised in current and non-current loans.

Assets leased under finance leasing agreements are depreciated over the useful economic lifetime of the asset class or a shorter period as the lifetime of the lease elapses, and impairment losses are recognised as required. Annual leasing payments are divided into financial expenses and debt amortisation instalments over the lifetime of the lease so that the same interest rate is applied to the outstanding debt in every accounting period.

Leasing agreements in which the rights and risks of ownership are retained by the lessor are treated as other leasing agreements. The payments of other leasing agreements are treated as leasing expenses and they are recognised on the income statement in equal instalments over the lifetime of the lease.

VALUATION OF INVENTORIES

Properties and apartments included in inventories are recognised on the balance sheet at cost or, if lower, net realisable value. The net realisable value is the estimated selling price that may be obtained in an active market in the normal course of business, less the costs of selling and the costs necessary to complete the product in question. Materials and supplies are valued according to the FIFO principle. The value of inventories includes the variable costs arising from their acquisition and production as well as the proportion of fixed and general costs of manufacture that is attributable to them in conditions of normal production. The costs of selling and financing are not included in the valuation of inventories at cost.

TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade and other receivables are recognised at cost. They are subject to impairment testing in connection with the preparation of the annual financial statements. If there is objective evidence that the value of trade or other receivables is impaired, the amount impaired is expensed as a bad debt on the income statement.

CURRENT INVESTMENTS IN ESTABLISHED HOUSING COMPANIES

Capital investments made in own building developments are included in current assets on the balance sheet. Amounts owing to the owners of buildings under construction are included in current liabilities. In the financial statements the items are netted so that the balance is recognised in the amount owing to owners of buildings under construction. The amounts of current investments and their corresponding liabilities are itemised in the notes to the balance sheet.

The portion of loans made through established housing companies that applies to completed but unsold apartments as well as the portion of loans raised that exceeds the percentage of completion of both sold and unsold apartments still under construction are included in current interest-bearing liabilities.

EMPLOYEE BENEFITS

Pension provisions

The pension schemes of Group companies operating in different countries are generally defined contribution plans. Payments in respect of defined contribution plans are expensed on the income statement for the accounting period to which they apply. A provision for pension liability is made for a pension scheme to the extent that it is classified as a defined benefit plan. The pension costs of a defined benefit plan are measured using the Projected Unit Credit Method. The amount of pension liability is calculated by deducting the fair value of the assets belonging to the pension scheme on the balance sheet date from the present value of the future pension obligations on the balance sheet date. The pension provisions are expensed on the basis of actuarial calculations for the duration of employee service. The actuarial gains and losses arising from these pension provisions are recognised on the income statement over the expected average remaining working lives of the participating employees to the extent that it exceeds 10% of the defined benefit obligation or, if greater, 10% of the fair value of plan's assets.

Management remuneration programmes

The Company does not have any current management options programme. The expenses of other management remuneration programmes are recognised as personnel expenses on the income statement as they arise.

PROVISIONS

A provision is made when the Group has a legal or de facto obligation based on some past event and it is likely that freedom from liability will either require a financial payment or will result in financial loss, and that the amount of liability can be reliably measured. Provisions relate to warranties, onerous work or contracts, landscaping and other environmental liabilities.

Provisions for construction warranties are calculated on the basis of the level of warranty expenses actually incurred in earlier accounting periods, and are recognised when income from a completed project is recognised on the income statement. If the Group will receive reimbursement from a subcontractor or material supplier on the basis of an agreement in respect of anticipated expenses, the future compensation is recognised when its receipt is in practice beyond doubt.

Provision is made for onerous work or contracts when the expenditure required by the agreement to fulfil the obligations exceed the benefits that may be derived from it.

A landscaping provision is made in respect of those sites where landscaping is a contractual obligation. The amount of the provision is based on the use of ground materials.

Ten-year liabilities relating to own building developments are included as a provision in the financial statements to the extent that their realisation is considered likely.

INCOME TAXES

Taxes calculated on the basis of the taxable profit or loss of Group companies for the accounting period, adjustments to the taxes of earlier accounting periods, and the change in the deferred tax liability and asset are recognised as taxes on the consolidated income statement. The tax effect associated with items recognised directly in equity is correspondingly recognised in equity.

The change in deferred tax is calculated from the temporary differences between taxation and accounting using either the tax rate in force on the balance sheet date or the tax rate that will come into force at a later date but is already known. However, a deferred tax liability is not recognised in respect of a temporary difference that arises from the initial recognition of an asset or liability (other than from a business combination) and affects neither accounting income nor taxable profit. A deferred tax asset is recognised only to the extent that it is likely that there will be future taxable profit against which the temporary difference may be utilised. The most significant temporary differences arise from appropriations, the income recognition practice for construction projects, internal capital gains from sales of fixed assets, finance leasing arrangements, provisions, unused tax losses, measurements of fair value made in connection with acquisitions, and pension provisions.

Confirmed tax-deductible losses are treated as a tax asset to the extent that it is likely that the Company will able to utilise them in the near future.

Deferred tax is not recognised in respect of non-tax-deductible goodwill when it is probable that the temporary difference will not reverse in the foreseeable future. A deferred tax liability is recognised in respect of the undistributed profits of subsidiaries only if payment of the tax is expected to be realised in the foreseeable future.

DIVIDEND DISTRIBUTION

A dividend payment proposed by the Board of Directors to a general meeting of shareholders is not recognised as a deduction from distributable equity until after it has been approved by the general meeting.

EARNINGS PER SHARE

The undiluted earnings per share are calculated by dividing the accounting period's profit belonging to the shareholders of the parent company by the weighted average number of issued shares during that period. When calculating the diluted earnings per share, the diluting effect stemming from the conversion of all dilutive potential ordinary shares into shares must be taken into account in the weighted average number of issued shares.

TREASURY SHARES

If the Company or its subsidiaries acquire the Company's own treasury shares, the Company's equity is reduced by the amount of consideration received for the shares plus transaction costs after taxes until such time as the treasury shares are cancelled. If treasury shares are sold or re-issued, the consideration is recognised in equity. No gains or losses are recognised in respect of purchases, sales, issuance or cancellation of the Company's own equity instruments.

THE USE OF ESTIMATES

In preparing the financial statements the Company's management has had to make accounting estimates and assumptions about the future that affect the reported amounts of assets, liabilities, income and expenses for the accounting period as well as the recognition of contingent assets and liabilities on the balance sheet date. These estimates and judgements are based on past experience and other justifiable assumptions that are believed to be reasonable under the prevailing circumstances. The Company's management has had to make judgements in the classification, measurement and recognition of tangible, intangible and leasing assets.

Management estimates and judgements mainly concern income recognition according to the percentage of contract completion, the recognition of provisions, the economic lifetimes of tangible and intangible assets, the valuation of assets belonging to acquired companies and their realisability, the treatment of leasing agreements, the formulae used to calculate employee benefits, the forecasts and assumptions used in impairment tests, and the utilisation of deferred tax assets against future taxable profit.

Recognition of income from construction projects

When recognising income from long-term construction projects the Group observes the percentage-of-completion method, whereby income from such projects is recognised according to the degree of project completion. The degree of project completion is calculated as the ratio of actually incurred cost to estimated total costs. Actually incurred costs include only those costs that correspond to work already carried out. Management estimates and judgements are necessary when making a reliably determination of the total costs that will be incurred in order to complete a project. All project costs are itemised and measured as accurately as possible to facilitate their comparison with early values. If management is unable to make a reliable determination of the total income from a construction project, the income for the accounting period is recognised without any margin. In that case, income is recognised only to the extent that the corresponding amount of actually incurred expenses is considered recoverable. If management considers a project to be onerous, i.e. it expects total costs to exceed total income, the anticipated loss is immediately expensed.

Recognition of provisions

Management considers on the basis of available historical evidence whether it likely that the settlement of a present obligation will result in an outflow of resources embodying economic benefits from the Group. If such a condition is considered to exist and a reliable estimate as to the amount of the obligation can be made, then it is recognised as a provision in the financial statements.

Economic lifetimes of tangible and intangible assets

Management uses estimates and judgements when considering the economic lifetimes and depreciation methods for tangible and intangible assets. The factors considered when estimating economic lifetimes include the purpose of a productive asset, the effects of wear, maintenance and repair stemming from use of the asset, the duration of the asset's technical usability, limitations or obligations arising from leasing or other agreements, and the magnitude of any residual value.

Valuation at cost

The valuation of an acquired subsidiary's shares at cost is based on the fair value of its identifiable assets and liabilities. When measuring fair value, management uses judgement based on its own experience and, if necessary, the assistance of experts specialised in the balance sheet items in question.

Leasing agreements where the Group is the lessee

Management has had to make judgements when classifying leasing agreements as either finance leasing agreements or other leasing agreements. The classification of leasing agreements is made in accordance with generally accepted standards and the provisions of finance leasing agreements, and it is based of the actual content of the agreement (IAS 17.8 and IAS 17.9). According to the definition of a finance leasing agreement, substantially all the economic risks and rewards of ownership are transferred to the lessee. The classification is always made at the inception of the lease. The provisions of a leasing contract can be amended by agreement with the lessor, in which case the classification can be revised. A change taking place in an estimation criterion, e.g. a change in the relationship between the present value of minimum lease payments and the fair value of the leased asset, does not provide grounds for reclassification.

Employee benefits

When calculating obligations related to employee benefits, the factors requiring management estimates, assumptions and judgements include the expected returns on the assets of defined benefit pension plans, the discount rate used to calculate pension liabilities and pension expenses for the accounting period, the future development of pay levels, the rising level of pensions, the durations of employee service, and the development of inflation.

Impairment testing

The carrying amounts of assets are examined by means of impairment tests, which are performed at least once a year and whenever factors inside or outside the company give cause to conclude that it is necessary. In impairment tests the recoverable amount from a cash-generating unit's business is based on value-in-use calculations. The forecast cash flows used in these calculations are based on profitability plans approved by business management for a certain period of time. Management has to use its judgement when estimating whether the fair value of an asset has declined during the accounting period, whether significant adverse changes have occurred in the operating environment, whether it is necessary to change the discount rate applied in value-in-use calculations, and whether the carrying amount of a company's net assets are lower than their fair value.

Taxes

Most particularly, management has to use judgement and estimation in connection with the recognition principles for deferred tax assets. The reversal of a tax-deductible temporary difference reduces the taxable profit in future accounting periods. The most common tax-deductible temporary difference between accounting and taxation is a confirmed tax loss. Management has to consider whether there will be sufficient taxable profit in the future for the purpose of utilising unused tax losses. A deferred tax asset arising from unused tax losses is recognised only to the extent that it is likely that there will be future taxable profit against which the unused losses may be utilised.

Estimates are based on management's best judgement, but actual outcomes may differ from the estimates used in the financial statements.

NEW STANDARDS AND INTERPRETATIONS

Application of new and amended IFRS standards and IFRIC interpretations

The IASB has published the following standards and interpretations whose application will be mandatory in 2008 or later. The group has not early adopted these standards, but will adopt them in later periods

The following standards and interpretations will be adopted by the group in 2008:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions' provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have any impact on the group's financial statements.
- IFRIC 12, 'Service Concession Arrangements' applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. *
- IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' is applied to post-employment defined benefit plans and other long-term defined benefit plans under IAS 19, if the plan includes minimum funding requirements. The interpretation also clarifies the criteria for recognition of an asset on future refunds or reductions in future contributions. *

* The revision, amendment or interpretation to published standards is still subject to endorsement by the European Union.

The group will adopt in 2009 the following standards published by IASB:

- IAS 1 (Revised) 'Presentation of Financial Statements' is aimed at improving users' ability to analyse and compare the information given in financial statements by separating changes in equity of an entity arising from transactions with owners from other changes in equity. Management is assessing the impact of this revision on the financial statements of the group. *
- Amendment to IAS 23 'Borrowing Costs' requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Management is assessing the impact of this amendment on the financial statements of the group. *
- IFRS 8, 'Operating Segments' replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact has been assessed in detail by the management. The number of reportable segments, as well as the manner in which the segments are reported, will not change because the reporting is consistent with the internal reporting.
- IFRIC 13, 'Customer Loyalty Programmes'. IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the group's operations because none of the group's companies operate any loyalty programmes. *

The group will adopt in 2010 the following standards published by IASB:

- IFRS 3 (Revised), 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. Management is assessing the impact of this revision on the financial statements of the group. *
- IAS 27 (Revised), 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss. Management is assessing the impact of this revision on the financial statements of the group. *

Standards, amendments and interpretations effective in 2007 :

- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. Disclosures have been added to the group's financial statements.
- IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This interpretation does not have any impact on the group's financial statements.
- IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have any impact on the group's financial statements.

Standards, amendment and interpretations effective in 2007 but not relevant

- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies';
- IFRIC 9, 'Re-assessment of embedded derivatives'.

* The revision, amendment or interpretation to published standards is still subject to endorsement by the European Union.

Accounting principles of the Parent Company Financial Statements, 31 December 2007

Lemminkäinen Corporation's financial statements are prepared in accordance with Finnish Accounting Standards (FAS).

Valuation of inventories

Inventories are valued according to the FIFO principle at cost or, if lower, their replacement cost or probable selling price.

Foreign currency items

Receivables and liabilities denominated in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Foreign currency receivables and liabilities hedged by forward rate agreements are valued at the forward rate, and the interest component is recognised over the duration of the agreements. Exchange rate differences related to sales and purchases are recorded as adjustments to the corresponding items. Exchange rate gains and losses related to financing are recognised as financial income and expenses.

Recognition of income from construction projects

The financial statements for the accounting period are prepared in accordance with the percentage-of-completion method, whereby income from construction projects is recognised according to the degree of project completion. The degree of project completion is calculated as the ratio of actually incurred costs to estimated total costs. Anticipated losses from onerous projects on the order book are recognised in total as expenses.

Valuation and depreciation of fixed assets

Fixes assets are presented on the balance sheet at cost less planned depreciation over their expected economic lifetimes. In addition, the values of some land, buildings and shareholdings include fair-value adjustments, against which no depreciation is charged. The depreciation periods are as follows:

- Goodwill 5–20 years
- Buildings and structures 10–40 years
- Machinery and equipment 4–10 years
- Mineral aggregate deposits depreciation based on substantial reduction
- Others fixed assets 5–10 years

Pension plans

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

Research and development expenditure

R&D expenditure is expensed in the year during which it is incurred.

Direct taxes

Taxes calculated on the basis of the profit or loss for the accounting period, adjustments to the taxes of earlier accounting periods, and the change in deferred tax liabilities and assets are recorded as direct taxes on the income statement.

Notes to the Consolidated Financial Statements (IFRS)

1 INFORMATION BY BUSINESS SECTOR

Lemminkäinen Group's business consisted of five main segments up until the end of 2007: the Paving and Mineral Aggregates Division, the Building Materials Division, Lemcon Ltd, Oy Alfred A. Palmberg Ab and Tekmanni Oy. Functions external to the main segments are reported in Unallocated items.

With effect from 1 January 2008, the Group was reorganised into four business sectors: building construction, infrastructure construction, technical building services and building products. These business sectors are the responsibility of Lemminkäinen Talo Oy, Lemminkäinen Infra Oy, Tekmanni Oy and Lemminkäinen Building Products, respectively.

Paving and Mineral Aggregates Division

The Paving and Mineral Aggregates Division became a part of Lemminkäinen Infra Oy on 1 January 2008. The Paving and Mineral Aggregates Division is an asphalt paving and road improvement contractor as well as a producer of mineral aggregates and ready-mix concrete. The Division also offers environmentally friendly foundation engineering products and services.

Building Materials Division

The Building Materials Division began operating under the name Lemminkäinen Building Products from 1 January 2008. Operations in this business sector are handled by subsidiaries Lemminkäinen Katto Oy, Lemminkäinen Betonituote Oy and Omni-Sica Oy. The Building Materials Division manufactures and sells roofing materials and waterproof membrane systems, concrete and urban environment construction products, and sports construction products. The Division also offers contracting services for all the products in its range.

Lemcon Ltd

Lemcon Ltd is an international project contractor that derives about a half of its business from contracts abroad. The company specialises in project management contracting and, up until the end of 2007, its business included demanding infrastructure and telecom network projects. On 1 January 2008 the infrastructure business was transferred to Lemminkäinen Infra Oy and the project management and telecom network businesses to Lemminkäinen Talo Oy.

Oy Alfred A. Palmberg Ab

The Palmberg Group became a part of Lemminkäinen Talo Oy on 1 January 2008. The Palmberg Group is a building contractor operating mainly in Finland and Central Sweden. The Group's new construction and refurbishment work encompasses competitive tender contracting as well as private-sector housing, commercial and industrial developments.

Tekmanni Oy

Tekmanni Oy and its subsidiaries form Lemminkäinen's technical building services business sector. The company provides technical building services, technical facility services and industrial services. The services include installation, contracting, servicing and maintenance works.

Unallocated items

Unallocated items on the income statement are expenses incurred by the Group and not allocated to the business segments. Unallocated assets and liabilities include mainly financial receivables and liabilities.

Business segments

1.1. - 31.12.2007 EUR 1,000	Paving and Mineral Aggregates Division	Building Materials Division	Lemcon Ltd	Oy Alfred A. Palmberg Ab	Tekmanni Oy	Unallocated items	Eliminations	Total
External sales	619,980	117,902	382,260	836,157	217,816			2,174,117
Inter-segment sales	16,338	15,850	7,636	795	12,363	2,207	-55,189	
Net sales	636,318	133,753	389,896	836,953	230,179	2,207	-55,189	2,174,117
Depreciation	24,238	2,465	2,537	3,356	833	778		34,208
Operating profit	26,873	11,068	12,973	70,243	11,874	-6,717	-22	126,291
Financial expenses								22,193
Financial income								6,166
Share in the results of affiliated undertakings	749		-30	177				897
Income taxes								-30,604
Result for the accounting period								80,557
Assets	303,619	49,398	183,169	425,493	104,095	117,621	-114,400	1,068,996
Liabilities	165,702	28,534	126,271	239,919	52,298	251,458	-114,400	749,782
Investments	32,719	8,292	5,338	10,576	2,970	1,461		61,355

1.1.–31.12.2006 EUR 1,000	Paving and Mineral Aggregates Division	Building Materials Division	Lemcon Ltd	Oy Alfred A. Palmberg Ab	Tekmanni Oy	Unallocated items	Eliminations	Total
External sales	549,593	94,057	337,623	636,548	178,080			1,795,900
Inter-segment sales	9,432	10,393	6,342	913	13,609	3,326	-44,014	
Net sales	559,025	104,449	343,965	637,460	191,689	3,326	-44,014	1,795,900
Depreciation	24,374	2,286	2,056	3,833	1,617	793		34,958
Operating profit	35,467	5,005	12,539	52,446	6,895	-4,276	-17	108,059
Financial expenses								18,241
Financial income								3 ,293
Share in the results of affiliated undertakings	1,207		19	-100				1,126
Income taxes								-21,303
Result for the accounting period								72,934
Assets	290,400	35,667	150,016	363,124	93,471	98,774	-92,287	939,165
Liabilities	168,200	22,913	94,571	223,580	43,348	211,126	-92,287	671,452
Investments	31,919	2,045	4,242	4,770	5,496	189		48,661

Transfers between segments are priced at market prices.

2 INFORMATION BY MARKET AREA

Geographical segments

1.1.–31.12.2007 EUR 1,000	Finland	Nordic countries	Eastern Europe and the Baltic states	Western Europe	Others	Total
Net sales	1,592,482	304,325	190,768	12,664	73,877	2,174,117
Assets	786,787	119,191	127,336	2,452	33,229	1,068,996
Investments	46,199	8,125	6,962		69	61,355

1.1.–31.12.2006 EUR 1,000	Finland	Nordic countries	Eastern Europe and the Baltic states	Western Europe	Others	Total
Net sales	1,265,567	253,856	209,101	7,973	59,403	1,795,900
Assets	710,259	112,607	99,092	1,188	16,019	939,165
Investments	36,821	8,382	3,425		34	48,661

Revenues are allocated to segments according to the location of customers and assets according to their geographic location.

3 ACQUIRED BUSINESSES

On 19 January 2007 a 70% stake in Instel Ab Oy was acquired. The company's business is electrical contracting and electrical maintenance.

On 1 March 2007 100% ownership of K.M. Repo Oy was acquired. The company's business is the manufacture of prefabricated concrete elements and ready-mix concrete. Since 19 March 2007 the company's name has been Elemento Oy Savonlinna.

On 2 March 2007 Zacus Ab and Byggteam Kronqvist Ab were acquired. Both companies are general building contractors.

On 29 March 2007 100% ownership of Uudenkaupungin Rakennus-Putkitus Oy was acquired. The company's business is HVAC installations and technical building servicing.

On 22 May 2007 100% ownership of Sähköraisio Oy was acquired. The company's business is electrical contracting and electrical maintenance.

On 25 May 2007 an 85% stake in the Estonian company Lõhketööd OÜ was acquired. The company's business is quarrying, blasting and demolition.

On 18 June 2007 100% ownership of Jäähdytystaito Oy was acquired. The company's business is sales, maintenance and installation of refrigeration equipment; spare parts sales and expert services.

On 31 October 2007 the construction business of Rakennusliike Sulo Lipsanen Oy was acquired. The company operates as a new building and refurbishment contractor and also as a development contractor.

On 1 November 2007 100% of StP-Rakennus Oy was acquired. The company is a general building contractor.

Aggregated information on these acquisitions is presented in the following table.

EUR 1,000	Carrying amounts before merging 31.12.2007	Fair values recognised after merging 31.12.2007	Carrying amounts before merging 31.12.2006	Fair values recognised after merging 31.12.2006
Assets				
Tangible assets	2,676	3,981	1,620	2,006
Intangible assets	148	148	17	238
Investments	1,299	1,303	76	76
Deferred tax asset			50	50
Inventories	10,236	11,914	570	570
Trade and other receivables	4,142	4,142	1,827	1,827
Cash and cash equivalents	3,712	3,712	1,041	1,041
Assets, total	22,214	25,201	5,201	5,808
Liabilities				
Deferred tax liabilities	94	778	6	164
Provisions	250	250		
Interest-bearing liabilities	8,991	8,991	1,420	1,420
Other liabilities	6,890	6,890	1,419	1,419
Liabilities, total	16,225	16,909	2,845	3,003
Minority interest	1,392	1,392	119	604
Net assets	4,597	6,900	2,237	2,202
Acquisition cost, total	14,390	14,390	5,320	5,320
Goodwill, total		7,489		3,118
Cash flow effect				
Transaction price paid in cash		14,390		5,320
Cash funds of acquired subsidiary		-3,712		-1,041
Cash flow effect		10,677		4,279

The full-year net sales of the acquired businesses in 2007 were approx. EUR 28,817 thousand. The effect of the acquired businesses on the Group's operating profit for the accounting period was approx. EUR 3,008 thousand.

Divested businesses

The Group did not have any business areas classified on the basis of IFRS 5 as available for sale at the end of the accounting period.

The letter of intent between Lemminkäinen Corporation and the Swedish company Peab Asfalt AB concerning the ownership of Kvalitetsasfalt i Mellansverige AB became effective on 7 August 2007. In this transaction Lemminkäinen Corporation sold its 87% interest in the company to Peab Asfalt AB.

Kvalitetsasfalt i Mellansverige Ab had been a part of Lemminkäinen Group's Paving and Mineral Aggregates Division since 2000 and it operated in the asphalt paving business in Sweden. The net sales of the Paving and Mineral Aggregates Division in 2007 were EUR 636,318 thousand. The divested company contributed EUR 6,219 thousand to this total in its own accounting period.

The divested company's settlement of accounts dated 30 June 2007 is included in the consolidated figures for the accounting period. The effect of the divestment on the Group's profit for the accounting period is minimal.

4 NOTES CONCERNING LONG-TERM PROJECTS

EUR 1,000	**31.12.2007**	31.12.2006
Recognition of project income by the percentage-of-completion method	**1,644,062**	1,469,837
Incurred costs and recognised net profits of work in progress (less booked losses)	**993,243**	617,765
Payments received in advance (for work not yet done)	**30,138**	29,986
Gross project-related receivables from clients	**75,883**	72,177
Gross project-related debts to clients	**64,049**	75,768
Inventories for own building developments	**71,700**	75,285
Investments in housing under construction, net of debts to their owners		
Investments in housing under construction	**79,469**	96,391
Amounts owing to owners of housing under construction	**-59,197**	-107,355
Net elimination	**59,197**	96,391
Value added tax booked on the basis of building developments for own use is deducted from net sales.		
Value added tax on building developments for own use in the accounting period	**43,936**	38,640

5 OTHER OPERATING INCOME

EUR 1,000	**1.1. - 31.12.2007**	1.1. - 31.12.2006
Capital gains on sale of tangible assets	**3,746**	6,012
Capital gains on sale of investments	**5,978**	6,208
Rental income	**1,166**	1,091
Net income from hedging purchases and sales	**347**	235
Others	**1,994**	3,516
	13,231	17,063

6 OTHER OPERATING EXPENSES

EUR 1,000	**1.1. - 31.12.2007**	1.1. - 31.12.2006
Capital losses on sale of tangible and intangible assets	**609**	549
Capital losses on sale of investments	**107**	208
Losses from hedging purchases and sales		82
Others	**247,710**	209,537
	248,425	210,376

7 DEPRECIATION AND IMPAIRMENT

EUR 1,000	**1.1. - 31.12.2007**	1.1. - 31.12.2006
Depreciation of tangible assets		
Buildings and structures	**2,601**	2,444
Machinery and equipment	**18,106**	17,378
Leased assets	**10,737**	12,451
Other tangible assets	**1,881**	1,537
	33,324	33,810
Depreciation of intangible assets		
Software licences	**718**	776
Other intangible rights	**68**	259
Other intangible assets	**98**	112
	884	1,147

No impairment losses were recognised in the 2006 and 2007 accounting periods.

8 PERSONNEL AND EMPLOYEE BENEFIT EXPENSES

EUR 1,000	1.1. - 31.12.2007	1.1. - 31.12.2006
Personnel expenses		
Wages and salaries	**327,249**	287,999
Pensions expenses	**47,455**	44,268
Other personnel-related expenses	**31,764**	25,651
	406,468	357,918

Pension expenses are dealt with in greater detail in section 25 of these notes.

EUR 1,000	1.1. - 31.12.2007	1.1.- 31.12.2006
Management salaries and emoluments		
Salaries and fees paid to board members and the managing director	**5,726**	5,005

Related-party transactions are dealt with in section 34 of these notes.

	1.1. - 31.12.2007	1.1. - 31.12.2006
Average number of employees		
Salaried staff	**3,117**	2,938
Hourly paid workers	**6,084**	5,480
	9,201	8,418
Personnel by business segment		
Paving and Mineral Aggregates Division	**2,952**	2,733
Building Materials Division	**749**	609
Lemcon Ltd	**1,043**	993
Oy Alfred A. Palmberg Ab	**2,425**	2,165
Tekmanni Oy	**1,918**	1,812
Group administration	**114**	106
	9,201	8,418

Pension commitments concerning board members and managing directors

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

9 R&D EXPENDITURE

Research and development expenditure is expensed as incurred, with the exception of development expenditure satisfying the capitalisation criteria of IAS 38, which is recognised on the balance sheet and amortised through profit or loss over its expected economic lifetime.
The Company presently does not have any capitalised development expenses.

10 FINANCIAL INCOME AND EXPENSES

EUR 1,000	**1.1.-31.12.2007**	1.1.- 31.12.2006
Financial expenses		
Interest expenses	**18,724**	12,962
Losses on the change in fair value of derivatives	**82**	2,093
Foreign exchange rate losses	**2,964**	2,695
Other financial expenses	**423**	490
	22,193	18,241
Financial income		
Interest income	**2,812**	1,580
Gains on the change in fair value of derivatives	**2,015**	135
Dividend income	**130**	57
Foreign exchange rate gains	**1,090**	1,437
Other financial income	**119**	84
	6,166	3,293
Financial expenses, net	**16,028**	14,948
Net financial expenses, % of net sales	**0.74**	0.83
Net interest expenses, % of net sales	**0.73**	0.63

EUR 1,000	**1.1. - 31.12.2007**	1.1. - 31.12.2006
Exchange rate differences on sales	**-745**	-160
Exchange rate differences on purchases	**-120**	-116
Exchange rate gains and losses are included in items above operating profit	**-865**	-276
Exchange rate differences on financial items	**-1,874**	-1,258
	-2,740	-1,535

11 SHARE OF THE RESULTS OF AFFILIATES

EUR 1,000	**1.1. - 31.12.2007**	1.1. - 31.12.2006
Share of the profits of affiliates	**927**	1,226
Share of the losses of affiliates	**-30**	-100
	897	1,126

More information on affiliates is provided in section 17 of these notes.

12 INCOME TAXES

EUR 1,000	**1.1. - 31.12.2007**	1.1. - 31.12.2006
Income taxes on normal business operations	**-32,924**	-22,613
Income taxes in respect of previous years	**-1,216**	-328
Deferred taxes	**3,536**	1,639
	-30,604	-21,303
Domestic and foreign income taxes		
Finland	**-24,817**	-17,816
Other countries	**-5,787**	-3,486
	-30,604	-21,303

Tax losses
On 31 December 2007 the Group had accumulated confirmed losses, mainly in foreign subsidiaries, totalling EUR 15,323 thousand (EUR 21,101 thousand in 2006). Not all tax losses are recognised as tax assets owing to uncertainty about their future utilisation.

EUR 1,000	**1.1. - 31.12.2007**	1.1. - 31.12.2006
Expiry of unrecognised tax losses		
Expire in 2008 (2007)		
Expire in 2009 (2008)	**99**	
Expire in 2010 (2009)	**40**	99
Expire in 2011 (2010)		40
Expire in 2012 (2011)		65
Expire in 2013 (2012) and thereafter	**15,185**	20,897
	15,323	21,101

EUR 1,000	**1.1. - 31.12.2007**	1.1. - 31.12.2006
Reconciliation of taxes on the income statement and taxes calculated at the Finnish tax rate		
Result before taxes	**111,160**	94,237
Taxes calculated on the above at the Finnish tax rate	**-28,902**	-24,502
Differing tax rates of foreign subsidiaries	**1,053**	786
Tax-exempt income	**2,406**	2,587
Non-deductible expenses	**-5,460**	-988
Use of unrecognised earlier tax losses	**1,555**	974
Loss-making results for the accounting period	**-563**	-431
Other items	**523**	599
Taxes for the previous accounting period	**-1,216**	-328
Taxes on the income statement, total	**-30,604**	-21,303

13 EARNINGS PER SHARE

Undiluted earnings per share are calculated by dividing the profit attributable to the parent company's shareholders by the weighted average number of shares in issue during the accounting period.

EUR 1,000	**1.1. - 31.12.2007**	1.1. - 31.12.2006
Undiluted earnings per share		
Result attributable to the parent company's shareholders	**72,940**	65,802
Weighted average number of shares in the accounting period (1000s)	**17,021**	17,021
Earnings per share, EUR	**4.29**	3.87

The Group had no dilutive instruments in the 2006 and 2007 accounting periods.

14 DIVIDENDS PAID AND PROPOSED

EUR 1,000	**1.1. - 31.12.2007**	1.1. - 31.12.2006
Dividend paid during the accounting period		
Per share for the previous year, EUR	**1.50**	1.00
In total for the previous year	**25,532**	17,021
Proposed for approval by the AGM		
Per share for the accounting period, EUR	**1.80**	1.50
In total for the accounting period	**30,638**	25,532

15 TANGIBLE ASSETS

EUR 1,000	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost, 1.1.2007	12,553	54,348	306,440	26,344	2,315	402,000
Translation difference	33	101	420	42	2	598
Increases	834	2,013	36,222	2,903	8,425	50,397
Increases from business combinations	365	1,461	1,790	48		3,664
Decreases	-267	-6,632	-34,706	-957	-2,425	-44,987
Transfers between items		535	1,555	405	-2,618	-124
Acquisition cost, 31.12.2007	13,519	51,826	311,720	28,784	5,699	411,548
Accumulated depreciation, 1.1.2007		-32,215	-187,395	-12,986		-232,596
Translation difference		-27	-306	-29		-362
Accumulated depreciation on increases			-427			-427
Accumulated depreciation on decreases and transfers		4,914	25,608	701		31,222
Transfers between items			325	-325		
Depreciation for period		-2,601	-28,841	-1,883		-33,325
Accumulated depreciation, 31.12.2007		-29,930	-191,037	-14,522		-235,488
Carrying amount, 31.12.2007	13,519	21,896	120,683	14,262	5,699	176,060
Carrying amount, 1.1.2007	12,553	22,134	119,045	13,358	2,315	169,404

EUR 1,000	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost, 1.1.2006	12,526	56,471	282,648	23,359	1,850	376,854
Translation difference	-30	-90	-405	-36		-561
Increases	349	677	38,345	3,259	3,161	45,792
Increases from business combinations	28	38	3,362	41		3,469
Decreases	-320	-3,105	-19,689	-382	-58	-23,553
Transfers between items		358	2,179	102	-2,638	
Acquisition cost, 31.12.2006	12,553	54,348	306,440	26,344	2,315	402,000
Accumulated depreciation, 1.1.2006		-32,128	-168,638	-11,688		-212,454
Translation difference		23	248	24		295
Accumulated depreciation on increases		-13	-1,521	-2		-1,536
Accumulated depreciation on decreases and transfers		2,346	12,274	290		14,909
Transfers between items			72	-72		
Depreciation for period		-2,444	-29,829	-1,537		-33,810
Accumulated depreciation, 31.12.2006		-32,215	-187,395	-12,986		-232,596
Carrying amount, 31.12.2006	12,553	22,134	119,045	13,358	2,315	169,404
Carrying amount, 1.1.2006	12,526	24,344	114,010	11,671	1,850	164,400

The Group has no capitalised interest expenses.

EUR 1,000	**31.12.2007**	31.12.2006
Assets acquired under finance lease agreement are included in machinery and equipment as follows:		
Acquisition cost, 1.1.	**102,282**	87,872
Translation difference	**159**	-116
Increases	**11,862**	18,093
Decreases	**-12,234**	-3,566
Acquisition cost, 31.12.	**102,069**	102,282
Accumulated depreciation, 31.12.	**-54,337**	-50,375
Carrying amount, 31.12.	**47,732**	51,907

16 INTANGIBLE ASSETS

EUR 1,000	Goodwill	Intangible rights	Other capitalised expenditure	Advance payments	Total
Acquisition cost, 1.1.2007	68,197	6,463	1,582	84	76,326
Translation difference	351	-1	17		367
Increases	9,170	355	435	277	10,238
Increases from business combinations	527	20			547
Decreases	-3,151	-312	-61	-17	-3,542
Transfers between items		36	124	-36	124
Acquisition cost, 31.12.2007	75,093	6,561	2,097	308	84,060
Accumulated depreciation, 1.1.2007		-4,436	-1,240		-5,676
Translation difference		1	-17		-16
Accumulated depreciation on decreases and transfers		198	44		243
Depreciation for accounting period		-786	-98		-884
Accumulated depreciation, 31.12.2007		-5,023	-1,311		-6,334
Carrying amount, 31.12.2007	75,093	1,539	786	308	77,725
Carrying amount, 1.1.2007	68,197	2,027	342	84	70,650

EUR 1,000	Goodwill	Intangible rights	Other capitalised expenditure	Advance payments	Total
Acquisition cost, 1.1.2006	63,454	5,245	1,550	438	70,687
Translation difference	-192	-1	-15		-209
Increases	2,029	871	49	152	3,102
Increases from business combinations	3,118	225	13		3,357
Decreases	-213	-383	-15		-611
Transfers between items		507		-507	
Acquisition cost, 31.12.2006	68,197	6,463	1,582	84	76,326
Accumulated depreciation, 1.1.2006		-3,578	-1,152		-4,730
Translation difference			15		15
Accumulated depreciation on decreases and transfers		178	9		187
Depreciation for accounting period		-1,035	-112		-1,147
Accumulated depreciation, 31.12.2006	-4,436	-1,240		-5,676	
Carrying amount, 31.12.2006	68,197	2,027	342	84	70,650
Carrying amount, 1.1.2006	63,454	1,666	397	438	65,956

Goodwill impairment tests are made at least once a year and whenever there are indications of possible impairment. The tests are carried out as value-in-use calculations of individual businesses in accordance with the smallest cash-generating unit principle. The calculations are prepared in accordance with the management's estimates of business development and the future outlook. The management's estimates are based on its knowledge and long experience of the Company's business sectors as well as on development forecasts generally available for them. The management does not foresee any significant changes occurring in the market or competitive conditions of the business sectors over the forecast period compared with the present situation.

Goodwill is allocated to the following cash-generating units:

EUR 1,000	Finland	Nordic countries [1]	Eastern Europe and the Baltic states	Market areas, total	Common to segment [1]	Total
31.12.2007						
Paving and Mineral Aggregates Division	2,239	10,421	715	13,375	23,768	37,143
Building Materials Division	7,421			7,421		7,421
Lemcon Ltd	259	73		333		333
Oy Alfred A. Palmberg Ab	4,834			4,834		4,834
Tekmanni Oy	25,363			25,363		25,363
	40,117	10,494	715	51,326	23,768	75,093

EUR 1,000	Finland	Nordic countries [1]	Eastern Europe and the Baltic states	Market areas, total	Common to segment [1]	Total
31.12.2006						
Paving and Mineral Aggregates Division	2,239	11,400	427	14,067	24,711	38,778
Building Materials Division	3,294			3,294		3,294
Lemcon Ltd	14			14		14
Oy Alfred A. Palmberg Ab	1,786			1,786		1,786
Tekmanni Oy	24,324			24,324		24,324
	31,658	11,400	427	43,485	24,711	68,197

[1] Goodwill reported under the column heading "Common to segment" has arisen from the acquisition of asphalt businesses in Denmark and Norway (in 2006 Denmark, Norway and Sweden). It is allocated to the Paving and Mineral Aggregates Division because the Company's strategy is to operate extensively in the countries of the Baltic Rim region. This goodwill has been tested at the level of the whole segment, in addition to which the goodwill allocated to each business area of the paving and mineral aggregates segment has been tested.

In impairment testing the discounted present value of the recoverable cash flows of each cash-generating unit is compared with its carrying amount. If the present value is lower than the carrying amount, the difference is recognised through profit or loss as an expense in the current year.

Cash flow statements of the business units are prepared for a planning period covering the next 5-7 years, depending on the predictability of the unit's business and operating environment. Cash flow forecasting beyond that planning period is cautious and based on the assumption that there will be no real growth of the business.

The weighted average cost of capital (WACC), calculated for each individual unit, is used as the discount factor. WACC takes into account the risk-free interest rate, the liquidity premium, the expected market rate of return, the industry's beta value, and the debt interest rate. These components are weighted according to the fixed, average capital structure. Pre-tax WACC is determined unit-specifically in testing.

Key assumptions made in the calculation of value in use:

	Paving and Mineral Aggregates Division	Building Materials Division	Lemcon Ltd	Oy Alfred A. Palmberg Ab	Tekmanni Oy
2007					
Discount rate, % (before taxes)	9.3	10.1	9.6	10.2	13.6
Average growth rate of net sales, %	2.5	4.4	2.3	2.6	3.6
Long-term inflation rate, %	1.0	1.0	1.0	1.0	1.0

	Paving and Mineral Aggregates Division	Building Materials Division	Lemcon Ltd	Oy Alfred A. Palmberg Ab	Tekmanni Oy
2006					
Discount rate, % (before taxes)	9.3	10.1	9.7	10.2	13.6
Average growth rate of net sales, %	2.5	4.4	2.4	2.6	3.6
Long-term inflation rate, %	1.0	1.0	1.0	1.0	1.0

Goodwill impairment tests made during the third quarter of 2007 indicated that the present value of cash flows exceeded the carrying amount in all of the business units. There was therefore no need to recognise any impairment of goodwill.

In connection with the impairment tests, sensitivity analyses were made to determine how possible changes in key assumptions of the unit-specific impairment tests would affect the results of those tests. The key assumptions affecting the present value of cash flows are the development of market and competitive conditions, the scope and profitability of the tested business, and the discount factor. In the sensitivity analyses the calculation variables affecting these assumptions are varied and the effects of the changes on the margin between the carrying value and present value of the cash flows are examined.

According to the results of the sensitivity analyses, key assumption variations that are generally relevant, reasonable and customary for Lemminkäinen's business sectors would not give rise to the need for impairment. Significant and long-lasting changes of an adverse nature in the operating environments of the tested units might give rise to the need for impairment. The operating environments of Lemminkäinen's business sectors are inherently stable and their short- and long-term predictability is reasonably good.

17 SHARES IN AFFILIATED UNDERTAKINGS

EUR 1,000	**31.12.2007**	31.12.2006
Acquisition cost, 1.1.	**3,912**	2,752
Translation difference	**111**	-60
Increases	**749**	1,281
Decreases	**-30**	-61
Acquisition cost, 31.12.	**4,742**	3,912

Most important affiliates:

EUR 1,000	Group's ownership, %	Assets	Liabilities	Net sales	Result for period
2007					
Genvej A/S, Denmark	50.0	511	80	80	1
Martin Haraldstad AS, Norway	50.0	4,602	1,567	5,459	906
Nordasfalt AS, Norway	50.0	7,994	4,615	17,794	890
Ullensaker Asfalt, Norway	50.0	2,279	206	8,602	115
2006					
Genvej A/S, Denmark	50.0	773	343	72	28
Martin Haraldstad AS, Norway	50.0	4,019	1,952	4,588	695
Nordasfalt AS, Norway	50.0	6,626	3,599	16,193	1,437
Ullensaker Asfalt, Norway	50.0	2,043	138	6,705	284

18 FINANCIAL ASSETS AND LIABILITIES BY CLASS

EUR 1,000	Balance sheet value	Financial assets/ liabilities recognised at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amortised cost	Fair value
31.12.2007						
Non-current financial assets						
Shares and holdings	4,990			4,990		
Other non-current receivables	3,740		3,740			3,740
Current financial assets						
Trade and other receivables	232,719		232,719			232,719
Derivative contracts [1]	962	962				962
Cash and cash equivalents	78,534		78,534			78,534
Total	320,945	962	314,993	4,990		315,955
Non-current financial liabilities						
Loans	139,454				139,454	138,515
Other non-current liabilities	1,642				1,642	1,642
Current financial liabilities						
Loans	217,552				217,552	218,265
Accounts payable and other current liabilities	98,827				98,827	98,827
Derivative contracts [2]	819	819				819
Total	458,293	819			457,474	458,068

[1] The figure does not include derivatives subject to hedge accounting (EUR 279 thousand)
[2] The figure does not include derivatives subject to hedge accounting (EUR 112 thousand)

EUR 1,000	Balance sheet value	Financial assets/ liabilities recognised at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amortised cost	Fair value
31.12.2006						
Non-current financial assets						
Shares and holdings	5,490			5,490		
Other non-current receivables	2,154		2,154			2,154
Current financial assets						
Trade and other receivables	217,535		217,535			217,535
Cash and cash equivalents	60,639		60,639			60,639
Total	285,819		280,329	5,490		280,329
Non-current financial liabilities						
Loans	91,155				91,155	89,855
Other non-current liabilities	1,642				1,642	1,642
Current financial liabilities						
Loans	252,452				252,452	253,178
Accounts payable and other current liabilities	82,633				82,633	82,633
Derivative contracts [1]	2,070	2,070				2,070
Total	429,951	2,070			427,882	429,377

[1] The figure does not include derivatives subject to hedge accounting (EUR 22 thousand).

Measurement of fair values

Shares and holdings include both listed and unlisted shares. There were no listed shares on the balance sheets dated 31 December 2007 and 31 December 2006. The fair value of the Group's unlisted shares could not be measured reliably because they have no active markets.

Other non-current receivables include interest-bearing loan receivables, and their balance sheet values correspond to their fair values.

Trade and other receivables are current receivables carried at a reasonable estimate of their fair value.

Derivative receivables and liabilities are fair valued. The fair value of derivative contracts is the profit or loss resulting from contract closure based on the market price prevailing on the balance sheet date. The fair values of interest rate swap agreements are based on discounted cash flows, and the fair values of currency and interest rate options are based on generally accepted valuation models. The fair values of forward foreign exchange contracts are based on market rates quoted on the balance sheet date.

Cash and cash equivalents comprise bank account balances and risk-free liquid investments with maturities of less than three months. Cash and cash equivalents are recognised at cost. Because the maturities of cash-equivalent investments are short, their fair value is considered the same as their acquisition cost.

The fair values of non-current and current loans are calculated by discounting the loans' future cash flows using the interest rate that the Group would receive for a comparable loan on the balance sheet date. The weighted average of the interest rates used for discounting in 2007 was 4.94% (4.04% in 2006).

The balance sheet value of accounts payable and other current liabilities is a reasonable estimate of their fair value.

Financial income and expenses by class:

EUR 1,000	Interest income	Interest expenses	Exchange gains and losses	Dividend income	Other financial expenses and income	Exchange gains / losses on the fair value of derivatives
31.12.2007						
Financial assets / liabilities recognised at fair value						1,933
Loans and other receivables	2,812		102		-122	
Available-for-sale financial assets			-12	130		
Financial liabilities recognised at amortised cost		-18,724	-336		-138	

EUR 1,000	Interest income	Interest expenses	Exchange gains and losses	Dividend income	Other financial expenses and income	Exchange gains / losses on the fair value of derivatives
31.12.2006						
Financial assets / liabilities recognised at fair value			-220		-90	-1,958
Loans and other receivables	1,580		229		-110	
Available-for-sale financial assets				57	33	
Financial liabilities recognised at amortised cost		-12,962	-13		-175	

19 AVAILABLE-FOR-SALE INVESTMENTS

EUR 1,000	**31.12.2007**	31.12.2006
Balance sheet value, 1.1.	**5,490**	8,108
Increases	**530**	122
Increases from business combinations	**1,118**	76
Change in fair value	**-88**	-1,886
Decreases	**-2,567**	-1,435
Transfers between items	**507**	505
Balance sheet value, 31.12.	**4,990**	5,490

There were no listed shares on the balance sheets dated 31 December 2007 and 31 December 2006. As the fair value of the Group's unlisted shares could not be measured reliably, they are recognised at cost less any impairment.

20 DEFERRED TAXES

EUR 1,000	**31.12.2007**	31.12.2006
Deferred tax assets		
Internal margin on fixed assets	**1,299**	1,001
Finance leasing	**1,372**	1,425
Landscaping provision	**152**	159
Confirmed losses	**716**	155
Personnel-related obligations	**511**	630
Recognition of long-term projects	**58**	
Fair valuation	**199**	469
Other temporary differences	**547**	475
	4,852	4,314
Deferred tax liabilities		
Accumulated depreciation differences	**4,333**	4,613
Revaluations	**834**	969
Recognition of income from long-term projects	**4,671**	7,614
Fair valuation	**1,755**	771
Other temporary differences	**1,325**	654
	12,918	14,621
Deferred tax liabilities	**8,066**	10,307

No deferred tax liability is recognised in respect of the undistributed profits of foreign subsidiaries because the funds are permanently invested in operations abroad.

21 INVENTORIES

EUR 1,000	**31.12.2007**	31.12.2006
Materials and supplies	**29,405**	23,758
Building plots	**101,885**	104,618
Work in progress	**118,569**	97,397
Apartments, construction in progress	**359**	367
Apartments, completed	**44,905**	24,141
Finished products / goods	**33,468**	30,863
Advance payments	**2,356**	735
	330,948	281,880
Written-down inventory		
Write-downs made		238

22 NON-CURRENT AND CURRENT RECEIVABLES

EUR 1,000	**31.12.2007**	31.12.2006
Non-current receivables		
Interest-bearing		
Loan receivables	**3,740**	2,154
	3,740	2,154
Current receivables		
Interest-bearing		
Loan receivables	**3,572**	354
	3,572	354

EUR 1,000	**31.12.2007**	31.12.2006
Non-interest-bearing		
Trade receivables	**229,105**	216,954
Project income receivables	**93,707**	89,014
Receivables from affiliates	**42**	227
Tax assets	**7,333**	3,353
Interest receivables	**1,243**	2,006
Personnel expenses	**2,458**	3,682
Other prepayments and accrued income	**17,095**	8,753
Fair value of derivatives	**1,241**	22
Receivables from real estate companies under construction	**11,500**	9,094
Other receivables	**20,107**	7,262
	383,832	340,367
Trade and other receivables, total	**387,404**	340,721

Non-current interest-bearing loan receivables include mainly receivables from Tieyhtiö Ykköstie Oy. The balance sheet values of current and non-current interest-bearing loan receivables correspond to their fair values. Trade receivables amounting to EUR 921 thousand (EUR 1,046 thousand in 2006) were recognised as credit losses during the accounting period.

23 CASH AND CASH EQUIVALENTS

EUR 1,000	**31.12.2007**	31.12.2006
Investments	**12,574**	12,271
Cash in hand at and banks	**65,960**	48,369
	78,534	60,639

24 NOTES CONCERNING SHAREHOLDERS' EQUITY

EUR 1,000	Number of shares (1,000)	Share capital	Share premium account	Total
1.1.2006	17,021	34,043	5,750	39,793
31.12.2006	17,021	34,043	5,750	39,793
31.12.2007	17,021	34,043	5,750	39,793

Lemminkäinen Corporation has one share class and one share series. The number of issued shares is 17,021,250. The nominal value of the shares is EUR 2.00 per share, and the Group's maximum share capital is EUR 80 million. All of the issued shares are fully paid up. The Group is not holding any treasury shares.

EUR 1,000	**31.12.2007**	31.12.2006
Translation differences	**59**	109
Revaluation reserve	**211**	70

Share premiums are recognised in the share premium account

Translation differences include the differences arising from the translation of the financial statements of foreign units. The gains and losses resulting from the hedging of net investments in foreign units are also included in translation differences when the criteria set for hedge accounting are satisfied.

Changes in the fair value of available-for-sale investments as well as the effective part of derivatives falling within the scope of hedge accounting are recognised in the revaluation reserve.

EUR 1,000	**31.12.2007**	31.12.2006
Retained earnings, 1.1.	**208,032**	159,242
Reversal of dividend liability	**9**	9
Dividends paid	**-25,532**	-17,021
Retained earnings, 31.12.	**182,510**	142,230
Result for the accounting period	**72,940**	65,802
Shareholders' equity on the balance sheet, 31.12.	**255,449**	208,032
Share of appropriations in retained earnings	**-17,050**	-17,498
Distributable shareholders' equity	**238,400**	190,534

25 PENSION OBLIGATIONS

EUR 1,000	**31.12.2007**	31.12.2006
Defined benefit pension obligations	**640**	1,113
Other pension obligations		27
Pension liability on the balance sheet	**640**	1,140
Reconciliation of defined benefit pension obligations		
The movement in the defined benefit obligation over the year		
Beginning of year	**10,930**	9,641
Exchange differences	**227**	-220
Current service cost	**606**	404
Interest cost	**464**	456
Actuarial losses and gains	**-852**	755
Benefits paid	**-120**	-107
End of year	**11,255**	10,930
The movement in the fair value of plan assets over the year		
Beginning of year	**8,963**	8,006
Exchange differences	**218**	-171
Expected return on plan assets	**544**	464
Actuarial losses and gains	**-747**	356
Employer contribution	**1,053**	415
Benefits paid	**-120**	-107
End of year	**9,911**	8,963
Present value of unfunded obligations	**846**	524
Present value of funded obligations	**11,255**	10,930
Fair value of funds	**-9,911**	-8,963
	2,189	2,490
Unrecognised actuarial gains and losses	**-1,724**	-952
Unrecognised costs of past service	**174**	261
Other items relating to pension and other obligations		-686
Defined benefit pension obligations in balance sheet	**640**	1,113
Recognised expenses relating to defined benefit pension plans		
Pension costs based on service in the accounting period	**588**	433
Interest cost of obligation stemming from benefits	**495**	481
Expected yield on funds belonging to the plan	**-476**	-464
Actuarial gains and losses	**61**	
Costs based on past service	**-87**	-87
Losses/gains from contraction of the plan	**135**	50
	715	414

EUR 1,000	**31.12.2007**	31.12.2006
Change in pension obligation on the balance sheet		
Obligation at start of period	**1,113**	1,153
Translation differences	**30**	-20
Employer payments	**-1,219**	-434
Net items recorded on the income statement	**715**	414
Obligation at end of period	**640**	1,113

The pension schemes of group companies operating in different countries are generally defined contribution plans. Payments in respect of defined contribution plans are expensed on the income statement in the accounting period during which they are made. Group pensions for which the present value of the associated obligations is determined by a method based on future benefits and for which the funds belonging to the plan are fair valued on the accounting date are classified as defined benefit pension plans. The actuarial gains and losses arising from these pension provisions are recognised on the income statement over the expected average remaining working lives of the participating employees to the extent that it exceeds 10% of the present value of the defined benefit obligation or, if greater, 10% of the fair value of plan's assets.

	31.12.2007	**31.12.2007**	31.12.2006	31.12.2006
The most important actuarial assumptions	**Finland**	**Abroad**	Finland	Abroad
Discount rate, %	**4.5**	**4.5**	4.5	4.5
Expected yield on funds, %	**6.5**	**5.5**	5.4	5.5
Future pay rise assumption, %	**3.0**	**4.5**	3.0	3.0
Future pension rise assumption, %	**2.0**	**1.8**	2.1	2.5
Inflation rate, %	**2.1**	**3.0**	2.0	3.0

26 PROVISIONS

EUR 1,000	Credit loss provision	Warranty provision	Landscaping provisions	Onerous construction projects	Other provisions	Total 31.12.2007	Total 31.12.2006
Provisions, 1.1.	129	5,921	900	8	412	7,370	6,416
Translation differences	6	-6	6			6	-2
Increases in provisions	11	1,528	97	459	70	2,164	2,410
Expensed provisions	-1	-970	-52		-12	-1,035	-1,189
Reversals of unused provisions	-21	-332				-354	-264
Provisions, 31.12.2007	124	6,141	950	466	470	8,152	
Provisions, 31.12.2006	129	5,921	900	8	412		7,370

EUR 1,000	**31.12.2007**	31.12.2006
Provisions categorised as		
Long-term	**1,748**	1,715
Short-term	**6,404**	5,655
	8,152	7,370

A provision is made when the Group has a legal or de facto obligation based on some past event and it is likely that freedom from liability will either require a financial payment or result in financial loss, and that the amount of liability can be reliably measured.

Provisions for construction warranties are calculated on the basis of the level of warranty expenses actually incurred in earlier accounting periods. If the Group will receive reimbursement from a subcontractor or material supplier on the basis of an agreement in respect of anticipated expenses, the future compensation is recognised when its receipt is in practice beyond doubt. Provisions in respect of landscaping obligations are made according to the use of ground materials.

27 LOANS

EUR 1,000	**31.12.2007 Balance sheet values**	**31.12.2007 Fair values**	31.12.2006 Balance sheet values	31.12.2006 Fair values
Non-current				
Loans from credit institutions	**98,091**	**97,152**	36,938	35,789
Finance leasing liabilities	**39,668**	**39,668**	45,264	45,114
Other non-current liabilities	**1,695**	**1,695**	8,953	8,951
	139,454	**138,515**	91,155	89,855
Current				
Amortisation of loans from credit institutions in the next year	**40,027**	**40,740**	25,099	25,682
Amortisation of finance leasing liabilities in the next year	**13,505**	**13,505**	13,058	13,192
Chequing accounts	**5,184**	**5,184**		
Debts to owners of housing under construction	**63,390**	**63,390**	57,462	57,462
Other current loans	**95,445**	**95,445**	156,833	156,842
	217,552	**218,265**	252,452	253,178

The fair values of loans are calculated by discounting the future cash flows arising from loans by the interest that the Group would receive on corresponding loans at the accounting date. The weighted average interest rate used for discounting is 4.94% (4.04% in year 2006).

EUR 1,000	**31.12.2007**	31.12.2006
Maturities of non-current loans		
Due for repayment in 2008 (2007)	**53,532**	38,157
Due for repayment in 2009 (2008)	**38,372**	31,630
Due for repayment in 2010 (2009)	**30,450**	20,551
Due for repayment in 2011 (2010)	**22,996**	13,423
Due for repayment in 2012 (2011)	**21,255**	5,521
Due for repayment in 2013 (2012) and thereafter	**26,380**	20,030
	192,985	129,312

EUR 1,000	**31.12.2007 Non-current loans by currency**	**31.12.2007 Current loans by currency**	31.12.2006 Non-current loans by currency	31.12.2006 Current loans by currency
EUR	**121,302**	**197,423**	57,522	237,642
DKK	**9,192**	**9,099**	22,643	7,146
EEK	**194**	**45**	430	280
LTL		**869**		
NOK	**8,765**	**5,221**	8,208	5,592
SEK			2,353	1,792
USD		**4,895**		
	139,454	**217,552**	91,155	252,452

The following table describes the exposure of the Group's loans to interest rate movements and rate fixing intervals.
In the table, interest-bearing liabilities are classified according to the amortisation date or the next interest rate adjustment date.

EUR 1,000	Less than 1 year	1-5 years	Over 5 years	Total
31.12.2007				
Loans, total	328,112	24,560	4,333	357,005
Effect of interest rate swap agreements	-76,029	47,431	28,597	
	252,083	71,991	32,930	357,005
31.12.2006				
Loans, total	316,764	26,772	71	343,607
Effect of interest rate swap agreements	-3,362	3,362		
	313,402	30,134	71	343,607

	31.12.2007	31.12.2006
Weighted averages of effective interest rates on interest-bearing debt		
Loans from credit institutions	**4.76**	3.96
Finance leasing debts	**5.26**	4.43
Other current loans	**4.81**	3.76

EUR 1,000	31.12.2007	31.12.2006
Interest-bearing net debt		
Interest-bearing non-current liabilities	**139,454**	91,155
Interest-bearing current liabilities	**217,552**	252,452
Cash and cash equivalents	**78,534**	60,639
	278,471	282,968

Finance leasing debts

EUR 1,000	31.12.2007	31.12.2006
Finance leasing debts and interest on them is due as follows		
In one year or earlier	**15,407**	14,995
Over one year, but less than five years	**34,951**	39,764
Over five years	**11,787**	10,995
	62,145	65,754
Present value of minimum leases		
In one year or earlier	**14,735**	13,964
Over one year, but less than five years	**31,490**	35,781
Over five years	**9,720**	9,395
	55,944	59,141
Accumulated future financial expenses from finance leasing debts	**6,201**	6,613
Finance leasing debts		
Non-current finance leasing debts	**39,668**	45,264
Current finance leasing debts	**13,505**	13,058
	53,173	58,322

28 ACCOUNTS PAYABLE AND OTHER LIABILITIES

EUR 1,000	31.12.2007	31.12.2006
Non-current		
Prepayments received, over 1 year		36
Accounts payable, over 1 year	**1,642**	1,642
Other non-current liabilities	**214**	
	1,856	1,678
Accounts payable and other current liabilities		
Prepayments received	**84,526**	75,258
Accounts payable to affiliates	**14**	196
Accounts payable to others	**98,813**	82,436
Project expenses	**16,156**	15,408
Income tax owed	**21,277**	8,529
VAT	**29,428**	24,120
Interest debts	**1,878**	1,452
Pay-related expenses	**70,596**	63,661
Other accrued liabilities and deferred income	**9,837**	15,463
Fair value of derivatives	**932**	2,070
Debts to owners of housing under construction	**8,414**	5,963
Other current debts	**27,341**	8,478
	369,211	303,036

29 FINANCIAL RISK MANAGEMENT

Financing risks

The management of Lemminkäinen Group's risks is based on principles approved by the Board of Directors. The aim of financing risk management is to reduce uncertainty concerning the possible impacts that changes on the financial markets could have on the Group's profitability, cash flow and balance sheet. The Group's finance function together with the business units and subsidiaries are responsible for the control of financing risks. The role of the Group's finance function is to supervise and assist the business units and subsidiaries in financial matters so that the Group's financing needs are satisfied in an efficient manner.

Interest risk

The aim of interest risk management is to minimise the Group's net interest expenses. Responsibility for interest risk management is borne by the internal bank, which calculates, monitors and administers the interest risk position. The Group's interest risk comprises loan and finance leasing agreements associated with business financing, interest-bearing financial receivables and interest rate derivatives. Interest rate changes affect income statement and balance sheet items through financial income and expenses.

The Group's aim with regard to long-term loans is to maintain an approximately equal mix of variable- and fixed-rate instruments. Taking into account the effect of interest rate derivatives, fixed-rate long-term loans accounted for 67% (33% in 2006) of all long-term loans on the balance sheet date. The Group can take out both variable- and fixed-rate long-term loans. The ratio of fixed- to variable-rate instruments can be changed by means of interest rate derivatives. According to the Group's financing policy, forward rate agreements, interest rate swap agreements, interest rate caps and interest rate collars can be used as interest rate derivatives. In 2007 the Group made use of interest rate caps, interest rate collars and interest rate swap agreements. The Group applied hedge accounting to two interest rate swap agreements.

Interest rate changes do not have any extraordinary effect on the Group's business operations. However, a significant rise in the level of interest rates may be detrimental to the demand for housing.

Sensitivity to interest risk

The following assumptions are made when calculating the sensitivity caused by a change in the level of interest rates:

- the interest rate change is assumed to be 1 percentage point
- the position includes variable-rate financial liabilities totalling EUR -309,212 thousand (EUR -299,273 in 2006), variable-rate financial receivables totalling EUR 12,574 thousand (EUR 12,271 in 2006) and interest rate derivatives totalling EUR -490 thousand (EUR -2,069 in 2006)
- variable-rate instruments affect the income statement, with the exception of derivative contracts subject to hedge accounting and affecting equity
- all factors other than the change in interest rates remain constant

Sensitivity caused by the interest rate change

1 percentage point change in market rates

EUR 1,000 31.12.2007	Income statement +1%	Income statement -1%	Equity +1%	Equity -1%
Variable-rate loans	-3,092	3,092		
Interest-bearing liabilities	126	-126		
Interest rate derivatives	1,439	-1,634	1,992	-2,032
Total	-1,527	1,332	1,992	-2,032

EUR 1,000 31.12.2006	Income statement +1%	Income statement -1%	Equity +1%	Equity -1%
Variable-rate loans	-2,993	2,993		
Interest-bearing liabilities	123	-123		
Interest rate derivatives	1,762	-1,989		
Total	-1,109	881		

Currency risk

The aim of currency risk management is to reduce uncertainty concerning the possible impacts that changes in interest rates could have on cash flows, business receivables and liabilities, and the future values of different balance sheet items. Currency risk comprises transaction risk and translation risk. The business units / subsidiaries are responsible for identifying and hedging their transaction positions. The internal bank is responsible for hedging translation risk. According to the Group's financing policy, forward foreign exchange contracts, currency loans and currency options can be used as currency risk hedging instruments.

The Group has foreign net investments in several different currencies. The Group aims to hedge foreign net investments 100 % in those currencies that Group management perceives as being a significant risk. The net investments denominated in NOK, EEK, LTL and LVL were hedged on 31 December 2007. Forward foreign exchange contracts and foreign currency loans are used to hedge the translation position. The Group's internal bank is responsible for hedging foreign net investments and for the operative implementation of hedging. The Group applies hedge accounting to the hedging of foreign net investments denominated in LVL and NOK.

The currency risk exposure of the Group's business is not significant. The Group's operations abroad are largely handled by local subsidiaries. Actual transaction risk mainly comprises project work. As a rule, only a small proportion of a project's contract sum is subject to transaction risk, because a significant part of the project's expenses is denominated in the contract currency. In that case the exposure to actual transaction risk is limited to the repatriation of project margin. The Group aims to hedge business currency risks primarily by operative means, i.e. maximising the proportion of the project expenses denominated in the contract currency at the negotiation stage. The remaining transaction risk is hedged by currency derivatives. Normally, 50% of the net position forecast for the following 12 months is hedged. The key currencies in which the Group was exposed to transaction risk in 2007 were USD and RUB. The business units are responsible for identifying and hedging transaction risks. The operative implementation of hedging is carried out by the business units with assistance from the Group's finance function. The Group does no apply hedge accounting to the hedging of transaction risk.

Sensitivity to currency risk

The following assumptions are made when calculating the sensitivity caused by changes in the euro/dollar and euro/rouble exchange rates:

- the euro/dollar exchange rate change is assumed to be +/- 10%
- the euro/rouble exchange rate change is assumed to be +/- 10%
- the position includes financial assets and liabilities denominated in roubles and dollars
- the position does not include future cash flows

Sensitivity caused by a change in exchange rates

	31.12.2007		31.12.2006	
EUR 1,000	**Income statement**	**Equity**	Income statement	Equity
+/- 10% change in the euro/dollar exchange rate	**+/- 193**		+557/ -560	
+/- 10% change in the euro/rouble exchange rate	**+/- 33**		+/- 484	
+/- 10% change in the dollar/rouble exchange rate	**+/- 464**		+/- 1	

Liquidity risk

The Group seeks to optimise the use of liquid assets in business financing and to minimise net interest expenses and banking costs. The internal bank is responsible for managing the Group's overall liquidity as best it can, and for ensuring that a sufficient number of financing sources are available. The internal bank also ensures that the maturity profile of the Group's loans is such that the total amounts maturing at the same time are not too great.

The main principle is to use excess liquidity for the amortisation of loans. Other liquid assets are invested on the daily money market. Internal deposits and group accounts are used to assemble the Group's liquidity surplus. Owing to the nature of the Group's operations, the importance of seasonal borrowing is great. The effect of seasonal variation on short-term liquidity is controlled by using a commercial paper programme and bank overdraft facilities. The total amount of the Group's commercial paper programme is EUR 250,000 thousand, of which EUR 92,500 thousand (EUR 154,500 thousand in 2006) was in use. The amount of cash funds at 31 December 2007 was EUR 78,534 thousand (EUR 60,639 thousand in 2006).

Analysis of the maturities of financial liabilities

EUR 1,000	2008	2009	2010	2011	2012	2013-	Total
31.12.2007							
Loans							
Amortisation payments	202,126	26,394	20,786	15,911	15,204	23,410	303,832
Interest	7,781	4,561	3,381	2,468	1,711	1,302	21,206
Total	209,907	30,956	24,168	18,380	16,915	24,713	325,038
Leasing liabilities							
Amortisation payments	13,476	11,759	9,557	6,938	6,091	5,351	53,173
Interest	2,445	1,789	1,233	802	459	552	7,280
Total	15,922	13,548	10,791	7,740	6,550	5,903	60,453
Interest rate derivatives							
Financial expenses	75	73	72	69	747		1,036

EUR 1,000	2008	2009	2010	2011	2012	2013-	Total
Forward foreign exchange contracts							
Payments	40,111						40,111
Income	-39,900						-39,900
Other non-current liabilities		1,642					1,642
Accounts payable	98,827						98,827

EUR 1,000	2007	2008	2009	2010	2011	2012-	Total
31.12.2006							
Loans							
Amortisation payments	237,209	19,386	11,376	6,787	950	9,578	285,286
Interest	5,434	1,649	1,022	605	416	450	9,577
Total	242,643	21,035	12,398	7,391	1,366	10,029	294,863
Leasing liabilities							
Amortisation payments	13,021	12,792	9,747	7,137	5,082	10,544	58,322
Interest	2,296	1,725	1,228	1,011	589	912	7,761
Total	15,317	14,516	10,974	8,148	5,671	11,456	66,083
Derivative liabilities							
Financial expenses	388	330	294	268	222	2,118	3,620
Other non-current liabilities			1,642				1,642
Accounts payable	82,633						82,633

Credit risk

The aim of Lemminkäinen's credit policy is to boost profitable sales by identifying credit risks in advance and controlling them. Credit risks arise when counterparts are unable to meet their obligations, causing the other party to suffer an economic loss. Most of the Group's business is based on established and dependable customer relationships and on contractual terms generally observed in the industry. The credit policy sets the minimum requirements concerning trade credit and collections for Lemminkäinen Group. The Group's credit control function defines credit risks and the business units are responsible for managing them.

The Group is exposed to credit risk through all of the Group's trade receivables and receivables associated with deposits and derivatives. The maximum amount of credit risk is the combined total of the balance sheet values of the above-mentioned items. The amounts and due dates of the Group's trade receivables are presented in the table below. The Group does not have any significant credit risk concentrations as trade receivables are distributed among many different customers in a number of market areas. The business unit that has made the contract actively monitors the receivables situation. If the business units re-negotiate the terms of receivables, it must be done in accordance with the requirements of the Group's credit policy. The risk of credit losses is reduced by means of guarantees, mainly bank guarantees and bank deposits. Lemminkäinen's credit losses have always been minimal in relation to the scale of the Group's operations. The main risks in this respect are associated with business in Russia. As a general rule, construction projects in Russia are only undertaken against receipt of advance payments. If a credit risk is accepted exceptionally, the amount permitted is always proportional to the expected margin on the project in question. Written-down financial assets represent credit losses. Receivables transferred for legally enforceable collection are recognised as credit losses.

The internal bank is responsible for cash, financial investments and financial transactions concerning the management of the Group's counterpart and credit risks. The Group is exposed to counterpart risk when investing its cash flows and using derivative instruments. Liquid assets are invested in commercial papers issued by corporations with a good credit rating and in short-term bank accounts with solvent partner banks, which are specified in the Group's financing policy. In this way counterpart risk is kept at a low level.

Analysis of the maturities of receivables

EUR 1,000	Not due	Maturity 1-30 days	Maturity 31-60 days	Maturity 61-90 days	Maturity over 90 days	Total
31.12.2007						
Non-current receivables						
Loan receivables	3,740					3,740
Current receivables						
Trade receivables	173,402	39,542	6,325	2,163	7,714	229,147
Loan receivables	3,569	3				3,572
	180,711	39,545	6,325	2,163	7,714	236,459

EUR 1,000	Not due	Maturity 1-30 days	Maturity 31-60 days	Maturity 61-90 days	Maturity over 90 days	Total
31.12.2006						
Non-current receivables						
Loan receivables	2,154					2,154
Current receivables						
Trade receivables	155,720	43,187	4,401	1,642	12,232	217,182
Loan receivables	315	3	4	1	31	354
	158,189	43,190	4,405	1,643	12,263	219,690

Product risk

The Group's asphalt paving operations are exposed to bitumen price risk. The price of bitumen is determined by the world market price of oil. The Group monitors bitumen price risk, which was not significant on the accounting date.

Capital management

Capital means the equity and interest-bearing liabilities shown on Lemminkäinen's consolidated balance sheet.

Lemminkäinen Group's capital management ensures cost-effectively that the prerequisites for the Group's business sectors are maintained at a competitive level in all cyclical conditions, that risk-carrying capacity is adequate in risky construction contracts, and that the Company is able to pay a good dividend and service its loans.

The Group's equity can be affected not only by the profit or loss for the accounting period but also by the shareholders' decision to raise new capital, to acquire and cancel treasury shares, or to pay dividend. The Company follows the development of its shareholders' equity by means of the equity ratio. The Company considers an equity ratio in excess of 35% to be a good level. On 31 December 2007 the amount of shareholders' equity was EUR 319,214 thousand (EUR 267,713 thousand in 2006) and the equity ratio was 32.7% (31.2% in 2006).

The amount of the Group's interest-bearing liabilities is affected by factors such as the scope of business, investments in production equipment and buildings, building site procurements and corporate acquisitions. The Company continuously monitors the development of interest-bearing net debt and its relationship to shareholders' equity (gearing). Interest-bearing net debt comprises interest-bearing liabilities less liquid funds. The amount of net debt can vary during the accounting period due primarily to seasonal variations in production and the procurement of construction sites. The amount of interest-bearing net debt on 31 December 2007 was EUR 278,571 thousand (EUR 282,968 thousand in 2006) and gearing was 87.2% (105.7% in 2006).

The Company also follows the development of equity by means of the return on investment. A long-term average in excess of 18% is regarded as a good return. The return on investment in 2007 was 20.7% (20.6). The return on investment includes the Group's shareholders' equity and interest-bearing liabilities averaged over the accounting period.

Lemminkäinen Group's equity is not subject to any external capital requirements.

EUR 1,000	**31.12.2007**	31.12.2006
Interest-bearing liabilities	**357,005**	343,607
Cash and cash equivalents	**78,534**	60,639
Interest-bearing net debt	**278,471**	282,968
Equity attributable to the Company's shareholders	**295,513**	248,004
Equity, total	**319,214**	267,713
Equity ratio, %	**32.7**	31.2
Gearing, %	**87.2**	105.7
Return on investment, %	**20.7**	20.6

30 DERIVATIVES

EUR 1,000	**31.12.2007 Nominal value**	**31.12.2007 Fair value**	31.12.2006 Nominal value	31.12.2006 Fair value
Derivative contracts				
Forward foreign exchange contracts	**54,619**	**-152**	11,230	64
Interest rate options, calls purchased	**3,480**		34,475	
Interest rate options, puts written	**3,480**	**-14**	5,042	-114
Interest rate swap agreements	**95,647**	**-476**	30,234	-1,956

The fair value of contracts is the gain or loss arising from closure of the contract based on the market price on the accounting date.

Forward foreign exchange contracts with a nominal value of EUR 21,354 thousand (EUR 9,711 thousand in 2006) are allocated to the hedging of the foreign net investment. The fair value of these forward contracts on 31 December 2007 was EUR -148 thousand (EUR 22 thousand in 2006). The ineffective part recognised through profit or loss in 2007 was EUR -53 thousand (EUR 25 thousand in 2006).

On 31 December 2007 the nominal value of interest rate swap agreements subject to hedge accounting was EUR 74,289 thousand and the fair value EUR 279 thousand. Cash flows are expected to be realised annually until 2014. The interest rate swap agreements assigned to hedge cash flows in 2007 were effective and the change in their fair value, EUR 279 thousand, is recognised in equity in the revaluation reserve. In 2007 a total of EUR 99 thousand was transferred from equity to interest expenses on the income statement.

31 ADJUSTMENTS TO CASH FLOWS FROM BUSINESS OPERATIONS

EUR 1,000	**1.1. - 31.12.2007**	1.1. - 31.12.2006
Depreciation	**34,208**	34,958
Change in provisions	**523**	959
Change in pension obligations	**-532**	-13
Credit losses on trade receivables	**921**	1,046
Financial income and expenses recognised on an accruals basis	**16,028**	14,948
Gains/losses on the valuation of assets recognised at fair value through profit or loss	**14**	
Capital gains and losses on the sale of fixed assets as well as other non-payment income and expenses	**-8,717**	-12,020
Change in minority interest	**165**	209
Share of the results of affiliates	**-897**	-1,126
Translation differences	**164**	70
Adjustments, total	**41,878**	39,030

32 OTHER RENTAL COMMITMENTS

EUR 1,000	**31.12.2007**	31.12.2006
Minimum leases of irrevocable rental agreements		
One year or less	**5,720**	5,969
Over one year, but less than five years	**20,777**	17,918
Over five years	**20,245**	20,847
	46,742	44,734
Other rental commitments include the following rental liabilities		
One year or less	**2,138**	1,532
Over one year, but less than five years	**2,798**	1,524
Over five years		5
	4,937	3,060

Irrevocable rental agreements concern mainly property and leasing liabilities.

33 GUARANTEES AND CONTINGENT LIABILITIES

EUR 1,000	**31.12.2007**	31.12.2006
Liabilities as well as mortgages and bonds pledged as security for them		
Loans from credit institutions	**41,767**	37,282
Property mortgages	**3,001**	2,337
Business mortgages	**83,515**	88,280
Bonds pledged as security	**230**	230
	86,746	90,847

EUR 1,000	**1.1. - 31.12.2007**	1.1. - 31.12.2006
Other mortgages and securities for own commitments		
Property mortgages	**69**	73
Business mortgages	**11,811**	11,811
Bonds pledged as security	**522**	519
	12,402	12,403
Mortgages and securities pledged on behalf of others		
Bonds pledged as security	**90**	90
Mortgages and pledged securities, total		
Property mortgages	**3,070**	2,410
Business mortgages	**95,325**	100,091
Bonds pledged as security	**842**	840
	99,237	103,341
Guarantees		
On behalf of affiliates		800
On behalf of others	**9,886**	5,255
	9,886	6,055
Investment purchase commitments	**11,345**	2,912

The proceedings at the court of arbitration in Stockholm concerning Lemcon's contract for the construction of the MEGA shopping centre in St. Petersburg, which IKEA terminated, continue.

The Market Court imposed an infringement fine of EUR 14 million on Lemminkäinen for contravention of competition laws in road paving operations in Finland. The infringement fine was recognised as an expense in the fourth quarter of the current year. Since the decision has been appealed, the total amount of the fine may change.

34 RELATED-PARTY TRANSACTIONS

Lemminkäinen Group's related parties include affiliated undertakings and senior management. Senior management comprises the Board of Directors and the Managing Director. Business with affiliates is conducted at market prices.

Business with related parties

EUR 1,000	**1.1. - 31.12.2007**	1.1. - 31.12.2006
Sales of goods and services		
To affiliates	**70**	229
To senior management	**286**	8,028
	356	8,256
Purchases of goods and services		
From affiliates	**5,727**	5,641
Balance of purchases/sales of goods and services		
Trade receivables		
From affiliates	**42**	227
From senior management	**8**	647
	50	874
Accounts payable		
To affiliates	**14**	196
Employee benefits of senior management		
Pay and short-term employee benefits of the parent company's Managing Director	**706**	649

The fees payable to the members of the Board of Directors are decided by the Annual General Meeting. In 2007 and 2006 the Chairman of the Board received a monthly fee of EUR 11,000 (EUR 11,000 in year 2006) and the members of the Board a monthly fee of EUR 2,700 (EUR 2,200 in year 2006).

The Company does not have any current option plan or other incentive schemes linked to share price performance.

The Managing Director of Lemminkäinen Corporation falls within the scope of the Group's performance-related pay scheme, which comprises an annual reward based on the Company's result and a long-term retention bonus based on the creation of economic value added. Lemminkäinen's Board of Directors confirms the parameters of performance-related pay scheme annually. The result-based annual reward can be a maximum of 30% of annual salary. The retention bonus can be a maximum of six month's salary.

The Managing Director's contract of employment may be terminated at six months' notice on either side. If the Company gives notice of termination, the Managing Director shall be entitled upon termination of the contract to receive a one-time severance payment equivalent to 18 months' salary according to his salary rate at the time of contract termination.

The Managing Director is entitled to retire on reaching 60 years of age. As a consequence of the supplementary pension insurance provided by the Company, his pension at that time will be 60 per cent of his pensionable salary as defined in the Employee's Pensions Act.

Loans to related parties

EUR 1,000	**31.12.2007**	31.12.2006
Loans to affiliates		
At start of period	**212**	507
Translation differences	**7**	-16
Loan payments	**-220**	-279
At end of period		212

35 EVENTS AFTER THE ACCOUNTING DATE

There were no events of any importance.

Shares and holdings

Company	Group's interest %	Parent company's interest %	Parent company's interest shares	Parent company's interest carrying amount	Interest of other Group companies carrying amount
SUBSIDIARIES 31.12.2007					
Elemento Oy Savonlinna, Savonlinna	100.0				9,359
Fjellhamar Asfalt AS, Norway	100.0				6
Forssan Betoni Oy, Forssa	100.0	100.0	2,000	3,305	
UAB Kelio Linija, Lithuania	100.0	100.0	100	3	
Lemcon Baumanagement GmbH, Germany	100.0	100.0	100	21	
Lemcon Company S.A., Luxembourg	100.0	100.0	1,605	31	
SIA LEMCON Latvija, Latvia	100.0	100.0	600	1,835	
Lemminkäinen Betonituote Oy, Helsinki	100.0	100.0	250	4,895	
Lohketöōd Oy, Salo	85.0				3
Lõhketööd OÜ, Estonia	85.0	85.0	340,000	1,192	
ZAO Lemminkäinen Dorstroi (Lemdorstroi), Russia	100.0	100.0	49	544	
Lemminkäinen Eesti AS, Estonia	100.0	100.0	40	3	
Lemminkäinen Infra Oy, Helsinki	100.0	100.0	100	3	
Lemminkäinen Katto Oy, Helsinki	100.0	100.0	250	1,325	
UAB Lemminkainen Lietuva, Lithuania	99.5	99.5	3,730,971	3,479	
Lemminkäinen Norge AS, Norway	100.0	100.0	350,000	11,799	
Lemminkäinen Sverige AB, Sweden	100.0	100.0	10	12	
ZAO Lemruf, Russia	100.0				3
LMK VEJ A/S, Denmark	100.0	100.0	45,500	18,972	
LMK VEJ Service A/S, Denmark	100.0				1,368
Moelv Grus AS, Norway	100.0				119
Omni-Sica Oy, Helsinki	100.0	100.0	50	9	
Oy Roofing Ab, Helsinki	100.0				16
Sica Oy, Helsinki	100.0	100.0	1,003	55,946	
Suonenjoen Betonituote Oy, Suonenjoki	80.0				504
AS Talter, Estonia	91.7	91.7	8,411	3,888	
Lemcon Ltd, Helsinki	100.0	100.0	100	1,682	
OOO Dom Lemcon, Russia	100.0				
ICM International Construction Management, Hungary	100.0				607
Lemcon Argentina S.R.L, Argentina	69.6				5
Lemcon Bauprojekt-Management GmbH, Austria	71.0				28
Lemcon Bulgaria EOOD, Bulgaria	71.0				3
Lemcon Canada Ltd, Canada	71.0				1
Lemcon Columbia Ltda, Columbia	71.0				3
Lemcon Construction Private Limited, India	100.0				9
Lemcon Construction S.R.L., Rumania	100.0				
Lemcon do Brasil Ltda, Brazil	71.0				26
Lemcon Építöipari Kft, Hungary	71.0				28
Lemcon HR Oy, Helsinki	100.0				52
OOO Lemcon Invest, Russia	100.0				1
Lemcon Networks Holding Oy, Helsinki	79.5				289
Lemcon Networks Ltd, Helsinki	71.0				326
Lemcon Network Services Ltd, Great Britain	71.0				19
Lemcon Norge AS, Norway	71.0				12
Lemcon (Philippines) Inc., Philippines	71.0				222
Lemcon Polska Sp.Z O.O, Poland	100.0				587
Lemcon Pte Ltd, Singapore	71.0				7
OOO Lemcon Rus, Russia	100.0				28
Lemcon RusInvest Oy, Helsinki	100.0				3
Lemcon RusProject Oy, Helsinki	100.0				3
Lemcon Servicos de Planejamento de Engenharia Ltda, Brazil	71.0				20
Lemcon (Thailand) Ltd, Thailand	71.0				51
Lemcon Ukraine, Ukraine	71.0				8
Lemcon USA Corporation, USA	71.0				1

Company	Group's interest %	Parent company's interest			Interest of other Group companies
		%	shares	carrying amount	carrying amount
Lemcon Venezuela C.A., Venezuela	71.0				8
UAB Lemcon Vilnius, Lithuania	100.0				
ZAO Lemstroi, Russia	100.0				18
Pasila Telecom Oy, Helsinki	71.0				8
PT Lemcon Networks, Indonesia	71.0				75
Servicios Telecomunicaciones S.R.L, Argentina	71.0				2
OOO SNC-STROY, Russia	100.0				10
WPL-System Oy, Helsinki	100.0				42
Oy Alfred A. Palmberg Ab, Helsinki	100.0	51.5	2,551	27,960	10,392
Byggnads Ab Forsström Rakennus Oy, Kokkola	88.3				4,060
Oy Konte Ab, Vaasa	90.9				168
Lemcon Projo Oy, Helsinki	100.0				3
Lemminkäinen Talo Oy, Helsinki	100.0				3
Oka Oy , Kouvola	84.9				4,392
Palmberg-Rakennus Oy, Oulu	85.0				143
Palmberg TKU Oy, Turku	90.0				687
Palmberg-Urakoitsijat Oy, Hyvinkää	90.0				45
Rakennusliike A. Taskinen Oy, Kitee	95.0				3,186
Rakennusliike S. Horttanainen Oy, Porvoo	100.0				67
Rakennus-Otava Oy, Jyväskylä	85.0				515
Rakennustoimisto Palmberg Oy, Tampere	70.0	,	,		572
Rekab Entreprenad AB, Sweden	72.7				243
Savocon Oy, Kuopio	88.3				417
StP-Rakennus Oy, Imatra	100.0				91
Zacus Ab Oy, Uusikaarlepyy	88.3				102
Tekmanni Oy, Helsinki	100.0	100.0	4,185	39,179	
Helsingin LVI-Ykkönen Oy, Helsinki	50.0				6
Ab Instel Oy, Pietarsaari	70.0				174
Oulun Kylmä-Ykkönen Oy, Oulu	48.8				5
Oulun LVI-Ykkönen, Oulu	75.0				2,882
Oulun Saneeraus-Ykkönen Oy, Oulu	56.3				6
Sähköliike Tekno Oy, Kokkola	88.0				2,326
Sähköraisio Oy, Raisio	100.0				328
Tekmanni Pohjanmaa Oy, Seinäjoki	90.0				983
Tekmanni Service Oy, Helsinki	100.0				500
Tekmanni Tampere Oy, Tampere	90.0				500
Tekmanni Uusimaa Oy, Hyvinkää	88.8				983
Tekmen SPB, Russia	90.0				192
Turun Rakennusputki Oy, Turku	90.0				1,124
Uudenkaupungin Rakennus-Putkitus Oy, Uusikaupunki	100.0				825
Total				176,081	49,798

AFFILIATES 31.12.2007

Pointti-Talo Oy, Lahti	45.0	45.0	27	293	
Genvej A/S, Denmark	50.0				216
Martin Haraldstad AS, Norway	50.0				1,522
Nordasfalt AS, Norway	50.0				1,692
Ullensaker Asfalt AS, Norway	50.0				1,020
Total				293	4,449

OTHER SHARES AND HOLDINGS 31.12.2007

Real estate shares	798	1,705
Housing company shares	439	362
Other shares and holdings	604	1,082
Total	1,841	3,149

Notes to the Parent Company Financial Statements (FAS)

EUR 1,000	**1.1.–31.12.2007**	1.1.–31.12.2006

1 INCOME STATEMENT

1.1 NET SALES AND OPERATING PROFIT/LOSS

Net sales by business sector		
Paving and Mineral Aggregates Division	**301,560**	266,897
Others	**2,124**	3,259
Total	**303,684**	270,157
Net sales by market area		
Finland	**298,776**	264,230
Nordic countries	**739**	1,871
Eastern Europe and Baltic states	**4,091**	4,028
Western Europe	**78**	
Others		28
Total	**303,684**	270,157
Operating profit/loss by business sector		
Paving and Mineral Aggregates Division	**-4,853**	19,056
Others	**-6,463**	-3,360
Total	**-11,317**	15,696

1.2 OTHER OPERATING INCOME

Profit on the sale of fixed assets	**3,095**	9,742
Others	**2,326**	1,091
Total	**5,420**	10,832

1.3 MATERIALS AND SERVICES

Raw materials, consumables and goods		
Purchases during the accounting period	**86,607**	78,840
Change in inventories	**-1,971**	-953
	84,636	77,887
External services	**73,764**	61,219
Total	**158,401**	139,106

1.4 NOTES CONCERNING PERSONNEL, MANAGEMENT AND BOARD MEMBERS

Personnel expenses		
Salaries, wages and emoluments	**55,787**	50,046
Pension expenses	**10,114**	8,604
Other personnel-related expenses	**5,105**	3,222
Total	**71,006**	61,871

EUR 1,000	**1.1.–31.12.2007**	1.1.–31.12.2006
Management salaries and emoluments		
Board members and managing directors	**936**	913
Average number of employees		
Salaried staff	**455**	419
Hourly paid employees	**859**	814
Total	**1,314**	1,233
Average number of employees by business sector		
Paving and mineral aggregates division	**1,200**	1,127
Group admistration	**114**	106
Total	**1,314**	1,233

Pension commitments concerning board members and managing director

The retirement age of the managing director of Lemminkäinen Corporation is 60 years.

1.5 DEPRECIATION

Intangible rights	**228**	228
Other capitalised expenditure	**17**	13
Buildings	**438**	449
Machinery and equipment	**6,659**	6,544
Other tangible assets	**803**	673
Total	**8,145**	7,908

1.6 FINANCIAL INCOME AND EXPENSES

Dividend income		
From group undertakings	**400**	600
From others	**1**	30
Total	**401**	630
Other interest and financial income		
From group undertakings	**4,958**	3,602
From others	**1,402**	437
Total	**6,360**	4,038
Interest expenses and other financial expenses		
To group undertakings	**-2,910**	-1,769
To others	**-11,932**	-7,468
Total	**-14,842**	-9,236
Net financial income/expenses	**-8,082**	-4,568
Exchange rate differences (net) included in financial income/expenses	**-368**	-45

1.7 EXTRAORDINARY ITEMS

Extraordinary incomes	**7,200**	

EUR 1,000	**1.1.–31.12.2007**	1.1.–31.12.2006
1.8 APPROPRIATIONS		
Difference between depreciation according to plan and depreciation charged against taxation	**1,649**	377
1.9 DIRECT TAXES		
Income taxes on normal business operations	**-2,583**	-1,901
Income taxes in respect of previous years	**-543**	-4
Total	**-3,125**	-1,905

2 BALANCE SHEET

2.1 NON-CURRENT ASSETS

EUR 1,000	**31.12.2007**	31.12.2006
2.1.1 Intangible assets		
Intangible rights	**547**	705
Other capitalised expenditure	**149**	
Advance payments	**308**	84
Total	**1,004**	789
2.1.2 Tangible assets		
Land and Waters	**9,603**	8,781
Buildings	**6,969**	6,836
Machinery and equipment	**27,941**	26,429
Other intangible assets	**10,569**	10,554
Advance payments and work in progress	**951**	1,434
Total	**56,033**	54,033
2.1.3 Investments		
Holdings in group undertakings	**176,081**	180,024
Holdings in affiliated undertakings	**293**	293
Other shares and holdings	**1,841**	3,128
Receivables from group undertakings		1,549
Total	**178,215**	184,994
2.1.1 Intangible assets		
Intangible rights		
Acquisition cost 1.1.	**1,754**	1,407
Increases	**70**	675
Decreases	**-35**	-328
Acquisition cost 31.12.	**1,789**	1,754
Accumulated depreciation 31.12.	**-1,242**	-1,049
Book value 31.12.	**547**	705
Goodwill		
Acquisition cost 1.1.		3,515
Decreases		-3,515
Acquisition cost 31.12.		

EUR 1,000	**31.12.2007**	31.12.2006
Other capitalised expenditure		
Acquisition cost 1.1.	**144**	319
Increases	**165**	
Decreases	**-4**	-175
Acquisition cost 31.12.	**306**	144
Accumulated depreciation 31.12.	**-157**	-144
Book value 31.12.	**149**	
Advance payments		
Acquisition cost 1.1.	**84**	438
Increases	**277**	55
Decreases	**-53**	-409
Acquisition cost 31.12.	**308**	84

2.1.2 Tangible assets

EUR 1,000	**31.12.2007**	31.12.2006
Land		
Acquisition cost 1.1.	**5,694**	5,726
Increases	**837**	221
Decreases	**-15**	-253
Acquisition cost 31.12.	**6,516**	5,694
Revaluations	**3,087**	3,087
Book value 31.12.	**9,603**	8,781
Buildings		
Acquisition cost 1.1.	**15,394**	29,924
Increases	**571**	15
Decreases		-14,546
Acquisition cost 31.12.	**15,965**	15,394
Accumulated depreciation 31.12.	**-11,374**	-10,935
Revaluations	**2,378**	2,378
Book value 31.12.	**6,969**	6,836
Machinery and equipment		
Acquisition cost 1.1.	**85,731**	103,897
Increases	**10,750**	7,874
Decreases	**-11,891**	-26,040
Acquisition cost 31.12.	**84,589**	85,731
Accumulated depreciation 31.12.	**-56,648**	-59,302
Book value 31.12.	**27,941**	26,429
Other tangible assets		
Acquisition cost 1.1.	**17,372**	15,855
Increases	**818**	1,993
Decreases	**-48**	-476
Acquisition cost 31.12.	**18,143**	17,372
Accumulated depreciation 31.12.	**-7,573**	-6,818
Book value 31.12.	**10,569**	10,554

EUR 1,000	**31.12.2007**	31.12.2006
Advance payments and construction in progress		
Acquisition cost 1.1.	**1,434**	1,076
Increases	**951**	1,434
Decreases	**-1,434**	-1,076
Acquisition cost 31.12.	**951**	1,434

2.1.3 Investments

Holdings in group undertakings		
Acquisition cost 1.1.	**180,024**	173,767
Increases	**2,283**	6,585
Decreases	**-6,226**	-328
Acquisition cost 31.12.	**176,081**	180,024
Holdings in affiliated undertakings		
Acquisition cost 1.1.	**293**	293
Acquisition cost 31.12.	**293**	293
Other shares		
Acquisition cost 1.1.	**2,487**	3,371
Increases	**7**	7
Decreases	**-775**	-890
Acquisition cost 31.12.	**1,719**	2,487
Revaluations	**122**	641
Book value 31.12.	**1,841**	3,128
Receivables from group undertakings		
Value 1.1.	**1,549**	
Increases		1,549
Decreases	**-1,549**	
Value 31.12.		1,549

2.1.4 Revaluations

Land		
Value 1.1.	**3,087**	3,223
Decrease		-136
Value 31.12.	**3,087**	3,087
Buildings		
Value 1.1.	**2,378**	2,600
Decrease		-222
Value 31.12.	**2,378**	2,378
Shares		
Value 1.1.	**641**	1,141
Decrease	**-519**	-500
Value 31.12.	**122**	641

EUR 1,000	**31.12.2007**	31.12.2006
2.2 CURRENT ASSETS		
2.2.1 Inventories		
Raw materials and consumables	**10,119**	8,148
Finished products/goods	**22,479**	20,785
Total	**32,598**	28,933
2.2.2 Non-current receivables		
Deferred tax asset	**46**	
Loan receivables	**3,739**	1,889
2.2.3 Current receivables		
Accounts receivable	**12,246**	16,515
Amounts owed by group undertakings		
Accounts receivable	**5,928**	5,373
Other receivables	**78,381**	61,532
Prepayments and accrued income	**211**	358
Total	**84,520**	67,262
Loan receivables	**68**	164
Other receivables	**216**	357
Prepayments and accrued income	**1,931**	3,645
Total	**2,214**	4,165
Current receivables, total	**98,980**	87,943
Items included in prepayments and accrued income:		
Taxes	**6**	287
Wage- and salary-related expenses	**444**	618
Others	**1,480**	2,740
Total	**1,931**	3,645
2.2.4 Investments		
Other securities	**5,700**	8,338
2.3 SHAREHOLDERS' EQUITY		
Share capital 1.1.	**34,043**	34,043
Share capital 31.12.	**34,043**	34,043
Share premium account 1.1	**5,675**	5,675
Share premium account 31.12.	**5,675**	5,675
Retained earnings 1.1.	**70,959**	79,005
Distribution of dividend	**-25,522**	-17,012
Transfer from revaluation reserve	**-384**	-635
Retained earnings 31.12.	**45,053**	61,359
Result for the accounting period	**-13,675**	9,601
Shareholders' equity, total	**71,095**	110,676
Distributable funds 31.12.	**31,378**	70,959

EUR 1,000	**31.12.2007**	31.12.2006
2.4 APPROPRIATIONS		
Depreciation reserve 31.12.	**3,857**	5,506
2.5 LIABILITIES		
2.5.1 Deferred tax liability		
Revaluations	**1,453**	1,588
2.5.2 Non-current liabilities		
Loans from credit institutions	**70,755**	14,004
Liabilities due after five years or later		
Loans from credit institutions	**17,174**	
2.5.3 Current liabilities		
Loans from credit institutions	**115,421**	161,104
Advances received	**2**	300
Accounts payable	**5,000**	6,673
Accounts payable to group undertakings	**998**	666
Other liabilities to group undertakings	**79,645**	54,300
Other liabilities	**18,998**	4,041
Accruals and deferred income	**14,413**	12,307
Total	**234,477**	239,391
Items included in accruals and deferred income:		
Income tax	**1,411**	
Wage- and salary-related expenses	**10,451**	8,785
Others	**2,551**	3,522
Total	**14,413**	12,307
2.6 CONTINGENT LIABILITIES		
Liabilities as well as mortgages and bonds pledged as security for them		
Loans from financial institutions	**3,784**	5,046
Business mortgages	**23,546**	23,546
Other mortgages and securities for own commitments		
Property mortgages	**69**	69
Business mortgages	**1,682**	1,682
Total	**1,751**	1,751

EUR 1,000	**31.12.2007**	31.12.2006
Mortgages for commitments of group undertakings		
Business mortgages	**33,000**	33,000
Pledges made on behalf of others		
Bonds pledged as security	**90**	90
Mortgages and securities, total		
Property mortgages	**69**	69
Business mortgages	**58,228**	58,228
Bonds pledged as security	**90**	90
Total	**58,387**	58,387
Guarantees given		
On behalf of group undertakings	**359,166**	338,673
On behalf of others	**9,161**	3,550
Total	**368,328**	342,223
Leasing liabilities		
Payable next year	**10,565**	10,737
Payable in subsequent years	**48,350**	48,511
Total	**58,916**	59,247
Purchase commitments of investments	**9,959**	
Derivative contracts		
Forward foreign exchange contracts		
Nominal value	**54,619**	9,711
Current value	**-152**	22
Interest rate options, calls purchased		
Nominal value	**3,480**	5,042
Current value	**0**	0
Interest rate options, puts written		
Nominal value	**3,480**	5,042
Current value	**-14**	-114
Interest rate swap contracts		
Nominal value	**74,289**	
Current value	**279**	