

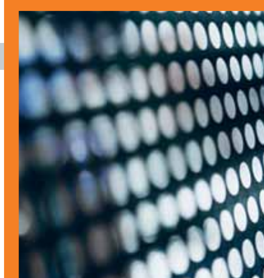


The best way to build



Lemminkäinen

ANNUAL REPORT 2010



The best way to build

We create conditions that make living, working and travelling easy, safe and healthy. We are always searching for even better ways to build – and can draw on a hundred years of experience. Our skilled personnel keep the Lemminkäinen customer promise on hundreds of construction sites in Finland and the other Nordic countries, Russia, the Baltic countries and elsewhere in the world. They're genuinely interested in our customers' needs and want to provide them competitive solutions.

Only through customer satisfaction can we create profitable growth and ensure that our personnel have a solid foundation on which to develop their expertise.

We have traditionally been a leading expert in building construction, infrastructure construction and technical building services in Finland. In the future, we will be seeking growth from renovation, Russian residential construction and Nordic infrastructure construction in particular. Our net sales totalled EUR 1.9 billion in 2010. The Group had about 8,300 employees, of which about 30% work outside Finland.

Lemminkäinen Corporation's share is listed on NASDAQ OMX Helsinki.

Lemminkäinen as a constructor

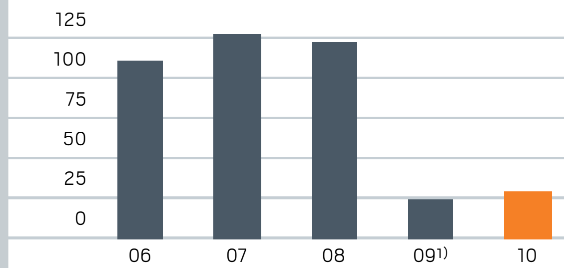
Lemminkäinen is known for its expertise in building and infrastructure construction, technical building services, and building products. Now we are moving towards renovation construction. We are enhancing personnel competency, and thereby our efficiency. Energy and material efficiency are our key areas for development. We are also investing in occupational safety and well-being.

	Business	Strategic role	Strengths	Market position	Share of Group net sales	Share of Group operating profit
BUILDING CONSTRUCTION 	Residential construction, business and commercial premises, industrial and logistics construction, sports and leisure-time facilities, property development, project management, contracting, and life cycle projects.	Investing capital in our own development generates profit in a favourable economic climate.	Local presence, residential construction in St Petersburg, life cycle models, renovation and building information modelling (BIM).	Finland's second-largest building constructor and its largest renovator.	41%	61%
INFRASTRUCTURE CONSTRUCTION 	Paving, rock and foundation engineering, mineral aggregates, and road, street and rail construction and maintenance.	A stable result whatever the economic climate.	An infrastructure expert that can also handle large-scale projects.	The largest company in Finland for paving and a major infrastructure constructor in the Nordic countries.	39%	26%
TECHNICAL BUILDING SERVICES 	The installation and maintenance of technical building and property systems, and telecommunications network construction.	Maintenance and upkeep services generate uninterrupted cash flow.	Life cycle expertise and energy-efficient solutions.	One of the three largest providers in Finland.	12%	5%
BUILDING PRODUCTS 	Roofing, concrete and sports construction.	Integrated into Infrastructure Construction in 2011.	An extensive range of high-quality products and services.	Integrated into Infrastructure Construction in 2011.	8%	8%

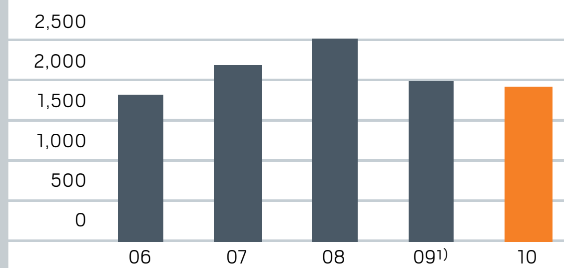
Lemminkäinen in brief

GROUP KEY FIGURES	2010	2009 1)	Change, %
Net sales, EUR million	1,892.5	1,965.5	–3.7
of which operations abroad, EUR million	543.5	527.6	3.0
Operating profit, EUR million	29.0	23.2	25.0
Operating profit %	1.5	1.2	
Result before taxes, EUR million	6.8	–10.2	over hundred
Result for the accounting period, EUR million	1.2	–23.8	over hundred
Earnings/share, EUR	0.02	–1.54	over hundred
Dividend/share, EUR	0.50 2)	0.00	
Cash flow from business operations, EUR million	–37.20	64.2	over hundred
Order book, EUR million	1,226.4	1,064.5	15.2
of which unsold	135.3	103.2	31.1
of which operations outside Finland	294.3	224.4	31.1
Return on investment, %	7.0	5.4	
Return on equity, %	0.4	–7.6	
Equity ratio, %	35.2	30.9	
Gearing, %	104.7	110.5	
Funds, EUR million	26.3	74.4	–64.7
Interest-bearing debt	375.5	399.1	–5.9
Gross investments, EUR million	59.6	41.5	43.6
Personnel on average	8,314	8,626	–3.6
Accident frequency: x accidents / million working hours	36.1	36.2	–0.1

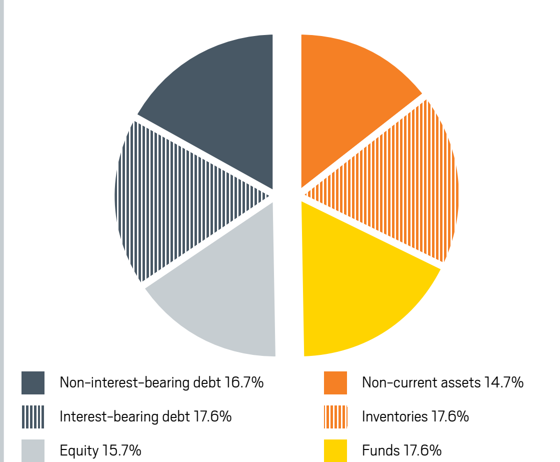
OPERATING PROFIT, EUR MILLION



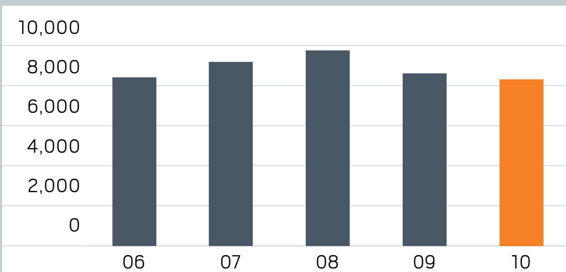
NET SALES, EUR MILLION



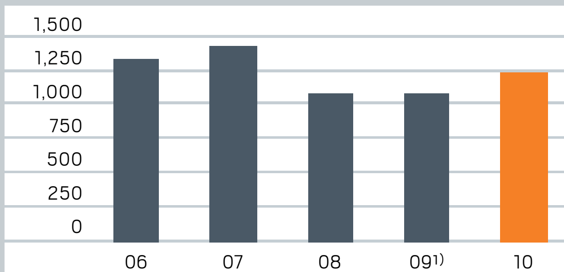
BALANCE SHEET, EUR MILLION



PERSONNEL, ON AVERAGE



ORDER BOOK, EUR MILLION



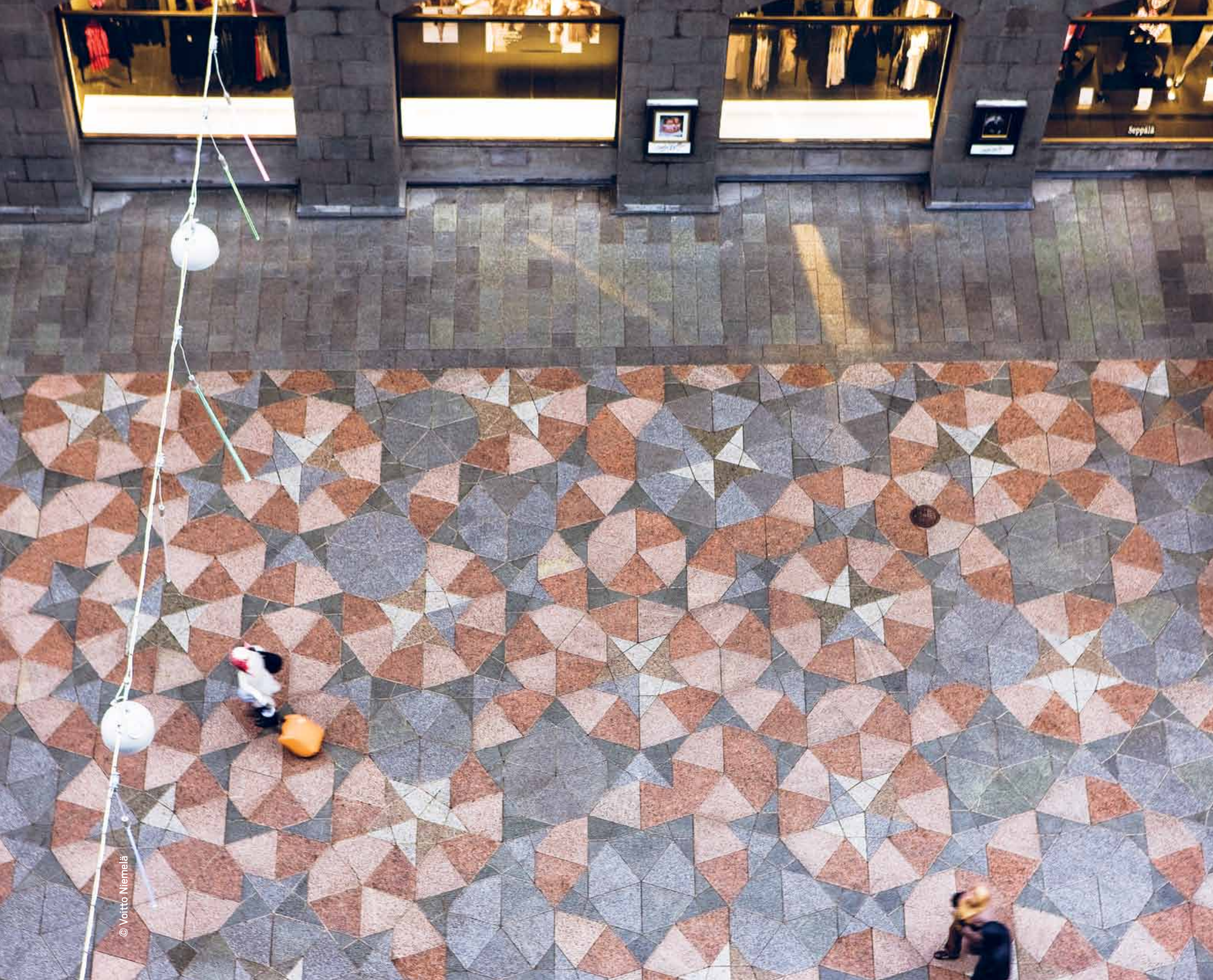
1) As from 1 January 2010, Lemminkäinen observes the interpretation IFRIC 15 – Agreements for the Construction of Real Estate in its reporting. The comparative figures for 2009 have also been calculated in accordance with this interpretation.

2) Board of Directors' proposal to AGM.

Annual report in brief

Strategy

Our goal is to renew Lemminkäinen – to unify the Group as a profitably growing construction company. We are deepening our expertise in our current businesses and are seeking growth from construction growth areas, such as life cycle models and the Russian residential market. A strong financial position gives us room to manoeuvre, so that we can develop the Group, and also improves our risk tolerance.


Seppälä

2010 in brief

TRADE CENTRE CONSTRUCTION

5.1.

We began the Prisma expansion in Kouvola (5 Jan) and the last construction phase of the Pikkutori shopping centre in Mikkeli (5 July). We also signed a continuation agreement for the complete renovation of the Kluuvi shopping centre in downtown Helsinki (13 July).

RESIDENTIAL CONSTRUCTION IN ST PETERSBURG

16.4.

In the autumn, we completed a 498-apartment residential location in St Petersburg as a developer-contracting project. Our next locations will be in the Ozerki region of northern St Petersburg (7 June) and on Vasily Island in the city centre (16 April). Our target is to sell as many residences in St Petersburg every year as we do in Finland.

STRONGER POSITION IN THE NORWEGIAN INFRASTRUCTURE MARKET

22.4.

Infrastructure construction in Norway is one of our strategic growth areas. We consolidated our position through three acquisitions – Asfalt Remix AS (22 April), Risa Rock AS (4 May) and Mesta Industri AS (17 Dec). After the last acquisition in completed, we will be the second largest surfacing contractor in Norway.

FIGBC

23.4.

GREEN BUILDING COUNCIL FINLAND

We are one of the founding members of the Green Building Council Finland (FIGBC), a construction and property industry network dedicated to sustainable development. The network seeks to promote the consideration of sustainable development in all construction and property industry activities.

DIRECTED SHARE ISSUE

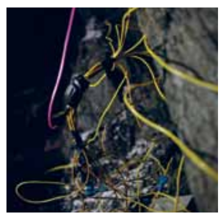
17.3.

13.35%

We offered a share issue to institutional investors and subsidiaries' minority interest holders. The total number of new shares issued represented about 13.35 per cent of all the shares in the company after the issues. The 2,623,514 new shares subscribed for in the share issue were recorded in the Trade Register on 23 March 2010.

MINING CONTRACTS

24.3.



In the spring, we won a quarrying contract worth EUR 5 million at LKAB's iron ore mine in Kiruna, Sweden (24 March). In the autumn, we received a further contract worth about EUR 45 million (25 Nov). We also won two construction contracts totalling EUR 10 million for the nickel/copper concentrate mine in Sodankylä, Finland (6 July).

RESIDENTIAL CONSTRUCTION DRIVES GROWTH

9.6.

Construction was forecast to increase by two per cent in Finland in 2010. Growth is especially driven by residential construction. We began work on several new residential sites in Finland, such as Kahvikortteli in the Vuosaari district of Helsinki (9 June) and the Saukonpaasi block in the Helsinki district of Jätkäsaari (21 Jan and 28 Dec).

100TH ANNIVERSARY AND INNOVATION COMPETITION

2.8.

100
1910–2010

In 2010, we celebrated 100 years of construction. In honour of our anniversary, we launched a construction sector innovation competition, which is open to everyone in the industry. We are looking for new operating models, or for innovations that will improve living, working and travelling. The winner will be announced in March 2011.

MAINTENANCE CONTRACT IN ST PETERSBURG

11.11.

We signed an agreement with OOO Stockmann SPb Centre and ZAO Stockmann for round-the-clock maintenance of technical building systems at the newly opened Nevsky Centre shopping centre in St Petersburg.

STRUCTURAL REORGANISATION

15.12.

As of 1 January 2011, our operations will be divided into three business sectors: Building Construction, Infrastructure Construction and Technical Building Services. Our roofing business, which used to be part of the Building Products sector, was sold; and the concrete and environment products and sports construction businesses were transferred to the Infrastructure Construction sector.

DOMESTIC BOND

7.9.

We issued a EUR 60 million, four-year domestic bond with an annual coupon of 4.50 per cent. The bond was used to refinance the EUR 60 million syndicated loan maturing in January 2011. The bond also diversified our funding base and extended our debt maturity profile.

DIVESTMENT OF THE ROOFING BUSINESS

15.12.

Significant growth in the roofing business would have required substantial investments, so we decided to divest it to Axcel, a Danish private equity fund. The roofing business used to be part of the Building Products sector. Its divestment is in line with our strategic goals: to focus on selected growth areas.

PERSONNEL SURVEY

1.11.

52%

In autumn 2010, we conducted our first Group-wide personnel survey. The response rate was 52%. The results have now been processed at both Group and business sector level. We will be enhancing our operations on the basis of these results and appropriate measures were included in our 2011 action plan.

READ MORE
www.lemminkainen.com

The way we work

Our operations are guided by our values, vision, corporate governance and Code of Conduct, as well as national and international legislation and regulations. Our goal is to grow profitably and responsibly using a long-term, sustainable approach. Continual, open dialogue with stakeholders is a fundamental aspect of responsible growth. When bolstering our financial position, we always consider the expectations and demands of our stakeholders.

Our Code of Conduct is based on international regulations, such as the UN's Declaration of Human Rights and the Global Compact's ten principles, which cover human rights, labour, the environment and anti-corruption. We also adhere to the ILO's employment rights and principles, the OECD's operational guidelines for multinational companies and International Chamber of Commerce ICC recommendations. We base our operations on our values – respect and trust, constructive collaboration, and sustainable growth and development. Our vision promotes the best way to build in all operations. Our shared values support the implementation of our vision and strategy, and help us to operate with a responsible, customer-oriented approach.

RESPONSIBILITY AS PART OF THE STRATEGY

All construction has a significant impact on the community and its activities, and the environment. As a construction expert operating in many fields we encounter a variety of expectations in the area of responsibility, such as energy-efficient construction, preventing grey economy employment and conducting subcontractor audits. In order to meet these expectations, responsibility needs to be part of the strategy and a natural aspect of everyday management and operational development. Our aim is to be recognised as a proactive proponent of corporate responsibility in the construction industry.

Our President and CEO is responsible for corporate responsibility, which is led by Senior Vice President Corporate Responsibility and Risk Management. Overall responsibility for the Group's environmental issues is held by Head of Environment and Safety, and by the heads of environment and/or quality at business sector level. Social responsibility is led by Executive Vice President, HR, work safety by Senior Vice President Corporate Responsibility and Risk Management.

We use management systems that meet the following international standards: ISO 9001:2008 (quality), ISO 14001:2004 (environment) and OHSAS 18001:2007 (occupational health and safety). Our head office in Salmisaari, Helsinki, joined the WWF's Green Office Network in 2010.

CODE OF CONDUCT

The Code of Concuct approved by the Board of Directors in 2009 forms the basis of our operating guidelines for both Lemminkäinen and our partners. The Code covers all operations and define the way we all work. The Code is supplemented by more detailed guidelines, such as representation and sponsorship principles, which we revised in 2010.

All of our personnel must familiarise themselves with and adhere to legislation, regulations and guidelines. Supervisors are responsible for providing training and ensuring compliance. In 2011, we will be launching an online training programme in competition law and Code of Conduct. According to a 2010 personnel questionnaire, 73 per cent of our employees know what to do if they spot non-compliant behaviour.

We acknowledge our employees' freedom to organise and their right to join professional unions and make collective labour agreements. We do not employ child labour, nor do we deal with subcontractors or suppliers who do. We deal support to political parties or ideological organisations with reservation. We do not condone bribery, nor do we enter into business relationships that could lead to conflicts of interest. You can read our Code of Conduct at www.lemminkainen.com.

REPORTING PRINCIPLES

For the first time, our corporate responsibility reporting is based on the Global Reporting Initiative's (GRI) G3 recommendations. We estimate that the content of our report is consistent with level C reporting of the G3 Guidelines. We have chosen to report parameters related to the aspects of corporate responsibility which are essential in our operation. In summer 2010, we conducted a self-analysis of the impact of various corporate responsibility themes on Lemminkäinen's operations, as well as their significance to our key stakeholders. See the table on the next page.

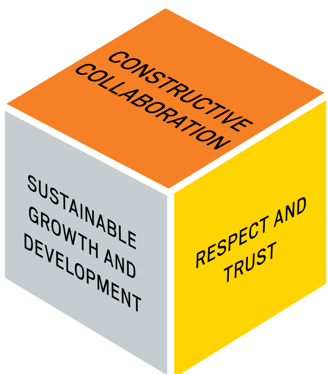
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), to comply with the IAS and IFRS standards and SIC and IFRIC interpretations in effect on 31 December 2010. Segment reporting is based on management reporting, as per IFRS 8, and therefore deviates in part from the consolidated accounting principles. The adjusted comparison figures for 2009 are presented in brackets. Environmental figures cover asphalt plants, concrete production factories, ready-mix concrete production and a rooting factory in Finland. Environmental data has been collected using questionnaires. Environmental reporting will be expanded in 2011.

Our HR unit collects and reports on personnel data. The personnel and remuneration data published in the financial statements has been obtained during financial reporting. We will be introducing a new system to provide more extensive HR data for the next year's report.

Our corporate responsibility report has not been externally verified.

Comparisons with GRI recommendations and the UN's Global Compact can be found on page 64–65. A full GRI-table and further information about Lemminkäinen and corporate responsibility are available on our website www.lemminkainen.com.

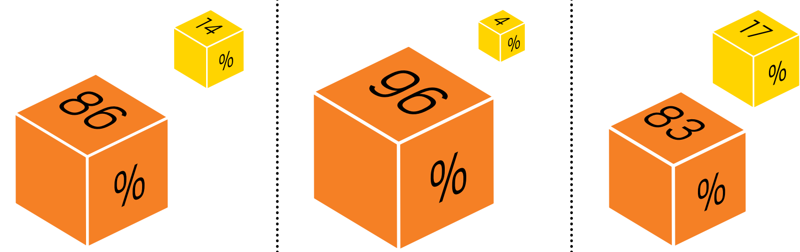
LEMMINKÄINEN'S VALUES GUIDE ALL ACTIVITIES



MANAGEMENT SYSTEMS

Percentage of certified management systems compared to Group's net sales 2010 in Finland.

ENVIRONMENTAL ISO 14001 | QUALITY ISO 9001 | SAFETY OHSAS 18001



Site with a certified system

Site without a certified system

MATRIX

	IMPORTANCE TO EXTERNAL STAKEHOLDERS	CURRENT OR POTENTIAL IMPACT ON COMPANY
• Fighting the grey market economy • Motivational remuneration • Offering end-to-end solutions • Developing training and expertise • Equal rules for everyone, open internal communications, fairness and equality	high	medium
• A good balance between work and leisure-time • Code of conduct, political support, adhering to competition legislation, anti-corruption principles • Open, transparent reporting • Energy efficiency, renewable energy sources, reducing carbon dioxide emissions and travelling	medium	medium
• Developing new products and services • Material efficiency, waste, logistics, material choices • Risk management	medium	high
• Occupational health, accidents and safety and maintaining working capacity • Good supervisory work and leadership • Identifying and predicting customers' needs • Quality, keeping promises and sticking to schedules	medium	high

high

medium

We've focused on building the new Lemminkäinen and improving competitiveness – and we will be seeing the initial results this year.

Review by the President and CEO

DEAR SHAREHOLDERS,

Lemminkäinen celebrated its centenary last year. Those hundred years have seen great successes and unfortunate setbacks, but above all determined efforts ensure continual development.

In November 2009, we began to implement our new strategy. Our strategy's primary goal is profitable growth, which we will achieve by developing more unified working methods. Our vision – **The best way to build** – encapsulates our desire to be not only the most sought-after partner to our customers, but also the best employer in the construction industry and the most appealing investment.

SEEKING GROWTH AFTER THE RECESSION

The impact of the recession in the construction industry was still evident during 2010. Already at the start of the year, we estimated that our net sales would remain at 2009 level.

We balance out economic fluctuations by spreading our construction operations over several sectors. 2010 was a good year for all areas of Infrastructure Construction in Finland, while only residential construction recovered in the Building Construction business sector. Situation remained difficult for Technical Building Services. Outside Finland, we achieved good results in Sweden, Denmark and Russia.

We decided to divest our roofing business which is one of our traditional fields. Developing this business would have required substantial investments. We decided to direct these resources elsewhere.

STRENGTHENING OUR POSITION IN GROWTH AREAS

In line with our strategy, we are seeking growth in Russian residential construction and Nordic infrastructure construction. We made three acquisitions in Norway, the last of which is awaiting approval from the Competition Authority. These acquisitions strengthened our position and competitiveness.

We have a good reserve of plots in central locations in St Petersburg. In February of this year, we announced a project to construct over 2,000 units at our newest site.

PROFITABILITY MUST BE IMPROVED

Although our business operations have shown positive signs of improvement, we cannot be satisfied with our result. Some risks related to pre-recession projects realised. Our earnings were burdened by non-recurring expenses from investments in operational development. Weather conditions have also taken their toll: maintenance projects became more complicated and our production season was cut short.

We are expecting a definite improvement in our 2011 result. The markets are recovering and both our order book and its margin level are stronger than in the previous year. And the fruit of last year's development and efficiency-boosting measures will already be evident in this year's result.

We have overhauled operational processes so that resources can be directed to profitable areas. We've also enhanced project management. At Group level, we are seeking cost-effectiveness and best practices by standardising our working methods in, for example, support services and procurements.

A MORE SOLID FINANCIAL FOOTING

One of our major achievements of last year was stabilising our financial position. We carried out a directed share issue in early 2010 and floated a bond in the autumn. We also worked to improve cash flow management and, towards the end of the year, agreed on credit facilities that place us on a more solid footing to further develop the company.

Our year-end equity ratio – 35.2 per cent – was in line with our targets.

THE BEST WAY TO BUILD

We will continue to work on renewing Lemminkäinen. We will improve efficient cooperation that combines all of our diverse construction expertise. We will be seeking cost-effectiveness by harmonising our operations. We will also develop our corporate responsibility themes. In 2010, we invested in improving personnel competence and occupational well-being in particular. This year, we will be focusing on environmental responsibility. Enhancing both our social and environmental responsibility also has a direct benefit for our customers.

Satisfied customers and competent personnel are the best path to profitable growth, which in turn creates value for our shareholders.

Timo Kohtamäki
President and CEO

Improvement in our operating environment

During 2010, construction markets in many European countries began to recover from the paralysing impact of the economic crisis. As usual, this upturn followed an overall pick-up in the economy, as construction is usually tied to economic growth rates in general.

According to an estimate by the Confederation of Finnish Construction Industries, the value of construction output in our largest market area – Finland – increased by two per cent, compared to a contraction of almost eight per cent in 2009. There were, however, large regional variations and differences between business sectors. For example, residential construction in Finland experienced above-average growth, while infrastructure construction saw a slight contraction.

Recovery in the construction industry is clouded by uncertainty in the economic outlook throughout Europe. In its September economic review, the Research Institute of the Finnish Economy (Etla) forecasted a GDP growth rate of 1.5 per cent in both 2011 and 2012. Etla also predicted that the Finnish economy would grow by up to four per cent in 2011, but expected this rate to slow dramatically towards the end of the year. Yet in these uncertain economic times, there is great variation between forecasts – Pellervo Economic Research estimates growth of 2.5 per cent in 2011.

LIGHT AND SHADOW IN FINNISH RESIDENTIAL CONSTRUCTION

Building construction generates about 40 per cent of our net sales, and Finland is by far our largest market in this sector.

In 2010, the volume of new residential construction in Finland, measured in cubic metres, totalled almost 20 per cent more than in 2009. However, this represents over a quarter fewer start-ups than in 2007, when the industry was at its peak.

Although the construction industry as a whole began to recover last year, there were large variations between segments. Growth was driven by residential construction, and also to some extent by commercial and logistics construction. There was, however, little happening in office and industrial construction. Renovation construction also increased.

Subsidies for new rental housing, low interest rates and continued consumer confidence have maintained a good level of demand for residential construction. In 2010, about 31,000 new residential units were built in Finland – about 8,000 more than in 2009. The number of start-ups in 2011 should remain at the same level as last year.

State subsidies for residential construction will fall during 2011, but an increase in privately financed construction will bridge the gap.

Start-ups in commercial and office construction have bottomed out, but we are still far from the peak years, as the market fell by about 30 per cent in both 2008 and 2009. In 2011, start-ups in commercial and office construction are expected to remain at the same level as last year. Although underutilisation rates for office premises in Finland rose, new requirements for energy and space efficiency have fuelled demand for new office premises.

Industrial and warehouse construction declined by about 35 per cent in 2009 and continued to fall in 2010. However, start-ups increased to 7.5 million m^3 from 6.6 million m^3 in 2009. In 2011, start-ups are expected to remain at the same level as in 2010. Logistics construction is the most promising section in this segment in 2011.

About one fifth more public service building projects were launched in 2010 than in 2009. However, a rapid weakening in the financial position of municipalities will cut 2011 start-ups back to 2009 levels.

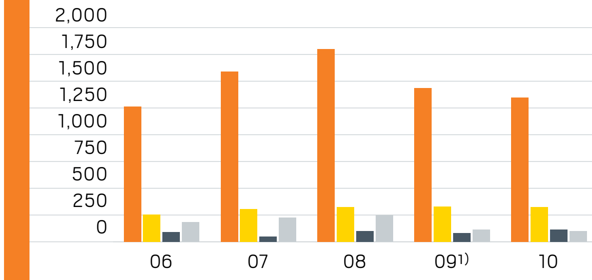
Renovation has been increasing for a long time and this is expected to continue. Renovation is a significant segment – contracts worth more than EUR 9 billion accounted for 45 per cent of all residential construction in 2009. The market rose by about three per cent in 2010.

The market for renovation has been growing steadily for years, while construction of industrial and commercial premises, for example, has fallen to under half of peak-year levels.

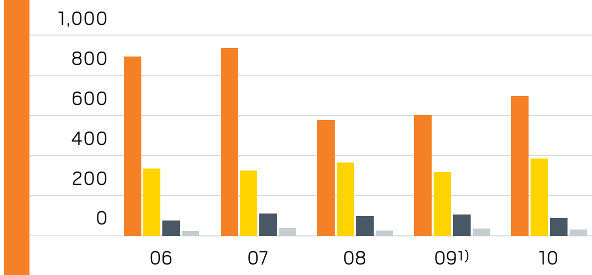
Thanks to reflationary measures in particular, renovation experienced growth during the recession. And growth outlooks remain good even after a reduction in these measures, as aging buildings, an increase in building stock and technological improvements are now driving renovation projects. Pressures to improve energy efficiency are also having a favourable impact. Renovation should grow by about two per cent in 2011.

	2010	2009
Purchases by area, EUR million		
Finland	834.7	851.1
Other Nordic countries	199	170.2
Russia	72.6	47.7
Other countries	79.6	87.3
Personnel expenses by area, EUR million		
Finland	324.0	320.0
Other Nordic countries	64.9	61.5
Russia	7.0	4.5
Other countries	19.8	20.9
Investments by area, EUR million		
Finland	32.9	25.9
Other Nordic countries	19.4	11.3
Russia	1.7	0.4
Other countries	5.6	3.9

NET SALES BY MARKET AREA, EUR MILLION



ORDER BOOK BY BUSINESS SECTOR, EUR MILLION



1) As from 1 January 2010, Lemminkäinen observes the interpretation IFRIC 15 – Agreements for the Construction of Real Estate in its reporting. The comparative figures for 2009 have also been calculated in accordance with this interpretation.

RESIDENTIAL CONSTRUCTION ESCALATES IN RUSSIA

Russia, and in particular St Petersburg, is a new growth market for our residential construction. Although the Russian economy contracted by almost eight per cent in 2009, Russia's GDP is estimated to have grown at a rate of 3.5–5 per cent in 2010. According to advance estimates, Russian industry grew by over eight per cent during 2010. Inflation also raised prices at a rate of about 8.5 per cent. Unemployment fell and real wages rose.

Residential construction in St Petersburg experienced a notable rise in 2010 and this trend is expected to continue for at least the next two years. Sales of residences in St Petersburg rose by about 30 per cent in 2009 and 50 per cent more new housing projects were launched. The prices of existing residences rose by about five per cent in 2010.

The Ministry of Regional Development's committee for construction in St Petersburg forecasts that about 13 per cent fewer new residences will be completed in 2011, due to the low number of start-ups during the recession years.

The high price of oil, a prospering middle-class and a need to renew dilapidated building stock will maintain growth in Russian residential construction. Consultancy firm Peterburgskaya nedvigimost' estimates that the number of new residential start-ups will steadily increase from about 1.3 million m² in 2010 to about 2.5 million m² by 2013. Production would then be close to 2007 levels.

Another factor fuelling growth is the Russian government's goal to increase per capita living space by over 40 per cent by 2020. This would mean the construction of over 60,000 new residences in St Petersburg per year. The government also seeks to have 30,000 residences renovated every year.

RECOVERY IN FINNISH INFRASTRUCTURE CONSTRUCTION

Infrastructure construction accounts for about 40 per cent of our net sales, and about 55 per cent of this sum is generated in Finland.

According to a preliminary estimate by the Confederation of Finnish Construction Industries, the value of civil engineering contracted by about one per cent in 2010, compared to about 12 per cent in 2009, when it fell at the same pace with the gross domestic product. Growth segments within the industry are for example railway track projects and mining operations. Highway and energy network construction are, however, contracting. The recovery in residential construction is also being reflected in foundation construction. The public sector's weak financial position will limit civil engineering projects and infrastructure maintenance and upkeep.

According to the Earth Construction Branch Advisory Committee, the net sales of companies in the earthworks industry plummeted by a further fifth on early 2010, and equipment utilisation rates also fell. However, net sales levelled out towards the end of 2010 and favourable trends were already visible in South-Central Finland.

Although 2011 will be a slightly weaker year for civil engineering as a whole, things are expected gradually to pick up again in 2012. 2012 will see the launch of several significant large-scale projects, but basic road maintenance is not expected to increase.

In 2010, transport construction in Finland increased to about 1.5 million m^3, representing a rise of just under 40 per cent compared to 2009. It is also expected to remain at this level during 2011. Multi-storey and market square car parks have recently been an important growth area in this sector. Construction of stations for the Western Metro and Ring Rail Line in the capital area of Finland will also fuel transport construction over the coming years.

NORDIC COUNTRIES INVESTING IN INFRASTRUCTURE

Difficulties in public finance has limited infrastructure construction in many European countries. The Nordic countries – one of our key markets – have, however, continued to make investments.

The Nordic countries (not including Finland) generate about one third of our net sales in infrastructure construction. The Danish economy has remained in fairly good shape throughout the recession, and Denmark is continuing plans for motorway, railway and energy projects. Infrastructure construction will grow at an annual rate of about five per cent in Denmark over the coming years.

Sweden made a dramatic increase in its investments during the recession, and will continue to do so.

After the dip in 2010, markets in Norway are expected to recover. Norway is planning to continue with improvements to rail transport and infrastructure.

2010's harsh winter was a particular problem in both Norway and Denmark, where it interrupted surfacing work. The difficult winter also caused problems in the Baltic countries, where volumes have also otherwise fallen and competition has remained tough.

TECHNICAL BUILDING SERVICES TIED TO CONSTRUCTION

Technical building services are an important strategic growth area for us. The market for technical building services at new locations follows trends in the construction market, but with a short delay – which is why the market situation will remain challenging in 2011.

The market for technical contracts in 2010 totalled about EUR 4.4 billion, of which HVAC accounted for about EUR 2.8 billion. The overall market grew by about two per cent in 2010 and is forecast to increase by about three per cent in 2011.

Stricter environmental and energy efficiency requirements are also fuelling growth in the industry. A general population increase as well as population concentration in growth centres require new infrastructure, increased maintenance and more services. Outsourcing of maintenance and upkeep is also fuelling the market, as are end-to-end service packages and life cycle projects.

In the long term, pipe renovations and improvements in energy efficiency will generate the largest growth in volume.

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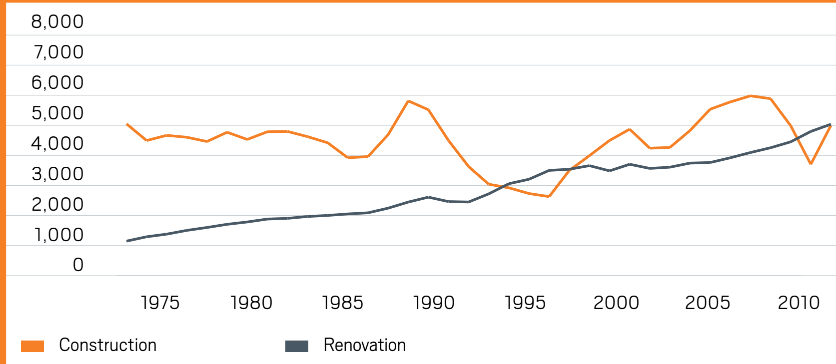
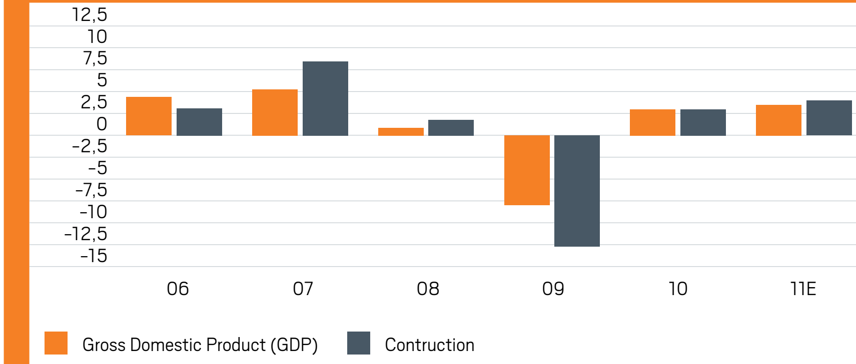
TREND IN THE RENOVATION AND NEW CONSTRUCTION OF HOUSING, EUR MILLION



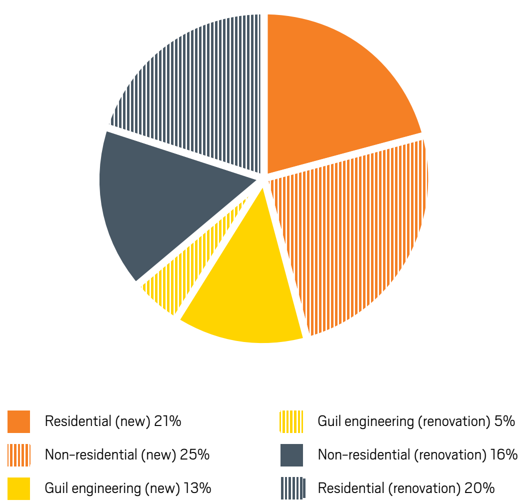
Year 2000 prices
Source: Statistical yearbook, construction and housing

GROSS DOMESTIC PRODUCT AND CONSRUCTION IN FINLAND, CHANGE IN VOLUME %



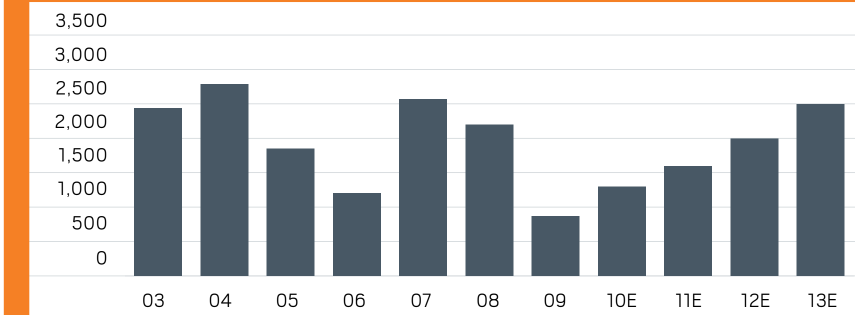
Source: Statistics Finland

TOTAL VOLUME OF CONSTRUCTION IN FINLAND



Source: Euroconstruct 12/2010, RT

NEW HOUSING PROJECTS IN SAINT-PETERSBURG, THOUSAND M²



Source: Consulting agency Peterburgskaya nedvigimost'

SITE ENGINEER

Harri Niemi

MARTTI AHTISAARI SCHOOL, KUOPIO,
LIFE CYCLE MODEL

I've worked in the construction industry for over ten years, but I've only been with Lemminkäinen for just under five years. Variety and continual personal development are the highlights of my work. My tasks include quality assurance, scheduling, procurements and cooperation with designers and and subcontractors.

The life cycle model includes 25 years of maintenance, which is why maintenance experts need to be consulted at the planning stage. This project has also made extensive use of Building Information Modelling (BIM) – all HEPACE, structural and architect's blueprints have been 3D modelled. When choosing designers, Lemminkäinen made sure they were able to model the project's entire life cycle.

Lemminkäinen has employees from several different fields working on this site, and cooperation has gone successfully. Cooperation, communication and – naturally – professional skills are at the forefront of our daily work.

In my job, responsibility means keeping to agreed decisions and schedules. When you're working on a school, it's vital to finish on time. Even a minor delay will force the school to move into temporary premises for an entire term – and finding those premises would be our responsibility.

The life cycle model includes both the initial investment and a follow-up service. As part of a single contract, Lemminkäinen will take responsibility for planning and construction, as well as property services for the designated period.

Strategy: Lemminkäinen's renewal continues

Our strategic goal is to renew Lemminkäinen – to create a more unified, customer-oriented construction company. We believe that, by developing our operating model and consolidating our expertise, we can benefit our customers, generate profitable growth and increase shareholder value.

We want to offer our customers an even broader array of construction services. This requires us to deepen our expertise and grow our operations in our current core businesses. We are seeking new growth in technical building systems and renovation in particular. We are also looking to expand our operations in Russian residential construction and Nordic infrastructure construction markets.

THE FOUNDATIONS OF OUR NEW STRATEGY

Lemminkäinen launched its new strategy in November 2009. Our main goals for the strategic period 2010–2013 are to enhance our business operations, improve our financial position and create one united Lemminkäinen through restructuring and harmonised working methods. Using this approach, we are seeking average annual net sales growth of 10 per cent, a return on investment of 18 per cent and an equity ratio of 35 per cent.

We have also updated Lemminkäinen's mission and vision statements as well as our values. Our mission is to create functional, safe and healthy conditions for living, working and travelling. We want to be a versatile expert in construction renowned for catering to the wishes of our customers and users as well as for shouldering our corporate responsibilities.

The best way to build encapsulates both our vision and our customer promise. We want to understand our customers' needs and enhance our service capabilities, so that our way of operating represents the best – and the most competitive – way to build. This requires long-term investments in our operations, capabilities and personnel's well-being. By generating profitable growth, we will also increase Lemminkäinen's appeal to investors.

Our values guide our everyday work: Respect and trust create a foundation for constructive cooperation, and thereby sustainable growth and development.

HARNESSING OUR ECONOMIES OF SCALE

After the acquisitions of the 1970s and 1980s, Lemminkäinen grew into one of Finland's largest construction Groups with a solid position in both building and infrastructure construction. We were also active in many international projects. The Tekmanni acquisition in 2000 added technical building services to our offering.

Up until 2009, the Group comprised local subsidiaries that operated relatively independently under their own names. Each company had its own tools and way of working. This approach supported growth during an exceptionally long boom period.

After the change in the markets, our previous structure and way of working were no longer competitive. The recession that began in the construction industry in 2008 provided extra impetus for changes. Our customers' needs also change. Many customers in both the private and public sectors outsourced some of their operations and sought to purchase construction services as increasingly larger entities.

Our strategic goals: improving financial position, business development and one unified Lemminkäinen.

We realised that we had not been optimally harnessing Lemminkäinen's economies of scale in procurements and at our customer interface. A more unified way of working would also improve control and predictability. Although it will take years to renew our structure, processes and management model, we estimate that these changes will already be evident in our financial result in 2011.

LEMMINKÄINEN'S STRATEGIC PROGRAMME

We steer the implementation of our strategy using a programme comprising five projects. These strategic development projects target growth, improving our financial position and creating a unified Lemminkäinen. Each project is comprised of several sub-projects, which in turn have their own goals, schedule and project team. A steering group monitors the programmes' progress and reports to the Group Executive Board. The first sub-projects were completed in 2010.

SEEKING STABLE GROWTH

Bolstering our core businesses

We are one of the leading companies in Finland for building construction, infrastructure construction and technical building services. To retain our leading market position in these fields, we must continuously grow and develop our operations.

We seek to expand our offering based on our solid core competences. Our mining operations have, for example, grown rapidly in recent years. In 2008, we were able to strengthen our rock engineering capabilities with the acquisition of Tolarock Oy, a company specialising in subterranean mining contracting. We are now involved in several Finnish mining projects. In 2010, we won contracts worth over EUR 55 million at LKAB's iron ore mine in Kiruna, Sweden.

We have been developing 3D building information modelling (BIM) for use in the steering of the design and planning process, project management and production control. Our development work generates added value for customers by providing them with illustrative information models that help them make decisions. BIM also raises productivity and improves information flow between the various parties working on a project. Modelling the upkeep of a project that is under development enhances the efficiency of maintenance and upkeep. We aim to introduce modelling into all of our projects over the next five years.

We are ready to divest businesses that cannot achieve profitable growth as part of the Lemminkäinen Group. In December 2010, we announced the divestment of our roofing business to Axcel, a Danish private equity fund. Growing the roofing business would have required substantial investments, and we decided to focus our developmental efforts on other areas.

New customers in neighbouring regions

Lemminkäinen's home market comprises Finland and the other Nordic countries, the Baltic countries and neighbouring regions

Vision: The best way to build– We want to offer the best end-to-end solutions for our customers' needs

TARGET	WHY IS THIS TARGET IMPORTANT?	HOW WE INTEND TO ACHIEVE IT
IMPROVING OUR FINANCIAL POSITION	A strong balance sheet gives us room to manoeuvre, so that we can grow and develop the Group, and also improves our risk-carrying capacity.	We are diversifying our financing base. We are making more effective use of our working capital management through, for example, better management of inventories and sales receivables.
BOOSTING INTERNAL EFFICIENCY	Boosting the efficiency of our operations increases our competitiveness and makes it as easy as possible for our customers to deal with us.	A more centralised model for internal support services yields savings and gives more efficient support for our business processes. We are also developing our procurements.
BOLSTERING OUR CORE COMPETENCES	Our profound core competences provide a firm foundation for expansion and growth. We want to retain our leading market position in our home markets.	We are strengthening our expertise and market position both organically and through mergers and acquisitions.
GROWTH IN SELECTED STRATEGIC AREAS	We see the potential for profitable growth in selected growth areas in which we have already demonstrated our expertise, namely renovation, technical building services, Nordic infrastructure construction and residential construction in St Petersburg.	We are focusing our investments on areas with growth potential. We are expanding our offering to existing customers and are also seeking new customers. We are making acquisitions to supplement our expertise or strengthen our position in local markets.
MORE CUSTOMER-ORIENTED OPERATING MODEL	We want our product and service offering to be more precisely tailored to our customers' needs. This will increase customer satisfaction and generate profitable growth.	We are developing our service offering to meet our customers' changing needs. We are combining our existing services into customer-oriented service packages. Our annual management agenda and incentive plans encourage end-to-end service for customers.

PROJECT MANAGER

Olli Niiranen

ALEKSANDRIA RESIDENTIAL CONSTRUCTION SITE,
ST PETERSBURG,
RESIDENTIAL CONSTRUCTION

Having the chance to share my experience with young, local builders is very important to me. Finnish construction companies have very high quality standards, and that's something I think we can pass on when working abroad. And I've always tried to emphasise the importance of taking responsibility for my work, too.

Here in Russia, we have skill and expertise that could benefit Lemminkäinen's other international projects. Young people everywhere are smart and open-minded.

At its busiest, the Aleksandria site employed 350 people. About 30 of us are from Lemminkäinen and the rest are subcontractors. I'm the only Finn on site, so it's vital that I can speak Russian. You have to be able to speak the language if you want to connect with people.

My family lives in Lappeenranta, in Eastern Finland, but I'd rather work in St Petersburg than in Helsinki. It's easy to get to St Petersburg and I believe I can make a greater contribution here. Even though I've worked in Russia for a total of ten years, I haven't got completely to grips with the culture yet – I still get the odd surprise here and there.

Lemminkäinen completed a residential building with over 500 apartments near the River Neva in St Petersburg. Russia's burgeoning demand for middle-class housing offers significant growth potential.

in Russia. We need to have a sufficiently large market area to be able to profitably develop our operations in various segments of construction. It also allows us to decentralise market risks.

We are seeking growth in residential construction in the St Petersburg area and infrastructure construction in the Nordic countries in particular. We have succeeded in both transferring our expertise to these growth markets and strengthening our local resources.

Our goal is to be a significant builder of quality residences for the growing, prospering middle-class in the St Petersburg area. By the end of the strategic period, we aim to sell nearly as many residences in Russia every year as we do in Finland. Acquiring good building sites is vital for continued growth.

In paving, we are among the leading companies both in Norway and in Denmark. In Sweden, we hold a solid position in rock and foundation engineering. We are strengthening our market position through both organic growth and acquisitions.

Deepening our expertise in growth areas

Demand for renovations, different types of life cycle solutions and technical building services continues to rise. We are improving our competitiveness by combining expertise across our business sectors and acquiring new expertise in growth areas.

Demand for technical building services is boosted by new environmental and energy efficiency requirements and the more common use of building automation systems. We are seeking solid, profitable growth in technical building services both in Finland and neighbouring regions. In particular, we are focusing on the development of pre-emptive maintenance solutions that will ensure uninterrupted functionality for our customers' systems while also generating savings in, for example, energy costs.

Demand for renovation work is being driven by the increasingly compact structure of downtown areas, aging housing stock, new energy efficiency requirements and a need to adapt buildings for new uses. Lemminkäinen's renovation operations are largely based on our profound and diverse expertise in building construction and technical building services. We are expanding our service offering to include, for example, property management and life cycle services in which the builder is also responsible for maintenance and upkeep for up to several decades. Developing our renovation and maintenance businesses requires us to continually deepen our specialised know-how and pool our broad range of expertise. In December 2010, we, for example, concluded a nationwide frame agreement for maintenance and small repair services with Valio, the biggest dairy producer in Finland. The agreement covers all of our business sectors.

Renovation, maintenance and upkeep accounted for about one-quarter of our net sales during the review period.

We believe that our strategic growth areas will enable us to achieve stable organic growth by both extending our current offering to existing customers and seeking new customers. We will use acquisitions either to obtain new, complementary expertise or to consolidate our local market position.

A STRONG FINANCIAL POSITION GIVES ROOM FOR DEVELOPMENT

We aim to strengthen Lemminkäinen's financial position during the strategic period. A strong balance sheet will give us room for development and growth as well as lower our financing expenses. Increased solvency also improves risk tolerance and our contingency for economic fluctuations. The key indicators for our financial position are the equity ratio and return on investment.

We are strengthening our financing base by harnessing a broader range of sources and instruments. We are also improving our working capital management with, for example, better management of inventories and trade receivables.

BOOSTING OPERATIONAL EFFICIENCY

In order to achieve long-term profitable growth and a more customer-oriented approach, we must constantly develop our internal ways of working. We aim to boost the efficiency and competitiveness of our operations for the convenience of our customers.

We have systematically simplified our Group structure and reduced the number of subsidiaries. Since the turn of the year, we have been operating in Finland through three business sector companies. Our brand renewal and unified corporate image are other concrete signs of these changes. We will be continuing to develop our brand over the coming years in accordance with our customer promise: **The best way to build**. We want to be seen as the most efficient, most competitive and most responsible construction company.

We are honing our working methods in sales and marketing. Developing customer segmentation and clarifying our offering will also serve to boost operational efficiency. We are combining our existing services and expertise into comprehensive, customer-oriented solutions. Our management agenda and incentive programmes spur our employees to provide end-to-end service.

We develop our internal support services to serve our business functions with a better quality, higher efficiency and greater cost-effectiveness. In addition, we are also improving and standardising our IT architecture. In our procurements, we are making determined efforts to employ Group agreements that will harness economies of scale and improve the competitiveness of our business.

We want to ensure that our structure and management model, as well as our leadership and business development practices, provide solid support for the implementation and achievement of our strategic goals.

We are developing leadership skills and human resources management. Our main goals are to increase and consolidate expertise in growth areas. We are also investing in occupational well-being and good supervisory skills. In our renewal, it is crucial that all personnel are familiar with our goals and are committed to achieving them.

STRATEGY IMPLEMENTATION IN 2010

We strengthened our expertise in growth areas in line with our strategy. In Norway, we made three acquisitions that will improve both our offering and competitiveness. Asfalt Remix AS specialises in the cold milling of asphalt and Risa Rock AS in tunnel blasting. Mesta Industri AS is a leading paving company and supplier of mineral aggregates throughout Norway. The acquisition of Mesta Industri AS is still awaiting approval from the Competition Authority, which is expected to make its decision during the first quarter. After these acquisitions, we will be the second largest paving company in Norway.

We strengthened our residential construction organisation and building site reserves in Russia. Sales were brisk for both completed housing units and those still under construction. At the end of the year, we had 184 residences under construction in St Petersburg, and construction of about 540 residential units was about to begin.

We expanded our offering in technical building services to include a new coating method for piping renovations that does not compromise existing structures. We increased our refrigeration expertise throughout Finland. We are seeking growth in maintenance and upkeep also in Russia. In November, we signed an agreement with Stockmann, a Finnish retail company, for technical facility servicing at their new Nevsky Centre shopping centre in St Petersburg.

We began development of a new business model for our renovation business. Our initial tasks were to make a detailed analysis of our customers' needs, strengthen our resources and improve cooperation between business sectors.

In early 2010, we collected a total of EUR 39.5 million through an institutional share issue. In a targeted share issue carried out at the same time, some of our subsidiaries' minority interest holders exchanged their shares for Lemminkäinen shares.

The funds from the issue were used to refinance a EUR 120 million syndicated loan originally agreed to mature in January 2011. The remainder of the loan was paid with cash funds and by issuing a EUR 60 million, four-year domestic bond, which was listed on NASDAQ OMX Helsinki Oy for public trading. These arrangements diversified our funding base and extended our debt maturity profile.

In December, we agreed on a line of credit totalling EUR 160 million through bilateral agreements with four Finnish banks. These facilities have a three-year maturity and serve as a reserve for the Domestic Commercial Paper Programme. They replace the previous syndicated EUR 150 million credit facility that was due to expire in June 2011. The new line of credit carries more favourable terms and conditions.

In operational efficiency, our most important achievements were clarifying our Group structure and launching a new corporate identity as part of our Lemminkäinen brand building process. We merged more than 20 subsidiaries in Finland during the report year. As of 1 January 2011, Building Products was integrated into Infrastructure Construction, leaving us with three business sectors.

We harmonised our operating models in customer relations management to better serve the joint customers of our business sectors. Joint purchase agreements generated savings, particularly in non-operative procurements. We decided to launch a programme in 2011 geared towards boosting procurement efficiency.

We developed a more centralised operating model for our internal support services that will be phased into use during 2011. The new operating model will include financial administration, ICT and human resources as well as communications and marketing. The legal affairs function adopted a more consolidated operating model at the beginning of 2010. The goal is to provide our businesses with versatile, cost-effective, high-quality support services, thus enabling them to focus more on their core operations.

We updated our incentive programme to better support our strategic targets. The new training programme for supervisors will also boost strategy implementation. A total of 152 supervisors had already attended courses by the end of 2010. We are implementing a Group-wide development discussion process to support competence development. For key performers, we are drafting personal development plans. Our working capacity risk management programme already generated substantial cost savings in 2010.

Strategy implementation is supported by training, the development discussion process and our incentive programme.

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Financial development 2010

2010 was a challenging year for us. Our earnings fell short of the forecast we published early in the year. The operating environment recovered slowly from the recession and competition remained tight. Non-recurring expenses on boosting operational efficiency cut into our profitability. We believe that these measures will improve our competitiveness and will start to yield visible results in 2011.

The financial objectives of Lemminkäinen's strategy are profitable growth and bolstering the Group's financial position:

- Annual net sales growth about 10 per cent
- Return on investment over 18 per cent
- Equity ratio at least 35 per cent

In the 2010 financial year, our equity ratio (35.2%) was in line with our targets. Our net sales remained at the previous year's level and return on investment was 7.0 per cent. We believe that we will achieve our financial targets during the strategy period. According to our estimates, pre-tax profit for the current financial year will significantly improve on 2010, which will also increase return on investment.

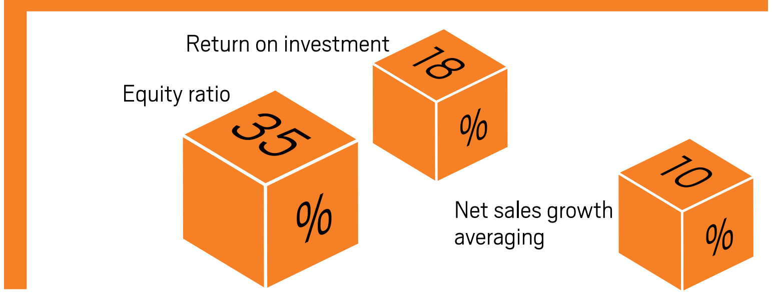
Our order book and margins were better at the end of 2010 than a year earlier. In addition, the market situation is improving and our efficiency-boosting measures are starting to yield results.

GROWTH AND PROFITABILITY

Residential construction swings to growth

Although construction began to grow again in 2010 after the downturn, this growth was mainly generated by residential construction. We started up the construction of more than 2,400 (1,441) residential units in Finland, Russia and Sweden. Our own development accounted for 1,191 of these units (351). Due to the change in income recognition practices, residential construction was recognised in net sales and earnings only towards the end of the year.

ECONOMIC GOALS



Downturn impacted commercial construction

The market for business premises took a slight turn for the better in the autumn. Earnings were burdened by lease liabilities related to certain projects that were started before the financial crisis, when the agreed occupancy rate seemed realistic. Now that these projects are being completed, the rental market is weaker and it has been hard to find tenants for certain locations.

A good season for infrastructure construction in Finland

The cold winter and heavy snowfall at both the beginning and end of the year impacted on the volume and margins in infrastructure construction. In Finland, the work season was about two months shorter, and in Norway even four months shorter. Earnings in Norway were also hit by two loss-making maintenance contracts. In spite of the slight contraction in the market, we raised our market share in some areas of infrastructure construction in Finland and posted a reasonable result in a challenging market. We can likewise be satisfied with our earnings performance in Denmark. Our operations in Norway and the Baltic countries were at a loss.

Tight competition in technical building services

In the aftermath of the recession, competition was tight in technical building services – we could not as yet benefit from the recovery in building construction, and this kept the margins weak.

Developing our operating model

In 2010, we merged more than 20 of our subsidiaries in our Building Construction and Technical Building Services business sectors. We will continue to streamline our structure in the first half of 2011, after which our operations in Finland will be carried out by three business sectors. All three operate under the Lemminkäinen brand. We also developed our internal support services to provide better and more cost-effective services for our businesses. In addition, we continued to downscale our personnel strength in line with demand. Our personnel count began to rise again towards the end of the year in step with the pickup in construction.

FINANCING AND BALANCE SHEET

Share issue

In spring 2010, we carried out a targeted share issue for institutional investors. At that time, the minority shareholders of some of our subsidiaries converted their shares to Lemminkäinen shares. With the funds raised from the issue, about EUR 40 million, we refinanced part of our syndicated credit that was due to mature in January 2011. The issue increased our number of shares by around 2.6 million, or about 15 per cent. Our share liquidity also improved.

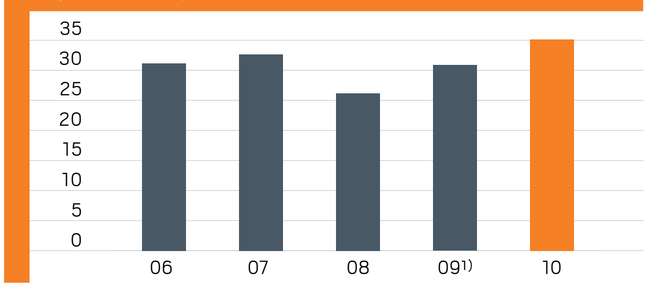
Diversifying the financing structure

During the past two years, our interest-bearing debt has decreased by a quarter and the maturities of our debt portfolio have lengthened. Over half of the interest-bearing debt is non-current. We were able to renew our financing arrangements thanks to the share issue and a EUR 60 million bond floated in autumn 2010. In addition, towards the end of the year we agreed on a total of EUR 160 million in bilateral credit facilities with four banks. They replace a syndicated EUR 150 million credit facility that was due to expire in June 2011.

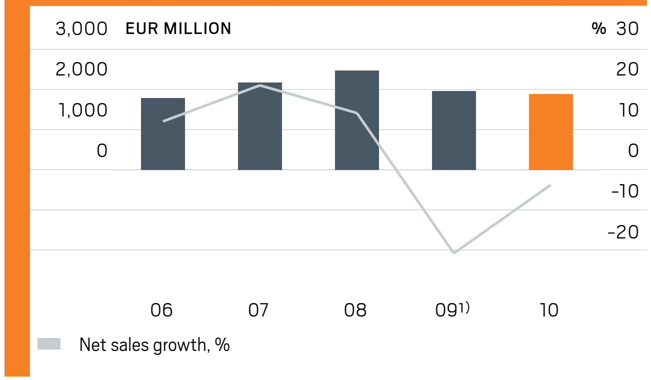
Equity ratio is in line with our targets

At the end of 2010, our equity ratio was 35.2 per cent. This provides a buffer for Lemminkäinen's growth and development. The share issue in early 2010, more effective cash management and new financing arrangements contributed to the increase in the equity ratio. We are continuing to improve the turnover rate of our trade receivables.

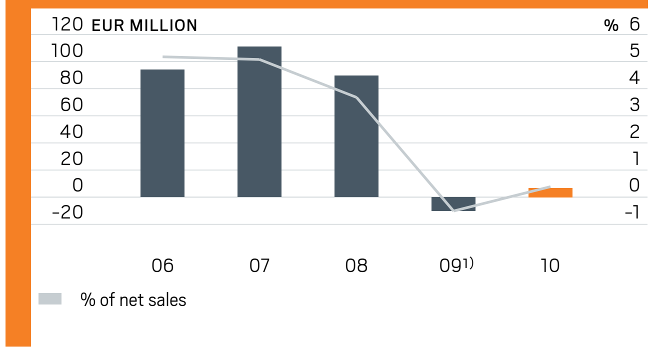
EQUITY RATIO, %



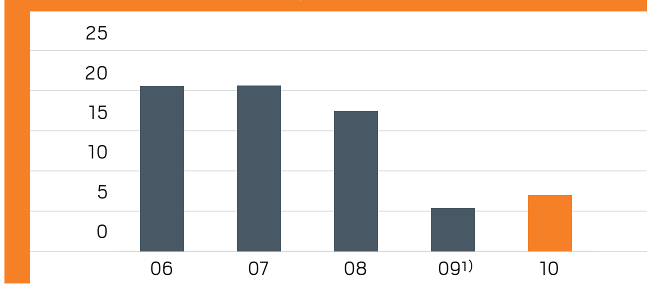
NET SALES



PRE TAX PROFIT, EUR MILLION



RETURN ON INVESTMENT, %



1) As from 1 January 2010, Lemminkäinen observes the interpretation IFRIC 15 – Agreements for the Construction of Real Estate in its reporting. The comparative figures for 2009 have also been calculated in accordance with this interpretation.

Risk Management

Our risk management supports the achievement of our strategic and financial objectives. Successful risk management also helps us to ensure uninterrupted operations. Our operations in 2010 were particularly affected by the impact of the downturn in the construction industry, as well as financing risks and their management.

We define risks as factors that, if they were realised, would hamper our ability to achieve our strategic and financial objectives. Every risk always has a known probability and impact, so by evaluating these attributes, we are able to determine how significant a risk is to our business.

Construction, like all businesses, always involves risks that must be taken in order to improve earning potential. Once we have evaluated the potential financial impact of a risk, we can decide how best to manage it – risks can be eliminated, reduced, accepted or transferred.

Successful risk management ensures that our operations are conducted responsibly and in accordance with our values, while providing the best possible service for our customers.

Identifying and evaluating risks that may prevent us from achieving our targets is an integral part of our day-to-day business and operative management. We also identify risks within the project management process and the Group's operating and management systems. Compliance with these systems is evaluated as required. Lemminkäinen's President and CEO, Executive Board and Board of Directors are kept informed of major risks concerning industries, business sectors or projects, as well as of any changes that have occurred in these risks.

We conduct industry-specific risk analyses that seek to identify key organisational threats and evaluate their significance. These analyses also assess the sufficiency of our existing risk management methods and pinpoint any areas for improvement. Lemminkäinen's Board of Directors receives a report on the main results, as well as management's action plans for enhancing risk management.

LEMMINKÄINEN'S MAJOR RISKS

We have divided our risks into four categories: strategic, operative, financial and hazard risks. To manage the identified risks, we specify measures that will help us predict any internal and external threat factors, while also exploring any hidden opportunities they may contain. We also describe short-term risks in our interim reports and financial statement bulletin.

Strategic risks

Operating environment risks

Changes in population structure as well as in financial, political and technological factors affect demand for Lemminkäinen's services and the company's cost level. When planning our operations, we monitor – and attempt to forecast – changes in our operating environment, thereby minimising any associated risks.

Market risks

Market risks are some of our most significant short-term risks. The current global economic climate has led to uncertainty in our operating environment, which has in turn made it difficult to forecast future changes.

New construction in Finland is very sensitive to economic cycles and is therefore our greatest market risk. We manage this risk both structurally and operationally. Operations dependent on residential construction in Finland account for about half of our entire business. Stable demand for infrastructure construction balances out fluctuating volumes in domestic residential construction, as do maintenance and renovation, which account for about a quarter of our business. Although 2010 saw favourable trends in housing sales, the overall economic situation remained unstable. Therefore, we also take an operational approach to managing this market risk – we only begin construction of new housing once a sufficient number of advance reservations have been made.

The rising price of bitumen also poses a risk for us, as a significant portion of our net sales in infrastructure construction is generated by paving, in which bitumen is used to make asphalt. As the price of bitumen is tied to the global price of oil, we manage the bitumen price risk with oil derivates and contractual terms.

We have also identified other significant strategic risks: technological, regulatory and reputation risks, as well as those associated with mergers and acquisitions.

Operative risks

Project risks

Fluctuations in raw material prices and labour costs have a major impact on construction. Unstable demand has led to sales and price risks in our own development of residential and business premises. Unsold residences tie up capital and may therefore weaken Lemminkäinen's financial position. Own building development also carries a risk of whether we can set the correct price in relation to production costs and market prices. We minimise these risks by only starting new construction once a sufficient number of advance reservations have been made.

When undertaking the own development of business premises, the premises are usually sold to real estate investors in the early stages of construction at the latest, thereby reducing sales risks. Quick change in markets may suddenly increase risks.

Weather conditions also pose a risk in the construction industry. Unusual or harsh weather can weaken the profitability of our operations by interrupting or delaying projects.

Organisational risks

Mergers, acquisitions and expansion into new geographical areas require the management of political, cultural and legal factors. We manage the risks associated with the growth and internationalisation of our organisation by standardising operating methods and reporting systems.

As Lemminkäinen's operations are labour-intensive, the availability of skilled labour is essential for our growth. In the long term, changes in population age structure affect the availability and price of labour. The loss of key personnel also poses a risk, as our profitability largely depends on personnel's professional skills, expertise and commitment to both shared and project-specific goals. We are currently managing personnel-related risks by large input in successful recruitment, training, career plans for key personnel, and a fair and motivational remuneration scheme.

Other operative risks that we have identified include contractual, IT, stoppage and malpractice risks, as well as risks associated with change management.

Financial risks

Lemminkäinen is exposed to financial risks, the major ones being interest rate, credit, funding, liquidity and currency exchange rate risks. By managing financial risks, we seek to reduce the uncertainty that changes in value on the financial market may cause to our result, cash flow and value. The management of financial risks is based on the treasury policy approved by the Board of Directors, which defines the principles and division of responsibilities with regard to financial activities and the management of financial risk.

Interest rate risk

Fluctuations in interest rates have an impact on Lemminkäinen's result, cash flows and value. We seek to minimise our interest rate sensitivity by setting the average period of interest rate fixing term to the same level as the predicted interest rate sensitivity of operations. We can take out both variable- and fixed-rate long-term loans. The ratio of fixed- to variable-rate loans can be changed by means of interest rate derivatives in order to minimise the interest rate risk.

> Identifying and evaluating risks related to our targets is an integral part of our day-to-day business and operative management.

LEMMINKÄINEN'S RISK MAP

Strategic risks

- Operating environment risks
- Market risks
- Technology risks
- Regulatory risks
- Merger & acquisition risks
- Reputation risks

Operative risks

- Project risks
- Contractual risks
- Organisational risks
- Change management risks
- IT risks
- Communications risks
- Stoppage risks
- Malpractice risks

Financial risks

- Liquidity risks
- Interest rate risks
- Currency exchange rate risks
- Tax risks
- Credit risks
- Financial reporting risks
- Capital structure risks

Hazard risks

- Occupational safety risks
- Occupational health risks
- Personnel risks
- Environmental risks
- Security risks
- Natural disaster risks

Exchange rate risk

Exchange rate risks mainly arise in the form of translation and transaction risks. Translation risks occur through differences in currency exchange rates when the income statements and balance sheets of our foreign companies are translated into the Group's home currency. In accordance with the treasury policy approved by Lemminkäinen's Board of Directors, we primarily protect ourselves from translation risks by ensuring that all equity funds in foreign companies are kept sufficiently small.

Transaction risks arise in foreign currency cash flow from operating and financing activities. We mainly take an operational approach to exchange rate risks. The remaining transaction risk is hedged by using instruments such as foreign currency derivatives or foreign currency loans.

Funding and liquidity risks

In order to guarantee uninterrupted operations, we must ensure access to sufficient funding under all circumstances. We must cover the liquidity required for our day-to-day operations and risk premium, and strategic projects. We seek to optimise the use of our liquid assets in funding business operations and to minimise interest and other financial costs.

The Group Treasury is responsible for overall liquidity management and ensuring that we have adequate credit lines and a sufficient number of financing sources. The Group Treasury also ensures that our loans mature evenly over several years. Our liquidity risk management is based on monthly forecasts and daily cash flow planning.

Credit risk

Lemminkäinen is exposed to credit risks through all of the Group's receivables – both trade receivables and financial receivables (cash, deposits, derivatives and equivalents). We manage our credit risk by retaining possession of buildings, such as residences and office premises, until we have received payment for their construction.

Capital structure risks

Capital structure, capital invested in operations, and interest-bearing liabilities pose a risk to profitability. The Group's interest-bearing liabilities increase with, for example, operational expansion, acquisitions, and investments in production equipment, buildings and plots.

We employ effective capital management to ensure that our company remains competitive whatever the economic climate. We also continually monitor our liabilities, the ratio of net debt to EBITDA and equity ratio. This enables us to maintain a sufficient risk taking-capacity and good loan servicing ability, while also paying favourable dividends.

Hazard risks

Environmental risks

The major emissions of our business are generated by our production plants, construction and transport. Other environmental risks related to our operations include soil and groundwater pollution. For more detailed information on environmental issues, see the Material and energy efficiency section of the Annual report (page 46).

Other significant accident risks include those associated with security and occupational health, safety and well-being. You can read more about these issues in the section Occupational health, safety and well-being (page 60).

Legal proceedings

Writs of summons filed at district court level by the Finnish state and a number of municipalities pose a risk.

In 2009, the Supreme Administrative Court (SAC) ordered Finnish asphalt industry companies to pay an infringement fine for violations of the Act on Competition Restrictions.

In February, 34 claims for damages brought by municipalities and the Finnish state (Finnish Transport Agency) are pending against Lemminkäinen and other asphalt industry companies in the District Court. The claimants contend that restrictions of competition have caused them damages. The total amount of damages sought from Lemminkäinen was in February about EUR 81 million. The claims presented in the statements of claim differ from each other as regards their amounts and grounds.

The ruling rendered by the SAC in 2009 as it stands does not mean that Lemminkäinen or the other asphalt industry companies actually caused any damages to the asphalt work clients. The ruling does not concern the individual contracts that the claimants cited in support of their claims. Nor does the ruling concern the pricing of individual contracts. The SAC has not investigated the contention that inflated prices have been charged for the contracts.

Lemminkäinen's initial position is that the claims for damages are without foundation.

The claims will be processed in the order and schedule set by the District Court.

No provisions for future expenses have been made in respect of the claims of the municipalities and the Finnish Transport Agency that are pending in the District Court.

Lemminkäinen will provide information on the proceedings in its interim reports or in separate releases, as necessary.

Lemminkäinen as a constructor

Our diverse construction expertise serves many clients, including consumers, property investors, the public sector, industrial companies and property user-owners. Our customers value our extensive offering, expertise, reliability and flexibility. Environmental factors, such as material and energy efficiency, are becoming an increasingly significant factor in our customers' decision-making processes.

As of 1 January 2011, we operate in three business sectors: Building Construction, Infrastructure Construction and Technical Building Services.

Business sector overview
Building Construction

Lemminkäinen is one of Finland's largest and most versatile building constructors. We are seeking new growth from renovation and the Russian residential market in particular.

Building Construction offers residential and commercial construction, industrial and logistics construction, sport and leisure facility construction, property development, project management services and management contracting, and life cycle projects. Renovation already accounts for 18 per cent of our net sales.

Our key customer groups are homebuyers, residential and other real estate investors, leaseholders and owner occupants of commercial premises.

In 2010, Building Construction also included telecommunications network construction, which was transferred to Technical Building Services as of 1 January 2011. Telecommunications network construction accounted for 5 per cent of our net sales.

76 per cent of our net sales were generated in Finland, where we have a comprehensive network of 17 regional offices. 7 per cent came from Russia – from residential construction in the St Petersburg area in particular – and 11 per cent from Sweden, where we are known locally for our residential construction and renovation works. The remaining 6 per cent came from project contracting elsewhere across the world.

CHANGING NEEDS

Our operating environment is changing. Apartment blocks are in greater demand and people are moving to growth centres. The aging population, an increase in single-person households and immigration require an even greater range of flexibility in housing. New energy efficiency standards are generating demand for renovation.

The structure of business and commerce is also changing and its increasing focus on service provision is reducing demand for traditional industrial construction. As service structures and commercial premises centre on downtown urban areas, obtaining plots becomes more difficult, plot prices rise and the need for renovation increases. Life cycle solutions and other major end-to-end packages are becoming ever more appealing to the public sector.

A CLEAR RECOVERY IN RESIDENTIAL CONSTRUCTION

In 2010, Lemminkäinen started the construction of 2,252 residential units compared to 1,444 in 2009. About 50 per cent of these constructions were real estate development by Lemminkäinen itself whilst and the other half were under contract. In the previous year, more than two thirds of start-ups were rental housing contracts. Apartment blocks accounted for nearly 100 per cent of our new real estate development. It was a good year for the housing market with a total of almost 1,000 of our own residential units sold. Residential construction has a significant impact on the earnings performance of the entire business sector. In 2010, most new constructions were completed towards the end of the year, which was partly due to the low number of residential start-ups in 2009. The number of start-ups in commercial property construction remained low during 2010, whereas demand for logistics construction was satisfactory. Demand for renovations increased compared to 2009.

In line with our strategy, we are investing in renovation. Our strengths come from our extensive service offering, project management expertise and a strong nationwide network of regional offices. In 2010, we developed cooperation models for carrying out renovation work with Lemminkäinen's other business sectors. This year we will continue to develop and execute efficient operating models, enhance our expertise and increase the use of building information modelling (BIM).

The profitability of the business sector was satisfactory. A rise in labour costs and overall expenses, combined with lower than expected user demand for commercial premises, weakened our profitability. We were also forced to renew some contracts for business premises that had been signed before the recession – with lower profit margins – after investors pulled out. And the income for certain construction projects will not be entered until 2011. In 2010, only income from projects begun before the recession was recognised.

Our order book totalled almost EUR 700 million, which is about EUR 100 million more than in 2009.

FOREMAN

Toni Paananen

BULEVARDI 6, HELSINKI
SUSTAINABLE RENOVATION

I'm a third-generation builder, but I've only been with Lemminkäinen since August. In my role as a foreman, I'm a contact person for both users and the property owner.

You have to keep sustainable renovation in mind from the outset, even at the planning stage. Protecting old structures completely differs from other types of renovation. And the Bulevardi 6 site poses extra challenges, as it's at the heart of a bustling city. The neighbouring buildings are operating normally, and we have to plan our material deliveries so as not to block traffic. But adapting to surprise situations is the spice of working life – creative thinking is as important as a professional skill.

Opening up intermediate floors poses the greatest challenge with regard to occupational safety. Chiselling can bring down the facing, and it's very noisy. Dust is also a major safety risk on renovation sites. Goggles, respirators and hearing protectors are the safety equipment we can't do without.

There are about 20–30 of us on site, from different companies and different countries. Our keyword is flexibility – that's the only way to ensure smooth cooperation between designers, users, developers and builders.

Bulevardi 6 is Lemminkäinen's flagship for sustainable renovation. The project seeks to, for example, save energy and minimise waste and transportation.

At the end of 2010, we had 830,000 m^2 of floor area in unused permitted building volume.

A STRONGER POSITION IN ST PETERSBURG

Residential construction in Russia is one of our strategic growth areas. Our goal is to sell almost as many new apartments a year in St Petersburg as we do in Finland.

St Petersburg is a large market in close proximity to Finland. Its citizens are prospering, private loans are easier to come by, and the State is seeking to increase per capita living space – all of which will generate demand for new residences for a number of years to come.

The apartments that Lemminkäinen builds in St Petersburg are of higher quality than local mass production, that is, a good location, more spacious rooms and a higher standard of fixtures and fittings. We market our residential property in St Petersburg under the Lemminkäinen brand with the promise of Finnish quality.

At the end of the year, we had a 150-unit location under construction in the north of St Petersburg; this is scheduled for completion in autumn 2011. This year, we will be starting a new 540-unit location on Vasily Island in downtown St Petersburg. Some of these top-quality apartments will be fully finished to European standards, while some will be left with bare surfaces for finishing by the new owners. And our design solutions pay particular attention to energy efficiency. These Vasily Island residences are scheduled for completion in 2013. As we announced in February 2011, we will also be building another 2,000 plus units at another location on Vasily Island over the next six years.

2010 was a brisk year for the St Petersburg housing market. By the end of the year, we'd already sold 276 of the almost 500 units that were completed in the autumn. In Russia, advance marketing cannot begin until construction has begun, so many units are only sold after completion.

The Kaluga industrial park project has also progressed. A turnkey extrusion film production plant for our first customer, Ab Rani Plast Oy, is scheduled for completion at the end of this year. Marketing for the industrial park is targeted at Central European industrial companies.

We launched preparations for the Kaluga industrial park project in late 2007. The park's approximately 135 hectares have room for a couple of dozen production facilities and logistics centres. The park is located in Vorotynsk, just outside the industrial city of Kaluga, and about 170 kilometres southwest of Moscow. The Kaluga area is home to a substantial automotive and electronics industry.

STREAMLINING OUR OPERATIONS

We simplified Building Construction's corporate structure in 2010. Mergers in early 2010 reduced the number of local subsidiaries to six, and in the first quarter of 2011 all subsidiaries will be merged into the sector's parent company, Lemminkäinen Talo Oy.

> Residential construction in Russia is one of our strategic growth areas. Our goal is to sell almost as many new apartments a year in St Petersburg as in Finland.

We have continued to streamline our operating model with a greater focus on process management. These changes improve our level of control and make it easier for us to channel our resources. They also enhance our cost-effectiveness and promote the transfer of best practices within the sector.

A BOOST FROM BIM

We have decided to boost the efficiency of building construction with the aid of building information modelling (BIM). By the end of 2011, we intend to use BIM in all of our construction projects with subcontracted design services. BIM boosts planning efficiency: all production material data can be saved in the same database, all parties have access to the same up-to-date project data and it's easier to integrate various subsections. BIM also increases cost-effectiveness.

We are broadening our BIM expertise by taking part in RYM Oy's first research programme. RYM Oy is a Finnish strategic centre for expertise in the built environment. Its PRE (Built Environment Process Re-engineering) programme will run from 2010–2013 and seeks to create new ways of working and innovative business models for construction and design.

The results of the programme will benefit us in, for example, the Kuopio schools life cycle project. We will be responsible for the construction and basic renovation of four schools and one day care centre, as well as building maintenance and upkeep for a period of 25 years. As we are responsible for the buildings' entire life cycles, knowledge about the construction methods and solutions used, as well as any warranties, will assist with maintenance and upkeep later on. You can read more about the Kuopio life cycle project on page 14.

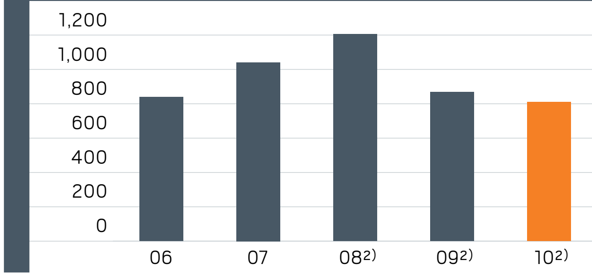
NEW GROWTH FROM RENOVATION

Our main goals for 2011 are to improve profitability, enhance customer relations and boost operational efficiency. We will be improving profitability by boosting the efficiency of procurements and project management and channelling our resources more effectively.

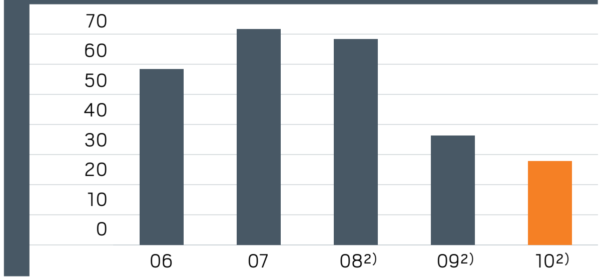
We will be increasing the efficiency of design coordination and plot acquisition in our own residential estate development, and will also be improving our capital turnover. We will also be looking to engage in closer cooperation with customers at the design stage, so that both residences and the residential environment will better meet users' requirements.

When carrying out renovations, we will be focusing on developing end-to-end solutions with our customers. We offer special know-how in energy efficient solutions, supplementary facility construction and life cycle models. We are also increasing our expertise in elevator installation in old buildings. In February we announced that Lemminkäinen had received a European patent for an innovation in apartment building elevation. In the patented solution, an apartment block can be elevated without removing the roof, which means that the residents can remain at home throughout the renovation period.

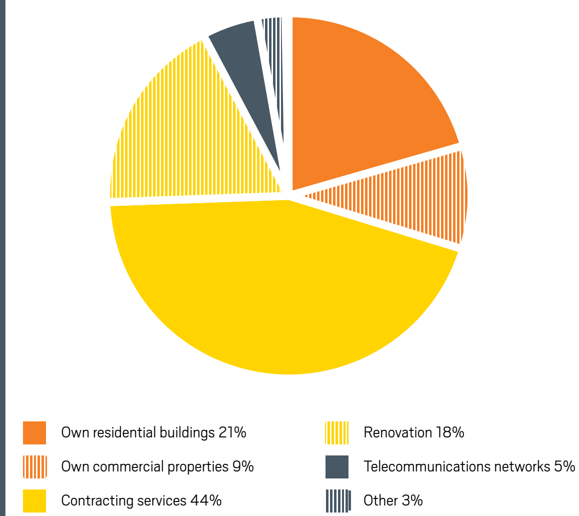
NET SALES,[1] EUR MILLION



OPERATING PROFIT,[1] EUR MILLION



NET SALES



1) As from 1 January 2010, Lemminkäinen observes the interpretation IFRIC 15 – Agreements for the Construction of Real Estate in its reporting. The comparative figures for 2009 have also been calculated in accordance with this interpretation.

2) The figures are based on internal segment reporting to management.

Business sector overview

Infrastructure Construction

Lemminkäinen is one of the Baltic Sea region's major infrastructure construction companies. We are the leading manufacturer and vendor of asphalt and mineral aggregates in Finland. Our services include the construction and maintenance of road, street and railway networks, as well as rock and foundation engineering.

Infrastructure Construction's business areas in 2010 were paving, mineral aggregates and civil engineering. We hold a solid position: we are the market leader in road paving, rock crushing and rock engineering in Finland. Our share of the Nordic paving market is approximately 20 per cent.

Our customers are road and rail administrations, cities and municipalities, construction firms and property owners. We have 30 regional offices in Finland. We also operate in Sweden, Norway, Denmark, Russia, Estonia, Latvia and Lithuania. Our operations outside Finland account for just under half of our net sales.

Our central laboratory tests and develops a range of paving materials. For example, we have developed a noise-reducing pavement for urban areas and a dense asphalt that protects the ground from chemicals and other hazardous substances.

In 2010, Infrastructure Construction employed an average of approximately 3,200 professionals.

EXPERTISE BUILDS A FIRM FOUNDATION

We specialise in infrastructure construction and are able to manage major projects. We also have a profound understanding of local conditions and our customers' needs.

We are working as a main contractor, a subcontractor or part of a joint venture in accordance with our customers' requirements. We guarantee competitive pricing for our paving operations by continually improving the efficiency of our processes.

Outside Finland, we are best known as experts in road construction as well as rock and foundation engineering.

We develop new businesses on the basis of our solid core compentencies. For example, our rapidly growing mine excavation business is based on our experience in rock engineering. In 2008, we strengthened our expertise in underground mining through the acquisition of Tolarock Oy. Strategic investments have generated results. We have been involved in the construction of the Kiruna mine in Sweden and numerous mines in Finland – in Kevitsa, Elijärvi, Hitura, Talvivaara, Pahtavaara and Pampalo, and at the Suurkuusikko deposit in Kittilä.

A SATISFACTORY YEAR IN FINLAND

The market situation during 2010 posed challenges for the Infrastructure Construction business sector in Finland. The government reduced its allocations for basic road maintenance and uncertainty continued to cloud the financial positions of many municipalities. Compared to 2009, fewer investments were made and road maintenance volumes contracted. Less paving work was ordered, too, which further intensified competition. We were, however, able to retain our position in a decreasing market, and we sought new growth with the launch of winter road maintenance and servicing operations in Finland.

Major tunnel projects and mine construction maintained demand for rock engineering. Work progressed on the eastern mouth of the Ring Rail Line tunnel section in Vantaa, and in Helsinki we continued with the Western Metro tunnel section between the Ruoholahti metro station and the Salmisaari shoreline. Major rock engineering projects included underground parking facilities for Finlandia Hall in Helsinki and on Hämeenkatu in Tampere. We also received a substantial order for earthworks and concrete structures at the Kevitsa nickel and copper concentrate mine in Sodankylä.

A recovery in building construction maintained a good level of demand for foundation engineering and also increased sales of mineral aggregates towards the end of the year.

In light of the market situation, we achieved a good result in Finland and our order book at the end of the year was better than in 2009.

WINTER DELAYED PAVING WORK ABROAD

The long winter shortened the paving season at our foreign subsidiaries by 2.5–4 months. Winter delayed the start of the 2010 season and also brought it to a premature end later in the year. The long winter, intense competition and non-recurring expenses led to our first ever loss in Norway. Our paving operations in Denmark achieved a good result.

The economy has recovered very slowly in the Baltic countries. Demand for infrastructure construction is low and competition is fierce. As our operations in the Baltic countries incurred a loss, we have wound down our Latvian company and have otherwise streamlined our cost structure.

Our projects in Sweden mainly revolve around tunnelling, foundation engineering and excavation. We firmly established ourselves in the rock engineering market by breaking into a significant new field: underground mining. We won contracts worth a total of EUR 55 million for excavation and construction of mining and maintenance tunnels at the LKAB iron ore mine in Kiruna, Sweden.

STRATEGIC ACQUISITIONS IN NORWAY

Nordic infrastructure construction is one of Lemminkäinen's strategic growth areas. We are seeking profitable growth both organically and through acquisitions. In Norway, we acquired majority holdings in Asfalt Remix AS, a company specialising in the cold milling of asphalt, and Risa Rock AS, a tunnel blasting expert. In December, we signed an agreement to acquire the infrastructure company Mesta Industri AS. The acquisition is still awaiting approval from the Competition Authority, which is expected to make its decision during the first quarter. After these acquisitions, we will become the second largest paving contractor in Norway.

These acquisitions also supplemented our current operations and benefited our Norwegian units by generating synergies and economies of scale.

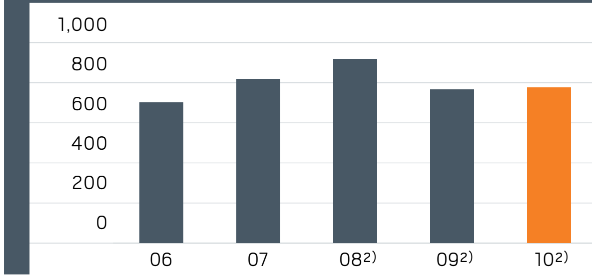
ORGANISATIONAL RESTRUCTURING

On 1 January 2011, the concrete business and sports and urban environment construction, which had previously been part of the Building Products division, were transferred to Infrastructure Construction.

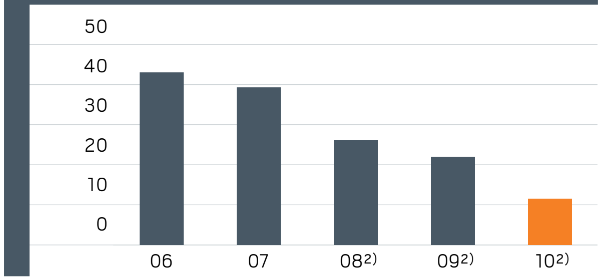
In January 2011, Infrastructure Construction's regional operating model was reorganized. From now on, our customers will receive all products and services related to Infrastructure Construction from a single access point. We also readjusted our focal areas. Our business areas are paving, mineral aggregates, earthworks and traffic route construction, maintenance and servicing, rock engineering, foundation and civil engineering, and concrete products.

The restructuring seeks to ensure an even more customer-oriented approach and to improve Group-wide cooperation on

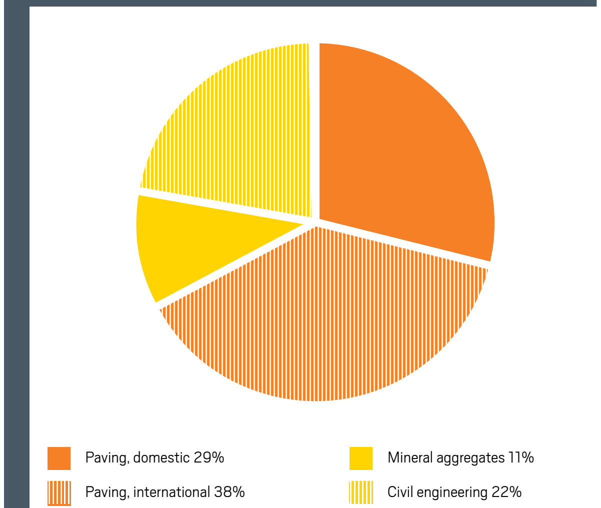
NET SALES,[1] EUR MILLION



OPERATING PROFIT,[1] EUR MILLION



NET SALES



1) Forssan Betoni Oy, which formerly belonged to Lemminkäinen Infrastructure Construction, became part of the Building Products business sector as from the beginning of 2010. The comparative figures for 2009 are also in line with the new organisation.

2) The figures are based on internal segment reporting to management.

SITE MANAGER

Pentti Nieminen

P-HÄMPPI, PARKING FACILITY, TAMPERE
ROCK ENGINEERING

My career at Lemminkäinen began in 1988. I've worked at several blasting and quarrying sites since then, also in Sweden. I arrived at the P-Hämppi site in 2009. Here I'm responsible for making sure that the project stays on schedule and on budget. I'm also in charge of site resources, occupational safety, and work plan management.

Building a car park beneath the city centre is a challenging, large-scale project that demands a lot from both planners and implementers. We have to make sure that our work causes as little disturbance as possible to those around us. And we also need to keep local residents fully informed about what's happening on site.

Our strength is seamless cooperation, not only with subcontractors and clients, but also among ourselves. We operate responsibly, which means honoring agreed principles and following plans. About 60–70 people work on this site, and its vital that everyone pays particular attention to safety.

All of the segments in Lemminkäinen's Infrastructure Construction sector are represented here, but thanks to our single access point policy, it's still really easy for our customer to work with us.

Blasting work at a depth of 30 metres is usually done at night. Blast stone is also removed at night, so as to cause as little disruption to traffic as possible. The blast stone is recycled at various construction sites around the city.

customer relations management and the winning of new customers. The new structure also enables us to better evaluate the cost-effectiveness and development needs of our various businesses.

MAJOR PROJECTS STARTING UP

Infrastructure is by nature a steady business with a low sensitivity to economic fluctuations. We are seeking profitable growth by, for example, strengthening our operations in the Nordic countries. Our goal is for operations outside Finland to generate about half of our net sales by the end of the strategic period. We are also developing our non-seasonal maintenance and servicing in both Finland and our other business countries.

Acquisitions in Norway supplemented our current operations. After these acquisitions, we will be the second largest paving contractor in Norway.

Efforts to enhance the cost-effectiveness of our operations will also continue. As competition intensifies, efficient processes and well-honed service packages will grant us a competitive edge, especially in public sector tenders.

Building construction began to recover in 2010 and we expect this to lead to an increase in infrastructure construction, too. Scandinavian governments are making increased investments in new road and rail projects, and EU funding for infrastructure construction in the Baltic countries will continue. The economic outlook for the industry is quite favourable and will provide us with a good springboard for 2011.

Business sector overview

Technical Building Services

Lemminkäinen is one of the three largest providers of installation and maintenance services for technical building systems in Finland. We offer end-to-end services that cover a property's entire life cycle.

Our service offering includes the installation of technical building systems in new and existing properties, expert services, maintenance, upkeep and renovation, and control room and emergency call out services. We also offer additional services to our industrial clients, such as production line electrification.

Our most important customers include the State, cities and municipalities, construction firms, property developers, owners and users, property maintenance companies, housing cooperatives, and industry, trade and services. At their disposal are approximately 2,000 industry professionals with a range of expertise in different fields, working at 38 locations around Finland and for our Russian subsidiary Tekmen SPb in St Petersburg.

DEMAND FOR END-TO-END SERVICES IN A FRAGMENTED MARKET

Lemminkäinen holds a 5–6 per cent share of the total market for technical building services. It's a fragmented market – the six largest companies have a combined share of only about 20 per cent. Many small entrepreneurs operate in the industry.

The industry's operating environment is, however, in a state of flux: technology is advancing rapidly and building and information technology are becoming increasingly more integrated. Demand for highly advanced solutions and end-to-end services is forecast to rise over the coming years, as more and more customers outsource property maintenance. The market is shifting away from the implementation of project-specific solutions towards end-to-end maintenance agreements. Environmental and energy efficiency requirements are becoming stricter, and ecological responsibility now carries greater weight. New construction will account for an increasing proportion of technical building services. Life cycle models, in which technical building services are a vital component, are becoming ever more widespread in the public sector.

These changes in our operating environment will pave the way for new opportunities for profitable growth. We see the most significant growth potential in the implementation of end-to-services and life cycle projects, technical building services as part of

ELECTRICIAN

Mika Rajaniemi

AIRPORT PROPERTIES, VANTAA
TECHNICAL FACILITY SERVICES

I've been working at Lemminkäinen since 1999, and at the airport since June 2010. Airport property maintenance involves a broad range of tasks: scheduled maintenance, monthly inspections and repairs, electrical repairs, fire alarm systems, temperature regulation, and refrigeration. I love the fast tempo of my job. Time never drags on and I face fresh challenges every day.

Airports are very international environments and security is vital. Background checks are carried out on all employees and the security regulations, especially on the apron, are challenging. So having the same company take care of both technical building services and the upkeep of outdoor areas makes it easier for the customer.

As well as professional skills, I also need to have good people skills and the ability to react quickly and prioritise. Responsibility in my job means sticking to schedules and maintaining high quality standards. When it comes to occupational safety, I have to pay attention to the dangers of working in high places, as well as the noise that's characteristic to all airports.

I used to maintain a single office and warehouse property, so my current job offers a lot more variety: my area contains about 20 properties, all with different technology.

Lemminkäinen maintains about 20 different properties at the Helsinki-Vantaa Airport, from office buildings to aircraft hangars and a fire department.

renovations, building and property services, and the maintenance and upkeep of building technology.

A POST-CYCLICAL INDUSTRY

The construction industry went into recession in 2008, leading to a low number of start-ups in building construction – and this impact was still being felt in demand for technical building services during 2010. Technical building services are one of the last stages of construction, which means demand follows fluctuations in building construction with a delay of about a year.

Due to a challenging market situation, our net sales for 2010 fell in comparison to 2009. Over half of our net sales come from maintenance and upkeep services and renovation. Industrial demand for technical building services remained low. In spite of increased competition in the industry, we retained our market share in Finland.

Heightened competition did, however, weaken our profitability. The rise in raw material prices has also affected our margins. For example, the price of copper – the primary raw material for cables – rose by about 40 per cent in 2010. We were unable to completely transfer this increase to customer prices.

Non-recurring items from restructuring and downscaling measures have also weakened our profitability. The prices of our key raw materials are forecast to rise further in 2011. We are looking to improve the efficiency of our procurements by, for example, centralising purchases to harness our Group's volume benefits.

TEKMANNI IS NOW LEMMINKÄINEN

During 2010, we simplified our corporate structure in the Technical Building Services sector by merging our subsidiaries into the parent company. Tekmanni Oy is now Lemminkäinen Talotekniikka Oy and Tekmanni Service Oy is now Lemminkäinen Kiinteistötekniikka Oy. The upcoming merger of Technical Facility Services into Lemminkäinen Talotekniikka Oy in 2011 will further simplify our corporate structure and boost the efficiency of joint operations.

ENERGY EFFICIENCY AND NEW SERVICES

In 2010, we enhanced our expertise and operations in growth areas. As our expertise in technical building services covers a building's entire life cycle, we seek to continue our contracts with long-term maintenance and upkeep agreements. We are cooperating even more closely with Lemminkäinen's other business sectors, especially on end-to-end projects and renovations.

We are developing services to improve energy efficiency. We offer end-to-end ELE (energy–life cycle–environment) solutions, which determine a property's energy consumption and pinpoint potential savings using existing equipment. In addition to our analyses, customers can also make comprehensive agreements for maintenance services and basic improvements. In 2010, for example, we applied our ELE model to Teboil service stations all across Finland. Investments in technical building services soon pay for themselves through reduced energy costs.

We implemented technical building systems at two of Finland's first zero energy buildings – a nursing home in Järvenpää, Southern Finland, and student housing in Kuopio, Central Finland. Both locations are scheduled for completion in the first half of 2011. The buildings are almost self-sufficient in terms of energy usage. Energy to run heating and electrical systems is generated using solar thermal collectors and geothermal heat. The so-called 'free heat' produced by inhabitants, machines and equipment is also harnessed. Our contract included the installation and connection of the solar thermal collectors, as well as harnessing the electricity collected to run the property.

The number of plumbing renovations carried out in apartment buildings built in the 1960s and 1970s in particular is forecast to double in the coming years. In order to improve our competitiveness as a pipe renovator, we've introduced a new type of surfacing process that's suitable for renewing metallic water and heating pipes, and also sewers. The new process means fast renovations and brief water cuts.

We also strengthened our expertise in refrigeration. Climate change is forecast to increase the need for refrigeration, even as energy efficiency requirements are stepped up.

DEMAND IS POISED TO PICK UP IN BOTH FINLAND AND RUSSIA

We expect demand for technical building services in Finland to increase gradually with the recovery of residential construction. Demand for maintenance, upkeep and renovation remains good and is forecast to rise further. There is increasing demand for plumbing renovations in residential buildings, and end-to-end life cycle maintenance agreements for properties are also on the rise. All in all, technical building services are expected to account for an increasing proportion of the costs incurred by both new construction and renovation.

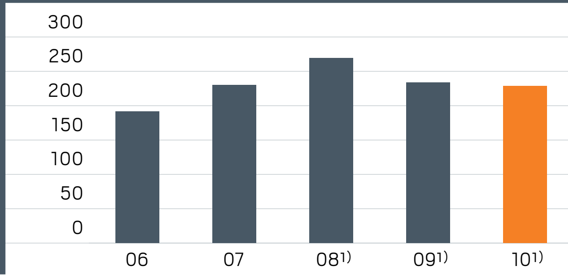
We also expect growing demand for our services in Russia, where we have been investing in our maintenance operations in recent years. In November 2010, we won an extensive maintenance agreement in St Petersburg. From the beginning of 2011, we will be responsible for the maintenance of technical building systems in the new Nevsky Centre shopping centre, which is owned by Stockmann, a Finnish retail company. Foreign companies will continue to be an important customer segment for us in Russia. Then again, a general increase in construction volumes and higher quality standards are also forecast to raise demand for maintenance services, both for properties and building technology.

STRENGTHENING OUR COMPETITIVE POSITION

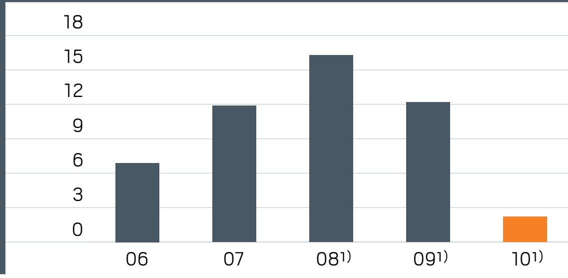
We want to be the most sought-after supplier of technical building services in Finland, while also significantly growing our international operations. In order to achieve our goals, we must strengthen our local expertise in Finland – we want selected special know-how to be readily available throughout the country. We are expanding our product and service offering, and our life cycle expertise in particular.

Extensive expertise, a broad offering and a healthy cost-level – combined with continual improvements to efficiency – will not only increase our competitiveness, but also benefit our customers.

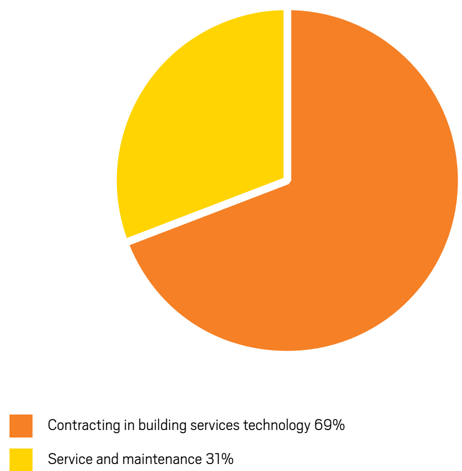
NET SALES,[1] EUR MILLION



OPERATING PROFIT,[1] EUR MILLION



NET SALES



1) The figures are based on internal segment reporting to management.

Business sector overview

Building Products

In 2010 our offering included manufacturing, selling, importing and contracting services to concrete and urban environment products, and products for sports construction. We divested our roofing operations on December 2010. In the beginning of 2011 remaining business areas were transferred to Infrastructure Construction.

The Building Products sector consisted of the roofing, concrete, and sports construction businesses. It also contained the logistics unit, comprising the central warehouse and transportation operations.

Our key customer groups include construction firms, contractors, municipalities, cities, property and housing cooperatives, retailers, consumers and planners.

The market for building products is highly fragmented. There are many products supplied by a vast array of manufacturers from small family businesses to multinational corporations. Lemminkäinen's market share in building products and associated services varies from 5 to 40 per cent.

Last year, we supplied our customers with concrete and natural-stone urban environment products, pre-cast concrete elements, ready-mixed concrete, bituminous roofing materials and waterproofing products. We also imported, distributed and offered contracting services for specialised roofing, urban environment and sports construction products. We used these products to build yards, roofs, urban environments and sports grounds for our customers. We also offered installation, repair, maintenance and advisory services throughout Finland.

Although Finland is our main market area, we also have retail organisations in the Baltic countries, Poland and Scandinavia, as well as associates in Russia and Sweden. We also supplied and installed roofing materials, products for sports construction and concrete products to the rest of Europe.

In Finland in 2010, we had 24 production facilities for building products and ready-mixed concrete, and 15 sales and contracting offices.

A CHANGING OPERATING ENVIRONMENT

Customers' increasing environmental and energy awareness, combined with current legislative trends in construction, require

PRECAST CONCRETE WORKER

Pekka Räsänen

KAMPPI SHOPPING CENTER, HELSINKI
BUILDING PRODUCTS

I've been with Lemminkäinen for over 40 years. I joined the concrete products unit after my discharge from the army in summer 1970. During my career, I've alternated between a variety of sites around Finland and have also worked abroad. I've been on the Group's co-determination committee for several years as both an area shop steward and industrial safety delegate.

At the moment, I'm doing some floor grinding for the Kamppi Shopping Center renovations. Although I'm a staircase installation technician by trade, I've done a range of other things in my time, too. You can see my handiwork at, for example, the Finnish National Theatre, the Finnish National Opera, Hotel Kämp and Helsinki City Hall. One of my most unusual jobs was an urn wall for the parish of Kauniainen. We are able to tailor all of our services to our customers' needs, from minor floor renovations to major long-term projects.

Freedom and variety are some of the best aspects of my job. I'm able to work independently and meet a range of different people. Strenuous working positions are a downside. Lemminkäinen is, however, paying increasing attention to ergonomics and occupational safety. For me, our vision – 'the best way to build' – is most evident when all of our working processes are in order and each stage is running smoothly.

Lemminkäinen is able to tailor all of our services to our customers' needs, from minor renovations to major long-term projects.

manufacturers to rapidly invest in technology and building products that support sustainable development.

Population ageing is evident in the growing demand for services and end-to-end solutions. Previously, customers would usually buy only flagstones and roofing materials, but these days, more and more renovations are contracted out. In order to meet this demand, we've expanded our offering – and also provide contracting throughout Finland.

Globalisation is altering market structure and bringing international players and materials into our domestic market.

REASONABLE OUTLOOK FOR THE INDUSTRY

Demand for building products is tied to fluctuations in building construction. It's an extensive market, which offers us growth opportunities.

The outlook for the building products industry is reasonable when you take the overall market situation into consideration.

Demand for new residential apartment blocks is expected to remain brisk in 2011, and the construction of small houses is also forecast to rise. Continued brisk demand for renovation will also increase demand for concrete and urban environment product contracts.

Levels for all areas except residential construction are forecast to remain low, which will in turn weaken demand for building products to some extent. Municipalities that lost tax revenue during the recession are reducing their investments in, for example, sports and urban environment construction.

HEIGHTENED COMPETITION LOWERS PROFITABILITY

Our season for contracting and product sales got off to a late start in 2010 due to the long winter. A recovery in residential construction fuelled demand for pre-cast concrete elements, and demand for urban environment products was also good. The industry is moving away from new construction and towards renovation, which was evident in the increased number of yard and roofing renovations carried out by housing cooperatives.

The recession intensified competition in roofing and urban environment contracting. Although we retained our market share, our margins fell on 2009. Profitability was also weakened by the rising price of our basic raw materials, such as bitumen, cement, mineral aggregates and steel. Record-breaking snowfall also caused us extra snow clearing work, which also reduced the profitability of contracts.

The State reduced the subsidies it grants to housing cooperatives for repairs, which affected demand for building products and services in 2010. The global market situation also had an unfavourable impact on total demand and further heightened competition in the industry.

ORGANISATIONAL RESTRUCTURING

Lemminkäinen Katto Oy, Lemminkäinen Betonituote Oy and its subsidiaries (Elemento Oy, Suonenjoen Betonituote Oy and Forssan Betoni Oy), and Omni-Sica Oy were merged as Lemminkäinen Rakennustuotteet Oy in spring 2010.

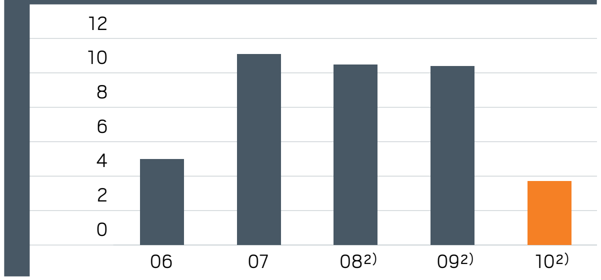
In November 2010, we acquired Suonenjoen Sementtituote Oy's business to boost our production capacity for concrete elements.

2010 was Building Products' last year of operation. On 1 January 2011, concrete, urban environment and sports construction products along with the central warehouse were transferred to Infrastructure Construction. In December 2010, Lemminkäinen divested its roofing business to Axcel, a Danish private equity fund. This transaction was completed on 31 January 2011.

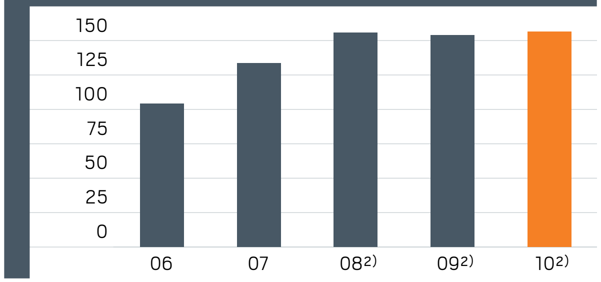
CONTRACTING AND EXPERT SERVICES IN THE SPOTLIGHT

We see the most significant growth potential for building products in the production and sale of materials. Sports and urban environment construction and their associated expert services also offer appealing opportunities. In order to harness this potential, we are developing our maintenance operations and energy-efficient solutions, expanding our range of urban environment construction services, developing turnkey solutions, and offering our customers a broader range of end-to-end solutions.

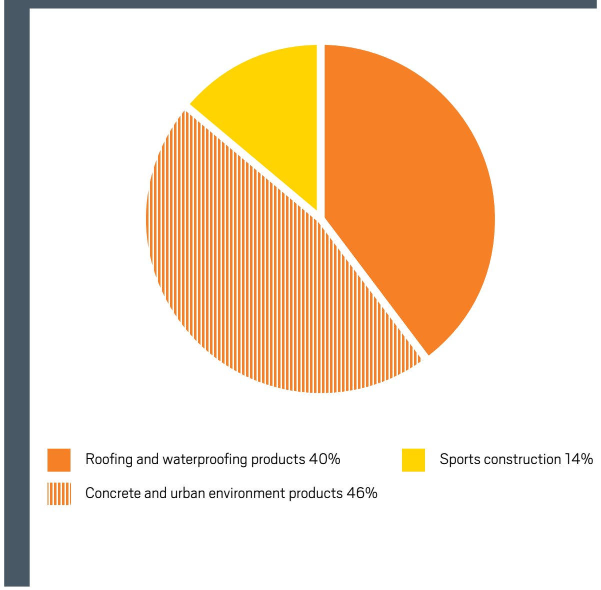
OPERATING PROFIT,[1] EUR MILLION



NET SALES,[1] EUR MILLION



NET SALES



1) Forssan Betoni Oy, which formerly belonged to Lemminkäinen Infrastructure Construction, became part of the Building Products business sector as from the beginning of 2010. The comparative figures for 2009 are also in line with the new organisation.

2) The figures are based on internal segment reporting to management.

Material and energy efficiency

Construction has a huge impact on the environment. The built environment consumes 42 per cent of all energy and generates 38 per cent of all carbon dioxide emissions. The construction industry is also a major consumer of natural resources. We consider environmental responsibility to be a key area for development.

Both we at Lemminkäinen and our stakeholders are aware of our responsibility for the environmental impact of construction and want to reduce the associated risks. In summer 2010, while determining our most influential corporate responsibility themes, we identified improving energy and material efficiency as a key area for development.

RESPONSIBILITY – IN THE HEART OF OUR NEW STRATEGY

Corporate responsibility holds a central position in our new strategy. We want to know the environmental impact and risks of our operations, so that we can take them into consideration during our decision-making.

We consider the environmental business to be first and foremost an opportunity. Two of our strategic growth areas – renovation and technical building services – can vastly improve energy efficiency. And by recycling materials and reducing waste, we can also make financial savings. Property maintenance also affects our customers' energy usage.

In 2010, we focused on basic issues and came to a shared understanding of what environmental responsibility means at Lemminkäinen. We defined key figures and measures that can already be systematically monitored and reported in 2011. We aim to introduce our Group-wide environmental data reporting system during 2011.

WE WANT TO BE A FORERUNNER

We are reducing the environmental impact of our operations by improving R&D, production processes and working methods. In 2010, we set developmental goals for our business' most fundamental environmental issues: energy and material efficiency.

Energy efficiency

The European Union seeks a 20 per cent reduction in greenhouse emissions and energy consumption by 2020.

We are currently analysing our emissions and energy consumption. Our goal is to calculate how efficiently we use energy in our processes, and in particular in our own production, production facilities and properties. As we have a broad range of processes and operations requiring widely varying amounts of energy, we are planning and implementing field-specific measures to save on and optimise energy consumption.

Material efficiency

Waste is one of the most significant environmental impacts of construction sites. For us, material efficiency means maximising material reuse and minimising our environmental waste load. We intend to achieve these goals by increasing the collection and reuse of recyclable materials, and also by paying attention to fuel economy and emissions from transportation. We are developing measures and monitoring systems to measure material recycling, landfill waste generation and atmospheric emissions.

SAVING BOTH MONEY AND THE ENVIRONMENT

Our energy consumption is highest in production and transportation. In addition to carbon dioxide emissions, our production facilities and vehicles also cause environmental loading through noise, dust, vibration and odour pollution, and sulphur oxide, nitrogen oxide and fine particle emissions. Lemminkäinen's own production facilities include asphalt and rock crushing plants, factories manufacturing concrete products and ready-mix concrete and roofing materials. We are able to influence our energy consumption by, for example, harnessing more environmentally friendly sources of energy and employing technical solutions that improve energy efficiency.

We also seek to use appropriate, cost-effective methods to prevent other environmental hazards (Best Environmental Practices). We minimise environmental loading by using machinery and equipment correctly, conducting regular maintenance and avoiding idling. We take extra care to protect the ground on aprons, so as to prevent oils, fuels and solvents from contaminating the soil and groundwater.

Most of our production facilities operate under environmental permits, which requires regular environmental monitoring and reporting to the authorities. Compulsory data includes production volumes and categories, energy, fuel and water consumption, and waste volumes.

When purchasing machinery and equipment, we favour the best available technology (BAT) with regard to the environment. This means the most efficient and advanced production and cleaning processes – in terms of both technology and cost-effectiveness – and working methods that best prevent or reduce environmental contamination.

Recycling construction waste

Careful preparations are vital when developing material efficiency. In order to reduce waste and material damage and losses, orders should be made at the correct time and in the correct quantities, materials should be used in precisely measured amounts, work stages should be carefully planned in advance and employ the right tools and working methods, and construction sites should be kept clean and tidy. See the adjacent table for more information about our waste recycling.

We use recycled materials whenever it's financially and practically viable. For example, asphalt is 100 per cent recyclable. About 12 per cent of our total asphalt production used recycled

ENERGY CONSUMPTION	2010	2009
Total energy consumption, GWh	27	29
Light fuel oil, GWh	123	132
Heavy fuel oil, GWh	92	110
Natural gas, GWh	44	50
District heating, GWh	1,0	1.6
Total, GWh	287	322.6

CALCULATED EMISSIONS	2010	2009
Carbon dioxide emissions (CO_2), tonnes	72,800	81,900

Reporting covers Finland.

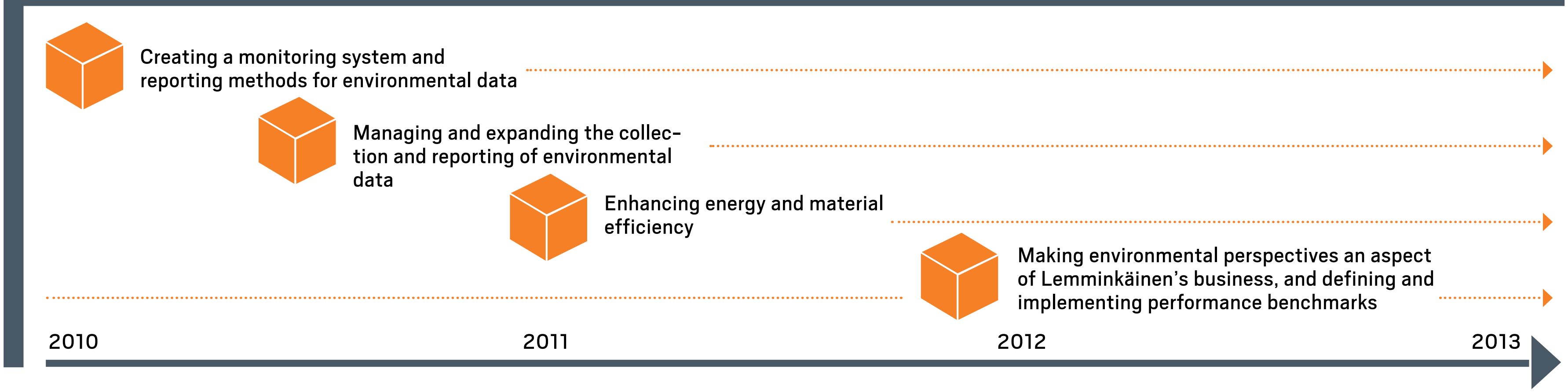
Our 2010 reporting covers asphalt production, crushing plants, concrete and roofing material factories and ready-mixed concrete production. The figures have not been adjusted in proportion to production volumes. Construction and property reporting will be further developed during 2011.

The calculations use the following energy source coefficients for CO2 emissions (source: Motiva):
Light fuel oil 267 g CO2 / kWh; Heavy fuel oil 284 g CO2 / kWh; Natural gas 198 g CO2 / kWh; Electricity, purchased 200 g CO2 / kWh.

WASTE	2010	2009
Landfill waste, tons	2,040	1,800
Recycled/reused, tons	27,450	25,020
Utilised, %	93.1	93.3
Landfill waste,%	6.9	6.7

Our waste utilisation percentage also includes all the recyclable and reusable materials that we are not able to use ourselves. Demolition waste and excavated materials are not included. One of our goals for 2011 is to draw up a Group-wide material balance sheet.

ENVIRONMENTAL BUSINESS DEVELOPMENT CHART



asphalt, which saved natural reserves of both mineral aggregates and bitumen. We fully equip our new asphalt plants for the production of recycled asphalt. We also use crushed rock and crushed, recycled concrete as a substitute for natural gravel. In 2011, we will also be examining the fuel economy and emissions of raw material transportation to our production facilities.

IMPROVING ENVIRONMENTAL EFFICIENCY IN THE BUILT ENVIRONMENT

A significant proportion of a building's environmental impact arises during use – construction, maintenance and demolition account for only seven per cent. We are continually seeking new ways to create healthy, environmentally sound conditions for living, working and travelling.

We are enhancing the energy efficiency of our own production. Our goal is to use either renewable energy sources or, if zoning allows, district heating to heat our own sites.

Future legislation will steer construction towards ever more energy efficient solutions. We've already participated in several low-energy and zero-energy projects. In 2010, a LEED-certified (Leadership in Energy and Environmental Design) construction project was running in Seinäjoki and a BREEAM-certified (BRE Environmental Assessment Method) project in Espoo. Certification seeks to reduce the environmental impact of both construction and usage.

Efficiency through renovation and technical building services

A large proportion of buildings completed during the 1960s and 1970s will require basic renovations over the next decade. Renovations can improve the energy efficiency of existing buildings through improved insulation, the installation of heat recovery ventilation systems and the development of other energy-efficient technical solutions. We are also continually developing new solutions for apartment block infill development.

Building technology can have a major impact on energy efficiency. Our own studies indicate that about 5–30 per cent of the energy consumed by a standard, well-managed property is wasted due to idling. We have developed a maintenance package that analyses a property's energy consumption and offers a range of efficiency boosting solutions from minor savings plans to major maintenance agreements in which we take complete responsibility for the property's upkeep and energy usage.

We have also strengthened our refrigeration maintenance operations and our expertise in refrigeration and cold storage solutions. Climate change is forecasted to increase the need for refrigeration, although solutions will have to be energy efficient.

Reducing energy consumption through infrastructure construction

The condition of road networks and the recycling rates of asphalt paving affect both energy consumption and material efficiency. Lemminkäinen conducts its own infrastructure R&D, and we also take part in joint projects in many fields.

When acquiring mineral aggregate reserves, we promote solutions that support sustainable development. Even at the planning stage, we consider an area's potential after-use – as a site for industrial or leisure-time facilities, for example.

PLAYING OUR PART IN INDUSTRY DEVELOPMENT

Improving environmental efficiency requires extensive cooperation. We actively participate in construction industry forums and development projects through, for example, RYM Oy and the Green Building Council Finland (FIGBC).

RYM Oy is a strategic coordination centre for expertise in the built environment in Finland. The FIGBC network seeks to make sustainable development perspectives a natural aspect of all property and construction operations.

TARGETS FOR 2011

- Updating our Group-wide environmental policies
- Modelling the Group's material balance sheet
- Defining the Group's environmental indexes

REGIONAL MANAGER

Ari Salminen

ZERO ENERGY BUILDING, JÄRVENPÄÄ
TECHNICAL BUILDING SERVICES

I'm a second-generation HVAC man and I've always known I'd work in the construction industry. I've been working at Lemminkäinen for six years now. As a regional manager, I'm responsible for all the HVAC work in my area. There are currently about 30 ongoing projects. The supervisors report to me and I report to the regional director.

Järvenpään Mestariasunnot Oy is building a nursing home for the elderly, which is scheduled for completion in the summer. Zero energy technology is more complex than standard HVACE. Special features of this brand-new building include liquid-based collectors in the roof, which collect energy for heating, and electrical collectors in the facade, which transfer energy into the electrical network. Two holes have also been drilled under the six-storey residential building. These are used to provide cooling in the summer and heating in the winter.

Responsibility is evident in a desire for quality. More attention is being paid to occupational safety and this shows in the statistics – there have been fewer accidents.

In this job, you need to be sociable and forward-thinking, and have nerves of steel. Cooperation requires you to adapt to other people's methods – so you need good antennae, too. A varied range of projects and cooperation with different companies are the highlights of my job.

In the future, legislation will steer construction towards solutions that use minimal energy. Zero-energy buildings are based on better-than-average shell insulation and using renewable energy sources for heating.

Customers

Our business comprises our own production, contracting, projects, services and material sales. Our customers value our broad offering, expertise, reliability and flexibility.

Our own production of residential and business premises generates over 10 per cent of our net sales. We also operate as main or subcontractors for building and infrastructure construction and technical building services. We implement project management contracts, too. Renovation and maintenance/upkeep services are a growing business for us – and already accounted for about a quarter of our net sales in 2010.

Many of our customers want to outsource maintenance and upkeep services and this is fuelling the service business. The technologisation of the built environment, which requires special know-how is just one of the reasons behind this trend. In the public sector, life cycle models are becoming more widespread. In life cycle models, construction companies or joint ventures are not only responsible for construction, but also for maintenance and upkeep – and sometimes even financing. Finding an approach that keeps total costs down is a vital aspect of life cycle solutions.

OUR KEY CUSTOMER GROUPS

Consumers. We sell the majority of our own residential production directly to consumers; only a fraction is sold through other channels. We have our own sales offices in many municipalities in Finland and in St Petersburg, Russia. Location, quality and a competitive price are the major factors that influence consumers' decisions. We also sell paving stones and asphalt to consumers, either directly or through dealers.

Property investors purchase the business premises we have produced. They expect a good return on their investment, which emphasises the importance of a good leaseholder profile and long-term leases. A good location and an understanding of differing space requirements are other key factors.

The public sector is an important client in infrastructure construction. Although we are best known for paving work, we also implement foundation reinforcements, tunnels and a variety of traffic routes. And we've built a significant number of schools and public buildings. In addition to price, the Finnish Public Procurement Act also allows quality factors, such as references from previous clients, to be taken into consideration.

Property end-user owners tender out contracts for commercial and business premises, sports construction and technical building systems. Winning a tender requires cost-effectiveness. A solid reputation and good references grant a competitive edge.

Housing cooperatives and maintenance companies are our customers particularly for our technical building services. We also carry out renovations to selected sites.

Industrial customers order construction contracts and maintenance and upkeep services. Our industrial customers value special know-how and local services.

Other construction companies. We also work as subcontractors for other construction firms in technical building services and infrastructure construction.

We work closely with our customers to ensure that our solutions meet their needs in terms of both flexibility and cost-effectiveness. We arrange seminars and functions to meet with our customers, and also encounter them at trade fairs and other industry events. We keep them informed of developments in our operations through, for example, our stakeholders' magazine and newsletters. Our marketing focuses on increasing recognition of our product and service offering, and complies with the ICC (International Chamber of Commerce) marketing regulations.

OUR COMPETITIVE EDGE

Our main competitive edge comes from reliability, expert personnel and a broad range of products and services. We operate throughout Finland and have a thorough understanding of local conditions and customers. And we are fast and flexible when making decisions.

We are continually developing our technical expertise and, if required, are able to shoulder extensive end-to-end responsibility. We can transfer special know-how and specialised equipment to construction sites throughout Finland and the surrounding regions. And integrating our building technology expertise into our proficiency in building construction has never been more seamless.

We make continual investments in construction efficiency, such as planning, procurements and logistics, to improve the cost-effectiveness of our solutions.

Responsibility in the procurement chain

In accordance with our Code of Conduct, we require our partners to adhere to legislation and to follow international regulations concerning human rights, employment rights and the environment. We work with our subcontractors and suppliers to ensure that these requirements are being met, and we are developing systems to monitor their activities in this respect.

Our procurement chain consists of about 19,000 suppliers. Procurements in 2010 totalled EUR 1,186 million (1,157), representing 63 (58) per cent of net sales. Goods and raw materials accounted for EUR 543 (500) million and external services for EUR 646 (664) million. Subcontracting was the largest external service, totalling EUR 490 (530) million. About 30 (23) per cent of procurements were made from countries other than Finland.

OUR GOAL – CONSOLIDATION AND CATEGORISATION

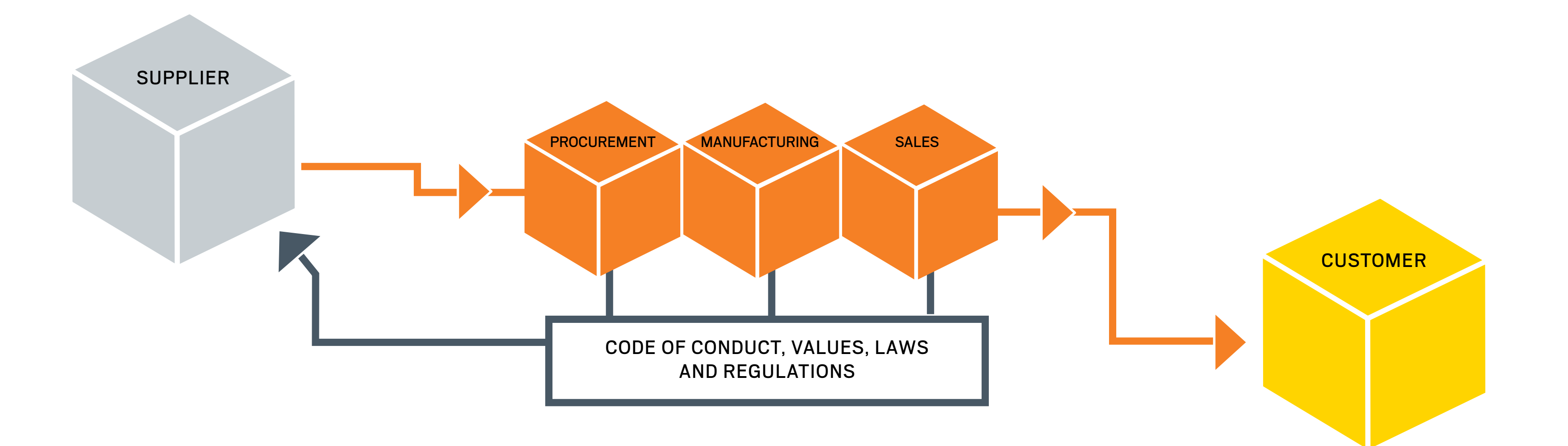
Our extensive supplier network, decentralised procurements and growing global business operations pose a challenge. However, we've begun to categorise and consolidate our procurements. Our goal is to harness the benefits of scale and to standardise our procurement practices with the help of a Group-level programme.

TOWARDS SUPPLIER NETWORK MANAGEMENT

The management of our currently complex procurement chain fails to meet all of our requirements. So in 2010, we launched a development project to increase transparency and cost-effectiveness and reduce purchase risks through more efficient supplier network management. Last year, we analysed the current situation and defined our objectives. And during 2011, we will draw up a detailed action plan to consolidate and categorise our procurements, and also to overhaul our procurement organisation.

We've already launched evaluations and audits of 13 suppliers, which account for 9 per cent of Lemminkäinen's total purchases. These supplier audits will evaluate issues relating to quality, the environment, occupational safety and corporate responsibility. Our goal for 2011 is to expand our supplier audits to cover 20 per cent of our purchase volume.

PROCUREMENT CHAIN



Society and personnel

In our construction operations, our most important resource is our personnel. We continually invest in personnel well-being and seek to pre-emptively manage working incapacity risks. We develop supervisory skills, so that our supervisors are better able to manage performance and competence development. Our goal is to be the best employer.
We believe that a good employer is also a good corporate citizen.

Stakeholders

The built environment affects everyone – construction has a significant social impact. We generate economic well-being and promote development through profitable operations, investments and employment. Our stakeholders include everyone who may affect our operations and everyone who may be affected by them. Our key stakeholders are: our customers, personnel, shareholders and investors, partners and the media. We believe that continual and proactive dialogue with these groups will be reflected in both our results and the way we work.

We actively monitor changes in our operating environment. Emerging topics or changes in our stakeholders' expectations may affect our ability to operate. We need to be prepared and take these factors into consideration, which is why we work closely with our stakeholders. In all cooperation, we adhere to our Code of Conduct, as well as local and international commitments and legislation.

EVERYDAY COOPERATION WITH STAKEHOLDERS

We have identified our key stakeholders and their expectations. This year, we also determined our most influential corporate responsibility themes and, as part of this analysis, also considered how different stakeholders influenced our company. We want to engage in open, proactive and continual dialogue that will enable us to better meet our stakeholders' expectations. To that end, we are further developing our dialogue channels, tools and responsibilities.

The majority of our dialogue with stakeholders occurs locally. We make focused contact with shareholders, investors and analysts, and also with national media, organisations, authorities and other decision-makers.

Our customers are our number one stakeholder. Our strategy's main goal is to take an even more customer-oriented approach, so as to better meet their expectations. You can read more about our customers on page 50.

Companies whose employees have a high level of job satisfaction are far more likely to keep and attract the best personnel. This year, we launched a Group-wide personnel survey to chart our personnel's opinions. We want to be the most desirable employer, so we are also using large-scale surveys to monitor our corporate image in the eyes of potential employees.

A publicly listed company must communicate openly and impartially. We engage in continual dialogue with our shareholders and the dialogue is based on our principles of investor relations.

We are developing and boosting the efficiency of our partnerships and procurement chains by improving quality, cost-effectiveness and flexibility. Networking has also enabled us to bring further specialised expertise to our service offering. You can read more about procurement chain responsibility on page 51.

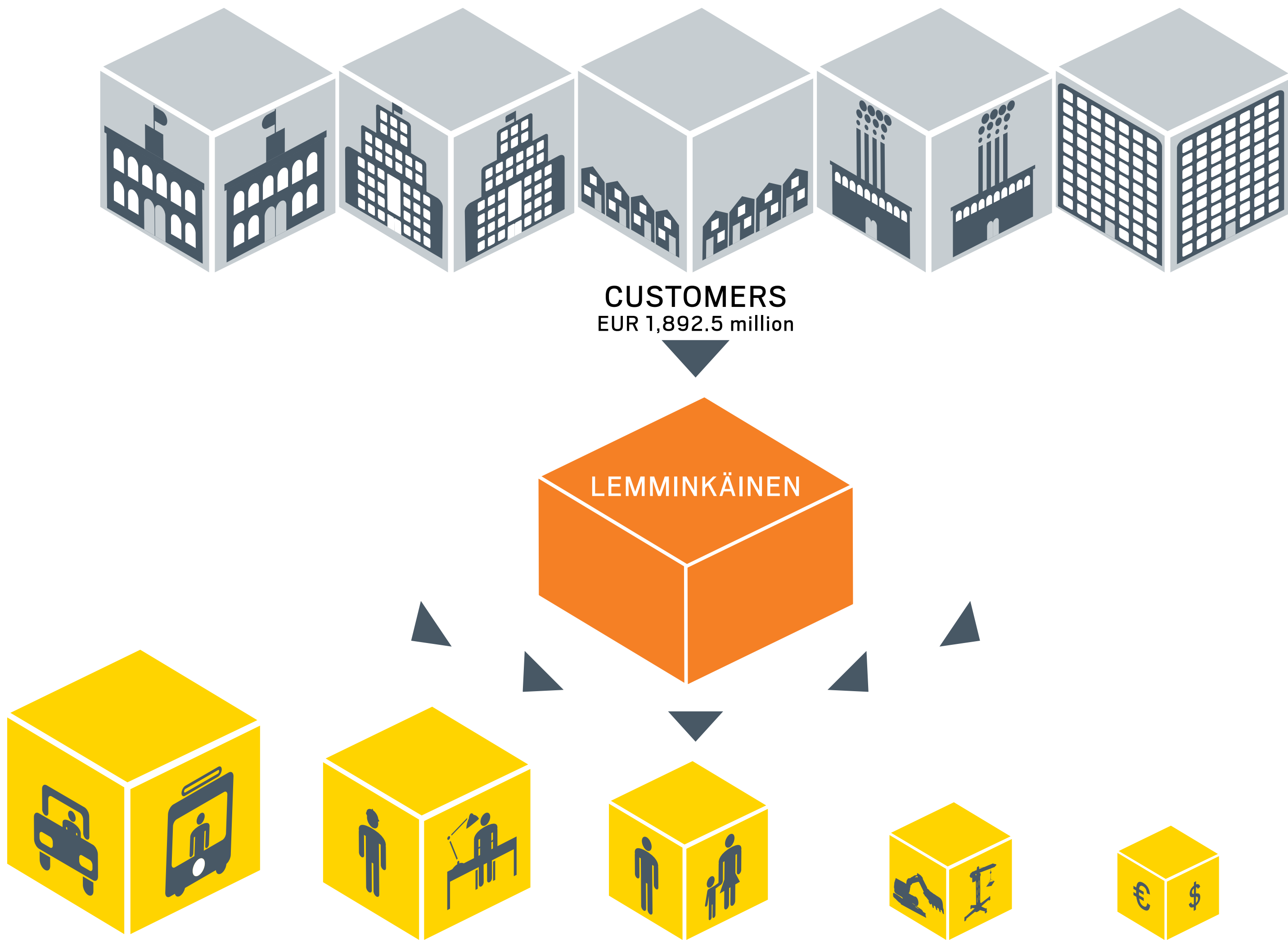
In accordance with our Code of Conduct, we fight proactively against the grey economy.

We also engage in active dialogue with the media and provide transparent, reliable and up-to-date information. Our media relations are handled both locally and through Group level.

Support for non-profit associations

When sponsoring organisations, we adhere to our Code of Conduct and complementary sponsorship principles, which we updated in 2010. Group management holds overall responsibility for nationwide sponsorship projects. When working with local associations and stakeholders, each business sector is responsible for those activities that are associated with its operations. Our support for non-profit organisations in 2010 totalled EUR 276 (425) thousand. We support mainly sports. We also donated a total of EUR 230,000 to the Aalto University Foundation, Tampere University of Technology Foundation and Turku University Foundation. We made these donations after the new University Act came into force at the turn of the year, allowing universities to apply for private funding. In accordance with our updated sponsorship principles, we hereafter will prioritise sports and exercise for young people, as well as youth projects that support the acquisition of expertise and practical construction industry skills.

DISTRIBUTION OF VALUE ADDED TO OUR STAKEHOLDER GROUPS



GOODS SUPPLIERS AND SUBCONTRACTORS
EUR 1,185.9 million

EMPLOYEES
EUR 336.8 million

SOCIETY
EUR 85 million

INCOME TAXES EUR 5.6 million

PENSION EXPENSES AND EMPLOYEE-RELATED EXPENSES EUR 79 million

INVESTMENTS
EUR 59.6 million

FINANCIERS
EUR 22.2 million

The figures presented in the tables are based on accrual accounting.

Management skills, leadership and training

GOOD MANAGEMENT SKILLS AND LEADERSHIP

Good management skills are essential if we are to build a new, unified Lemminkäinen with an even more customer-oriented approach. We seek to be the best employer with the best supervisors. To implement our strategy, we need to manage performance, competence and development – and it is up to supervisors to ensure that employees know what their key tasks are. Supervisors also set targets for employees – both strategic and applied – and monitor their performance. If should problems arise, superiors are responsible for implementing corrective measures.

It is the task of our HR professionals to develop the tools that will enable supervisors to evaluate their unit's competence level and steer it in the right direction towards stated objectives. In 2010, we focused on enhancing the development discussion process and providing supervisor training. We also conducted our first Group-wide personnel survey.

Development discussions

Development discussions are a vital management tool. Their primary goal is to encourage personnel to promote our strategy through their work: development discussions convert strategic targets into concrete everyday tasks and performance goals. In general, development discussions are conducted with majority of permanent employees.

The annual process begins with development discussions for the Executive Board, followed by other management levels. Supervisors then conduct development discussions with employees. These discussions may also be followed-up with discussions halfway through the evaluation period.

Development discussion training was given during spring and autumn 2010. During the training, supervisors familiarised themselves with the process itself, practiced different approaches and situations, and received the tools they need to conduct development discussions.

Improving management skills

In late 2009, we launched our own LEKA Management Academy. LEKA training seeks to ensure that all supervisors understand Lemminkäinen's new strategy and know how to implement it. LEKA training also hones a variety of management skills, such as change management, leadership and interaction skills.

LEKA training comprises four modules covering all management levels from foremen to senior management. 152 supervisors took part in LEKA training during 2010. Their feedback has been extremely positive, and participants found internal networking to be of particular value.

LEKA training is rounded out with supplementary management and expert courses – our Viila training package.

Our personnel survey and management questionnaire – benchmarks for success

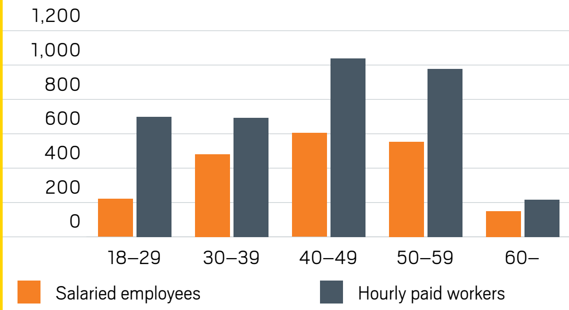
Our annual personnel survey is just one of the methods we employ to measure our progress in developing management skills. We conduct surveys in all of our operating countries. The autumn 2010 survey was the first to cover all Lemminkäinen personnel. The survey sought to identify those factors that personnel feel are important to their work, and also evaluate how we, as an employer, have succeeded in realising them.

About 4,500 people completed the 2010 survey. This represented a response rate of 52 per cent, which is statistically significant enough to use as a basis for decision-making. The results indicated that our personnel particularly valued a good working atmosphere with seamless cooperation between both supervisors and colleagues. Other aspects that employees held in high esteem were personal satisfaction with the quality of their own work and confidence in Lemminkäinen's continued success.

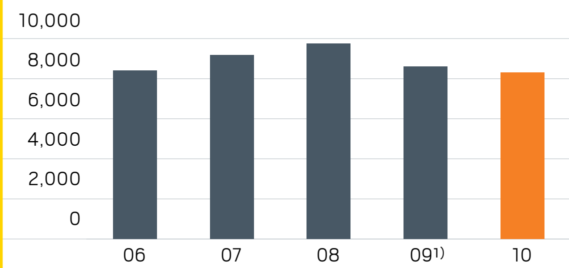
Responses also indicated that our employees are proud of us as an employer. Some of the factors contributing highly to this success included smooth cooperation between supervisors and employees, and keeping stakeholders informed about our services. Both hourly paid workers and salaried employees also favourably highlighted the opportunity for taking responsibility. We did, however, identify some weaknesses, which were mainly associated with remuneration and, particularly in the case of salaried employees, information flow and coping at work. During 2011, we will be paying attention to both our successes and those areas requiring improvement.

Those who supervised at least five employees also received a report on their management skills. 283 supervisors received feedback in 2010, and the results indicated that supervisors maintained good working relationships with employees and were successful in ensuring that units achieved their targets. Areas

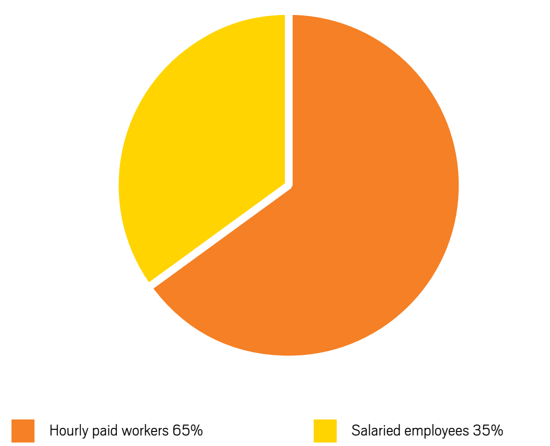
AGE DISTRIBUTION, REGULAR EMPLOYEES



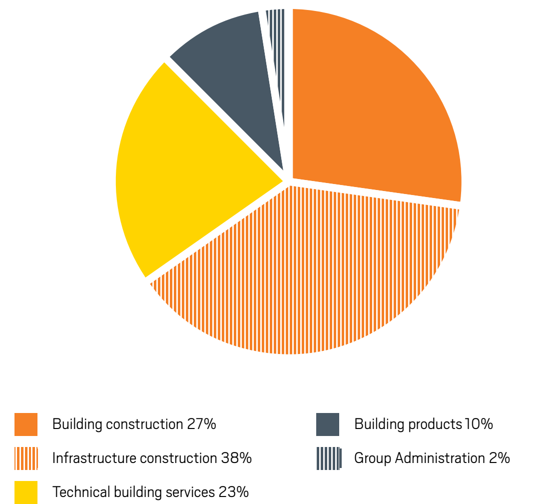
PERSONNEL, ON AVERAGE



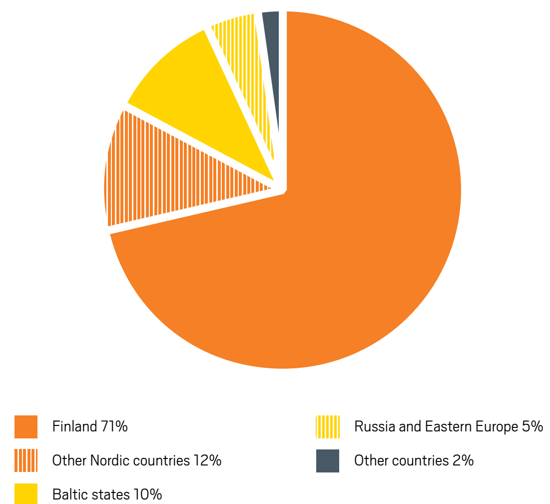
PERSONNEL BY EMPLOYMENT GROUP, ON AVERAGE



PERSONNEL BY BUSINESS SECTOR, ON AVERAGE



PERSONNEL BY MARKET AREA, ON AVERAGE



1) Forssan Betoni Oy, which formerly belonged to Lemminkäinen Infrastructure Construction, became part of the Building Products business sector as from the beginning of 2010. The comparative figures for 2009 are also in line with the new organisation.

for improvement included providing feedback and ensuring that employees maintained and improved their competence. These results will be considered during supervisors' own development discussions.

In 2011, we will be paying particular attention to improving management skills. It's vital that information about results and measures also reaches our construction sites.

During the summer, over 1,000 of our supervisors gave their views on Lemminkäinen's new strategy. The online discussion attracted a total of about 8,000 candid comments. Their dialogue indicated that our new strategy has been well absorbed, and there was widespread support among supervisors for the development processes that have been launched. The results were discussed during the autumn in a range of management forums, and the most important areas for improvement were included as targets on our 2011 scorecards.

We focus on management skills, leadership and training.

EQUALITY

The Lemminkäinen Group had an average of 8,314 employees in 2010. Our Group's principles of equality are based on the universal Act on Equality between Men and Women, the Non-discrimination Act, and our legal obligation as an employer to prevent discrimination and bullying in the workplace. These principles are supported by a separate equality action plan, which seeks to promote unbiased treatment for all employees irrespective of their gender, ethnic origin, age or sexual orientation, or years of service. Our equality action plan seeks to promote a diverse personnel structure, equal pay and suitable working conditions for all employees.

Monitoring and management's commitment

Our management has drawn up the equality action plan, and has approved it. Its implementation is monitored and evaluated at Group level by Lemminkäinen's codetermination advisory committee, and in each business sector by the relevant codetermination body. Regional state administrative agency for Southern Finland ensure that we adhere to the Non-discrimination Act and other employment legislation. The Ombudsman for Equality monitors compliance with the Act on Equality between Men and Women.

We seek to treat all of our employees equally and to prevent discrimination throughout their time at Lemminkäinen. We also adhere to the same principles when recruiting or terminating employment.

DOWNSCALING, LABOUR LEGISLATION AND NOTICE PERIODS

We continued to develop more efficient operating models to maintain our competitiveness. In line with our strategy, we began to shift towards a consolidated operating model for internal support services during 2010. As part of these changes, we launched downscaling measures. These are covered in more detail in the Board of Directors's report.

Our employment contracts comply with current labour legislation. In 2010, all hourly paid workers and salaried employees in Finland – over 92 per cent of personnel – were covered by collective labour agreements. No collective labour agreements, nor any other collective agreements, have been agreed on with senior salaried employees.

All of our employees' employment contracts contain a period of notice equal to at least the minimum required by labour legislation and collective labour agreements. Minimum periods of notice vary depending on employees' collective agreements and the length of time they have worked for Lemminkäinen.

ROOFER

Panu Humppi

HELSINKI

BUILDING PRODUCTS

In February 2011, I'll be celebrating ten years of working at Lemminkäinen. I used to be a roofer and have worked on projects such as Lemminkäinen's new head office. For the past one and a half years, I've been studying for a vocational qualification in business and administration. Lemminkäinen has been supporting me to retrain, as I became unable to do physical labour. After my initial sick leave, everything progressed quickly and the whole rehabilitation and retraining process has gone smoothly. I hope to graduate in 2012.

No longer being able to do physical labour has been a major change for me. It's taken some getting used to, as I really enjoyed my previous job. But all the new things I've learnt during my retraining have brought fresh appeal. I loved the freedom of my old job. And the fact that I've been with the same company for ten years shows that I really do like working here.

I was impressed with how well Lemminkäinen's occupational health-care system worked. My case was also given serious consideration at the supervisor level. I discussed the options with my supervisor, the occupational health-care physician and the Executive Vice President of my business sector. It feels as if the company really cares – if things go pear-shaped, you're not left to fend for yourself.

Lemminkäinen's occupational health-care unit monitors the treatment of all employees on sick leave throughout Finland. It also coordinates rehabilitation and, for example, cooperation with rehabilitation centres. By doing this, Lemminkäinen ensures that employees receive all the help they need to regain their working capacity.

Occupational health-care, safety and well-being

Occupational safety is all about attitude. Taking a safe approach can prevent all hazardous situations. Occupational well-being as well as monitoring and management of working capacity are key success factors to our operations.

OCCUPATIONAL SAFETY AT LEMMINKÄINEN

The Lemminkäinen Group seeks to be a leader in occupational safety in the construction industry. Attitude is the decisive factor – professionals always take safety into consideration.

Our occupational safety efforts are based on safety training, reducing accidents, a workplace atmosphere that emphasises safety, and supporting safe working conditions and methods. We act pre-emptively, with clear goals and a continuous commitment to reducing accidents.

We provide our personnel with the safety training required for their tasks. We are continually improving our safety operations on the basis of feedback from both internal and external evaluations. Whether operating in Finland or abroad, we adhere to all relevant legislation on occupational health and safety and the environment.

Overall responsibility for the safety of our operations is held by each business sector's management. Management, employees, safety managers and the industrial safety organisation share responsibility for implementing safety measures and ensuring safety. We carry out a wide range of regular safety audits and reviews at our sites and locations. In Finland, for example, we make the weekly safety measurements required by law.

During 2010, we also appointed a Group-wide environment and safety steering group. The steering group, which reports to Group management, covers all business sectors and seeks to share good practices across business sectors. We are a member of the Finnish Institute of Occupational Health's Zero Accident Forum and, on the basis of 2009 results, the Lohja roofing plant was awarded Grade II – 'Heading for the world's forefront'.

In 2011, we will be adopting new, Group-wide safety policies and principles. These principles define our stand on issues such as accident prevention and influencing attitudes to safety. Management will be conducting exemplary safety rounds and we will also be focusing on further involving employees in our occupational safety efforts. Our safety goals for 2010–2013 are listed on page 63.

The Group's accident frequency was 36 accidents /million working hours in 2010. During 2010, we standardised the use of personal safety equipment and introduced revised safety indicators for Building Construction and Civil Engineering indicators. Our goal is to reduce the number of accidents to under half of the 2010 level by the end of this strategic period. During 2011, we will also be expanding our safety status reporting to locations outside Finland.

Each of our Group's companies and locations arranges its own industrial safety operations. All personnel from hourly paid workers to senior salaried employees are represented by industrial safety committees. Cooperation on industrial safety issues increases dialogue between employer and employees, and gives personnel a say in issues relating to health and safety in the workplace.

A joint meeting of all of the Group's industrial safety committees is held once a year.

OCCUPATIONAL HEALTH-CARE AND WELL-BEING

In 2009–2010, we implemented a large-scale occupational health-care project in Finland. The project sought to standardise our occupational health-care and draw up a comprehensive operational model in cooperation with an insurance company handling statutory pension and accident insurance. Other goals included the launch of a working capacity team and preparations for the introduction of an early support model. The project also sought to create benchmarks for monitoring progress in the management of occupational health and well-being and working capacity.

Working capacity – monitoring, management and early support

We invest in the effective prevention and management of working capacity problems. Our occupational health-care and human resources units have developed a monitoring system for sickness absences. This system will be integrated into our forthcoming early support model, which aims to identify working capacity problems and enable a rapid response. Monitoring will focus on frequent short absences and those lasting over 30 days. The Sante health questionnaire, which forms part of health checks, helps us reach those who have a high risk of working incapacity, on the basis of either self-evaluation or a health risk profile.

Our long-term goal is to reduce the number of employees retiring on disability pensions. We want our personnel to be able to carry out meaningful work all the way up until retirement age. In this way, we are not only shouldering our responsibility for social well-being, but also saving on costs incurred through working incapacity. Just over a third of the Group's Finnish personnel currently fall under the scope of the Sante health questionnaire and, in 2011, we will be expanding it to cover all of the Group's Finnish personnel.

A pilot version of the early support model has been running in the Building Construction business sector since the beginning of August 2008. The model has been very favourably received and, by reducing sickness absences, has also saved a million euros over two years.

In autumn 2010, we launched a substantial programme of supervisor training in preparation for the Group-wide introduction of the early support model in 2011. Our goal is to train 75 per cent of supervisors during 2010–2011.

We want to ensure that employees receive the help they need to regain their working capacity. That's why our occupational health-care unit coordinates the supervision of treatment and rehabilitation for those on long-term sick leave.

We use health examinations and personal action plans to monitor the health of those undergoing rehabilitation. Our occupational health-care unit also assesses the impact of rehabilitation on employees' lifestyles, working habits and ability to cope at work. We also ask participants for feedback on the arrangements and suggestions for improvements.

In 2010, we analysed the physical load and musculoskeletal load factors placed on those engaging in physical tasks in different professional groups. A report on the project has been made available to our external occupational health-care partners and can be used when evaluating working capacity.

Occupational health-care

In Finland, all of our Group's permanent employees are entitled to occupational health-care. Temporary employees who are entitled to paid sick leave, are also entitled to occupational health-care. In accordance with good health-care practice, all of our personnel have comprehensive occupational health-care coverage, including out-patient care at general practitioner level. Since the beginning

OCCUPATIONAL HEALTH-CARE BENCHMARKS	2010	2009
Annual expenses from subsidised exercise (EUR)	**318,116**	250,178
Maximum subsidy for leisure-time exercise/person (EUR)	**200**	200
Number of visits to subsidised exercise services	**94,849**	80,778

OCCUPATIONAL SAFETY AND SICKNESS ABSENCES	2010	2009	Target 2011
Absence due to sickness or accident, % (in Finland)			
All personnel	**4.9**	4.9	under 4
Salaried employees	**1.8**	1.9	under 2
Hourly paid workers	**7.1**	7.0	under 5
Lemminkäinen Group	**3.1**	1.5	2.9
Building Construction 2)	**4.5**	4.7	3.5
Infrastructure Construction 2)	**2.9**	2.8	2.6 1)
Technical Building Services 2)	**7.5**	6.9	6.0
Building Products 2)	**6.1**	6.9	– 3)
Accident frequency rate (in Finland)			
Lemminkäinen Group	**36.1**	36.2	20 1)
Building Construction	**32.0**	36.4	
Infrastructure Construction	**17.7**	20.8	
Technical Building Services	**54.3**	47.7	
Building Products	**58.9**	50.6	
Fatal accidents	**0**	1	0

1) Calculated using the new business sector division
2) All personnel
3) Integrated into Infrastructure Construction in 2011

Absence due to sickness or accident %: share of the theoretical worktime
Accident frequency rate: x accidents / million working hours

of 2010, all personnel have also been covered by leisure-time accident insurance.

Our occupational health-care unit analyses working conditions, conducts health checks, helps employees maintain their working capacity, takes part in organising rehabilitation, and helps us in our efforts to make work and working environments even safer. The unit also provides information, advice and guidelines on, for example, healthy lifestyles, working conditions and their impact on health. The unit monitors nationwide statistics on sickness absences and visits to health-care centres in Finland. We use these reports in human resource management and to plan and develop our health-care operations.

The unit also helps us to draw up our occupational health-care action plan, which forms part of the industrial safety programme.

If any employees are experiencing problems with drugs or alcohol, our unit refers them for treatment and also assists in their treatment. Our goal is to intervene in problem use as early as possible. We followed an anti-intoxicant programme, revised in 2010, which includes a drugs and alcohol policy, guidelines on early intervention and drug testing, and a treatment referral model.

WORKPLACE EXERCISE AND COMPREHENSIVE WELL-BEING SERVICES

We consider our personnel's well-being and the management and prevention of working incapacity risks to be key success factors. At Lemminkäinen, well-being at work means physical, mental and social well-being. We want all of our employees to feel content in all of these areas, so that they'll be able to cope well at work and continue in working life for as long as possible. Employers, management and working communities create the conditions required for well-being, but each employee also bears responsibility for their personal well-being.

Well-being at work – our strategic goals

- The right person for the right task – all employees are given tasks that are appropriate to their working capacity throughout their careers.
- Clear goals for competence and personal development.
- Lemminkäinen provides a safe and healthy working environment.

At the beginning of 2010, the Group appointed an occupational well-being manager whose tasks include helping employees who are at risk of working incapacity and addressing issues associated with rehabilitation, exercise, nutrition and the general well-being of the working community.

Exercise holds a key position in promoting well-being at work

We have been systematically developing workplace exercise since 2001 and have created a motivational Exercise Programme. The Lemminkäinen exercise card is available to all personnel and offers a wide range of physical activities at 450 locations around Finland. Our goal is to help personnel maintain their working capacity, to promote general well-being and to boost community spirit in the workplace through physical activity.

Lemminkäinen was awarded the 2009 Active Workplace Award. In 2010, the Finnish Sport For All Association awarded Lemminkäinen a workplace exercise certificate and an honorary mention in the Active Workplace Award competition. At 81/100%, the overall result for 2010 was up 4% on 2009.

Computerising the exercise card system and the 2011 Exercise Barometer

Exercise is especially important for coping with a physically demanding job in which accidents are a risk. Over the past ten years, workplace exercise has increased from just under 40,000 visits per year to 80,800. In 2010, we invested a total of EUR 327,000 in promoting exercise that increases well-being. And in 2011, we will be raising our support for exercise from the current EUR 200 per person to EUR 240. We will also be introducing a computerised exercise card system and expanding our Exercise Programme to all business sectors. The focal point for this period is on motivating those engaging in passive or unvaried exercise.

We use a biennial Exercise Barometer to monitor the success of our Exercise Programme in terms of both implementation and service use, as well as its influence on personnel's health. The next study will be conducted in spring 2011. According to the 2009 Exercise Barometer, 54 per cent of employees take enough exercise to maintain a good level of health.

Getting young employees into shape

1,110 employees took fitness tests in 2010. Walking and muscle condition tests were conducted in 13 municipalities and tested a total of 212 people (190 men and 22 women). 898 Infrastructure construction employees took part in national men's fitness tests. Endurance scores among those in younger age brackets were weaker than average. Over half of those tested were overweight with large volumes of fat around the internal organs. 40–49-year-olds were in slightly better shape than those in other age brackets.

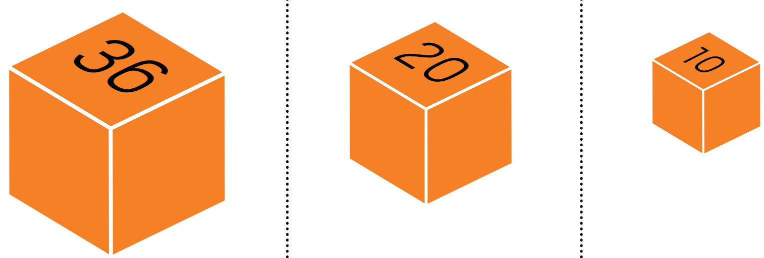
If employees do not get enough exercise as part of the working day, it's important to take additional endurance exercise. In 2011, we will be launching two pilot projects to model lifestyle guidelines and exercise motivation for different health test groups.

OCCUPATIONAL SAFETY GOALS 2010–2013

2010 ACCIDENT FREQUENCY

2011 ACCIDENT FREQUENCY

2013 ACCIDENT FREQUENCY



X accidents / million working hours

OCCUPATIONAL HEALTH AND WELL-BEING – 2011 GOALS AND FOCAL POINTS

- The early support model and sickness absence monitoring system have been launched. The majority of Lemminkäinen's supervisors have been trained to use the early support model.
- The Sante health questionnaire has been expanded to cover the entire Group.
- The Exercise Programme and computerised exercise card system are in Group-wide use.
- Rehabilitation methods have been standardised. Rehabilitation begins sooner and well-being training is organised for those employees who are at risk of working incapacity.
- The working capacity team proactively seeks solutions to help those employees who have a high risk of working incapacity. New tasks and solutions for coping at work will be developed, taking into account not only workload, but also physical, mental and social well-being.
- The creation of a standardised, pre-emptive drugs and alcohol policy for the whole Group. Our anti-intoxicant programme will be updated and drug testing will be introduced in all units.

2010 PERSONNEL QUESTIONNAIRE INDICATORS

- Working capacity, self-evaluation (0–10): 8.4
- Ability to continue in your current tasks for the next two years, self-evaluation (0–10): 8.2
- Potential to maintain and enhance your working capacity (0–10): 8.0
- Conditions and degree of safety at work (0–10): 7.8

GRI and Global Compact index

COMPARISON WITH THE GUIDELINES OF THE GLOBAL REPORTING INITIATIVE AND THE PRINCIPLES OF GLOBAL COMPACT.
We estimate that the content of our report is consistent with level C reporting of the G3 Guidelines. Index contains indicators reported in 2010. Full GRI-index can be found on our web site www.lemminkainen.com/company/responsibility.

Partly reported
Fully reported

GLOBAL COMPACT	STATUS		GRI GUIDELINES CODE CONDUCT	PAGES	COMMENTS/ REMARKS
		1.1	**STRATEGY AND ANALYSIS**		
			CEO's statement	8–9	
			ORGANISATIONAL PROFILE		
		2.1	Name of the organisation	inside front cover	
		2.2	Primary brands, products and services	30–45	
		2.3	Operational structure	inside front cover, 96, 107, 113	
		2.4	Location of organisation's headquarters	inside back cover	www.lemminkainen.com
		2.5	Number of countries and location of operations	11, 109, 113	
		2.6	Nature of ownership and legal form	158	
		2.7	Markets served	inside front cover, 11	
		2.8	Scale of reporting organisation	inside front cover, 11	
		2.9	Significant changes	15–21	
		2.10	Awards received in the reporting period	60, 62	
			REPORT PARAMETERS		
		3.1	Reporting period	6–7	
		3.2	Date of the most recent report	6–7	
		3.3	Reporting cycle	6–7	
		3.4	Contact point for questions	back cover	www.lemminkainen.com
			REPORT SCOPE AND BOUNDARY		
		3.5	Process for defining report content	6–7	
		3.6	Boundary of the report	6–7	
		3.7	Limitations on the report's scope or boundary	6–7	
		3.8	Basis for reporting subsidiaries and joint ventures	96	
		3.9	Data measurement techniques and bases of calculations	6–7	
		3.10	Explanations of re-statements	6–7	
		3.11	Significant changes from previous reporting periods	96, 104	
		3.12	GRI content index	64–65	
		3.13	Assurance policy and practice	6–7	
			GOVERNANCE, COMMITMENTS AND ENGAGEMENT		
		4.1	Governance structure	66–79	
		4.2	Position of the Chairman of the Board	66–79	
		4.3	Independence of the Board members	66–79	
		4.4	Mechanisms for shareholder and employee consultation	66–79	
		4.5	Executive compensation and linkage to organisation's performance	66–79	
		4.8	Implementation of mission and values statements; Code of Conduct	6–7	
		4.9	Procedures of the Board for overseeing risk management	6–7	
		4.10	Processes for evaluating the Board's performance	66–79	

GLOBAL COMPACT	STATUS		GRI GUIDELINES CODE CONDUCT	PAGES	COMMENTS/ REMARKS
		4.12	Voluntary charters and other initiatives	6–7	
		4.13	Memberships in associations	6–7	
		4.14	List of stakeholder groups	54	
		4.15	Identification and selection of stakeholders	54	
		4.16	Approaches to stakeholder engagement	54	
		4.17	Key topics raised through stakeholder engagement	6–7, 54	
			MANAGEMENT APPROACH & PERFORMANCE INDICATORS		
			ECONOMIC PERFORMANCE INDICATORS		
		EC1	Economic value generated and distributed	55	
		EC3	Coverage of the organisation's defined benefit plan obligations	102, 112, 128	
		EC4	Significant subsidies received from government	101	
		EC6	Spending on local suppliers	11	
X		EC7	Local hiring	11	
		EC8	Infrastructure investments provided for public benefit	11	
			ENVIRONMENTAL PERFORMANCE INDICATORS		
X		EN1	Materials used by weight or volume	46	
X		EN3	Direct energy consumption	46	
X		EN16	Total direct and indirect greenhouse gas emissions by weight	46	
X		EN22	Total amount of waste	46	
			SOCIAL PERFORMANCE INDICATORS		
		LA1	Breakdown of workforce	57	
X		LA3	Employee benefits	56–63	
X		LA4	Coverage of collective bargaining activities	58	
X		LA5	Minimum notice period regarding operational changes	58	
X		LA6	Representation in joint management-worker health and safety committees	60	
X		LA7	Rates of injury, lost time injury, fatalities and absenteeism	61	
X		LA8	Education and prevention programs regarding serious diseases	60–63	
		LA11	Programs for skills management	56–59	
		LA13	Composition of governance bodies and breakdown of employees	66–79	
			HUMAN RIGHTS		
X		HR6	Measures taken to contribute to the elimination of child labour	6–7	
X		HR7	Measures taken to contribute to the elimination of forced labour	6–7	
			SOCIETY		
X		SO6	Contributions to political parties, politicians and related institutions	6-7	
			PRODUCT RESPONSIBILITY		
		PR5	Practices related to customer satisfaction	50	
		PR6	Adherence to marketing communications laws, standards and voluntary codes	6–7, 50	

Corporate governance and management

Our corporate governance adheres to current legislation, regulations and principles. Our values and Code of Conduct also guide our operations.
Remuneration and standardising and developing internal working methods were two of our focal areas in 2010.

Corporate Governance

Lemminkäinen Corporation is a Finnish public listed company whose administration complies with the Finnish Corporate Governance Code and the company's Articles of Association. Lemminkäinen's corporate governance is also guided by the values and Code of Conduct approved by the Board of Directors.

Up-to-date information about Lemminkäinen's corporate governance can be found on our website at www.lemminkainen.com.

PRINCIPLES OF CORPORATE GOVERNANCE

Lemminkäinen is administered in accordance with current legislation, such as the Companies Act and the Securities Market Act, and the company's Articles of Association.

We also observe the rules and insider guidelines of NASDAQ OMX Helsinki Ltd and the Finnish Corporate Governance Code.

LEMMINKÄINEN'S ADMINISTRATIVE BODIES

The General Meeting is where shareholders exercise their voting rights and is Lemminkäinen's highest decision-making body. The General Meeting elects the Board of Directors, which in turn appoints the President and CEO. The Board of Directors and the President and CEO are responsible for the company's management. Other management personnel assist the President and CEO in his duties.

General meeting

Lemminkäinen's Annual General Meeting is held annually within six months of the end of the previous financial year on a date determined by the Board of Directors.

The right to attend a General Meeting is restricted to those shareholders who are registered on the list of shareholders maintained by Euroclear Finland Oy on the record date, which shall be at least eight working days prior to the meeting. Shareholders must also register their attendance by the date stated in the invitation.

The Annual General Meeting decides on all matters required in the provisions of the Companies Act, such as adoption of the Financial Statements, profit distribution, and granting discharge from liability to the members of the Board of Directors and the President and CEO. The AGM also elects the members of the Board of Directors and the auditors, and decides on their remuneration.

2010 Lemminkäinen Corporation's 2010 Annual General Meeting was held in Helsinki on 16 April 2010. 149 shareholders attended the meeting, representing about 69 per cent of the company's total number of shares and votes.

Decisions of the Annual General Meeting:
www.lemminkainen.com/Investors > Management and Corporate Governance > General meeting of shareholders

Board of Directors

Each year, Lemminkäinen Corporation's Annual General Meeting elects at least four and at most eight members to serve on the company's Board of Directors. The Board elects a Chairman and Vice Chairman from among its members, whose term of office runs until the end of the following Annual General Meeting.

The Board of Directors decides on matters of principle and any issues that would have broad-ranging implications for the company. Lemminkäinen's President and CEO also attends the Board's meetings to present matters for the Board's consideration, as do the CFO and the Executive Vice President of Corporate Business Development, who also acts as the Secretary of the Board. Other members of the Executive Board and the company's management attend meetings as required.

2010 One of the Board of Directors' most important areas for concern in 2010 was ensuring the profitability of Lemminkäinen's operations during the construction industry recession. The Board met to discuss ways of guaranteeing sufficient funding. In order to strengthen Lemminkäinen's financial position, the Board decided on a share issue, which was carried out in early 2010 with the authorisation of the Annual General Meeting. The Board also decided to float a convertible bond, which diversified Lemminkäinen's funding base and extended its debt maturity profile.

At its meetings, the Board discussed business sector strategies and ensured their consistency with the Group's strategy, which was revised in 2009. In 2010, the Board also handled the company's strategic acquisitions and corporate restructuring, as well as issues relating to the development of Lemminkäinen's operating model, such as the standardisation of support functions.

The Board of Directors carried out a self-assessment of its work. Amongst other things, the Board assessed its structure, working methods and compliance with its rules of procedure. The Board also assessed the independence of its members. The results of this self-assessment are used to develop the Board's working methods.

BOARD COMMITTEES

At its annual organisational meeting, the Board of Directors appoints three committees from among its members: the Audit Committee, the Nomination Committee and the Remuneration Committee. These committees assist the Board of Directors by preparing and drawing up proposals and recommendations for the Board's consideration. The Board of Directors has approved the rules of procedure governing these committees.

The Audit Committee

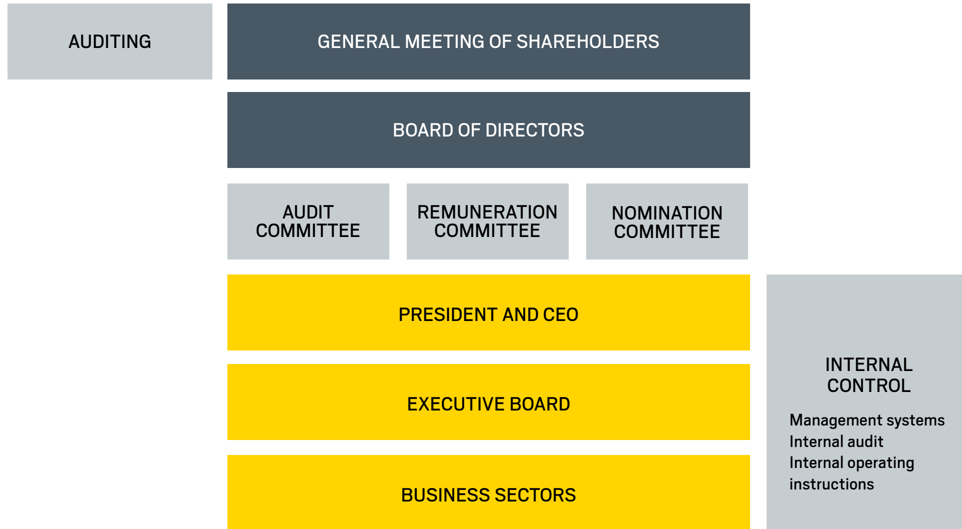
The Audit Committee monitors and supervises Lemminkäinen's annual and interim reporting processes and the statutory audit of the consolidated and parent company's Financial Statements. The committee also monitors the adequacy and effectiveness of the Group's risk management, internal control and internal audit. It also handles the Group's Corporate Governance Statement.

The Audit Committee deals with reports and plans prepared by the internal control and internal audit units. It also assesses the independence of the statutory auditor or firm of authorised public accountants, and in particular the provision of ancillary services to the audited firm. The Audit Committee evaluates potential auditors and submits a proposal for the Board of Directors' consideration.

The Audit Committee consists of a Chairman and two members appointed by the Board. The company's auditor, internal auditor and management representatives are also invited to meetings. All committee members must be competent in the Audit Committee's task domain, and at least one member must have expertise in accountancy, bookkeeping or auditing.

2010 In addition to mandatory items, the Audit Committee also considered the Group's financial position at its 2010 meetings. Due to amended IFRS regulations, the Audit Committee supervised the changes required by these new accounting principles and also accordingly updated comparison figures for 2009. The committee also evaluated the restructuring of Lemminkäinen's financial administration as part of our project to renew the operating model of our internal support functions. The committee took care of impairment tests and Lemminkäinen's Corporate Governance Statement.

LEMMINKÄINEN GROUP'S CORPORATE GOVERNANCE AND MANAGEMENT



THE BOARD OF DIRECTORS' MOST IMPORTANT TASKS

- To approve the Group' strategy, operating principles and guiding values, and to ensure that they are up-to-date and correctly implemented
- To approve Group-company budgets as part of the consolidated budget
- To make decisions concerning the Group's key investment and financing activities
- To ensure that the Group's risk management principles have been defined and to conduct an annual examination to ensure that key business risks have been identified and are being systematically monitored
- To ensure that the Group has a well-functioning system of internal controls
- To make decisions on whether to divest existing businesses or to expand into new business areas in accordance with the company's line of business as defined in its Articles of Association
- To appoint and dismiss the President and CEO and his or her immediate subordinates
- To decide, on the basis of a proposal made by the Remuneration Committee, on the principles of the Group's incentive-based remuneration systems and on the salaries, incentives and other benefits of the President and CEO and Group Executive Board

The Audit Committee also handled external audit bids and submitted a proposal to the Board of Directors. This proposal suggested that the Board should make a proposal to the Annual General Meeting recommending that the AGM elect PricewaterhouseCoopers Oy, authorised public accountants, as the company's auditor.

The Nomination Committee

The Nomination Committee makes preparations for the Annual General Meeting by drawing up a list of proposed nominees for the Board of Directors and making a recommendation for their fees.

2010 The Nomination Committee made a proposal containing a list of proposed nominees for Lemminkäinen's Board and a recommendation for the fees to be paid to both Board and Committee members. The General Meeting approved the Nomination Committee's proposal, which was presented at the Annual General Meeting held on 16 April 2010.

The Remuneration Committee

The Remuneration Committee handles matters relating to the salaries and bonuses of senior management, as well as other key terms and conditions of their service agreements. The Remuneration Committee also deals with Group-level remuneration, incentive schemes and retention bonus schemes. The Board of Directors makes the final decisions on the basis of the Committee's proposals.

2010 The Remuneration Committee considered management's salaries and bonuses, and also Lemminkäinen's remuneration system for management and its limits, for 2010. The Board of Directors approved the Remuneration Committee's proposal.

GROUP MANAGEMENT

President and CEO

The President and CEO is responsible for the Group's day-to-day administration and business planning. The President and CEO undertakes the execution of measures approved by the Board of Directors and handles preparations for any measures that are strategically important at Group level. The President and CEO also ensures that the Group has adequate management resources and that its administration is appropriate and complies with the law.

Executive Board

The Lemminkäinen Group's Executive Board comprises the President and CEO of the parent company, the executive vice presidents of our business sectors, the Executive Vice President of Human Resources and ICT, the Executive Vice President of Corporate Business Development, and the Chief Financial Officer. The President and CEO is Chairman of the Executive Board.

The Executive Board supports the President and CEO in, for example, the preparation and execution of strategic matters, operating plans, matters of principle and any other significant matters. The Executive Board also supports the President and CEO in ensuring information flow and smooth internal cooperation.

2010 In 2010, the Executive Board comprised President and CEO Timo Kohtamäki; Henrik Eklund, Executive Vice President, Infrastructure Construction; Marcus Karsten, Executive Vice President, Technical Building Services; Erkki Lönnrot, Executive Vice President, Building Products; Tiina Mellas, Executive Vice President, Human Resources and ICT; Tiina Mikander, Executive Vice President, Corporate Business Development; Jukka Terhonen, Executive Vice President, Building Construction; and Robert Öhman, Chief Financial Officer.

In addition to his other duties, Marcus Karsten, Executive Vice President, Technical Building Services, was responsible for the management and development of Group-wide customer relations. Jukka Terhonen, Executive Vice President, Building Construction was responsible for residential construction in Russia and developing a Group-wide renovation concept. Developing Scandinavian infrastructure construction was the responsibility of Henrik Eklund, Executive Vice President, Infrastructure Construction. Erkki Lönnrot was responsible for the improvement of the regional co-operation.

Tiina Mellas was responsible for the management and development of the Group's human resources and ICT.

Tiina Mikander, Executive Vice President, Corporate Business Development, was responsible for developing strategic business planning, management systems and corporate responsibility themes. The Group's communications and environment and safety functions also report to her. Corporate responsibility matters, including the environment and safety function, were transferred to Senior Vice President, Corporate Responsibility and Risk

VICE PRESIDENT,
FINANCE SHARED SERVICES

Susanne Hellstrand

I started as Lemminkäinen's Vice President, Finance Shared Services in April 2010. I've worked in a variety of financial administration positions throughout my career. We spent last year planning the introduction of shared financial services for the whole Group, and we are now implementing the changes.

In 2011, we will be standardising our working methods as we centralise our financial administration at a single service centre. This centralised model is a fundamental aspect of the new Lemminkäinen: better support functions ensure profitable growth and focused customer relations. It's easier for suppliers and customers to deal with a unified Lemminkäinen than with several brands and ways of working.

Responsibility in financial administration means risk management and complying with legislation and regulations. More effective financial administration maintains our competitiveness – and it also provides management with valuable information that helps keep our business running efficiently.

This is a major change for Lemminkäinen and will require a great deal of effort. We will all have to learn new ways of working, both in business operations and financial administration. Now is, however, the right time to make these changes and ensure that Lemminkäinen continues to be a desirable employer for everyone, whether they're working on-site or for our support services.

The development of financial administration services enhances operational efficiency and cost-effectiveness. Construction units can be provided with an even broader range of expert services.

Management who reports to President and CEO as of November 2010.

CFO Robert Öhman's areas of responsibility were Finance, Treasury, Mergers and Acquisitions, Investor Relations and Legal Affairs. He was also responsible for developing the Group's procurement function.

Insider Administration

We observe NASDAQ OMX Helsinki Ltd's insider guidelines, which are supplemented by the insider guidelines approved by Lemminkäinen's Board of Directors. We maintain a public and company -specific register using Euroclear Finland Oy's SIRE system.

Insiders subject to disclosure requirements are the members of Lemminkäinen's Board of Directors, the President and CEO and the chief auditor of our accounting firm. We have also defined the members of Lemminkäinen's Executive Board as insiders subject to disclosure requirements. The share ownership of all insiders subject to disclosure requirements has been made public.

We also maintain permanent company-specific registers of people who regularly receive inside information due to their position or duties. Their share ownership has not been made public. When necessary, we also keep registers of project-specific insiders.

2010 In 2010, insider training was arranged for all of Lemminkäinen's public and company-specific insiders. A total of 50 people attended.

Share ownership and transaction details for Lemminkäinen's public insiders: www.lemminkainen.com/Investors > Management and Corporate Governance > Insider administration > Insider Ownership

Auditing

The scope of our audit encompasses the Group's accounting, administration, Financial Statements and Board of Directors' report for each accounting period. The Auditor makes regular reports to the Audit Committee and submits an Auditors' Report to the Annual General Meeting. The Auditors' Report contains a statement as to whether the Financial Statements and the Board of Directors' report give a true and fair view, as defined in the rules governing financial reporting, of the Group's operative result and financial position, and as to whether the information contained in the Board of Directors' report is consistent with the Financial Statements. The auditor's fee is paid annually on the basis of an invoice, in accordance with the Annual General Meeting's decision.

2010 Lemminkäinen's auditor for 2010 was PricewaterhouseCoopers Oy, a firm of authorised public accountants, with Jan Holmberg, A.P.A. as the chief auditor. PricewaterhouseCoopers Oy has been Lemminkäinen's auditor since 2004.

In 2010, we paid our auditor EUR 857,346.96 (2009: EUR 729,891) in auditing fees and EUR 389,107 in consultancy fees (EUR 55,658).

In 2010, Lemminkäinen invited bids from firms of authorised public accountants. As a result, the Board of Directors will make a proposal to the 2011 Annual General Meeting recommending that we re-elect PricewaterhouseCoopers Oy as our auditor.

Internal control

Internal controls seek to ensure that the Group's operations are efficient and profitable, that reporting is consistent and reliable, and that the Group's operating principles and all applicable legislation and regulations are observed.

The Board of Directors is responsible for ensuring that the Group's internal controls and risk management are adequate for the scope of our business operations, and that their supervision is appropriately organised. The Board of Directors supervises the President and CEO to ensure that he or she handles the company's business operations and administration in accordance with the guidelines and orders issued by the Board of Directors. In order to ensure adequate risk management, the Board of Directors discusses the Group's business sector reviews and financial reports, as well as any substantial changes that have occurred in the company's business. The Board's Audit Committee also assesses the adequacy and appropriateness of internal controls and risk management.

The President and CEO is responsible for the practical organisation of internal controls. He or she ensures that supervision of the company's bookkeeping and asset management has been properly arranged.

Our business is organised into business sectors whose executive vice presidents report to the President and CEO. The Group's other directors and managers are responsible for internal controls within their own areas of responsibility.

We control and monitor our functions in order to ensure their efficiency and appropriateness. Our key means are the financial reports and business reviews prepared by management at business area, business sector and Group level. Our internal controls over financial reporting aim to ensure that the interim reports and Financial Statements we publish are prepared in accordance with the accounting and reporting principles adopted by Lemminkäinen, and that they are reliable. The internal control function also monitors financial reporting to ensure that it is handled in accordance with set timetables. Lemminkäinen's financial reporting processes and risk management are described in greater detail in the Corporate Governance Statement, which is available on our website.

Legal affairs are coordinated by a Group-level unit in order to promote consistent practices and to ensure the management of legal risks. Our personnel receive regular training in legal and contractual matters. We have also drawn up detailed guidelines for different areas, such as competition law and insider issues, and provide training on them. Monitoring compliance with these guidelines falls under the scope of our line operations and management.

Lemminkäinen's shared values and Code of Conduct define expectations for how personnel should act and how we should interact with our partners and stakeholders. The Group's values, Code of Conduct and strategy are closely linked, and their practical application is a key part of leadership and everyday management.

2010 In 2010, Lemminkäinen organised training in competition law. 259 people took part in the training.

Internal Audit

The internal audit unit assists the Board of Directors in its supervisory role by obtaining information on the adequacy and functionality of risk management and internal controls in the Lemminkäinen Group and its business units. The internal audit unit assesses the economy and efficiency of resource usage, the reliability of reporting, the protection and security of assets, and compliance with regulations, operating principles and guidelines. Its operating principles are defined in the internal auditing instructions approved by the Board of Directors.

MEMBERS OF THE BOARD AND BOARD'S COMMITTEES	Independence of the company	Independence of significant shareholders	Audit Committee	Nomination Committee	Remuneration Committee
Berndt Brunow, chairman	Yes	Yes		Chairman	Member
Juhani Mäkinen, vice chairman	Yes	Yes	Member		
Mikael Mäkinen, member	Yes	Yes			Member
Kristina Pentti-von Walzel, member	Yes	No	Member	Member	
Heikki Räty, member	Yes	Yes	Chairman		
Teppo Taberman, member	Yes	Yes		Member	Chairman

BOARD MEMBER MEETING PARTICIPATION	Board	Audit Committee	Nomination Committee	Remuneration Committee
Berndt Brunow, chairman	15/15		1/1	1/1
Juhani Mäkinen, vice chairman	15/15	5/6		
Mikael Mäkinen, member	14/15			1/1
Kristina Pentti-von Walzel, member	15/15	6/6	1/1	
Heikki Räty, member	15/15	6/6		
Teppo Taberman, member	13/15		1/1	1/1

The internal audit unit is subordinate to the Board of Directors and operates under the supervision of the President and CEO. It consists of an audit manager and as many internal auditors as are required for the unit to carry out its work. Internal auditing resources are strengthened as required by procuring internal auditing services from external service providers.

Remuneration

Remuneration – Board of Directors

Lemminkäinen Corporation's General Meeting elects the members of the Board of Directors on an annual basis and also determines their fees. These fees are paid entirely as monetary compensation. The Board members' term of office runs until the end of the following Annual General Meeting.

Members of Lemminkäinen's Board of Directors do not fall within the sphere of the company's share scheme, nor do they have an employment contract with Lemminkäinen.

2010 The 2010 Annual General Meeting decided that the Chairman of the Board would be paid a fee of EUR 10,000 per month (2009: EUR 10,000) and Board members would each receive EUR 3,000 per month (EUR 3,000). Members of the Board also received an attendance fee of EUR 500 per meeting (EUR 500).

Members of the Audit Committee were paid an attendance fee of EUR 500 per committee meeting (EUR 500).

Remuneration – Management

On the basis of a proposal submitted by the Remuneration Committee, Lemminkäinen's Board of Directors decides on the salaries, incentive schemes and other benefits received by the President and CEO and the Executive Board.

In 2009, as part of Lemminkäinen's strategy renewal process we renewed our management remuneration policy. Remuneration for the Group's Executive Board has been based on this policy since 2009. In 2010, it was extended to cover all management positions.

According to the policy approved by the Board of Directors, the remuneration given to the President and CEO, members of the Group's Executive Board and other management personnel consists of a fixed basic salary plus payments in kind, other benefits and long- and short-term bonuses.

A fixed basic salary denotes monthly monetary compensation, which is determined by the nature of the position as well as the person's experience and performance. In addition to meal benefits and the use of a company car and mobile phone, management personnel also have extended insurance coverage for accidents and travel during their leisure time.

Each year, Lemminkäinen's Board of Directors decides on benchmarks for long- and short-term incentive plans, which seek to support the achievement of our strategic targets. On the basis of a proposal by the President and CEO, the Board decides on the benchmarks to be reached and the size of the incentives to be awarded.

SHORT-TERM INCENTIVES

Management's short-term bonuses are based on the opportunity to receive an annual performance-related bonus. A performance-related bonus is earned by exceeding the performance targets specified at the beginning of each year. Lemminkäinen's management is divided into five performance-related bonus groups, which determine the maximum percentage applicable to each individual.

Individuals are allocated to groups based on both their position in the organisational hierarchy and the nature and commercial value of their position.

2010 In 2010, management's performance-related bonuses were based on the Lemminkäinen Group's pre-tax profits, its net interest-bearing liabilities and the successful implementation of the Group's business plan. In addition to these criteria, the performance-related bonuses for the executive vice presidents of Lemminkäinen's business sectors were also based on each sector's result and the successful implementation of its own business plan. The achievement of the targets of performance-related bonuses is monitored at least every six months.

In 2010, the President and CEO's maximum performance-related bonus would have been 80 per cent of his annual salary. The maximum percentages for performance-related bonuses for other members of the Group's Executive Board varied from 40–60 per cent in 2010.

LONG-TERM INCENTIVE PLAN

Lemminkäinen's long-term incentive plan is a share-based scheme comprising three one-year earning periods: the calendar years 2010, 2011 and 2012. The commitment period is two years. The Board of Directors decides on the earning criteria for each period as well as on the targets to be established at the beginning of each earning period. The achievement of earning criteria is monitored at least once every six months.

The scheme's target group consists of the President and CEO, the members of Lemminkäinen's Executive Board and about 20 others. The Board of Directors decides on the distribution of shares to key personnel.

2010 In 2010, the earning criteria for long-term incentive plan was targets set for the Group's equity ratio and return on investment.

Supplementary pension plans

As of 1 January 2010, supplementary pension plans for the President and CEO and Executive Board have been based on a defined contribution scheme and obtaining a paid-up policy. Contributions are calculated as a percentage of annual salary. Members of the 2009 Executive Board who were born before 1955 are an exception to this rule: they still fall within the scope of the defined benefit scheme. Executive Board members are entitled to retire upon reaching 60 years of age.

2010 In 2010, EUR 1.5 million was paid into defined contribution pension plans for the President and CEO and Executive Board members. EUR 140,000 was paid into defined benefit schemes.

President and CEO

Timo Kohtamäki, Lic.Tech, (b. 1963) has served as President and CEO of Lemminkäinen Corporation since 1 January 2009.

The President and CEO's pension is determined according to the terms of the Group's supplementary pension plan for management. The President and CEO's plan is therefore based on a defined contribution scheme and obtaining a paid-up policy. The President and CEO is entitled to retire upon reaching 60 years of age.

The President and CEO's employment contract may be terminated with six months' notice. Upon termination of the contract by the company, the President and CEO shall be entitled to receive a one-off severance payment equivalent to 18 months' salary in accordance with his or her salary rate at the time of termination.

MONTHLY REMUNERATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS (€)	2010	2009
Berndt Brunow	120,000	122,545
Juhani Mäkinen	36,000	36,000
Mikael Mäkinen	36,000	28,364
Kristina Pentti-von Walzel	36,000	36,000
Heikki Räty	36,000	28,364
Teppo Taberman	36,000	36,000
Total	300,000	287,273

REMUNERATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS (€)	2010	2009
Berndt Brunow	7,000	4,000
Juhani Mäkinen	9,500	6,000
Mikael Mäkinen	6,500	4,000
Kristina Pentti-von Walzel	10,000	6,000
Heikki Räty	10,000	5,500
Teppo Taberman	9,000	4,000
Total	52,000	29,500

SALARIES AND BENEFITS PAID TO MEMBERS OF EXECUTIVE BOARD (€)	2010	2009
Salary	1,364,672	1,169,743
Benefits	62,480	63 756
Short-term reward scheme	241,112	-
Long-term reward scheme	91,703	-
Other rewards 1)	-	405,624
Total	1,759,967	1,639,123

1) The Executive Board was not formed until the beginning of 2009 so the rewards paid to the members of the Executive Board in 2009 are based on their old work assignments and on the reward schemes used.

SALARIES AND BENEFITS PAID TO THE PRESIDENT AND CEO (€)	2010	2009
Salary	407,408	416,020
Benefits	18,490	11,760
Short-term reward scheme	132,000	-
Long-term reward scheme	88,320	-
Total	646,217	427,780

READ MORE
www.lemminkainen.com/Investors/Management_and_Corporate_Governance

Board of Directors 31.12.2010

BERNDT BRUNOW
b. 1950, B.Sc. (Econ.)

Chairman of Board of Directors since 2008 and a board member since 2002. Chairman of the Nomination Committee and a member of the Remuneration Committee. Independent of the Company and its major shareholders.

Primary work experience

- Oy Karl Fazer Ab, Managing Director, 2002–2007
- Sanitec Corporation, Managing Director, 2000–2002
- Over 20 years of experience in executive positions in the forest industry both in Finland and abroad

Key positions of trust

- Chairman of the Board of Director: Oy Karl Fazer Ab
- Vice Chairman of the Board of Directors: UPM Kymmene Corporation
- Member of the Board of Directors: Oy Nautor Ab

JUHANI MÄKINEN
b. 1956, Counsellor of Law, Attorney

Member and Vice Chairman of Board of Directors since 2008. Member of the Audit Committee. Independent of the Company and its major shareholders.

Primary work experience

- Hannes Snellman Attorneys Ltd, Partner 1985–2010
- Scandinavian Law Office, Rotterdam, Netherlands, Resident lawyer 1982–1984

Key positions of trust

- Chairman of the Board of Directors: Oy Forcit Ab and Aval Oy
- Vice Chairman of the Board of Directors: Myllykoski Corporation and Componenta Corporation
- Member of the Board of Directors: Oy Karl Fazer Ab, Viking Malt Oy and Virala Oy Ab

MIKAEL MÄKINEN
b. 1956, M.Sc. (Eng.) Nav. Arch.

Member of the Board of Directors since 2009. Member of the Remuneration Committee. Independent of the Company and its major shareholders.

Primary work experience

- Cargotec Corporation, President & CEO, 2006–
- Wärtsilä Corporation, Group Vice President, Ship Power, 1999–2006, Wärtsilä NSD Singapore, Managing Director, 1997–1998, Marine, Wärtsilä SACM Diesel, Vice President 1992–1997

Key positions of trust

- Chairman of the Board of Directors: Finpro
- Member of the Board of Directors : International Chamber of Commerce ICC Finland, Federation of Finnish Technology Industries and Stora Enso Corporation

READ MORE
www.lemminkainen.com/Investors/Management_and_Corporate_Governance/Board_of_Directors/Members_of_Board_of_Directors

KRISTINA PENTTI-VON WALZEL

b. 1978, M.Sc. (Econ.), B.Sc. (Pol.Sc.)

Member of the Board of Directors since 2007. Member of the Nomination Committee and the Audit Committee. Independent of the Company and non-independent of its major shareholders.

Primary work experience

- Hanken School of Economics, Campaign Director/ fundraising, 2008–
- Work experience placements in the Ministry for Foreign Affairs of Finland as well as in various positions in personnel management and the financial services industry for companies such as Mandatum Stockbrokers Ltd and Fortum Corporation, 1999–2006

Key positions of trust

- Member of the Board of Directors: Aspo Plc, Foundation for Economic Education, CMI Crisis Management Initiative and Finnish Family Firms Association

HEIKKI RÄTY

b. 1953, M.Sc. (Econ.)

Member of the Board of Directors since 2009. Member of the Audit Committee. Independent of the Company and its major shareholders.

Primary work experience

- Helectron Oy Ab, Managing Director, 2009–
- EHA-Invest, Strategic management and financial consultant, 2008–2009
- Myllykoski Corporation, Deputy CEO, 1998–2008, CFO 1994–1997

Key positions of trust

- Member of the Board of Directors: Mekalasi Oy, Saxo Oy, Pato Oy and Electrosonic Group Oy Ab.

TEPPO TABERMAN

b. 1944, M.Sc. (Econ.)

Member of the Board of Directors since 1997 and Vice Chairman of the Board of Directors, 1998–2008. Chairman of the Remuneration Committee and a member of the Nomination Committee. Independent of the Company and its major shareholders.

Primary work experience

- Professional board member and economic advisor, 1995–
- Twenty years of experience in the banking industry, including deputy managing directorships in two different banks

Key positions of trust

- Member of the Board of Directors: Oy Rettig Ab, Ålandsbanken Abp, Ingman Group Oy Ab, Larox Corporation and SKS Goup Oy

Executive Board 31.12.2010

TIMO KOHTAMÄKI
b. 1963, Lic. Tech.

President and CEO, 2009–

Group employee since 1996

Primary work experience

- Lemminkäinen Infra Oy, Managing Director, 2008
- Lemcon Ltd, Head of Infra Unit, 2000–2007; Construction Manager, 1996–1999
- Viatek Yhtiöt Oy/Geoinsinöörit Oy, Project Manager, 1989–1996

Positions of trust

- Vice Chairman of the Board of Directors: Confederation of Finnish Construction Industries (RT)
- Member of the Board of Directors: Infra Association
- Member of the Supervisory Board: Ilmarinen Mutual Pension Insurance Company
- Member of the Advisory Board: Nordea Bank
- Member of the Delegation: Helsinki Region Chamber of Commerce

HENRIK EKLUND
b. 1961, M.Sc. (Eng.)

Executive Vice President, Infrastructure Construction, 2009–

Group employee since 1989

Primary work experience

- Lemminkäinen Infra Oy, Managing Director, 2009–
- Lemminkäinen Infra Oy, Head of Paving and International Operations, 2008
- Lemminkäinen Corporation, Head of the Paving and Mineral Aggregates Division, 2005–2007
- Lemcon Ltd, Export Director, 2001–2004
- Lemminkäinen Construction Ltd, Project Planning Manager, Project Manager, Regional Manager, 1995–2000

Positions of trust

- Member of the Supervisory Board: Etera Mutual Pension Insurance Company
- Member of the Board of Directors: RYM Oy (Strategic Centre for Science, Technology and Innovation for Built Environment)

MARCUS KARSTEN
b.1966, M.Sc. (Econ.)

Executive Vice President, Technical Building Services, 2010–

Group employee since 2002

Primary work experience

- Lemminkäinen Talotekniikka Oy, Managing Director, 2010–
- Tekmanni Service Oy, Managing Director, 2004–2009; Marketing and Development Director, 2002–2004
- Siemens Group, different managerial positions, 1992–2002

Positions of trust

- Chairman of the Board of Directors: Oy Victor Ek Ab
- Member of the Board of Directors: LVI-TU and STTA ry

ERKKI LÖNNROT
b. 1954, Construction Engineer

Executive Vice President, Building Products, 2002–2010

Group employee since 1980

Primary work experience

- Lemminkäinen Rakennustuotteet Oy, Managing Director, 2005–2010
- Head of Roofing Contracting, 1999–2002;
- Contracting Manager, 1993–1998

READ MORE
http://www.lemminkainen.com/Investors/Management_and_Corporate_Governance/Group_management/Executive_Board

TIINA MELLAS

b. 1960, M.Sc. (Econ.)

Executive Vice President, HR and ICT, 2010–

Group employee since 2009

Primary work experience

- Lemminkäinen Corporation, Director, Human Resources, 2009–2010
- TietoEnator, HR Centre, Vice President, 2005–2008
- TietoEnator, Processing & Network, Director for Business Development, 2004–2005; Head of Profit Unit, 1999–2004; Head of Department, 1997–1998

TIINA MIKANDER

b. 1967, Master of Laws

Executive Vice President, Corporate Business Development, 2010–

Group employee since 1998

Primary work experience

- Lemminkäinen Corporation, Director, Legal affairs, 2005–2010; Legal Counsel, 1998–2005
- City of Kauniainen, city clerk and administration manager, 1997–1998
- Loviisa District Court, judicial trainee and locum district court judge, 1994–1996

JUKKA TERHONEN

b. 1954, M.Sc. (Eng.)

Executive Vice President, Building Construction, 2009–

Group employee since 2001

Primary work experience

- Lemminkäinen Talo Oy, Managing Director, 2009–
- Rakennustoimisto Palmberg Oy, Managing Director, 2001–2009
- YIT Group, Head of Building Construction, Area Manager in Tampere-Vaasa, Head of housing production in Helsinki Metropolitan Area, Managing Director (Otto Wuorio Oy), Production Manager (Otto Wuorio Oy), Design-and-build Contract Manager (Otto Wuorio Oy), 1985–2001

Positions of trust

- Chairman of the Board: Tampere Chamber of Commerce & Industry
- Member of the Board of Directors: Building Construction Association (TRT ry) and SFHP (Suomi-Finland Housing and Planning Association)
- Chairman of the Housing Group: Confederation of Finnish Construction Industries (RT)

ROBERT ÖHMAN

b. 1959, M.Sc. (Econ.)

Chief Financial Officer, 2009–

Group employee since 2009

Primary work experience

- Sponda Plc, Chief Financial Officer, 2006–2009
- Vattenfall Oy, Finance Director, 1996–2006
- Waste Management Finland Oy, Finance Director, 1992–1996
- Reuters Ges.m.b.H, Finance and Administration Manager, 1990–1992
- Reuters Suomi Oy Ab, Finance Manager, 1986–1990

Positions of trust

- Member of the Board of Directors: Etera Mutual Pension Insurance Company

Financial statements

Board of Directors' report 2010

OPERATING ENVIRONMENT

Finland

The economic recession caused by the financial crisis has eased. Recovery is progressing in the uncertain global economy. The rebound has been faster than expected, but safeguarding financial stability and balancing public finances still cause uncertainty in Europe.

The volume of construction in Finland is estimated to have grown by about 2 per cent in 2010. Most of this growth was due to residential construction, in which the number of start-ups swung to growth after declining for two consecutive years. The number of start-ups in the construction of commercial and business premises grew cautiously. The vacancy rate of office buildings has remained high. Activity in the property market increased in 2010, but few major deals were made. That said, the yield requirements of property investors have declined slightly compared with 2008 and 2009. The volume of renovation grew during the report year.

The total volume of infrastructure construction either remained on a par with the previous year or declined slightly. Weather conditions shortened the paving season by about two months, which impacted on the amount of paving works carried out during the entire year. The volume of paving works was also affected by smaller government allocations for basic road maintenance and weak municipal finances. A reasonable number of infrastructure construction projects were on offer, but competition was tight. Traffic tunnel projects in the Greater Helsinki Area and a pickup in mining operations in Northern Finland kept Finnish rock engineering contractors busy in 2010.

The low number of start-ups in building construction in past years also impacted on technical building services, in which the Company continued to face heavy competition. Demand for maintenance and servicing was moderate, but prices were down. Relatively few new investments were made in technical building systems, especially in the construction of business premises. Renovation of housing grew in 2010 and this growth is expected to continue in the years ahead.

In the case of building products, demand for pre-cast concrete elements picked up as residential construction rebounded. Demand for environmental products was likewise good, but the work season was cut short by heavy snowfall in the winter. In roof contracting, competition was tight.

Operations outside Finland

In Sweden, the volume of infrastructure construction grew in 2010. Infrastructure construction now accounts for almost 40 per cent of all construction works in the country. Numerous ongoing tunnel projects and mine excavation contracts will keep the work situation good in the future. In Norway, the volume of infrastructure construction dipped slightly from the peak levels of 2009. In winter, exceptionally heavy snowfall hindered road construction and halted paving works in the middle of the normal work season. In Denmark, the total volume of infrastructure construction remained at around the same level as in 2009.

The construction markets of the Baltic countries remained difficult, and construction volumes were at a low ebb in all these countries. In recent years, the development of the Baltic road network has mainly relied on EU funding.

Residential construction in Russia picked up substantially in 2010. Demand was maintained by the increase in per capita living space and the development of consumer mortgage services.

NET SALES

Lemminkäinen Group's full-year net sales for 2010 were EUR 1,892.5 million (EUR 1,965.5). Of that total, 71% (73) was generated in Finland, 17% (17) in other Nordic countries, 5% (3) in Russia and 7% (7) in other countries.

Net sales in the Infrastructure Construction, Technical Building Services and Building Products business sectors remained more or less at the same level as in the previous year. The net sales of Building Construction declined due to fewer start-ups of commercial and business premises and the low number of own residential projects completed in early 2010.

NET SALES BY BUSINESS SECTOR, EUR MILLION	2010	2009	2008
Building Construction 1)	810.4	868.7	1,207.5
Infrastructure Construction 2)	776.1	768.0	920.3
Technical Building Services	228.9	233.8	269.9
Building Products 2)	156.8	154.2	156.0
Other operations and Group eliminations	–61.2	–42.2	–52.2
Business sectors, total	1,911.0	1,982.6	2,501.5
Unallocated items	–18.5	–17.1	–19.7
Group, total (IFRS),	1,892.5	1,965.5	2,481.8
of which operations outside Finland	543.5	527.6	676.7

1) As from 1 January 2010, Lemminkäinen observes the interpretation IFRIC 15 – Agreements for the Construction of Real Estate in its reporting. The comparative figures for 2009 have also been calculated in accordance with this interpretation.
2) Forssan Betoni Oy, which formerly belonged to Lemminkäinen Infrastructure Construction, became part of the Building Products business sector as from the beginning of 2010. The comparative figures for 2009 are also in line with the new organisation.

OPERATING PROFIT

Operating profit for 2010 was EUR 29.0 million (23.2) and the operating margin was 1.5% (1.2). Operating profit for 2009 was burdened by the recognition of EUR 54 million of the infringement fine imposed by the Supreme Administrative Court.

In Building Construction, earnings were weakened by the lower-than-expected demand for commercial premises and higher-than-expected additional expenses from lease liabilities. The harsh winter hampered the earnings of Infrastructure Construction, particularly in Norway, where paving works had to be halted in the middle of the ordinary work season. Lemminkäinen posted a loss in the Baltic countries. Due to the Group's restructuring and business adjustment measures, non-recurring items burdened earnings in all business sectors. During the report year, the Company outsourced its vehicle and machinery functions to construction machinery rental companies.

OPERATING PROFIT BY BUSINESS SECTOR, EUR MILLION	2010	2009	2008
Building Construction 1)	27.9	36.4	68.4
Infrastructure Construction 2)	11.6	22.0	26.2
Technical Building Services	2.2	12.2	16.3
Building Products 2)	3.7	10.4	10.5
Other operations	–15.6	–61.7	–3.3
Business sectors, total	29.7	19.4	118.1
Unallocated items	–0,7	3,8	3,8
Group, total (IFRS)	29,0	23,2	121,9

OPERATING MARGIN BY BUSINESS SECTOR, %	2010	2009	2008
Building Construction 1)	3.4	4.2	5.7
Infrastructure Construction 2)	1.5	2.9	2.8
Technical Building Services	1.0	5.2	6.1
Building Products 2)	2.4	6.8	6.7
Group, total (IFRS)	1.5	1.2	4.9

1) As from 1 January 2010, Lemminkäinen observes the interpretation IFRIC 15 – Agreements for the Construction of Real Estate in its reporting. The comparative figures for 2009 have also been calculated in accordance with this interpretation.
2) Forssan Betoni Oy, which formerly belonged to Lemminkäinen Infrastructure Construction, became part of the Building Products business sector as from the beginning of 2010. The comparative figures for 2009 are also in line with the new organisation.

ORDER BOOK

Lemminkäinen's order book grew by 15% year-on-year and amounted to EUR 1,226.4 million (1,064,5). The margins of the order book are now also at a better level than in the previous year, which gives the Company a firmer footing going forward into 2011. Operations outside Finland accounted for 24% (21) of the Group's order book.

ORDER BOOK BY BUSINESS SECTOR, EUR MILLION	2010	2009	2008
Building Construction 1)	697.2	601.7	576.3
of which unsold	135.3	103.2	
Infrastructure Construction 2)	386.5	319.2	365.4
Technical Building Services	112.6	106.8	97.7
Building Products 2)	30.2	36.8	25.2
Group, total	1,226.4	1,064.5	1,064.5
of which operations outside Finland	294.3	224.4	263.1

1) As from 1 January 2010, Lemminkäinen observes the interpretation IFRIC 15 – Agreements for the Construction of Real Estate in its reporting. The comparative figures for 2009 have also been calculated in accordance with this interpretation.
2) Forssan Betoni Oy, which formerly belonged to Lemminkäinen Infrastructure Construction, became part of the Building Products business sector as from the beginning of 2010. The business sector-specific comparative figures for 2009 are also in line with the new organisation.

BALANCE SHEET, CASH FLOW AND FINANCING

Under an authorisation granted by the Extraordinary General Meeting held on 12 November 2009, Lemminkäinen Corporation's Board of Directors decided, on 17 March 2010, on two separate share issues. The Company offered 1,700,000 new shares in the Company for subscription to institutional investors approved by the Board of Directors. The institutional offering raised a total of EUR 39.5 million, which was recognised in the Company's invested non-restricted equity fund. In addition, the Board of Directors decided on a targeted issue in which a total of 923,514 new shares in the Company were offered to subscription against compensation to the minority shareholders of Lemminkäinen Corporation's subsidiaries Lemminkäinen Talo Oy and Lemminkäinen Talotekniikka Oy. The subscription price was EUR 23.25 per share, or a total of EUR 21.5 million.

The funds from the issue were used to refinance a EUR 120 million syndicated loan maturing in January 2011. The remainder of the loan was paid with cash funds and by issuing a EUR 60 million, four-year domestic convertible bond with an annual coupon of 4.50 per cent. The bond was listed on NASDAQ OMX Helsinki Oy for public trading.

Towards the end of the year, the Company agreed on a total of EUR 160 million line of credit through bilateral agreements with Nordea Bank, Pohjola Bank, Sampo Bank and Svenska Handelsbanken. These facilities have a three-year maturity, are unsecured by collateral and serve as a reserve for the Domestic Commercial Paper Programme. They replace the previous syndicated EUR 150 million credit facility that was due to expire in June 2011. The facilities include two covenants that are reviewed on a quarterly basis: average equity ratio over four quarters and the average net debt to EBITDA ratio over four quarters. As part of the financial arrangement, Lemminkäinen also renewed the bank guarantees for its TyEL pension loan facility of about EUR 90 million.

After these arrangements, Lemminkäinen has a broader financing base and the maturity structure of its debt portfolio is spread out over a longer period. Of the Company's interest-bearing debt, 17% (49) comprise loans from financial institutions, 20% (1) commercial paper, 8% (11) project loans related to own production of housing and business premises, 24% (22) TyEL loans, 15% (14) finance lease liabilities and 16% (0) bonds. At the end of the review period, EUR 160 million in committed credit facilities were unused.

The amount of interest-bearing debt at the end of the review period was EUR 375.5 million (399.1), of which EUR 161.4 million (108.4) was short-term debt and EUR 214.1 million long-term debt (290.7). Interest-bearing net debt was EUR 349.2 million (324.7). Net financial expenses during the review period amounted to EUR 22.2 million (33.4), representing 1.2% (1.7) of net sales.

Liquid funds at the end of the review period were EUR 26.3 million (74.4).

According to the cash flow statement, the cash flow from operating activities was EUR –37.2 million (64.2) in 2010. The cash flow for the financial year includes the payment of dividends totalling EUR 2.1 million (18.0) for the 2009 financial year. The dividends paid in 2010 only include dividends paid to minority shareholders of the subsidiaries. Cash flow from operating activities in October–December 2010 was EUR 45.1 million (67.7).

Working capital saw a year-on-year increase of 7% and amounted to EUR 725.0 million (679.9) during the review period. One of the primary reasons behind the growth in working capital was the increase in trade receivables in 2010. Net working capital was up 15% to EUR 393.0 million (342.0).

The balance sheet total stood at EUR 1,065.3 million (1,054.7) on 31 December 2010. Return on investment was 7.0% (5.4) and the equity ratio was 35.2% (30.9). Gearing was 104.7% (110.5). By the end of the 2010–2013 strategic period, Lemminkäinen seeks to achieve return on investment of 18 per cent and an equity ratio of 35 per cent. Lemminkäinen estimates that the growth of the Company's earnings will result in a clear improvement in return on investment by the end of 2011.

BUSINESS SECTORS

Building construction

KEY FIGURES, EUR MILLION [1]	1–12/2010	1–12/2009	1–3/10	4–6/10	7–9/10	10–12/10
Net sales	810.4	868.7	168.7	169.2	214.5	258.0
Operating profit	27.9	36.4	1.2	6.7	2.7	17.3
Operating margin, %	3.4	4.2	0.7	4.0	1.3	6.7
Order book at end of period	697.2	601.7	631.4	727.1	677.4	697.2
of which unsold	135.3	103.2	115.5	149.6	102.2	135.3

[1] As from 1 January 2010, Lemminkäinen observes the interpretation IFRIC 15 – Agreements for the Construction of Real Estate in its reporting. The comparative figures for 2009 have also been calculated in accordance with this interpretation.

The net sales of the Building Construction business sector declined by 7% to EUR 810.4 million (868.7). Rebounding residential construction compensated for the low number of business premises started up. The net sales of the business sector saw substantial growth in the second half of the year thanks to the completion of new residential units. Housing sales were brisk in both Finland and Russia. Of the net sales of Building Construction, 76% (82) came from Finland, 7% (5) from Russia, 11% (7) from Sweden and 6% (6) from other countries.

The business sector's operating profit was down by one fifth to EUR 27.9 million (36.4). Profitability was weakened by the lower-than-expected demand for commercial premises and additional expenses from lease liabilities. In addition, non-recurring items due to structural reorganisation and business adjustment measures were recognised during the financial year. Residential units developed by the Company were completed and recognised in income mainly during the final quarter of the year. A few property transactions were also made in the fourth quarter. During the report year, the Company outsourced its vehicle and machinery functions to construction machinery rental companies.

In 2010, Lemminkäinen started up the construction of a total of 1,191 (351) units in its own housing production in Finland, Russia and Sweden, more than three times as many as in the previous year. This was the greatest number of start-ups in the Company's own housing development since 2006, when they numbered around 1,500 residential units.

The order book of Building Construction swung to growth after the first quarter, and amounted to EUR 697.2 million (601.7) at year's end. Operations outside Finland – mainly in Sweden and Russia – accounted for 15% of the order book, or EUR 101.7 million.

Operations in Finland

In Finland, Lemminkäinen started the construction of a total of 2,252 new residential units, of which the number of contracted housing starts was 1,248 (1,090).

LEMMINKÄINEN'S OWN HOUSING DEVELOPMENT, FINLAND	2010	2009	2008
Housing starts	**1,004**	351	504
Housing units sold	**911**	771	634
Completed	**418**	533	1,030
Under construction at end of period	**991**	405	587
of which unsold	**439**	193	380
Completed and available for sale at end of period	**110**	263	496

Housing sales were brisk in 2010, and a total of 911 residential units developed by the Company were sold. 418 new residential units were completed, the bulk of them in the second half of 2010.

At the end of the financial year, Lemminkäinen owned a total of 830,000 m² of unused building rights in Finland, of which 371,000 m² were residential building rights. The Company also had binding or conditional co-operation and zoning agreements for about 782,000 m², of which about 253,000 m² are residential building rights. The balance sheet value of the Finnish plots was EUR 90.1 million (94.7) at the end of the year.

In the construction of business premises, the number of start-ups is estimated to have bottomed out, although the vacancy rates of business premises are still high. During the present year, Lemminkäinen signed an agreement for the construction of an eco-efficient office and residential building in the Töölönlahti quarter in the centre of Helsinki and an agreement for the construction of a new office building for Konecranes – the lifting equipment manufacturer – in Hyvinkää.

Demand for the construction of commercial and logistics buildings was reasonable in 2010, and the Company started the construction of logistics centres for Inex Partners Oy and Etra Oy, an Etola Group company. In Helsinki, Lemminkäinen will build the Helsinki Environment Centre and the environmentally-friendly Ympäristötalo building for the University of Helsinki, and the construction of the first phase of the Kauppapaikka Herman retail trade property began in Kuopio. Municipalities showed far greater interest in life-cycle projects in 2010.

In Finland, renovation now accounts for close to half of all building construction. In recent years, the volume of renovation works has grown at a particularly rapid clip in housing construction. During the report year, Lemminkäinen landed basic repair contracts for numerous public-sector buildings, such as schools and day-care centres around Finland. In Helsinki, Lemminkäinen signed an additional agreement for renovation work of the Kluuvi Shopping Centre, a continuation of the order received in 2009.

Operations outside Finland

Residential construction began to surge in Russia in 2010. Lemminkäinen's residential construction focuses on the St Petersburg region, where the Company started up the construction of 154 units in its own housing development during the report year. By comparison, no new residential units were started in 2009. Housing sales were also brisk during 2010, and 276 units developed by the Company were sold during the financial year. In addition, Lemminkäinen completed Aleksandria, a project with 498 residential units.

LEMMINKÄINEN'S OWN HOUSING DEVELOPMENT, RUSSIA	2010	2009	2008
Housing starts	**154**	0	479
Housing units sold	**276**	133	61
Completed	**498**	104	0
Under construction at end of period	**154**	479	306
of which unsold	**154**	367	245
Completed and available for sale at end of period	**122**	22	0

In April 2010, Lemminkäinen acquired a plot on Vasily Island, St. Petersburg, close to the city centre. Construction of about 540 residential units is expected to begin there in spring 2011 and to be completed towards the end of 2013.

Lemminkäinen will build a packaging film plant for Ab Rani Plast Oy in the Kaluga industrial park, close to Moscow. Rani Plast is the first customer in Lemminkäinen's industrial park project, an approximately 135-hectare area with premises for about 20 industrial plants and logistics centres. The value of the inventories that Lemminkäinen had tied up in Russia at the end of the 2010 financial year was EUR 46.1 million (36.5).

Operations in Sweden accounted for almost 10% of the net sales of Building Construction in 2010. In Sweden, Lemminkäinen started the construction of 33 (0) units in its own housing development during the review year.

Infrastructure construction

KEY FIGURES, EUR MILLION [1)]	1–12/2010	1–12/2009	1–3/10	4–6/10	7–9/10	10–12/10
Net sales	**776.1**	768.0	51.3	226.0	314.6	184.2
Operating profit	**11.6**	22.0	−24.3	13.5	28.0	−5.6
Operating margin, %	**1.5**	2.9	−47.3	6.0	8.9	−3.0
Order book at end of period	**386.5**	319.2	515.1	543.9	395.9	386.5

[1)] Forssan Betoni Oy, which formerly belonged to Lemminkäinen Infrastructure Construction, became part of the Building Products business sector as from the beginning of 2010. The comparative figures for 2009 are also in line with the new organisation.

The net sales of the Infrastructure Construction business sector in 2010 amounted to EUR 776.1 million (768.0). The business sector generated 55% (54) of its net sales in Finland, 31% (34) in the other Nordic countries, 9% (10) in the Baltic states and 5% (2) in other countries.

The business sector's operating profit fell significantly short of the previous year, amounting to EUR 11.6 million (22.0). Lemminkäinen had a good production season and satisfactory earnings in Finland, Sweden and Denmark. The profitability of the business sector was weakened by exceptionally heavy snowfall in the winter, which hindered paving operations in Norway and the Baltic countries in particular. In Norway, earnings were also burdened by individual loss-making road maintenance contracts. The Baltic market remained very difficult, and Lemminkäinen posted a loss there. The Company's business operations in Latvia have been wound down.

At the end of 2010, the order book of Infrastructure Construction was EUR 386.5 million (319.2), a year-on-year increase of about one fifth.

Operations in Finland

Weather conditions shortened the paving season in Finland by about two months, and the total volume of paving works was smaller than expected. In spite of this, Lemminkäinen's operations were solid during the paving season and earnings were satisfactory.

2010 was a busy year for rock engineering thanks to large tunnel projects and a pick-up in mining operations. Geotechnical engineering works also saw growth thanks to the recovery of building construction. Demand for transport infrastructure construction remained reasonable in 2010, but competition was fierce.

The first part of the year was sedate in Lemminkäinen's mineral aggregates operations, but the pickup in building construction boosted demand towards the end of the year.

Operations outside Finland

Infrastructure construction in the Nordic countries is geographically a strategic growth area for Lemminkäinen. In 2010, the Company increased its market share in the Norwegian infrastructure market with three acquisitions. The major acquisition was the signing of the agreement to purchase 100% of the shares in the Norwegian infrastructure construction company Mesta Industri AS from Mesta Group, a Norwegian state-owned company, at a price of EUR 14.8 million. The approval of the Norwegian Competition Authority is still required. The deal is expected to be concluded during the first quarter of the present year. In addition, the Company acquired a majority stake in Asfalt Remix AS, a Norwegian company specialising in the cold milling of asphalt, and Risa Rock AS, a tunnel excavation company. After these transactions, Lemminkäinen will be the second-largest paving company in Norway and one of the country's major infrastructure construction companies.

In Sweden, the Company bolstered its position in rock engineering when it won several excavation contracts for LKAB's iron ore mine in Kiruna. The total value of the contracts is over EUR 55 million and the longest excavation works will last three years. Lemminkäinen has numerous tunnel and geotechnical engineering projects in progress in Sweden, and thus the outlook is expected to remain favourable in the next few years.

Competition was severe in the infrastructure construction market of the Baltic countries, and the amount on work on offer fell, especially in Latvia and Lithuania. Road construction in the Baltic countries is mainly EU-funded. In 2010, the paving business was also hampered by the exceptionally heavy snowfall and cold weather in winter. Lemminkäinen carried out two large road construction projects in Lithuania.

Technical building services

KEY FIGURES, EUR MILLION	1–12/2010	1–12/2009	1–3/10	4–6/10	7–9/10	10–12/10
Net sales	**228.9**	233.8	54.2	55.8	55.1	63.8
Operating profit	**2.2**	12.2	1.1	0.4	1.7	–1.0
Operating margin, %	**1.0**	5.2	2.0	0.7	3.1	–1.6
Order book at end of period	**112.6**	106.8	114.1	118.0	118.1	112.6

The net sales of Technical Building Services declined slightly to EUR 228.9 million (233.8). About half of its net sales are generated by maintenance and servicing.

The operating profit of the business sector declined substantially to EUR 2.2 million (12.2). Profitability was weakened by tougher competition in the field and the consequent decline in price levels. Non-recurring items due to restructuring and business adjustment measures also decreased the earnings of the business sector. Demand for technical building services for industry was low during the report year, as industry cut investments and maintenance.

Lemminkäinen has expanded its range of piping renovation methods by introducing a coating technique that does not compromise existing structures. The advantages of the technique are its speed and short water outages. The Company is also involved in Finland's first zero-energy apartment buildings, which are located in Kuopio and Järvenpää.

Towards the end of the year, Lemminkäinen made an agreement with Stockmann for the building system maintenance of the new Nevsky Centre shopping centre and its retail space in St Petersburg. This is one of the Company's most extensive maintenance and servicing agreements in the St Petersburg region.

Building products

KEY FIGURES, EUR MILLION [1]	1–12/2010	1–12/2009	1–3/10	4–6/10	7–9/10	10–12/10
Net sales	**156.8**	154.2	20.3	44.7	50.5	41.3
Operating profit	**3.7**	10.4	–3.7	3.4	3.2	0.8
Operating margin, %	**2.4**	6.8	–18.1	7.6	6.3	1.9
Order book at end of period	**30.2**	36.8	35.7	41.2	38.7	30.2

1) Forssan Betoni Oy, which formerly belonged to Lemminkäinen Infrastructure Construction, became part of the Building Products business sector as from the beginning of 2010. The business sector-specific comparative figures for 2009 are also in line with the new organisation.

In 2010, the net sales of the Building Products business sector amounted to EUR 156.8 million (154.2). The business sector's operating profit declined to EUR 3.7 million (10.4). The major factors weakening profitability were the tighter competition in roof and environmental contracting and the rising price of raw materials. The long winter also decreased demand in product sales and the work season was shorter than normal. Sales of pavement stones and roofing products picked up clearly towards the end of the year.

Demand for pre-cast concrete staircase and facade elements was brisk thanks to the pickup in residential construction. Lemminkäinen bolstered its pre-cast concrete element production resources by acquiring 100% of the shares in Suonenjoen Sementtituote Oy.

Towards the end of the review year, Lemminkäinen announced the sale of its roofing business to the capital investment fund Axcel. The transaction price was about EUR 25 million, from which Lemminkäinen will recognise capital gains of about EUR 17 million in the first quarter of 2011. The roofing business accounted for about 40 per cent of the Building Products business sector in 2010. The remaining business operations of Building Products were merged into Infrastructure Construction business sector on 1 January 2011.

At the end of 2010, the order book of Building Products was EUR 30.2 million (36.8), half of which is accounted for by the roofing business.

SHARES AND SHARE CAPITAL

The listed price of Lemminkäinen Corporation's share was EUR 24.20 (13.05) at the beginning of the financial year and EUR 26.00 (24.20) at the end. Market capitalisation at the end of the financial year was EUR 510.8 million (411.9). Share turnover during the financial year totalled 4,171,666 shares (1,918,039). The total value of share turnover was EUR 103.2 million (41.0). At the end of the financial year, the Company had 4,979 shareholders (5,017). The largest shareholder group was the Pentti family, who owned about 57 per cent of the shares. International shareholders owned about 8 per cent of Lemminkäinen's shares.

The Extraordinary General Meeting of Lemminkäinen Corporation, held on 12 November 2009, decided in accordance with the proposal of the Board of Directors to authorise the Board of Directors to resolve on a share issue and/or an issue of special rights entitling their holders to shares, as referred to in Chapter 10, Section 1 of the Finnish Companies Act, in one or more instalments, either against payment or without consideration. The Extraordinary General Meeting also authorised the Board of Directors to decide on the acquisition of treasury shares.

Lemminkäinen Corporation's Board of Directors decided, on 17 March 2010, to organise two separate share issues. The Company offered 1,700,000 new shares in the Company for subscription to private and institutional investors approved by the Board of Directors. In addition, Lemminkäinen Corporation's Board of Directors decided on a targeted issue in which a total of 923,514 new shares in the Company were offered to subscription against compensation to the non-controlling shareholders of Lemminkäinen Corporation's subsidiaries Lemminkäinen Talo Oy and Lemminkäinen Talotekniikka Oy. The subscription price was EUR 23.25 per share. The new shares were entered in the Trade Register and were made available for trading on NASDAQ OMX Helsinki Oy on 23 March 2010.

After these share issues, the Board of Directors is authorised to issue a further 1,576,486 shares and/or special rights entitling their holders to shares. The authorisation is valid for five (5) years after being granted. In addition, the authorisation to acquire treasury shares that was granted to the Board of Directors by the Extraordinary General Meeting of 12 November 2009 is fully unused and will remain in force for 18 months from the decision of the meeting.

Lemminkäinen's share capital is EUR 34,042,500. The Company has one share series and, after the share issue, the total number of shares is 19,644,764.

INVESTMENTS

Gross investments during the financial year amounted to EUR 59.6 million (41.5), representing 3.1% (2.1) of the Company's net sales. They were earmarked mainly for replacement investments in infrastructure construction. In addition, the investments include two acquisitions in Norway in 2010 and smaller acquisitions in Finland.

PERSONNEL

PERSONNEL, AVERAGE	2010	2009	2008
Salaried employees	2,913	3,067	3,286
Hourly paid employees	5,401	5,559	6,490
Personnel, total	8,314	8,626	9,776
of whom working outside Finland	2,372	2,607	2,836
Personnel at the end of the financial year	7,744	7,759	8,910

PERSONNEL BY BUSINESS SECTOR, AVERAGE	2010	2009	2008
Building Construction	2,264	2,356	3,159
Infrastructure Construction[1)]	3,165	3,395	3,658
Technical Building Services	1,859	1,941	2,013
Building Products[1)]	835	820	839
Parent company	191	114	107
Total	8,314	8,626	9,776

1) Forssan Betoni Oy, which formerly belonged to Lemminkäinen Infrastructure Construction, became part of the Building Products business sector as from the beginning of 2010. The business sector-specific comparative figures for 2009 are also in line with the new organisation.

In 2010, the Group companies had 8,314 employees (8,626) on average, about 4% less than in the previous year. Of the employees, 71% worked in Finland, 12% in other Nordic countries, 10% in the Baltic states and 7% in other countries. The number of personnel has been downscaled to correspond to market changes. In line with its strategy, Lemminkäinen changed over to a more centralised operating model for its internal support services in Finland.

CHANGES IN THE ORGANISATION STRUCTURE

One of the objectives of Lemminkäinen's strategy is to move towards creating one unified Lemminkäinen by, for example, simplifying the structure of the Group. In 2010, the Group merged more than 20 of its companies in Finland. The Building Construction and Technical Building Services business sectors underwent the greatest changes. The wholly owned subsidiaries Sica Oy and Lemcon Development Ltd were merged into Lemminkäinen Corporation.

In December 2010, Lemminkäinen announced the sale of its roofing business, which was part of the Building Products business sector. The concrete, environmental and sports construction businesses that were part of the Building Products were transferred to the Infrastructure Construction business sector as from 1 January 2011.

In 2011, Lemminkäinen's business operations are organised into three business sectors: Building Construction, Infrastructure Construction and Technical Building Services.

The telecom network builder Lemcon Networks Oy was transferred to the Technical Building Services business sector as from 1 January 2011. The company was previously part of the Building Construction business sector.

As from the beginning of 2011, the members of the Lemminkäinen Group Executive Board are Timo Kohtamäki, President and CEO, Jukka Terhonen, Executive Vice President, Building Construction, Henrik Eklund, Executive Vice President, Infrastructure Construction, Marcus Karsten, Executive Vice President, Technical Building Services, Tiina Mellas, Director, HR and ICT, Tiina Mikander, Executive Vice President, Corporate Business Development, and Robert Öhman, CFO.

Internal support functions – HR, financial administration, IT, legal affairs as well as communications and marketing – adapted a more consolidated operating model. The shared services target to provide optimal support to business objectives. The Company is seeking a competitive edge and support for growth from cost-effective, professional and high-quality internal support services.

ANNUAL GENERAL MEETING 2010 AND CORPORATE GOVERNANCE

Lemminkäinen Corporation's Annual General Meeting held on 16 April 2010 adopted the Company's financial statements for 2009 and granted the CEO and the members of the Board of Directors discharge from liability. The Annual General Meeting decided, in accordance with the Board of Directors' proposal, that no divided be paid for the financial year.

Berndt Brunow, Juhani Mäkinen, Mikael Mäkinen, Kristina Pentti-von Walzel, Heikki Räty and Teppo Taberman were re-elected to serve as members of the Board of Directors. PricewaterhouseCoopers Oy, a firm of authorised public accountants, was re-elected to serve as the Company's auditor, with Jan Holmberg, APA acting as the chief auditor.

Lemminkäinen Corporation's Board of Directors held an organising meeting on 16 April 2010. Berndt Brunow continued to serve as the Chairman of the Board, and Juhani Mäkinen as the Vice Chairman.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors chooses from among its members a Nomination Committee, an Audit Committee, and a Remuneration Committee. The committees assist the Board of Directors by preparing pertinent matters for the Board's consideration. All of the Board members can participate in meetings of the Audit Committee and the Remuneration Committee.

Lemminkäinen Corporation's Board of Directors held an organising meeting on 16 April 2010. The compositions of the Audit Committee, Nomination Committee and Remuneration Committee were decided at the meeting. The Board of Directors elected Heikki Räty to serve as the Chairman of the Audit Committee, with Juhani Mäkinen and Kristina Pentti-von Walzel serving as members. Berndt Brunow was elected to serve as the Chairman of the Nomination Committee, with Kristina Pentti-von Walzel and Teppo Taberman serving as members. Teppo Taberman was elected to serve as the Chairman of the Remuneration Committee, with Berndt Brunow and Mikael Mäkinen serving as members.

LEGAL PROCEEDINGS

In 2009, the Supreme Administrative Court (SAC) ordered Finnish asphalt industry companies to pay an infringement fine for violations of the Act on Competition Restrictions.

At the beginning of February 2011, 34 claims for damages brought by municipalities and the Finnish state (Finnish Transport Agency) were pending against Lemminkäinen and other asphalt industry companies in the District Court. The claimants contend that restrictions of competition have caused them damages. The total amount of damages sought from Lemminkäinen is currently about EUR 81 million. The claims presented in the statements of claim differ from each other as regards their amounts and grounds.

The ruling rendered by the SAC in 2009 as it stands does not mean that Lemminkäinen or the other asphalt industry companies actually caused any damages to the asphalt work clients. The ruling does not concern the individual contracts that the claimants cited in support of their claims. Nor does the ruling concern the pricing of individual contracts. The SAC has not investigated the contention that inflated prices have been charged for the contracts.

Lemminkäinen's initial position is that the claims for damages are without foundation. The claims will be processed in the order and schedule set by the District Court.

No provisions for future expenses have been made in respect of the claims of the municipalities and the Finnish Transport Agency that are pending in the District Court.

Lemminkäinen will provide information on the proceedings in its interim reports or in separate releases, as necessary.

RISKS AND UNCERTAINTIES

Lemminkäinen's business risks are divided into four categories: strategic, operative, financial and accident risks. In order to manage these risks, the Company has specified the measures that can be used to predict any external and internal factors that might threaten its operations.

The state of the international economy poses uncertainty in our operating environment, making it more difficult to foresee future changes. New construction in Finland is sensitive to economic cycles and therefore poses a market risk. This risk is managed both structurally and operationally. The more stable demand for infrastructure construction balances out fluctuating volumes in new domestic construction, as do maintenance, servicing and renovation.

The Company's own housing development involves both sales and price risks. Unsold residences tie up capital and therefore the Company starts new housing construction only if sufficient number of the units have been reserved by buyers in advance. When undertaking the own development of commercial premises, the premises are usually sold to real estate investors in the early stages of construction at the latest, thereby reducing sales risks.

Weather conditions also pose a risk in the construction industry. Unusual or harsh weather can weaken the profitability of our operations by interrupting or delaying projects.

Lemminkäinen uses great amounts of oil-based products in asphalt production. The price of bitumen is tied to the global price of oil and the Company manages the bitumen price risk with oil derivatives and contractual terms.

Writs of summons filed to the District Court by the Finnish Road Administration and a number of municipalities pose a risk.

The Company's Annual Report and website provide more information on Lemminkäinen's major risks and risk management policy. A more detailed account of the financial risks is also provided in the notes to the 2010 financial statements.

RESEARCH AND DEVELOPMENT

Lemminkäinen's research and development work focuses on the development of operational prerequisites as well as the development and quality assurance of products and services. Careful consideration of safety issues and environmental effects is an important principle in Lemminkäinen's development work. Products and services are developed in long-term collaboration with customers.

The Group's business sectors are responsible for their own research and development activities. Lemminkäinen's Central Laboratory carries out R&D at Group level. In 2009 the Group's research and development expenditure accounted for 0.7% of net sales.

THE ENVIRONMENT

Lemminkäinen Group takes life-cycle and environmental perspectives into account when developing its operations, products and services. The Group's management of environmental affairs and the environmental effects are continuously monitored by means of internal monitoring and control programmes. In 2010 Lemminkäinen Group started a program that aims to define common goals for environmental responsibility, operation models and performance indicators until the end of current strategy period. The Company's Annual Report and website provide more information on Lemminkäinen's environmental issues.

OUTLOOK FOR 2011

The moderate growth in the volume of construction is expected to continue in Finland in 2011. Residential construction is still boosted by low interest rates and consumers' confidence in their own finances. In 2010, Lemminkäinen more than trebled its own housing production compared to the previous year, starting up the construction of a total of 1,191 new residential units. It is estimated that if the housing market remains favourable, the number of start-ups will also be at the same level in the year ahead. Though the annual number of business premises start-ups has most likely bottomed out, great growth cannot be expected yet.

Residential construction is estimated to remain brisk in Russia, even though slightly fewer residential units will be completed in 2011 than last year. This dip is primarily due to the low number of start-ups during the recession years. Lemminkäinen currently has about 150 residential units under construction in St Petersburg, and intends to start up the construction of more than 500 units this spring.

In 2011, the total volume of infrastructure construction in all the Nordic countries is expected to either remain at the previous year's level or grow slightly. Thanks to Lemminkäinen's strong market position in infrastructure construction in all its business territories, the Company is well-poised for steady growth in the year ahead. The Company's outlays, particularly on rock engineering in Sweden, have yielded good results, and this favourable trend is expected to continue in the near future. The work season for infrastructure construction in Norway is anticipated to be better than last year. Demand for infrastructure construction in Finland might be weakened by scant governmental financing and lower investments in the municipal sector.

The market for technical building services is expected to gradually return to normal as building construction picks up. In the next few years, renovation is expected to focus on piping renovation works and repairs to improve energy efficiency.

Lemminkäinen estimates that in 2011 its net sales will increase and that its pre-tax profit will clearly improve. This estimate is based on the better market situation and the fact that the order book is stronger than at the end of the previous year.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The distributable shareholders' equity shown on the balance sheet of the parent company, Lemminkäinen Corporation, amounts to EUR 153,788,918.81, consisting of EUR 75,205,562.38 in retained earnings from previous years and EUR 17,586,655.93 in profit for the accounting period.

The Board of Directors of Lemminkäinen Corporation proposes to the Annual General Meeting that the Company pay a dividend of EUR 0.50 (0.00) per share for the 2010 accounting period, i.e. a total of EUR 9,822,382.00, after which retained earnings would stand at EUR 82,969,836.31.

EVENTS AFTER THE FINANCIAL YEAR

Lemminkäinen concluded the sale of its roofing business on 31 January 2011.

Helsinki, 9 February 2011

LEMMINKÄINEN CORPORATION

Board of Directors

Consolidated income statement (IFRS)

EUR 1,000	Note	1.1.2010–31.12.2010	1.1.2009–31.12.2009
Net sales	2, 3	1,892,498	1,965,500
Other operating income	6	26,824	7,091
Increase or decrease in stocks of finished goods and work in progress		–4,770	–50,829
Production for own use		396	213
Raw materials and consumables used		1,185,887	1,156,607
Employee benefit expenses	9	415,766	406,850
Depreciation	8	35,580	34,258
Other operating expenses	7	249,468	302,601
Share of the result of associates	10	743	1,499
Operating profit		28,990	23,157
Financial expenses	11	41,998	54,095
Financial income	11	19,765	20,744
Result before taxes		6,758	–10,194
Income taxes	12	–5,602	–13,628
Result for the financial year		1,155	–23,822
Result for the financial year attributable to			
Equity holders of the parent company		299	–26,192
Non-controlling interest		857	2,370
EPS attributable to equity holders of the parent company, EUR			
Earnings per share, diluted and undiluted		0.02	–1.54

Consolidated statement of comprehensive income (IFRS)

EUR 1,000	Note	1.1.2010–31.12.2010	1.1.2009–31.12.2009
Result for the financial year		1,155	–23,822
Translation difference	22	3,894	3,381
Hedging of net investment in foreign subsidiary	12, 22		–368
Change in fair value	12, 22	12	
Cash flow hedge	12, 22	460	–240
Other comprehensive income, total		4,366	2,773
Comprehensive income for the financial year		5,522	–21,048
Comprehensive income for the financial year attributable to			
Equity holders of the parent company		4,665	–23,419
Non-controlling interest		857	2,370

Consolidated statement of financial position (IFRS)

EUR 1,000	Note	31.12.2010	31.12.2009	1.1.2009
ASSETS				
Non-current assets				
Tangible assets	14	175,259	184,613	186,954
Goodwill on consolidation	15	84,847	78,265	74,945
Other intangible assets	15	14,407	2,698	2,545
Holdings in associates	10	7,605	6,251	4,626
Available-for-sale investments	18	6,410	6,582	6,038
Deferred tax asset	12	16,275	14,569	8,929
Other non-current receivables	20	7,175	7,481	6,345
		311,979	300,458	290,382
Current assets				
Inventories	19	369,763	374,721	418,788
Trade and other receivables	20	343,064	305,139	476,333
Cash and cash equivalents	21	26,348	74,400	250,090
		739,175	754,260	1,145,211
Available-for-sale non-current assets	16	14,097		
Assets, total		1,065,252	1,054,718	1,435,593

EUR 1,000	Note	31.12.2010	31.12.2009	1.1.2009
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company				
Share capital	22	34,043	34,043	34,043
Share premium account	22	5,750	5,750	5,750
Hedging reserve	22	–1,510	–1,970	–1,730
Fair value reserve	22	12		
Invested non-restricted equity fund	22	63,144		
Translation difference	22	2,196	–1,698	–4,711
Retained earnings	22	224,488	260,704	276,023
Result for the financial year	22	299	–26,192	
		328,422	270,637	309,375
Non-controlling interest		5,086	23,213	27,315
Shareholders' equity, total		333,509	293,849	336,690
Liabilities				
Non-current liabilities				
Loans	25	214,134	290,749	118,810
Deferred tax liability	12	17,577	18,975	18,693
Pension liabilities	23	508	749	192
Provisions	24	2,283	1,762	2,181
Other non-current liabilities	26	3,882	2,390	1,293
		238,385	314,626	141,169
Current liabilities				
Loans	25	161,381	108,397	467,728
Provisions	24	6,437	8,271	7,092
Accounts payable and other liabilities	26	321,158	329,575	482,915
		488,976	446,243	957,734
Liabilities for available-for-sale non-current assets	16	4,383		
Liabilities, total		731,743	760,869	1,098,903
Shareholders' equity and liabilities, total		1,065,252	1,054,718	1,435,593

Consolidated cash flow statement (IFRS)

EUR 1,000	Note	1.1.2010–31.12.2010	1.1.2009–31.12.2009
Cash flow from business operations			
Result before taxes		6,758	–10,194
Adjustments	29		
Depreciation		35,580	34,258
Share of the result of associates		–743	–1,499
Other non-payment-related income and expenses		7	5,246
Financial income and expenses		22,232	33,351
Other adjustments		–20,521	–3,163
Cash flow before change in working capital		43,313	57,999
Change in working capital			
Increase (–)/decrease(+) in current business receivables		–36,596	166,512
Increase (–)/decrease(+) in inventories		771	44,433
Increase (+)/decrease(–) in current liabilities		–9,668	–158,540
Cash flow from operations before financial items and taxes		–2,181	110,404
Interest expenses paid		–16,102	–29,418
Other financial expenses paid		–25,379	–21,992
Dividends received		540	197
Interest received		2,290	4,223
Other financial income received		15,036	16,788
Direct taxes paid		–11,376	–16,040
Cash flow from business operations		–37,172	64,162

EUR 1,000	Note	1.1.2010–31.12.2010	1.1.2009–31.12.2009
Cash flow from investments			
Investments in tangible and intangible assets		–32,876	–21,720
Capital gains from the sale of tangible and intangible assets		34,112	11,744
Investments in other assets		–1	–288
Capital gains from the sale of other investments		315	45
Purchases of subsidiary shares less cash and cash equivalents at time of purchase	4	–11,419	–8,464
Sales of subsidiary shares less cash and cash equivalents at time of sale	4		45
Purchases of shares in associated undertakings		–622	
Sales of shares in associated undertakings			100
Cash flow from investments		–10,491	–18,538
Cash flow from financing			
Share issue for cash consideration		39,525	
Increase (–)/decrease(+) in non-current receivables		307	35
Short-term loans drawn		244,374	341,776
Repayments of short-term loans		–185,988	–716,954
Long-term loans drawn		83,127	220,568
Repayments of long-term loans		–169,789	–34,226
Repayments of finance lease debts		–8,693	–13,447
Dividends paid		–2,077	–17,991
Cash flow from financing		787	–220,238
Increase (+)/decrease(–) in cash and cash equivalents		–46,877	–174,614
Cash and cash equivalents at beginning of financial year	21	74,400	250,090
Translation difference of cash and cash equivalents		–1,176	–1,076
Cash and cash equivalents at end of financial year		26,348	74,400

Consolidated statement of changes in equity (IFRS)

EUR 1,000	Note	Share capital	Share premium account	Hedging reserve	Fair value reserve	Invested non-restricted equity fund	Translation difference	Retained earning	Parent company shareholders' equity	Non-controlling interest	Shareholders' equity, total
Shareholders' equity 1.1.2009		34,043	5,750	–1,730			–4,711	280,695	314,046	27,751	341,796
Impact of IFRIC 15								–3,767	–3,767	–435	–4,203
Other change								–904	–904		–904
Adjusted shareholders' equity 1.1.2009		34,043	5,750	–1,730			–4,711	276,023	309,375	27,315	336,690
Result for the financial year								–26,192	–26,192	2,370	–23,822
Translation difference							3,381		3,381		3,381
Hedging of net investment in foreign subsidiary							–368		–368		–368
Cash flow hedge				–240					–240		–240
Comprehensive income for the financial year				–240			3,013	–26,192	–23,419	2,370	–21,048
Dividends paid	22							–15,319	–15,319	–1,999	–17,318
Change in non-controlling interest										–4,474	–4,474
Transactions with owners, total								–15,319	–15,319	–6,473	–21,792
Shareholders' equity 31.12.2009		34,043	5,750	–1,970			–1,698	234,512	270,637	23,213	293,849

EUR 1,000	Note	Share capital	Share premium account	Hedging reserve	Fair value reserve	Invested non-restricted equity fund	Translation difference	Retained earning	Parent company shareholders' equity	Non-controlling interest	Shareholders' equity, total
Shareholders' equity 1.1.2010		34,043	5,750	–1,970			–1,698	234,512	270,637	23,213	293,849
Result for the financial year								299	299	857	1,155
Translation difference							3,894		3,894		3,894
Cash flow hedge				460					460		460
Change in fair value					12				12		12
Comprehensive income for the financial year				460	12		3,894	299	4,665	857	5,522
Share issue to investors for cash consideration						39,525			39,525		39,525
Share issue to non-controlling interest for cash consideration						24,335			24,335		24,335
Transaction expenses of share issues						–716			–716		–716
Direct entries, minority acquisition								–10,105	–10,105		–10,105
Cancellation of dividend liability								82	82		82
Dividend distribution	22									–1,915	–1,915
Change in non-controlling interest										–17,068	–17,068
Transactions with owners, total						63,144		–10,024	53,121	–18,983	34,137
Shareholders' equity 31.12.2010		34,043	5,750	–1,510	12	63,144	2,196	224,787	328,422	5,086	333,509

Accounting principles applied in the IFRS consolidated financial statements, 31 December 2010

BASIC INFORMATION ON THE COMPANY

Lemminkäinen Corporation is a public limited company established under the laws of Finland and domiciled in Helsinki. The Company's registered address is Salmisaarenaukio 2, 00180, 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: Building Construction, Infrastructure Construction, Technical Building Services and Building Products. Of these segments, Infrastructure Construction operates in the Nordic countries and Eastern Europe, and Building Construction globally. The other business segments operate mainly in Finland and the surrounding region.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the IAS and IFRS standards and SIC and IFRIC interpretations that were in force on 31 December 2010 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 Regulation (EC) No. 1606/2002 as well as in the Finnish Accounting Act and the provisions laid down pursuant to the Act. 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 are available on the Company's website at www.lemminkainen.com from week 11/2011 onwards. Printed copies of the consolidated financial statements can be ordered from the Company's Corporate Communications, tel. +358 2071 58067 or email info@lemminkainen.fi, from week 14/2011 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 financial instruments. The Board of Directors approved the publication of the consolidated financial statements on 9 February 2011.

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 voting rights conferred by the shares or otherwise has the right to define the company's financial or business principles. Intra-group shareholdings are eliminated using the acquisition method. The acquisition price comprises the consideration paid, the non-controlling interest in the acquiree, and the fair value of the prior holding. The consideration paid is measured as the fair value of the assets given, liabilities assumed and the equity instruments issued by the Group. Any contingent additional acquisition price is measured at fair value at the time of acquisition and is included in the consideration paid. It is classified as either a liability or equity. An additional acquisition price classified as a liability is fair valued on the closing date of each reporting period and the resulting gains or losses are recognised through profit or loss. An additional acquisition price classified as equity is not remeasured. Non-controlling interest in the acquiree is recognised on an acquisition-by-acquisition basis at either fair value or the amount corresponding to the relative share of the net assets of the acquiree held by non-controlling interests. The amount by which the sum of the consideration paid, non-controlling interest in the acquiree and the fair value of the prior holding exceed the fair value of the acquired net assets is recognised as goodwill in the balance sheet.

The acquisition costs of entities acquired prior to 31 December 2009 include all the costs arising directly from the acquisition, such as for legal and auditing services. As from the beginning of 2010, other direct acquisition costs are recognised as expenses.

The treatment of transactions with non-controlling interests is the same as that of transactions with the Group's shareholders. When shares are acquired from non-controlling interests, the difference between the consideration paid and the carrying amount of the acquired net assets in the subsidiary is recognised in equity. Gains or losses from the sale of shares to non-controlling interests are also recognised in equity. When control or substantial influence is relinquished, the remaining holding, if any, is measured at fair value and the change in the carrying amount is recognised through profit or loss. This fair value serves as the original carrying amount when the remaining holding is subsequently treated as an associated company, joint venture or financial assets. In addition, the amounts concerning the said company that were previously recognised in the statement of comprehensive income are treated as if the Group had surrendered the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income items are transferred to profit or loss.

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 divested subsidiaries 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 non-controlling interest is presented in connection with the consolidated income statement. On the consolidated balance sheet the non-controlling interest is included in the total equity of the Group.

Associated companies and joint ventures

Investments in associated companies (generally 20–50 per cent of the 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 such cases, the Group's share of the result of the associated company corresponding to its ownership stake is included in the consolidated income statements. Correspondingly, the Group's share of the equity in the associated company, including the goodwill arising from its acquisition, is recorded as the value of its holding in the company on the consolidated balance sheet. If Lemminkäinen's share of the losses of an associated 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 associated company or joint venture.

Unrealised capital gains arising in connection with business and fixed asset transactions between the Group and associated companies or joint ventures are eliminated in proportion to the ownership share. The amounts are deducted from the Group's retained earnings and non-current assets. The eliminated capital gain is recognised through profit or loss as it is realised.

Shares of the results of associated companies are included in operating profit since they belong to the operations of reporting business segments.

OPERATING SEGMENTS

IFRS 8 Operating Segment Reporting requires that reported segment information be based on internal segment reporting to management, which in Lemminkäinen Group means the President of Lemminkäinen Corporation, who is the chief operative decision-maker. Internal segment reporting to management covers net sales, depreciation, operating profit, fixed assets, inventories and trade receivables. The figures reported to management are accurate to the nearest EUR 1,000.

Reportable segment information is generally prepared according to the same principles as those applied in the consolidated financial statements. Imputed items are not considered in segment reporting. Such items include, among others, depreciation of assets acquired by finance lease, interest separated from payments, warranty provisions, and unrealised gains or losses on derivatives. In segment reporting to management, finance lease arrangements are treated as ordinary rental agreements, deviating from the accounting principles of IFRS financial statements. Associated companies are combined in segment reporting in proportion to the ownership share using the line-by-line method. In IFRS financial statements associated companies are combined using the equity method. In segment reporting, inter-segment sales are not allocated to segments, owing to their minimal magnitude, and are not reported to management.

Intra-segment transactions are priced at market prices. The cost plus method, where the price of a product or service is determined by adding an appropriate profit mark-up to the costs incurred, is mainly used as the transfer pricing method.

As from the beginning of 2010, Forssan Betoni Oy was transferred from Lemminkäinen's Infrastructure Construction business segment to Building Products. The comparative figures have been adjusted in line with the new Group structure.

PRESENTATION OF THE FINANCIAL STATEMENTS

The Group presents two separate income statements: the consolidated income statement and the consolidated statement of comprehensive income. The former includes the components of profit and loss, and the latter starts with the profit or loss and presents the equity changes that are unrelated to the shareholders. The consolidated statement of changes in equity itemises the transactions with shareholders.

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.

Income statements are translated into euros using the average exchange rates for 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 the consolidated statement of comprehensive income and presented in equity.

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.

When preparing the consolidated financial statements, the translation difference resulting from exchange rate changes with regard to subsidiaries and associated companies is recognised through the consolidated statement of comprehensive income in the translation difference of the Group's equity. When foreign subsidiaries or associated companies are divested, the accrued translation difference is reversed through the consolidated statement of comprehensive income and recognised as an adjustment to capital gains or losses on the consolidated income statement.

FINANCIAL ASSETS

Financial assets are originally booked at fair value. Transaction costs are included in the original fair value in the case of items that are not measured at fair value through profit or loss. The Group recognises financial assets on the settlement date with the exception of derivatives, which are recognised on the transaction date. Financial assets are derecognised 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 or loss, available-for-sale investments, and other loans and receivables.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This class includes 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 investments are financial assets, other than 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 reliably measured, the investment is recognised at cost less impairment, if any. Available-for-sale investments include property, housing company and other 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 in other comprehensive income until such time as the investment is sold or impairment is recognised, whereupon the cumulative change in fair value recognised in equity is derecognised through profit or loss. The cumulative change in fair value recorded in equity 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. Loans and other receivables are impaired if the value recognised in the accounts is higher than the estimated amount recoverable in the future.

CASH AND CASH EQUIVALENTS

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

FINANCIAL LIABILITIES

Financial liabilities are initially recognised on the basis of the consideration received. When a loan is drawn down, the credit fee for the loan commitments is entered in transaction expenses. To the extent that it is probable that the loan commitment will not be drawn, the credit fee is entered as an advance payment for liquidity-related services and amortised as an expense over the term of the loan commitment. 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.

CAPITALISATION OF BORROWING COSTS

With effect from 1 January 2010, the Group capitalises the borrowing costs of obtaining an asset as part of its acquisition cost in qualifying projects and percentage-of-completion construction projects.

Qualifying assets

A qualifying asset is one that takes longer than one year to get ready for its intended purpose. A qualifying asset may be a fixed or movable asset, inventory item or an intangible asset.

Costs of borrowing for the purpose of acquiring an asset

When borrowings are made expressly for the purpose of financing a qualifying asset, the capitalised borrowing costs are the allocated financing expenses arising from the actual borrowings less the financial income received from the temporary investment of such borrowings. After an asset has been made ready, the unpaid part of the borrowings for the project is transferred to general borrowings.

General borrowings

The Group's borrowings are always considered to be the primary form of financing even if the cash flow would be sufficient to cover the cost of a qualifying asset. When general borrowings are used to finance a qualifying asset, the amount of the capitalised costs is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of those borrowing costs applicable to the Company's borrowings outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Prepayments

When calculating the amount of a project's borrowing costs, project-related prepayments received from the customer are included in the net position arising from the contract. If inclusion of the borrowing costs leads to a situation in which the net position of the project is positive for the entire construction period, the borrowing costs are not capitalised at all. If the net financing position of the project changes from positive to negative during the construction period, the borrowing costs are capitalised in respect of the periods during which the net position was negative.

Commencement and cessation of capitalisation

Capitalisation commences when the Company first incurs expenditures for a qualifying asset giving rise to borrowing costs, and when it undertakes activities that are necessary to prepare the asset for its intended use or for sale. Capitalisation is suspended when effective production is halted. Capitalisation ceases when all activities necessary to make the asset ready for its intended use or sale have been carried out.

DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

The Group applies hedge accounting for certain interest rate derivatives that meet the conditions set for hedge accounting in the International Accounting Standards. When initiating hedge accounting the Group documents the relationship between the hedged asset and the hedging instruments as well as the aims of the Group's risk management and the hedge accounting strategy. The effectiveness of hedging relationships is tested by examining the ability of the hedging instrument to nullify any changes in the cash flow of the hedged asset.

Currency and interest rate derivatives that do not meet the criteria set for hedge accounting in International Accounting Standards are classified as financial assets recognised at fair value through profit or loss. Changes in the fair value of derivatives hedging operating activities are recognised in other operating income and expenses, and changes in the fair value of derivatives hedging financial transactions are recognised in financial income and expenses. These derivatives are used to implement the currency and interest rate risk management principles approved by the Board of Directors. Derivatives not included 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.

In 2010 the Group applied hedge accounting to interest rate swap agreements used to hedge two variable-rate loans. The agreements are defined as cash flow hedges, and they provide protection against fluctuations in loan interest payments caused by changes in market interest rates. The change in the fair value of interest rate swap agreements used as hedges is recognised directly in other comprehensive income items to the extent that the hedging relationship is effective. The ineffective part of the change is recognised in interest expenses on the income statement. Changes in fair value accumulated in equity are recognised in interest expenses on the income statement in the accounting period during which the hedged instrument produces a profit or loss.

If the criteria set for hedge accounting in the International Accounting Standards are not met, or the hedging instrument either matures or is sold, the hedging relationship is terminated. In that case the accrued profit or loss on the hedging instrument remains in equity until such time as the anticipated transaction occurs and is recognised on the income statement. 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.

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 services

Income from services is recognised when the outcome of the business transaction can be reliably estimated. Recognition is based on the degree of completion on the closing date. The same rules are applied as for the recognition of construction projects using the percentage-of-completion method. The outcome of a business transaction can be reliably estimated when the income can be reliably measured, it is probable that the company can expect economic benefits from the transaction, the degree of completion can be reliably measured, and the realised expenditure and the costs of completion can be reliably determined.

Recognition of income from construction projects

Percentage of completion

When recognising income from long-term construction projects, the Group observes the percentage-of-completion method on the basis of the degree of completion if the project in question fulfils the characteristics of a negotiated contract. In such contracts, the buyer can decide on the primary structural or functional characteristics of the project before or during construction.

The degree of project completion is calculated as the ratio of actually incurred costs 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.

In the recognition of income from projects with lease liability commitments, the impact of the estimated realisation of these lease liabilities is taken into consideration.

Recognition on completion

Income from sold own building developments is recognised on completion in accordance with delivery, because such projects do not fulfil the criteria set for long-term construction projects; these criteria include the risks and rewards of ownership as well as control by the owner, which are not transferred to the buyer while construction is still in progress.

Recognition of life-cycle projects

In life-cycle projects, the operator — that is, the service provider — builds the infrastructure used for service provision or improves and maintains said infrastructure. The Group recognises income from construction and improvement services on the basis of the percentage of completion.

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 material depletion
- Other tangible assets 10 years

A tangible asset is subject to depreciation from the time that it 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. When depreciation charges are made according to plan, the residual value of the asset is zero.

The depreciation of property, plant and equipment is discontinued when the asset in question 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 a tangible asset are presented in Other operating income, and losses in Other operating expenses. The Group expenses the interest costs of tangible asset acquisitions, unless the project meets the requirements for capitalisation of borrowing costs, in which case they are capitalised as part of the acquisition cost.

Intangible assets

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. Goodwill on consolidation of business operations prior to 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. In impairment tests, goodwill is allocated to cash-generating units. Goodwill is recognised on the balance sheet at cost less impairment, which is expensed on the income statement. The holding of any non-controlling interests in the acquiree is measured either at fair value or the amount corresponding to the relative share of the identifiable net assets of the acquiree attributable to the non-controlling interests. The measurement principle is specified separately for each acquisition.

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 amortised costs

Intangible assets include amortised costs that do not relate to tangible assets and have economic effects lasting longer than one year. Such amortised costs include, for example, the costs of making basic repairs to leased premises. These costs would be amortised over the term of the lease.

Other intangible rights

Assets such as patents and software licence payments, as well as prepayments relating to them, are also 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 rights 5–10 years

The asset is subject to depreciation from the time that it 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. When depreciation charges have been made according to plan, the residual value of the asset is zero.

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.

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 present value using discount rates that reflect the country's average capital costs before taxes. Market risk and non-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.

The carrying amount of an asset is adjusted on the basis of impairment tests made annually and whenever it may be concluded that there is need to do so. Goodwill is allocated to cash-generating units in a rational and consistent manner. In the impairment tests the recoverable amount from the business of a cash-generating unit is derived from value-in-use calculations using forecast cash flows based on comprehensive profitability plans confirmed by management for a specific period as well as other justifiable estimates of the future outlook for the cash-generating unit and its business sector.

Impairment losses relating to tangible assets and intangible assets other than goodwill are reversed if the estimates used to determine the recoverable amount of the asset have changed. The biggest reversal allowed equals the carrying amount of the asset less depreciation if impairment has not been recognised in earlier years.

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 lease 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 lease 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, their 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 (first-in, first-out) principle. The value of inventories includes all 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 are not included in the valuation of inventories at cost. Neither are financing costs included in the valuation of inventories at cost, except in the case of a project that meets the requirements set for capitalisation of borrowing costs.

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. Recognised doubtful receivables are assessed on a case-by-case basis. 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. When a debtor is in significant financial difficulties, then probable bankruptcy, delinquent payments or payments that are more than 90 days overdue constitute evidence of the impairment of the trade receivables.

TREATMENT OF OWN BUILDING DEVELOPMENTS

Expenditure committed to own building developments is capitalised on the balance sheet in current assets and receivables. Liabilities and prepayments related to companies under construction are included in current liabilities.

The share of loans raised corresponding to the unsold portion of apartments that are still under construction as well as the portion of loans for completed but unsold apartments are included in current interest-bearing liabilities.

EMPLOYEE BENEFITS

Pension obligations

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. In the case of a defined benefit plan, a pension liability is recognised to the extent that the plan gives rise to a pension obligation. If a defined benefit plan gives rise to a pension surplus, it is recognised in prepayments and accrued income on the balance sheet.

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 obligations are expensed on the basis of actuarial calculations for the duration of employee service. The actuarial gains and losses arising from these pension obligations are recognised on the income statement over the expected average remaining length of service of the participating employees to the extent that they exceed 10% of the defined benefit obligation or, if greater, the fair value of the plan's assets. The discount rate applied is the interest rate payable on low-risk financial securities with maturities corresponding to the duration of the pension liability.

Management remuneration programmes

The management remuneration programme has three elements: salary and fringe benefits, short-term remuneration and long-term remuneration. Short-term remuneration comprises annual performance-related bonuses earned for exceeding predefined performance targets. Long-term remuneration consists of not only pension remuneration, but also share rewards. The performance targets for share rewards are always set one year in advance. Any performance-related bonuses and share rewards are paid out the following year once the results have been confirmed.

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. They are generally realised in the beginning or following accounting period and their discounting to present value has no essential bearing on the correctness of the financial statements.

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.

In the recognition of income from projects with lease liability commitments, the impact of the estimated realisation of these lease liabilities is taken into consideration.

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, finance lease arrangements, provisions, unused tax losses, measurements of fair value made in connection with acquisitions, and pension obligations.

Confirmed tax-deductible losses are treated as a tax asset to the extent that it is likely that the Company will be 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

The 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 profit for the accounting period attributable to the shareholders of the parent company by the weighted average number of shares outstanding 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 shares outstanding.

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 paid 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.

MANAGEMENT JUDGEMENT AND ESTIMATES

The use of judgement and estimates

In preparing the financial statements the Company's management has had to make accounting estimates and assumptions about the future, as well as judgement-based decisions on the application of the accounting principles. These estimates and decisions affect the reported amounts of assets, liabilities, income and expenses for the accounting period as well as the recognition of contingent items. The estimates and judgements are based on past experience and other justifiable assumptions that are believed to be reasonable under the prevailing circumstances. Information on key areas of the financial statements where management judgement and estimates have been necessary is presented in the following.

The Company's management has had to make judgements when determining the economic lifetimes of tangible and intangible assets, and when classifying leases as finance lease agreements and other leasing agreements. Estimates and forward-looking assumptions made on the balance sheet date mainly concern income recognition according to the percentage of contract completion, the recognition of provisions, the valuation of assets belonging to acquired companies and their realisability, 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.

Economic lifetimes of tangible and intangible assets

Management uses estimates and judgements when considering the economic lifetimes and depreciation methods for productive goods. 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.

Leasing agreements where the Group is the lessee

Management has had to make judgements when classifying leasing agreements as either finance lease agreements or other leasing agreements. The classification of leasing agreements is made in accordance with generally accepted standards for defining finance lease agreements, and it is based on the actual content of the agreement. According to the definition of a finance lease 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 may have to be revised. A change taking place in an estimation criterion, e.g. a change in the present value of minimum lease payments relative to the fair value of the leased asset, does not provide grounds for reclassification.

Recognition of income from construction projects

When recognising income from long-term construction projects, the Group observes the percentage-of-completion method on the basis of the degree of completion if the project in question fulfils the characteristics of a negotiated contract. In such contracts, the buyer can decide on the primary structural or functional characteristics of the project before or during construction. Actually incurred costs include only those costs that correspond to work already carried out. Management estimates are necessary when making a reliable 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 earlier 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 estimates that a project is onerous, i.e. total costs exceed total income, the loss is immediately expensed.

Recognition of provisions

Management estimates on the basis of available historical evidence whether it is 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 exists and a reliable estimate as to the amount and timing of the obligation can be made, then it is recognised as a provision in the financial statements.

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 estimates based on its own experience and, if necessary, the assistance of experts specialised in the balance sheet items in question. The estimates and assumptions made in accordance with management's view are sufficiently accurate to ensure the correctness of cash flows associated with balance sheet items.

Employee benefits

When calculating obligations related to employee benefits, the factors requiring management estimates 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 trend in 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 they may be deemed necessary. Goodwill is allocated to cash-generating units in a rational and consistent manner. 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, and on other justifiable estimates of the future outlook for the business sector and the cash-generating unit. In connection with impairment tests, management has to estimate whether the fair value of an asset has decreased 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 is lower than its fair value. On the basis of these and other possible indicators both inside and outside the Company, management must continuously assess whether there is any need to perform additional impairment tests on asset items in between the annual tests. A more detailed description of the estimates and assumptions concerning goodwill impairment testing is given in the Notes to the Financial Statements.

Taxes

The most essential estimate made by management concerns 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 estimate 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 tax 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

Standards and interpretations that came into effect in 2010

- IFRIC 15, Agreements for the Construction of Real Estate. The interpretation clarifies whether real-estate construction contracts should be treated in accordance with IAS 11 Construction Contracts or IAS 18 Revenue and when the percentage-of-completion method can be applied to such construction projects. In Lemminkäinen Group, the new interpretation applies especially to the recognition of income from own housing developments, where the Group changed over from percentage of completion to recognition on delivery as from 1 January 2010. Due to the adoption of the interpretation, the comparative figures from 1 January 2009 onwards were also recalculated in line with the new interpretation. The adoption of the interpretation decreased shareholders' equity in the opening balance sheet for 2009 by EUR 4.2 million. In addition to Lemminkäinen's consolidated figures, IFRIC 15 also had an effect on the figures of Building Construction. In addition, the 2009 comparative figures for the Group and business sectors have been recalculated.
- IFRS 3 (revised), Business Combinations. The revised standard still requires the use of the acquisition method in the treatment of business combinations, but with certain significant changes. For example, all the direct costs associated with the acquisition of companies are to be expensed when incurred. Contingent additional acquisition prices are to be measured at fair value, even if is assumed that they are not likely to materialise. Post-acquisition changes in the contingent acquisition price liability are recognised through profit and loss, and not in goodwill, as was the case

before the revision came into force. In phase-by-phase acquisitions, holdings acquired at an earlier date are measured at fair value at their time of acquisition. Goodwill can be measured on the basis of the parent company's share of the net assets or it may include the goodwill allocated to the non-controlling interest.

- IFRIC 12 Service Concession Arrangements. The interpretation applies to contractual arrangements in which a private-sector entity participates in the development, financing and provision of public services or the maintenance of infrastructure.
- IAS 27 (revised), Consolidated and Separate Financial Statements. According to the revised standard, all transactions with non-controlling interests must be recognised in equity if there is no change in control. These transactions with non-controlling interests therefore no longer give rise to goodwill or gains or losses on the income statement. The standard also provides guidance on the accounting treatment in circumstances where control is lost. Any residual ownership share is fair valued, and gains or losses are recognised on the income statement.
- IAS 17 (amended), Leasing Agreements. The revised standard requires the classification of land areas as financial leasing or other leasing agreements in line with the general classification criterion of IAS 17. The revision does not have a material impact on the information for the review period.

Reviews indicate that the interpretations and standards listed below will not have any essential bearing on Lemminkäinen's interim reports: IAS 1 (amended), IAS 7 (amended, IAS 18 (amended), IAS 36 (amended), IAS 38 (amended), IAS 39 (amended), IFRS 2 (amended), IFRS 5 (amended), IFRS 8 (amended), IFRIC 9 (amended), IFRIC 16 (amended), IFRIC 17 and IFRIC 18.

New standards and interpretations that are not in force in the financial year beginning 1 January 2010 and which have not been adopted early

The IASB has published the following standards and interpretations that the Group will adopt in 2011.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. The interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the debtor issues its own equity instruments to the creditor to extinguish the financial liability in full or in part (conversion of debt to equity). The interpretation requires a gain or loss to be recognised in profit or loss. The amount of this gain or loss will be the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the issued equity instruments cannot be determined reliably, they are measured at the fair value of the extinguished financial liability. This interpretation will not have an impact on the consolidated financial statements.
- IAS 32 (amended) Financial Instruments: Presentation - Classification of Rights Issues. The amendment applies to the issuance of shares, options and subscription rights denominated in foreign currency. In the future such issues may, in certain circumstances, be classified as equity and not derivative instruments, unlike before. The amendment came into effect for accounting periods beginning on 1 February 2010 or later. This interpretation will not have an impact on the consolidated financial statements.
- The following amended interpretations and standards will have no essential bearing on the consolidated financial statements: IFRS 3 (amended), IAS 1 (amended), IAS 24 (revised), IAS 27 (amended), IAS 34 (amended), IFRIC 13 (amended) and IFRIC 14.

Notes to the consolidated financial statements (IFRS)

1 AMENDMENTS CONCERNING EARLIER FINANCIAL YEARS

Amendments to the accounting principles

With effect from 1 January 2010, Lemminkäinen adopted IFRIC 15, Agreements for the Construction of Real Estate, which was endorsed by the European Commission in July 2009. The interpretation clarifies whether property construction contracts are to be treated in accordance with IAS 11 Construction Contracts or IAS 18 Revenue. The interpretation provides guidance on when income arising from the construction of real estate is to be recognised on completion and when the percentage-of-completion method can be used as the income recognition principle.

The interpretation affects especially the recognition of income from own building development in which the Group changed over from the percentage-of-completion method to recognition on delivery as from the beginning of 2010. The adoption of this interpretation affects certain items in the consolidated income statement, balance sheet and cash flow statement, and the key figures calculated from them. It also changes the order book information reported by the Company. Lemminkäinen also applies the interpretation to internal segment reporting for management, and thus the change in the reporting practices does not impact on the reconciling items for segment information.

The opening balance sheet dated 1 January 2009 has been adjusted for comparability. The adoption of the interpretation reduces shareholders' equity in the opening balance sheet for 2009 by EUR 4.2 million.

Other adjustments

In the balance sheet figures for the comparison year, Lemminkäinen recognises a liability that was left out of the final report on a consortium that was drafted on 19 May 2008. An additional report in December 2010 noted that Lemminkäinen is obligated to pay EUR 1.5 million to a contractual party in the consortium due to a contractual interpretation. The recognition of this liability has an effect on deferred tax assets, short-term liabilities, retained earnings and key figures for the comparison period. These adjustments have also been made to the opening balance sheet dated 1 January 2009.

CHANGES TO THE CONSOLIDATED INCOME STATEMENT

1.1.–31.12.2009 EUR MILLION	Income statement before adjustment	Amendments to accounting principles	Other changes	Adjusted income statement
Net sales	1,964.4	1.1		1,965.5
Increase or decrease in stocks of finished goods and work in progress	–49.6	–1.2		–50.8
Operating profit	23.3	–0.2		23.2
Result before taxes	–10.0	–0.2		–10.2
Income taxes	–13.7	0.0		–13.6
Result for the financial year	–23.7	–0.1		–23.8
Result for the financial year attributable to				
Equity holders of the parent company	–26.1	–0.1		–26.2
Non-controlling interest	2.4	0.0		2.4

CHANGES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1.1.–31.12.2009 EUR MILLION	Statement of comprehensive income before adjustment	Amendments to accounting principles	Other changes	Adjusted statement of comprehensive income
Result for the financial year	–23.7	–0.1		–23.8
Translation difference	3.3	0.0		3.4
Comprehensive income for the financial year	–21.0	0.0		–21.0
Comprehensive income for the financial year attributable to				
Equity holders of the parent company	–23.3	–0.1		–23.4
Non-controlling interest	2.4	0.0		2.4

CHANGES TO THE CONSOLIDATED BALANCE SHEET

31.12.2009 EUR MILLION	Balance sheet before adjustment	Amendments to accounting principles	Other changes	Adjusted balance sheet
Deferred tax asset	12.8	1.4	0.3	14.6
Inventories	355.4	19.3		374.7
Assets, total	1,033.7	20.7	0.3	1,054.7
Translation difference	–1.7	0,0		–1.7
Retained earnings	265.4	–3.8	–0.9	260.7
Result for the financial year	–26.1	–0.1		–26.2
Non-controlling interest	23.7	–0.5		23.2
Shareholders' equity, total	299.0	–4.3	–0.9	293.8
Accounts payable and other liabilities	303.4	25.0	1.2	329.6
Liabilities, total	734.7	25.0	1.2	760.9
Shareholders' equity and liabilities, total	1,033.7	20.7	0.3	1,054.7

The notes for 2009 have also been adjusted for comparability.

2 INFORMATION BY BUSINESS SECTOR

Lemminkäinen Group's main business sectors are building construction, infrastructure construction, technical building services and building products. Functions outside the business sectors are reported under unallocated items.

Building Construction (Lemminkäinen Talo Oy)

The business sector engages in residential construction, commercial and office construction, industrial and logistics construction, telecommunications network construction, and sports and recreational construction.

Infrastructure Construction (Lemminkäinen Infra Oy)

The business sector engages in the construction and maintenance of road, street and railway networks as well as rock, concrete and geotechnical engineering. The company has its own asphalt, concrete and mineral aggregate production.

Technical Building Services (Lemminkäinen Talotekniikka Oy)

The company's business areas are technical building services, technical facility services and industrial services. The company provides installation, contracting, servicing and maintenance services.

Building Products (Lemminkäinen Rakennustuotteet Oy)

Lemminkäinen Building Products sells and provides contracting services related to roofing and waterproofing products, concrete and natural stone products, and sports and urban environment products.

Unallocated items

Unallocated items on the consolidated income statement include expenses that are not allocated to the operating segments. Unallocated assets include mainly financial receivables.

OPERATING SEGMENTS

1.1.–31.12.2010 EUR 1,000	Building Construction	Infrastructure Construction	Technical Building Services	Building Products	Other operations	Eliminations	Segments total	Reconciling items	Group total, IFRS
Net sales	810,416	776,124	228,888	156,781	11,383	–72,576	1,911,016	–18,518	1,892,498
Depreciation	2,116	31,425	893	3,376	958		38,768	–3,188	35,580
Operating profit	27,926	11,588	2,151	3,689	–15,634		29,720	–730	28,990

The reconciling items for net sales comprise EUR –18.5 million from the equity share treatment of associates.
The reconciling items for operating profit comprise EUR –1.1 million in personnel expenses, EUR 2.5 million from the IFRS treatment of finance lease, EUR –0.7 million from the equity share treatment of associated companies and EUR –1.4 million in other closing entries.

1.1.–31.12.2009 EUR 1,000	Building construction	Infrastructure Construction 1)	Technical Building Services	Building Products 1)	Other operations	Eliminations	Segments total	Reconciling items	Group total, IFRS
Net sales	868,719	768,013	233,805	154,188	10,341	–52,500	1,982,566	–17,066	1,965,500
Depreciation	2,552	30,502	773	3,469	818		38,114	–3,856	34,258
Operating profit	36,409	21,968	12,226	10,438	–61,662		19,379	3,778	23,157

1) Forssan Betoni Oy, which formerly belonged to Lemminkäinen Infrastructure Construction, became part of the Building Products business sector as from the beginning of 2010. The comparative figures for 2009 are also in line with the new organisation.

The reconciling items for net sales comprise EUR –18.0 million from the equity share treatment of associates and the treatment difference between entries made to net sales and other income.
The reconciling items for operating profit comprise EUR 1.3 million in personnel expenses, EUR 3.4 million from the IFRS treatment of finance lease, EUR –0.2 million from the equity share treatment of associated companies and EUR –0.7 million in other closing entries.

EUR 1,000	31.12.10	31.12.09
Assets by operating segment		
Building Construction	449,839	357,912
Infrastructure Construction 1)	259,910	253,889
Technical Building Services	34,699	30,495
Building Products 1)	57,935	55,254
Other operations	46,176	43,570
Segments, total	848,559	741,120
Assets not allocated to segments and group eliminations, total	216,693	313,598
Group total, IFRS	1,065,252	1,054,718

1) Forssan Betoni Oy, which formerly belonged to Lemminkäinen Infrastructure Construction, became part of the Building Products business sector as from the beginning of 2010. The comparative figures for 2009 are also in line with the new organisation.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

3 INFORMATION BY MARKET AREA

GEOGRAPHICAL SEGMENTS

1.1.–31.12.2010 EUR 1,000	Finland	Other Nordic countries	Eastern Europe and the Baltic states	Western Europe	Other countries	Total
Net sales	**1,349,033**	**327,285**	**178,351**	**361**	**37,467**	**1,892,498**
Assets	**738,781**	**153,217**	**142,509**	**2,109**	**28,635**	**1,065,252**
Investments	**32,914**	**19,420**	**7,111**		**134**	**59,579**

1.1.–31.12.2009 EUR 1,000	Finland	Other Nordic countries	Eastern Europe and the Baltic states	Western Europe	Other countries	Total
Net sales	1,437,993	330,767	160,417	239	36,084	1,965,500
Assets	771,812	142,581	108,859	1,341	30,124	1,054,718
Investments	25,917	11,275	4,285			41,477

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

4 ACQUIRED AND DIVESTED BUSINESSES

Acquired businesses

2010

On 21 April 2010, the Company acquired 75.0% of the shares outstanding in Asfalt Remix AS, a company specialising in the cold milling of asphalt.

The goodwill recognised on this acquisition comprises an increase in market share as well as cost-savings in procurements, logistics and production. In addition, acquisition costs allocated to customer accounts have been booked in intangible assets. The acquisition includes the option to redeem shares from non-controlling shareholders at a value based on average post-tax earnings for the past three years and the change in shareholders' equity.The redemption price is determined on the basis of these two components and it is discounted to its present value on the closing date and recognised as a liability.

On 9 June 2010, the Company acquired 90.1% of the shares outstanding in Risa Rock AS and renamed it Lemminkäinen Anlegg AS. The acquiree specialises in tunnel excavation.

The goodwill recognised on this acquisition comprises an increase in market share as well as cost-savings in procurements, logistics and production. In addition, acquisition costs allocated to customer accounts and the order book have been booked in intangible assets. The acquisition includes the option to redeem shares from non-controlling shareholders at a value based on average EBITDA over a period of four years, adjusted with working capital. The redemption price is determined on the basis of this component and it is discounted to its present value on the closing date and recognised as a liability.

On 4 October 2010, the Company acquired all the shares outstanding in UAB Žvyrkasyba, a company that owns and sells gravel assets.

Most of the consolidation difference of this acquisition is allocated to gravel assets. The recognised goodwill comprises synergy benefits and the cost-savings achieved in procurements.

On 26 October 2010, the Company acquired all the shares outstanding in Suonenjoen Sementtituote Oy, a company that manufactures concrete elements for construction.

The consolidation difference from this acquisition has been allocated to the building transferred in the transaction. The recognised goodwill comprises synergy benefits from the acquisition of the company.

The recognised fair values of the acquired business operations after merging are presented in the table below.

EUR 1,000	Fair values recognised after merging 2010
Assets	
Tangible assets	7,272
Intangible assets	3,835
Investments	5
Inventories	372
Current receivables	2,125
Cash and cash equivalents	5,147
Assets, total	18,757
Liabilities	
Deferred tax liabilities	1,576
Loans	7,019
Other liabilities	2,487
Liabilities, total	11,081
Net assets	7,676
Acquisition price paid in cash	11,384
Discounted present value of the redemption option recognised as a liability	2,071
Acquisition cost, total	13,455
Goodwill, total	5,779
Expensed acquisition expenditure	172
Contingent liabilities recognised on redemption options	
Contingent liabilities at time of acquisition	2,870
Contingent liabilities at time of acquisition if predicted to be	
10 percentage points higher	3,157
10 percentage points lower	2,583

On the consolidation of the acquired business operations, EUR 17.4 million has been recognised in net sales and EUR 0.6 million in operating profit. Full-year net sales of the acquired business operations in 2010 amounted to about EUR 23.0 million and operating profit to about EUR 0.7 million. If the acquirees had been consolidated as from the beginning of the year, consolidated net sales would have been EUR 1,898.1 million and operating profit EUR 29.2 million.

2009

The business operations of EH-Tekno Oy, a company specialised in urban environment construction, were acquired on 1 January 2009. The company's business is metal and steel construction works as well as the design, construction and contracting of sports and outdoor areas.

On 1 September 2009 full ownership of Lødingen Stenindustri AS was acquired. The company's business is stone quarrying and crushing.

On 16 October 2009 full ownership of OÜ Magistraal was acquired. The company's business is asphalt production, road construction, repair and maintenance, and road markings.

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

EUR 1,000	Carrying amounts before consolidation 2009	Fair values recognised after consolidation 2009
Assets		
Tangible assets	1,367	2,739
Inventories	531	531
Current receivables	334	334
Cash and cash equivalents	272	272
Assets, total	2,504	3,876
Liabilities		
Deferred tax liabilities		384
Loans	479	479
Other liabilities	694	694
Liabilities, total	1,174	1,558
Net assets	1,330	2,318
Acquisition cost, total	3,191	3,191
Goodwill, total		873
Cash flow effect		
Transaction price paid in cash		3,191
Cash funds of acquired subsidiary		–272
Cash flow effect		2,919

The full-year net sales of the acquired businesses in 2009 was approximately EUR 1.3 million. The effect of the acquired businesses on the Group's operating profit for the accounting period was approximately EUR –0.3 million. The business acquisitions will enable Lemminkäinen to achieve cost savings through synergies as well as an increase in market share and new customer contacts, the effect of which is allocated to goodwill.

Divested businesses

The Group signed an agreement to sell its roofing business to a Nordic capital investment fund on 15 December 2010. The price was about EUR 25 million. The Finnish Competition Authority approved the transaction at the end of January 2011 and the transaction was confirmed on 31 January 2011. The assets and liabilities transferred to the buyer are presented under non-current assets held for sale and related liabilities. Assets held for sale and liabilities are presented in note 16.

5 INFORMATION ON CONSTRUCTION PROJECTS

EUR 1,000	31.12.10	31.12.09
Percentage-of-completion method		
Recognition of project income by the percentage-of-completion method	1,639,744	1,586,370
Incurred costs and recognised net profits of work in progress (less booked losses)	1,111,954	764,945
Payments received in advance (for work not yet done)	17,149	17,934
Gross project-related receivables from clients	52,841	34,626
Gross project-related debts to clients	79,336	32,429
Completed-contract method		
Income recognised as revenue on delivery from own building developments	170,965	256,750
Inventories recognised from own building developments	131,755	110,596
Advance payments recognised for own building developments	55,202	17,994

SERVICE CONCESSION ARRANGEMENTS

In 2010, the Group had one ongoing life-cycle project.

Kuopio life-cycle project

The company established for this life-cycle project, Lemminkäinen PPP Oy (the service provider), signed the agreement with Kiinteistö Oy Kuopion koulutilat (the financier) on 14 December 2009. The project comprises new construction and renovation works for four schools and one day-care centre. The service provider is responsible for building management and maintenance for a period of 25 years. The total value of the project is EUR 93.5 million. All construction work in the project must be completed by autumn 2013.

The objective is to organise the use and maintenance of the premises as a privately-funded life-cycle project under a long-term public-private partnership as well as to ensure the constant usability, functionality, safety, healthiness, environmental friendliness and energy-efficiency of the premises.

Major terms of the arrangement

The financier owns the current buildings and land. The service provider will renovate the properties and construct new buildings as set out in the turnkey agreement made with the financier. The City of Kuopio will gain possession of the buildings after handover. Lemminkäinen PPP Oy will manage the buildings for about 25 years pursuant to the service agreement. Kuopio will serve as the contract agreement client for the sites it financed and as the representative of the financier. The contracts are fixed-price and are tied to the cost of construction index and reference rate. The financier will pay the contract prices in instalments as set out in the contract agreements.

Right of the service provider to use the asset items

The service provider shall not have the right to use any of the properties or to organise supplementary use.

Service provision obligation

The service provider is responsible for ensuring that design, development and construction work are carried out in accordance with the contract agreements, and will perform or organise the services set out in the agreements at the required level of professional expertise.

Obligation to build tangible asset items

The service provider will erect two school buildings and renovate two school buildings and one day-care centre.

Handover

The City of Kuopio shall be obligated to accept the sites when the terms of the agreement have been fulfilled.

Terminating the agreement

The City of Kuopio shall have the right to terminate the agreement with a six-month period of notice if the sum of the reductions in usability and service level for the 12 months prior to the inspection period at one or more of the properties is no less than 50% of the annual service fees of said property/properties. The City of Kuopio shall have the right to terminate the agreement after the 10th and 20th years of the agreement, that is, in 2021 and 2031.

The service provider shall have the right to terminate the agreement with a six-month period of notice, if the financier or the City of Kuopio neglect their payment obligations for 90 days

Changes in the arrangement during the review period

There were no significant changes in the arrangement during the review period.

6 OTHER OPERATING INCOME

EUR 1,000	1.1.–31.12. 2010	1.1.–31.12. 2009
Capital gains on sale of tangible assets	21,336	2,849
Capital gains on sale of investments	121	20
Rental income	385	721
Net income from hedging purchases and sales	23	664
Others	4,960	2,836
	26,824	7,091

7 OTHER OPERATING EXPENSES

EUR 1,000	1.1.–31.12. 2010	1.1.–31.12. 2009
Capital losses on sale of tangible and intangible assets	527	623
Capital losses on sale of investments	2	13
Voluntary personnel-related expenses	14,387	18,979
Rental expenses	37,608	30,605
Other production expenses	135,598	142,263
Other fixed expenses	61,346	56,119
Infringement fine		54,000
	249,468	302,601

8 DEPRECIATION AND IMPAIRMENT

EUR 1,000	1.1.–31.12. 2010	1.1.–31.12. 2009
Depreciation of tangible assets		
Buildings and structures	2,368	2,408
Machinery and equipment	19,740	18,884
Leased assets	10,079	9,943
Other tangible assets	1,808	2,231
	33,995	33,466
Depreciation of intangible assets		
Software licences	766	652
Other intangible rights	753	115
Other intangible assets	66	25
	1,585	791
Depreciation, total	35,580	34,258

No impairment losses were recognised in the 2010 and 2009 financial years.

9 PERSONNEL AND EMPLOYEE BENEFIT EXPENSES

EUR 1,000	1.1.–31.12. 2010	1.1.–31.12. 2009
Personnel expenses		
Wages and salaries	336,812	329,296
Pension expenses	51,056	51,524
Other personnel-related expenses	27,898	26,031
	415,766	406,850
Management salaries and emoluments		
Salaries and fees paid to Board members and the managing directors	6,095	6,143

Pension expenses are dealt with in greater detail in section 23 of the notes and management remuneration schemes in section 33.

	1.1.–31.12. 2010	1.1.–31.12. 2009
Average number of employees		
Salaried staff	**2,913**	3,067
Hourly paid workers	**5,401**	5,559
	8,314	8,626
Personnel by business segment		
Building Construction	**2,264**	2,356
Infrastructure Construction	**3,165**	3,395
Technical Building Services	**1,859**	1,941
Building Products	**835**	820
Parent company	**191**	114
	8,314	8,626

Pension commitments

The members of Lemminkäinen Group's Executive Board can retire at 60 years of age. The members of the Executive Board are Lemminkäinen Corporation's President and CEO, Chief Financial Officer, Executive Vice President, Human Resources and Information Technology, Executive Vice President, Corporate Business Development, as well as the heads of the business sectors.

10 SHARE OF THE RESULTS OF ASSOCIATES

EUR 1,000	1.1.–31.12. 2010	1.1.–31.12. 2009
Share of the results of associates		
Share of the profits of associates	**884**	1,541
Share of the losses of associates	**–141**	–42
	743	1,499

EUR 1,000	31.12.10	31.12.10
Shares in associates 1.1.	**6,251**	4,626
Translation difference	**358**	619
Increases	**1,381**	1,399
Decreases	**–385**	–100
Transfers between items		–293
Shares in associates 31.12.	**7,605**	6,251

MAJOR ASSOCIATES (INFORMATION PRESENTED IN FULL)

EUR 1,000	Group's ownership, %	Assets	Liabilities	Net sales	Result for the financial year
2010					
Finavo Oy, Finland	**47.5**	**1,075**	**1,059**	**5,475**	**–1**
Genvej A/S, Denmark	**50.0**	**587**	**217**	**417**	**24**
Martin Haraldstad AS, Norway	**50.0**	**9,266**	**4,956**	**6,133**	**834**
NHK Rakennus Oy, Finland	**35.0**	**2,058**	**1,178**	**6,930**	**364**
Nordasfalt AS, Norway	**50.0**	**12,898**	**8,166**	**24,888**	**487**
Ullensaker Asfalt ANS, Norway	**50.0**	**3,121**	**343**	**5,599**	**–283**
2009					
Finavo Oy, Finland	47.5	1,483	1,459	4,050	21
Genvej A/S, Denmark	50.0	237	11	118	–81
Martin Haraldstad AS, Norway	50.0	4,883	1,637	4,887	784
Nordasfalt AS, Norway	50.0	11,723	6,305	23,271	2,406
Ullensaker Asfalt ANS, Norway	50.0	2,946	63	7,469	457

11 FINANCIAL INCOME AND EXPENSES

EUR 1,000	1.1.–31.12. 2010	1.1.–31.12. 2009
Financial expenses		
Interest expenses	14,965	28,171
Losses on the change in fair value of derivatives	1,653	5,090
Foreign exchange rate losses	16,305	16,149
Other financial expenses	9,074	4,686
	41,998	54,095
Financial income		
Interest income	2,549	3,950
Gains on the change in fair value of derivatives	2,025	70
Dividend income	155	16
Foreign exchange rate gains	14,918	16,618
Other financial income	118	90
	19,765	20,744
Financial expenses, net	22,232	33,351
Net financial expenses, % of net sales	1.17	1.70
Net interest expenses, % of net sales	0.66	1.23

EUR 1,000	1.1.–31.12. 2010	1.1.–31.12. 2009
Exchange rate differences on sales	1,249	–122
Exchange rate differences on purchases	1,185	991
Exchange rate gains and losses are included in items above operating profit	2,434	870
Exchange rate differences on financial items	–1,387	470
	1,047	1,339

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
1.1.–31.12.2010						
Financial assets / liabilities recognised at fair value			–608			372
Loans and other receivables	2,549		994		–67	
Available-for-sale financial assets				155		
Financial liabilities recognised at amortised cost		–14,965	–1,773		–8,889	

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
1.1.–31.12.2009						
Financial assets / liabilities recognised at fair value			207			–5,020
Loans and other receivables	3,950		3,132		35	
Available-for-sale financial assets				16		
Financial liabilities recognised at amortised cost		–28,171	–2,869		–4,630	

EUR 0.5 million in borrowing costs have been capitalised in the balance sheet in 2010.

12 TAXES

INCOME TAXES

EUR 1,000	1.1.–31.12. 2010	1.1.–31.12. 2009
Income taxes on normal business operations	**–9,854**	–19,080
Income taxes in respect of previous years	**–1,137**	–231
Deferred taxes	**5,388**	5,683
	–5,602	–13,628
Reconciliation of taxes on the income statement and taxes calculated at the Finnish tax rate		
Result before taxes	**6,758**	–10,194
Taxes calculated on the above at the Finnish tax rate	**–1,757**	2,650
Differing tax rates of foreign subsidiaries	**–426**	–460
Tax-exempt income in income statement	**137**	455
Non-deductible expenses in income statement	**–1,683**	–15,859
Deductible non-income statement items	**353**	144
Taxable non-income statement items	**–733**	–1,174
Use of unrecognised earlier tax losses	**69**	1,148
Loss-making results for the financial year	**–162**	–209
Effect of change in the corporate tax rate		–143
Other items	**–265**	51
Taxes for the previous financial year	**–1,137**	–231
Taxes on the income statement, total	**–5,602**	–13,628

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

DEFERRED TAXES

EUR 1,000	31.12.10	31.12.09
Deferred tax assets		
Internal margin on fixed assets	544	1,260
Finance leasing	51	329
Landscaping provision	702	326
Confirmed losses	10,700	5,815
Personnel-related obligations		193
Fair valuation	510	1,159
Other temporary differences	3,769	5,487
	16,275	14,569
Deferred tax liabilities		
Accumulated depreciation differences	9,654	9,061
Revaluations	823	823
Recognition of income from long-term projects	2,821	7,317
Fair valuation	2,042	1,141
Other temporary differences	2,238	634
	17,577	18,975
Deferred tax liabilities, net	1,302	4,407

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

OTHER COMPREHENSIVE INCOME ITEMS

EUR 1,000	Before taxes	Taxes	After taxes
2010			
Translation difference	3,894		3,894
Cash flow hedges	622	–162	460
Fair value change	17	–4	12
	4,532	–166	4,366
2009			
Translation difference	3,381		3,381
Hedging of net investments	–368		–368
Cash flow hedges	–324	84	–240
	2,689	84	2,773

13 DIVIDENDS PAID AND PROPOSED

	1.1.–31.12. 2010	1.1.–31.12. 2009
Dividend paid during the financial year		
Per share for the previous year, EUR	0.00	0.90
In total for the previous year, EUR 1,000	0	15,319
In total for the previous year		
Per share for the financial year, EUR	0.50	0.00
In total for the financial year, EUR 1,000	9,822	0

14 TANGIBLE ASSETS

EUR 1,000	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost, 1.1.2010	13,369	55,461	351,275	34,499	3,671	458,275
Translation difference	59	224	2,513	302	15	3,114
Increases	114	1,315	26,033	2,810	2,113	32,385
Increases from acquired businesses	32	1,645	5,065	1,175		7,917
Decreases	–42	–4,858	–33,915	–392	–1,357	–40,563
Transfers between items	21	–1,242	2,720	257	–1,749	7
Acquisition cost, 31.12.2010	13,554	52,546	353,690	38,651	2,694	461,135
Accumulated depreciation, 1.1.2010		–34,798	–219,474	–19,390		–273,661
Translation difference		–73	–1,357	–158		–1,588
Accumulated depreciation on increases		–112	–397	–10		–519
Accumulated depreciation on decreases		2,344	23,218	383		25,945
Transfers between items		3	114	–117		
Depreciation for the financial year		–2,401	–29,883	–1,819		–34,104
Accumulated depreciation, 31.12.2010		–35,037	–227,779	–21,110		–283,927
Transferred to non-current assets held for sale	–54	–707	–1,053		–136	–1,950
Carrying amount, 31.12.2010	13,499	16,802	124,858	17,541	2,558	175,259
Carrying amount, 1.1.2010	13,369	20,664	131,801	15,109	3,671	184,613

EUR 1,000	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost, 1.1.2009	13,174	52,464	342,757	31,059	5,349	444,802
Translation difference	143	436	4,041	446	6	5,072
Increases	45	2,054	27,166	2,277	3,951	35,493
Increases from acquired businesses	51	845	1,534	1,441		3,870
Decreases	–44	–456	–29,761	–375	–193	–30,829
Transfers between items		119	5,539	–349	–5,442	–133
Acquisition cost, 31.12.2009	13,369	55,461	351,275	34,499	3,671	458,275
Accumulated depreciation, 1.1.2009		–32,110	–208,775	–16,964		–257,849
Translation difference		–152	–2,218	–300		–2,670
Accumulated depreciation on increases		–210	–911	–10		–1,131
Accumulated depreciation on decreases		90	21,287	283		21,660
Transfers between items			157	–157		
Depreciation for the financial year		–2,416	–29,014	–2,242		–33,671
Accumulated depreciation, 31.12.2009		–34,798	–219,474	–19,390		–273,661
Carrying amount, 31.12.2009	13,369	20,664	131,801	15,109	3,671	184,613
Carrying amount, 1.1.2009	13,174	20,354	133,981	14,095	5,349	186,954

The Group has no capitalised interest expenses.

EUR 1,000	31.12.10	31.12.09
Assets acquired under finance lease agreement are included in machinery and equipment as follows:		
Acquisition cost, 1.1.	114,022	116,935
Translation difference	711	1,506
Increases	9,064	13,809
Decreases	–4,554	–18,229
Acquisition cost, 31.12.	119,243	114,022
Accumulated depreciation, 31.12.	–65,380	–56,199
Carrying amount, 31.12.	53,863	57,823

15 INTANGIBLE ASSETS

EUR 1,000	Goodwill	Intangible rights	Other capitalised expenditure	Advance payments	Total
Acquisition cost, 1.1.2010	78,265	8,035	2,125	193	88,618
Translation difference	803	1	31		835
Increases		895	6,453	5,954	13,302
Increases from acquired businesses	5,779	76			5,856
Decreases		–380	–73		–453
Transfers between items		183	–21	–169	–7
Acquisition cost, 31.12.2010	84,847	8,810	8,515	5,978	108,151
Accumulated depreciation, 1.1.2010		–6,233	–1,422		–7,656
Translation difference			–31		–31
Accumulated depreciation on increases		–10			–10
Accumulated depreciation on decreases		359	51		411
Depreciation for the financial year		–832	–770		–1,602
Accumulated depreciation, 31.12.2010		–6,717	–2,172		–8,888
Transferred to non-current assets held for sale		–2	–6		–8
Carrying amount, 31.12.2010	84,847	2,092	6,338	5,978	99,255
Carrying amount, 1.1.2010	78,265	1,802	703	193	80,963
Acquisition cost, 1.1.2009	74,945	7,253	1,999	147	84,345
Translation difference	1,278		72		1,350
Increases	1,457	711	69	46	2,283
Increases from acquired businesses	873				873
Decreases	–288	–62	–15		–365
Transfers between items		133			133
Acquisition cost, 31.12.2009	78,265	8,035	2,125	193	88,618
Accumulated depreciation, 1.1.2009		–5,606	–1,249		–6,855
Translation difference			–72		–72
Accumulated depreciation on increases		–1			–1
Accumulated depreciation on decreases		60	14		74
Depreciation for the financial year		–687	–115		–802
Accumulated depreciation, 31.12.2009		–6,233	–1,422		–7,656
Carrying amount, 31.12.2009	78,265	1,802	703	193	80,963
Carrying amount, 1.1.2009	74,945	1,648	750	147	77,490

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.

Goodwill is allocated to the following operating segments:

EUR 1,000	Finland	Other Nordic countries	Eastern Europe and the Baltic states	Market areas, total	Common to segment 1)	Total
31.12.2010						
Building Construction	**6,687**		**73**	**6,760**		**6,760**
Infrastructure Construction	**888**	**16,261**	**1,322**	**18,471**	**23,903**	**42,374**
Technical Building Services	**25,503**			**25,503**		**25,503**
Building Products	**10,210**			**10,210**		**10,210**
	43,287	**16,261**	**1,395**	**60,944**	**23,903**	**84,847**
31.12.2009						
Building Construction	6,687		73	6,760		6,760
Infrastructure Construction 2)	888	10,714	949	12,551	23,554	36,105
Technical Building Services	25,502			25,502		25,502
Building Products 2)	9,897			9,897		9,897
	42,974	10,714	1,022	54,711	23,554	78,265

1) The goodwill reported in the "Common to segment" column has arisen from the acquisition of Danish and Norwegian asphalt businesses. It is allocated to the whole infrastructure construction business sector because it is Lemminkäinen Infra Oy's strategy to operate broadly in countries of the Baltic Rim region. This goodwill has been tested at the level of the whole business sector, in addition to which the goodwill allocated to each business area of infrastructure Construction has been tested separately.

2) Forssan Betoni Oy, which formerly belonged to Lemminkäinen Infrastructure Construction, became part of the Building Products business sector as from the beginning of 2010. The comparative figures for 2009 are also in line with the new organisation.

In impairment testing the discounted present value of the recoverable cash flows of each cash-generating unit is compared with the carrying amount of the unit in question. 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. The seven-year planning period is used when testing the paving operations in Denmark and Norway, and also the state of the Infrastructure Construction business sector. Infrastructure construction in the industrialised countries has good long-term predictability because governments and municipalities have to invest in the maintenance of infrastructure regardless of the business cycle. 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, including the interest rate margin. These components are weighted according to the fixed, average target capital structure of the sector. Pre-tax WACC is determined unit-specifically in testing. In the tests for 2010, long-term risk-free interest rate levels were exceptionally low, reducing discount rates compared with the previous year. However, the interest rate margin of liabilities remained quite high, levelling out the decline in the discount rate.

The sector-specific weighted averages of the key assumptions used in the value-in-use calculations: [1]

	Building Construction	Infrastructure Construction	Technical Building Services	Building Products
2010				
Discount rate, % (before taxes)	**7.8**	**8.3**	**8.1**	**8.2**
Average growth rate of net sales, %	**6.1**	**7.9**	**6.5**	**1.5**
Long-term average growth rate, %	**1.0**	**1.0**	**1.0**	**1.0**
2009 [2]				
Discount rate, % (before taxes)	9.2	10.3	9.1	9.6
Average growth rate of net sales, %	–0.5	2.5	6.3	4.1
Long-term average growth rate, %	1.0	1.0	1.0	1.0

1) The figures should not be regarded as forecasts for the entire business sector since the averages are calculated for only the cash-generating unit to which the goodwill has been allocated. The differences in the size of the cash-generating units are taken into account by weighting the figures according to the net sales of units when calculating the average. The forecasts are based on cautious outlooks so as to ensure the reliability of the test results.

2) The figures for the comparison year are taken from the original Q3/2009 tests. In order to improve comparability, the figures for the comparison year also take into account the transfer of Forssan Betoni Oy from the Infrastructure Construction business sector to Building Products (merged into Lemminkäinen Rakennustuotteet Oy). The sector-specific figures are not directly comparable, as the cash-generating units carrying goodwill in the business sectors can increase or decrease in number as a result of acquisitions, for example.

Goodwill impairment tests made during the third quarter of 2010 indicated that the present value of cash flows exceeded the carrying amount in all of the business units. Therefore there was no need to recognise any impairment of goodwill.

In connection with the impairment tests, sensitivity analyses are 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.

The sensitivity analyses indicated that variations in key assumptions considered generally relevant, reasonable and customary for Lemminkäinen's business sectors would not give rise to the need for impairment. Most of the Group's goodwill is allocated to the Infrastructure Construction business sector due to its acquisition of Nordic paving operations as well as to the Technical Building Services business sector. The margins between the present value and carrying amount of the cash flows of the Nordic paving operations of Infrastructure Construction and of the Technical Building Services business sector are large, and not even major changes in the outlook would be enough to necessitate goodwill impairment. In the Building Construction business sector, the margins of one unit were fairly small. The impairment risk of said unit concerns less than EUR 0.5 million of goodwill. If necessary, additional tests will be carried out on this unit if the results of sensitivity analyses and changes in the outlook give cause. The long-term predictability of Lemminkäinen's business sectors is reasonably good and the goodwill impairment risk small in all business cycles.

FIGURES DESCRIBING THE GOODWILL IMPAIRMENT RISK OF UNITS SUBJECT TO IMPAIRMENT TESTING BY BUSINESS SECTOR

EUR 1,000	Building Construction	Infrastructure Construction	Technical Building Services	Building Products
2010				
Goodwill allocated to the business sector, total	**6,760**	**42,374**	**25,503**	**10,210**
Ratio of present value to carrying amount [1]	**4.67**	**3.23**	**15.76**	**3.28**
Goodwill impairment if annual growth over the				
long term were 1 percentage point lower	**492**	**0**	**0**	**0**
long term were 2 percentage points lower	**492**	**0**	**0**	**0**
Goodwill impairment if the borrowing cost				
were 1 percentage point higher	**492**	**0**	**0**	**0**
were 2 percentage points higher	**492**	**0**	**0**	**0**
2009 [2]				
Goodwill allocated to the business sector, total	6,760	36,105	25,502	9,897
Ratio of present value to carrying amount [1]	1.76	2.17	6.18	3.65
Goodwill impairment if annual growth over the				
long term were 1 percentage point lower	684	0	0	0
long term were 2 percentage points lower	684	0	0	0
Goodwill impairment if the borrowing cost				
were 1 percentage point higher	0	0	0	0
were 2 percentage points higher	684	0	0	0

1) Net-sales-weighted average of the business sector's cash-generating units subject to impairment testing. Ratio less than 1 would lead to impairment.
2) The comparative year's sensitivity figures are calculated from the original Q3/2009 test results. The goodwill of the business sectors is calculated according to the situation at the end of 2009. In order to improve comparability, the figures for the comparison year also take into account the transfer of Forssan Betoni Oy from the Infrastructure Construction business sector to Building Products.

16 NON-CURRENT ASSETS HELD FOR SALE

Assets and liabilities related to the roofing business are presented as held for sale because the Group signed an agreement on 15 December 2010 to sell its roofing business to the Danish investment firm Axcel. The transaction has been approved by the Finnish Competition Authority and it was concluded on 31 January 2011. The employees will transfer with the business operations to a newly established company under their previous terms of employment.

EUR 1,000	31.12.10
Non-current assets held for sale	
Property, plant and equipment	1,950
Intangible assets	8
Inventories	6,242
Other current assets	5,898
Total	14,097
Liabilities related to non-current assets held for sale	
Other current liabilities	4,383

17 FINANCIAL ASSETS AND LIABILITIES BY CLASS

EUR 1,000	Note	Financial assets / liabilities recognised at fair value through profit and loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amortised cost	Derivatives subject to hedge accounting	Balance sheet value	Fair value
31.12.2010								
Non-current financial assets								
Shares and holdings	18			6,410			6,410	6,410
Other non-current receivables	20		7,175				7,175	7,175
Current financial assets								
Trade receivables and interest-bearing loan receivables	20		208,089				208,089	208,089
Derivative contracts	20	399					399	399
Cash and cash equivalents	21		26,348				26,348	26,348
Non-current financial liabilities								
Loans	25				214,134		214,134	211,428
Other non-current liabilities	26				3,882		3,882	3,882
Current financial liabilities								
Loans	25				161,381		161,381	161,381
Accounts payable	26				69,257		69,257	69,257
Derivative contracts	26	1,756				2,040	3,796	3,796

EUR 1,000	Note	Financial assets / liabilities recognised at fair value through profit and loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amortised cost	Derivatives subject to hedge accounting	Balance sheet value	Fair value
31.12.2009								
Non-current financial assets								
Shares and holdings	18			6,582			6,582	6,582
Other non-current receivables	20		7,481				7,481	7,481
Current financial assets								
Trade receivables and interest-bearing loan receivables	20		176,866				176,866	176,866
Derivative contracts	20	66					66	66
Cash and cash equivalents	21		74,400				74,400	74,400
Non-current financial liabilities								
Loans	25				290,749		290,749	289,401
Other non-current liabilities	26				2,390		2,390	2,390
Current financial liabilities								
Loans	25				108,397		108,397	108,397
Accounts payable	26				66,595		66,595	66,595
Derivative contracts	26	2,188				2,815	5,004	5,004

Measurement of fair values

The balance sheet dated 31 December 2010 includes EUR 27 thousand in quoted shares. The balance sheet dated 31 December 2009 did not include quoted shares. Unquoted shares are other shares and participations. Unquoted shares do not have active markets, and their fair value cannot be reliably determined, and thus they are measured at cost in the balance sheets.

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

The carrying amount of trade and other receivables is their fair value due to their short maturity.

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 calculated using market rates quoted on the balance sheet date.

Cash and cash equivalents comprise bank account balances and liquid investments with maturities of less than three months made in solvent partner banks. 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 2010 was 3.26% (3.35% in 2009).

The balance sheet value of accounts payable and other current liabilities is assumed to be close to their fair value.

FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS

EUR 1,000	31.12.10 Level 2	31.12.10 Level 3	31.12.10 Total	31.12.09 Level 2	31.12.09 Level 3	31.12.09 Total
Assets						
Forward foreign exchange contracts	113		113	66		66
Commodity derivatives		286	286			
	113	286	399	66		66
Liabilities						
Forward foreign exchange contracts	981		981	1,768		1,768
Commodity derivatives		169	169			
Interest rate swaps,		2,647	2,647		3,236	3,236
of which subject to cash flow hedge accounting		2,040	2,040		2,815	2,815
	981	2,816	3,796	1,768	3,236	5,004
Net debt, total	868	2,530	3,397	1,702	3,236	4,938

LEVEL 3 RECONCILIATION STATEMENT EUR 1,000	Financial assets recognised at fair value through profit or loss	Financial assets recognised at fair value through other comprehensive income items
	Trading derivatives	Derivatives subject to hedge accounting
Fair values 1.1.2010	–421	–2,815
Gains and losses, total		
in the income statement	–67	315
in comprehensive income		460
Fair values 31.12.2010	–487	–2,040
Total gains and losses in financial income and expenses 1)	–184	315
Total gains and losses in other operating income and expenses 1)	117	

1) Total gains and losses recorded through profit or loss in the reporting period in respect of assets held at the end of the period.

LEVEL 3 RECONCILIATION STATEMENT EUR 1,000	Financial assets recognised at fair value through profit or loss	Financial assets recognised at fair value through other comprehensive income items
	Trading derivatives	Derivatives subject to hedge accounting
Fair values 1.1.2009	–425	–2,258
Total gains and losses		
in the income statement	4	–233
in comprehensive income		–324
Fair values 31.12.2009	–421	–2,815
Total gains and losses in financial income and expenses 1)	4	–233

1) Total gains and losses recorded through profit or loss in the reporting period in respect of assets held at the end of the period.

The Group has classified assets held at fair value using a three-level hierarchy of fair values. Each fair-valued financial instrument belongs to one of the three levels, depending on the relative reliability of its fair value. Financial instruments belonging to Level 1 are representative of the most reliable and best information on fair value which is available from active and efficient markets. The fair values of forward foreign exchange rate contracts, net total EUR –0.9 million (EUR –1.7 million in 2009) are recorded in Level 2. These values are based on verifiable market data and generally accepted valuation methods. Other financial instruments, with the exception of forward foreign exchange contracts, are recorded at fair value, net total EUR –2.5 million (EUR –3.2 million in 2009) in Level 3. Level 3 fair values are based on market valuation reports and quotations provided by brokers. There is a statement reconciling the difference between the opening and closing balances for the fair-valued financial instruments recorded in Level 3. The changes that occurred during the period are presented separately on the reconciliation statement.

18 AVAILABLE-FOR-SALE INVESTMENTS

EUR 1,000	31.12.10	31.12.09
Balance sheet value, 1.1.	6,582	6,038
Increases	7	289
Change in fair value	17	
Decreases	–196	–38
Transfers between items		293
Balance sheet value, 31.12.	6,410	6,582

The balance sheet dated 31 December 2010 includes EUR 27 thousand in quoted shares. The balance sheet dated 31 December 2009 did not include quoted shares. The fair value of unquoted shares cannot be reliably determined, and thus they are presented at cost less impairment.

19 INVENTORIES

EUR 1,000	31.12.10	31.12.09
Materials and supplies	39,941	37,589
Building plots and real estate	107,346	104,050
Housing under construction	68,297	28,227
Commercial property under construction	21,698	25,337
Work in progress	32,437	55,062
Prepayments	8,717	8,636
Completed housing companies	44,154	67,025
Completed commercial property	10,528	10,187
Products and goods	42,889	38,608
	376,005	374,721
Transferred to non-current assets held for sale	–6,242	
	369,763	374,721

20 NON-CURRENT AND CURRENT RECEIVABLES

EUR 1,000	31.12.10	31.12.09
Non-current receivables		
Interest-bearing		
Loan receivables	5,784	6,155
Other receivables	131	131
	5,915	6,286
Non-interest-bearing		
Trade receivables	238	195
Other receivables	1,022	1,000
	1,260	1,195
Non-current trade and other receivables, total	7,175	7,481
Current receivables		
Interest-bearing		
Loan receivables	944	1,047
Non-interest-bearing		
Trade receivables	207,145	175,819
Project income receivables	74,084	64,284
Tax assets	12,729	13,988
Interest receivables	591	332
Personnel expenses	2,892	3,723
Capitalised financial expenses	111	3,100
Other prepayments and accrued income	21,690	17,502
Receivables from derivative instruments	399	66
Receivables from real estate companies under construction	10,273	9,747
Other receivables	18,103	15,530
	348,017	304,091
Transferred to non-current assets held for sale	–5,898	
Current trade and other receivables, total	343,064	305,139

Non-current 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 1.4 million (EUR 3.3 million in year 2009) were recognised as credit losses during the financial year.

21 CASH AND CASH EQUIVALENTS

EUR 1,000	31.12.10	31.12.09
Investments	**1,054**	815
Cash in hand and at banks	**25,294**	73,585
	26,348	74,400

22 NOTES CONCERNING SHAREHOLDERS' EQUITY

Shares and share capital

Lemminkäinen Corporation has one share class. On 31 December 2010, the Company had 19,644,764 shares. All issued shares are fully paid up. The Group does not possess any treasury shares.

On the basis of the authorisation from the extraordinary general meeting held on 12 November 2009, Lemminkäinen Corporation's Board of Directors decided, on 17 March 2010, to organise two separate share issues. The Company offered 1,700,000 new shares in the Company for subscription to private and institutional investors approved by the Board of Directors. In addition, Lemminkäinen Corporation's Board of Directors decided on a targeted issue in which a total of 923,514 new shares in the Company were offered to subscription against compensation to the non-controlling shareholders of Lemminkäinen Corporation's subsidiaries Lemminkäinen Talo Oy and Lemminkäinen Talotekniikka Oy. The subscription price was EUR 23.25 per share. After the share issue decided on 17 March 2010, the Board of Directors is still authorised to decide on the issue of 1,576,486 further shares. The authorisation is valid for five years after the conclusion of the general meeting held on 12 November 2009.

EUR 1,000	Number of shares (1,000 shares)	Share capital	Share premium account	Invested unrestricted equity reserve	Total
1.1.2009	17,021	34,043	5,750		39,793
31.12.2009	**17,021**	**34,043**	**5,750**		**39,793**
Share issue to investors for cash consideration	**1,700**			**39,525**	**39,525**
Share issue to non-controlling interest for cash consideration	**924**			**24,335**	**24,335**
Transaction expenses of share issues				**–716**	**–716**
31.12.2010	**19,645**	**34,043**	**5,750**	**63,144**	**102,937**

Share premium account

Share premiums are recognised in the share premium account.

Invested non-restricted equity fund

The invested non-restricted equity fund includes the subscription prices of shares to the extent that they are not entered into share capital on the basis of a separate decision.

Translation differences and hedging reserve

The translation differences include the differences arising from the translation of the financial statements of foreign units. Gains and losses on hedges of net investments in foreign units are also included in the translation differences when the requirements set for hedge accounting are met.

Changes in the effective part of derivatives falling within the scope of hedge accounting are recognised in the hedging reserve.

EUR 1,000	Translation difference	Hedging reserve	Total
1.1.2009	–4,711	–1,730	–6,441
Translation difference	3,381		3,381
Hedging of net investment in foreign subsidiary	–368		–368
Cash flow hedge		–240	–240
31.12.2009	**–1,698**	**–1,970**	**–3,668**
Translation difference	**3,894**		**3,894**
Cash flow hedge		**460**	**460**
31.12.2010	**2,196**	**–1,510**	**686**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

RETAINED EARNINGS

EUR 1,000	31.12.10	31.12.09
Retained earnings, 1.1.	234,512	276,023
Result for the financial year	299	–26,192
Dividends paid		–15,319
Direct entries, minority acquisition	–10,105	
Cancellation of dividend liability	82	
Retained earnings, 31.12.	224,787	234,512
Share of appropriations in retained earnings, 31.12	22,170	21,515

23 PENSION OBLIGATIONS

EUR 1,000	31.12.10	31.12.09
Pension liability on the balance sheet	508	749
The movement in the defined benefit obligation over the year		
Beginning of year	15,941	12,419
Translation difference	703	1,520
Current service cost	1,894	1,675
Costs based on retroactive service	2,141	
Interest cost	808	978
Actuarial losses and gains	1,461	–1,921
Gains/losses from curtailments of benefit arrangement	–742	1,637
Benefits paid	–430	–365
End of year	21,776	15,941
The movement in the fair value of plan assets of the year		
Beginning of year	12,553	10,164
Translation difference	531	1,097
Expected return on plan assets	750	657
Actuarial losses and gains	–327	–143
Employer contributions	2,641	931
Benefits paid	–185	–153
End of year	15,961	12,553

EUR 1,000	31.12.10	31.12.09
Present value of unfunded obligations		
Present value of funded obligations	21,776	15,941
Fair value of funds	–15,961	–12,553
	5,815	3,388
Unrecognised actuarial gains and losses	–5,822	–2,526
Unrecognised costs of past service	–474	–658
Defined benefit pension plan obligation (+) / asset (–)	–481	205
Recognised expenses relating to defined benefit pension plans		
Pension costs based on service in the financial year	1,894	1,675
Interest cost of obligation stemming from benefits	808	701
Expected yield on funds belonging to the plan	–750	–645
Actuarial gains and losses	910	278
Costs based on past service	–317	
	2,545	2,009
Change in pension obligation on the balance sheet		
Obligation at start of period	205	–843
Translation difference	48	33
Employer payments	–3,279	–995
Net items recorded on the income statement	2,545	2,009
Obligation (+) / asset (–) at end of period	–481	205
Pension plan obligations on the balance sheet	508	749
Pension plan assets on the balance sheet	–989	–545

The pension plan assets are recognised as a deferred income on the balance sheet.

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.

Payments to be made to defined benefit pension plans in Lemminkäinen Group during 2011 are estimated at EUR 1.4 million.

	31.12.10 Finland	31.12.10 Abroad	31.12.09 Finland	31.12.09 Abroad
The most important actuarial assumptions				
Discount rate, %	**4.8**	**4.4**	5.0	4.4
Expected yield on funds, %	**6.0**	**5.6**	6.5	5.6
Future pay rise assumption, %	**3.5**	**4.0**	3.0	4.0
Future pension rise assumption, %	**2.1**	**1.3**	2.1	1.3
Inflation rate, %	**2.0**	**3.8**	2.0	4.0

24 PROVISIONS

EUR 1,000	Warranty provisions	Landscaping provisions	Other provisions	Total 31.12.10	Total 31.12.09
Provisions, 1.1.	**7,133**	**866**	**2,034**	**10,033**	9,273
Translation differences	**16**	**9**	**–1**	**24**	29
Increases in provisions	**1,725**	**1**	**925**	**2,651**	3,219
Expensed provisions	**–2,011**	**–12**	**–928**	**–2,951**	–2,243
Reversals of unused provisions	**–763**		**–274**	**–1,037**	–244
Provisions, 31.12.2010	**6,100**	**864**	**1,756**	**8,720**	
Provisions, 31.12.2009	7,133	866	2,034		10,033

EUR 1,000	31.12.10	31.12.09
Provisions categorised as		
Long-term	**2,283**	1,762
Short-term	**6,437**	8,271
	8,720	10,033

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.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

25 LOANS

EUR 1,000	31.12.10 Balance sheet values	31.12.10 Fair values	31.12.09 Balance sheet values	31.12.09 Fair values
Non-current				
Loans from credit institutions	39,871	39,871	176,334	176,334
Pension loans	70,755	68,980	70,400	69,609
Finance leasing liabilities	42,944	42,944	43,422	43,422
Bonds	60,000	59,070		
Other non-current liabilities	564	564	594	589
	214,134	211,428	290,749	289,953
Current				
Repayments of loans from credit institutions in the next year	15,169	15,169	20,073	20,073
Repayments of pension loans in the next year	19,035	20,390	18,400	20,382
Repayments of finance lease liabilities in the next year	11,726	11,726	13,703	13,703
Chequing accounts	8,663	8,663	9,266	9,266
Commercial paper	75,100	74,679	5,000	5,000
Debts to owners of housing under construction	30,851	30,851	41,873	41,873
Other current loans	837	837	82	82
	161,381	162,315	108,397	110,379

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 3.26% (3.35% in year 2009).

EUR 1,000	31.12.10 Non-current loans by currency	31.12.10 Current loans by currency	31.12.09 Non-current loans by currency	31.12.09 Current loans by currency
EUR	195,008	148,262	272,273	95,124
DKK	9,287	4,924	10,727	6,631
EEK	537	236	728	303
LTL	32	2,992	6	4,188
NOK	9,269	4,670	7,015	1,395
SEK		297		754
	214,134	161,381	290,749	108,397

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 repayment date or the next interest rate adjustment date.

EUR 1,000	Less than 1 year	1–5 years	Over 5 years	Total
31.12.2010				
Loans, total	225,580	149,934		375,514
Effect of interest rate swap agreements	–50,020	50,020		
	175,560	199,954		375,514
31.12.2009				
Loans, total	328,645	70,501		399,146
Effect of interest rate swap agreements	–51,443	45,691	5,751	
	277,202	116,193	5,751	399,146

	31.12.10	31.12.2009
Weighted averages of effective interest rates on interest-bearing debt, %		
Loans from credit institutions	1.74	3.02
Bond	4.50	
Pension loans	2.97	4.45
Finance leasing debts	3.35	3.75
Commercial paper	1.67	2.83
Other current loans	0.79	1.44

FINANCE LEASE DEBTS

EUR 1,000	31.12.10	31.12.2009
Finance leasing debts and interest on them is due as follows		
In one year or earlier	13,446	15,410
Over one year, but less than five years	35,232	33,748
Over five years	12,217	16,814
	60,895	65,972
Present value of minimum leases		
In one year or earlier	11,726	13,703
Over one year, but less than five years	31,516	27,651
Over five years	11,428	15,771
	54,670	57,125
Accumulated future financial expenses from finance lease debts	6,225	8,846

26 ACCOUNTS PAYABLE AND OTHER LIABILITIES

EUR 1,000	31.12.10	31.12.09
Non-current		
Other non-current liabilities	3,882	2,390
Accounts payable and other current liabilities		
Prepayments received	102,777	102,435
Debts to owners of housing under construction	15,228	2,467
Accounts payable	69,257	66,595
Project expenses	17,400	26,253
Income tax owed	5,203	7,008
VAT	21,222	20,147
Interest debts	1,275	2,412
Amortisations of personnel expenses	68,327	69,713
Other accrued liabilities and deferred income	12,174	13,696
Fair value of derivatives	3,796	5,004
Other current debts	8,881	13,844
	325,541	329,575
Transferred to non-current assets held for sale	–4,383	
Non-current and current accounts payable and other liabilities	325,040	331,965

27 FINANCIAL RISK MANAGEMENT

Financial risks

In its business operations, Lemminkäinen Group is exposed to financial risks, mainly interest rate, exchange rate, funding, liquidity and credit risks. The aim of the Group's financial risk management is to reduce uncertainty concerning the possible impacts that changes in values on the financial markets could have on the Group's result, cash flow and value. The management of financial risks is based on principles approved by the Board of Directors. The treasury policy defines the principles and division of responsibilities with regard to financial activities and the management of financial risk. The policy is reviewed and if necessary updated at least annually.

Execution of the treasury policy is the responsibility of the Group Treasury, which is largely responsible for the management of financial risks and coordinates the Group's treasury activities on a centralised basis. The Group's treasury policy defines the division of responsibilities between the Group Treasury and business units in each issue. The Group companies are responsible for providing the Group Treasury with up-to-date and accurate information on treasury-related matters concerning their business operations. The Group Treasury serves as an internal bank and co-ordinates, directs and supports the Group companies in treasury matters such that the Group's financial needs are met and its financial risks are controlled effectively in line with the treasury policy.

Interest rate risk

The aim of Lemminkäinen Group's interest rate risk management is to minimise changes affecting the result, cash flows and value of the Group due to interest rate fluctuations. The Group Treasury manages and monitors the interest rate position. The Group's interest rate risk primarily comprises fixed-rate and variable-rate loan and leasing agreements, interest-bearing financial receivables and interest rate derivatives. Interest rate changes affect items in the income statement and balance sheet.

The interest rate risk is minimised by setting the Group's average period of interest rate fixing terms to the same as the interest rate sensitivity of its business. The interest rate sensitivity position of the Group's business is estimated to be about 15 months. The treasury policy thus defines the Group's average period of interest rate fixing term as 12–18 months. The Group aims to keep 40–65 per cent of its liabilities in foreign currencies hedged. At the end of the year, Lemminkäinen's average period of interest rate fixation was 19.4 months and the interest rate hedge ratio was 55 per cent.

The Group can draw both variable- and fixed-rate long-term loans. The ratio of fixed- to variable-rate loans can be changed by means of interest rate derivatives. In 2010, the Group made use of interest rate swaps and applied hedge accounting to two interest rate swap agreements. The parent company issued a four-year fixed-rate bond in September and used the funds to repay variable-rate loans.

Interest rate fluctuations in 2010 did not have any unusual effect on the Group's business, but a significant rise in the level of interest rates may have a detrimental effect on the demand for housing.

Interest risk sensitivity

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 –225.7 million (EUR –306.5 million in 2009), variable-rate financial receivables totalling EUR 26.3 million (EUR 74.4 million in 2009) and interest rate derivatives totalling EUR 58.1 million (EUR 59.6 million in 2009)
- variable-rate financial instruments affect the income statement; in addition, derivative contracts that are subject to hedge accounting have an effect on comprehensive income
- all factors other than the change in interest rates remain constant
- taxes have not been taken into consideration when calculating sensitivity

SENSITIVITY CAUSED BY THE INTEREST RATE CHANGE

1 percentage point change in market rates

EUR 1,000	Income statement +1%	Income statement –1%	Other comprehensive income +1%	Other comprehensive income –1%
31.12.2010				
Variable-rate loans	–2,257	2,257		
Interest-bearing receivables	263	–263		
Interest rate derivatives	12	–318	–147	–1,437
	–1,982	1,676	–147	–1,437

EUR 1,000	Income statement +1%	Income statement –1%	Other comprehensive income +1%	Other comprehensive income –1%
31.12.2009				
Variable-rate loans	–3,065	3,065		
Interest-bearing receivables	744	–744		
Interest rate derivatives	317	526	1,407	757
	–2,004	2,847	1,407	757

Foreign exchange rate risk

The aim of exchange rate risk management is to reduce uncertainty concerning the possible impacts that changes in exchange rates could have on cash flows, business receivables and liabilities, and the future values of different balance sheet items. Exchange rate risk mainly consists of transaction risk and translation risk.

Translation risk consists of exchange rate differences arising from the translation of the income statements and balance sheets of foreign group companies into the Group's home currency. In practice, the Group's reportable translation risk is caused by equity investments in and the retained earnings of foreign subsidiaries, the effects of which are recorded under translation differences in shareholders' equity. Lemminkäinen Group has foreign net investments in several currencies. In accordance with the treasury policy, Lemminkäinen Group protects itself from translation risks primarily by keeping equity investments in foreign companies at an appropriately low level, and thus does not use financial instruments to hedge the translation risks. The Group did not apply hedge accounting to net investments in 2010.

Transaction risk consists of cash flows in foreign currencies from operational and financial activities. The Group seeks to hedge business currency risks primarily by operative means. The remaining transaction risk is hedged by using instruments such as foreign currency loans and currency derivatives. The group companies are responsible for identifying, reporting, forecasting and hedging their transaction risk positions internally. The Group Treasury is responsible for hedging the Group's risk positions as external transactions in accordance with the treasury policy. The general rule is that the major net positions forecasted for the 12 months following the review date are hedged, with a hedging ratio ranging from 25–100 per cent and emphasising the first six months.

The key currencies in which the Group was exposed to transaction risk in 2010 were USD and RUB. These transaction risk positions were mainly due to sales, procurements, receivables and liabilities. In 2010 the Group did not apply hedge accounting to transaction risk hedging.

Currency risk sensitivity

The following assumptions have been 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
- taxes have not been taken into consideration when calculating sensitivity

SENSITIVITY CAUSED BY A CHANGE IN EXCHANGE RATES

EUR 1,000	31.12.10 Income statement	31.12.10 Other comprehensive income	31.12.09 Income statement	31.12.09 Other comprehensive income
+/–10% change in the euro/dollar exchange rate	–332/ +406		+3,335/ –2,586	
+/–10% change in the euro/rouble exchange rate	–427/ +1,572		–3,964/ +345	

Funding and liquidity risk

The Group seeks to optimise the use of liquid assets in funding its business operations and to minimise interest and other financial expenses. The Group Treasury is responsible for managing the Group's overall liquidity and ensuring that adequate credit lines and a sufficient number of funding sources are available. It also ensures that the maturity profile of the Group's loans and credit facilities is spread sufficiently evenly over coming years as set out in the treasury policy. The Group's liquidity management is based on monthly forecasts of funding requirements and daily cash flow forecasting.

In 2010 the financial crisis continued to have a slight effect on the availability of funding from traditional financial markets, which was evident in, for instance, the stringent terms of funding. During the year, the Group rearranged its liabilities by repaying EUR 60 million in short-term debt with the funds from a targeted share issue, a TyEL pension premium loan and the four-year bond of EUR 60 million floated in September. At the end of the year, the Group secured a total of EUR 160 million in unsecured bilateral committed credit facilities that are without collateral to refinance a certificated credit line of EUR 150 million originally maturing in 2011 and renegotiated of the bank guarantee for its TyEL pension loan facility of about EUR 90 million. These arrangements safeguard the Group's liquidity and give the Company more financial flexibility over the next three years. The Group also aims to free up capital and thus reduce its debt burden. The maturities and repayment periods of the loan and credit facilities are from one to five years on the accounting date. According to the treasury policy, the Group's liquidity reserve shall at all times match the Group's total liquidity requirement, and it must be accessible within five banking days without any additional charges being incurred. The Group's total liquidity requirement consists of the liquidity requirement of day-to-day operations, risk premium needs and the strategic liquidity requirement.

Due to the nature of the Group's business 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, committed credit limits and bank overdraft facilities. The total amount of the Group's commercial paper programme is EUR 300 million, of which EUR 75 million was in use at 31 December 2010 (EUR 5.0 million in 2009).

At that time, the Group had unused committed credit facilities totalling EUR 160 million.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

The main principle is to use excess liquidity to repay debt. The Group's excess liquidity is managed by means of internal deposits and cash pools. The amount of cash funds at 31 December 2010 was EUR 26.3 million (EUR 74.4 million in 2009).

ANALYSIS OF THE MATURITIES OF FINANCIAL LIABILITIES

EUR 1,000	2011	2012	2013	2014	2015	2016–	Total
31.12.2010							
Loans	147,319	39,248	38,095	87,528	7,696	395	320,281
Finance leasing liabilities	11,726	9,522	8,705	6,634	6,655	11,428	54,670
Interest rate derivatives	1,577	1,090	604	122			3,393
Foreign forward exchange contracts							
Cash flows payable	49,209						49,209
Cash flows receivable	–48,794						–48,794
Commodity derivatives	169						169
Other non-current liabilities	40	487	25	12			564
Accounts payable	69,257						69,257
Interest, total	7,112	5,990	4,951	4,002	892	766	23,713
Total	237,614	56,337	52,380	98,299	15,243	12,588	472,461

EUR 1,000	2010	2011	2012	2013	2014	2015–	Total
31.12.2009							
Loans	95,246	153,859	34,226	33,705	23,048	1,938	342,021
Finance leasing liabilities	13,703	8,689	7,489	6,577	4,895	15,771	57,125
Interest rate derivatives	1,733	1,321	904	481	83		4,521
Foreign forward exchange contracts							
Cash flows payable	36,595						36,595
Cash flows receivable	–34,893						–34,893
Other non-current liabilities		1,721	220	229	220		2,390
Accounts payable	66,595						66,595
Interest, total	10,923	5,104	3,734	2,026	1,084	1,345	24,216
Total	189,902	170,694	46,573	43,018	29,329	19,054	498,571

Credit risk

Credit risks arise when a counterparty is unable to meet its contractual obligations, causing the other party to suffer a financial loss. Lemminkäinen has defined a credit policy for customer receivables that aims to boost profitable sales by identifying credit risks in advance and controlling them. Most of the Group's business is based on established and trustworthy 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. In the prevailing economic situation, the importance of credit control is underlined, and the Company's credit control processes have been enhanced.

The Group is exposed to credit risk through all of the Group's trade receivables and receivables associated with deposits and receivables. The maximum amount of credit risk is the combined total of the balance sheet values of the aforementioned items. The amounts and due dates of the Group's trade and loan 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 made the contract actively monitors the receivables situation. If the business units renegotiate the terms of the receivables, they must do so in accordance with the requirements of the Group's credit policy. The risk of credit losses can be reduced by means of guarantees, mainly bank guarantees and bank deposits. Lemminkäinen's credit losses have been minimal in relation to the scale of its 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, in exceptional situations, a credit risk is taken, the amount permitted is always proportional to the expected margin on the project in question. Written-down financial assets represent credit losses. Receiveables transferred for legally enforceable collection are recognised as credit losses.

The Group Treasury is responsible for the management of the Group's counterparty and credit risks related to cash, financial investments and financial transactions. The Group is exposed to counterparty risk when investing liquid assets and using derivative instruments. Liquid assets are invested in short-term bank deposits, certificates of deposit issued by solvent partner banks, and commercial papers issued by corporations with a good credit rating. The treasury policy specifies the approved counterparties and their criteria. At the end of 2010, the counterparty risk was considered to be low.

MATURITIES OF TRADE AND LOAN RECEIVABLES

EUR 1,000	Not due	Maturity 1–30 days	Maturity 31–60 days	Maturity 61–90 days	Maturity over 90 days	Total
31.12.2010						
Non-current receivables						
Trade receivables	**238**					**238**
Loan receivables	**5,784**					**5,784**
Current receivables						
Trade receivables	**169,559**	**21,965**	**4,041**	**1,469**	**10,111**	**207,145**
Loan receivables	**944**					**944**
	176,526	**21,965**	**4,041**	**1,469**	**10,111**	**214,112**
31.12.2009						
Non-current receivables						
Trade receivables	145				50	195
Loan receivables	1,173					1,173
Current receivables						
Trade receivables	130,216	26,289	4,161	1,359	13,794	175,819
Loan receivables	1,047					1,047
	132,581	26,289	4,161	1,359	13,844	178,234

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Commodity price risk

The Group's paving operations are exposed to bitumen price risk. The price of bitumen is determined by the world market price of oil. The Group protects itself against the bitumen risk with fixed purchase prices and derivatives that are not subject to hedge accounting. In the group companies, the contractual value of these bitumen derivatives totalled 21,350 Mt.

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 all of the Group's business sectors maintain their business viability at a competitive level in all cyclical conditions, that risk-carrying capacity is adequate, for example, in construction contracts, and that the Company is able to pay a good dividend and service its debt.

The amount of the Group's interest-bearing liabilities is affected by factors such as business expansion, acquisitions, and investments in or the sale of production equipment, buildings and land. The Company continuously monitors the amount of debt, the ratio of net debt to EBITDA, and the equity ratio. Interest-bearing net debt comprises interest-bearing liabilities less cash and cash equivalents The amount of net debt can vary during the accounting period due primarily to seasonal variations in production, investments and purchase of land. The amount of interest-bearing net debt on 31 December 2010 was EUR 349,2 million (EUR 324.7 million in 2009).

The renegotiated borrowing facility arrangements include two financial covenants that are measured quarterly: the net debt to EBITDA ratio and the Company's equity ratio. According to the terms, Lemminkäinen Group's net debt to EBITDA ratio can vary by quarter and may not exceed 4.0. The Company's equity ratio shall be no less than 28 per cent.

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 2010 was 7.0% (5.4% in 2009). The return on investment includes the Group's shareholders' equity and interest-bearing liabilities averaged over the accounting period.

EUR 1,000	31.12.10	31.12.09
Interest-bearing liabilities	375,514	399,146
Cash and cash equivalents	26,348	74,400
Interest-bearing net debt	349,166	324,745
Equity attributable to the equity holders of parent company	328,422	270,637
Equity, total	333,509	293,849
Equity ratio, %	35.2	30.9
Gearing, %	104.7	110.5
Return on investment, %	7.0	5.4

28 DERIVATIVES

DERIVATIVE CONTRACTS

EUR 1,000	Nominal value	Fair value positive	Fair value negative	Fair value net
31.12.2010				
Forward foreign exchange agreements	48,902	113	–981	–868
Interest rate swaps				
Measured at fair value	18,052		–607	–607
of which subject to hedge accounting	40,020		–2,040	–2,040
Commodity derivatives, bitumen	MT 21,350	286	–169	117
31.12.2009				
Forward foreign exchange agreements	36,634	66	–1,768	–1,702
Interest rate swaps	59,585		–3,236	–3,236
of which cash flow subject to hedge accounting	51,443		–2,815	–2,815

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.

The Group has subsidiaries outside the euro zone and is thus exposed to translation risks due to net investments. The Group has decided not to use derivative instruments to hedge against the translation risk of net investments and has therefore not entered into forward exchange contracts hedging net foreign investments in 2010. Realised exchange rate differences are recognised in the translation differences of equity. No amounts were recognised from derivatives in translation differences concerning equity during reporting period (in 2009 EUR 0.4 million). The equity component is not recognised through profit or loss until the net investment made in the foreign unit is relinquished.

Hedge accounting as defined in IFRS standards has not been applied to all derivative instruments. Nevertheless, these derivative instruments have been entered into for hedging purposes. Some foreign forward exchange contracts and currency options, some interest rate swaps and commodity derivatives are entered into in order to reduce business risks and to hedge balance sheet items denominated in foreign currencies.

Open foreign forward exchange contracts to which hedge accounting was not applied have a nominal value of EUR 48.9 (EUR 36.6 in 2009) and a net fair value of EUR –0.9 (EUR –1.7 in 2009). Because the part of open forward foreign exchange contracts caused by exchange rate changes is not covered by hedge accounting, fair value changes are not recognised in equity but through profit and loss on the income statement in financial items.

On 31 December 2010, the nominal value of interest rate swap agreements subject to hedge accounting amounted to EUR 40.0 (EUR 51.4 in 2009) and their fair value to EUR –2.0 (EUR –2.8 in 2009). The nominal value of interest rate swap agreements to which hedge accounting is not applied was EUR 18.1 (EUR 8.1 in 2009) and their fair value was EUR –0.6 (EUR –0.4 in 2009). The interest component is recognised through profit or loss and is reported on the income statement in financial items. Cash flows associated with interest rate derivatives are expected to be realised annually until 2014 (as scheduled in Note 27 herein).

29 ADJUSTMENTS TO CASH FLOWS FROM BUSINESS OPERATIONS

EUR 1,000	1.1.–31.12. 2010	1.1.–31.12. 2009
Depreciation	35,580	34,258
Change in obligatory provisions	–1,338	726
Change in pension obligations	–289	1,014
Credit losses on trade receivables	1,413	3,256
Financial income and expenses recognised on an accruals basis	22,232	33,351
Capital gains and losses on the sale of fixed assets as well as other non-payment income and expenses	–20,707	–1,852
Share of the results of associates	–743	–1,499
Translation differences	407	–1,060
	36,555	68,193

30 OTHER RENTAL COMMITMENTS

EUR 1,000	31.12.10	31.12.09
Minimum leases of irrevocable rental agreements		
One year or less	15,152	11,093
Over one year, but less than five years	30,357	24,913
Over five years	17,525	20,670
	63,035	56,675
Other rental commitments include the following rental liabilities		
One year or less	8,153	3,306
Over one year, but less than five years	9,818	4,909
Over five years	430	1
	18,401	8,216

Irrevocable rental commitments are mainly rental agreements concerning real estate and leased machines.

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31 GUARANTEES AND CONTINGENT LIABILITIES

EUR 1,000	31.12.10	31.12.09
Liabilities as well as mortgages and bonds pledged as security for them		
Pension loans		88,800
Loans from credit institutions		189,500
		278,300
Property mortgages		80,000
Business mortgages		1,218,844
		1,298,844
Other mortgages and securities for own commitments		
Business mortgages	420	2 460
Bonds pledged as security	263	578
Deposits	61	72
	745	3 110
Pledges on behalf of others		
Pledged securities	90	
Mortgages and pledged securities, total		
Property mortgages		80,000
Business mortgages	420	1,221,304
Pledged securities	353	578
Deposits	61	72
	835	1,301,954
Guarantees		
On behalf of others	25,763	34,697
Investment purchase commitments	7,147	11,076

Towards the end of the year, the Group refinanced its EUR 150 million credit facility, which was originally due to mature in 2011, with new credit facilities totalling EUR 160 million and arranged new bank guarantees for its pension loans. The new bilateral credit facilities and bank guarantees are without collateral and thus do not involve property or business mortgages.

32 LITIGATION

In 2009, the Supreme Administrative Court (SAC) ordered Finnish asphalt industry companies to pay an infrigement fine for violations of the Act on Competition Restrictions.

To date, 34 claims for damages brought by municipalities and the Finnish state (Finnish Transport Agency) are pending against Lemminkäinen and other asphalt industry companies in the District Court. The claimants contend that restrictions of competition have caused them damages. The total amount of damages sought from Lemminkäinen is currently about EUR 81 million. The claims presented in the statements of claim differ from each other as regards their amounts and grounds.

The ruling rendered by the SAC in 2009 as it stands does not mean that Lemminkäinen or the other asphalt industry companies actually caused any damages to the asphalt work clients. The ruling does not concern the individual contracts that the claimants cited in support of their claims. Nor does the ruling concern the pricing of individual contracts. The SAC has not investigated the contention that inflated prices have been charged for the contracts. Lemminkäinen's initial position is that the claims for damages are without foundation.

The claims will be processed in the order and schedule set by the District Court.

No provisions for future expenses have been made in respect of the claims of the municipalities and the Finnish Transport Agency that are pending in the District Court.

Lemminkäinen will provide information on the proceedings in its interim reports or in separate releases, as necessary.

33 RELATED-PARTY TRANSACTIONS

Lemminkäinen Group's related parties include associated companies and senior management. Senior management comprises the Board of Directors, the CEO, Executive Board and the internal audit manager. Business with associates is conducted at market prices.

BUSINESS WITH RELATED PARTIES

EUR 1,000	1.1.–31.12. 2010	1.1.–31.12. 2009
Sales of goods and services		
To associates	295	539
Purchases of goods and services		
From associates	4,051	6,378

EUR 1,000	31.12.10	31.12.09
Balance of purchases/sales of goods and services		
Trade receivables		
From associates	6	28
Accounts payable		
To associates	69	8

As at 31 December 2010, the Group had granted EUR 0.1 million in loans to associates. The Group did not have any loan receivables from related parties on 31 December 2009. Related-party transactions with associates are mainly asphalt contracts and mineral aggregate deliveries. A list of investments in subsidiaries and associates can be found in section 35 and additional information on associates in section 10.

RELATED-PARTY SALARIES, FEES AND OTHER SHORT-TERM EMPLOYEE BENEFITS

EUR 1,000	1.1.–31.12. 2010	1.1.–31.12. 2009
Board of Directors		
Berndt Brunow	127	127
Mikael Mäkinen	43	32
Kristina Pentti-von Walzel	46	42
Heikki Räty	46	34
Teppo Taberman	45	40
Juhani Mäkinen	46	42
Executive Board		
Timo Kohtamäki	646	428
Other members of the Executive Board	1,668	1,639
Related-party salaries, fees and other short-term employee benefits	2,666	2,384

Remuneration of the Board of Directors

Lemminkäinen Corporation's Annual General Meeting elects each year the members to serve on the Company's Board of Directors and decides their fees. The term of office of the board members ends at the conclusion of the first Annual General Meeting held after their election.

The 2010 Annual General Meeting decided that the Chairman would be paid a fee of EUR 10,000 (in 2009 10,000) per month and the board members would each received a fee of EUR 3,000 (3,000) per month. The board members also receive an attendance fee of EUR 500 per meeting.

In addition, the members of the Audit Committee are paid an attendance fee of EUR 500 per meeting of the committee.

The members of Lemminkäinen's Board of Directors do not belong to the share-based incentive scheme, and they are not employees of Lemminkäinen Corporation.

Remuneration of the Group Management

Lemminkäinen's Board of Directors decides on the pay, incentive scheme and other benefits of the President & CEO and the Group Executive Board on the basis of a proposal submitted by the Remuneration Committee.

In connection with the renewal of Lemminkäinen's strategy, work began on streamlining the corporate structure and developing the management model. The management and planning practices in different parts of the Group are now being harmonised. As a part of the management development programme, Lemminkäinen's management pay and remuneration policy has been renewed. Its implementation began with the Group's Executive Board in 2009 and continues with other management personnel in 2010.

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Management remuneration

The pay and remuneration policy approved by the Board of Directors is observed in Lemminkäinen Group. According to the policy, the pay of the President & CEO as well as the members of the Group's Executive Board and other management personnel consists of fixed basic pay, payments in kind and other benefits, and long- and short-term rewards.

The key economic goals of Lemminkäinen's strategy are profitable growth and strengthening of the Group's financial position. The Board of Directors decides annually on the short- and long-term remuneration metrics used to support the achievement of Lemminkäinen's strategic goals.

Fixed basic pay means a person's monthly salary, which is determined according to the business value of the job as well as the performance and experience of the person doing the job. In addition to the use of a company car, mobile phone and meal benefits, management personnel have extended insurance cover for accidents and travel in their free time.

Short-term reward scheme

Short-term rewarding is based on the possibility of receiving an annual performance-related bonus. Performance-related pay is earned by exceeding performance targets specified at the beginning of each year. Lemminkäinen's management is divided into five performance-related pay groups, which determine the maximum performance-related pay percentage applicable to each individual. Membership of a performance-related pay group is based on the individual's position in the organisational hierarchy, as well as the business value and impact of the person's job.

The possible performance-related reward for 2010 will be based on Lemminkäinen Group's result before taxes, interest-bearing net debt and the accomplishment of Lemminkäinen's business plan. The performance-related reward of the business sector heads will be based on not only the above-mentioned criteria but also the operating result of each business sector as well as the accomplishment of its business plan. Achievement of the performance-related reward targets will be monitored at least biannually.

The maximum performance-related reward payable to the President & CEO in 2010 will be 80% of his salary. The corresponding percentage for the other members of the Group's Executive Board will vary between 40 and 60.

Long-term reward scheme

Lemminkäinen's long-term reward system is a share-based incentive plan with three earning periods: calendar years 2010, 2011 and 2012. The commitment period is two years. The Board of Directors decides on the earning criteria for each earning period and on the targets set for them at the beginning of each earning period. Achievement of the earning criteria will be monitored at least biannually. The earning criteria for the 2010 long-term reward will be the Group's return on investment and the Group's equity ratio.

In addition to the President & CEO and the other members of Lemminkäinen's Executive Board, approximately 20 persons are included within the scope of the scheme. Lemminkäinen's Board of Directors decides on the distribution of shares to key personnel.

34 EVENTS AFTER THE ACCOUNTING DATE

As from 1 January 2011, Lemminkäinen's business operations have been reorganised into three business sectors: Building Construction, Infrastructure Construction and Technical Building Services. In December 2010, Lemminkäinen announced the sale of its roofing business, which was part of the Building Products business sector, to the capital investment firm Axcel. The sale of the roofing business was concluded on 31 January 2011. The concrete, environmental and sports construction businesses that were part of the Building Products business sector will be transferred to the Infrastructure Construction business sector.

On 15 December 2010, Lemminkäinen signed an agreement to purchase 100% of the shares in the Norwegian infrastructure construction company Mesta Industri AS from Mesta Group at a price of EUR 14.8 million. The approval of the Norwegian Competition Authority is still required. The deal is expected to be concluded during the first quarter of 2011.

Mesta Group is wholly owned by the Norwegian State. It is the country's largest contractor in road construction and related functions such as maintenance and upkeep. The acquiree, Mesta Industri, is widely active in the Norwegian asphalt and mineral aggregate sectors. Its estimated net sales in 2010 amount to about EUR 50 million. It has 170 employees on average. Mesta Industri AS was established in 2010 through the merger of Mesta Stein AS and Mesta Asfalt AS, both of which were subsidiaries of Mesta Group.

35 SHARES AND HOLDINGS

COMPANY	Consolidated shareholding, %	Parent company shareholding, %	Parent company shareholding, shares	Parent company shareholding, Book value Finnish GAAP, 1,000 EUR	Shareholding of other Group undertakings book value. Finnish GAAP, EUR 1,000
31.12.2010					
Group undertakings					
Lemminkäinen Talo Oy, Helsinki	100.0	100.0	2,183,663	73,424	
Lemminkäinen Infra Oy, Helsinki	100.0	100.0	1,223	33,577	
Lemminkäinen Talotekniikka Oy, Espoo	100.0	100.0	2,138,147	43,116	
Lemminkäinen Rakennustuotteet Oy, Helsinki	100.0	100.0	250	6,230	
Lemcon Networks Oy, Helsinki	75.0	75.0	294,000	590	
Lemcon Networks Holding Oy, Helsinki	84.5	84.5	6,760	632	
UAB Lemcon Vilnius, Lithuania	100.0	100.0			
UAB Lemminkäinen Lietuva, Lithuania	99.6	99.6	3,737,272	3,498	
Lemminkäinen Talo Oy, Helsinki	83.3				3,802
Lemminkäinen Talo Oy International, Helsinki	100.0				5
Lemminkäinen Talo Oy Itä- ja Pohjois-Suomi, Kitee	100.0				6,515
Lemmunkäinen Talo Oy Kaakkois-Suomi , Kouvola	100.0				11,297
Lemminkäinen Talo Oy Keski- ja Lounais-Suomi, Tampere	100.0				15,737
Lemminkäinen Talo Oy Länsi-Suomi, Vaasa	100.0				3,146
Lemminkäinen Talo Oy Pääkaupunkiseutu, Helsinki	100.0				11,018
Lemminkäinen Talo Oy Russia, Helsinki	100.0				155
Lemminkäinen PPP Oy, Kuopio	100.0				3
ICM International Construction Management, Hungary	100.0				684
Lemcon Co. Ltd. China	100.0				72
Lemcon Construction Private Limited, India	100.0				853
Lemcon HR Oy, Helsinki	100.0				60
OOO Lemcon Invest, Russia	100.0				2,284
Lemcon Polska Sp. Z O O, Poland	100.0				1,576
Lemminkäinen Ehitus As, Estonia	100.0				3
Lemminkäinen Service, Russia	100.0				13
OOO Lemminkäinen Stroy, Russia	100.0				864
Rekab Entreprenad Ab, Sweden	100.0				243
ZAO Lemminkäinen Rus, Russia	100.0				14,629

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COMPANY	Consolidated shareholding, %	Parent company shareholding, %	Parent company shareholding, shares	Parent company shareholding, Book value Finnish GAAP, 1,000 EUR	Shareholding of other Group undertakings book value. Finnish GAAP, EUR 1,000
Lemcon (Philippines) Inc, Pilippines	75.0				222
Lemcon (Thailand) Ltd, Thailand	75.0				51
Lemcon Argentina S.R.L, Argentina	75.0				5
LEMCON Baumanagement GmbH, Germany	75.0				26
Lemcon Bauprojekt-management GmbH, Austria	75.0				28
Lemcon Bulgaria EOOD, Bulgaria	75.0				3
Lemcon Canada Ltd, Canada	75.0				1
Lemcon Chile Ltda. Chile	75.0				15
Lemcon Columbia Ltda, Columbia	75.0				3
Lemminkäinen Construction (India) Pvt. Ltd, India	75.0				
lemcon do Brasil Ltda, Brasil	75.0				22
Lemcon Épitöipari Kft, Hungary	75.0				28
Lemcon Networks Services Ltd., UK	75.0				19
Lemcon Networks Mexico S.de R.L.De C.V, Mexico	75.0				
Lemcon Norge As, Norway	75.0				12
Lemcon Pte Ltd, Singapore	75.0				7
Lemcon Servicos de Planejamento de Engenharia Ltda, Brasil	75.0				20
Lemcon USA Corporation, United States	75.0				1
Lemcon Venezuela C.A., Venezuela	75.0				8
LEMCON ECUADOR SA, Ecuador	75.0				1
Pasila Telecom Oy, Helsinki	75.0				8
Private Company lemcon Ukraine, Ukraine	75.0				8
PT Lemcon Networks, Indonesia	75.0				75
Asfalt Remix AS, Norja	75.0				5,363
Fjellhamar Asfalt AS, Norway	100.0				6
ICS "Lemminkäinen Infra Oy" SRL, Moldova	100.0				0
Lemminkäinen A/S (LMK VEJ A/S), Denmark	100.0				18,972
Lemminkäinen Anlegg AS, Norway	90.1				3,988
Lemminkäinen Eesti AS, Estonia	91.7				3,894
Lemminkäinen Norge As, Norway	100.0				11,799
Lemminkäinen Sverige Ab, Sweden	100.0				12
Lohketööd Oy, Salo	85.0				3
Moelv Grus AS, Norway	100.0				122

COMPANY	Consolidated shareholding, %	Parent company shareholding, %	Parent company shareholding, shares	Parent company shareholding, Book value Finnish GAAP, 1,000 EUR	Shareholding of other Group undertakings book value. Finnish GAAP, EUR 1,000
Oü Jarva Paas, Estonia	52.0				3
Oü Lohketööd, Estonia	85.0				1,192
Oü Magistraal, Estonia	100.0				1,023
SIA Lemminkäinen Latvija, Latvia	100.0				1,835
Tolarock Oy, Kajaani	100.0				3,048
UAB Kelio Linija, Lithuania	100.0				3
UAB Zvyrkasyba, Lithuania	100.0				1,357
ZAO Lemminkäinen Dor Stroi, Russia	100.0				544
Lemminkäinen Kiinteistötekniikka Oy, Espoo	100.0				10,235
Tekmanni RusService Oy, Espoo	100.0				3
Tekmen SPB, Russia	90.0				192
Lembet Oy, Helsinki	100.0	10.0	1	1	5
Suonenjoen Sementtituote Oy, Suonenjoki	100.0				1,271
ZAO Lemruf, Russia	100.0				3
Total				161,067	138,391
Associated undertakings					
Finavo Oy, Helsinki	47.5				476
Genvej A/S, Denmark	50.0				201
Lemcon Likusasa Africa Pty, South-Africa	50.0				
NHK Rakennus Oy, Helsinki	35.0				622
Martin Haraldstad AS, Norway	50.0				788
Nordasfalt AS, Norway	50.0				609
Ullensaker Asfalt ANS, Norway	50.0				577
Total					3,274
Other shares and holdings					
Housing shares				327	883
Property shares				793	2,413
Other shares and holdings				955	1,039
Total				2,075	4,335

Parent company income statement (FAS)

EUR 1,000	Note	1.1.–31.12. 2010	1.1.–31.12. 2009
Net sales	1.1	20,895	15,423
Other operating income	1.2	24,496	58
Materials and services	1.3	252	11
Personnel expenses	1.4	14,851	9,644
Depreciation	1.5	958	817
Other operating expenses		21,346	11,906
Operating profit/loss		7,983	–6,898
Financial income and expenses	1.6	–7,095	46,207
Profit before extraordinary items		889	39,309
Extraordinary items	1.7	14,000	–36,700
Result before appropriations and taxes		14,889	2,609
Direct taxes	1.8	2,698	–121
Result for the financial year		17,587	2,488

Parent company balance sheet (FAS)

EUR 1,000	Note	31.12.2010	31.12.2009
ASSETS			
Non-current assets	2.1		
Intangible assets	2.1.1	5,313	686
Tangible assets	2.1.2	12,772	13,349
Holdings in Group undertakings	2.1.3	161,680	164,688
Other investments	2.1.3	2,062	2,108
		181,828	180,830
Current assets	2.2		
Deferred tax asset	2.2.1	3,279	
Non-current receivables	2.2.1	4,613	4,982
Current receivables	2.2.2	323,594	217,226
Cash in hand and at banks		4,586	12,186
		336,071	234,395
		517,899	415,225
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	2.3		
Share capital		34,043	34,043
Share premium account		5,675	5,675
Invested non-restricted equity fund		60,997	
Other funds		–1,510	
Retained earnings		75,206	72,636
Result for the financial year		17,587	2,488
		191,996	114,841
Liabilities	2.4		
Deferred tax liability	2.4.1	1,441	1,441
Non-current liabilities	2.4.2	159,598	230,420
Current liabilities	2.4.3	164,864	68,523
		325,903	300,384
		517,899	415,225

Parent company cash flow statement (FAS)

EUR 1,000	1.1.–31.12. 2010	1.1.–31.12. 2009
Cash flow from business operations		
Result before extraordinary items	889	39,309
Extraordinary items	14,000	–54,000
Adjustments		
Depreciation according to plan	958	817
Financial income and expenses	7,095	–46,207
Other adjustments	–24,130	223
Cash flow before change in working capital	–1,189	–59,858
Change in working capital		
Increase(–)/decrease(+) in current interest-free business receivables	32,632	174,958
Increase(+)/decrease(–) in current interest-free liabilities	2,852	201
Cash flow from operations before financial items and taxes	34,295	115,302
Interest and other financial expenses paid	–24,663	–23,628
Dividends received	1,741	13,400
Interest and other financial income received	15,092	10,824
Direct taxes paid	–18	–421
Cash flow from business operations	26,447	115,477
Cash flow from investments		
Investments in tangible and intangible assets	–4,750	–455
Capital gains from the sale of tangible and intangible assets	108	139
Investments in other assets		–109
Capital gains from the sale of other investments	91	
Purchases of subsidiary shares	–875	–14
Sales of subsidiary shares		56
Cash flow from investments	–5,426	–383

EUR 1,000	1.1.–31.12. 2010	1.1.–31.12. 2009
Cash flow from financing		
Increase(–)/decrease(+) in non-current receivables		–204
Share issue for cash consideration	39,525	
Group contributions received	14,000	15,000
Change in Group receivables/liabilities	–79,140	–145,101
Short-term loans drawn	229,600	329,626
Repayments of short-term loans	–158,564	–637,626
Long-term loans drawn	82,800	212,000
Repayments of long-term loans	–156,933	–18,323
Dividends paid		–15,319
Cash flow from financing	–28,712	–259,946
Increase(+)/decrease(–) in cash and cash equivalents	–7,690	–144,852
Cash and cash equivalents at begining of financial year	12,186	157,039
Corporate restructuring	90	
Cash and cash equivalents at end of financial year	4,586	12,186

Parent Company's Accounting Principles, 31 Dec. 2010

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

FOREIGN CURRENCY ITEMS

Transactions denominated in foreign currencies are translated to the functional currency using the exchange rate ruling on the transaction date. On the closing date, receivables and liabilities on the balance sheet are translated using the exchange rates on that date.

DERIVATIVES

Derivatives are measured at fair value.

Forward foreign exchange contracts are measured on the closing date using the forward foreign exchange rates on that date. Forward foreign exchange contracts are used to hedge against changes in predicted foreign currency-denominated cash flows and the exchange rates of receivables and liabilities in foreign currencies. The fair values of interest-rate swap agreements are calculated as the present value of future cash flows. Interest-rate swap agreements are used for the variable to fixed rate conversion of the Company's loans from financial institutions. The income and expenses from these assets and liabilities entered in the income statement are presented under financial items in the income statement and in section 1.6 of the notes to the financial statements.

HEDGE ACCOUNTING

The Company has applied hedge accounting to interest-rate swap agreements used to hedge variable-rate loans. The agreements are defined as cash flow hedges and they provide protection against fluctuations in loan interest payments due to changes in market interest rates. The change in fair value of the interest-rate swap agreements used as hedges is recognised directly in the hedging reserve in equity to the extent that the hedging relationship is effective. The ineffective part of the change is entered in interest expenses in the income statement. Changes in fair value accumulated in equity are recognised through profit and loss in interest expenses in the accounting period when the hedged item produces a profit or loss.

VALUATION AND DEPRECIATION OF FIXED ASSETS

Fixed assets are shown on the balance sheet at their original acquisition costs less planned depreciation over their expected economic lifetimes. In addition, the values of some land, buildings and shareholdings include revaluations, against which no depreciation is charged. The depreciation periods are as follows:

- Buildings and structures 10–40 years
- Machinery and equipment 4–10 years
- Other fixed assets 4–10 years

PENSION LIABILITY

The pension security of employees, inclusive of additional benefits, is covered by policies taken out from a pension insurance company.

RESEARCH AND DEVELOPMENT EXPENSES

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

DIRECT TAXES

Taxes calculated on the basis of the result for the financial year, adjustments to the taxes of earlier financial years, and the change in the deferred tax liability and asset are recorded as direct taxes on the income statement.

Notes to the Parent Company Financial Statements (FAS)

1 INCOME STATEMENT

EUR 1,000	1.1.–31.12. 2010	1.1.–31.12. 2009
1.1 NET SALES BY MARKET AREA		
Finland	20,843	15,390
Nordic countries	33	16
Eastern Europe	19	17
	20,895	15,423
1.2 OTHER OPERATING INCOME		
Profit on the sale of fixed assets	45	54
Gain on merger	24,421	
Others	30	4
	24,496	58
1.3 MATERIALS AND SERVICES		
Raw materials and consumables		
Purchases during the financial year		11
		11
External services	252	
	252	11

EUR 1,000	1.1.–31.12. 2010	1.1.–31.12. 2009
1.4 NOTES CONCERNING PERSONNEL, MANAGEMENT AND BOARD MEMBERS		
Personnel expenses		
Salaries, wages and emoluments	11,249	7,157
Pension expenses	3,005	2,251
Other staff costs	597	237
	14,851	9,644
Management salaries and emoluments		
Board Members and Managing Director	998	739
Average number of employees		
Salaried employees	191	114
	191	114
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	362	218
Other capitalised expenditure	22	18
Buildings	347	405
Machinery and equipment	165	113
Other tangible assets	62	62
	958	817

EUR 1,000	1.1.–31.12. 2010	1.1.–31.12. 2009
1.6 FINANCIAL INCOME AND EXPENSES		
Dividend income		
From Group undertakings	1,740	56,667
From others	1	
	1,741	56,667
Other interest and financial income		
From Group undertakings	11,604	8,733
From others	5,716	1,886
	17,320	10,619
Interest expenses and other financial expenses		
To Group undertakings	–2,453	–763
To others	–23,703	–20,316
	–26,156	–21,079
Net financial income/expenses	–7,095	46,207
Financial income and expenses include:		
Exchange gains and losses (net)	–387	–1,123
Change in fair value of currency derivatives (net)	–320	
Change in fair value of interest rate derivatives (net)	–153	
1.7 EXTRAORDINARY ITEMS		
Extraordinary incomes, Group contributions	14,000	17,300
Extraordinary expenses, infringement fine		–54,000
	14,000	–36,700
1.8 DIRECT TAXES		
Income taxes on normal business operations	–50	–77
Income taxes in respect of previous years	2,748	–44
	2,698	–121

2 BALANCE SHEET

EUR 1,000	31.12.10	31.12.09
2.1 NON-CURRENT ASSETS		
2.1.1 Intangible assets		
Intangible rights	349	333
Other capitalised expenditure	205	159
Advance payments	4,759	193
	5,313	686
2.1.2 Tangible assets		
Land and water	6,278	6,278
Buildings	5,690	6,091
Machinery and equipment	346	438
Other intangible assets	459	516
Advance payments and work in progress		26
	12,772	13,349
2.1.3 Investments		
Holdings in Group undertakings	161,680	164,688
Other shares and holdings	2,062	2,108
	163,742	166,796
2.1.1 Intangible assets		
Intangible rights		
Acquisition cost 1.1.	1,861	1,832
Increases	377	32
Decreases	–224	–3
Acquisition cost 31.12.	2,014	1,861
Accumulated depreciation 31.12.	–1,664	–1,527
Book value 31.12.	349	333

EUR 1,000	31.12.10	31.12.09
Other capitalised expenditure		
Acquisition cost 1.1.	259	214
Increases	68	45
Acquisition cost 31.12.	327	259
Accumulated depreciation 31.12.	–122	–100
Book value 31.12.	205	159
Advance payments		
Acquisition cost 1.1.	193	147
Increases	4,735	46
Decreases	–169	
Acquisition cost 31.12.	4,759	193
2.1.2 Tangible assets		
Land and water		
Acquisition cost 1.1.	3,191	3,214
Decreases		–23
Acquisition cost 31.12.	3,191	3,191
Revaluations	3,087	3,087
Book value 31.12.	6,278	6,278
Buildings		
Acquisition cost 1.1.	14,900	14,969
Increases	26	
Decreases	–254	–69
Acquisition cost 31.12.	14,672	14,900
Accumulated depreciation 31.12.	–11,360	–11,188
Revaluations	2,378	2,378
Book value 31.12.	5,690	6,091

EUR 1,000	31.12.10	31.12.09
Machinery and equipment		
Acquisition cost 1.1.	1,458	1,456
Increases	106	299
Decreases	–512	–296
Acquisition cost 31.12.	1,052	1,458
Accumulated depreciation 31.12.	–706	–1,020
Book value 31.12.	346	438
Other tangible assets		
Acquisition cost 1.1.	1,359	1,351
Increases	7	7
Decreases	–2	
Acquisition cost 31.12.	1,364	1,359
Accumulated depreciation 31.12.	–905	–843
Book value 31.12.	459	516
Advance payments and construction in progress		
Acquisition cost 1.1.	26	
Increases		26
Decreases	–26	
Acquisition cost 31.12.		26
2.1.3 Investments		
Holdings in Group undertakings		
Acquisition cost 1.1.	164,688	164,725
Increases from mergers	32,273	
Increases	22,347	14
Decreases from mergers	–57,628	
Decreases		–51
Acquisition cost 31.12.	161,680	164,688
Merger difference has been allocated to acquisition cost of received subsidiary shares and to other operating income.		
Holdings in associated undertakings		
Acquisition cost 1.1.		293
Decreases		–293
Acquisition cost 31.12.		

EUR 1,000	31.12.10	31.12.09
Other shares		
Acquisition cost 1.1.	2,031	1,635
Increases	5	396
Decreases	–50	
Acquisition cost 31.12.	1,986	2,031
Revaluations	76	76
Book value 31.12.	2,062	2,108
2.1.4 Revaluations		
Land		
Value 1.1.	3,087	3,087
Value 31.12.	3,087	3,087
Buildings		
Value 1.1.	2,378	2,378
Value 31.12.	2,378	2,378
Shares		
Value 1.1.	76	76
Value 31.12.	76	76

EUR 1,000	31.12.10	31.12.09
2.2 CURRENT ASSETS		
2.2.1 Non-current receivables		
Loan receivables	4,613	4,982
Deferred tax asset	3,279	
	7,891	4,982
2.2.2 Current receivables		
Amounts owed by parties outside the Group		
Accounts receivable	19	27
Other receivables	752	45
Prepayments and accrued income	1,116	3,455
	1,887	3,527
Amounts owed by Group undertakings		
Accounts receivable	2,076	4,077
Other receivables	317,669	209,622
Prepayments and accrued income	1,963	
	321,707	213,699
Current receivables, total	323,594	217,226
Items included in prepayments and accrued income		
Interest receivables	590	331
Deferred personnel expenses		22
Deferred financial expenses	111	3,100
Others	415	1
	1,116	3,455

EUR 1,000	31.12.10	31.12.09
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
Invested non-restricted equity fund		
Increases	60,997	
Invested non-restricted equity fund 31.12.	60,997	
Hedging reserve 1.1.		
Increases	–2,040	
Transfer to deferred tax liability	530	
Hedging reserve 31.12.	–1,510	
Retained earnings 1.1.	75,124	87,955
Distribution of dividend		–15,319
Transfer from revaluations reserve	82	
Retained earnings 31.12.	75,206	72,636
Result for the financial year	17,587	2,488
Shareholders' equity, total	191,996	114,841
Distributable funds 31.12.	153,789	75,124

EUR 1,000	31.12.10	31.12.09
2.4 LIABILITIES		
2.4.1 Deferred tax liability		
From revaluations	1,441	1,441
	1,441	1,441
2.4.2 Non-current liabilities		
Loans from credit institutions	28,597	160,020
Pension loans	70,755	70,400
Bonds	60,000	
Other non-current liabilities	246	
	159,598	230,420
2.4.3 Current liabilities		
Loans from credit institutions	11,423	15,123
Pension loans	19,035	18,400
Commercial paper	75,100	5,000
Accounts payable	1,269	736
Accounts payable to Group undertakings	115	111
Other liabilities to Group undertakings	48,778	26,510
Other liabilities	4,991	186
Accruals and deferred income	4,152	2,457
	164,864	68,523
Items included in accruals and deferred income		
Interests	1,184	923
Income tax		77
Accrued personnel expenses	2,690	1,335
Others	278	121
	4,152	2,457

EUR 1,000	31.12.10	31.12.09
2.5 CONTINGENT LIABILITIES		
Liabilities secured by mortagages and pledges		
Loans from financial institutions		175,143
Pension loans		88,800
		263,943
Mortgages on property		80,000
Mortgages on company assets		375,228
		455,228
Pledges given on behalf of others		
Securities pledged	90	90
	90	90
Mortgages and pledges, total		
Mortgages on property		80,000
Mortgages on company assets		375,228
Securities pledged	90	90
	90	455,318
Guarantees given		
On behalf of Group undertakings	254,915	235,827
On behalf of others	25,763	13,147
	280,679	248,974

EUR 1,000	31.12.10	31.12.09
Leasing liabilities		
Payable next year	4,678	4,271
Payable in subsequent years	24,794	27,366
	29,472	31,638
Derivative contracts		
Forward foreign exchange contracts		
Nominal value	48,902	15,190
Fair value	–868	–295
Interest rate swap contracts		
Nominal value	48,072	51,443
Fair value	–2,193	–2,815

Financial indicators (IFRS)

EUR MILLION	2010	2009 [1) 2)]	2008 [2)]	2007	2006
Net sales	**1,892.5**	1,965.5	2,481.8	2,174.1	1,795.9
Exports and operations outside Finland	**543.5**	527.6	676.7	581.6	530.3
% net sales	**28.7**	26.8	27.3	26.8	29.5
Operating profit	**29.0**	23.2	121.9	127.2	109.2
% net sales	**1.5**	1.2	4.9	5.8	6.1
Result before taxes	**6.8**	–10.2	89.8	111.2	94.2
% net sales	**0.4**	–0.5	3.6	5.1	5.2
Result for the financial year [3)]	**0.3**	–26.2	55.0	72.9	65.8
% net sales	**0.0**	–1.3	2.2	3.4	3.7
Non-current assets [4)]	**313.9**	300.5	289.0	272.1	255.9
Inventories [4)]	**376.0**	374.7	398.2	330.9	281.9
Financial assets [4)]	**375.3**	379.5	726.4	465.9	401.4
Shareholders' equity [3)]	**328.4**	270.6	313.1	295.5	248.0
Non-controlling interest	**5.1**	23.2	27.8	23.7	19.7
Interest-bearing liabilities	**375.5**	399.1	586.5	357.0	343.6
Interest-free liabilities [4)]	**356.2**	361.7	486.2	392.8	327.8
Balance sheet total	**1,065.3**	1,054.7	1,413.7	1,069.0	939.2
Return on equity, %	**0.4**	–7.6	19.0	27.5	30.2
Return on investment, %	**7.0**	5.4	17.5	20.7	20.6
Equity ratio, %	**35.2**	30.9	26.2	32.7	31.2
Gearing, %	**104.7**	110.5	98.7	87.2	105.7
Interest-bearing net liabilities	**349.2**	324.7	336.4	278.5	283.0
Gross investments	**59.6**	41.5	60.2	61.4	48.7
% net sales	**3.1**	2.1	2.4	2.8	2.7
Order book 31.12.	**1,226.4**	1,064.5	1,064.5	1,414.1	1,326.7
Average number of employees	**8,314**	8,626	9,776	9,201	8,418

1) As from 1 January 2010, Lemminkäinen observes the interpretation IFRIC 15 – Agreements for the Construction of Real Estate in its Reporting. The comparative figures for 2009 have also been calculated in accordance with the interpretation.
2) The figures include a liability noted in an additional report on a consortium. For more information on the adjustment of the liability see note 1.
3) Attributable to the equity holders of the parent company.
4) The figure includes assets held for sale or related liabilities. Non-current assets held for sale and related liabilities are presented in note 16.

Share-related financial indicators (IFRS)

	2010	2009 1) 2)	2008 2)	2007	2006
Earnings per share (EPS), EUR	**0.02**	–1.54	3.23	4.29	3.87
Equity per share, EUR	**16.72**	15.90	18.40	17.36	14.57
Dividend per share, EUR	**0.50 3)**	0.00	0.90	1.80	1.50
Dividend to earnings ratio, %	**over 100**	0.0	27.9	42.0	38.8
Effective dividend yield, %	**1.9**	0.0	6.9	5.7	4.2
Price/earnings ratio (P/E)	**1,664.4**	–15.7	4.0	7.4	9.3
Share price, EUR					
mean	**24.73**	21.38	27.40	44.88	34.00
lowest	**21.21**	13.30	12.53	31.03	28.38
highest	**30.00**	30.30	37.55	55.61	39.34
at end of financial year	**26.00**	24.20	13.05	31.50	36.10
Market capitalisation, EUR mill.	**510.8**	411.9	222.1	536.2	614.5
Shares traded, 1,000	**4,172**	1,918	3,185	5,204	4,114
% of total	**21.8**	11.3	18.7	30.6	24.2
Number of shares					
average for the period, 1,000	**19,124**	17,021	17,021	17,021	17,021
at end of period, 1,000	**19,645**	17,021	17,021	17,021	17,021

1) As from 1 January 2010 Lemminkäinen observes the interpretation IFRIC 15 – Agreements for the Construction of Real Estate in its Reporting. The comparative figures for 2009 have also been calculated in accordance with the interpretation.
2) The figures include a liability noted in an additional report on a consortium.
3) Board of Directors' proposal to the AGM

Formulae for the financial indicators

RETURN ON INVESTMENT, %

$$\frac{\text{Result before taxes + interest and other financial expenses}}{\text{Balance sheet total – interest-free liabilities (average)}} \times 100$$

RETURN ON EQUITY, %

$$\frac{\text{Result for the financial period}}{\text{Shareholder's equity, total (average)}} \times 100$$

EQUITY RATIO, %

$$\frac{\text{Shareholder's equity, total}}{\text{Balance sheet total – advances received}} \times 100$$

EARNINGS PER SHARE

$$\frac{\text{Result for the financial period – non-controlling interest}}{\text{Issue-adjusted number of shares (average)}}$$

EQUITY PER SHARE

$$\frac{\text{Equity attributable to the equity holders of the parent company}}{\text{Issue-adjusted number of shares at the end of the period}}$$

DIVIDEND PER SHARE

$$\frac{\text{Dividend for the financial period}}{\text{Issue-adjusted number of shares at the end of the period}}$$

DIVIDEND TO EARNINGS RATIO, %

$$\frac{\text{Dividend for the financial period}}{\text{Result for the financial period – non-controlling interest}} \times 100$$

GEARING, %

$$\frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{Shareholder's equity, total}} \times 100$$

INTEREST-BEARING NET DEBT

Interest-bearing liabilities – cash and cash equivalents

EMPLOYEES

$$\frac{\text{Sum of monthly employee headcount}}{\text{Number of months in the financial period}}$$

EFFECTIVE DIVIDEND YIELD, %

$$\frac{\text{Dividend per share}}{\text{Issue-adjusted share price at the end of the period}} \times 100$$

P/E RATIO

$$\frac{\text{Issue-adjusted share price at the end of the period}}{\text{Earnings per share}}$$

ISSUE-ADJUSTED MEAN SHARE PRICE

$$\frac{\text{Trading value or total share turnover in euros}}{\text{Issue-adjusted number of shares traded during the period}}$$

MARKET CAPITALISATION

Number of shares x final share quotation

Board of Directors' proposal for the distribution of profit

Distributable shareholders' equity shown on the parent company balance sheet at 31 December 2010 amounts to EUR 153,788,918.81 consisting of retained earnings EUR 75,205,562.38 and the profit for the financial year EUR 17,586,655.93. The board of directors will propose to the AGM that, for the financial year ended 31 December 2010, the company distributes a per-share dividend of EUR 0.50 to a total of EUR 9,822,382.00 after which retained earnings would stand at EUR 82,969,836.31.

Helsinki, 9 February 2011

Berndt Brunow	Juhani Mäkinen	Mikael Mäkinen
Kristina Pentti-von Walzel	Heikki Räty	Teppo Taberman

Timo Kohtamäki
President and CEO

Auditor’s Report

TO THE ANNUAL GENERAL MEETING OF LEMMINKÄINEN CORPORATION

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Lemminkäinen Corporation for the year ended 31 December, 2010. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company’s accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY’S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 2 March 2011

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jan Holmberg
Authorised Public Accountant

Shares and shareholders

LEMMINKÄINEN'S SHARE AND SHARE CAPITAL

Lemminkäinen Corporation's share (LEM1S) is quoted on the Mid Cap list of NASDAQ OMX Helsinki Ltd under Industrials, Construction & Engineering. The Company has one share class. Each share carries one vote at a general meeting of shareholders and confers an equal right to a dividend. At the end of 2010, the number of issued shares was 19,644,764. The number of shares increased by 2,623,514 in 2010 when the Company held two separate share issues. The Company's share capital is EUR 34,042,500.

SHARE PRICE AND TURNOVER

The price of Lemminkäinen's share on the last trading day of 2010 was EUR 26.00 (24.20). The share price increased by 7.4 per cent during the report year. The highest quoted price was EUR 30.00 (in April) and the lowest EUR 21.21 (in May). The average price in 2010 was EUR 24.73 (21.38). The year-end market capitalisation was EUR 510.8 million (411.9).

Share turnover on NASDAQ OMX Helsinki Ltd totalled 4,171,666 shares (1,918,039) and the turnover value was EUR 103.2 million. Lemminkäinen has a Liquidity Providing (LP) agreement with Nordea Bank Finland Plc. According to the agreement, Nordea Bank Finland Plc must quote both bid and offer prices for Lemminkäinen Corporation's share such that the prices do not deviate from each other by more than 4 per cent, calculated on the bid price.

SHAREHOLDERS

At the end of 2010 Lemminkäinen had 4,979 shareholders (5,017). The largest shareholder group was the Pentti family, who owned 57 per cent of the shares. International shareholders owned 8 per cent of Lemminkäinen's shares.

FLAGGING NOTIFICATIONS

In March 2010, Lemminkäinen received flagging notifications pursuant to Chapter 2, Section 9 of the Securities Markets Act. According to the notifications, the holdings of Olavi Pentti and the estate of Erkki Pentti declined to under 20 per cent (1/5). In addition, the holding of the estate of Heikki Pentti declined to under 10 per cent (1/10).

AGREEMENTS BETWEEN SHAREHOLDERS AND AUTHORISATIONS

The Company is not aware of any agreements between shareholders that would have a significant bearing on voting behaviour at general meetings of shareholders.

The Extraordinary General Meeting of Lemminkäinen Corporation, held on 12 November 2009, authorised the Board of Directors to resolve on a share issue of no more than 4,200,000 shares and/or special rights entitling their holders to shares in one or more instalments, either against payment or without consideration. The Extraordinary General Meeting also authorised the Board of Directors to decide on the repurchase of a maximum of 1,700,000 of the Company's own shares.

After the share issues in 2010, the Board of Directors is authorised to issue a further 1,576,486 shares and/or special rights entitling their holders to shares. The authorisation is valid for five (5) years after being granted. In addition, the authorisation to repurchase own shares is fully unused and will remain in force for 18 months from the decision of the meeting.

SHARE ISSUES IN 2010

On 17 March 2010, Lemminkäinen Corporation's Board of Directors decided on two separate share issues. The Company offered 1,700,000 new shares in the Company for subscription to institutional investors approved by the Board of Directors. In addition, the Board of Directors decided on a targeted issue in which a total of 923,514 new shares in the Company were offered for subscription to the minority shareholders of Lemminkäinen Talo Oy and Lemminkäinen Talotekniikka Oy. The subscription price was EUR 23.25 per share. The new shares were made available for trading on 23 March 2010. After the issues, Lemminkäinen Corporation has 19,644,764 shares.

MANAGEMENT SHAREHOLDINGS

At the end of 2010, the members of the Group Executive Board and the Board of Directors held a total of 747,343 Lemminkäinen Corporation shares, representing 3.8 per cent of the Company's shares and the voting rights conferred by them. The holdings of Lemminkäinen's public insiders are updated in real time on the Company's website at www.lemminkainen.com/investors.

SHARE-BASED INCENTIVE PLAN

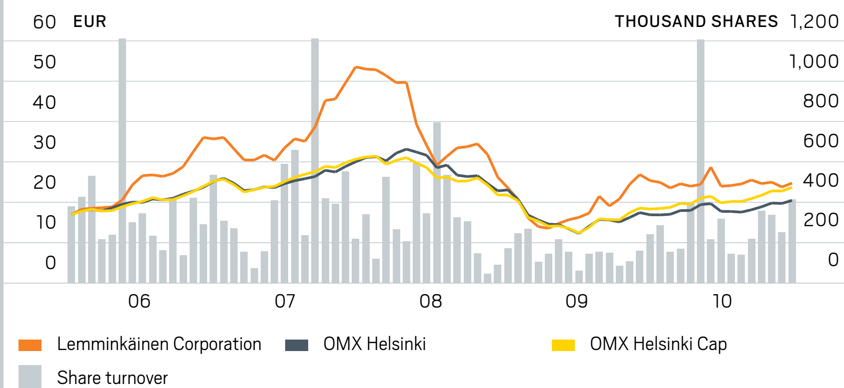
The Company has a share-based incentive plan that covers about 30 key employees. The plan has three earnings periods: calendar years 2010, 2011 and 2012. The Board of Directors decides on the earnings criteria for each earnings period and the targets set for them at the beginning of each earnings period. The reward for 2010 was based on Lemminkäinen Group's equity ratio and return on investment. As the set targets were not achieved, no shares will be granted in 2011.

The reward for the 2011 earnings period, if any, will be paid partly in the form of Lemminkäinen shares and partly in cash in 2012. The cash component covers the deferred taxes and tax-related costs arising from the reward. The shares may not be transferred during the commitment period that ends two years after the end of the earnings period. The Company's CEO and the members of the Group Executive Board must retain ownership of half of the shares granted to them as rewards in the plan for two years after the end of the commitment period.

MAJOR SHAREHOLDERS 31.12.2010

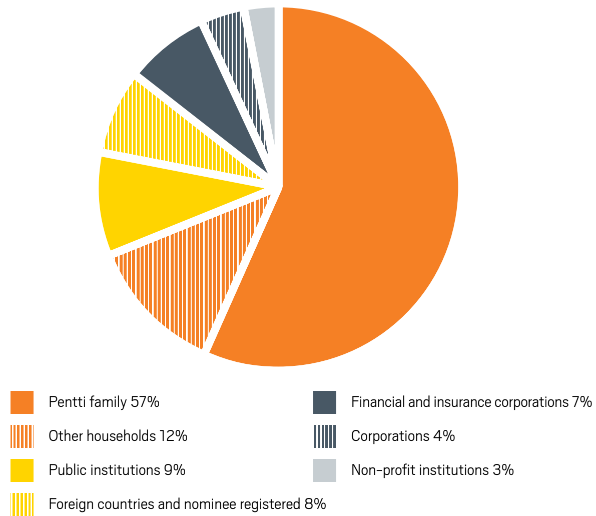
NAME OF SHAREHOLDER	Number of shares	% of total stock
Estate of Erkki Pentti	3,673,956	18.70
Pentti Olavi	3,673,953	18.70
Estate of Heikki Pentti	1,906,976	9.71
Varma Mutual Pension Insurance Company	823,727	4.19
Pentti-Kortman Eva Katarina	635,660	3.24
Pentti-Von Walzel Anna Eva Kristina	635,660	3.24
Pentti Timo Kaarle Kristian	635,660	3.24
Ilmarinen Mutual Pension Insurance Company	520,000	2.65
Swedbank	315,000	1.60
Mandatum Life Insurance Company Limited	283,711	1.44
Maa- ja Vesitekniikan Tuki ry.	250,000	1.27
Etera Mutual Pension Insurance Company	212,244	1.08
Odin Finland	204,266	1.04
Evli Select Mutual Fund	200,000	1.02
Pension Fennia	160,000	0.81
15 largest in total	14,130,813	71.93
Nominee registered	1,502,357	7.65
Other shareholders	4,011,594	20.42
Total	19,644,764	100.00

SHARE PRICE DEVELOPMENT AND SHARE TURNOVER

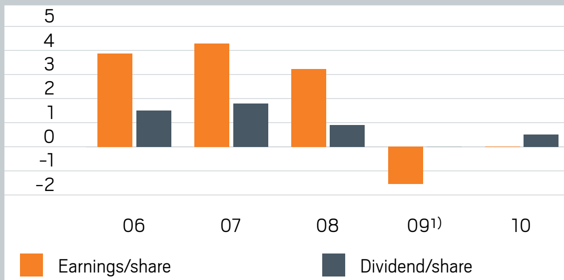


READ MORE
www.lemminkainen.com/investors

OWNERSHIP STRUCTURE

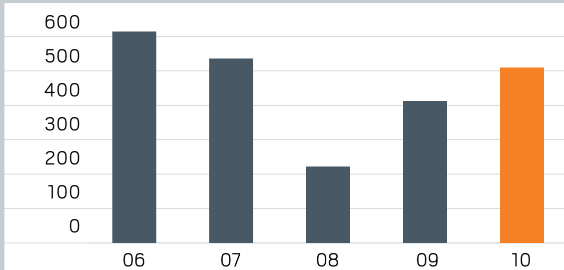


EARNINGS PER SHARE, DIVIDEND PER SHARE, EUR



1) As from 1 January 2010, Lemminkäinen observes the interpretation IFRIC 15 – Agreements for the Construction of Real Estate in its reporting. The comparative figures for 2009 have also been calculated in accordance with this interpretation.

MARKET CAPITALISATION, EUR MILLION



Information for shareholders and investors

ANNUAL GENERAL MEETING

Lemminkäinen Corporation's 2011 Annual General Meeting will be held at 3 p.m. on Monday, 4 April 2011, at High Tech Center, HTC Helsinki Auditorium, Tammasaarenkatu 1–5, Helsinki, Finland.

Each shareholder who is registered on 23 March 2011 in the shareholder register of the Company maintained by Euroclear Finland Ltd has the right to participate in the General Meeting. A shareholder whose shares are registered on his/her personal Finnish book-entry account is registered in the Company's shareholder register.

Registration

A shareholder who wishes to participate in the General Meeting must register no later than 4.00 p.m. on 30 March 2011 by giving notice either:

- online at www.lemminkainen.com
- by email to pirjo.favorin@lemminkainen.fi
- by phone +358 2071 53378
- by fax +358 2071 53510
- by mail to Lemminkäinen Corporation, Pirjo Favorin, P.O. Box 169, 00181 Helsinki, Finland

When registering, a shareholder shall provide his/her name, personal identification number, address, telephone number as well as the name and personal identification number of any assistant. Notices of intention to attend must be received before the registration deadline. Any instruments of proxy must also be submitted with the registration. The summons to attend the AGM can be read in full on the Company's website at www.lemminkainen.com

PAYMENT OF DIVIDEND

Lemminkäinen Corporation's Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.50 per share be paid for the 2010 financial year. Dividends will be paid to shareholders who are recorded in the shareholder register maintained by Euroclear Ltd on the record date, 7 April 2011. The dividend payout date proposed by the Board of Directors is 14 April 2011.

FINANCIAL REPORTING 2011

10 February 2011	2010 Financial Statement Bulletin
Week 11	Annual Report 2010 (pdf online)
Week 14	Printed Annual Report 2010
5 May 2011	Interim Report, 1 January – 31 March 2011
4 August 2011	Interim Report, 1 January – 30 June 2011
3 November 2011	Interim Report, 1 January – 30 September 2011

PUBLICATION ORDERS

The Company publishes its financial reports, stock exchange bulletins and press releases in both Finnish and English. They can be read at Lemminkäinen's website, www.lemminkainen.com, where you can also subscribe to email delivery of releases. You can order a printed copy of the Annual Report from www.lemminkainen.com/media/order_publications or by emailing info@lemminkainen.fi.

CHANGES OF ADDRESS

Notifications of changes of shareholders' addresses should be sent to the brokerage firm or bank administering your book-entry account for securities.

INVESTOR RELATIONS

Lemminkäinen's investor relations seek to support the correct valuation of the Company's share by providing the capital markets with truthful information on the Company's business, strategy and financial position. The information must be objective and simultaneously disclosed to all market participants. The Company answers questions from analysts and investors by phone and email, as well as by holding meetings with investors. Lemminkäinen refrains from contact with representatives of the capital markets and financial media during the three-week period prior to the publication of the financial statements and interim reports.

INVESTMENT RESEARCH

According to the information available to the Company, analysts in the service of at least the following banks and brokerage firms have made investment analyses of Lemminkäinen: Carnegie Securities, Evli Bank, FIM Bank, Nordea Markets, Pohjola Bank plc, SEB Enskilda. Contact information for these analysts is provided on Lemminkäinen's website at www.lemminkainen.com/investors.

CONTACT INFORMATION

Lemminkäinen Corporation
Investor Relations
P.O. Box 169, 00180 Helsinki, Finland
investor@lemminkainen.fi

Katri Sundström
Investor Relations Officer
Tel. +358 2071 54813 /
+358 400 976 333
katri.sundstrom@lemminkainen.fi

LEMMINKÄINEN CORPORATION

Salmisaarenaukio 2

P.O.Box 169

FI-00180 Helsinki, Finland

Tel. +358 2071 5000

www.lemminkainen.com

Lemminkäinen Communications
KATI RENVALL
Senior Vice President, Communications and Marketing
kati.renvall@lemminkainen.fi

CSR reporting
EMILIA PELTOLA
Communications Specialist,
Corporate Responsibility and Media Relations
emilia.peltola@lemminkainen.fi

Corporate Responsibility
VESA LIPSANEN
Senior Vice President,
Corporate Responsibility and Risk Management
vesa.lipsanen@lemminkainen.fi

Environment
JOHANNA AARNIO
Head of Environment and Safety
johanna.aarnio@lemminkainen.fi

Human Resources
TIINA MELLAS
Executive Vice President,
HR and ICT
tiina.mellas@lemminkainen.fi

Finance in general
ROBERT ÖHMAN
CFO
robert.ohman@lemminkainen.fi

Investor Relations
KATRI SUNDSTRÖM
Investor Relations Officer
katri.sundstrom@lemminkainen.fi

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100
1910–2010

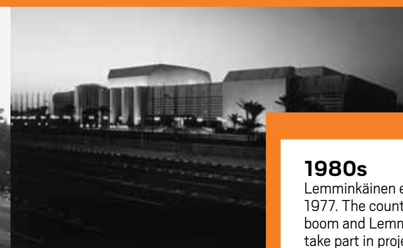
Re-energised for the new millennium.
Read more about modern-day Lemminkäinen at: www.lemminkainen.fi.

Lemminkäinen

2000s
In autumn 2000, Lemminkäinen broke into a major new field when the company acquired a majority holding in Tekmanni Oy. This transaction enabled Lemminkäinen to expand into technical building services.

1990s
Lemminkäinen and Nokia's long-term, global cooperation began in the 1990s. Nokia's R&D centre in Bochum, Germany was constructed.

1960s
Tarmac was an affordable material that was widely used to pave Finland's roads during the 1960s. Here is Lemminkäinen's tarmac laying team at work in Lapland, on the road between Hetta and the Norwegian border, in summer 1964.



1970s
Lemminkäinen grew vigorously during the 1970s, also through acquisitions. The company expanded its business outside Finland's borders with major projects in places such as Kostamuksha and Svetogorsk in Russia.

1980s
Lemminkäinen established itself in Liberia, Africa in 1977. The country was experiencing a construction boom and Lemminkäinen was, for example, able to take part in projects funded by the World Bank. This is a view of the water supply and sewerage project in the capital city of Monrovia.

1920s
In 1920, Lemminkäinen expanded its production with the manufacture of roofing felt. The first roofing felt factory was located in a few kilometres east of the city centre.

1950s
The industrialisation of staircase manufacture entered a new era in 1954 when Lemminkäinen became the first company in Finland to begin the manufacture of pre-cast staircase elements. The launch of industrial mass production also provided a massive boost to both production at the company's cement works and Lemminkäinen's net sales.

O. Y. Lemminkäinen.
Asfaltti- ja Sementtivalimo.

O. Y. Lemminkäinen.
Asfalt- och Cementgjuteri.

1910s
In 1910, Asfaltti Osakeyhtiö Lemminkäinen started up on an industrial site at the Merisatama harbour in Helsinki. The photo shows its main products of the early years – steps for staircases – in the factory's modest yard.

1930s
Lemminkäinen applied itself to developing asphalt-paved roads and introduced its own asphalt mixer in 1934. This is Simonkatu in downtown Helsinki being paved sometime in the late 1930s.

1940s
Finns believed that the war would one day come to an end and re-building would commence. During the Continuation War, the company announced that it was ready for action.