Financial statements

09

Board of Directors' Report 2009

OPERATING ENVIRONMENT

Finland

Demand for construction declined strongly in 2009, the contraction being most clearly evidenced in the number of new building starts, especially in the first half of the year.

In Finland the emphasis in residential construction shifted, especially during the first half of the year, towards rental housing production, and new starts were made on some 14,000 state-subsidised rental housing units. Sales of dwellings in own housing developments picked up markedly from the level at the end of previous year, and the volume of own housing production started to grow cautiously towards the end of the year. Approximately 24,000 new housing starts were made in Finland during 2009, and that number is expected to be slightly higher in 2010.

In non-residential building construction, demand for commercial and logistics buildings remained at a reasonable level, but there was a marked decline in the construction of office and industrial buildings during 2009. Finnish real estate investors continued to invest in properties around the country, and the real estate investment market show signs of recovery. Real estate developments by public-sector organisations also had a positive impact on the non-residential construction market.

The volume of infrastructure construction fell from the good level of 2008, but it did not decline in the same way as the volume of other construction. The main reason for the contraction in infrastructure construction in Finland was the completion of several major infra projects at the end of 2008 and the beginning of 2009. The volume of municipal infrastructure construction remained at a reasonable level. The contraction in building construction was reflected especially in reduced demand for geotechnical engineering work, mineral aggregates and ready-mix concrete.

With the slowing in new construction, the emphasis in the technical building services sector has switched to renovation construction, due in part to the grants and incentives offered by the government. The volume of renovation construction rose slightly during 2009 and is expected to continue growing in the coming years. Demand for servicing and maintenance of technical building systems remained stable.

Operations abroad

In Scandinavia, government stimulus measures aimed at major projects and basic road-keeping helped to support the infrastructure markets at good levels. In Norway and Denmark demand for paving works was especially brisk. In Sweden the development of the rail network continued, which offered some significant contracts to geotechnical and rock engineering contractors.

In the Baltic states the construction market remained extremely challenging. A few EU-funded road projects helped to support the Baltic infrastructure markets.

In Russia economic uncertainty continued and there was a marked decline in demand for construction from the level of the previous year. However, housing sales in Russia did pick up markedly towards the end of the year and they are expected to remain steady in 2010 as well..

NET SALES, PROFIT AND FINANCIAL POSITION IN 2009

Key figures

EUR million	2009	2008	2007
Net sales	**1,964.4**	2,481.8	2,174.1
of which operations abroad	**527.1**	676.7	581.6
Operating profit	**23.3**	123.2	127.2
Operating margin, %	**1.2**	5.0	5.8
Profit before taxes	**-10.0**	91.0	111.2
Profit for accounting period	**-23.7**	63.5	80.6
of which profit share of parent company's shareholders	**-26.1**	55.9	72.9
Earnings per share, EUR	**-1.53**	3.28	4.29
Dividend per share, EUR	**0.00**[1)]	0.90	1.80
Return on investment, %	**5.4**	17.7	20.7
Return on equity, %	**-7.4**	19.2	27.5
Equity ratio, %	**31.4**	26.2	32.7
Gearing, %	**108.6**	98.4	87.2
Liquid funds	**74.4**	250.1	78.5
Interest-bearing liabilities	**399.1**	586.5	357.0

1) Board of Directors' proposal to the AGM

Lemminkäinen Group's full-year net sales were EUR 1,964.4 million (2,481.8). Of that total, 73% (73) was generated in Finland, 17% (13) in other Nordic countries, 3% (4) in Russia, 4% (5) in the Baltic states and 3% (5) in other countries. The operating profit for the accounting period was EUR 23.3 million (123.2) and the operating margin was 1.2% (5.0).

Net sales in all of Lemminkäinen's business sectors were down on the previous year due to poor general economic conditions. The impact was strongest in building construction, which had a slow first half of the year. However, the pick-up in housing production in Finland and Russia towards the end of the year improved the situation. Also brisk demand for paving work in Norway and Denmark as well as good success on the Finnish market had a positive effect on net sales. Lemminkäinen's order book at the end of the accounting period was 10% down on the previous year.

The result for the accounting period was EUR -23.7 million (63.5). The 2009 result was weakened by reduced volumes due to the general economic situation. Net sales from building construction in particular were well down on the previous year. The profitability of building construction was also affected by weaker housing sales in Finland and Russia especially during the first half of the year. The Group's result was also impacted by the EUR 68.0 million infringement fine imposed by the Supreme Administrative Court, of which EUR 54 million was recognised in the third quarter of the year. Excluding this charge, the Company's result before taxes would have been EUR 44 million (91.0). Financing expenses remained at almost the level of the previous year and were EUR 33.4 million (32.1).

The personnel adjustment measures initiated at the end of 2008 continued, and at the end of the accounting period there were about 1,200 fewer employees than twelve months earlier. The adjustment measures are still continuing, in addition to which greater business efficiency is being sought by simplifying the Group's structure and reorganising the support functions, among other means.

Lemminkäinen's equity ratio at the end of the accounting period was 31.4% (26.2), which was clearly higher than in the previous year. Cash flow from operating activities was up on the previous year at EUR 64.2 million (24.6).

The Company's liquid funds at the end of the accounting period were EUR 74.4 million (250.1). The EUR 150 million line of credit made available to Lemminkäinen remained unused at the end of the accounting period. In addition to this credit facility, the Company has an unused TyEL pension premium loan allocation of approximately EUR 23 million.

Net sales by business sector

EUR million	2009	2008[2]	2007
Building Construction	**867.7**	1,207.5	1,042.9[1]
Infrastructure Construction	**789.6**	920.3	820.3[1]
Technical Building Services	**233.8**	269.9	230.2
Building Products	**132.7**	156.0	133.8
Other operations and Group eliminations	**-42.2**	-52.2	-53.0
Business sectors, total	**1,981.5**	2,501.5	2,174.1
Unallocated Items	**-17.1**	-19.7	
Group total (IFRS)	**1,964.4**	2,481.8	2,174.1
of which Operations abroad	**527.1**	676.7	581.6

[1] Pro forma
[2] The standard governing operating segment reporting was adopted on 1.1.2009, and the comparative figures starting 1.1.2008 were also calculated in accordance with the provisions of the same standard

Operating profit by business sector

EUR million	2009	2008[2]	2007
Building Construction	**36.6**	69.7	71.7[1]
Infrastructure Construction	**25.9**	26.2	39.3[1]
Technical Building Services	**12.2**	16.3	11.9
Building Products	**6.5**	10.5	11.1
Other operations	**-61.7** [3]	-3.3	-6.7
Business sectors, total	**19.5**	119.4	127.2
Unallocated Items	**3.8**	3.8	
Group total (IFRS)	**23.3**	123.2	127.2

Operating margin by business sector, %

	2009	2008[2]	2007
Building Construction	**4.2**	5.8	6.9[1]
Infrastructure Construction	**3.3**	2.8	4.8[1]
Technical Building Services	**5.2**	6.1	5.2
Building Products	**4.9**	6.7	8.3
Group total (IFRS)	**1.2**	5.0	5.8

[1] Pro forma
[2] The standard governing operating segment reporting was adopted on 1.1.2009, and the comparative figures starting 1.1.2008 were also calculated in accordance with the provisions of the same standard
[3] Includes a charge of EUR 54 million of the fine imposed by the Supreme Administrative Court

ORDER BOOK

Order book by business sector

EUR million	2009	2008	2007
Building Construction	**495.6**	576.3	938.0
Infrastructure Construction	**322.7**	365.4	326.5
Technical Building Services	**106.8**	97.7	111.9
Building Products	**33.3**	25.2	37.7
Group, total	**958.4**	1,064.5	1,414.1
of which international orders	**206.8**	263.1	284.0

Lemminkäinen's order book at the end of the accounting period was down by tenth on the previous year. The market breakdown of the order book was Finland 78% (75), other Nordic countries 11% (16), Russia 2% (2), the Baltic states 5% (5) and other countries 4% (2).

Significant orders received in 2009

In January Lemminkäinen and the Moldovan Road Administration agreed a highway upgrade contract worth EUR 13.5 million.

In February an agreement was made with the Estonian Road

Administration concerning a highway upgrade contract in Ida-Viru County. Lemminkäinen is the leading partner in the consortium and its share of the contracted works is about a third. The whole contract is worth approx. EUR 31 million.

In March work began on the construction of Tammiston Tähti in Vantaa. The new commercial building has a total floor area of 4,900 m² and will be completed in March 2010. The property was sold to Suomi Mutual Life Insurance Company in December 2009.

In April an agreement was made with the Lithuanian Road Administration concerning basic improvement works to be carried out as a consortium project on the motorway between Vilnius and Klaipeda. The whole contract is worth approx. EUR 17 million. Lemminkäinen's share of the contracted works is over a third.

In the summer an agreement was made concerning the project management contract for Cargotec's new multi-assembly unit (MAU) in Poland. The total value of the project for Lemminkäinen is approx. EUR 22 million. The works will be completed in summer 2010.

In the summer, work began on the pedestrianisation of Keskuskatu street in downtown Helsinki. The total street area involved in the contract is about 10,000 m² and the work will be carried out in the years 2009-2013. The contract is worth approx. EUR 6.8 million.

In the summer Lemminkäinen and Paulig Oy made an agreement on the phased purchase of Paulig's old roastery site in the Vuosaari district of the Helsinki. The site has been zoned as a residential area for about 2,000 residents. Planning work for the site is under way and construction is expected to start during 2010.

In June Lemminkäinen made an agreement with IKEA concerning the construction of a new IKEA store in Tampere. The project is being carried out as a project management contract and will be completed in summer 2010. The contract is worth approx. EUR 18 million.

In the summer Lemminkäinen won contracts for the construction of numerous non-residential buildings of various types. The buildings are located in different parts of Finland and their combined value is approx. EUR 40 million. In addition to these, work began on the construction of shopping centre in Imatra in August. The total floor area of the building is approx. 6,000 m².

In July work began on the phase 1 construction of Åbo Akademi University's campus in Pietarsaari. The floor area to be built in phase 1 of the project is almost 10,000 m² and it is scheduled for completion by November 2010.

In the summer Lemminkäinen won the excavation and reinforcement contract for the P-Hämppi underground parking facility in Tampere. The contract is worth approx. EUR 27 million and will be completed in spring 2011.

In August Lemminkäinen won a significant geotechnical engineering contract in Sweden. The project involves improving the stability of two concrete dams for safety reasons. The dams were constructed at Storfinnefors and Ramsele in the 1950s. The contract is worth approx. EUR 10 million.

In the autumn the development of the Jätkäsaari residential area in Helsinki began with an architectural competition. Lemminkäinen will build some 400 housing units in the Saukonpaasi district. Construction work will begin in autumn 2010.

In September an agreement was made with Oy Teboil Ab to extend the contract to provide technical facility management and maintenance services to Teboil's 450 distribution points.

In September, work began on the construction of new premises for the Finnish Agency for Rural Affairs in Seinäjoki. The property, which has a floor area of 6,400 m² and will be completed in early 2011, was then sold to Etera Mutual Pension Insurance Company.

In October Lemminkäinen and Ilmarinen Mutual Pension Insurance Company extended their comprehensive, long-term partnership agreement concerning real estate services. The agreement covers the servicing and maintenance of technical systems in office and commercial properties as well as management services related to their day-to-day operation. The 21 properties in question have a combined floor area of approx. 350,000 m².

In October Lemminkäinen started work on the replumbing and bathroom refurbishment of 189 housing units in the Vuosaari district of Helsinki. The contract raised the total number of housing units in which Lemminkäinen was carrying out replumbing and bathroom refurbishments in the old Vuosaari district of Helsinki to 840.

In November work began on the construction of the Western Metro in Helsinki. Lemminkäinen won the first contract of the project, which involves the excavation of track and access tunnels in Ruoholahti. The contract is worth approximately EUR 10 million and will be completed in May 2011.

In December construction work began on a significant life-cycle project in Kuopio. The project entity encompasses the new construction and basic repair of four schools and one child day-care centre. Lemminkäinen will be responsible for the maintenance and upkeep of the buildings for a period of 25 years. The total value of the project is EUR 93.5 million.

In December Lemminkäinen won the contract for the construction works of the Töölönlahti underground parking facility and civil defence shelter in Helsinki. The contract will be completed in summer 2012 and is worth approx. EUR 35 million.

In December work began on the construction of the eastern mouth of the Ring Rail Line's tunnel section in Vantaa. The contract will be completed in spring 2012 and is worth approx. EUR 14 million.

Lemminkäinen won two road construction contracts in Lithuania. Construction work will begin in spring 2010. The contracts are partly funded by the EU and their combined value is EUR 12.3 million.

Significant orders received after the accounting period

Lemminkäinen is to renew the track and field at Helsinki's Olympic Stadium. The contract will be completed at the end of July 2010 and is worth approx. EUR 4 million.

BALANCE SHEET, CASH FLOW AND FINANCING

The consolidated balance sheet total at 31 December 2009 was EUR 1,033.7 million (1,413.3). The return on investment was 5.4% (17.7) and the equity ratio 31.4% (26.2). Gearing was 108.6% (98.4).

According to the cash flow statement, the cash flow from operating activities was EUR 64.2 million (24.6), the cash flow from investing activities EUR -18.5 million (-27.9) and the cash flow from financing activities EUR -220.2 million (177.3). The cash flow for the accounting period includes the payment of dividends totalling EUR 18.0 million (32.6) for the 2008 accounting period.

Working capital declined 24% to EUR 660.6 million (874.6) and net working capital fell 15% to EUR 348.9 million (411.9).

Liquid funds at the end of the accounting period were EUR 74.4 million (250.1).

The amount of interest-bearing debt at the end of the review period was EUR 399.1 million (586.5), of which EUR 108.4 million was short-term debt and EUR 290.7 million long-term debt. Interest-bearing net debt was EUR 324.7 million (336.4). Net financing expenses were EUR 33.4 million (32.1), representing 1.7% (1.3) of net sales.

Lemminkäinen's interest-bearing debt comprised loans from financial institutions 49%, commercial paper 1%, project loans related to own housing production and non-residential construction 11%, TyEL loans 22%, finance leasing liabilities 14% and other liabilities 3%.

EUR 54 million of the EUR 68 million fine imposed by the Supreme Administrative Court was recognised on the income statement under "Other operating expenses" in the third quarter of the year, which resulted in a covenant contained in the loan terms being breached. Lemminkäinen entered into negotiations with its banking consortium and made a new agreement that continued the financing arrangements in accordance with the original maturity and on almost the original terms.

The EUR 150 million line of credit made available to Lemminkäinen as part of the renegotiated financing arrangements remains unused at the end of the review period. In addition to this credit facility, the Company has an unused TyEL pension premium loan allocation of approximately EUR 23 million.

BUSINESS SECTORS

Building Construction

Key figures

EUR million	2009	2008[2]	2007[1]
Net sales	**867.7**	1,207.5	1,042.9
Operating profit	**36.6**	69.7	71.7
Operating margin, %	**4.2**	5.8	6.9
Profit before taxes	**24.7**	56.7	64.6
Order book at end of period	**495.6**	576.3	938.0
Personnel (average)	**2,356**	3,159	3,055

[1] Pro forma
[2] The standard governing operating segment reporting was adopted on 1.1.2009, and the comparative figures starting 1.1.2008 were also calculated in accordance with the provisions of the same standard

The net sales of the Building Construction business sector fell 28% to EUR 867.7 million (1,207.5). The business sector generated 82% of its net sales in Finland, 7% in other Nordic countries, 5% in Russia, and 6% in other countries.

Building Construction's operating profit was down 47% to EUR 36.6 million (69.7). The business sector's result was satisfactory given the market conditions. The pick-up in the housing market and the completion of several real estate deals in the fourth quarter improved the business sector's result at the end of the year.

The business sector's order book fell 14% to EUR 495.6 million (576.3). Orders from abroad contributed EUR 82.3 million (89.4) to the order book

Operations in Finland:

Sales of housing units were brisker than expected, and 771 (634) units in Lemminkäinen's own housing developments were sold during the accounting period. Lemminkäinen completed 533 (1,030) units in its own housing developments during the accounting period. As a consequence of the pick-up in the housing market, the Company resumed its own housing production during the third quarter, and new starts were made on a total of 351 (504) own housing units during the accounting period as a whole. At the end of the accounting period, 405 (587) housing units were under construction, of which 193 were unsold. The number of unsold completed housing units was 263 (496). There was a marked increase in the number of contracted housing starts, with new starts being made on 1,090 (507) rental housing units in 2009. The total number of residential housing starts made by Lemminkäinen in Finland during 2009 was 1,444 (901).

Lemminkäinen's private-sector housing production, Finland

	2009	2008	2007
Housing starts	**351**	504	852
Housing units sold	**771**	634	883
Unsold completed units	**263**	496	283
Completed	**533**	1,030	1,488
Under construction at end of period	**405**	587	1,123
of which unsold	**193**	380	733

At the end of the accounting period Lemminkäinen owned a total of 877,000 m² of unused building rights in Finland, of which approx. 388,000 m² were residential building rights. The Company also had binding or conditional co-operation and zoning agreements for about 818,000 m², of which about 332,000 m² are residential building rights. The value of the building plots was approx. EUR 94.7 million (74.8).

The volume of non-residential building construction was clearly down on the previous year and demand for office buildings in particular was limited during the accounting period. Demand for commercial and logistics buildings remained at a reasonable level. The real estate investment market showed signs of recovery towards the end of the year, but the threshold for builders to start new construction remained high.

The renovation construction market remained stable and the near-term outlook is also favourable. Government stimulus measures aimed at renovation construction have boosted demand for building repair works to some extent. Renovation construction accounted for about 17% of Lemminkäinen's building construction during the accounting period, and the share is expected to rise in the future.

Operations abroad:

Operations abroad accounted for about 18% of the business sector's net sales in 2009. Almost a third of this international business was in Russia. As a result of the international financial crisis, demand for construction fell sharply in Russia, but housing sales picked up towards the end of the year and the number of housing units sold in 2009 was significantly higher than in the previous year. Economic uncertainty persists in Russia, but housing sales are expected to remain steady in 2010.

The number of housing units sold in Lemminkäinen's own developments in Russia during the accounting period was 133 (61). Work halted on 264 housing units in St. Petersburg was resumed during the accounting period. At the end of the accounting period the Company had 479 (306) housing units under construction, of which 367 were unsold. The number of unsold completed units at the end of the accounting period was 22.

The value of the inventories that Lemminkäinen had tied up in Russia at the end of the accounting period was EUR 36.5 million.

In Sweden there were no housing units under construction in Lemminkäinen's own housing developments at the end of the accounting period. The number of unsold completed units was 11. The number of housing units sold during the accounting period was 27.

Future growth in building construction abroad will be sought from Russian residential construction, without forgetting traditional contracting. The main focus of other operations abroad is on industrial construction in countries such as China, India and Poland.

The volume of telecommunication network construction was well down on the previous year.

Infrastructure Construction

Key figures

EUR million	2009	2008[2]	2007[1]
Net sales	**789.6**	920.3	820.3
Operating profit	**25.9**	26.2	39.3
Operating margin, %	**3.3**	2.8	4.8
Profit before taxes	**16.0**	16.8	36.3
Order book at end of period	**322.7**	365.4	326.5
Personnel (average)	**3,453**	3,658	3,365

[1] Pro forma
[2] The standard governing operating segment reporting was adopted on 1.1.2009, and the comparative figures starting 1.1.2008 were also calculated in accordance with the provisions of the same standard

The net sales of the Infrastructure Construction business sector fell 14% to EUR 789.6 million (920.3). The business sector generated 54% of its net sales in Finland, 34% in the other Nordic countries, 10% in the Baltic states and 2% in Russia. In the Nordic countries the volumes of business remained at the level of 2008, but, the volumes in especially the Baltic states and of mineral aggregate and ready-mix concrete business were down on the previous year due to the generally reduced level of construction. Also contributing to the decline of net sales was the exceptionally early onset of winter, which shortened the infrastructure construction season.

The business sector's operating profit was at the level of the previous year, and was EUR 25.9 million (26.2). The operating margin rose slightly thanks to good paving seasons in both Norway and Denmark. The result was impaired by poor market conditions in the Baltic states especially.

The business sector's order book was about 12% down on the previous year.

Operations in Finland:

Lemminkäinen's paving operations were brisk all year and the effect of constrained municipal finances was less than expected. The Finnish paving market as whole contracted: a total of some 5.6 million tonnes of asphalt mix was produced in Finland, which was 10% less than in the previous year. Despite the intensification of competition, Lemminkäinen held on to its position as the most important actor in the industry.

Competition in transport infrastructure construction is fierce and very few bids will be prepared for new projects in 2010.

The rock and geotechnical engineering market improved. Lemminkäinen won the lead contract of the Western Metro construction project and, among others, the contracts for two underground parking caverns.

The slowdown in building construction reduced demand for mineral aggregates and ready-mix concrete. Demand for crushing contracting was reasonable given the state of the market.

Operations abroad:

In Norway and Denmark demand for paving works was brisk during the review year and government stimulus measures in both countries will keep demand at a good level in 2010 as well.

In Sweden, Lemminkäinen continued to work on several tunnel construction contracts, the last of which are due to be completed during 2010. The market for infrastructure in Sweden has remained good. Among other contracts won during the accounting period, Lemminkäinen won the contract to improve the stability of two concrete dams. The focus in tunnel construction is switching to the Stockholm area, where some significant infrastructure projects have been launched.

The market situation in the Baltic states continued to be weak and Lemminkäinen adjusted its operations accordingly. The order book in Estonia and Lithuania remained at a satisfactory level, but the situation in Latvia was challenging. The Baltic infrastructure construction markets were supported by a few EU-funded highway projects.

Technical Building Services

Key figures

EUR million	2009	2008[1]	2007
Net sales	**233.8**	269.9	230.2
Operating profit	**12.2**	16.3	11.9
Operating margin, %	**5.2**	6.1	5.2
Profit before taxes	**12.8**	18.5	13.6
Order book at end of period	**106.8**	97.7	111.9
Personnel (average)	**1,941**	2,013	1,918

[1] The standard governing operating segment reporting was adopted on 1.1.2009, and the comparative figures starting 1.1.2008 were also calculated in accordance with the provisions of the same standard

The net sales of the Technical Building Services business sector fell 13% to EUR 233.8 million (269.5). The operating profit was down by a quarter to EUR 12.2 million (16.3). The business sector's result was good considering the challenging market conditions.

In spite of stiffening competition, the business sector's order book remained at the level of the previous year and even began to grow towards the end of the year. The business sector's order book at the end of the accounting period was EUR 106.8 million (97.7).

Energy efficiency improvement and special expertise in areas such as refrigeration maintenance and installation have become significant competitive factors in the sector. The price level of materials rose moderately up until the autumn, at which point the prices of raw materials such as copper started to rise sharply.

With the slowdown in new building construction, the emphasis in technical building services switched to renovation construction, serving and maintenance. Supported by government stimulus measures, the modernisation of piped systems in residential buildings increased during the year and that trend is expected to continue in the future, too. Demand for the business sector's industrial services fell during the accounting period as industry cut back on its investments and maintenance functions. The servicing, maintenance and repair of technical building systems already accounts for about a half of the business sector's net sales, and demand for such services is expected to remain good in the years ahead.

In spite of the difficult market situation, the servicing business in Russia grew during the accounting period and Lemminkäinen carried out some significant technical building services contracts in the St. Petersburg area.

Building Products

Key figures

EUR million	2009	2008[1)]	2007
Net sales	**132.7**	156.0	133.8
Operating profit	**6.5**	10.5	11.1
Operating margin, %	**4.9**	6.7	8.3
Profit before taxes	**5.8**	9.9	10.5
Order book at end of period	**33.3**	25.2	37.7
Personnel (average)	**762**	839	749

1) The standard governing operating segment reporting was adopted on 1.1.2009, and the comparative figures starting 1.1.2008 were also calculated in accordance with the provisions of the same standard.

The net sales of the Building Products business sector fell 15% to EUR 132.7 million (156.0). The operating profit was down about 38% to EUR 6.5 million (10.5).

The order book rose by a third and at the end of the accounting period was EUR 33.3 million (25.2).

The year was a busy one as far as roofing and waterproofing contracting was concerned, and in spite of stiffening competition Lemminkäinen's market share rose. The change of emphasis in construction towards renovation construction increased the volume of yard and roofing repair works for housing companies. Sales and exports of roofing and waterproofing products fell during the accounting period. Increases in raw material costs were moderate and prices remained steady throughout the accounting period.

The slowdown in residential and non-residential building construction reduced demand for pre-cast concrete staircase and wall elements in the first half of 2009, but the pick-up in construction activity was strongly reflected in demand for pre-cast concrete elements towards the end of the year. The market for sports and urban environment construction was good.

SHARES AND SHARE CAPITAL

The listed price of Lemminkäinen Corporation's share was EUR 13.05 (31.50) at the beginning of the accounting period and EUR 24.20 (13.05) at the end of the accounting period. The market capitalisation at the end of the accounting period was EUR 411.9 million (222.1). Altogether 1,918,039 shares (3,185,174) were traded during the accounting period. The total value of the turnover was EUR 41.0 million (87.3). At the end of the accounting period the Company had 5,017 (4,511) shareholders.

Lemminkäinen's share capital is EUR 34,042,500. The Company has one share series and the total number of issued shares is 17,021,250.

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 addition, the Extraordinary General Meeting decided to authorise the Board of Directors to decide on the acquisition of treasury shares.

INVESTMENTS

Investments made during the accounting period amounted to EUR 41.5 million (60.2). The most significant single investment made during the accounting period was a new asphalt plant at Sammonmäki. The other investments were mainly replacement purchases of equipment for paving and mineral aggregate operations.

PERSONNEL

The average number of employees in the Group during the accounting period was 8,626 (9,776), of whom 70% (71) worked in Finland, 12% (11) in other Nordic countries, 11% (11) in the Baltic states and 7% (7) in other countries.

In the second half of 2008 Lemminkäinen began adjusting its personnel strength to meet the requirements of the prevailing market situation. The personnel reduction measures have so far affected about 1,500 employees. The biggest personnel reductions have been made in the Building Construction and Building Products business sectors. The adjustment measures have been continued after the accounting period.

Personnel, average

	2009	2008	2007
Hourly paid employees	**5,559**	6,490	6,084
Salaried staff	**3,067**	3,286	3,117
Personnel, total	**8,626**	9,776	9,201
of whom working abroad	**2,607**	2,836	2,565
Personnel at the end of the accounting period	**7,759**	8,910	8,718
Total wages, salaries and other remuneration for the accounting period, EUR million	**329.3**	358.1	327.2

Personnel by business sector, average

	2009	2008	2007
Building Construction	**2,356**	3,159	3,055
Infrastructure Construction	**3,453**	3,658	3,365
Technical Building Services	**1,941**	2,013	1,918
Building Products	**762**	839	749
Parent company	**114**	107	114
Total	**8,626**	9,776	9,201

ANNUAL GENERAL MEETING 2009 AND CORPORATE GOVERNANCE

Lemminkäinen Corporation's Annual General Meeting held on 17 March 2009 adopted the Company's annual accounts and financial statements for 2008 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, to pay a dividend of EUR 0.90 per share, i.e. a total dividend of EUR 15,319,125. The dividend's record date was 20 March 2009 and the payment date was 27 March 2009.

Messrs. Berndt Brunow, Teppo Taberman, Juhani Mäkinen and Ms. Kristina Pentti-von Walzel were re-elected to serve as members of the Board of Directors. Messrs. Mikael Mäkinen, M.Sc.(Eng.) and Heikki Räty, M.Sc.(Econ.) were newly elected to serve as board members. PricewaterhouseCoopers Oy, a firm of authorised public accountants, were re-elected to serve as the Company's auditors, with Mr. Jan Holmberg, APA acting as the chief auditor.

Lemminkäinen Corporation's Board of Directors held an organising meeting on 17 March 2009. Berndt Brunow continues to serve as the Chairman of the Board, and Juhani Mäkinen as the Vice Chairman

EXTRAORDINARY GENERAL MEETING

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. The number of shares to be issued, including the shares to be received on the basis of special rights, shall not exceed 4,200,000 shares. The proposed maximum amount of the authorisation corresponds to approximately 25% of all the current shares of the Company. The Board of Directors may decide to issue either new shares or own shares that may be held by the company (treasury shares).

In addition, the Extraordinary General Meeting decided to authorise the Board of Directors to decide on the acquisition of treasury shares, in one or more instalments, using the unrestricted shareholders' equity of the Company. The authorisation is proposed to cover a maximum of 1,700,000 treasury shares, subject to the regulations of the Finnish Companies Act concerning the maximum amount of own shares that may be held by a company. The proposed maximum amount of the authorisation corresponds to approximately 10% of all the current shares of the Company.

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 17 March 2009. 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.

CHANGES IN THE COMPANY'S MANAGEMENT

Tiina Mellas (nee Kihlakaski), M.Sc.(Econ) was appointed to serve as Lemminkäinen Corporation's Executive Vice President, Human Resources and as a member of Lemminkäinen Group's Executive Board with effect from 7 January 2009.

Robert Öhman, M.Sc.(Econ) was appointed to serve as Chief Financial Officer of Lemminkäinen Corporation and as a member of Lemminkäinen Group's Executive Board with effect from 9 May 2009.

Marcus Karsten, M.Sc.(Econ.) was appointed to serve as Lemminkäinen Corporation's Executive Vice President, Technical Building Services and as a member of Lemminkäinen Group's Executive Board with effect from 1 January 2010. He was formerly the Managing Director of Tekmanni Service Oy, a company belonging to the Technical Building Services business sector.

Jukka Terhonen, M.Sc.(Eng.) was appointed to serve as Lemminkäinen Corporation's Executive Vice President, Building Construction, and as a member of Lemminkäinen Group's Executive Board with effect from 10 December 2009.

LEGAL PROCEEDINGS

On 29 September 2009 the Supreme Administrative Court (SAC) ordered a number of Finnish asphalt industry companies to pay an infringement fine of EUR 82.55 million, of which Lemminkäinen's share was EUR 68 million. The decision concluded the Finnish Competition Authority's claim made in 2004 for the imposition of a fine concerning violations of the Act on Competition Restrictions on seven companies operating in the asphalt industry during the period 1994-2002. The Finnish Competition Authority initially sought that an aggregate competition infringement fine of EUR 97 million should be imposed on the asphalt companies and the Finnish Asphalt Association, of which Lemminkäinen was to pay EUR 68 million. The Market Court dismissed the Competition Authority's motion for the most part and in December 2007 ordered the asphalt companies to pay an infringement fine of EUR 19.4 million, of which Lemminkäinen was to pay EUR 14 million. The SAC approved the infringement fine proposed by the Finnish Competition Authority in its entirety.

The difference between the infringement fine of EUR 68 million ordered by the SAC and the infringement fine of EUR 14 million ordered by the Market Court, i.e. EUR 54 million, was expensed in the third quarter of 2009. The infringement fine of EUR 14 million ordered by the Market Court was expensed in the fourth quarter of 2007.

To date, 21 municipalities and the Finnish Road Administration have brought actions for the recovery of damages from Lemminkäinen and other asphalt companies in the District Court of Helsinki. The claimants contend that restrictions of competition have caused them damages. The Finnish Road Administration has claimed, in connection with work carried out for the Finnish State, at most EUR 10.5 million from Lemminkäinen and at most EUR 5.6 million jointly and severally with other asphalt companies. The claims presented in the statements of claim differ from each other as regards their amounts and grounds. The claimants have reserved the right to alter, modify or extend their claims, but most of the claimants have not yet filed their finalised statements of claim with the District Court.

The decision rendered by the SAC as it stands does not mean that Lemminkäinen or the other asphalt industry companies actually caused the parties ordering asphalt works any damages. The SAC's decision does not concern the individual contracts that the claimants are citing in support of their claims. Neither does the decision concern the pricing of individual contracts.

Lemminkäinen will examine the claims for damages and consider each claim separately. The Company's initial position is that the claims are without foundation.

To the extent that the claimants eventually decide in their specified statements of claim to pursue their legal actions against Lemminkäinen, they will be considered separately before the District Court of Helsinki and heard in the order determined by the court.

No provision for future expense has been made in respect of the statements of claims submitted so far to the district court by the municipalities and the Finnish Road Administration. It is likely that district court proceedings will continue into 2011.

RISKS AND UNCERTAINTIES

Lemminkäinen's business risks are divided into six categories: market risks, project risks, financing risks, credit loss risks, environmental risks, and accidents and damage. The measures necessary to manage the most significant identified risks have been specified.

Market risk poses the most significant threat to Lemminkäinen in the near future. The international financial crisis and economic downturn are creating uncertainty in key sectors of Lemminkäinen's operating environment and making it more difficult to foresee future changes. As a consequence of this, Lemminkäinen has set about making the necessary adjustments to its business operations.

Although housing sales have developed favourably, the general economic situation is still unstable. For this reason new housing starts are being made only if a sufficiently high percentage of the units are reserved by buyers in advance.

The aforementioned statements of claim submitted to the District Court of Helsinki by certain municipalities and the Finnish Road Administration pose a specific risk.

Operating in a number of business sectors with differing cyclical behaviours is a cornerstone of Lemminkäinen's strategy. Fluctuating demand for new construction in Finland is counter-balanced by infrastructure construction. Building repair and maintenance account for more than a third of the Group's business.

The Company's Annual Report, pages 40-43, and website provide more information on Lemminkäinen's risk management.

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 units and subsidiaries 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 management of environmental affairs and the effects of the Group's operations on the environment are continuously monitored by means of internal monitoring and control programmes.

The Company's Annual Report, pages 58-59, and website provide more information on Lemminkäinen's environmental issues.

OUTLOOK FOR 2010

According to economic forecasts, Finland's gross domestic product is expected to return to growth and construction activity is expected to increase slightly. Housing sales picked up towards the end of 2009, and they are expected to remain stable in 2010 as well. Non-residential building construction is likely to remain slower than in previous years. Renovation construction will probably continue to grow steadily and demand for technical building services is expected to increase slightly, too. In Russia, the pick-up in the housing market will continue and the volume of construction will probably grow in 2010.

Even though there are no new major transport infrastructure projects in the bid preparation pipeline for 2010, projects already in progress will keep infrastructure builders busy. The pick-up in building construction will also provide work for infra builders. In Finland the government will be making further cuts in its spending on basic highway maintenance, and the weakened finances of the municipalities may also reduce the volume of infrastructure construction in future years.

The additional spending budgeted for infrastructure development in the other Nordic countries will continue, which will keep the markets of those countries favourable in the years ahead. The situation in the Baltic states will continue to be uncertain.

Demand for construction products closely follows the building construction cycle, and demand is expected to rise following the pick-up in residential construction in 2010.

Lemminkäinen estimates that net sales and the result before taxes for the 2010 accounting period will be at the 2009 level, the infringement fine imposed by the SAC being excluded from the 2009 comparative figures.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The distributable shareholders' equity shown on the consolidated balance sheet as of 31 December 2009 amounts to EUR 217,772,976.72. The distributable shareholders' equity shown on the balance sheet of the parent company, Lemminkäinen Corporation, amounts to EUR 75,123,976.38 consisting of EUR 72,636,193.59 in retained earnings from previous years and EUR 2,487,782.79 in profit for the accounting period.

The Board of Directors of Lemminkäinen Corporation proposes to the Annual General Meeting that the Company would not pay any dividend for the accounting period ending 31 December 2009, in which case retained earnings would amount to EUR 75,123,976.38.

EVENTS AFTER THE ACCOUNTING PERIOD

The areas of responsibility of Lemminkäinen's Executive Board members were redefined on 14 January 2010. The purpose of the changes is to streamline the management of central functions and achieve greater efficiency in the implementation of the new strategy.

Significant orders received after the accounting period:
Lemminkäinen is to renew the track and field at Helsinki's Olympic Stadium. The contract will be completed at the end of July 2010 and is worth approx. EUR 4 million.

Helsinki, 12 February 2010

LEMMINKÄINEN CORPORATION
Board of Directors

Consolidated income statement (IFRS)

EUR 1,000	Note	1.1. - 31.12.2009	1.1. - 31.12.2008
NET SALES	1, 2	**1,964,442**	2,481,758
Other operating income	5	**7,091**	12,403
Increase or decrease in stocks of finished goods and work in progress		**-49,605**	34,721
Production for own use		**213**	101
Use of materials and equipment		**1,156,607**	1,633,709
Employee benefit costs	8	**406,850**	448,489
Depreciation	7	**34,258**	34,891
Other operating expenses	6	**302,601**	289,978
Share of the result of affiliated undertakings	9	**1,499**	1,244
OPERATING PROFIT		**23,323**	123,161
Financial expenses	10	**54,095**	50,675
Financial incomes	10	**20,744**	18,545
RESULT BEFORE TAXES		**-10,028**	91,031
Income taxes	11	**-13,664**	-27,549
RESULT OF CONTINUING OPERATIONS		**-23,692**	63,482
RESULT FOR THE ACCOUNTING PERIOD		**-23,692**	63,482
Distribution of the result for the accounting period			
To shareholders of the parent company		**-26,087**	55,871
To minority interests		**2,396**	7,611
EPS calculated from result belonging to parent company shareholders, EUR			
Earnings per share, diluted and undiluted		**-1.53**	3.28

Consolidated statement of comprehensive income (IFRS)

EUR 1,000	Note	1.1. - 31.12.2009	1.1. - 31.12.2008
RESULT FOR THE ACCOUNTING PERIOD		**-23,692**	63,482
Translation difference	20	**3,341**	-6,374
Hedging of net investment in foreign subsidiary	11, 20	**-368**	1,604
Cash flow hedge	11, 20	**-240**	-1,942
OTHER COMPREHENSIVE INCOME, TOTAL		**2,733**	-6,712
COMPREHENSIVE INCOME FOR THE ACCOUNTING PERIOD		**-20,959**	56,770
Distribution of comprehensive income for the accounting period			
To shareholders of the parent company		**-23,355**	49,159
To minority interests		**2,396**	7,611

Consolidated balance sheet (IFRS)

EUR 1,000	Note	1.1. - 31.12.2009	1.1. - 31.12.2008
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	13	**184,613**	186,954
Goodwill on consolidation	14	**78,265**	74,945
Other intangible assets	14	**2,698**	2,545
Participations in affiliated undertakings	9	**6,251**	4,626
Available-for-sale investments	16	**6,582**	6,038
Deferred tax asset	11	**12,850**	7,237
Other non-current receivables	18	**7,481**	6,345
		298,740	288,690
CURRENT ASSETS			
Inventories	17	**355,430**	398,232
Trade and other receivables	18	**305,139**	476,333
Funds	19	**74,400**	250,090
		734,969	1,124,656
ASSETS, TOTAL		**1,033,708**	1,413,346
SHAREHOLDERS' EQUITY AND LIABILITIES			
PARENT COMPANY SHAREHOLDERS' EQUITY			
Share capital	20	**34,043**	34,043
Share premium account	20	**5,750**	5,750
Translation difference	20	**-1,739**	-4,711
Hedging reserve	20	**-1,970**	-1,730
Retained earnings	20	**265,375**	224,824
Result for the period	20	**-26,087**	55,871
		275,372	314,046
MINORITY INTEREST		**23,673**	27,751
SHAREHOLDERS' EQUITY, TOTAL		**299,045**	341,796
NON-CURRENT LIABILITIES			
Loans	23	**290,749**	118,810
Deferred tax liability	11	**18,975**	18,693
Pension liabilities	21	**749**	192
Provisions	22	**1,762**	2,181
Other non-current liabilities	24	**2,390**	1,293
		314,626	141,169
CURRENT LIABILITIES			
Loans	23	**108,397**	467,728
Provisions	22	**8,271**	7,092
Accounts payable and other liabilities	24	**303,369**	455,561
		420,037	930,380
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**1,033,708**	1,413,346

Consolidated cash flow statement (IFRS)

EUR 1,000	Note	1.1. - 31.12.2009	1.1. - 31.12.2008
Cash flow from business operations			
Result before extraordinary items		**-10,028**	91,031
Adjustments	27		
Depreciation according to plan		**34,258**	34,891
Share of the result of affiliated undertakings		**-1,499**	-1,244
Other unpaid income and expenses		**5,246**	1,576
Financial income and expenses		**33,351**	32,130
Other adjustments		**-3,203**	-5,750
Cash flow before change in working capital		**58,125**	152,635
Change in working capital			
Increase(-)/decrease(+) in current business receivables		**166,512**	-82,938
Increase(-)/decrease(+) in inventories		**43,169**	-68,389
Increase(+)/decrease(-) in current liabilities		**-157,392**	105,992
Cash flow from operations before financial items and taxes		**110,413**	107,300
Interest expenses paid		**-29,418**	-35,429
Other financial expenses paid		**-21,992**	-9,778
Dividends received		**197**	3,771
Interest and other financial income received		**4,223**	8,253
Other financial income received		**16,788**	1,739
Direct taxes paid		**-16,049**	-51,209
CASH FLOW FROM BUSINESS OPERATIONS		**64,162**	24,647
Cash flow from investments			
Investments in tangible and intangible assets		**-21,720**	-38,080
Proceeds from the sale of tangible and intangible assets		**11,744**	13,351
Investments in other assets		**-288**	-1,835
Proceeds from the sale of other investments		**45**	461
Purchases of subsidiary shares			
less cash funds at time of purchase	3	**-8,464**	-3,149
Sales of subsidiary shares			
less cash funds at time of sale	3	**45**	1,432
Purchases of shares in affiliated undertakings			-115
Sales of shares in affiliated undertakings		**100**	
CASH FLOW FROM INVESTMENTS		**-18,538**	-27,935
Cash flow from financing			
Increase(-)/decrease(+) in non-current receivables		**35**	-1,604
Drawings of short-term loans		**341,776**	1.740,434
Repayments of short-term loans		**-716,954**	-1,473,200
Drawings of long-term loans		**220,568**	
Repayments of long-term loans		**-34,226**	-40,108
Repayments of finance leasing debts		**-13,447**	-15,599
Dividends paid and other profit distribution		**-17,991**	-32,643
CASH FLOW FROM FINANCING		**-220,238**	177,280
INCREASE(+)/DECREASE(-) IN CASH FUNDS		**-174,614**	173,991
Cash funds at beginning of accounting period	19	**250,090**	78,534
Translation difference of cash funds		**-1,076**	-2,435
CASH FUNDS AT END OF ACCOUNTING PERIOD		**74,400**	250,090

Consolidated statement of changes in equity (IFRS)

EUR 1,000	Note	Share capital	Share premium account	Translation difference	Hedging reserve	Retained earnings	Parent company shareholders' equity	Minority interest	Shareholders' equity, total
Shareholders' equity 1.1.2008		34,043	5,750	59	211	255,449	295,513	23,701	319,214
Reversal of dividend liability	20					12	12		12
Dividends paid	20					-30,638	-30,638	-2,940	-33,578
Result for the period				-4,770	-1,942	55,871	49,159	7,611	56,770
Change in minority interest								-622	-622
Equity 31.12.2008		34,043	5,750	-4,711	-1,730	280,695	314,046	27,751	341,796

EUR 1,000	Note	Share capital	Share premium account	Translation difference	Hedging reserve	Retained earnings	Parent company shareholders' equity	Minority interest	Shareholders' equity, total
Shareholders' equity 1.1.2009		**34,043**	**5,750**	**-4,711**	**-1,730**	**280,695**	**314,046**	**27,751**	**341,796**
Dividends paid	20					**-15,319**	**-15,319**	**-1,999**	**-17,318**
Result for the period				**2,972**	**-240**	**-26,087**	**-23,355**	**2,396**	**-20,959**
Change in minority interest								**-4,474**	**-4,474**
Equity 31.12.2009		**34,043**	**5,750**	**-1,739**	**-1,970**	**239,288**	**275,372**	**23,673**	**299,045**

Accounting principles of the IFRS consolidated financial statements, 31.12.2009

BASIC INFORMATION ON THE COMPANY

Lemminkäinen Corporation is a legally established Finnish public limited company 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 the International Financial Reporting Standards (IFRS), and the IAS and IFRS standards and SIC and IFRIC interpretations that were in force on 31 December 2009 have been observed in their preparation. The term "International Financial Reporting Standards" means standards and interpretations of them authorised for use in the European Union in accordance with the procedure prescribed in EU statute (EY) No. 1606/2002 as well as in Finnish accounting legislation and regulations based upon them. The notes to the consolidated financial statements are also in accordance with Finnish accounting and community legislation supplemental to the IFRS regulations. The consolidated financial statements are available on the Company's website at www.lemminkainen.com from week 12/2010 onwards. Printed copies of the consolidated financial statements can be ordered from the Company's Corporate Communications, tel. +358 2071 53511, or by email julkaisut@lemminkainen.fi from week 16/2010 onwards.

The figures in the financial statements are denominated in EUR 1,000. Transactions are treated on the basis of original acquisition costs with the exception of available-for-sale investments and derivative contracts, which are fair-valued. The Board of Directors approved publication of the consolidated financial statements on 12 February 2010.

PRINCIPLES OF CONSOLIDATION

Subsidiaries

The consolidated financial statements include Lemminkäinen Corporation and those subsidiaries in which the parent company directly or indirectly controls over 50 per cent of the conferred voting rights or otherwise has the right to define the company's economic or business principles. Intra-group shareholdings are eliminated using the acquisition method, and the assets and liabilities of an acquired entity are fair-valued at the time of acquisition, and the remaining difference between the acquisition price and the equity acquired is goodwill. 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.

Affiliated companies and joint ventures

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

Unrealised capital gains arising in connection with business and fixed asset transactions between the Group and affiliated 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 affiliated 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, financial items, profit before taxes, non-current 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 leasing, interest separated from payments, warranty provisions, and unrealised gains or losses on derivatives. In segment reporting to management, finance leasing arrangements are treated as ordinary rental agreements, which deviate from the accounting principles of IFRS financial statements. Affiliated companies are combined in segment reporting in proportion to ownership share using the line-by-line method. In IFRS financial statements affiliated companies are combined by 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.

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, with the exception of loan-related exchange rate differences that are designated as hedges of a foreign net investment and the hedging relationship remains effective.

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

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 affiliated companies is recognised as a separate item under the translation difference of the Group's equity. When foreign subsidiaries or affiliated companies are sold, the translation difference is recognised as a part of the capital gain or loss on the income statement.

FINANCIAL ASSETS

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

AVAILABLE-FOR-SALE INVESTMENTS

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

LOANS AND OTHER RECEIVABLES

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

CASH FUNDS

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

FINANCIAL LIABILITIES

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

CAPITALISATION OF BORROWING COSTS

With effect from 1 January 2009, 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, inventories or an intangible asset.

Costs of borrowing for the purpose of acquiring an asset

When borrowings are made expressly for the purpose of financing an 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 Company's borrowings are always considered to be the primary form of financing regardless of the fact that the Company's 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 the 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. Capitalisation is suspended when effective production is halted. Capitalisation ceases when all activities necessary to make the asset ready for its intended use have been carried out.

DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

The Group applies hedge accounting for certain derivative instruments and foreign currency loans which are used to hedge net currency investments in foreign units and meet the conditions set for hedge accounting in the International Accounting Standards. When initiating hedge accounting the Group documents the relationship between the hedged asset and the hedging instrument as well as the aims of the Group's risk management and the hedge accounting strategy. At the commencement of hedging and at least in connection with the preparation of each set of annual financial statements, the Group documents and assesses the effectiveness of hedging relationships by examining the ability of the hedging instrument to nullify any changes in the fair value of the hedged asset. When forward foreign exchange contracts are used as hedging instruments, the change in fair value due to change in the spot rate of the forward contract is recognised directly in the translation difference in equity to the extent that the hedging relationship is effective. The ineffective part is recognised through profit or loss in financial income and expenses on the income statement for the accounting period. The cumulative change in fair value of a hedging instrument recognised in equity is written off the balance sheet through profit or loss in the accounting period during which the investment is partially or totally relinquished. Hedge accounting for forward foreign exchange contracts used to hedge net foreign investments was discontinued with regard to contracts denominated in Norwegian crowns on 12 October 2009, and with regard to contracts denominated in Latvian lats on 1 July 2009.

Certain currency and interest rate derivatives do not meet the criteria set for hedge accounting and they 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. In the case of these derivatives the currency and interest rate risk management principles approved by the Board of Directors are observed. The external derivatives used in hedge accounting are described in greater detail in the section dealing with the management of financial risks in the notes to the financial statements.

In 2009 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 fair value of interest rate swap agreements used as hedges is recognised directly in the revaluation reserve in equity to the extent that the hedging relationship is effective. The ineffective part of the change is recognised through profit or loss in financial expenses on the income statement. Changes in fair value accumulated in equity are recognised through profit or loss in interest expenses 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, the hedging relationship is terminated. In that case the recognised profit or loss on the derivative instrument remains in equity until such time as the anticipated transaction occurs and is recognised through profit or loss. If the anticipated transaction is no longer expected to take place, the profit or loss recognised in equity is immediately transferred to financial items on the income statement.

INCOME RECOGNITION PRINCIPLES

Recognition of income from the sale of manufactured goods

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

Recognition of income from construction projects

The financial statements for the accounting period are prepared in accordance with the percentage-of-completion method, whereby income from construction projects is recognised according to the degree of project completion. The degree of project completion is calculated as the ratio of actually incurred 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.

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

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

VALUATION AND DEPRECIATION OF NON-CURRENT ASSETS

Tangible assets

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

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

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

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

Normal maintenance and repair costs are expensed as incurred. Significant improvements or additional investments are capitalised and depreciated over the remaining useful economic lifetime of the asset to which they pertain, provided that it is likely that the Company will derive future economic benefit from the asset. Capital gains on the sale of 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 cost of acquisition.

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. The cost of acquiring an entity includes all the costs arising directly from its acquisition, e.g. the costs of legal and auditing services. Goodwill on consolidation of acquisitions made prior to 1 January 2004 is the carrying amount determined in accordance with earlier accounting standards, which is used as the I FRS deemed cost of acquisition. Goodwill is not amortised. Goodwill is regularly tested for impairment. The impairment tests are based on discounted cash flows of cash-generating units. Goodwill is recognised on the balance sheet at cost less impairment, which is expensed on the income statement.

Research and development expenditure

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

Other amortised costs

Amortised costs that do not relate to tangible assets and have economic effects lasting longer than one year are also classified as intangible assets. 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 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 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 are 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 net present value using discount rates that reflect the country's average capital costs before taxes. Market risk and liquidity premiums are taken into consideration when setting the discount rates. If it is not possible to calculate the recoverable cash flows for an individual asset, then the recoverable amount for the cash-generating unit to which the asset belongs is determined. An impairment loss is recognised on the income statement if the carrying amount exceeds the recoverable amount.

The carrying amount of an asset is adjusted on the basis of impairment tests made annually or at least when 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 impairments 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 business 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 circumstances have changed and the asset's recoverable amount has increased since the impairment loss was recognised. The biggest reversal allowed is such that the increased carrying amount due to reversal does not exceed what the depreciated historical cost would have been if the impairment had not been recognised.

Investment properties

The Group has no assets classified as investment property.

LEASING AGREEMENTS WHERE THE GROUP IS THE LESSEE

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

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

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

VALUATION OF INVENTORIES

Properties and apartments included in inventories are recognised on the balance sheet at cost or, if lower, net realisable value. The net realisable value is the estimated selling price that may be obtained in an active market in the normal course of business, less the costs of selling and the costs necessary to complete the product in question. Materials and supplies are valued according to the FIFO principle. The value of inventories includes the variable costs arising from their acquisition and production as well as the proportion of fixed and general costs of manufacture that is attributable to them in conditions of normal production. The costs of selling are not included in the valuation of inventories at cost. Neither are financing costs included in the valuation of inventories at cost, unless it is a question 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 uncertain 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.

CURRENT INVESTMENTS IN ESTABLISHED HOUSING COMPANIES

Expenditure tied up in the unsold part of own building developments is capitalised on the balance sheet in current assets and receivables. Amounts owing to the owners of buildings under construction are included in current liabilities.

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

EMPLOYEE BENEFITS

Pension provisions

The pension schemes of Group companies operating in different countries are generally defined contribution plans. Payments in respect of defined contribution plans are expensed on the income statement for the accounting period to which they apply. In the case of a defined benefit plan, a pension provision is made to the extent that the plan gives rise to a pension liability. If a defined benefit plan gives rise to a pension surplus, it is recognised in equity as an accrued receivable.

The pension costs of a defined benefit plan are measured using the Projected Unit Credit Method. The amount of pension liability is calculated by deducting the fair value of the assets belonging to the pension scheme on the balance sheet date from the present value of the future pension obligations on the balance sheet date. The pension provisions are expensed on the basis of actuarial calculations for the duration of employee service. The actuarial gains and losses arising from these pension provisions are recognised on the income statement over the expected average remaining working lives of the participating employees to the extent that they exceeds 10% of the defined benefit obligation or, if greater, 10% of 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 expenses of 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 statement.

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

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

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

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

INCOME TAXES

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

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

Confirmed tax-deductible losses are treated as a tax asset to the extent that it is likely that the Company will able to utilise them in the near future. Deferred tax is not recognised in respect of non-tax-deductible goodwill when it is probable that the temporary difference will not reverse in the foreseeable future. A deferred tax liability is recognised in respect of the undistributed profits of subsidiaries only if payment of the tax is expected to be realised in the foreseeable future.

DIVIDEND DISTRIBUTION

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

EARNINGS PER SHARE

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

TREASURY SHARES

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

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 assets and liabilities on the balance sheet date. 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 leasing agreements other leasing agreements. Estimates and forward-looking assumptions made on the accounting 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 tangible and intangible assets. The factors considered when estimating economic lifetimes include the purpose of a productive asset, the effects of wear, maintenance and repair stemming from use of the asset, the duration of the asset's technical usability, limitations or obligations arising from leasing or other agreements, and the magnitude of any residual value.

Leasing agreements where the Group is the lessee

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

Recognition of income from construction projects

When recognising income from long-term construction projects the Group observes the percentage-of-completion method, whereby income from such projects is recognised according to the degree of project completion. The degree of project completion is calculated as the ratio of actually incurred cost to estimated total costs. Actually incurred costs include only those costs that correspond to work already carried out. Management estimates 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 early values. If management is unable to make a reliable determination of the total income from a construction project, the income for the accounting period is recognised without any margin. In that case, income is recognised only to the extent that the corresponding amount of actually incurred expenses is considered recoverable. If management 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 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 development of inflation.

Impairment testing

The carrying amounts of assets are examined by means of impairment tests, which are performed at least once a year and whenever they may be deemed necessary. Good will 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 units. 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 are lower than their 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 assets items in between the annual rests. A more detailed description of the estimates and assumptions concerning goodwill impairment testing is given in the Notes to the Financial Statements.

Taxes

Most particularly, management has to use estimation in connection with the recognition principles for deferred tax assets. The reversal of a tax-deductible temporary difference reduces the taxable profit in future accounting periods. The most common tax-deductible temporary difference between accounting and taxation is a confirmed tax loss. Management has to 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 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 the came into effect in 2009

- IAS 1 (revised) Presentation of Financial Statements. The revision is aimed at improving users' ability to analyse and compare the information given in financial statements, for example, by showing changes in a company's equity resulting from transactions with owners separately from other changes in equity. Changes not connected with the owners will be presented in a comprehensive statement of income. The change affects only the presentation format of the financial statements.

- IFRS 8 Operating Segments. The standard requires that reportable segment information is based on internal segment reporting to management. Lemminkäinen adopted segment reporting in accordance with IFRS on 1 January 2009. Adoption of the standard does not affect the number or structure of the operating segments, but it changes the segment information. The standard does not affect geographical segment information.

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 leasing, interest separated from payments, warranty provisions, and unrealised gains or losses on derivatives. In segment reporting to management, finance leasing arrangements are treated as ordinary rental agreements, which deviate from the accounting principles of IFRS financial statements. Affiliated companies are combined in segment reporting in proportion to ownership share using the line-by-line method. In IFRS financial statements affiliated companies are combined by 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. Comparative information for segment reporting for the 2008 accounting period was published in a separate bulletin dated 5 May 2009.

- IAS 23 (revised) Borrowing costs. The revision requires borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised as part of the cost of that asset. The direct recognition of these costs as expenses is not permitted. From 1 January 2009 the Group began capitalising the costs of borrowing in qualifying projects and in percentage-of-completion projects. In accordance with the transitional rules, the comparative information has not been adjusted.

Reviews indicate that the interpretations and standards listed below will not have any essential bearing on Lemminkäinen's consolidated financial statements: IAS 32 (amendment), IFRS 2, IFRS 7 (amendment), IFRIC 11, IFRIC 13, IFRIC 14 and IFRIC 16.

Standards and interpretations coming into effect in 2010

The IASB has published the following standards and interpretations, which will come into effect in 2010 or thereafter. The Group has decided against their early adoption and will apply them in future accounting periods.

IFRIC 15, Agreements for the Construction of Real Estate. With effect from 1 January 2010, Lemminkäinen adopted IFRIC 15, Agreements for the Construction of Real Estate, which was endorsed by the EU Commission in July 2009. The interpretation provides guidance on when income arising from the construction of real estate is recognised on completion and when the percentage-of-completion method can be used as the income recognition principle. In Lemminkäinen Group the interpretation affects especially the recognition of income from for own building production, which from the beginning of 2010 changes from the percentage-of-completion method to recognition on completion. Comparative figures for the 2009 accounting period will be adjusted to conform to the new accounting principles and will be published before the release of the first interim financial review of 2010. Adoption of this interpretation reduces the shareholders' equity on the opening balance sheet dated 1 January 2010 by approx. EUR 5 million.

- 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. The EU endorsed the interpretation in March 2009 and it must be applied in accounting periods beginning on or after 29 March 2009.

- IFRS 3 (revised), Business Combinations. The revised standard still requires the use of the cost value method in the treatment of business combinations, but with certain significant changes. For example, all payments associated with the acquisition of companies are measured at the acquisition-date fair value and certain contingent considerations are measured at post-acquisition fair value through profit or loss. Goodwill can be recorded in the parent company's share of the net assets or it can be included in the goodwill allocated to the non-controlling interest. All transaction costs are expensed. The EU endorsed the standard in June 2009 and it must be applied in accounting periods beginning on or after 30 June 2009.

- IAS 27 (revised), Consolidated and Separate Financial Statements. According to the revised standard, the effects of all transactions with non-controlling interests must be recognised in equity if there is no change in control, and these transaction no longer give rise to goodwill or gains or losses. 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. The EU endorsed the standard in June 2009 and it must be applied in accounting periods beginning on or after 30 June 2009.

- IFRIC 16 Hedges of a Net Investment in a Foreign Subsidiary. The present IAS 39 standard contains only limited guidance on the application of hedge accounting to net investment in a foreign unit. This interpretation provides guidance on issues such as what kind of foreign exchange rate risk can hedge accounting be applied to, in which Group company the hedging instrument can be, and how foreign exchange rate gains or losses are recorded when the foreign net investment is relinquished. The EU endorsed the interpretation in June 2009, and it must be applied in accounting periods beginning on or after 30 June 2009. The standard will not have any significant effect on Lemminkäinen Group's financial statements.

- IFRS 2 (amendment) Share-based Payment - Group Cash-settled Share-based Payment Transactions. The amendment to the standard changes the scope of the standard's application as well as the definition of share-based payments. It also provides additional guidance on the treatment of share-based payments in the separate financial statements of Group companies. The amendment transfers the scope of application of IFRIC 8 IFRS 2 and the content of IFRIC 11 IFRS 2 Group and Treasury Share Transactions to the standard, as a consequence of which both interpretations are withdrawn. The amendment comes into effect in accounting periods beginning on or after 1 January 2010. The EU has not yet endorsed the amendment. The standard will not have any significant effect on Lemminkäinen Group's financial statements.

- IAS 39 (amendment) Financial Instruments: Recognition and Measurement - Eligible hedged items. The amendment clarifies accounting questions concerning matters such as partial hedging and the hedging of inflation risk. The EU endorsed the amendment on 15 September, and it must be applied in accounting periods beginning on or after 30 June 2009. The standard will not have any significant effect on Lemminkäinen Group's financial statements.

- IFRS 5 (amendment) Non-current Assets Held for Sale and Discontinued Operations. When a subsidiary is classified as being for sale, all of its assets and liabilities are treated in accordance with IFRS 5 as being available for sale, even if the parent company would retain a non-controlling interest in the subsidiary after its sale. The standard must be applied in accounting periods beginning on or after 1 July 2009. The standard will not have any significant effect on Lemminkäinen Group's financial statements.

- IFRIC 17 Distributions on Non-cash Assets to Owners. The interpretation requires non-cash dividends (or capital repayments) to be fair valued. Dividend payable is measured at fair value as a liability when its distribution is appropriately authorised and no longer at the discretion of the company. The difference between the carrying amount of the assets to be distributed and the fair value of the liability is recognised through profit or loss on the dividend payment date. The EU endorsed the interpretation on 26

November 2009, and it must be applied in accounting periods beginning on or after 31 October 2009. The standard will not have any significant effect on Lemminkäinen Group's financial statements.

– IFRIC 18 Transfers of Assets from Customers. The interpretation clarifies the asset recognition requirements in circumstances where the company receives from a customer an item of property that is to be used to deliver a product or service for the customer. According to the interpretation, the item of property must be recognised on the balance sheet if the Company exercises control over it. The corresponding liability is recognised as income in accordance with the delivery of the product or service. The EU endorsed the interpretation on 27 November 2009, and it must be applied in accounting periods beginning on or after 31 October 2009. The standard will not have any significant effect on Lemminkäinen Group's financial statements.

– IFRS 5 (amendment) Non-current Assets Held for Sale and Discontinued Operations. When a subsidiary is classified as being for sale, all of its assets and liabilities are treated in accordance with IFRS 5 as being available for sale, even if the parent company would retain a non-controlling interest in the subsidiary after its sale. The EU endorsed the amendment in January 2009. It must be applied in accounting periods beginning on or after 1 July 2009. The standard will not have any significant effect on Lemminkäinen Group's financial statements.

– IFRS 2 (amendment) Share-based Payments. The contribution of a business on the formation of a joint venture and common control transactions do not fall within the scope of IFRS 2. The amendment came into effect on 1 July 2009, but the EU has not yet endorsed it.

– IFRS 5 (amendment) Non-current Assets Held for Sale and Discontinued Operations. With regard to non-current assets held for sale, disposal groups and discontinued operation, only the information required in the IFRS 5 standard is reported (effective 1 January 2010). The EU has not yet endorsed the changes.

– IFRS 8 (amendment) Operating Segments. The assets and liabilities of a segment are reported only if they are included in figures used by the Company's chief operative decision-maker. The amendment comes into effect on 1 January 2010, but the EU has not yet endorsed it.

– IAS 1 (amendment) Presentation of Financial Statements. Current/non-current classification of convertible instruments. The terms of a liability that could at the option of the counterparty result in its settlement by the issue of equity instruments do not affect its classification as a current or non-current item. The amendment comes into effect on 1 January 2010, but the EU has not yet endorsed it.

– IAS 7 (amendment) Cash Flow Statements. Only an expenditure that results in a recognised asset on the balance sheet can be classified as a cash flow from investing activity. The amendment comes into effect on 1 January 2010, but the EU has not yet endorsed it.

– IAS 17 (amendment) Leasing Agreements. Separate guidance with regard to the leasing of land has been withdrawn. In future the standard's general lease classification guidance will apply to the leasing of land. The amendment comes into effect on 1 January 2010, but the EU has not yet endorsed it.

– IAS 18 (amendment) Revenues. An example has been added to the non-mandatory guidance in the Appendix, which sets out features that indicate whether an entity is acting as a principal or agent. An agent can only recognise commission revenue. The amendment came into effect immediately upon its publication in 2009, but the EU has not yet endorsed it.

– IAS 36 (amendment) Impairment of Assets. The largest unit to which goodwill can be allocated is the operating segment level defined in IFRS 8 before the aggregation permitted in that standard. The amendment comes into effect on 1 January 2010, but the EU has not yet endorsed it.

– IAS 38 (amendment) Intangible Assets. If an intangible asset acquired in a business combination cannot be separated from some other intangible asset, this kind of intangible asset group can be recognised on the balance sheet as a single item provided that their useful economic lifetimes are similar. The amendment came into effect on 1 July 2009, but the EU has not yet endorsed it.

– IAS 39 (amendment) Financial Instruments: Recognition and Measurement. A loan prepayment option is considered to be closely related to the host contract if the exercise price reimburses the lender for an amount up to the approximate present value of the lost interest for the remaining term of the host contract. The amendment comes into effect on 1 January 2010, but the EU has not yet endorsed it.

– IAS 39 (amendment) Financial Instruments: Recognition and Measurement. Scope exemption for business combination contracts. Contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date are excluded from the scope of the standard only when they are future contracts and not, for example, options.

– IAS 39 (amendment) Financial Instruments: Recognition and Measurement. Cash flow hedge accounting – timing of reclassification from equity to profit and loss. Gains or losses on the hedging instrument should be reclassified from equity to profit or loss during the period that the hedged forecast cash flows affect profit or loss. The amendment comes into effect on 1 January 2010, but the EU has not yet endorsed it.

– IFRIC 9 (amendment) Reassessment of embedded derivatives. The interpretation does not apply to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture. The amendment comes into effect on 1 January 2010, but the EU has not yet endorsed it.

- IFRIC 16 (amendment) Hedges of a net investment in a foreign unit. Removal of the restriction on the entity that can hold hedging instruments. Any company in the Group can hold a hedging instrument related to a net investment. The amendment came into effect on 1 July 2009, but the EU has not yet endorsed it.

The effects of new IFRS interpretations in the future

- IAS 24 (revised) Related Party Disclosures. The purpose of the revision is to clarify and simplify the definition of a related party. The revision will also relax the disclosure requirements for certain state-controlled entities. The revised standard will come into effect in accounting periods beginning on or after 1 January 2011. The EU has not yet endorsed the revised standard.

- IAS 32 (amendment) 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, as they are at present. The amendment will come into effect in accounting periods beginning on or after 1 February 2011. The EU has not yet endorsed the amendment.

- IFRIC 14 and IAS 19 (amendment). The amendment to the interpretation applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment will come into effect in accounting periods beginning on or after 1 January 2011. The EU has not yet endorsed the amendment to the interpretation.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. The interpretation applies to the conversion of financial liabilities into equity instruments, generally in connection with the repayment of debt. The difference between the carrying amount of the financial liability extinguished and the fair value of the equity instrument is recognised through profit or loss. The interpretation will come into effect in accounting periods beginning on or after 1 July 2010. The EU has not yet endorsed the interpretation.

- IFRS 9 Financial Instruments, Phase 1. IAS 39 Financial Instruments, Recognition and Measurement will be phased out completely and replace by the IFRS 9 standard. The first published phase of the new standard will deal with the classification and measurement of financial assets. In the new standard, financial assets which are debt instruments will be measured after initial recognition at either amortised cost or fair value, depending on the entity's business model for financial asset management and the contract-based cash flows of the financial assets. All equity investment will be measured after initial recognition at fair value. The already published phase will come into effect on 1 January 2013 at the latest. The EU has not yet endorsed the standard.

1 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 (Tekmanni 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 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

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, financial items, profit before taxes, non-current 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 leasing, interest separated from finance leasing payments, warranty provisions, and unrealised gains or losses on derivatives. In segment reporting to management, finance leasing arrangements are treated as ordinary rental agreements, which deviate from the accounting principles of IFRS financial statements. Affiliated companies are combined in segment reporting in proportion to ownership share using the line-by-line method. In IFRS financial statements affiliated companies are combined by 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.

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

EUR 1,000	Building Construction	Infrastructure Construction	Technical Building Services	Building Products	Other operations	Eliminations	Segments total	Reconciling items	Group total, IFRS
1.1. - 31.12.2009									
Net sales	867,661	789,550	233,805	132,651	10,341	-52,500	1,981,508	-17,066	1,964,442
Depreciation	2,552	31,523	773	2,448	818		38,114	-3,856	34,258
Operating profit	36,575	25,885	12,226	6,521	-61,662		19,545	3,778	23,323
Financial income and expenses	-11,925	-9,904	587	-672	-9,305		-31,219	-2,132	-33,351
Result before taxes	24,650	15,981	12,813	5,849	-70,967		-11,674	1,646	-10,028

The reconciling items for net sales comprise EUR -18.0 million from the equity share treatment of affiliated companies 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 leasing, EUR -0.2 million from the equity share treatment of affiliated companies and EUR -0.7 million in other closing entries.

The reconciling items for financial items are EUR -1.7 million in finance leasing interest, as well as exchange rate differences, interest timing differences, and unrealised gains and losses on derivatives.

EUR 1,000	Building Construc-tion	Infrastruc-ture Con-struction	Technical Building Services	Building Products	Other operations	Elimina-tions	Segments total	Reconciling items	Group total, IFRS
1.1. - 31.12.2008									
Net sales	1,207,480	920,322	269,899	155,965	13,464	-65,670	2,501,460	-19,702	2,481,758
Depreciation	2,900	30,733	814	2,561	869		37,877	-2,986	34,891
Operating profit	69,661	26,229	16,337	10,460	-3,318		119,369	3,792	123,161
Financial incomes and expenses	-12,979	-9 417	2,169	-519	-7,012		-27,758	-4,371	-32,129
Result before taxes	56,682	16,812	18,506	9,941	-10,330		91,611	-580	91,031

The reconciling items for net sales comprise EUR -17.5 million from the equity share treatment of affiliated companies and other operating income recognised as net sales in segment reporting.

The reconciling items for operating profit comprise EUR 1.1 million in personnel expenses, EUR 0.8 million in gains from the sale of derivatives, EUR 3.3 million from the IFRS treatment of finance leasing, EUR -0.2 million from the equity share treatment of affiliated companies and EUR -1.2 million in other closing entries.

The reconciling items for financial items are finance leasing interest of EUR -1.5 million as well as exchange rate differences, interest timing differences, and unrealised gains and losses on derivatives.

EUR 1,000	31.12.2009	31.12.2008
Assets by operating segment		
Building Construction	**338,515**	467,454
Infrastructure Construction	**263,061**	294,513
Technical Building Services	**30,495**	32,979
Building Products	**46,082**	46,275
Other operations	**43,570**	41,019
Segments, total	**721,723**	882,240
Assets not allocated to segments and group eliminations, total	**311,985**	531,106
Group total, IFRS	**1,033,708**	1,413,346

2 INFORMATION BY MARKET AREA

Geographical segments

EUR 1,000	Finland	Other Nordic countries	Eastern Europe and the Baltic states	Western Europe	Others	Total
1.1. - 31.12.2009						
Net sales	**1,437,390**	**327,411**	**163,317**	**239**	**36,084**	**1,964,442**
Assets	**756,298**	**142,746**	**103,199**	**1,341**	**30,124**	**1,033,708**
Investments	**25,917**	**11,275**	**4,285**			**41,477**
1.1. - 31.12.2008						
Net sales	1,805,095	323,767	270,650	5,676	76,571	2,481,758
Assets	1,111,493	121,359	140,338	6,181	33,975	1,413,346
Investments	45,768	7,568	6,785		118	60,239

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

3 ACQUIRED AND DIVESTED BUSINESSES

Acquired businesses

The business operations of EH-Tekno Oy, a company specialised in urban environment construction, were acquired on 1.1.2009. The company's business is metal and steel construction works as well as the design, construction and contracting of sports and outdoor areas.

On 1.9.2009 full ownership of Lødingen Stenindustri AS was acquired. The company's business is stone quarrying and crushing.

On 16.10.2009 full ownership of OÜ Magistraal was acquired. The company's business is asphalt production, road construction, repair and maintenance, and road markings.

On 1.3.2008 construction business operations were acquired from Kokkolan NSA-Rakennus Oy.

On 5.6.2008 full ownership of Tolarock Oy was acquired. The company's business is rock engineering.

On 1.10.2008 full ownership of Paavon Betoni Oy was acquired. The company's business is the production of ready-mix concrete.

Aggregated information on these acquisitions is presented in following table.

EUR 1,000	Carrying amounts before consolidation 31.12.2009	Fair values recognised after consolidation 31.12.2009	Carrying amounts before consolidation 31.12.2008	Fair values recognised after consolidation 31.12.2008
Assets				
Tangible assets	1,367	2,739	1,175	2,323
Intangible assets			400	400
Inventories	531	531	1,296	1,596
Trade and other receivables	334	334	805	805
Cash and cash equivalents	272	272	1,153	1,153
Assets, total	2,504	3,876	4,829	6,277
Liabilities				
Deferred tax liabilities		384		376
Interest-bearing liabilities	479	479	647	647
Other liabilities	694	694	119	119
Liabilities, total	1,174	1,558	766	1,142
Net assets	1,330	2,318	4,064	5,135
Acquisition cost, total	3,191	3,191	6,000	6,000
Goodwill, total		873		866
Cash flow effect				
Transaction price paid in cash		3,191		4,030
Cash funds of acquired subsidiary		-272		-1,153
Cash flow effect		2,919		2,877

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

At the end of the accounting period the Group did not have any businesses classified as being held-for-sale under IFRS 5. There were no discontinued operations in the Group during the accounting period.

4 NOTES CONCERNING LONG-TERM PROJECTS

EUR 1,000	31.12.2009	31.12.2008
Recognition of project income by the percentage-of-completion method	**1,178,742**	1,627,183
Incurred costs and recognised net profits of work in progress (less booked losses)	**1,067,646**	1,253,920
Payments received in advance (for work not yet done)	**17,934**	11,649
Gross project-related receivables from clients	**35,034**	55,835
Gross project-related debts to clients	**49,065**	66,949
Inventories for own building developments	**32,112**	68,636
Investments in housing under construction	**10,508**	19,734
Amounts owing to owners of housing under construction	**-9,289**	-30,276
Net eliminations made in the Group companies	**8,289**	18,158
Value added tax booked on the basis of building developments for own use is deducted from net sales.		
Value added tax on building developments for own use in the accounting period	**24,594**	48,599

5 OTHER OPERATING INCOME

EUR 1,000	1.1. - 31.12.2009	1.1. - 31.12.2008
Capital gains on sale of tangible assets	**2,849**	3,541
Capital gains on sale of investments	**20**	1,076
Rental income	**721**	1,605
Net income from hedging purchases and sales	**664**	766
Others	**2,836**	5,415
	7,091	12,403

6 OTHER OPERATING EXPENSES

EUR 1,000	1.1. - 31.12.2009	1.1. - 31.12.2008
Capital losses on sale of tangible and intangible assets	**623**	213
Capital losses on sale of investments	**13**	395
Voluntary personnel-related expenses	**18,979**	29,101
Rental expenses	**30,605**	25,772
Infringement fine	**54,000**	
Others	**198,381**	234,496
	302,601	289,978

7 DEPRECIATION AND IMPAIRMENT

EUR 1,000	1.1. - 31.12.2009	1.1. - 31.12.2008
Depreciation of tangible assets		
Buildings and structures	**2,408**	2,479
Machinery and equipment	**18,884**	19,094
Leased assets	**9,943**	10,240
Other tangible assets	**2,231**	2,139
	33,466	33,952
Depreciation of intangible assets		
Software licences	**652**	777
Other intangible rights	**115**	122
Other intangible assets	**25**	40
	791	939
Depreciation, total	**34,258**	34,891

No impairment losses were recognised in the 2009 and 2008 accounting periods.

8 PERSONNEL AND EMPLOYEE BENEFIT EXPENSES

EUR 1,000	1.1. - 31.12.2009	1.1. - 31.12.2008
Personnel expenses		
Wages and salaries	**329,296**	358,052
Pension expenses	**51,524**	54,746
Other personnel-related expenses	**26,031**	35,691
	406,850	448,489
Management salaries and emoluments		
Salaries and fees paid to board members and the managing directors	**6,143**	6,223

Pension expenses are dealt with in greater detail in section 21 of the notes and related-party transactions in section 31.

	1.1. - 31.12.2009	1.1. - 31.12.2008
Average number of employees		
Salaried staff	**3,067**	3,286
Hourly paid workers	**5,559**	6,490
	8,626	9,776
Personnel by business segment		
Building Construction	**2,356**	3,159
Infrastructure Construction	**3,453**	3,658
Technical Building Services	**1,941**	2,013
Building Products	**762**	839
Parent Company	**114**	107
	8,626	9,776

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, and Executive Vice President, Corporate Business Development, as well as the heads of the business sectors.

9 AFFILIATES

EUR 1,000	1.1. - 31.12.2009	1.1. - 31.12.2008
Share of the results of affiliates		
Share of the profits of affiliates	**1,541**	1,246
Share of the losses of affiliates	**-42**	-2
	1,499	1,244

EUR 1,000	31.12.2009	31.12.2008
Shares in affliated undertakings		
Acquisition cost, 1.1.	**4,626**	4,742
Translation difference	**619**	-770
Increases	**1,399**	654
Decreases	**-100**	
Transfers between items	**-293**	
Acquisition cost, 31.12.	**6,251**	4,626

Most important affiliates:

EUR 1,000	Group's ownership, %	Assets	Liabilities	Net sales	Result for period
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**
2008					
Finavo Oy, Finland	47.5	1,002			
Scandinavian Cement Oy, Finland	33.3	300			
Genvej A/S, Denmark	50.0	503	72	153	-4
Martin Haraldstad AS, Norway	50.0	3,101	808	4,782	975
Nordasfalt AS, Norway	50.0	7,719	4,956	21,606	1,076
Ullensaker Asfalt ANS, Norway	50.0	2,322	277	8,531	360

10 FINANCIAL INCOME AND EXPENSES

EUR 1,000	1.1. - 31.12.2009	1.1. - 31.12.2008
Financial expenses		
Interest expenses	**28,171**	33,231
Losses on the change in fair value of derivatives	**5,090**	1,517
Foreign exchange rate losses	**16,149**	11,310
Other financial expenses	**4,686**	4,617
	54,095	50,675
Financial income		
Interest income	**3,950**	7,616
Gains on the change in fair value of derivatives	**70**	
Dividend income	**16**	2,616
Foreign exchange rate gains	**16,618**	8,109
Other financial income	**90**	205
	20,744	18,545
Financial expenses, net	**33,351**	32,130
Net financial expenses, % of net sales	**1.70**	1.29
Net interest expenses, % of net sales	**1.23**	1.03

EUR 1,000	1.1. - 31.12.2009	1.1. - 31.12.2008
Exchange rate differences on sales	**-122**	2,447
Exchange rate differences on purchases	**991**	-3,201
Exchange rate gains and losses are included in items above operating profit	**870**	-754
Exchange rate differences on financial items	**470**	-3,201
	1,339	-3,956

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 and 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 1,000	Interest income	Interest expenses	Exchange gains and losses	Dividend income	Other financial expenses and income	Exchange gains and losses on the fair value of derivatives
1.1. - 31.12.2008						
Financial assets/liabilities recognised at fair value			4,378			2,888
Loans and other receivables	7,616		-3,693		161	
Available-for-sale financial assets				2,616	3	
Financial liabilities recognised at amortised cost		-33,231	-3,886		-597	

In 2009 there were no projects eligible for the capitalisation of borrowing costs.

11 TAXES

Income taxes

EUR 1,000	1.1. - 31.12.2009	1.1. - 31.12.2008
Income taxes on normal business operations	-19,116	-23,964
Income taxes in respect of previous years	-231	-256
Deferred taxes	5,683	-3,330
	-13,664	-27,549
Domestic and foreign income taxes		
Finland	-8,259	-19,390
Other countries	-5,405	-8,160
	-13,664	-27,549
Reconciliation of taxes on the income statement and taxes calculated at the Finnish tax rate		
Result before taxes	-10,028	91,031
Taxes calculated on the above at the Finnish tax rate	2,607	-23,668
Differing tax rates of foreign subsidiaries	-460	106
Tax-exempt income	455	1,835
Non-deductible expenses	-17,032	-5,417
Use of unrecognised earlier tax losses	1,292	141
Loss-making results for the accounting period	-209	-325
Effect of change in the corporate tax rate	-143	
Other items	59	33
Taxes for the previous accounting period	-231	-256
Taxes on the income statement, total	-13,664	-27,549

Deferred taxes

EUR 1,000	31.12.2009	31.12.2008
Deferred tax assets		
Internal margin on fixed assets	1,260	1,796
Finance leasing	329	740
Landscaping provision	326	141
Confirmed losses	5,815	1,729
Personnel-related obligations	193	488
Recognition of long-term projects		142
Fair valuation	1,159	557
Other temporary differences	3,768	1,644
	12,850	7,237
Deferred tax liabilities		
Accumulated depreciation differences	9,061	7,011
Revaluations	823	843
Recognition of income from long-term projects	7,317	6,940
Fair valuation	1,141	1,776
Other temporary differences	634	2,123
	18,975	18,693
Deferred tax liabilities	6,126	11,456

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
2009			
Hedging of net investments	-368		-368
Cash flow hedges	-324	84	-240
2008			
Hedging of net investments	1,604		1,604
Cash flow hedges	-2,624	682	-1,942

12 DIVIDENDS PAID AND PROPOSED

	1.1. - 31.12.2009	1.1. - 31.12.2008
Dividend paid during the accounting period		
Per share for the previous year, EUR	0.90	1.80
In total for the previous year, EUR 1,000	15,319	30,638
Proposed for approval by the AGM		
Per share for the accounting period, EUR	0.00	0.90
In total for the accounting period, EUR 1,000	0	15,319

13 TANGIBLE ASSETS

EUR 1,000	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost, 1.1.2009	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 period		-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

EUR 1,000	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost, 1.1.2008	13,519	51,826	311,720	28,784	5,699	411,548
Translation difference	-181	-577	-4,910	-533	-353	-6,554
Increases	108	1,452	43,974	1,698	9,388	56,621
Increases from acquired businesses		75	2,248			2,323
Decreases	-518	-1,380	-13,127	-471	-3,344	-18,840
Transfers between items	246	1,068	2,851	1,581	-6,042	-296
Acquisition cost, 31.12.2008	13,174	52,464	342,757	31,059	5,349	444,802
Accumulated depreciation, 1.1.2008		-29,930	-191,037	-14,522		-235,488
Translation difference		175	2,632	317		3,124
Accumulated depreciation on increases			-177			-177
Accumulated depreciation on decreases		103	7,584	372		8,059
Transfers between items			1,058	-1,058		
Depreciation for period		-2,459	-28,834	-2,074		-33,366
Accumulated depreciation, 31.12.2008		-32,110	-208,775	-16,964		-257,849
Carrying amount, 31.12.2008	13,174	20,354	133,981	14,095	5,349	186,954
Carrying amount, 1.1.2008	13,519	21,896	120,683	14,262	5,699	176,060

The Group has no capitalised interest expenses.

Assets acquired under finance lease agreement are included in machinery and equipment as follows:

EUR 1,000	31.12.2009	31.12.2008
Acquisition cost, 1.1.	**116,935**	102,069
Translation difference	**1,506**	-1,610
Increases	**13,809**	19,487
Decreases	**-18,229**	-3,011
Acquisition cost, 31.12.	**114,022**	116,935
Accumulated depreciation, 31.12.	**-56,199**	-62,636
Carrying amount, 31.12.	**57,823**	54,299

14 INTANGIBLE ASSETS

EUR 1,000	Goodwill	Intangible rights	Other capitalised expenditure	Advance payments	Total
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 business combinations	**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**
Transfers between items					
Depreciation for period		**-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**

EUR 1,000	Goodwill	Intangible rights	Other capitalised expenditure	Advance payments	Total
Acquisition cost, 1.1.2008	75,093	6,561	2,097	308	84,060
Translation difference	-1,583	-4	-92	7	-1,673
Increases	930	121	92		1,143
Increases from acquired businesses	866	400			1,266
Decreases	-361	-243	-142		-746
Transfers between items		419	45	-167	296
Acquisition cost, 31.12.2008	74,945	7,253	1,999	147	84,345
Accumulated depreciation, 1.1.2008		-5,023	-1,311		-6,334
Translation difference		4	92		96
Accumulated depreciation on decreases		230	92		322
Depreciation for accounting period		-817	-122		-939
Accumulated depreciation, 31.12.2008		-5,606	-1,249		-6,855
Carrying amount, 31.12.2008	74,945	1,648	750	147	77,490
Carrying amount, 1.1.2008	75,093	1,539	786	308	77,725

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
31.12.2009						
Building Construction	**6,687**		**73**	**6,760**		**6,760**
Infrastructure Construction	**3,105**	**10,714**	**949**	**14,768**	**23,554**	**38,322**
Technical Building Services	**25,502**			**25,502**		**25,502**
Building Products	**7,680**			**7,680**		**7,680**
	42,974	**10,714**	**1,022**	**54,711**	**23,554**	**78,265**

EUR 1,000	Finland	Other Nordic countries	Eastern Europe and the Baltic states	Market areas, total	Common to segment [1]	Total
31.12.2008						
Building Construction	5,550		73	5,624		5,624
Infrastructure Construction	3,105	9,946	715	13,766	22,660	36,426
Technical Building Services	25,475			25,475		25,475
Building Products	7,421			7,421		7,421
	41,552	9,946	788	52,286	22,660	74,945

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 Infrastructure Construction'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 country-specifically.

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 2009 the risk-free interest rate was significantly lower than in the previous year, but because of the increased risk caused by the global financial crisis, debt interest rate margins are considerably higher.

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
2009				
Discount rate, % (before taxes)	**9.2**	**10.2**	**9.1**	**9.5**
Average growth rate of net sales, %	**-0.5**	**2.6**	**6.3**	**4.2**
Long-term average growth rate, %	**1.0**	**1.0**	**1.0**	**1.0**
2008 [2)]				
Discount rate, % (before taxes)	9.3	9.5	9.8	9.7
Average growth rate of net sales, %	-3.1	2.3	4.5	0.8
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 comparative figures for the previous year are calculated from the original Q3/2008 test results. The sector-specific figures are not directly comparable because cash-generating units carrying goodwill in the business sectors can increase or decrease in number, for example, as a result of acquisitions.

Goodwill impairment tests made during the third quarter of 2009 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's foreign paving operations and to the Technical Building Services business sector. The margins between the present value and carrying amount of the cash flows of paving operations and the units of the Technical Building Services business sector are very large, and not even major changes in the outlook would be enough to necessitate impairment charges. In the Building Construction business sector the margins of some units are fairly small. If necessary, additional tests will be carried out on these units 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 risk small even in economic downswings.

Figures describing the goodwill risk of units subject to impairment testing by business sector

EUR 1,000	Building Construction	Infrastructure Construction	Technical Building Services	Building Products
2009				
Goodwill allocated to the business sector, total	6,760	38,322	25,502	7,680
Ratio of present value to carrying amount [1]	1.76	2.61	6.18	2.55
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

EUR 1,000	Building Construction	Infrastructure Construction	Technical Building Services	Building Products
2008 [2]				
Goodwill allocated to the business sector, total	5,624	36,426	25,475	7,421
Ratio of present value to carrying amount [1]	2.81	3.40	9.05	2.56
Goodwill impairment if annual growth over the				
long term were 1 percentage point lower	0	0	0	0
long term were 2 percentage points lower	173	0	0	0
Goodwill impairment if the borrowing cost				
were 1 percentage point higher	0	0	0	0
were 2 percentage points higher	74	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 Q3/2008 test results. The goodwill of the business sectors is calculated according to the situation at the end of 2008.

15 FINANCIAL INSTRUMENTS BY CLASS

EUR 1,000	Balance sheet value	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	Fair value
31.12.2009						
Non-current financial assets						
Shares and holdings	6,582			6,582		
Other non-current receivables	7,481		7,481			7,481
Current financial assets						
Trade and other receivables	176,731		176,731			176,731
Derivative contracts	66	66				66
Cash and cash equivalents	74,400		74,400			74,400
Non-current financial liabilities						
Loans	290,749				290,749	289,401
Other non-current liabilities	2,390				2,390	2,390
Current financial liabilities						
Loans	108,397				108,397	108,397
Accounts payable	66,589				66,589	66,589
Derivative contracts [1]	2,188	2,188				2,188

[1] The figure does not include derivatives subject to hedge accounting (EUR 2.8 million).

EUR 1,000	Balance sheet value	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	Fair value
31.12.2008						
Non-current financial assets						
Shares and holdings	6,038			6,038		
Other non-current receivables	6,345		6,345			6,345
Current financial assets						
Trade and other receivables	250,346		250,346			250,346
Derivative contracts	6,832	6,832				6,832
Cash and cash equivalents	250,090		250,090			250,090
Non-current financial liabilities						
Loans	118,810				118,810	119,827
Other non-current liabilities	1,293				1,293	1,293
Current financial liabilities						
Loans	467,728				467,728	467,852
Accounts payable and other current liabilities	117,257				117,257	117,257
Derivative contracts [1]	2,091	2,091				2,091

[1] The figure does not include derivatives subject to hedge accounting (EUR 2.7 million).

Measurement of fair values

There were no listed shares on the balance sheets dated 31 December 2009 and 31 December 2008. The unlisted shares include housing company shares and other equity-based investments such as telephone shares. The unlisted shares have no active markets. As the fair value of unlisted shares could not be measured reliably, they are recognised at cost. As the investments may be divested in the future, they are classified as available-for-sale financial assets.

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 assumed to be close to their fair value.

Derivative receivables and liabilities are fair valued. The fair value of derivative contracts is the profit or loss resulting from contract closure based on the market price prevailing on the balance sheet date. The fair values of interest rate swap agreements are based on discounted cash flows, and the fair values of currency and interest rate options are based on generally accepted valuation models. The fair values of forward foreign exchange contracts are 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 interestrate 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 2009 was 3.35 per cent (4.65 per cent in 2008).

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	Level 1	Level 2	Level 3	Total
31.12.2009				
Financial assets recognised at fair value through profit or loss				
Assets				
Forward foreign exchange contracts		66		66
Liabilities				
Forward foreign exchange contracts		1,768		1,768
Interest rate swaps			3,236	3,236
of which subject to cash flow hedge accounting			2,815	2,815
		1,768	3,236	5,004
Net liabilities, total		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 1.1.2009	-425	-2,258
Gains and losses, total		
on the income statement	4	-233
on the statement of 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 -1.7 million 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 -3.2 million 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.

16 AVAILABLE-FOR-SALE INVESTMENTS

EUR 1,000	31.12.2009	31.12.2008
Balance sheet value, 1.1.	6,038	4,990
Increases	289	1,835
Decreases	-38	-784
Transfers between items	293	-3
Balance sheet value, 31.12.	6,582	6,038

There were no listed shares on the balance sheets dated 31 December 2009 and 31 December 2008. As the fair value of the Group's unlisted shares could not be measured reliably, they are recognised at cost less any impairment.

17 INVENTORIES

EUR 1,000	31.12.2009	31.12.2008
Materials and supplies	**37,589**	37,200
Building plots and real estate	**104,050**	106,659
Housing under construction	**13,990**	45,222
Commercial property under construction	**20,282**	7,929
Work in progress	**55,062**	75,210
Prepayments	**8,636**	1,146
Completed housing companies	**67,025**	86,556
Completed commercial property	**10,187**	3,254
Products/goods	**38,608**	35,057
	355,430	398,232

18 NON-CURRENT AND CURRENT RECEIVABLES

EUR 1,000	31.12.2009	31.12.2008
Non-current receivables		
Interest-bearing		
Loan receivables	**6,155**	4,788
Other receivables	**131**	131
	6,286	4,919
Non-interest-bearing		
Trade receivables	**195**	426
Other receivables	**1,000**	1,000
	1,195	1,426
Non-current trade and other receivables, total	**7,481**	6,345
Current receivables		
Interest-bearing		
Loan receivables	**1,047**	10,960
Non-interest-bearing		
Trade receivables	**175,791**	239,383
Project income receivables	**64,284**	123,331
Receivables from affiliates	**28**	2
Tax assets	**13,988**	18,425
Interest receivables	**332**	605
Personnel expenses	**3,723**	2,194
Capitalised financial expenses	**3,100**	
Other prepayments and accrued income	**17,502**	35,442
Fair value of derivatives	**66**	6,832
Receivables from real estate companies under construction	**9,747**	16,206
Other receivables	**15,530**	22,953
	304,091	465,373
Current trade and other receivables, total	**305,139**	476,333

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 3.3 million (EUR 0.6 million in year 2008) were recognised as credit losses during the accounting period.

19 CASH AND CASH EQUIVALENTS

EUR 1,000	31.12.2009	31.12.2008
Investments and deposits	**815**	82,278
Cash in hand at and banks	**73,585**	167,812
	74,400	250,090

In year 2008 investments mainly consist of short-term certificates of deposit issued by solvent partner banks.

20 NOTES CONCERNING SHAREHOLDERS' EQUITY

EUR 1,000	Number of shares (1,000)	Share capital	Share premium account	Total
1.1.2008	17,021	34,043	5,750	39,793
31.12.2008	17,021	34,043	5,750	39,793
31.12.2009	**17,021**	**34,043**	**5,750**	**39,793**

Share premiums are recognised in the share premium account.

Lemminkäinen Corporation has one share class. The number of shares in the Company is 17,021,250. All issued shares are fully paid up. The Company is not in possession of any treasury shares.

Authorisation for share/rights issue

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 to shares referred to in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act in one or several installments, either against payment or without payment. The number of shares to be issued, including the shares to be received based on special rights, shall not exceed 4,200,000 shares. The proposed maximum number corresponds to approximately 25 per cent of all the current shares of the Company. The Board of Directors may resolve to issue either new shares or treasury shares possibly held by the company.

Authorisation to buy back own shares from the market

The Extraordinary General Meeting of Lemminkäinen Corporation, held on 12 November 2009, decided to authorise the Board of Directors to resolve on the acquisition of own shares. In accordance with the authorisation, the Board of Directors may resolve to acquire a maximum of 1,700,000 own shares in one or several installments, using the unrestricted shareholders´ equity of the Company, subject to the provisions of the Finnish Companies Act on the maximum amount of own shares. The maximum number corresponds to approximately 10 per cent of all the current shares of the Company.

	Translation difference	Hedging reserve	Total
1.1.2008	59	211	270
Translation difference	-6,374		-6,374
Hedging of net investment in foreign subsidiary	1,604		1,604
Cash flow hedge		-1,942	-1,942
31.12.2008	-4,711	-1,730	-6,442
1.1.2009	**-4,711**	**-1,730**	**-6,441**
Translation difference	**3,341**		**3,341**
Hedging of net investment in foreign subsidiary	**-368**		**-368**
Cash flow hedge		**-240**	**-240**
31.12.2009	**-1,739**	**-1,970**	**-3,709**

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. A more detailed itemisation of the cash flow hedge is presented in section 15 of these Notes.

Changes in the effective part of derivatives falling within the scope of hedge accounting are recognised in the hedging reserve.

EUR 1,000	31.12.2009	31.12.2008
Retained earnings, 1.1.	**280,695**	255,449
Reversal of dividend liability		12
Dividends paid	**-15,319**	-30,638
Retained earnings, 31.12.	**265,375**	224,824
Result for the accounting period	**-26,087**	55,871
Shareholders' equity on the balance sheet, 31.12.	**239,288**	280,695
Share of appropriations in retained earnings	**-21,515**	-19,368
Distributable shareholders' equity 31.12	**217,773**	261,326

21 PENSION OBLIGATIONS

EUR 1,000	31.12.2009	31.12.2008
Pension liability on the balance sheet	**749**	192
The movement in the defined benefit obligation over the year		
Beginning of year	**12,419**	11,255
Exchange differences	**1,520**	-1,667
Current service cost	**1,675**	740
Costs based on retroactive service		1,052
Interest cost	**978**	486
Actuarial losses and gains	**-1,921**	673
Gains/losses from curtailments of benefit arrangement	**1,637**	
Benefits paid	**-365**	-119
End of year	**15,941**	12,419
The movement in the fair value of plan assets of the year		
Beginning of year	**10,164**	9,911
Exchange differences	**1,097**	-1,334
Expected return on plan assets	**657**	462
Actuarial losses and gains	**-143**	-1,002
Employer contribution	**931**	2,247
Benefits paid	**-153**	-119
End of year	**12,553**	10,164
Present value of unfunded obligations		922
Present value of funded obligations	**15,941**	12,419
Fair value of funds	**-12,553**	-10,164
	3,388	3,176
Unrecognised actuarial gains and losses	**-2,526**	-3,238
Unrecognised costs of past service	**-658**	-780
Defined benefit pension plan obligation(+)/asset(-)	**205**	-843
Recognised expenses relating to defined benefit pension plans		
Pension costs based on service in the accounting period	**1,675**	472
Interest cost of obligation stemming from benefits	**701**	355
Expected yield on funds belonging to the plan	**-645**	-294
Actuarial gains and losses	**278**	-329
Costs based on past service		1,052
	2,009	1,254
Change in pension obligation on the balance sheet		
Obligation at start of period	**-843**	640
Translation differences	**33**	-142
Employer payments	**-995**	-2,594
Net items recorded on the income statement	**2,009**	1,254
Obligation(+)/asset(-) at end of period	**205**	-843
Pension plan obligations on the balance sheet	**749**	192
Pension plan assets on the balance sheet	**-545**	-1,034

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 per cent of the present value of the defined benefit obligation or, if greater, 10 per cent of the fair value of plan's assets.

Payments to be made to defined benefit pension plans in Lemminkäinen Group during 2010 are estimated at EUR 2.1 million.

	Finland 31.12.2009	Abroad 31.12.2009	Finland 31.12.2008	Abroad 31.12.2008
The most important actuarial assumptions				
Discount rate, %	**5.0**	**4.4**	5.0	4.3
Expected yield on funds, %	**6.5**	**5.6**	6.5	6.3
Future pay rise assumption, %	**3.0**	**4.0**	3.0	4.5
Future pension rise assumption, %	**2.1**	**1.3**	2.1	2.0
Inflation rate, %	**2.0**	**4.0**	2.0	2.5

22 PROVISIONS

EUR 1,000	Credit loss provisions	Warranty provisions	Landscaping provisions	Other provisions	Total 31.12.2009	Total 31.12.2008
Provisions, 1.1.	**89**	**7,104**	**846**	**1,234**	**9,273**	8,152
Translation differences		**1**	**28**	**-1**	**29**	-61
Increases in provisions	**24**	**1,419**	**36**	**1,740**	**3,219**	3,026
Expensed provisions	**-90**	**-1,319**	**-44**	**-791**	**-2,243**	-574
Reversals of unused provisions		**-73**		**-171**	**-244**	-1,271
Provisions 31.12.2009	**24**	**7,133**	**866**	**2,010**	**10,033**	
Provisions 31.12.2008	89	7,104	846	1,234		9,273

EUR 1,000	31.12.2009	31.12.2008
Provisions categorised as		
Long-term	**1,762**	2,181
Short-term	**8,271**	7,092
	10,033	9,273

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.

23 LOANS

EUR 1,000	Balance sheet values 31.12.2009	Fair values 31.12.2009	Balance sheet values 31.12.2008	Fair values 31.12.2008
Non-current				
Loans from credit institutions	176,334	176,334	74,320	74,140
Pension loans	70,400	69,609		
Finance leasing liabilities	43,422	43,422	43,366	43,366
Other non-current loans	594	589	1,124	1,029
	290,749	289,953	118,810	118,535
Current				
Amortisation of loans from credit institutions in the next year	20,073	20,073	24,472	24,596
Amortisation of pension loans in the next year	18,400	20,382		
Amortisation of finance leasing liabilities in the next year	13,703	13,703	13,717	13,717
Loans from financial institutions			258,000	258,000
Chequing account limits	9,266	9,266	14,061	14,061
Commercial papers	5,000	5,000	55,000	55,000
Debts to owners of housing under construction	41,873	41,873	100,066	100,066
Other current loans	82	82	2,411	2,411
	108,397	110,379	467,728	467,852

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 3.35 per cent (4.65 per cent in year 2008).

EUR 1,000	31.12.2009	31.12.2008
Maturities of non-current loans		
Due for repayment in 2010 (2009)	52,176	38,189
Due for repayment in 2011 (2010)	163,298	30,885
Due for repayment in 2012 (2011)	41,342	23,108
Due for repayment in 2013 (2012)	40,428	22,132
Due for repayment in 2014 (2013)	27,276	20,988
Due for repayment in 2015 (2014) and thereafter	18,406	21,698
	342,925	157,000

EUR 1,000	Non-current loans by currency 31.12.2009	Current loans by currency 31.12.2009	Non-current loans by currency 31.12.2008	Current loans by currency 31.12.2008
EUR	272,273	95,124	103,891	444,969
DKK	10,727	6,631	7,244	11,120
EEK	728	303	147	46
LTL	6	4,188	9	5,645
NOK	7,015	1,395	7,519	2,938
SEK		754		3,010
	290,749	108,397	118,810	467,728

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

EUR 1,000	Less than 1 year	1-5 years	Over 5 years	Total
31.12.2009				
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**
31.12.2008				
Loans, total	580,285	6,253		586,538
Effect of interest rate swap agreements	-62,866	45,691	17,174	
	517,419	51,945	17,174	586,538

	31.12.2009	31.12.2008
Weighted averages of effective interest rates on interest-bearing debt, %		
Loans from credit institutions	**3.02**	4.49
Finance leasing debts	**3.75**	3.85
Other current loans	**1.44**	4.85

Finance leasing debts

EUR 1,000	31.12.2009	31.12.2008
Finance leasing debts and interest on them is due as follows		
In one year or earlier	**15,410**	15,830
Over one year, but less than five years	**33,748**	36,018
Over five years	**16,814**	12,534
	65,972	64,383
Present value of minimum leases		
In one year or earlier	**13,678**	13,800
Over one year, but less than five years	**29,999**	31,526
Over five years	**15,771**	11,795
	59,449	57,120
Accumulated future financial expenses from finance leasing debts	**6,523**	7,262
Finance leasing debts		
Non-current finance leasing debts	**43,422**	43,366
Current finance leasing debts	**13,703**	13,717
	57,125	57,083

24 ACCOUNTS PAYABLE AND OTHER LIABILITIES

EUR 1,000	31.12.2009	31.12.2008
Non-current		
Other non-current liabilities	**2,390**	1,293
Accounts payable and other current liabilities		
Prepayments received	**77,451**	70,979
Debts to owners of housing under construction	**2,467**	39,126
Accounts payable to affiliates	**106**	450
Accounts payable to others	**66,589**	117,257
Project expenses	**26,253**	38,218
Income tax owed	**7,008**	7,370
VAT	**20,416**	27,425
Interest debts	**2,412**	3,660
Amortisations of personnel expenses	**69,713**	71,584
Other accrued liabilities and deferred income	**12,206**	26,568
Fair value of derivatives	**5,004**	4,793
Other current debts	**13,745**	48,130
	303,369	455,561

25 FINANCIAL RISK MANAGEMENT

Financial risks

Lemminkäinen Group is subject in its business operations to financial risks, which are mainly interest rate risk, exchange rate risk, funding and liquidity risk, and credit risk. The aim of financial risk management is to reduce uncertainty concerning the possible impacts that changes on the financial markets or in Group itself could have on the Group's income statement, cash flow and balance sheet. The management of Lemminkäinen Group's financial risks is based on principles approved by the Company's Board of Directors. In December 2009 the Board of Directors endorsed a new treasury policy for the Group. The new treasury policy, which will be reviewed and if necessary updated annually, defines the principles and segregation of responsibilities with regard to financial activities and the management of financial risk.

Execution of the treasury policy is the responsibility of the group treasury, which is responsible for the management of financial risks and acts as the centre for the Group's treasury activities. The Group's treasury policy defines the segregation of responsibility between the group treasury and the business units. The group companies are responsible for providing the group treasury with up-to-date and accurate information on treasury-related matters relating to their business operations. The group treasury acts as an internal bank and co-ordinates, directs and supports the group companies in treasury matters so that the Group's financial needs are met and its financial risks are controlled in an efficient manner.

Interest rate risk

The aim of interest rate risk management is to minimise changes affecting the value and results of the Group due to interest rate fluctuations. The group treasury manages and monitors the interest rate position. The Group's interest rate risk comprises loan and financial leasing agreements, interest-bearing financial receivables and interest rate derivatives. Interest rate changes affect income statement and balance sheet items through financial income and expenses.

The interest rate sensitivity of the Group's business is minimised by setting the Group's average period of interest rate fixation to the same as the interest rate sensitivity of its business. The interest rate sensitivity position of the Group's business is estimated to about 15 months. The treasury policy thus defines the Group's average period of interest rate fixation as 12-18 months. The Group aims to keep 40-65 per cent of its liabilities in individual currencies hedged. At the end of the year Lemminkäinen's average period of interest rate fixation was 18 months and the interest rate hedge ratio was 36 per cent.

The Group can take out both variable- and fixed-rate long-term loans. The ratio of fixed- to variable-rate loans can be changed for instance by means of interest rate derivatives. In 2009 the Group made use of interest rate caps, interest rate floors and interest rate swap agreements, and applied hedge accounting to two interest rate swap agreements.

Interest rate fluctuations in 2009 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 -306.5 million (EUR -572.2 million in 2008), variable-rate financial receivables totalling EUR 0.8 million (EUR 82.3 million in 2008) and interest rate derivatives totalling EUR -3.2 million (EUR -2.7 million in 2008)
- variable-rate financial instruments affect the income statement, with the exception of derivative contracts subject to hedge accounting and affecting equity
- all factors other than the change in interest rates remain constant

Sensitivity caused by the interest rate change

1 percentage point change in market rates

EUR 1,000	Income statement + 1%	Income statement -1 %	Equity + 1%	Equity -1 %
31.12.2009				
Variable-rate loans	3,065	-3,065		
Interest-bearing receivables	8	-8		
Interest rate derivatives	317	526	1,407	757
	3,390	-2,547	1,407	757

EUR 1,000	Income statement + 1%	Income statement -1 %	Equity + 1%	Equity -1 %
31.12.2008				
Variable-rate loans	-5,722	5,722		
Interest-bearing receivables	823	-823		
Interest rate derivatives	-240	-611	874	-2,269
	-5,140	4,289	874	-2,269

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. Lemminkäinen Group's reportable translation risk is caused by equity investments in and the retained earnings of foreign subsidiaries, the effects are recorded under translation differences in shareholders' equity. Lemminkäinen Group has foreign net investments in several currencies. In accordance with the treasury policy endorsed by the Board of Directors in December 2009, the Group protects itself from translation risks primarily by keeping equity investments in foreign companies at an appropriately low level, and thus not use financial instruments to hedge the translation risks. At the end of 2009 an LTL-denominated net investment was still hedged. In 2009 the Group applied hedge accounting to hedges of LVL- and NOK-denominated net investments.

Transaction risk consists of cash flows in foreign currencies from operational and financing 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, with the general rule that the monthly net positions forecasted for the 12 months following the review date is hedged. The group treasury is responsible for hedging significant risk positions as external transactions in accordance with the treasury policy. The key currencies in which the Group was exposed to transaction risk in 2009 were USD and RUB. In 2009 the Group did not apply hedge accounting to the transaction risk hedging.

Currency risk sensitivity

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

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

Sensitivity caused by a change in exchange rates

EUR 1,000	Income statement 31.12.2009	Equity 31.12.2009	Income statement 31.12.2008	Equity 31.12.2008
+/- 10 % change in the euro/dollar exchange rate	**+3,335 /-2,586**		-691 /+566	
+/- 10 % change in the euro/rouble exchange rate	**-3,964 /+345**		+4,428 /+2,577	
+/- 10 % change in the dollar/rouble exchange rate				

Liquidity risk

The Group seeks to optimise the use of liquid assets in funding the business operations and to minimise interest expenses and banking costs. The group treasury is responsible for managing the Group's overall liquidity, and for 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 is spread sufficiently evenly over coming years. The Group's liquidity management is based on monthly forecasts of funding requirements and daily cash flow forecasting. As an indirect consequence of the financial crisis, the maturity profile of the Group's debts at the end of 2009 was not in accordance with the set goals. The Group will strive to change the debt maturity profile during 2010.

In 2009 the financial crisis continued to have an effect on the availability of funding from financial markets, which also raised funding costs. During the year the Group re-arranged its short-term debt totalling EUR 270.0 million and negotiated a bank guarantee for a pension loan facility of EUR 115.0 million. These arrangements safeguard the Group's liquidity and give the Company more financial flexibility. The Group also aims to free up capital and thus reduce debts. The maturities and repayment periods of the loan and credit facitilities were one to five years on the accounting date. According to the treasury policy endorsed by the Board of Directors in December 2009, 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 to be incurred. The Group's total liquidity requirement consists of a liquidity requirement for day-to-day operations, a risk premium requirement and a 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, a committed credit limit and bank overdraft facilities. The total amount of the Group's commercial paper programme is EUR 300.0 million of which EUR 5.0 million was in use at 31 December 2009 (EUR 55.0 million in 2008). At that time the Group had an unused committed revolver credit facility of EUR 150.0 million as well as EUR 22.8 million undrawn portion of its TyEL pension premium loan facility of EUR 115.0 million.

The main principle is to use excess liquidity to amortise debt. The Group's excess liquidity is managed by means of internal deposits and cash pools. The amount of cash funds at 31 December 2009 was EUR 74.4 million (EUR 250.1 million in 2008).

Analysis of the maturities of financial liabilities

EUR 1,000	2010	2011	2012	2013	2014	2015-	Total
31.12.2009							
Loans							
Amortisations	95,246	153,859	34,226	33,705	23,048	1,938	342,021
Interest	8,880	2,552	1,702	1,033	397	302	14,866
Total	104,126	156,411	35,927	34,738	23,444	2,240	356,887
Leasing liabilities							
Amortisations	13,703	8,689	7,489	6,577	4,895	15,771	57,125
Interest	1,706	2,385	2,032	992	687	1,043	8,846
Total	15,410	11,075	9,521	7,569	5,582	16,814	65,972
Interest rate derivatives							
Cash flow subject to hedge accounting	1,733	1,321	904	481	83		4,521
Financial expenses	336	167					503
Forward foreign exchange contracts							
Payments	36,595						36,595
Income	-34,893						-34,893
Other non-current liabilities		1,721	220	229	220		2,390
Accounts payable	66,589						66,589

EUR 1,000	2009	2010	2011	2012	2013	2014-	Total
31.12.2008							
Loans							
Amortisations	454,011	20,455	14,896	15,321	14,906	9,866	529,455
Interest	10,886	2,936	2,148	1,503	857	380	18,711
Total	464,897	23,391	17,044	16,824	15,763	10,246	548,166
Leasing liabilities							
Amortisations	13,717	10,242	8,212	6,809	6,082	12,021	57,083
Interest	2,118	1,632	1,247	911	644	652	7,204
Total	15,835	11,874	9,459	7,720	6,726	12,673	64,287
Interest rate derivatives							
Financial expenses	761	834	593	352	188		2,727
Forward foreign exchange contracts							
Payments	76,701						76,701
Income	-81,844						-81,844
Other non-current liabilities		293		1,000			1,293
Accounts payable	117,257						117,257

Credit risk

Credit risks arise when a counterparty is unable to meet its obligations, causing the other party to suffer an economic loss. Lemminkäinen has defined a credit policy for customer receivables, which 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 improved.

The Group is exposed to credit risk through all of the Group's trade receivables and receivables associated with deposits and derivatives. The maximum amount of credit risk is the combined total of the balance sheet values of the above-mentioned items. The amounts and due dates of the Group's trade 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 has made the contract actively monitors the receivables situation. If the business units renegotiate the terms of receivables, it must be done 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 always been minimal in relation to the scale of the Group's operations. The main risks in this respect are associated with business in Russia. As a general rule, construction projects in Russia are only undertaken against receipt of advance payments. If a credit risk is accepted exceptionally, the amount permitted is always proportional to the expected margin on the project in question. Written-down financial assets represent credit losses. Receivables transferred for legally enforceable collection are recognised as credit losses.

The Group is exposed to counterparty risk when depositing its cash funds and using derivative instruments. The group treasury is responsible for the management of the Group's counterparty and credit risks related to cash, financial investments and financial transactions. Liquid assets are deposited 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 endorsed in December 2009 specifies the approved counterparties and their criteria. At the end of 2009 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
31.12.2009						
Non-current receivables						
Trade receivables	**145**				**50**	**195**
Loan receivables	**1,173**					**1,173**
Current receivables						
Trade receivables	**130,188**	**26,289**	**4,161**	**1,359**	**13,794**	**175,791**
Loan receivables	**940**					**940**
	132,445	**26,289**	**4,161**	**1,359**	**13,844**	**178,099**

EUR 1,000	Not due	Maturity 1-30 days	Maturity 31-60 days	Maturity 61-90 days	Maturity over 90 days	Total
31.12.2008						
Non-current receivables						
Trade receivables	426					426
Loan receivables	4,788					4,788
Current receivables						
Trade receivables	173,946	35,770	9,200	5,416	15,053	239,386
Loan receivables	10,322	638				10,960
	189,482	36,408	9,200	5,416	15,053	255,560

Product risk

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

Capital management

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

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

The amount of the Group's interest-bearing liabilities is affected by factors such as business expansion and investments in production equipment and buildings, land and acquisitions. 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 liquid funds. The amount of net debt can vary during the accounting period due primarily to seasonal variations in production and the purchase of land. The amount of interest-bearing net debt on 31 December 2009 was EUR 324.7 million (EUR 336.4 million in 2008).

The borrowing facility arrangements include two quarterly measured financial ratio covenants: the net debt to EBITDA ratio, and the Company's equity ratio. The net debt to EBITDA ratio was breached in September 2009 as a consequence of the infringement fine imposed on the Company by the SAC. The Company renegotiated the terms of its borrowing agreement in November 2009 so that the facilities are in accordance with the original maturity and on almost the original terms. According to the new terms, Lemminkäinen's net debt to EBITDA ratio shall be less than 3.5–4.5, depending on the quarter. The Company's equity ratio shall exceed 23 per cent until the second quarter of 2010, and thereafter it shall exceed 30 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 per cent is regarded as a good return. The return on investment in 2009 was 5.4 per cent (17.7 per cent in 2008). The return on investment includes the Group's shareholders' equity and interest-bearing liabilities averaged over the accounting period.

EUR 1,000	31.12.2009	31.12.2008
Interest-bearing liabilities	**399,146**	586,538
Cash and cash equivalents	**74,400**	250,090
Interest-bearing net debt	**324,745**	336,448
Equity attributable to the Company's shareholders	**275,372**	314,046
Equity, total	**299,045**	341,796
Equity ratio, %	**31.4**	26.2
Gearing, %	**108.6**	98.4
Return on investment, %	**5.4**	17.7

26 DERIVATIVES

EUR 1,000	Nominal value	Fair value positive	Fair value negative	Fair value net
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**

EUR 1,000	Nominal value	Fair value positive	Fair value negative	Fair value net
31.12.2008				
Forward foreign exchange agreements,	81,246	6,832	-1,688	5,143
of which equity subject to hedge accounting	20,779		-455	-455
Interest rate option, calls purchased	1,420			
Interest rate options, puts written	1,420		-27	-27
Interest rate swaps,	71,893		-2,690	-2,690
of which cash flow subject to hedge accounting	62,866		-2,258	-2,258
Commodity derivatives	1,112		-398	-398

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 so it is exposed to exchange rate risk with regard to equity. For this reason the Group has applied hedge accounting to forward foreign exchange contracts hedging net foreign investments with regard to the Norwegian crown (NOK) and the Latvian lat (LVL). Realised exchange rate differences are recognised through profit or loss against the translation difference arising from consolidation to the extent that the hedges have been effective. The interest factor of derivatives is recognised on the income statement in financial income and expenses. NOK-denominated hedge accounting was discontinued on 1 October 2009 and LVL-denominated hedge accounting on 1 July 2009. During the period the net amount recognised from derivatives in exchange rate differences for equity was EUR 0.4 million (EUR -1.6 million in 2008). The equity component is not recognised through profit or loss until the net investment made in the foreign unit is relinquished.

Not all derivative instruments are included in hedge accounting. Some forward foreign exchange contracts, currency options, some interest rate swaps, interest rate options and commodity derivatives are entered into in order to reduce business risks and to hedge balance sheet items denominated in foreign currencies.

Open forward foreign exchange contracts to which hedge accounting was not applied had a nominal value of EUR 36.6 million (EUR 60.5 million in 2008) and a net fair value was EUR -1.7 million (EUR 5.6 million in 2008). Because the part of open forward foreign exchange contracts caused by the exchange rate change is not subject to hedge accounting, fair value changes are not recognised in equity but through profit or loss and are reported on the income statement in financial items.

On 31 December 2009 the nominal value of interest rate swap agreements subject to hedge accounting was EUR 51.4 million (EUR 62.9 million in 2008) and the fair value was EUR -2.8 million (EUR -2.3 million in 2008). The nominal value of interest rate swap agreements to which hedge accounting was not applied was EUR 8.1 million (EUR 9.0 million in 2008) and the fair value was EUR -0.4 million (EUR -0.4 million in 2008). 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 2015, as scheduled in Note 25 herein.

27 ADJUSTMENTS TO CASH FLOWS FROM BUSINESS OPERATIONS

EUR 1,000	1.1. - 31.12.2009	1.1. - 31.12.2008
Depreciation	**34,258**	34,891
Change in obligatory provisions	**726**	1,177
Change in pension obligations	**1,014**	-306
Credit losses on trade receivables	**3,256**	644
Financial income and expenses recognised on an accruals basis	**33,351**	32,130
Gains/losses on asset valuations, recognised at fair value through profit or loss		48
Capital gains and losses on the sale of fixed assets as well as other non-payment income and expenses	**-1,852**	-3,815
Share of the results of affiliates	**-1,499**	-1,244
Translation differences	**-1,100**	-1,922
	68,152	61,604

28 OTHER RENTAL COMMITMENTS

EUR 1,000	31.12.2009	31.12.2008
Minimum leases of irrevocable rental agreements		
One year or less	**11,093**	9,907
Over one year, but less than five years	**24,913**	26,563
Over five years	**20,670**	18,939
	56,675	55,409
Other rental commitments include the following rental liabilities		
One year or less	**3,306**	2,795
Over one year, but less than five years	**4,909**	3,748
Over five years	**1**	
	8,216	6,543

Irrevocable rental commitments are mainly rental agreements concerning real estate and leased machines.

29 GUARANTEES AND CONTINGENT LIABILITIES

EUR 1,000	31.12.2009	31.12.2008
Liabilities as well as mortgages and bonds pledged as security for them		
Pension loans	**88,800**	
Loans from credit institutions	**189,500**	22,737
	278,300	22,737
Property mortgages	**80,000**	1,463
Business mortgages	**1,218,844**	34,565
	1,298,844	36,027
Other mortgages and securities for own commitments		
Property mortgages		69
Business mortgages	**2,460**	6,080
Bonds pledged as security	**578**	333
Deposits	**72**	169
	3,110	6,651
Mortgages and pledged securities, total		
Property mortgages	**80,000**	1,532
Business mortgages	**1,221,304**	40,645
Bonds pledged as security	**578**	333
Deposits	**72**	169
	1,301,954	42,678
Guarantees		
On behalf of affiliates		49,068
On behalf of others	**34,697**	19,878
	34,697	68,946
Investment purchase commitments	**11,076**	13,174

The EUR 49.1 million guarantee given on behalf of affiliates in 2008 relates to the loans of Finavo Oy's real estate companies. These loans were rearranged during the 2009 accounting period.

30 LITIGATION

On 29 September 2009 the Supreme Administrative Court (SAC) ordered a number of Finnish asphalt industry companies to pay an infringement fine of EUR 82.55 million, of which Lemminkäinen's share was EUR 68 million. The decision concluded the Finnish Competition Authority's claim made in 2004 for the imposition of a fine oncerning violations of the Act on Competition Restrictions on seven companies operating in the asphalt industry during the period 1994–2002. The Finnish Competition Authority initially sought that an aggregate competition infringement fine of EUR 97 million should be imposed on the asphalt companies and the Finnish Asphalt Association, of which Lemminkäinen was to pay EUR 68 million. The Market Court dismissed the Competition Authority's motion for the most part and in December 2007 ordered the asphalt companies to pay an infringement fine of EUR 19.4 million, of which Lemminkäinen was to pay EUR 14 million. The SAC approved the infringement fine proposed by the Finnish Competition Authority in its entirety.

The difference between the infringement fine of EUR 68 million ordered by the SAC and the infringement fine of EUR 14 million ordered by the Market Court, i.e. EUR 54 million, was expensed in the third quarter of 2009. The infringement fine of EUR 14 million ordered by the Market Court was expensed in the fourth quarter of 2007. To date, 21 municipalities and the Finnish Road Administration have brought actions for the recovery of damages from Lemminkäinen and other asphalt companies in the District Court of Helsinki. The claimants contend that restrictions of competition have caused them damages. The Finnish Road Administration has claimed, in connection with work carried out for the Finnish State, at most EUR 10.5 million from Lemminkäinen and at most EUR 5.6 million jointly and severally with other asphalt companies. The claims presented in the statements of claim differ from each other as regards their amounts and grounds. The claimants have reserved the right to alter, modify or extend their claims, but most of the claimants have not yet filed their finalised statements of claim with the District Court.

The decision rendered by the SAC as it stands does not mean that Lemminkäinen or the other asphalt industry companies actually caused the parties ordering asphalt works any damages. The SAC's decision does not concern the individual contracts that the claimants are citing in support of their claims. Neither does the decision concern the pricing of individual contracts.

Lemminkäinen will examine the claims for damages and consider each claim separately. The Company's initial position is that the claims are without foundation.

To the extent that the claimants eventually decide in their specified statements of claim to pursue their legal actions against Lemminkäinen, they will be considered separately before the District Court of Helsinki and heard in the order determined by the court.

No provision for future expense has been made in respect of the statements of claims submitted so far to the district court by the municipalities and the Finnish Road Administration. It is likely that district court proceedings will continue into 2011.

31 RELATED-PARTY TRANSACTIONS

Lemminkäinen Group's related parties include affiliates and senior management. Senior management comprises the Board of Directors and the President & CEO. Business with affiliates is conducted at market prices.

Business with related parties

EUR 1,000	1.1. - 31.12.2009	1.1. - 31.12.2008
Sales of goods and services		
To affiliates	**539**	22
Purchases of goods and services		
From affiliates	**6,378**	4,069

EUR 1,000	31.12.2009	31.12.2008
Balance of purchases/sales of goods and services		
Trade receivables		
From affiliates	**28**	2
Accounts payable		
To affiliates	**8**	9

The Group did not have any loan receivables from related parties on either 31 December 2009 or 31 December 2008. Related-party transactions with affiliates are asphalt contracts and mineral aggregate deliveries. A list of investments in subsidiaries and affiliates can be found in section 33 and additional information on affiliates in section 9.

Related-party salaries, fees and other short-term employee benefits

EUR 1,000	1.1. - 31.12.2009	1.1. - 31.12.2008
Board of Directors		
Berndt Brunow	127	102
Mikael Mäkinen	32	
Kristina Pentti-von Walzel	42	35
Heikki Räty	34	
Teppo Taberman	40	35
Heikki Pentti		40
Juhani Mäkinen	42	30
Sakari Tamminen	6	35
Executive Board and internal audit manager		
Timo Kohtamäki	428	
Juhani Sormaala		793
Other members of the Executive Board and the internal audit manager	1,701	
Related-party salaries, fees and other short-term employee benefits	2,452	1,071

The Executive Board of Lemminkäinen Group was formed on 1 January 2009.

The fees payable to the members of the parent company's Board of Directors are decided by the Annual General Meeting. In 2009 the members of the Board received a monthly fee of EUR 3,000 (EUR 3,000 in 2008) and the Chairman of the Board received EUR 10,000 (EUR 11,000 in 2008) as well as 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. Travelling expenses are reimbursed as billed.

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

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

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

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

32 EVENTS AFTER THE ACCOUNTING DATE

There were no events of any importance.

33 SHARES AND HOLDINGS

Company	Consolidated shareholding, %	Parent company shareholding, %	Parent company shareholding, shares	Parent company shareholding, value EUR 1,000	Shareholding of other group undertakings, value EUR 1,000
31.12.2009					
Group undertakings					
Elemento Oy, Savonlinna	100.0				9,359
Lembet Oy, Helsinki	100.0				5
Lemminkäinen Betonituote Oy, Helsinki	100.0	100.0	250	4,895	
Lemminkäinen Katto Oy, Helsinki	100.0	100.0	250	1,325	
UAB Lemminkainen Lietuva, Lithuania	99.6	99.6	3,737,272	3,498	
ZAO Lemruf, Russia	100.0				3
Omni-Sica Oy, Helsinki	100.0	100.0	50	9	
Oy Roofing Ab, Helsinki	100.0				16
Sica Oy, Helsinki	100.0	100.0	1,003	55,946	
Suonenjoen Betonituote Oy, Suonenjoki	100.0				758
Lemminkäinen Talo Oy, Helsinki	100.0	51.5	2,552	27,962	10,392
Oy Alfred A. Palmberg Ab, Helsinki	95.0				7,983
Byggnads Ab Forsström Rakennus Oy, Kokkola	83.3				3,802
OOO Sibus, Russia	100.0				
ICM International Construction Management, Hungary	100.0				684
Oy Konte Ab, Vaasa	100.0				3,146
Lemcon Co., Ltd, China	100.0				14
Lemcon Construction Private Limited, India	100.0				853
Lemcon HR Oy, Helsinki	100.0				142
OOO Lemcon Invest, Russia	100.0				2,284
Lemcon Oy, Helsinki	100.0				5
Lemcon Polska Sp.Z O.O, Poland	100.0				1,576
OOO Lemcon Rus, Russia	100.0				864
Lemcon RusInvest Oy, Helsinki	100.0				
Lemcon RusProject Oy, Helsinki	100.0				3
Lemcon Eesti As, Estonia	100.0				3
Lemminkäinen PPP Oy, Kuopio	100.0				3
ZAO Lemstroi, Russia	100.0				282
ZAO Lipsanen, Russia	89.9				14,629
Oka Oy, Kouvola	84.9				4,392
Palmberg-Rakennus Oy, Oulu	85.0				143
Palmberg TKU Oy, Turku	100.0				1,773
Palmberg-Urakoitsijat Oy, Hyvinkää	98.3				877
Rakennusliike A. Taskinen Oy, Kitee	95.0				3,186
Rakennusliike S. Horttanainen Oy, Porvoo	100.0				67
Rakennus-Otava Oy, Jyväskylä	95.0				1,112
Lemminkäinen Talo Oy Keski- ja Lounais-Suomi, Tampere	70.0				572
Rekab Entreprenad Ab, Sweden	80.0				243
Savocon Oy, Kuopio	100.0				2,228
StP-Rakennus Oy, Imatra	89.9				91
WPL-System Oy, Helsinki	100.0				4,633
Lemcon Development Oy, Helsinki	100.0	100.0	100	1,682	
Lemcon (Philippines) Inc, Philippines	71.0				222
Lemcon (Thailand) Ltd, Thailand	71.0				51
Lemcon Argentina S.R.L, Argentina	71.0				5
LEMCON Baumanagement GmbH, Germany	100.0				26
Lemcon Bauprojekt-Management GmbH, Austria	71.0				28
Lemcon Bulgaria EOOD, Bulgaria	71.0				3
Lemcon Canada Ltd, Canada	71.0				1
Lemcon Chile Ltda, Chile	71.0				16
Lemcon Colombia Ltda, Colombia	71.0				3
Lemcon do Brasil Ltda, Brazil	71.0				22
LEMCONECUADOR SA, Ecuador	71.0				1
Lemcon Építöipari Kft, Hungary	71.0				28

Company	Consolidated sharehol-ding, %	Parent company sharehol-ding, %	Parent company shareholding, shares	Parent company shareholding, value EUR 1,000	Shareholding of other group undertakings, value EUR 1,000
Lemcon Networks Oy, Helsinki	71.0				326
Lemcon Networks Holding Oy, Helsinki	84.5				632
Lemcon Network Services Ltd, United Kingdom	71.0				19
Lemcon Norge As, Norway	71.0				12
Lemcon Pte Ltd, Singapore	71.0				7
Lemcon Servicos de Planejamento de Engenharia Ltda, Brazil	71.0				20
Lemcon Ukraine, Ukraine	71.0				8
Lemcon USA Corporation, United States	71.0				1
Lemcon Venezuela C.A., Venezuela	71.0				8
UAB Lemcon Vilnius, Lithuania	100.0				
Pasila Telecom Oy, Helsinki	71.0				8
PT Lemcon Networks, Indonesia	71.0				75
Lemminkäinen Infra Oy, Helsinki	100.0	89.9	1,100	30,191	3,387
Fjellhamar Asfalt AS, Norway	100.0				6
Forssan Betoni Oy, Forssa	100.0				3,305
ICS "Lemminkainen Infra Oy" SRL, Moldova	100.0				
Oü Järva Paas, Estonia	85.0				3
UAB Kelio Linija, Lithuania	100.0				3
ZAO Lemminkäinen Dor Stroi, Russia	100.0				544
SIA Lemminkainen Latvija, Latvia	100.0				1,835
Lemminkäinen Norge AS, Norway	100.0				11,799
Lemminkäinen Sverige Ab, Sweden	100.0				12
LMK VEJ A/S, Denmark	100.0				18,972
Lohketööd Oy, Salo	85.0				3
Oü Lõhketööd, Estonia	85.0				1,192
Lødingen Stenindustri AS, Norway	100.0				1,434
OÜ Magistraal, Estonia	91.7				1,023
Moelv Grus AS, Norway	100.0				114
Lemminkäinen Eesti AS, Estonia	91.7				3,894
Tolarock Oy, Kajaani	100.0				3,048
Tekmanni Oy, Espoo	100.0	100.0	4,185	39,179	
Kajaanin LVI-Ykkönen Oy, Oulu	75.0				139
Oulun Kylmä-Ykkönen Oy, Oulu	75.0				27
Oulun LVI-Ykkönen Oy, Oulu	75.0				2,882
Oulun Saneeraus-Ykkönen Oy, Oulu	75.0				45
Sähköliike Tekno Oy, Kokkola	87.3				2,508
Tekmanni Pohjanmaa Oy, Seinäjoki	90.3				995
Tekmanni RusService Oy, Espoo	93.9				3
Tekmanni Service Oy, Espoo	93.9				500
Tekmanni Tampere Oy, Tampere	90.3				504
Tekmanni Uusimaa Oy, Hyvinkää	90.5				1,037
Tekmen SPB, Russia	84.5				192
Turun Rakennusputki Oy, Turku	90.3				1,130
				164,688	138,176
Affiliated undertakings					
Finavo Oy, Helsinki	47.5				476
Genvej A/S, Denmark	50.0				202
Martin Haraldstad AS, Norway	50.0				741
Nordasfalt AS, Norway	50.0				572
Ullensaker Asfalt ANS, Norway	50.0				542
					2,533
Other shares and holdings					
Property shares				793	2,586
Housing shares				372	907
Other shares and holdings				942	981
				2,108	4,474

Parent company income statement (FAS)

EUR 1,000	Note	1.1. - 31.12.2009	1.1. - 31.12.2008
NET SALES	1.1	**15,423**	7,999
Other operating income	1.2	**58**	1,990
Materials and services	1.3	**11**	35
Personnel expenses	1.4	**9,644**	8,011
Depreciation	1.5	**817**	865
Other operating expenses		**11,906**	8,978
OPERATING PROFIT/LOSS		**-6,898**	-7,899
Financial income and expenses	1.6	**46,207**	81,284
PROFIT BEFORE EXTRAORDINARY ITEMS		**39,309**	73,385
Extraordinary items	1.7	**-36,700**	15,000
RESULT BEFORE APPROPRIATIONS AND TAXES		**2,609**	88,385
Appropriations	1.8		-724
Direct taxes	1.9	**-121**	-425
RESULT FOR THE ACCOUNTING PERIOD		**2,488**	87,237

Parent company balance sheet (FAS)

EUR 1,000	Note	1.1. - 31.12.2009	1.1. - 31.12.2008
ASSETS			
NON-CURRENT ASSETS	2.1		
Intangible assets	2.1.1	**686**	799
Tangible assets	2.1.2	**13,349**	13,695
Holdings in group undertakings	2.1.3	**164,688**	164,725
Holdings in affiliated undertakings	2.1.3		293
Other investments	2.1.3	**2,108**	1,712
		180,830	181,224
CURRENT ASSETS	2.2		
Non-current receivables	2.2.1	**4,982**	4,779
Current receivables	2.2.2	**217,226**	213,332
Investments	2.2.3		81,000
Cash in hand and at banks		**12,186**	76,039
		234,395	375,149
		415,225	556,373
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	2.3		
Share capital		**34,043**	34,043
Share premium account		**5,675**	5,675
Retained earnings		**72,636**	718
Result for the accounting period		**2,488**	87,237
		114,841	127,673
LIABILITIES	2.4		
Deferred tax liability	2.4.1	**1,441**	1,441
Non-current liabilities	2.4.2	**230,420**	55,143
Current liabilities	2.4.3	**68,523**	372,117
		300,384	428,701
		415,225	556,373

Parent company cash flow statement (FAS)

EUR 1,000	1.1. - 31.12.2009	1.1. - 31.12.2008
Cash flow from business operations		
Result before extraordinary items	**39,309**	73,385
Extraordinary items	**-54,000**	
Adjustments		
Depreciation according to plan	**817**	865
Financial income and expenses	**-46,207**	-81,284
Other adjustments	**223**	-1,146
Cash flow before change in working capital	**-59,858**	-8,180
Change in working capital		
Increase(-)/decrease(+) in current interest-free business receivables	**174,958**	-1,178
Decrease in inventories		235
Increase in current interest-free liabilities	**201**	3
Cash flow from operations before financial items and taxes	**115,302**	-9,120
Interest and other financial expenses paid	**-23,628**	-21,001
Dividends received	**13,400**	87,104
Interest and other financial income received	**10,824**	17,853
Direct taxes paid	**-421**	-1,336
CASH FLOW FROM BUSINESS OPERATIONS	**115,477**	73,501
Cash flow from investments		
Investments in tangible and intangible assets	**-455**	-120
Proceeds from the sale of tangible and intangible assets	**139**	805
Investments in other assets	**-109**	
Proceeds from the sale of other investments		299
Purchases of subsidiary shares	**-14**	-5
Sales of subsidiary shares	**56**	
CASH FLOW FROM INVESTMENTS	**-383**	979
Cash flow from investments		
Increase in non-current receivables	**-204**	-1,039
Group contributions received	**15,000**	
Change in group receivables/liabilities	**-145,101**	-97,224
Drawings of short-term loans	**329,626**	1,670,390
Repayments of short-term loans	**-637,626**	-1,457,190
Drawings of long-term loans	**212,000**	
Repayments of long-term loans	**-18,323**	-12,710
Dividends paid	**-15,319**	-30,638
CASH FLOW FROM FINANCING	**-259,946**	71,589
INCREASE(+)/DECREASE(-) IN CASH FUNDS	**-144,852**	146,069
Cash funds at beginning of accounting period	**157,039**	11,022
Corporate restructuring		-52
CASH FUNDS AT END OF ACCOUNTING PERIOD	**12,186**	157,039

Accounting principles for the parent company´s financial statements 31.12.2009

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

Foreign currency items

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

Valuation and depreciation of fixed assets

Fixed assets on the balance sheet are valued at cost 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 5–10 years

Pension liability

Pension security for employees, inclusive of additional benefits, is covered by policies with a pension insurance company.

Research and development expenses

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

Direct taxes

Taxes calculated on the basis of the result for the accounting period, adjustments to the taxes of earlier accounting periods, and the change in deferred tax liability and asset are recorded as direct taxes on the income statement.

EUR 1,000	1.1. - 31.12.2009	1.1. - 31.12.2008
1 INCOME STATEMENT		
1.1 NET SALES BY MARKET-AREA		
Finland	15,390	7,794
Nordic countries	16	20
Eastern Europe	17	68
Asia and America		117
	15,423	7,999
1.2 OTHER OPERATING INCOME		
Profit on the sale of fixed assets	54	509
Others	4	1,481
	58	1,990
1.3 MATERIALS AND SERVICES		
Raw materials, consumables and goods		
Purchases during the accounting period	11	14
External services		21
	11	35
1.4 NOTES CONCERNING PERSONNEL, MANAGEMENT AND BOARD MEMBERS		
Personnel expenses		
Salaries, wages and emoluments	7,157	5,948
Pension expenses	2,251	1,638
Other personnel-related expenses	237	424
	9,644	8,011
Management salaries and emoluments		
Board Members and Managing Directors	739	1,054
Average number of employees		
Salaried staff	114	106
Hourly paid employees		1
	114	107

Pension commitments concerning Board Members and Managing Director

The retirement age of the Managing Director of Lemminkäinen Corporation is 60 years.

EUR 1,000	1.1. - 31.12.2009	1.1. - 31.12.2008
1.5 DEPRECIATION		
Intangible rights	218	245
Other capitalised expenditure	18	17
Buildings	405	436
Machinery and equipment	113	104
Other tangible assets	62	63
	817	865
1.6 FINANCIAL INCOME AND EXPENSES		
Dividend income		
From group undertakings	56,667	87,104
Other interest and financial income		
From group undertakings	8,733	12,599
From others	1,886	4,610
	10,619	17,209
Interest expenses and other financial expenses		
To group undertakings	-763	-4,313
To others	-20,316	-18,716
	-21,079	-23,029
Net financial income/expenses	46,207	81,284
Exchange rate differences (net) included in financial income/expenses	-1,123	1,477
1.7 EXTRAORDINARY ITEMS		
Extraordinary incomes, group contributions	17,300	15,000
Extraordinary incomes, infringement fine	-54,000	
	-36,700	15,000
1.8 APPROPRIATIONS		
Difference between depreciation according to plan and depreciation charged against taxation		-724
1.9 DIRECT TAXES		
Income taxes on normal business operations	-77	-378
Income taxes in respect of previous years	-44	-46
	-121	-425

EUR 1,000	31.12.2009	31.12.2008
2 BALANCE SHEET		
2.1 NON-CURRENT ASSETS		
2.1.1 Intangible assets		
Intangible rights	333	520
Other capitalised expenditure	159	132
Advance payments	193	147
	686	799
2.1.2 Tangible assets		
Land and waters	6,278	6,301
Buildings	6,091	6,496
Machinery and equipment	438	327
Other intangible assets	516	571
Advance payments and work in progress	26	
	13,349	13,695
2.1.3 Investments		
Holdings in group undertakings	164,688	164,725
Holdings in affiliated undertakings		293
Other shares and holdings	2,108	1,712
	166,796	166,730
2.1.1 Intangible assets		
Intangible rights		
Acquisition cost 1.1.	1,832	1,789
Increases	32	249
Decreases	-3	-206
Acquisition cost 31.12.	1,861	1,832
Accumulated depreciation 31.12.	-1,527	-1,313
Book value 31.12.	333	520
Other capitalised expenditure		
Acquisition cost 1.1.	214	306
Increases	45	
Decreases		-92
Acquisition cost 31.12.	259	214
Accumulated depreciation 31.12.	-100	-82
Book value 31.12.	159	132
Advance payments		
Acquisition cost 1.1.	147	308
Increases	46	7
Decreases		-167
Acquisition cost 31.12.	193	147

EUR 1,000	31.12.2009	31.12.2008
2.1.2 Tangible assets		
Land and waters		
Acquisition cost 1.1.	3,214	6,516
Decreases	-23	-3,302
Acquisition cost 31.12.	3,191	3,214
Revaluations	3,087	3,087
Book value 31.12.	6,278	6,301
Buildings		
Acquisition cost 1.1.	14,969	15,965
Increases		22
Decreases	-69	-1,017
Acquisition cost 31.12.	14,900	14,969
Accumulated depreciation 31.12.	-11,188	-10,851
Revaluations	2,378	2,378
Book value 31.12.	6,091	6,496
Machinery and equipment		
Acquisition cost 1.1.	1,456	84,589
Increases	299	6
Decreases	-296	-83,139
Acquisition cost 31.12.	1,458	1,456
Accumulated depreciation 31.12.	-1,020	-1,129
Book value 31.12.	438	327
Other tangible assets		
Acquisition cost 1.1.	1,351	18,143
Increases	7	
Decreases		-16,792
Acquisition cost 31.12.	1,359	1,351
Accumulated depreciation 31.12.	-843	-780
Book value 31.12.	516	571
Advance payments and construction in progress		
Acquisition cost 1.1.		951
Increases	26	
Decreases		-951
Acquisition cost 31.12.	26	
2.1.3 Investments		
Holdings in group undertakings		
Acquisition cost 1.1.	164,725	176,081
Increases	14	30,193
Decreases	-51	-41,549
Acquisition cost 31.12.	164,688	164,725
Holdings in affiliated undertakings		
Acquisition cost 1.1.	293	293
Decreases	-293	
Acquisition cost 31.12.		293

EUR 1,000	31.12.2009	31.12.2008
Other shares		
Acquisition cost 1.1.	1,635	1,719
Increases	396	4
Decreases		-87
Acquisition cost 31.12.	2,031	1,635
Revaluations	76	76
Book value 31.12.	2,108	1,712
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	122
Decreases		-46
Value 31.12.	76	76
2.2 CURRENT ASSETS		
2.2.1 Non-current receivables		
Loan receivables	4,982	4,779
2.2.2 Current receivables		
Amounts owed by parties outside the group		
Accounts receivable	27	125
Loan receivables		10
Other receivables	45	44
Prepayments and accrued income	3,455	618
	3,527	797
Amounts owed by group undertakings		
Accounts receivable	4,077	3,354
Other receivables	209,622	208,970
Prepayments and accrued income		211
	213,699	212,535
Current receivables, total	217,226	213,332
Items included in prepayments and accrued income		
Interest receivables	331	617
Taxes		1
Wage- and salary-related expenses	22	
Financial expenses	3,100	
Others	1	
	3,455	618

EUR 1,000	31.12.2009	31.12.2008
2.2.3 Investments		
Other securities		89,000
2.3 SHAREHOLDERS' EQUITY		
Share capital 1.1.	**34,043**	34,043
Share capital 31.12.	**34,043**	34,043
Share premium account 1.1.	**5,675**	5,675
Share premium account 31.12.	**5,675**	5,675
Retained earnings 1.1.	**87,955**	31,378
Distribution of dividend	**-15,319**	-30,626
Transfer from revaluation reserve		-34
Retained earnings 31.12.	**72,636**	718
Result for the accounting period	**2,488**	87,237
Shareholders' equity, total	**114,841**	127,673
Distributable funds 31.12.	**75,124**	87,955
2.4 LIABILITIES		
2.4.1 Deferred tax liability		
Revaluations	**1,441**	1,441
2.4.2 Non-current liabilities		
Loans from credit institutions	**160,020**	55,143
Pension loans	**70,400**	
	230,420	55,143
Liabilities due after five years or later		
Loans from credit institutions		5,751
2.4.3 Current liabilities		
Loans from credit institutions	**20,123**	70,123
Pension loans	**18,400**	
Accounts payable	**736**	461
Accounts payable to group undertakings	**111**	314
Other liabilities to group undertakings	**26,510**	37,856
Other liabilities	**186**	258,108
Accruals and deferred income	**2,457**	5,256
	68,523	372,117
Items included in accruals and deferred income		
Interests	**923**	3,211
Income tax	**77**	378
Wage- and salary-related expenses	**1,335**	1,667
Others	**121**	
	2,457	5,256

EUR 1,000	31.12.2009	31.12.2008
2.5 CONTINGENT LIABILITIES		
Liabilities as well as mortgages and bonds pledged as security for them		
Loans from financial institutions	175,143	2,523
Pension loans	88,800	
	263,943	2,523
Property mortgages	80,000	
Business mortgages	375,228	23,546
	455,228	23,546
Other mortgages and securities for own commitments		
Business mortgages		1,682
Mortgages for commitments of group undertakings		
Business mortgages		9,000
Pledges made on behalf of others		
Bonds pledged as security	90	90
Mortgages and securities, total		
Property mortgages	80,000	
Business mortgages	375,228	34,228
Bonds pledged as security	90	90
	455,318	34,318
Guarantees given		
On behalf of group undertakings	235,827	341,070
On behalf of others	13,147	9,161
	248,974	350,231
Leasing liabilities		
Payable next year	4,271	2,612
Payable in subsequent years	27,366	25,597
	31,638	28,209
Derivative contracts		
Forward foreign exchange contracts		
Nominal value	15,190	54,144
Current value	-295	-1,688
Interest rate options, calls purchased		
Nominal value		1,420
Current value		
Interest rate options, puts written		
Nominal value		1,420
Current value		-27
Interest rate swap contracts		
Nominal value	51,443	62,866
Current value	-2,815	-2,258

Economic trends and financial indicators (IFRS)

EUR mill.	2009	2008	2007	2006	2005
Net sales	**1,964.4**	2,481.8	2,174.1	1,795.9	1,601.7
Exports and operations abroad	**527.1**	676.7	581.6	530.3	499.6
% net sales	**26.8**	27.3	26.8	29.5	31.2
Operating profit	**23.3**	123.2	127.2	109.2	73.6
% net sales	**1.2**	5.0	5.8	6.1	4.6
Result before taxes	**-10.0**	91.0	111.2	94.2	65.9
% net sales	**-0.5**	3.7	5.1	5.2	4.1
Result for the accounting period [1]	**-26.1**	55.9	72.9	65.8	43.7
% net sales	**-1.3**	2.3	3.4	3.7	2.7
Non-current assets	**298.7**	288.7	272.1	255.9	245.9
Inventories	**355.4**	398.2	330.9	281.9	223.7
Financial assets	**379.5**	726.4	465.9	401.4	305.8
Shareholders' equity	**275.4**	314.0	295.5	248.0	200.9
Minority interests	**23.7**	27.8	23.7	19.7	14.6
Interest-bearing liabilities	**399.1**	586.5	357.0	343.6	264.0
Interest-free liabilities	**335.5**	485.0	392.8	327.8	295.9
Balance sheet total	**1,033.7**	1,413.3	1,069.0	939.2	775.4
Return on equity, %	**-7.4**	19.2	27.5	30.2	24.5
Return on investment, %	**5.4**	17.7	20.7	20.6	16.5
Equity ratio, %	**31.4**	26.2	32.7	31.2	31.0
Gearing, %	**108.6**	98.4	87.2	105.7	102.9
Interest-bearing net liabilities	**324.7**	336.4	278.5	283.0	221.6
Gross investments	**41.5**	60.2	61.4	48.7	37.4
% net sales	**2.1**	2.4	2.8	2.7	2.3
Order book 31.12.	**958.4**	1,064.5	1,414.1	1,326.7	1,011.3
Average number of employees	**8,626**	9,776	9,201	8,418	7,912

[1] Result attributable to the parent company's shareholders.

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, %

$$\frac{\text{Result for the accounting period}}{\text{Shareholders' equity, total (average)}} \times 100$$

EQUITY RATIO, %

$$\frac{\text{Shareholders' equity, total}}{\text{Balance sheet total – advances received}}$$

GEARING, %

$$\frac{\text{Interest-bearing liabilities – cash funds}}{\text{Shareholders' equity, total}} \times 100$$

INTEREST-BEARING NET DEBT

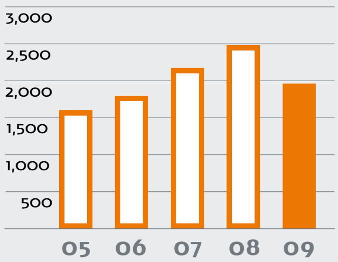
Interest-bearing liabilities – cash funds

EMPLOYEES

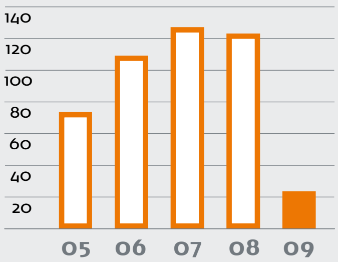
$$\frac{\text{Sum of monthly employee totals}}{\text{Number of months in the accounting period}}$$

Economic trends and financial indicators (IFRS)

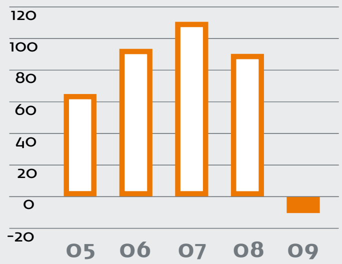
Net sales
EUR million



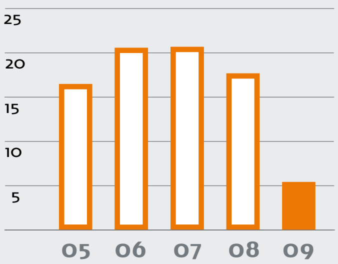
Operating profit
EUR million



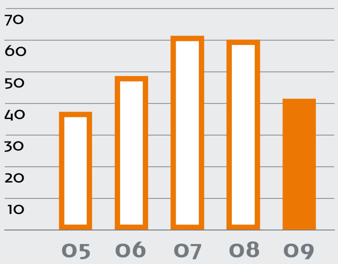
Profit before taxes
EUR million



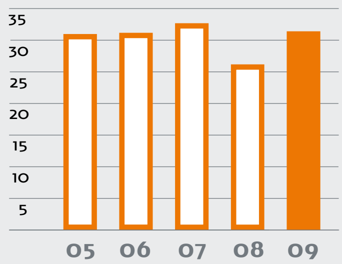
Return on investment
%



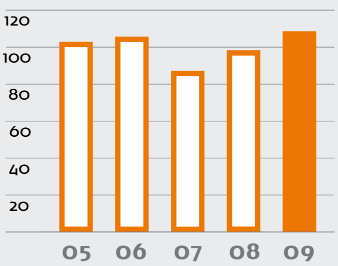
Gross investments
EUR million



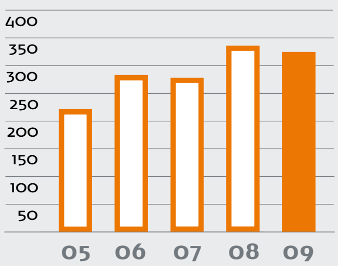
Equity ratio
%



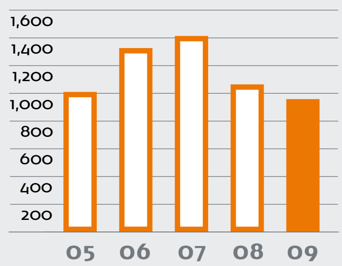
Gearing
%



Interest-bearing net liabilities
EUR million



Order book
EUR million



Share-related financial indicators (IFRS)

	2009	2008	2007	2006	2005
Earnings per share (EPS), EUR	**-1.53**	3.28	4.29	3.87	2.57
Equity per share, EUR	**16.18**	18.45	17.36	14.57	11.80
Dividend per share, EUR	**0.00**[1]	0.90	1.80	1.50	1.00
Dividend to earnings ratio, %	**0.0**	27.4	42.0	38.8	38.9
Effective dividend yield. %	**0.0**	6.9	5.7	4.2	3.3
Price/earnings ratio (P/E)	**-15.8**	4.0	7.4	9.3	11.9
Share price, EUR					
mean	**21.38**	27.40	44.88	34.00	21.74
lowest	**13.30**	12.53	31.03	28.38	15.75
highest	**30.30**	37.55	55.61	39.34	30.61
at end of accounting period	**24.20**	13.05	31.50	36.10	30.50
Market capitalisation, EUR mill.	**411.9**	222.1	536.2	614.5	519.1
Shares traded, 1,000	**1,918**	3,185	5,204	4,114	4,610
% of total	**11.3**	18.7	30.6	24.2	27.1
Issue-adjusted number of shares					
average for the period, 1,000	**17,021**	17,021	17,021	17,021	17,021
at end of period, 1,000	**17,021**	17,021	17,021	17,021	17,021

[1] Board of Directors' proposal to the AGM

Formulae for the financial indicators

EARNINGS PER SHARE

$$\frac{\text{Result for the accounting period – non-controlling interest}}{\text{Issue-adjusted number of shares at the end of the period}}$$

EQUITY PER SHARE

$$\frac{\text{Equity belonging to the shareholders of the parent company}}{\text{Issue-adjusted number of shares at the end of the period}}$$

DIVIDEND PER SHARE

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

DIVIDEND TO EARNINGS RATIO, %

$$\frac{\text{Dividend for the accounting period}}{\text{Result for the accounting period – non-controlling interest}} \times 100$$

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

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

MARKET CAPITALISATION

Number of shares x final share quotation

Board of Directors' proposal for the distribution of profits

The distributable shareholders' equity shown on the consolidated balance sheet as of 31 December 2009 amounts to EUR 217,772,976.72. The distributable shareholders' equity shown on the balance sheet of the parent company, Lemminkäinen Corporation, amounts to EUR 75,123,976.38 consisting of EUR 72,636,193.59 in retained earnings from previous years and EUR 2,487,782.79 in profit for the accounting period.

The Board of Directors of Lemminkäinen Corporation proposes to the Annual General Meeting that the Company would not pay any dividend for the accounting period ending 31 December 2009, in which case retained earnings would amount to EUR 75,123,976.38.

Helsinki, 12 February 2010

Berndt Brunow	Juhani Mäkinen	Mikael Mäkinen
Kristina Pentti-von Walzel	Heikki Räty	Teppo Taberman

Timo Kohtamäki
President & 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 on 31 December, 2009. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement 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 the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the report of the Board of Directors in accordance with 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 perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 have complied with the Limited Liability Companies Act.

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 of the financial statements and of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. 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.

The audit was performed in accordance with good auditing practice in Finland. 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 2010

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jan Holmberg
Authorised Public Accountant