

Annual Report 2003



**LEMMINKÄINEN**

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## Year 2003



*Building Helsinki. Cranes of Lemcon Ltd and Oy Alfred A. Palmberg Ab on new construction sites of the Local Government Pension Institution and the University of Helsinki's Faculty of Behavioural Science in the Kruununhaka district of the city.*

### Lemminkäinen's steady development continues

The net sales of the Lemminkäinen Group rose 8.2 % to EUR 1 359.0 million (1 255.8), of which operations abroad accounted for EUR 289.3 million (249.0) or 21 % (20). The Group's profit before taxes was EUR 41.8 million (48.5) and the operating profit was EUR 48.8 million (56.7). The order book grew by 4.4 % to EUR 593.0 million (567.9).

The Paving and Mineral Aggregates Division's result almost halved, whereas the operating result of the Palmberg Group, Lemminkäinen's building contractor in Finland, almost doubled. Lemminkäinen's other divisions and business units continued to develop steadily.

### Satisfactory outlook

The international economy continues to recover slowly. In Finland economic growth is expected to pick up in 2004. The development of the construction industry as a whole will be stable although there will be sectoral variations. Building construction will grow slowly with demand for housing and commercial buildings remaining brisk. On the other hand, industrial and office construction will still be minimal. The outlook for civil engineering and refurbishment contracting is good.

The market situation and good order book indicate that the Company's starting points for 2004 are satisfactory.

### Dividend

The Company's Board of Directors will propose to the Annual General Meeting that a dividend of EUR 1.50 (3.00) per share be paid for the 2003 accounting period.

Key figures		2003	2002	Change, %
Net sales	EUR mill.	1 359	1 256	8
Profit before taxes	EUR mill.	42	49	-14
Return on investment	%	13.3	17.1	
Equity ratio	%	34.0	44.9	
Earnings per share	EUR	1.30	1.73	-25
Dividend per share	EUR	1.50 <sup>1)</sup>	3.00	-50
Gross investments	EUR mill.	23	49	-53
Order book	EUR mill.	593	568	4
Average number of employees		7 167	6 773	6

1) Board of Directors' proposal to the AGM

# Lemminkäinen Group

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

The Group's main markets are in the Baltic Rim region. Lemminkäinen also operates in selected project export markets worldwide.

The Lemminkäinen Group's net sales in 2003 were EUR 1 359.0 million, of which exports and operations abroad accounted for 21 %. The average number of employees in the Group was 7 167. Lemminkäinen was founded in 1910 and its share has been listed on Helsinki Exchanges since 1989.

## Other larger group companies

Oka Oy, Kouvola  
Rakennustoimisto Palmberg Oy, Tampere  
Oy Konte Ab, Vaasa  
Lemminkäinen Norge AS, Fjellhamar, Norway  
Palmberg-Urakoitsijat Oy, Hyvinkää  
LMK VEJ A/S, Silkeborg, Denmark  
Palmberg TKU Oy, Turku  
Savocon Oy, Kuopio  
Palmberg-Rakennus Oy, Oulu  
AS Talter, Tallinn, Estonia  
Rekab Entreprenad Ab, Umeå, Sweden  
Kvalitetsasfalt i Mellansverige Ab, Sala, Sweden  
Byggnads Ab Forsström Rakennus Oy, Kokkola  
Rakennus-Otava, Jyväskylä  
Rakennus A. Taskinen Oy, Joensuu  
Lemcon Networks Ltd, Helsinki  
Omni-Sica Oy, Helsinki  
Forssan Betonituote Oy, Forssa  
Tielinja Oy, Janakkala

## Paving and Mineral Aggregates Division

The Division produces asphalt, recycled asphalt macadam and specialist paving. It carries out contracting in the fields of road paving, milling and road marking as well as quarrying and crushing. The Division also produces ready-mix concrete and mineral aggregates as well as environmental geotechnology products and services.

## Building Materials Division

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

## Lemcon Ltd

Lemcon Ltd is an international building project contractor which derives over a half of its business from operations abroad. In Finland the company specialises in major infrastructure projects and project management contracting. Lemcon Ltd operates not only in Europe but also in Asia and the Americas.

## Oy Alfred A. Palmberg Ab

The Palmberg Group is a building contractor operating nationwide in Finland. Palmberg's business areas include competitive tender contracting of both new and refurbishment work as well as private-sector housing, commercial and industrial developments.

## Tekmanni Oy

Tekmanni Oy operates in the fields of technical building and facility services, industrial installations and maintenance, and telecommunications network construction. Commercial, industrial, public and residential apartment buildings are typical construction and maintenance sites. The company's telecommunications network contracting services include the construction of base stations and city networks.

GROUP STRUCTURE

LEMMINKÄINEN CORPORATION

PAVING AND MINERAL AGGREGATES DIVISION

BUILDING MATERIALS DIVISION

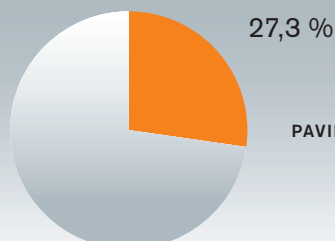
LEMCON LTD

OY ALFRED A. PALMBERG AB

TEKMANNI OY

EUR million

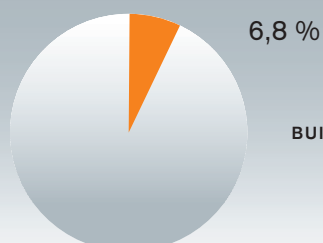
	2003	2002	Change, %
Net sales	380.6	359.6	5.8
Operating profit	16.9	30.8	-45.1
Net investments	10.2	19.8	-48.6
Order book	64.9	63.4	2.4



PAVING AND MINERAL AGGREGATES DIVISION

EUR million

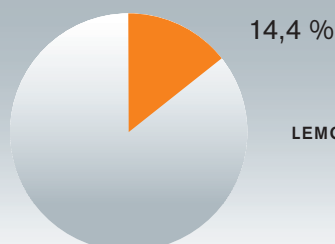
	2003	2002	Change, %
Net sales	95.1	90.5	5.1
Operating profit	2.8	3.2	-12.5
Net investments	2.6	8.5	-69.1
Order book	16.5	15.1	9.3



BUILDING MATERIALS DIVISION

EUR million

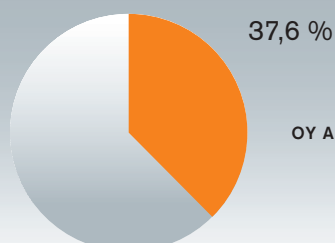
	2003	2002	Change, %
Net sales	201.2	193.3	4.1
Operating profit	6.4	6.8	-5.9
Net investments	0.2	1.7	-89.7
Order book	139.6	152.8	-8.6



LEMCON LTD

EUR million

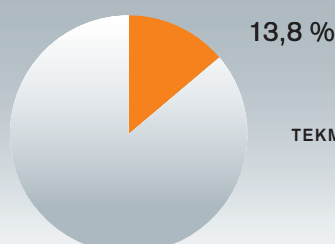
	2003	2002	Change, %
Net sales	524.7	442.1	18.7
Operating profit	22.0	12.9	70.5
Net investments	3.4	5.9	-42.4
Order book	286.8	266.5	7.6



OY ALFRED A. PALMBERG AB

EUR million

	2003	2002	Change, %
Net sales	192.3	198.9	-3.3
Operating profit	3.6	5.5	-34.5
Net investments	0.7	3.6	-81.2
Order book	85.3	70.1	21.7



TEKMANNI OY

# Lemminkäinen's strategy

## Goal

Lemminkäinen's key strategic goal is the maintenance of good profitability and solvency as well as controlled growth in the Company's present business sectors. An average return on investment of 15 % over the business cycle is regarded as good profitability, and an equity ratio of 40 % is equated with good solvency. These target levels were decided before the switch to international accounting principles.

## Means

### Risk management

The differing cyclical behaviour of Lemminkäinen's business sectors represents the strategic cornerstone of its group structure. For example, the civil engineering business helps to offset the effects of the building construction sector's cyclical nature. Moreover, the demand for many products in the building materials and technical building services sectors is not dependent on the cyclical nature of new construction. Cyclical fluctuations in domestic new construction are also evened out by both refurbishment contracting and operations abroad.

The Company focuses on projects for which it has sufficient resources and expertise. In addition, project risks are kept under control by not taking on individual projects of such magnitude that their failure could essentially weaken the Group's result.

Lemminkäinen continuously maintains the vigilance and responsiveness necessary to re-orient, develop and adjust its business operations in the face of changing market conditions. The Company ensures this capability by employing efficient management and information systems.

### Competitiveness

Lemminkäinen concentrates on business sectors with sufficiently large markets in which it commands leading or at least significant positions. Examples include asphalt paving, in which the Company is a leading actor on the Baltic Rim market; Palmberg's regional subsidiaries, which have significant positions in their local markets; and roofing contracting and tunnel excavation, in which Lemminkäinen units are leading actors in their respective fields in Finland.

Lemminkäinen avoids excessively labour-intensive business sectors where the market entry threshold and value added are particularly low.

Lemminkäinen's operations abroad are based on special expertise and the establishment of local subsidiaries capable of achieving a significant market position.

Lemminkäinen employs and actively develops special products, techniques and expertise to improve its competitiveness and to generate added value for its clients. These include special asphalts, special foundation reinforcement techniques, different kinds of excavation techniques, structural tensioning methods, and project management expertise.

Lemminkäinen's business contains vertical value-adding chains that produce internal synergies. Products are manufactured for both own use and external customers. The products of the Mineral Aggregates Unit are a typical example: not only are they used in Lemminkäinen's own asphalt paving operations and ready-mix concrete production, but they are also sold to other industry actors or end-users. Similarly, products of the Building Materials Division are sold to external customers and used in the building contracting of Palmberg and Lemcon Ltd.

There is also horizontal synergy between the Company's different business units. This enables Lemminkäinen to enhance its marketing and provide its clients with a better and more comprehensive service.

## Review by the Managing Director

The predictability of construction demand over the past few years has been good. After the surge in office construction necessary to satisfy the needs of the telecommunications and electronics industry came to an end in 2002, housing production, commercial construction, refurbishment contracting and infrastructure investments have been the locomotives of the construction sector. Changes in the total demand for construction have been, and also this year appear to be, almost insignificant. However, demand emphases within the sector have shifted and will continue to do so.

Major infrastructure investments such as Vuosaari harbour, the Kerava–Lahti direct rail link, Olkiluoto nuclear power plant and the construction of the E-18 motorway are significant projects by Finnish standards. As investments they are well justified, and when completed they will stand as monuments to the dynamism of the Finnish economy. It is interesting to compare the implementation models of these projects. They vary from one extreme to the other, from consultant driven and thoroughly fragmented contracts to the currently very popular life cycle model, in which responsibility for the whole project's financing, planning, construction and upkeep remains with the contractor for decades. The keywords for major project clients should be contract size and risk. Contracts should be scaled so that an adequate number of companies are able to compete for them. Risk, on the other hand, should be borne by the party who is able to influence its occurrence by his own actions. A model in which the economic risks of a contractor are defined by changes in the quantities of concrete reinforcement stemming from the design of a nuclear power plant process, or perhaps the satisfaction of motorway users ten years down the line, would lead to speculation that is unhealthy for the project as a whole.

### Lemminkäinen's success is, of course, the sum and total of the successes achieved by its business units

The Group's result for the last accounting period did not match the result achieved in 2002 in either absolute or relative terms. The main factor leading to the weakening in performance was the significant fall in the asphalt paving price level in the Nordic countries. In Denmark private-sector companies increased their capacity. In Finland and Norway, the state-owned enterprises did the same. Apparently, someone somewhere has discovered a good reason why the state sector should be a significant actor in the asphalt paving business. I do not believe that the prevailing price level is sustainable in the longer run.

Lemminkäinen's domestic building contractor, Oy Alfred A. Palmberg Ab, had a very successful year in terms of both growth and profitability. The emphasis in demand for building construction was on private-sector housing and commercial buildings. Palmberg's result demonstrates that the company's readiness to respond to this demand is good.

Almost non-existent office construction continues to be reflected in the profitability of Lemminkäinen's Building Materials Division through for example the reduced demand for precast concrete staircase units. Similarly, Tekmanni is impacted by the lack of technical building service installations for major new construction projects. In fact, the range of technical building services offered by Tekmanni has been moving rapidly and necessarily in the direction of maintenance and upkeep.

Lemminkäinen's operational cash flow in the 2003 accounting period was weaker than in the previous year. The main reason for this was the marked increase in the Group's own hous-



*Managing Director Juhani Sormaala*

ing production, which ties up capital despite of good sales of housing. Furthermore, the company's stock of building land has been built up to guarantee the continuity of production over the next few years.

The outlook for Lemminkäinen over the coming year is reasonably good. Major infrastructure projects, continuing steady demand for private-sector housing, and the growing needs of technical building service customers for maintenance and upkeep services are examples of factors that will give Lemminkäinen's business units an opportunity to demonstrate their competitiveness and ability to serve their customers well.

I would like to thank all the company's employees for their fine work and also our other stakeholder groups for their co-operation and confidence.





## Paving and Mineral Aggregates Division

The Paving and Mineral Aggregates Division produces asphalt, recycled asphalt macadam, specialist paving and mineral aggregates. It carries out contracting in the fields of road paving and improvement, bridge waterproofing, milling and road marking as well as quarrying and crushing. The Division also produces ready-mix concrete as well as environmental engineering products and services.

### Key figures

EUR mill.	2003	2002
Net sales	<b>380.6</b>	359.6
Operating profit	<b>16.9</b>	30.8
Net investments	<b>10.2</b>	19.8
Employees	<b>2 283</b>	2 112

### Net sales by business area

EUR mill.	2003	2002
Asphalt paving and road marking	<b>319.3</b>	305.1
Mineral aggregates and ready-mix concrete	<b>71.1</b>	62.3
Internal invoicing	<b>-9.8</b>	-7.8
Total	<b>380.6</b>	359.6



*Head of Paving  
and Mineral  
Aggregates Division,  
Mr. Ari Junttila  
M.Sc. (Eng.)*



Price competition in paving contracting was hard in all the Nordic countries during 2003. The price level fell in Road Administration contracts and the profitability of works for several local authorities and cities decreased. The Division's mineral aggregate production capacity was fully utilised throughout the work season, and a strong order book is also forecast for 2004.

The Division's net sales rose 5.8 % to EUR 380.6 million (359.6). Net sales were

up 7.8 % in Finland and 2.9 % abroad. The strongest growth was in mineral aggregate production in Finland and in paving contracting in Russia and the Baltic states.

The Division's operating profit fell to EUR 16.9 million (30.8). The average number of employees in 2003 was 2 283 (2 112).

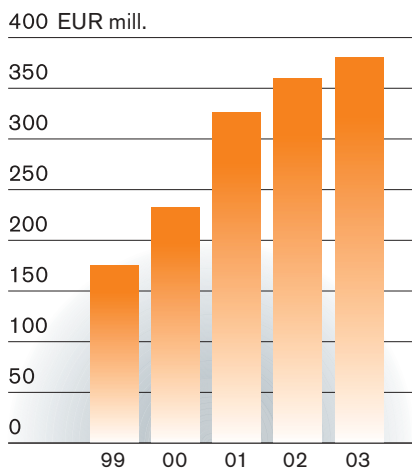
### Asphalt paving and road marking

The Paving Unit produced 4.8 (4.5) million tonnes of asphalt, 2.6 (2.4) million tonnes in



*The use of mineral aggregates increased during 2003 thanks to major infrastructure projects. Lemminkäinen's crushing unit at Ämmässuo in Espoo.*

**Net sales**



Finland and 2.2 (2.1) million tonnes abroad. The increase in production was due to market growth driven by the low price level. Lemminkäinen had 91 asphalt production plants in service during the paving season.

The net sales of the Paving Unit were EUR 316.4 million (299.6), of which operations abroad accounted for 44.4 % (46.6).

The price level of the Finnish Road Administration's paving contracts declined as the season progressed. Low unit prices provided the Road Administration with an opportunity to contract out more road kilometres than planned, resulting in higher asphalt paving volumes. The volume of paving work

ordered by local authorities and the private sector was almost unchanged at the level of the previous year. In Finland the fixed asphalt plants at Pori and Huittinen as well as two mobile plants were renewed.

The most important contracts in Finland were paving works done for the Uusimaa, Turku, Häme and Lapland road districts, the construction of a landfill site in Oulu, and paving works at Yhteisten Kuljetukset's transport terminal in Oulu.

The Paving Unit's paving volumes grew most strongly in Russia, partly due to St. Petersburg's 300<sup>th</sup> anniversary celebrations. Asphalt paving works resumed at airports



*Paving works at Førde Airport north on Bergen on the west coast of Norway.*

*Tielinja Oy carried out road marking works in the Northern Road District of Sweden.*



in Western Siberia in the spring, and the asphalt paving contract at Surgut airport was completed during the season. In Norway and Denmark both volumes and market share rose slightly in spite of the challenging competitive conditions. In Lithuania and Latvia, volumes rose and profitability improved slightly. In Estonia, however, the postponement of some major projects until 2004 reduced production volumes.

At the beginning of the year 2004 Lemminkäinen acquired NCC Roads Holding AB's 49.8 % stake in the Estonian road construction company AS Talter. After the transaction was completed, Lemminkäinen's total stake in Talter rose to 99.4 per cent.

Of the Unit's production plants abroad, the asphalt plants at Als in Denmark, Vilnius in Lithuania, and Bergen and Elverum in Norway were renewed.

The average number of employees in 2003 was 1 833 (1 668). The Head of the Unit is Mr. Ari Junttila, M.Sc. (Eng.).

The net sales of Lemminkäinen's road marking contractor, Tielinja Oy, were EUR 5.2 million (5.5). The fall in the price level of the Road Administration's contracts also extended to road marking works. The most important contracts were road marking works for the Häme, Turku, Uusimaa and Central Finland road districts. Road marketing works were also done during the season for Sweden's North road district. Operations abroad accounted for 25 % (18) of net sales. The Managing Director of Tielinja Oy is Mr. Harri Linnakoski, B.Sc. (Eng.).

### Mineral aggregates and ready-mix concrete

The use of mineral aggregates and demand for its related services increased during the accounting period, although there were significant regional variations. Mineral aggregate volumes used for building construction continued to decline, but thanks to major infrastructure projects mainly concentrated in southern Finland, total demand was higher than in the previous year.

A total of 14.6 million tonnes (13.9) of crushed aggregate was produced and the net sales from mineral aggregate operations were EUR 65.3 million (56.3). The average number of employees in 2003 was 291 (289).

The year's most important contracts were the enlargement of Ämmässuo landfill site in Espoo and deliveries of class 1 paving aggregates to sites all over the country.

The Head of the Mineral Aggregates Unit is Mr. Juhani Innanen, B.Sc. (Eng.).

The net sales and result of of the ready-mix concrete company Forssan Betonituote Oy fell short of the set targets. The most important projects in 2003 were the commencement of ready-mix concrete deliveries to the Vaasa economic area and the acquisition of Valmisbetonitehdas Betmix Oy, a ready-mix concrete producer operating in the Tampere area.

Forssan Betonituote's net sales were EUR 6.6 million (6.0). The average number of employees was 27 (27). The Managing Director of the company is Mr. Antti Hujanen, B.Sc. (Eng.).

### Research and development

Lemminkäinen's Central Laboratory in Tuusula performed tests, development work and technical services for the Group's various units and companies. Most of the Central Laboratory's development projects involved asphalt technology and roofing products. Stricter environmental regulations and life-cycle thinking have required the development of new products and services. New procurement procedures in the infrastructure field have also required R&D input into the design of pavement structures and materials. The amount of testing done in this area has increased as well.

The average number of employees in 2003 was 14 (14). The Head of R&D is Mr. Lars Forstén, M.Sc. (Eng.).



### Outlook for 2004

The increased production capacity of the Finnish asphalt paving industry and competition for market share have depressed asphalt paving prices especially in contracts for the Road Administration and larger cities. The state is not expected to make any additional investments in road improvements in the foreseeable future. Furthermore, the weakening state of local authority finances will probably result in lower appropriations for street repairs and maintenance. The competitive climate is similar in all of the Nordic countries. The paving business in Russia and the Baltic states has been developing favourably and the outlook in these countries, both currently and looking forward, is good.

The outlook for the mineral aggregate business in the near future is good. Major infrastructure projects will sustain demand for mineral aggregates at a good level in the coming years, and will also boost the consumption of ready-mix concrete.

The biggest uncertainty in the civil engineering and asphalt paving industries is the continuing expansion of the Finnish Road Enterprise's operation.

*Mastic asphalt is used for demanding applications such as the waterproofing of bridge decks.*





## Building Materials Division

Lemminkäinen Corporation's Building Materials Division manufactures and sells concrete-based urban environment products, precast concrete staircase units, terrazzo products and bituminous roofing materials as well as their ancillary products and supplies. The Division also imports and distributes special products for roofing and urban environments as well as sports construction products ranging from tennis court surfacings to spectator stands. The Division offers contracting services covering the design and installation of all the products that it manufactures and imports.

### Key figures

EUR mill.	2003	2002
Net sales	95.1	90.5
Operating profit	2.8	3.2
Net investments	2.6	8.5
Employees	639	634

### Net sales by business area

EUR mill.	2003	2002
Roofing	54.2	55.8
Concrete products	32.7	26.8
Sports construction	8.2	7.9
Total	95.1	90.5

Head of Building Materials Division,  
Mr. Erkki Lönnrot  
B.Sc. (Eng.)



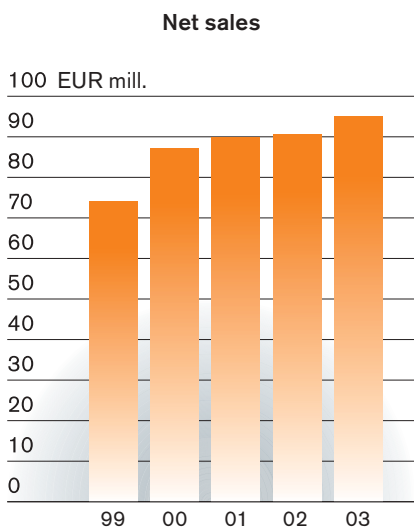
The net sales of the Building Materials Division rose to EUR 95.1 million (90.5). The Division's operating profit of EUR 2.8 million (3.2) fell short of the set target. The average number of employees in the Division remained at the level of the previous year and was 639 (634), of whom 179 were salaried staff and 460 hourly paid workers.

The capacity utilisation rate of production plants and contracting was high throughout

the year and, owing to the seasonal nature of deliveries, the delivery times for some special products were longer than usual. Employees working on urban environment construction and roof tiling contracts were kept fully occupied with work throughout the season. The subcontracting works on phase I of the Leppävaara shopping centre were completed, and work started on phase II in the autumn. All of the Division's units were involved in the project.



A new shingle cutting line was brought into service at Lohja bituminous roofing plant.



The Division's production plants are located in Tuusula, Lohja, Orimattila, Viitasaari and Tampere. The Tampere-based subsidiary Soraseula Oy, which Lemminkäinen acquired at the end of 2002, joined the Concrete Products Unit and was merged with the Parent Company at the end of 2003.

The quality management systems of all of the Division's units were upgraded and certificated to the new ISO standard. Most of the Division's environmental management and safety systems were also certificated. The emphasis in training was on professional qualifications and the improvement of occupational health & safety.

### Roofing materials and contracting

Lemminkäinen's Roofing Unit has 15 locations in Finland. These provide material sales and contracting services to customers in their respective areas. Abroad the Unit has service points in Tallinn and Warsaw, as well as a roofing contractor subsidiary in Russia, ZAO Lemruf.

The production capacity of Lohja bituminous roofing factory was almost fully utilised throughout the accounting period. The most significant investment of the accounting period was a new roof shingle cutting line. Installation work was completed in February and the line started up in March. The roof shingle cutting line has worked well and



quality problems have been reduced to the minimum. In connection with the cutting line's renewal, the factory's industrial safety equipment and heating systems were also improved.

The Finnish market for bituminous roofing materials as well as domestic deliveries of the unit's own materials remained at the level of the previous year. However, exports of bituminous membranes and shingles declined in spite of positive expectations. The price level also fell at the end of the year.

The theme of the year in roofing contracting was the improvement of customer service, and extensive training on this theme was organised for the whole staff during the first half of the year. In the same connection, a continuous customer feedback system was introduced. The system monitors customer feedback at the level of sales district and individual customer.

Large bituminous roofing contracts in the Helsinki Metropolitan Area continued throughout the year. Roofing work for phase II of the Leppävaara shopping centre will continue until the end of 2004. Other significant contracts included the waterproofing of Merihaka's promenade deck in Helsinki, roofing works at IKEA's home furnishing store in Vantaa, a bridge waterproofing contract on Ring Road III at Tikkurila, the roof of Citymarket in Turku, roofing work on a government building in Raisio, and Kiito-



*Extensive stone works and a course watering system were installed at Kullo Golf Club in Sipoo.*

auto Oy's roofing contract in Kuopio. The most significant contract abroad was the roof of Stora-Enso's corrugated board mill at Arzamas in Russia.

The volume of tiled roofing contracting grew mainly in the Helsinki Metropolitan Area and in Tampere. The tiles roofs installed on stores of the Lidl chain around the country were among the most significant roofing contracts. Tiled roofing contracts for row houses grew by 10 %. The fierce competition in roofing contracting that began in 2002 continued, and the target level of profitability was not achieved.

The net sales of the Roofing Unit were EUR 54.2 million (55.8). The average number of employees in 2003 was 383 (385). The Head of the Unit is Mr. Erkki Lönnrot, B.Sc. (Eng.).

### Concrete and natural stone products and urban environment construction

Demand for precast concrete staircase units remained at the 2002 level. The Concrete Products Unit began deliveries of precast concrete staircase units to Kamppi shopping centre in Helsinki. Deliveries to the Leppävaara shopping centre continued thanks to the phase II staircase contract.

Urban environment construction remained almost at the 2002 level. The setting built by Lemminkäinen for Mannerheim's statue in Mikkeli was chosen as the urban environment structure of the year. Other significant works were Meri-Rastila square in Helsinki, the Plan-tagen garden centre in Raisio, the Arken block in Turku, and Nokia square. The last-mentioned work was the first contract for the new regional office in Tampere.

Soraseula Oy, a Tampere-based manufacturer of concrete products acquired by Lemminkäinen at the end of 2002, was incorporated into the Concrete Products Unit. Urban environment products manufactured by Soraseula were delivered to sites not only in the Tampere region but

also elsewhere in Finland. Besides urban environment products, Soraseula manufactures lightweight concrete blocks, mainly for use in the Tampere area.

The net sales of the Concrete Products Unit were EUR 32.7 million (26.8). The average number of employees in 2003 was 203 (194). The Head of the Unit is Mr. Juhani Uljas, M.Sc. (Eng.).

*Lemminkäinen's Concrete Products Unit introduced new concrete skateboard tracks to the market. They are more durable and less noisy than conventional tracks.*







## Sports-related products

Omni-Sica Oy is Finland's leading supplier and contractor of sports-related products and systems. The range of products imported, contracted and sold by the company includes sports surfacings and underlays, spectator stands, watering systems, fences and polyurethane waterproofing systems. Omni-Sica Oy also offers contracting services concerning these products.

Considerable investments have been made in Finland over a number of years in building and refurbishing sports and athletics facilities, and the work goes on. One factor influencing these positive investment decisions has been the numerous high-profile games and championships hosted by Finland over the years.

Omni-Sica's contracting capacity was fully utilised throughout the 2003 work season despite the continuous intensification of competition. The fastest growth during the accounting period was in urban environment construction and polyurethane waterproofing systems. The application of coatings to the decks of the Mariner of the Seas luxury cruise ship in Masa Yards' Turku shipyard and the installation of a movable spectator stand in the ship's ice hall/auditorium were among the most significant contracts of the review year. The company also installed Mondo artificial turf at Helsinki's Finnair Stadium, where the youth soccer world championships were held. Mondo artificial turf conforms to international standards. Refurbishment works were carried out on athletics tracks in Noormarkku, Viiala and Tornio. Watering systems were installed at a number of golf courses, including the prestigious new Kullo golf course near Porvoo. The most significant individual polyurethane waterproofing contract was Merihaka's promenade deck in Helsinki.

Sports construction is expected to remain brisk in 2004. The most important of Omni-Sica's contracts will be the refurbishment of



*Omni-Sica Oy installed new sports surfacings at several sites, including Finnair Stadium and the soccer fields in Töölö, Helsinki. The company will also refurbish the track and field facilities at Olympic Stadium in Helsinki during 2004.*

the track and field facilities at Helsinki's Olympic Stadium for the 2005 World Athletics Championships.

Omni-Sica's net sales were EUR 8.2 million (7.9). The average number of employees in 2003 was 31 (35). The Managing Director of the company is Mr. Pekka Peho.

## Outlook for the coming season

The general situation on the construction market is expected to remain unchanged, so the outlook is little different from the previous accounting period. Regional and product-specific differences will continue to increase and will therefore affect production volumes of building materials and contracting regionally.

The expected decline in the volume of commercial and office construction will reduce precast concrete staircase production and roofing contracting, and the worsening finances of the local authorities will weaken the demand for urban environment products and contracting. Competition is also expected to intensify in these product groups. On the other hand, the growth of the refurbishment market and row house production can be regarded as positive factors. The outlook for exports of building materials has improved since the autumn of last year.

Special attention will be paid to the development of occupational health & safety during 2004.

*The volume of tiled roofing contracting grew in 2003. Tiles are a popular roofing material for row houses and other residential buildings.*



## Lemcon Ltd

At the beginning of 2003 Lemminkäinen Construction Ltd changed its name to Lemcon Ltd. The company has been carrying out international construction projects for over 30 years across five continents. The focus of the company's international business is in Europe, but it also has operations in Asia and the Americas. In Finland the company is a well-known infrastructure builder and project management contractor.

### Key figures

EUR mill.	2003	2002
Net sales	201.2	193.3
Operating profit	6.4	6.8
Net investments	0.2	1.7
Employees	559	510

### Net sales by business area

EUR mill.	2003	2002
Infra	86.1	83.2
Project management	90.2	91.2
Telecom network const.	24.9	18.9
Total	201.2	193.3



*Managing Director,  
Mr. Matti A. Mantere  
M.Sc. (Eng.)*



The review year was a good one for Lemcon Ltd. The company's net sales were EUR 201.2 (193.3) and its operating profit EUR 6.4 million (6.8). The average number of employees in 2003 was 559 (510), of whom 386 (317) were salaried staff.

### Civil engineering

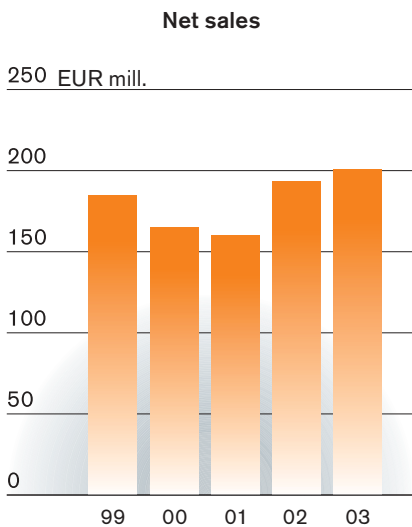
In connection with the company's change of the name, the former Civil Engineering Unit

was renamed Lemcon Infra. Infra's net sales grew slightly to EUR 86.1 million (83.2). The sector's aggregate demand remained at a good level both in Finland and in Sweden, which accounted for about a third of the unit's net sales.

The rock engineering order book was good in the first half of the year but weakened in Finland over the second half. The most significant contracts were an under-



*Aleksanterinkatu bridge in Porvoo before major concrete castings were made.*



ground parking facility in the Erottaja district of Helsinki, which came into service at the end of the year, and a coal storage facility at Salmisaari, which will be completed in early 2004. The focus of rock engineering operations was in Sweden, where three contracts were in progress: the Åsa and Straneberg railway tunnels and the Frösunda cable tunnel.

In foundation building works, especially the stabilisation business continued to be brisk. The unit developed and diversified its expertise in special techniques such as large-diameter bored piling, which was applied to demanding industrial sites, including the foundation works for Raahe wind

power park. In Stockholm, the foundation reinforcement works on the Swedish Parliament building were completed.

There were plenty of invitations to tender for infrastructure projects, but the price level in major highway projects remained low. The biggest contracts were the Kerava-Lahti direct rail link and the Ring Road III improvement contract. The basic improvement contract for Highway 9 at Korpilahti and an underground parking facility in Tampere were completed and handed over to the clients during the year.

The average number of employees in 2003 was 285 (294). The Head of Lemcon Infra is Mr. Timo Kohtamäki, Lic.(Tech.).

*A new paper mill is being built for UPM-Kymmene near Shanghai in China.*

## Project management

Net sales from project management contracting were EUR 90.2 million (91.2).

In 2003 the project management contracting and construction management market in Finland was more subdued than in previous year, mainly due to the decline of office construction and the preparations for large commercial projects at the end of 2002. In Finland three new commercial construction projects started up: the Korso shopping centre, Bauhaus home improvement centre in Pirkkala and the ABC shopping centre in Lahti. The latter is being built in partnership with Lemminkäinen Group's Oka Oy. The construction of Finland's first LVL recycling terminal began in Tuulos. The most significant refurbishment start-up was the basic repair work on part of Kapiteeli Oy's Salmisaari Building in Helsinki. Three golf courses were also completed during the year.

Russia rose again to become the most important export country. The largest completed projects of the year were Saint-Gobain Isover's mineral wool factory in Yegorievsk and Stora Enso's corrugated board mill in Arzamas. Stora Enso has also contracted Lemminkäinen to build three sawmills in Northwestern Russia, the first of which was completed at Impilahti and the second is under construction. In St. Petersburg, phase I



of the Hermitage Museum's storage facility for works of art was handed over in June, and a contract for phase II was signed in October. This is one of the most significant contracts in Lemcon's exporting history: the contract will last for several years and is worth about EUR 65 million.

Stora Enso's new paper mill in Gent, Belgium was inaugurated in September. In Hungary, a new logistics warehouse and social facilities were completed at Nokia Corporation's mobile phone factory, and expansion and modernisation works continued at Elcoteq's production plant in Pécs. In Poland, Onninen's new central warehousing facility and Raisio's cold store were completed.

Lemcon's operations in China continued after a two-year break when the company signed a construction management agreement with UPM-Kymmene Corporation concerning the construction of new paper mill near Shanghai in China. Planning work on a dry plaster factory for Optiroc in Beijing also began towards the end of last year.

The average number of project management personnel in 2003 was 142 (160). Domestic operations are the responsibility of Mr. Jouko Niemonen, B.Sc. (Eng.). Mr. Henrik Eklund, M.Sc. (Eng.) is responsible for operations abroad.

## Telecom network construction

Net sales from telecom network construction were EUR 24.9 million (18.9). Telecom network construction is handled by Lemcon's subsidiary Lemcon Networks Ltd.

In 2003 telecom network construction projects were carried out in nine different countries in the Far East, Europe and the Americas. The company did not have any contracts in Finland. The company's involvement in projects has varied from project management consulting to turnkey deliveries, with the scope of services varying from base station



*The Museokatu 18 property in the Töölö district of Helsinki was modernised and converted into an apartment hotel for Euro City Apartment Oy.*

*Last year Lemcon Networks had telecom network projects in nine countries in the Far East, Europe and the Americas.*



planning to network integration. During the year the emphasis has been on, and is increasingly shifting towards, management and supervision of network installation, commissioning and integration.

The number of people employed in Lemcon Networks Ltd's projects was about 190 (180) at the end of the year. The Managing Director of Lemcon Networks Ltd is Mr. Juha Nurmi, M.Sc. (Eng.).

### Future outlook

Even though Lemcon Ltd's year-end order book fell slightly to about EUR 139.9 million (152.8), it provides a firm foundation for the coming year. Significant projects started up after the end of the accounting period include phase II of the Jumbo shopping centre in Vantaa and the expansion of Nokia's mobile phone plant in Hungary.

The infrastructure market will remain lively for the next couple of years. A number of major projects are under way in Finland. These include Vuosaari harbour, the direct rail link between Kerava and Lahti, and the Lahti-Heinola motorway. Also, construction work on the site of Finland's new nuclear power plant will begin in the first half of 2004.



The foundation building market will largely follow the transport infrastructure market and the growing refurbishment market. The Finnish rock engineering market is clearly picking up after a quiet year in 2003. It will remain lively for some time to come thanks to the Vuosaari harbour project and E18 highway's traffic tunnels. Also, the construction of Finland's nuclear waste repository will start in 2004.

The outlook for project management contracting and especially exports appears to be favourable in both Russia and China, both of which are future growth regions for Lemcon's existing customers. In Europe, Lemcon will focus on old customers and partners.

In Finland the coming year will be more lively than in 2003. Customer-focused project management contracting has established itself and its importance is growing.

Management contracting and construction management practices are also being developed, and this will play its part in stimulating even more interest in this form of contracting.

No significant changes are expected in volumes on the telecom network market in 2004. The number of mobile phone users is expected to rise over the long term mainly in emerging economies such as China, Russia, India and the South American countries. The construction of 2G and 2.5G networks will be most pronounced in North America and the developing countries. Views on the progress of 3G projects vary greatly.

*Concrete casting work at Luhdanmäki railway bridge on the boundary between Orimattila and Hollola. With a span of 548 metres, this is the second-longest bridge on the Kerava-Lahti direct rail line.*





## Oy Alfred A. Palmberg Ab

The Palmberg Group's business area is building construction, which includes competitive tender contracting of both new building and refurbishment work as well as private-sector housing, commercial and industrial developments. The subsidiary Konte Oy operates as a building contractor in the Umeå region of Sweden, and three others manufacture ready-mix concrete and concrete products in Ostrobothnia and North Karelia.

### Key figures

EUR mill.	2003	2002
Net sales	<b>524.7</b>	442.1
Operating profit	<b>22.0</b>	12.9
Net investments	<b>3.4</b>	5.9
Employees	<b>1 806</b>	1 646

### Net sales by business area

EUR mill.	2003	2002
Competitive tender contracting		
Housing	<b>61.3</b>	64.6
Other new construction	<b>123.8</b>	112.0
Refurbishment work	<b>61.8</b>	73.1
Developments		
Housing	<b>97.2</b>	63.3
Commercial and industrial buildings	<b>52.9</b>	34.3
Other business	<b>17.9</b>	15.3
Sales of shares and other items	<b>109.8</b>	79.5
Total	<b>524.7</b>	442.1



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



The Palmberg Group consists of the parent company, Oy Alfred A. Palmberg Ab, and its ten regionally operating subsidiaries. There were no changes during the accounting period in either the number of subsidiaries or the structure of the Group.

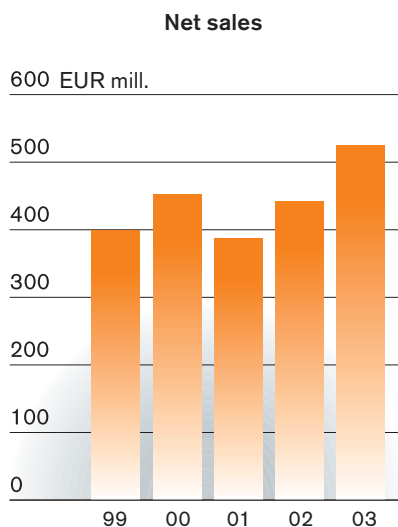
The Group's net sales were EUR 524.7 million (442.1), representing a 19 % increase in business volume. The value of the order book at the end of the accounting period

grew to EUR 286.8 million (266.5). The Group's operating profit rose significantly from the level of the previous year to EUR 22.0 million (12.9).

The net sales of the Palmberg Group in the Helsinki Metropolitan Area are proportionately smaller than those of other similarly sized construction companies. This trend continued during the accounting period. On the other hand, especially in southeast Fin-



*The Aapeli shopping centre in Kuopio.*



land and Ostrobothnia the Group's subsidiaries are among the biggest actors in their field. The Group's proportional share grew in the Tampere and especially the Turku areas.

The operations of the parent company in the metropolitan area as well as those of the subsidiaries in the Tampere and Turku areas, i.e. Rakennustoimisto Palmberg Oy and Palmberg TKU Oy, are primarily concerned with own housing and commercial developments. The Group's other regionally operating subsidiaries still derive most of their net sales from contracting, although the share of own developments in their net sales has also grown. Kouvolan-based Oka Oy, which specialises in façade renovation work and oper-

ates all over southern Finland, is the exception to Palmberg's regional organisation.

The results of all of the Group's units were at least satisfactory, with the exception of the Oulu-based subsidiary Palmberg-Rakennus Oy and the Jyväskylä-based Rakennus-Otava Oy, both of which made an operating loss. The operating losses of both units stemmed mainly from the unsatisfactory development of volumes.

The number of own residential development apartments completed by the Group was 800 (446). At the end of the accounting period, 1 070 (824) own development apartments were under construction. New apartments completed under competitive



*Government building constructed by Palmberg TKU Oy in Raisio.*

tender contracting totalled 826 (922), and 963 (827) apartments were under construction at the end of the accounting period.

The average number of employees in the Group during the accounting period was 1 806 (1 646), of whom 588 (540) were salaried staff.

#### Outlook for 2004

According to industry forecasts, the number of new building construction starts in 2004 is expected to remain at last year's level. The steady growth of refurbishment work is expected to continue at about 3 per cent per annum, as a result of which the total volume of building construction will grow somewhat this year.

Housing production is expected to increase slightly, thanks especially to private-sector production growth. Private-sector housing production is dependent on the development of interest rates, which are generally expected to remain at their present low level. However, even a small rise in the level of interest rates would mean a significant relative increase in housing costs, which might



*Palmberg's housing developments near completion in Espoo.*

reduce the desirability of moving from rental to owner-occupied housing. Public-sector housing production, which in 2003 declined from the level of the previous year, will remain minimal, whereas private-sector production of rental housing is growing. The outlook for industrial and office construction is still weak as the effects of the international recovery have not yet worked through into construction investments in the corporate sector. The production of commercial and logistics buildings is likely to remain at the present relatively high level.

The Palmberg Group's order book at the beginning of 2004 was about EUR 20 million bigger than a year earlier. The amount of zoned building land has grown, facilitating more new housing starts than in the previous year. When the start-up of certain own commercial sites is assured, an increase in Palmberg's net sales may be justifiably expected.

## Most important completed contracts

Palmberg's share of the project's value	EUR mill.
- Interior work on Radiolinja's Tapiola cavern	6.6
- Housing modernisation at Kanneltie 8	10.8
- Enlargement of OBS market, Umeå, Sweden	3.8
- Bauhaus home improvement centre, Raisio	approx. 5
- Hotel Eliel, Helsinki	approx. 9
- Finnnoo school and child day-care centre, Espoo	6.7
- KWH Freeze Oy's cold store, Vantaa	approx. 4
- Hamina harbour entrance	5.3
- Kouvola logistics terminal	4.7
- Jyväskylä student building	3.8
- Composite hall, Jyväskylä	5.0
- Construction works at UPM Kymmene Corporation's Pietarsaari production plants	2.8
- Saarioinen Oy's dispatch department, Valkeakoski	5.7
- Vaasa police building	13.5
- Kokkotori shopping centre, Kokkola	3.9

## Most important contracts in progress

	EUR mill.
- Offices of the Local Government Pensions Institution, Helsinki	12.7
- Modernisation of Agricultural Co-operative Building, Turku	13.2
- Lidl stores in Karhula, Alajärvi and Rovaniemi	4.3
- Tuulos shopping centre	4.8
- GL Terminal, Kouvola	4.3
- Aapeli shopping centre, Kuopio	23.0
- Local government buildings in Raahe, Raisio and Iisalmi	28.2
- Kasarmiparkki's parking facility, Helsinki	12.2
- Arabia parking facility, Helsinki	6.0
- Combitrans' logistics centre	4.2
- Halpa-Halli's warehouse, Kokkola	5.3
- Finnish Forest Research Institute's research centre, Joensuu	7.8
- YH and VVO Group's housing sites (171 units), Oulu	9.3
- Sata Oy's apartment building (87 units), Helsinki	8.8
- Härnosand fire station, Sweden	3.8

## Palmberg Group 2003

Company	Region	Net sales EUR mill.	Personnel (average)	Managing Director
<b>Parent company</b>				
Oy Alfred A. Palmberg Ab	Helsinki Metropolitan area	94.4 (85.4)	185 (207)	Risto Bono, M.Sc.(Eng.), M.Sc. (Econ.) Regional Director Pauli Mäkelä, M.Sc. (Eng.)
<b>Subsidiaries</b>				
Palmberg TKU Oy	Turku, Salo and surrounding municipalities	39.5 (20.9)	118 (82)	Mikko Pirhonen, M.Sc. (Eng.)
Palmberg-Urakoitsijat Oy	Western Uusimaa	44.1 (35.0)	34 (35)	Ahti Kara, M.Sc. (Eng.)
Oka Oy	Lahti, Kymenlaakso and South Karelia	91.9 (98.2)	402 (410)	Jorma Tamminen, B.Sc. (Eng.)
Rakennustoimisto Palmberg Oy	Pirkanmaa, Kanta-Häme and southern central Finland	57.9 (57.6)	207 (212)	Jukka Terhonen, M.Sc. (Eng.)
Rakennus-Otava Oy	Jyväskylä and neighbouring municipalities	15.4 (17.7)	56 (63)	Jussi Kari, B.Sc. (Eng.)
Oy Konte Ab <sup>1)</sup>	Ostrobothnia, Southwest Finland, Umeå and surrounding areas	77.0 (61.9)	288 (263)	Göran Pellfolk, M.Sc. (Eng.)
Byggnads Ab Forsström Rakennus Oy <sup>2)</sup>	West coast region	28.3 (23.8)	184 (159)	Peter Forsström, B.Sc. (Bus.)
Palmberg-Rakennus Oy	Provinces of Oulu and Lapland	31.4 (17.2)	117 (80)	Ahti Heikka, B.Sc. (Eng.)
Savocon Oy	Kuopio and surrounding areas	36.4 (14.8)	113 (71)	Martti Kankkunen, B.Sc. (Eng.)
Rakennusliike A. Taskinen Oy	Joensuun and North Karelia	13.5 (12.7)	102 (86)	Ari Laamanen, Construction Manager

1) Also includes the Swedish company Rekab Entreprenad Ab.

2) Also includes Ab Jakobe Oy and Oy Kokkobe Ab.





## Tekmanni Oy

Tekmanni Oy offers the full range of technical building and facility systems and services, including installation, repair, servicing and maintenance. The company's four business areas are technical building services, technical facility services, industrial installations and maintenance, and telecommunications networks.

Tekmanni has 30 service points in Finland as well as subsidiaries in Moscow, St. Petersburg, Tallinn and Vilnius.

### Key figures

EUR mill.	2003	2002
Net sales	192.3	198.9
Operating profit	3.6	5.5
Net investments	0.7	3.6
Employees	1 880	1 871

### Net sales by business area

EUR mill.	2003	2002
Technical building serv.	127.3	137.7
Industrial installations	26.4	26.9
Technical facility serv.	30.1	27.8
Telecom. networks	4.9	4.6
International operations	3.6	1.9
Total	192.3	198.9

*Managing Director,  
Mr. Antero Huhta  
B.Sc. (Eng.)*



Office construction remained in decline for the second consecutive year, whereas refurbishment contracting continued to grow. The market situation for facility maintenance and upkeep was satisfactory. Industrial investment was lower than in 2002.

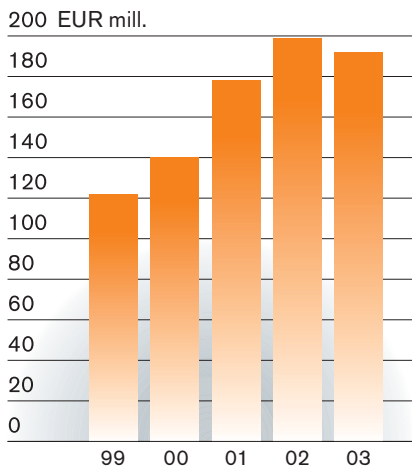
The uncertain economic situation in the early part of the year impacted on Tekmanni's net sales, which were below expectation at EUR 192.3 million (198.9). The compa-

ny's operating profit was EUR 3.6 million (5.5). The value of the order book at the end of the accounting period was EUR 85.3 million (70.1). The average number of employees in the company during 2003 was 1 880 (1 871), of whom 488 (455) were salaried staff.

Almost all aspects of Tekmanni's highly integrated business management project were brought into service during 2003. The



**Net sales**



system, which has been phased in since 2001, encompasses the company's financial administration, sales and material control functions, as well as tender preparation and project management tools.

Tekmanni has an ISO 9001:2000 certified management system as well as the Construction Quality Association's certificate of competence.

### Technical building services

During the accounting period Tekmanni strengthened its position as a full-service supplier of HVACE, sprinkler, cooling, fire protection, telecommunications, security and automation systems. The company's services include not only installation but also planning guidance and project manage-

ment. The biggest projects were undertaken on commercial and office sites. However, during the accounting period the emphasis in technical building services shifted further towards housing construction and HVAC refurbishment work on residential buildings.

The value of the Finnish market for technical building services remained at the year 2002 level and was over EUR 3 billion. Of this total, new construction accounted for about 58 % and building refurbishment for about 42 %. The refurbishment market developed more favourably than new construction during the accounting period.

The order book of the Technical Building Services unit in the early part of the year suffered as a result of general economic uncertainty on the market. Hard competition



*Tekmanni provides the basic maintenance services for Ilmarinen Mutual Pension Insurance Company's head office at Salmisaari in Helsinki.*

At the beginning of 2004 the Technical Facility Services unit was corporatised to form Tekmanni Service Oy with the aim of further expanding and developing the unit's expertise and service network.

The net sales of the Technical Facility Services unit rose to EUR 30.1 million (27.8).

### Industrial installations and maintenance

The key services of the Industrial Installations and Maintenance unit are process electrification and automation installations. Industrial air conditioning services were strengthened during the year. Deliveries of industrial data networks and security systems were up on the previous year.

Industrial investments were lower than in 2002. Nonetheless the year was a good one for Tekmanni and the company in-

creased its market share in industrial installations. Net sales were supported mainly by projects related to major industrial projects.

in the electrical contracting sector also contributed to the decline of the unit's result. Net sales were EUR 127.3 million (137.7), of which refurbishment work accounted for about 45 %.

### Technical facility services

A significant change took place of the market for technical facility services during the accounting period. This change manifested itself as a general trend towards the outsourcing of facility maintenance projects, resulting in market growth

Tekmanni further strengthened its comprehensive offering of technical facility maintenance and upkeep services on a nationwide level. The unit's expert services focusing on condition surveys and assessments of technical systems were strongly developed in 2003. Modernisation and conversion work accounted for a significant proportion of the unit's business.

creased its market share in industrial installations. Net sales were supported mainly by projects related to major industrial projects.

The net sales of the Industrial Installations and Maintenance unit were EUR 26.4 million (26.9). No significant increase in net sales is expected in 2004 owing to the dearth of projects at the beginning of the year.

### Telecommunications networks

The business areas of the Telecommunications Networks unit are cable systems, security systems, and broadband and mobile networks.

Price competition on the general cabling market was intense during the accounting period, which was reflected in the net sales trend. The market for security systems developed favourably and further growth is expected. The situation in mobile network construction is still uncertain due to the delayed rollout of 3G (UMTS) mobile networks.

The net sales of the Telecommunications Networks unit in the accounting period fell short of the target level and were EUR 4.9 million (4.6).

### International operations

Tekmanni's export operations primarily involve comprehensive deliveries of technical building services as well as industrial installation services on industrial sites. These exports developed according to plan and their profitability trend was good. Russia remains the main focus of Tekmanni's export business. During the year the organisation was strengthened and the operational focus was shifted from Finland to local subsidiaries, a trend that will continue in the future.



The year-end order book was good and net sales are expected to rise in 2004.

### Outlook for 2004

The market for technical building services is likely to remain flat in 2004. New construction will contract somewhat yet, whereas housing and refurbishment contracting will continue to grow. Tekmanni's order book rose to a good level at the end of the accounting period, so the starting points for 2004 are favourable. Tekmanni's strategic focus is on the development of facility maintenance and upkeep services, industrial installations and maintenance, and export operations.

The market for technical facility services is expected to grow by 4–6 per cent per annum, and the aim of the new Tekmanni Service company is to significantly increase its market share. As general trends in the field, the outsourcing of services will increase and the importance of technical expertise will grow.

Tekmanni's Technical Building Services unit is expected to retain its market position. With the decline of new construction in the office and public sectors, the focus for technical building services will be increasingly on refurbishment contracting. The unit's areas of special expertise, such as services related to building automation, sprinkler systems, building data networks and security systems, will be further developed.

Few industrial investments are expected and future projects will consist mainly of modernisations and minor new construction projects. The most significant projects will be carried out in the second half of the year. The decision to build Finland's fifth nuclear power plant will have a positive effect on the industrial market.

The starting points for Tekmanni's export operations in 2004 are good. The strategy is to take greater advantage of Russia's growing market and to give local subsidiaries more responsibility for operations in their respective areas.



*Tekmanni installed the technical building services for the rescue centre at Helsinki-Vantaa Airport.*

### Some of last year's significant contracts

Salmisaari Building, Helsinki, basic repair work on a courthouse building, HVACE and sprinkler contracts

TietoEnator, Helsinki, office buildings 1 and 2, HVACE and sprinkler contracts

Tuulos shopping centre, full installation of technical services

Kerava City Library, HVACE and sprinkler contracts, general cabling

Kiinteistö Oy Microtekniä, Kuopio, office building, plumbing and air conditioning contract

Kiinteistö Oy Kauppakatu 26–30, Kuopio, HVACE and sprinkler contracts

Kiinteistö Oy Imatran Koskikeskus, HVACE contracts

Arcadahuset, Helsinki, electrical contract and security systems

Veritas Stadion, Turku, electrification, telecommunications and security systems, exterior lighting

Kesko Oyj, cabling systems for trading sites

Finland's Consulate General in St. Petersburg, HVACEA, sprinkler, telecommunications and security systems

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Myllykoski Paper Oy, Anjalankoski, electrical and automation installations for PM4 and coating machine rebuilds.

UPM-Kymmene Corporation, Jämsänkoski, Tarra 3 project, building and process electrification, automation and instrumentation, plumbing and air conditioning installations.

UPM-Kymmene Corporation, Pietarsaari, WISA 800 project, electrification of recovery line's main processes, general cabling, heating and anti-freeze systems.

Stora Enso Oyj, Veitsiluoto paper mill, electrification and HVAC contracts for PM3 rebuild

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Burger Inn Oy, maintenance services for Hesburger restaurant chain

Ilmarinen Mutual Pension Insurance Company, facilities maintenance contract and electrical consumption management nationwide.

Espoonkruunu Oy, Espoo, condition assessments and energy surveys of 21 residential properties.

Kunta-asunnot Oy, condition assessments of 69 properties.

City of Kuopio order service, HVAC maintenance, sprinkler maintenance services.

Veritas-ryhmä, Turku, regular maintenance of systems on 10 sites.

Tampere Evangelical Lutheran Parish, condition assessments of properties

## Safety and the environment

The aim of Lemminkäinen's safety work is to safeguard the health of employees, to prevent and eliminate safety risks to employees and material capital, and to support the Company's business.

During the review year Lemminkäinen published a Group-level safety programme that applies to all of its business units and encompasses occupational health & safety, environmental protection and security of information systems. The programme comprises a safety policy, safety targets for the Group, and an action plan up until 2007. The programme has been approved by Lemminkäinen's Board of Directors.

### Safety included in management, planning and practice

The business units' management systems have been upgraded to correspond to standardised environmental and occupational health and safety management systems. Lemminkäinen's ISO 14001 environmental management certificate covers the production of concrete and natural stone products, the production of roofing materials, project management contracting, asphalt production and contracting in Finland and, abroad, asphalt production and contracting in Denmark and Estonia. The Company also has an OHSAS 18001 safety certificate for its asphalt production and contracting business in Finland and in Denmark.

In 2003 the health and safety aspects of Lemminkäinen's management systems were improved in roofing production and con-

*For a number of years Lemminkäinen has been producing dense asphalt paving structures for environmental protection applications such as foundation structures for landfills and composting depots. Dense asphalt structures are also very suitable for the petrol station forecourts, industrial yards and the spillage containment basins of fuel and other chemical storage tanks.*



tracting, project management contracting and the production of concrete and natural stone products. The operating systems in stone quarrying and crushing were expanded to cover environmental as well as occupational health and safety.

The systematic integration of safety work into Lemminkäinen's management systems has increased the attention given to safety issues in all operations. In particular this is manifest in planning, guidance, internal communications, and the support of employee training and expertise.

The planning of safety and environmental matters is also part of the units' annual operational planning process. The principles of safety work are written into the industrial safety action plans of each individual unit. The preparation of environmental and safety plans is also a part of the site planning of construction projects.

Lemminkäinen's production plants have been included in the environmental control information system.

### Environmental issues in practice

The safety and environmental risks of the business units are analysed and assessed regularly and always in connection with operational changes. Analyses of construction risks are made site-specifically as a part of site planning. Site reviews of occupational health services support preventative safety work.

In machinery and equipment procurement, particular attention is paid to energy consumption, emission reduction and especially machinery and equipment safety. In building construction a vacuum cleaning system that reduces noise and dust emissions during construction work has been brought into service. Production plants have switched from the use of fuel oil to natural gas when possible.

Recycled asphalt was produced in Finland, Sweden and Norway. Reclaimed pavement was also utilised in Remix recycled asphalt resurfacing and rut repair work. In recycled asphalt pavements all the raw material and energy contained in the reclaimed asphalt is fully recovered.

When the sites of old asphalt plants are closed down, soil studies are made to determine whether there has been any soil contamination. In 2003 contaminated soil was processed on the site of the Company's old asphalt plant at Konala in Helsinki. Ekofalt, a hot asphalt method developed by Lemminkäinen, was used in the decontamination process.

The landscaping of the disused sludge area at Lemminkäinen's Sammonmäki concrete products factory in Tuusula continued with paving works.

Lemminkäinen is a member of the Environmental Register of Packaging PYR Ltd. Producer organisations of the packaging industry organise the utilisation of product packaging materials marketed by members of PYR. Lemminkäinen recommends the use of methods that reduce the amount of packaging materials in production.

### Expertise through training

In 2003 the safety training given to the Company's employees was increased. The training included the introduction of environmental and safety systems, safety and environmental legislation and auditing, risk assessment, the measurement of safety in building construction, first aid, fire work, road safety and electrical work safety.

Certain employees were also trained as instructors in the measurement of safety in building construction, fire work, occupational safety and road safety.



### Safety risk measurement

The monitoring of safety has been improved by increasing the use of tools that measure the level of safety in both building construction and civil engineering contracting. Emission measurements, waste creation, the waste utilisation rate, waste costs, and water, electricity and other energy consumption are also included in the monitoring of safety.

An accident reporting and statistics system conforming to the Eurostat classification was brought into use.

### Safety and environmental projects

The National Technology Agency's Healthy Building technology programme ended with the publication of indoor air quality requirements for office and commercial buildings. Lemcon Ltd was involved in testing and refining the indoor air quality criteria developed in the project.

Lemminkäinen's Roofing Unit took part in the Finnish Work Environment Fund's PRIMA risk management study, which resulted in the development of new safety risk assessment methods.

Palmberg took part in the construction industry's Life Plan service life planning project and the National Technology Agency's VISIO 2010 eco-efficiency and life cycle measurement development project.

Lemminkäinen actively participated in industrial safety competitions organised in the construction sector, and also collaborated with vocational training colleges in safety work. Environmental issues related to the Company's activities and construction projects were dealt with in partnership with different stakeholder groups. The Company also published an environmental report on its operations.

*Safely on the roof. Each employee takes care of his or her own safety equipment.*

## Research and Development

The companies and business units of the Lemminkäinen Group are responsible for their own research and development, most of which occurs in connection with site works and construction projects. The Central Laboratory carries out R&D at Group level. Research and development spending represents approximately 0.4 % of the Group's net sales.

### Technology, operational efficiency and the environment

As in previous years, the focus of Lemminkäinen's R&D activities in 2003 was on technical development work, boosting operational efficiency, and environmental and safety issues.

The high level of activity maintained over recent years in both traditional technical development work and product development continued in 2003. A significant proportion of this work is done in partnership with customers by test building and trying out new solutions on sites. The aim of this work is to

ensure that Lemminkäinen's products, methods and services remain productive, competitive and interesting for customers.

### Noise-reducing asphalt on the market

The internationalisation of Lemminkäinen's asphalt paving operations is also apparent in its R&D work. Benchmarking has enabled the Company to boost operational efficiency in different countries. The close collaboration between the Group's asphalt companies internationally has facilitated the transfer of expertise and know-how from one group company to another. As a result of this work new products and services have been created, equipment has been developed and the efficiency of its use has been improved. Joint research projects have also been launched.

Stricter environmental requirements are to a large extent guiding development work. Different types of protective structures are needed to combat emissions. For example, dense asphalt structures and products have been developed to protect soil and groundwater. Traffic noise is a big problem – indeed, about a million Finnish people live in areas subjected to excessive traffic noise. In order to reduce the amount of noise from vehicle tyres, Lemminkäinen has developed in Finland a new low-noise asphalt pavement called Whisperfalt. This wear-resistant and noise-reducing pavement is a noteworthy alternative to the erection of expensive and unsightly road-side noise barriers in built-up areas. LMK VEJ A/S in Denmark has also developed its own noise-reducing pavement.

The recycling of reclaimed asphalt pavement has been increased thanks to improvements in equipment and methods. Asphalt plants have been developed so that more and more of them are able to use reclaimed asphalt pavement. In-situ pavement recycling has also been growing, and the rut-remixer equipment and method developed in Finland has been adopted in other countries too.

*The Group companies and units are heavily involved in the construction sector's technology and development programmes.*

Unit / Company	Technology programme or development project	Topic
Paving Unit	Infra Technology Programme (Tekes)	Noise-reducing asphalts, Pavement design system, New applications and markets, Effect of antifreeze chemicals
	YTL (Finnish Association of Environmental Companies)	Remediation of contaminated soils
Mineral Aggregates Unit	Poski Project (Ministry of the Environment)	Compatibility of gravel extraction and groundwater protection
Roofing Unit production and contracting production	PRIMA Project (VTT)	Risk assessment / safety
	Life-Plan (VTT, RT, Tekes)	Service life design
Concrete Products Unit	Concrete Construction Technology Programme (RT, Tekes)	Recycling concrete, Highly durable concretes
	KIVI Technology Programme (Tekes)	Design code for natural stone products
Lemcon Ltd Infra Unit	Infra Technology Programme (Tekes)	Procurement procedures, Improving the efficiency of planning control, Project management and quality control systems, Geophysical quality control method for foundation building, Development work on a mass material control program
	Healthy Building (Tekes)	Healthy building and built environment
	ProIT (RT, Tekes)	Product modelling
	SARA Technology Programme (Tekes)	Design systems
	Distributed Energy Systems Technology Programme (Tekes)	Business models
Oy Alfred A. Palmberg Ab	Tera – Concrete Construction (RT)	Raising the degree of prefabrication
	REM Programme (RT)	Development of eco-efficiency and life cycle measuring tools
	Re-engineering (RT, Tekes)	Development of a creativity process model
	Life Plan (VTT, RT, Tekes)	Service life design
	ProIT (Tekes)	Product modelling
Tekmanni Oy	Productivity Measurement	Productivity
	Re-engineering (RT, Tekes)	Development of a creativity process model



Lemminkäinen has also developed bitumen emulsion technology. A new emulsion plant started up in Denmark during the spring of 2003, and new emulsion products and applications have been introduced. Thin layer pavements in which polymer-modified emulsions are used have come into widespread use in the Nordic countries.

The infrastructure sector's procurement methods have changed a lot, especially in Denmark and Finland. In Denmark LMK VEJ A/S has been awarded a number of 15-year contracts assigning full responsibility for maintenance and upkeep. New types of services have been developed for these contracts. In Finland, Lemcon Infra, the Paving Unit and Tielinja Oy have improved their collaboration and services so that Lemminkäinen is better able to tender for these growing and diversifying contracts.

In 2003 the Mineral Aggregates Unit improved its services as a supplier of high-quality wear-resistant mineral aggregate. Crushing equipment has been developed so that excessive stone dust can be more effectively removed from the aggregate. Also, more attention is being given to the protection of groundwater in connection with gravel extraction.

Tielinja has developed road markings which are better visible in dark and wet conditions than conventional road markings, thereby improving road traffic safety.

### Good news for skateboarders

In the spring of 2003 Lemminkäinen's Roofing Unit opened a new bituminous shingle production line. Thanks to the new investment the production of bituminous roofing shingles has risen and the quality of the products has improved. New shingle models have been launched and they have been well received on the export market. New investments at the Lohja plant have successfully reduced emissions.

The Concrete Products Unit has developed new concrete products and improved installation methods. The Concrete Products Unit has also developed skateboarding tracks and Omni-Sica Oy soft playground pavements for children and youths.

Omni-Sica has introduced polyurethane and polyurea elastomeric spray-on waterproofing membranes to the market. These new products join bituminous membranes and mastic sealants in Lemminkäinen's broad range of waterproofing materials.

### Involvement in technology projects

Lemcon's units have actively participated in various technology projects, and have developed their planning and project management systems. Lemcon has also been involved in a number of projects concerned with the development of the sector's procurement procedures.

Examples of technical development work are a geophysical quality control method for foundation building and a mass material management program for the planning and control of major infrastructure projects. In rock engineering the Company was involved in several joint projects intended to develop the whole field.

### Efficiency for building construction sites

Lemcon's Project Management unit has tested in practice how the goals set in the Healthy Building project are applicable to construction. The unit is also taking part in the development of contract models for project management contracting.

The companies of the Palmberg Group stepped up their involvement in development work. The development of Group-wide communications and functions is maintained by means of key personnel networks and benchmarking procedures. Palmberg Group companies participated in several technology programmes and industry development projects. Palmberg has developed in partnership with Tekmanni a creativity process model for work sites, and has also focused on the development of process-based operation.

Tekmanni has concentrated on development projects in the areas of operational control and project management. The company has developed automation, energy measurement and control systems for technical building services.

### Active involvement in construction sector development

In addition to their own development projects, the companies and units of the Group have

been deeply involved in the construction sector's technology and development projects, both as participants and as finance providers. The units have been active participants in development projects of the National Technology Agency (TEKES) and the Confederation of Finnish Construction Industries (RT) in particular. The Paving Unit and Lemcon Infra have taken part in a number of projects belonging to TEKES's Infra Technology Programme. The Concrete Products Unit and Palmberg have participated in RT's concrete construction and concrete technology projects. Lemcon's Project Management Unit, different companies of the Palmberg Group and Tekmanni have taken part in various TEKES or RT programmes. Considering that in addition to this Lemminkäinen has also been participated in the construction sector's environmental and risk assessment projects, it is fair to say that the Group has been actively involved in developing the sector. The participation of Lemminkäinen's units in construction sector projects is presented in the table on previous page.

### Important role of academic theses in development and recruitment

Lemminkäinen's companies and units have provided engineering students with opportunities to make their academic theses. In 2003 almost 20 academic theses were under way. Most of these were being prepared for bachelor's or master's degrees in engineering, but among them there was also one licentiate thesis. The theses dealt with both technical matters and environmental and safety topics. Planning, productivity and economy also featured among the range of topics covered. Most of the undergraduates concerned have been recruited into the Group.

### Operating systems

The Group's operating systems are an important part of its development. In practice, almost all of the Group's units have an operating system based on the ISO 9000 standard, and very many of them have a certificated quality certificate. A number of units have expanded the scope of their operating systems to include environmental and safety issues.

## Personnel

### Personnel in Finland and abroad

The average number of people employed by the Lemminkäinen Group in 2003 was 7 167. The average number of employees working in the Group's units abroad during the year was 1 417, representing 20 % of all Group employees.

### Lemminkäinen as an employer

A change is now discernible in the construction sector's poor attractiveness as an employer. The expectations of the construction sector are good and the future of its jobs in Finland is secure. Moreover, Lemminkäinen's business is international and the Group's expertise is being exported to other countries.

Lemminkäinen believes in taking good care of its employees. Long employment relationships, minimal staff turnover, and a low level of premature retirement for a construction industry company are all indicative of Lemminkäinen's success in this regard.

Lemminkäinen's good reputation as an employer is also apparent from survey results. In a survey conducted by Taloustutkimus Oy in the spring of 2003, Lemminkäinen was the most popular employer in the construction sector among students in technical and other disciplines.

Strengthening Lemminkäinen's image as an employer was chosen as the theme for the year in 2003. In addition to the Group's new visual image and different kinds of joint projects, information on Lemminkäinen Group as an employer was widely disseminated.

### Interesting career opportunities

Lemminkäinen Group offers the whole construction chain for the job applicant interested in the sector. Career advancement and the development of a diverse range of professional skills is possible inside the Group.

Lemminkäinen has long had close collaborative ties with vocational training colleges. This co-operation ensures that the colleges provide their students with theoretical training that keeps abreast with developments in

the industry. Improving the nationwide co-ordination of collaboration with colleges was one of the development projects in 2003.

Young people pursuing studies in construction-related subjects can familiarise themselves with Lemminkäinen Group's various operations by applying for training places. The number of entry-level training places at colleges is not sufficient to satisfy the need for labour due to increasing retirement in the near future. Owing to the inadequacy of entry-level training places, construction companies must also be able to train young people in the occupations required in the sector.

### Development of business-focused expertise

Lemminkäinen's various companies and units draw up human resource development plans in anticipation of business trends. The aim of employee training is to maintain and further develop the current professional competence of employees, taking into account future development needs of the Group's various businesses. The training carried out in the Group's units also supports career advancement.

Lemminkäinen's experts have played a significant role, both as planners and instructors, in the development of vocational training leading to the award of a diploma. Getting the asphalt industry's requirements incorporated into the curricula of vocational training courses has been a major achievement. Examples include the training given to production managers and site engineers and also for the professional and specialist diplomas of Palmberg's salaried employees in building production.

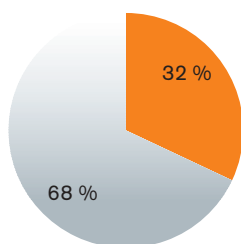
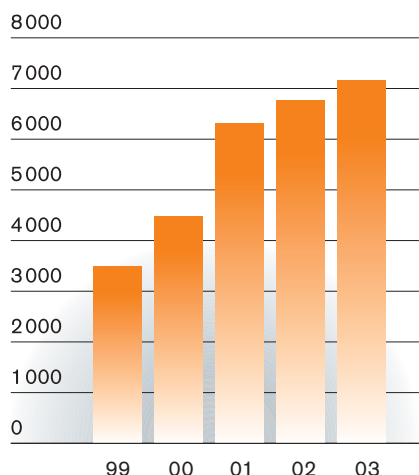
Tekmanni in partnership with AEL (Centre for Technical Training) has launched its own project management training programme as well as a special technical diploma awarded at the end of apprentice-based training.

In the spring of 2003, Lemminkäinen Group's own extended business management training program began in partnership with the Helsinki University of Technology. Training programmes designed to meet the needs of the Group's units were organised to promote management and leadership skills.

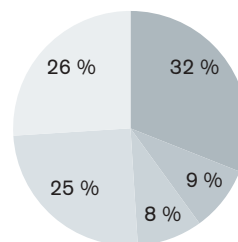




### Personnel (average) of Lemminkäinen Group in 2003



■ Salaried staff  
■ Hourly paid workers



■ Paving and Mineral Aggregates Division  
■ Building Materials Division  
■ Lemcon Ltd  
■ Oy Alfred A. Palmberg Ab  
■ Tekmanni Oy

### Functional and healthy work environment

Lemminkäinen has assessed the functionality and atmosphere of the work community over the course of several years. The results are analysed in each unit, where the main changes required are also implemented.

Supporting the individual's mental and physical fitness for work and promoting the well-being of the work community as a whole have been the most important measures taken to maintain the employees' fitness for work.

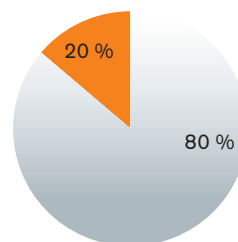
In 2003 Lemminkäinen's own occupational health service conducted workplace studies, made proposals for improvements in working conditions and methods, and monitored the implementation of measures in the workplace. Occupational healthcare personnel lectured and provided information on work-related risks, issued instructions on correct working practices, and participated in risk assessments and quality projects of the units.

Supporting the ability of elderly employees to cope at work and preventing their premature retirement have been given particular attention in the maintenance of fitness for work. The projects in 2003 included the start-up of an alcohol abuse prevention programme, a concrete products work ergonomics project, different kinds of health-promoting groups and campaigns, and exercise and physical fitness groups organised by the employer. An exercise programme encompassing Lemminkäinen's whole staff was implemented in collaboration with management, employees and different experts. The exercise programme was evaluated in a survey conducted in 2003, which indicated that almost 60 % of women and 40 % of men took part in exercise organised by the Company.

Seven new rehabilitation courses began in the Group during 2003. The occupational health service has consulted and collaborated with the employer, the National Social Insurance Institution, pension institutions and rehabilitation institutions in the implementation and follow up of the courses. In 2002 and 2003 the occupational health service carried out a questionnaire survey to determine the effects of the rehabilitation.

Occupational health services are provided to all the salaried and hourly paid employees of the Group in a uniform and even-handed basis.

### Location



■ Finland  
■ Abroad



## Board of Directors' report

### Construction market

The Finnish construction market continues to be stable. The volume of building construction contracted slightly last year. Residential construction and refurbishment contracting were brisk, and the number of new housing starts rose to about 31 000 units. The growth of consumer demand and the establishment in Finland of foreign retail chains boosted commercial construction, whereas office construction continued to decline. Industry's construction investments remained at a modest level and the weak financial state of the municipal sector reduced the construction of public service buildings.

The volume of civil engineering grew slightly last year. Finnish asphalt paving volumes grew significantly as a consequence of the low price level of paving contracts. Demand for crushed aggregates rose slightly with the start-up of major infrastructure projects. The volume of underground excavations was stable at the level of the previous year.

Construction exports continued to develop favourably, especially on the Russian market. The value of the Finnish construction industry's international operations rose to about EUR 1 billion in 2003.

### Net sales and profits

The net sales of the Lemminkäinen Group rose 8.2 % to EUR 1 359.0 million (1 255.8), of which operations abroad accounted for EUR 289.3 million (249.0) or 21 % (20). The operating profit was EUR 48.8 million (56.7), the profit before taxes EUR 41.8 million (48.5) and the profit for the accounting period EUR 22.4 million (29.5). The return on investment was 13.3 % (17.1), the return on equity 12.7 % (15.4) and earnings per share EUR 1.30 (1.73).

### Change in accounting principles

The Group is making a phased transition to International Financial Reporting Standards (IFRS). For this reason inventories and finance leasing agreements are stated on the balance sheet in accordance with the International Accounting Standards (IAS) 2003. The value of inventories has been incremented by EUR 3.5 million to include their share of production overheads. Finance leasing purchases of fixed assets are activated on the consolidated balance sheet, and the future capital payments arising from them are recorded as liabilities, which total EUR 48.7 million. EUR 0.3 million is recorded in extraordinary items in respect of income, expenses and related income tax arising from the change in accounting principles.

The financial indicators and ratios for 2003 have been calculated using both the old and new accounting standards in cases where they are affected by the change. Amongst other effects, the transition to IFRS increases interest-bearing net debt, which affects the equity ratio, gearing and return on investment. These ratios for the 2003 accounting period are presented in accordance with new accounting principles, whereas the corresponding reference figures from the previous accounting period were calculated according to the old accounting practice. The figures are not therefore fully comparable. Comparable figures are presented in the notes to the financial statements.

### Results and outlook by business sector

The net sales of the **Paving and Mineral Aggregates Division** rose 6 % to EUR 380.6 million (359.6). The Division's operating profit was EUR 16.9 million (30.8). The deterioration in the Paving and Mineral Aggregates Division's operating result is due to the significant decline of asphalt paving prices in the Nordic countries. Increased production capacity and intense competition for market share have depressed asphalt paving prices to a low level especially in contracts for the Road Administration and large cities.

The competitive situation and price level have been following very similar development paths in all of the Nordic countries. However, in Russia and the Baltic states the outlook for the coming paving season is favourable.

Major infrastructure projects will sustain demand for mineral aggregates at a good level in the coming years, and will also boost the consumption of ready-mix concrete.

The net sales and profitability of the Paving and Mineral Aggregates Division are expected to remain at the 2003 level.

The net sales of the **Building Materials Division** rose by 5 % to EUR 95.1 million (90.5). The Division's operating profit declined to EUR 2.8 million (3.2).

The competitive situation was tough for all of the Division's business units. However, the outlook for 2004 has improved slightly thanks to the increased order book, growth of refurbishment contracting and better prospects for exports of building materials.

No significant changes are likely to occur in the Division's net sales, but profitability is expected to improve.

The net sales of **Lemcon Ltd** rose 4 % to EUR 201.2 million (193.3). The company's operating profit declined and was EUR 6.4 million (6.8).

The company's starting points for 2004 are quite satisfactory. Major projects in Finland will keep the infrastructure market active for the next couple of years. The company's export outlook is reasonable, especially in Russia and China.

Lemcon's full-year net sales are expected to remain at the 2003 level, and a slight improvement in profitability is anticipated.

The net sales of **Oy Alfred A. Palmberg Ab**, which specialises in building contracting on the Finnish market, rose 19 % to EUR 524.7 million (442.1). Palmberg's operating profit rose 71 % to EUR 22.0 million (12.9). The number of own residential development apartments completed by the company was 800 units (446). New apartments completed under competitive tender contracting totalled 826 (922).

The outlook for Palmberg is still good. The improved order book offers the opportunity for net sales growth. The company's profitability is expected to remain at a good level over the coming year.

The net sales of **Tekmanni Oy**, the Group's technical building services contractor, fell slightly to EUR 192.3 million (198.9). The company's operating profit weakened and was EUR 3.6 million (5.5).

No significant changes are expected on the technical building services market. Tekmanni's order book rose to a good level at the end of last year. The company's net sales are expected to grow somewhat and an improvement in profitability is anticipated.

### Investments

The Group's gross investments in fixed assets were EUR 23.0 million (48.7). Besides the acquisition of companies and business operations, the investments were primarily targeted at paving, crushing and excavation equipment, production plant for building materials, and building construction equipment.

In addition to the procurements of fixed assets in the accounting period, finance leasing purchases of EUR 43.6 million are also activated on the balance sheet.

## Order book

The value of the Group's uninvoiced orders at 31<sup>st</sup> December 2003 was EUR 593.0 million (567.9), of which foreign orders accounted for EUR 115.5 million (111.9).

Significant contracts won after the end of the accounting period include a EUR 44 million contract for phase II of the Jumbo shopping centre in Vantaa, and the extension of Nokia Corporation's mobile phone plant in Hungary.

## Financing

According to the source and application of funds statement, the cash flow from operating activities was EUR 22.0 million (65.4), the cash flow from investing activities EUR -18.1 million (-32.1) and the cash flow from financing activities EUR 2.7 million (-41.5).

Interest-bearing liabilities at the end of the accounting period were EUR 224.1 million (119.8) and liquid funds were EUR 44.5 million (39.1). Interest-bearing net debt was EUR 179.6 million (80.7). The net change in interest-bearing debt was EUR 98.8 million (-18.9), which stemmed mainly from a EUR 48.7 million increase in finance leasing liabilities and the financing of a EUR 34.1 million increase in working capital. The latter was largely due to increased private-sector housing production.

Net financing expenses were EUR 7.3 million (8.2), representing 0.5 % (0.7) of net sales. The Company paid dividends for the 2002 accounting period totalling EUR 51.1 million (18.7). The equity ratio was 34.0 % (44.9) and gearing 93.0 % (36.7).

## Personnel

The average number of personnel in the Group during the accounting period was 7 167 (6 773), of whom 2 259 (2 071) were salaried staff and 4 908 (4 702) hourly paid employees. The number of employees at the end of the year was 6 505 (6 093). The average number of employees working abroad during the accounting period was 1 417 (1 149), i.e. 19.8 % (17.0) of the Group's personnel.

## Research and development

The Group's R&D expenses represented approx. 0.4 % of net sales. R&D focused on technical development, operational efficiency gains, and environmental and safety issues.

## Group structure

At the end of the accounting period Lemminkäinen acquired full ownership of the Tampere-based ready-mix concrete producer Valmisbetonitehdas Betmix Oy. Soraseula Oy, a manufacturer of concrete products also based in Tampere, merged with Lemminkäinen Corporation on 31<sup>st</sup> December 2003. After the end of the accounting period Lemminkäinen's stake in the Estonian construction company AS Talter rose from 49.6 % to 99.4 %.

## Share prices and trading

The average listed price of Lemminkäinen Corporation's share during the accounting period was EUR 17.39 (15.23). The year-end price of the Company's share was EUR 17.00 (16.00) and the market capitalisation EUR 289.4 million (272.3). At the end of the year the Company had 2 807 (2 065) shareholders. The trading volume was 2 193 022 shares (959 724).

## Corporate governance

Lemminkäinen Corporation's Annual General Meeting was held on 21<sup>st</sup> March 2003. The members of the Board of Directors in 2003 were Messrs. Heikki Pentti (Chairman), Teppo Taberman (Vice Chairman), Berndt Brunow, Erkki J. Pentti, Juhani Sormaala (until 21<sup>st</sup> March 2003) and Sakari Tamminen (from 21<sup>st</sup> March 2003).

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

Lemminkäinen Corporation's auditors were Messrs. Jan Holmberg, A.P.A. and Jarmo Alén, A.P.A. and the deputy auditor was Authorised Public Accountants Oy Joe Sundholm & Co. Ab.

## Full adoption of IAS/IFRS in 2005

The annual financial statements will be prepared in accordance with the IAS/IFRS from 2005 onwards. The most important effects of the change will be the elimination of the double counting of net sales from own building developments, a possible change to way in which employee benefits are treated, and the abolition of goodwill amortisation charges in favour of annual impairment tests.

## Investigations of the competition authorities

In June 2003 the Finnish Competition Authority (FCA) furnished Lemminkäinen with a draft copy of its proposal to the Market Court concerning an alleged cartel in the asphalt paving industry. The FCA suspects that a nationwide cartel involving all significant actors in the asphalt paving industry was operating in Finland during the years 1995-2002. The document does not contain any proposal concerning the magnitude of any fine that might be imposed. In its response to the allegations, Lemminkäinen has disputed the existence of the alleged cartel. The FCA has announced that the process will move forward in early winter 2004.

The competition authorities in Norway and Sweden have also been investigating all relevant asphalt paving companies. In Norway the matter has been handed over to the prosecutor of economic offences for consideration of possible charges. In Sweden a fine of SEK 4 million is being sought against Kvalitetsasfalt i Mellansverige Ab, a Lemminkäinen subsidiary. The case is pending in Stockholm District Court.

In November 2002 the Finnish competition authorities made surprise audits of all the principal bituminous roofing manufacturers and contractors in Finland, and the investigations are still on-going.

## Outlook

The Finnish construction market will remain stable. The volume of construction is expected to rise slightly by about one per cent in 2004.

Building construction is likely to grow by 1-3 per cent as the good level of demand for housing continues and the commercial construction market remains favourable. On the other hand, office construction will continue to be subdued. Refurbishment contracting will grow steadily. The growth of civil engineering will probably pick up this year to about 3 per cent thanks to infrastructure projects either in progress and nearing start-up. These projects include the E18 highway, Vuosaari harbour, significant railway projects and the Lahti-Heinola motorway. The outlook for construction exports is good.

The market situation and the Company's good order book represent satisfactory starting points for Lemminkäinen in 2004.



## Consolidated income statement

	Note	EUR 1 000 1.1.2003–31.12.2003	EUR 1 000 1.1.2002–31.12.2002
NET SALES	1.1	1 358 961	1 255 770
Increase (+) or decrease (-) in stocks of finished goods and work in progress		9 859	14 174
Production for own use		496	565
Other operating income	1.2	5 682	4 352
Materials and services	1.3	893 133	793 970
Personnel expenses	1.4	291 419	276 416
Depreciation	1.5	29 358	28 455
Other operating expenses		112 252	119 304
OPERATING PROFIT		48 836	56 716
Financial income and expenses	1.6	-7 292	-8 222
PROFIT BEFORE EXTRAORDINARY ITEMS		41 544	48 495
Extraordinary items	1.7	302	
PROFIT BEFORE TAXES		41 846	48 495
Indirect taxes	1.9	-15 274	-15 763
Minority interests		-4 124	-3 275
<b>PROFIT FOR THE ACCOUNTING PERIOD</b>		<b>22 447</b>	<b>29 457</b>

## Consolidated balance sheet

	Note	EUR 1 000 31.12.2003	EUR 1 000 31.12.2002
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	2.1		
Intangible assets	2.1.1	38 345	42 756
Goodwill on consolidation	2.1.2	25 245	29 178
Tangible assets	2.1.3	163 382	123 138
Holdings in affiliated undertakings	2.1.4	7 456	6 404
Other investments	2.1.4	7 590	7 734
		242 018	209 210
<b>CURRENT ASSETS</b>			
Inventories	2.2		
Inventories	2.2.1	179 384	163 120
Non-current receivables	2.2.2	74	92
Deferred tax asset	2.2.3	1 078	899
Current receivables	2.2.4	207 071	175 489
Investments	2.2.5	20 310	6 446
Cash in hand and at banks		24 194	32 615
		432 110	378 660
		674 128	587 870
<b>LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	2.3	34 043	34 043
Share premium account		5 750	5 750
Retained earnings		113 949	136 229
Profit for the accounting period		22 447	29 457
		176 189	205 479
<b>MINORITY INTERESTS</b>			
		16 994	14 798
<b>OBLIGATORY PROVISIONS</b>			
	2.5	5 189	5 030
<b>LIABILITIES</b>			
Deferred tax liability	2.6		
Deferred tax liability	2.6.1	15 607	15 357
Non-current liabilities	2.6.2	133 344	87 063
Current liabilities	2.6.3	326 804	260 143
		475 756	362 563
		674 128	587 870

## Consolidated statement of source and application of funds

Note	EUR 1 000 1.1.2003–31.12.2003	EUR 1 000 1.1.2002–31.12.2002
Cash flow from business operations		
Result before extraordinary items	41 544	48 495
Adjustments		
Depreciation according to plan	29 358	28 455
Other unpaid income and expenses	-1 589	-618
Financial income and expenses	7 292	8 222
Other adjustments	-2 045	-1 521
Cash flow before change in working capital	74 559	83 031
Change in working capital		
Increase (-)/decrease(+) in current interest-free business receivables	-31 137	9 383
Increase (-)/decrease(+) in inventories	-13 100	-15 437
Increase (+)/decrease(-) in current interest-free liabilities	10 181	34 515
Cash flow from operations before financial items and taxes	40 503	92 726
Interest and other financial expenses paid	-8 595	-11 388
Dividends received	915	858
Interest and other financial income received	2 546	1 531
Direct taxes paid	-13 403	-18 317
<b>CASH FLOW FROM BUSINESS OPERATIONS</b>	<b>21 966</b>	<b>65 410</b>
Cash flow from investments		
Investments in tangible and intangible assets	-20 290	-37 770
Proceeds from the sale of tangible and intangible assets	4 377	10 400
Investments in other assets	-227	-368
Proceeds from the sale of other investments	623	270
Purchases of subsidiary shares	-2 119	-4 584
Sales of subsidiary shares		161
Purchases of shares in affiliated undertakings	-424	-170
<b>CASH FLOW FROM INVESTMENTS</b>	<b>-18 059</b>	<b>-32 060</b>
Cash flow from financing		
Increase (-)/decrease(+) in non-current receivables	18	27
Drawings of short-term loans	49 020	29 940
Repayments of short-term loans	-3 234	-22 543
Drawings of long-term loans	42 834	2 755
Repayments of long-term loans	-33 112	-32 000
Dividends paid and other profit distribution	-52 822	-19 642
<b>CASH FLOW FROM FINANCING</b>	<b>2 703</b>	<b>-41 463</b>
<b>INCREASE (+)/DECREASE(-) IN CASH FUNDS</b>	<b>6 609</b>	<b>-8 114</b>
Cash flows at beginning of accounting period	39 061	47 968
Translation difference of cash funds	-1 167	-793
<b>CASH FLOWS AT END OF ACCOUNTING PERIOD</b>	<b>44 504</b>	<b>39 061</b>



## Parent company income statement

	Note	EUR 1 000 1.1.2003–31.12.2003	EUR 1 000 1.1.2002–31.12.2002
NET SALES	1.1	308 723	292 372
Increase (+) or decrease (-) in stocks of finished goods and work in progress		-516	750
Production for own use		18	19
Other operating income	1.2	2 429	2 017
Materials and services	1.3	166 560	149 994
Personnel expenses	1.4	78 989	72 992
Depreciation	1.5	10 882	10 701
Other operating expenses		34 833	32 144
OPERATING PROFIT		19 389	29 326
Financial income and expenses	1.6	-2 585	58 606
PROFIT BEFORE EXTRAORDINARY ITEMS		16 804	87 932
Extraordinary items	1.7	2 390	
PROFIT BEFORE APPROPRIATIONS AND TAXES		19 194	87 932
Appropriations	1.8	3 161	3 511
Direct taxes	1.9	-6 618	-26 319
PROFIT FOR THE ACCOUNTING PERIOD		15 737	65 124

## Parent company balance sheet

Note	EUR 1 000 31.12.2003	EUR 1 000 31.12.2002
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
	2.1	
Intangible assets	2.1.1	4 525
Tangible assets	2.1.3	71 660
Holdings in group undertakings	2.1.4	157 259
Holdings in affiliated undertakings	2.1.4	1 286
Other investments	2.1.4	5 307
		240 037
<b>CURRENT ASSETS</b>		
	2.2	
Inventories	2.2.1	32 668
Non-current receivables	2.2.2	52
Current receivables	2.2.4	50 386
Investments	2.2.5	18 478
Cash in hand and at banks		5 937
		107 522
		347 559
<b>LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
	2.3	
Share capital		34 043
Share premium account		5 675
Retained earnings		103 029
Profit for the accounting period		15 737
		158 483
<b>APPROPRIATIONS</b>		
	2.4	
		13 460
<b>LIABILITIES</b>		
	2.6	
Deferred tax liability	2.6.1	2 084
Non-current liabilities	2.6.2	26 843
Current liabilities	2.6.3	146 690
		175 617
		347 559
		193 810
		14 987
		2 063
		31 562
		98 299
		131 925
		340 722

## Parent company statement of source and application of funds

Note	EUR 1 000 1.1.2003–31.12.2003	EUR 1 000 1.1.2002–31.12.2002
Cash flow from business operations		
Result before extraordinary items	16 804	87 932
Adjustments		
Depreciation according to plan	10 882	10 701
Financial income and expenses	2 585	-58 606
Other adjustments	1 897	-1 188
Cash flow before change in working capital	32 169	38 840
Change in working capital		
Increase (-)/decrease(+) in current interest-free business receivables	-1 362	3 000
Increase (-)/decrease(+) in inventories	1 087	-1 093
Increase (+)/decrease(-) in current interest-free liabilities	1 196	3 216
Cash flow from operations before financial items and taxes	33 089	43 963
Interest and other financial expenses paid	-5 636	-6 940
Dividends received	110	46 210
Interest and other financial income received	2 825	1 087
Direct taxes paid	-8 345	-9 302
<b>CASH FLOW FROM BUSINESS OPERATIONS</b>	<b>22 043</b>	<b>75 018</b>
Cash flow from investments		
Investments in tangible and intangible assets	-13 661	-19 071
Proceeds from the sale of tangible and intangible assets	2 158	7 391
Investments in other assets	-2 742	-3 907
Proceeds from the sale of other investments	414	247
<b>CASH FLOW FROM INVESTMENTS</b>	<b>-13 831</b>	<b>-15 341</b>
Cash flow from financing		
Increase (-)/decrease(+) in non-current receivables	17	50
Change in Group receivables/liabilities	23 172	-43 027
Drawings of short-term loans	47 000	29 500
Repayments of short-term loans	-444	-22 538
Drawings of long-term loans	8 000	
Repayments of long-term loans	-17 213	-11 601
Dividends paid	-51 064	-18 723
<b>CASH FLOW FROM FINANCING</b>	<b>9 467</b>	<b>-66 339</b>
<b>INCREASE (+)/DECREASE (-) IN CASH FUNDS</b>	<b>17 679</b>	<b>-6 662</b>
Cash flows at beginning of accounting period	6 656	13 317
Corporate restructuring	80	1
<b>CASH FLOWS AT END OF ACCOUNTING PERIOD</b>	<b>24 415</b>	<b>6 656</b>



## Accounting principles

### Valuation in inventories

Inventories are valued according to the FIFO principle at their acquisition cost or, if lower, their new acquisition price or probable selling price. On the 2003 balance sheet the acquisition cost of inventories includes the variable costs arising from their acquisition and production as well as the proportion of fixed costs that is attributable to them. On the 2002 balance sheet the value of inventories included only the variable costs arising from their acquisition and production. The increase in inventories stemming from the policy change is EUR 3.5 million. On the income statement the consequent EUR 2.5 million improvement in the result after taxes is recorded in extraordinary items.

### Leasing

On the 2003 consolidated balance sheet, finance leasing purchases of fixed assets are recorded under non-current assets and the leasing debt in non-current and current liabilities. The comparative figures for the previous year have not been adjusted to reflect the new practice. The effect on the result due to the policy change together with its associated taxes, i.e. EUR -2.2 million, is recorded in extraordinary items. Finance leasing purchases totalling EUR 43.6 million are recorded on the balance sheet under non-current assets, and leasing debts of EUR 48.7 million are recorded as liabilities.

### Consolidation

The parent company, Lemminkäinen Corporation, and all the group and affiliated companies classified as investments under non-current assets are included in the consolidated financial statements.

Intra-group shareholdings are eliminated using the past equity method, whereby the acquisition cost of shares in subsidiaries is eliminated against the shareholders' equity of the subsidiaries at the time of acquisition. The voluntary provisions and depreciation reserves of subsidiaries at the time of acquisition less the deferred tax liability are included in shareholders' equity. Where the cost of acquiring shares in a subsidiary exceeds the corresponding value of its shareholders' equity, the excess is assigned to fixed assets and/or goodwill on consolidation. The share assigned to fixed assets is depreciated according to the plan for the fixed asset item in question. The depreciation periods for goodwill on consolidation are 5-20 years according to the plan in effect at the time of acquisition. A depreciation period of longer than five years is applied to companies whose longer-term earnings expectations are good, based on factors such as strength of market position or good technical expertise in their own areas of business.

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

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

The accounts of affiliated companies are consolidated using the equity method, whereby, instead of dividend income, the Group's share of the earnings of affiliated companies corresponding to its ownership stake, less depreciation of goodwill, is included in the consolidated income statement. Correspondingly, the Group's share of the shareholders' equity of affiliated companies, including the tax liability, less the share of voluntary provisions and depreciation reserves, plus goodwill minus accumulated depreciation of goodwill, is recorded as the value of the affiliated companies on the consolidated balance sheet.

## Foreign currency items

In the Group companies' own bookkeeping, transactions in foreign currencies are translated into the local bookkeeping currency at the exchange rates ruling on the date of the transaction. 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 protected by forward rate agreements are valued at the forward rate, and the interest share is periodised on the basis of the duration of the agreements. 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 net amount under financial income and expenses.

When preparing the consolidated financial statements, the income statements of foreign subsidiaries are translated into euros using the average exchange rates over the accounting period, whereas their balance sheets are translated into euros at the exchange rates ruling on the last day of the accounting period. The translation differences arising from the translation of the income statement and balance sheet at different exchange rates and from eliminations of the shareholders' equity in foreign subsidiaries are recorded in shareholders' equity. The exchange rate difference arising from the hedging of shareholders' equity is recorded against the translation difference of shareholders' equity and the interest share is charged against the result for the accounting period.

## 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. Although the completed contract method of income recognition is still used in the official financial statements of some subsidiaries, they have prepared additional financial statements based on the percentage-of-completion method for the purpose of consolidation.

The degree of project completion is calculated as the ratio of actually incurred expenses to estimated total expenses. The margin on Lemminkäinen's own developments is recognised as income on the basis of either the degree of building completion or the percentage of housing units sold, the lower value taking precedence. Anticipated losses from unprofitable projects on the order book are recorded in total as expenses.

## Valuation and depreciation of fixed assets

Fixed assets are shown on the balance sheet at their original acquisition costs less 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:

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

## Pension liability

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

## Research and development expenses

R&D expenditure is recognised as an expense in the year during which it is occurred.

## Direct taxes

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

## Notes to the financial statements

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2003	1.1.–31.12.2002	1.1.–31.12.2003	1.1.–31.12.2002
<b>1 INCOME STATEMENT</b>				
<b>1.1 NET SALES AND OPERATING PROFIT</b>				
Net sales by business sector				
Paving and Mineral Aggregates Division	380 592	359 599	231 876	210 752
Building Materials Division	95 143	90 521	81 877	79 014
Lemcon Ltd	201 157	193 293		
Oy Alfred A. Palmberg Ab	524 668	442 127		
Tekmanni Oy	192 287	198 869		
Intra-group sales / others	-34 886	-28 640	-5 031	2 606
<b>Total</b>	<b>1 358 961</b>	<b>1 255 770</b>	<b>308 723</b>	<b>292 372</b>
Net sales by market area				
Finland	1 069 665	1 006 806	300 692	281 207
Nordic countries	183 899	158 482	2 370	2 833
Eastern Europe	69 909	49 057	3 978	6 156
Western Europe	13 922	17 150	107	296
Asia and America	21 565	24 275	1 575	1 880
<b>Total</b>	<b>1 358 961</b>	<b>1 255 770</b>	<b>308 723</b>	<b>292 372</b>
Operating profit by business sector				
Paving and Mineral Aggregates Division	16 904	30 832	16 924	26 195
Building Materials Division	2 813	3 180	2 465	3 131
Lemcon Ltd	6 396	6 807		
Oy Alfred A. Palmberg Ab	22 018	12 910		
Tekmanni Oy	3 560	5 509		
Group eliminations / others	-2 855	-2 521		
<b>Total</b>	<b>48 836</b>	<b>56 716</b>	<b>19 389</b>	<b>29 326</b>
<b>1.2 OTHER OPERATING INCOME</b>				
Profit on the sale of fixed assets	2 465	1 542	1 668	1 188
Share of the results of affiliated undertakings	1 749	1 458		
Others	1 468	1 352	760	830
<b>Total</b>	<b>5 682</b>	<b>4 352</b>	<b>2 429</b>	<b>2 017</b>

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2003	1.1.–31.12.2002	1.1.–31.12.2003	1.1.–31.12.2002
<b>1.3 MATERIALS AND SERVICES</b>				
Raw materials, consumables and goods				
Purchases during the accounting period	468 887	418 337	93 978	85 966
Change in inventories	-2 939	-1 494	571	-343
	465 949	416 843	94 549	85 623
External services	427 184	377 127	72 011	64 371
Total	893 133	793 970	166 560	149 994

#### 1.4 NOTES CONCERNING PERSONNEL, MANAGEMENT AND BOARD MEMBERS

Personnel expenses				
Salaries, wages and emoluments	235 539	226 288	63 192	59 377
Pension expenses	37 189	32 601	10 958	10 173
Other personnel-related expenses	18 690	17 527	4 839	3 442
Total	291 419	276 416	78 989	72 992
Management salaries and emoluments				
Board members and managing directors	3 576	3 301	546	517
Average number of employees				
Salaried staff	2 259	2 071	525	504
Hourly paid employees	4 908	4 702	1 242	1 231
Total	7 167	6 773	1 767	1 735
Average number of employees by business sector				
Paving and Mineral Aggregates Division	2 283	2 112	1 182	1 135
Building Materials Division	639	634	585	600
Lemcon Ltd	559	510		
Oy Alfred A. Palmberg Ab	1 806	1 646		
Tekmanni Oy	1 880	1 871		
Total	7 167	6 773	1 767	1 735

#### Pension commitments concerning board members and managing directors

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

#### 1.5 DEPRECIATION

Intangible rights	734	651	227	226
Goodwill	3 250	3 113	291	317
Other capitalised expenditure	306	262	17	18
Buildings	2 511	2 260	1 010	988
Machinery and equipment	16 402	16 133	8 738	8 537
Other tangible assets	1 358	1 482	600	615
Depreciation of tangible and intangible assets	24 561	23 902	10 882	10 701
Depreciation of goodwill on consolidation	4 796	4 552		
Total	29 358	28 455	10 882	10 701



NOTES TO THE FINANCIAL STATEMENTS

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2003	1.1.–31.12.2002	1.1.–31.12.2003	1.1.–31.12.2002
<b>1.6 FINANCIAL INCOME AND EXPENSES</b>				
Dividend income				
From group undertakings			3	64 179
From others	269	156	151	153
Total	269	156	154	64 332
Other interest and financial income				
From group undertakings			1 424	646
From others	1 319	1 521	345	426
Total	1 319	1 521	1 770	1 073
Interest expenses and other financial expenses				
To group undertakings			-1 151	-1 651
To others	-8 880	-9 898	-3 357	-5 148
Total	-8 880	-9 898	-4 509	-6 798
Net financial income/expenses	-7 292	-8 222	-2 585	58 606
Exchange rate differences ( net ) included in financial income/expenses	-91	-1 214	1 055	-1 061
<b>1.7 EXTRAORDINARY ITEMS</b>				
Extraordinary income	2 462		2 390	
Extraordinary expenses	-2 160			
Total	302		2 390	
<b>1.8 APPROPRIATIONS</b>				
Difference between depreciation according to plan and depreciation charged against taxation			3 161	3 511
<b>1.9 DIRECT TAXES</b>				
Income taxes on normal business operations	-14 938	-15 741	-6 589	-26 133
Income taxes in respect of previous years	98	-227	-7	-249
Change in the deferred tax liability	-434	205	-22	63
Total	-15 274	-15 763	-6 618	-26 319
<b>2 BALANCE SHEET</b>				
<b>2.1 NON-CURRENT ASSETS</b>				
<b>2.1.1 Intangible assets</b>				
Intangible rights	2 021	2 309	389	485
Goodwill	35 088	39 429	3 675	474
Other capitalised expenditure	642	931	123	69
Advance payments	594	87	337	18
Total	38 345	42 756	4 525	1 045

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2003	1.1.–31.12.2002	1.1.–31.12.2003	1.1.–31.12.2002
2.1.2 Goodwill on consolidation	25 245	29 178		
2.1.3 Tangible assets				
Land and Waters	10 803	10 918	7 862	7 868
Buildings	29 129	29 714	14 544	14 299
Machinery and equipment	110 575	67 501	39 578	37 474
Other intangible assets	10 782	11 519	8 047	8 181
Advance payments and work in progress	2 093	3 486	1 628	2 486
Total	163 382	123 138	71 660	70 309
2.1.4 Investments				
Holdings in group undertakings			157 259	159 921
Holdings in affiliated undertakings	7 456	6 404	1 286	1 282
Other shares and holdings	7 590	7 734	5 307	5 362
Total	15 045	14 138	163 853	166 566
2.1.1 Intangible assets				
Intangible rights				
Acquisition cost 1.1.	4 751	3 539	1 571	1 494
Translation difference	-5	1		
Increases	447	1 218	131	77
Decreases	-269	-7	-186	
Acquisition cost 31.12.	4 924	4 751	1 517	1 571
Accumulated depreciation 31.12.	-2 902	-2 442	-1 127	-1 087
Book value 31.12.	2 021	2 309	389	485
Goodwill				
Acquisition cost 1.1.	46 131	45 016	1 700	1 700
Translation difference	-1 416	954		
Increases	144	865	3 492	
Decreases	-392	-704	-392	
Acquisition cost 31.12.	44 467	46 131	4 799	1 700
Accumulated depreciation 31.12.	-9 379	-6 702	-1 125	-1 226
Book value 31.12.	35 088	39 429	3 675	474
Other capitalised expenditure				
Acquisition cost 1.1.	1 624	1 104	184	184
Translation difference	-74	48		
Increases	44	615	244	
Decreases	-26	-143	-25	
Acquisition cost 31.12.	1 567	1 624	404	184
Accumulated depreciation 31.12.	-925	-693	-280	-115
Book value 31.12.	642	931	123	69

NOTES TO THE FINANCIAL STATEMENTS

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2003	1.1.–31.12.2002	1.1.–31.12.2003	1.1.–31.12.2002
<b>Advance payments</b>				
Acquisition cost 1.1.	87	132	18	27
Translation difference				
Increases	522	87	335	18
Decreases	-15	-132	-15	-27
Acquisition cost 31.12.	594	87	337	18
<b>2.1.2 Goodwill on consolidation</b>				
Acquisition cost 1.1.	41 231	37 246		
Translation difference				
Increases	999	4 002		
Decreases	-136	-17		
Acquisition cost 31.12.	42 094	41 231		
Accumulated depreciation 31.12.	-16 849	-12 053		
Book value 31.12.	25 245	29 178		
<b>2.1.3 Tangible assets</b>				
<b>Land</b>				
Acquisition cost 1.1.	7 695	7 155	4 645	4 098
Translation difference	-136	85		
Increases	85	609	7	551
Decreases	-63	-154	-13	-4
Acquisition cost 31.12.	7 580	7 695	4 639	4 645
Revaluations	3 223	3 223	3 223	3 223
Book value 31.12.	10 803	10 918	7 862	7 868
<b>Buildings</b>				
Acquisition cost 1.1.	53 913	47 588	27 942	27 938
Translation difference	-495	120		
Increases	2 563	7 003	2 454	4
Decreases	-253	-798	-29	
Acquisition cost 31.12.	55 729	53 913	30 367	27 942
Accumulated depreciation 31.12.	-29 200	-26 799	-18 423	-16 243
Revaluations	2 600	2 600	2 600	2 600
Book value 31.12.	29 129	29 714	14 544	14 299
<b>Machinery and equipment</b>				
Acquisition cost 1.1.	165 538	146 434	95 681	91 998
Translation difference	-1 209	493		
Increases	82 537	34 466	13 705	15 800
Decreases	-8 345	-15 855	-4 713	-12 116
Acquisition cost 31.12.	238 520	165 538	104 673	95 681
Accumulated depreciation 31.12.	-127 945	-98 037	-65 094	-58 207
Book value 31.12.	110 575	67 501	39 578	37 474

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2003	1.1.–31.12.2002	1.1.–31.12.2003	1.1.–31.12.2002
Goods rented by the Group on the basis of finance leasing agreements are included under the Machinery and equipment heading as follows:				
Acquisition cost activated on the basis of finance leasing:				
Increases	63 817			
Accumulated depreciation	-20 170			
Book value 31.12.	43 647			
Other tangible assets				
Acquisition cost 1.1.	19 275	17 295	12 925	10 589
Translation difference	-160	63		
Increases	807	2 812	515	2 341
Decreases	-357	-895	-147	-5
Acquisition cost 31.12.	19 565	19 275	13 292	12 925
Accumulated depreciation 31.12.	-8 783	-7 757	-5 245	-4 743
Book value 31.12.	10 782	11 519	8 047	8 181
Advance payments and construction in progress				
Acquisition cost 1.1.	3 486	3 152	2 486	1 489
Translation difference	-89	99		
Increases	3 780	6 327	1 339	4 789
Decreases	-5 084	-6 092	-2 197	-3 791
Acquisition cost 31.12.	2 093	3 486	1 628	2 486
2.1.4 Investments				
Holdings in group undertakings				
Acquisition cost 1.1.			159 921	155 334
Increases			1 838	4 735
Decreases			-4 499	-149
Acquisition cost 31.12.			157 259	159 921
Holdings in affiliated undertakings				
Acquisition cost 1.1.	6 404	6 475	1 282	1 274
Translation difference	-307	288		
Increases	1 405	879	4	8
Decreases	-46	-1 239		
Acquisition cost 31.12.	7 456	6 404	1 286	1 282
Other shares				
Acquisition cost 1.1.	6 370	5 821	3 998	4 001
Translation difference	-1			
Increases	83	754	17	52
Decreases	-227	-205	-72	-55
Acquisition cost 31.12.	6 225	6 370	3 943	3 998
Revaluations	1 364	1 364	1 364	1 364
Book value 31.12.	7 590	7 734	5 307	5 362



NOTES TO THE FINANCIAL STATEMENTS

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2003	1.1.–31.12.2002	1.1.–31.12.2003	1.1.–31.12.2002
<b>2.1.5 Revaluations</b>				
<b>Land</b>				
Value 1.1.	3 223	3 223	3 223	3 223
Value 31.12.	3 223	3 223	3 223	3 223
<b>Buildings</b>				
Value 1.1.	2 600	2 600	2 600	2 600
Value 31.12.	2 600	2 600	2 600	2 600
<b>Shares</b>				
Value 1.1.	1 364	1 581	1 364	1 581
Decrease		-216		-216
Value 31.12.	1 364	1 364	1 364	1 364
<b>2.2 CURRENT ASSETS</b>				
<b>2.2.1 Inventories</b>				
Raw materials and consumables	14 914	15 193	7 336	7 538
Building plots	38 898	35 421		
Work in progress	11 796	10 509		
Apartments, construction in progress	56 259	47 650		
Apartments, completed	29 867	29 921		
Finished products/goods <sup>1)</sup>	27 651	24 425	25 332	23 296
<b>Total</b>	<b>179 384</b>	<b>163 120</b>	<b>32 668</b>	<b>30 834</b>
1) Includes production overheads on the balance sheet at 31.12.2003	3 467		2 390	
<b>2.2.2 Non-current receivables</b>				
Loan receivables	74	92	52	69
<b>2.2.3 Deferred tax asset</b>				
From timing differences	1 078	899		
<b>2.2.4 Current receivables</b>				
Accounts receivable	137 810	121 125	11 287	9 548
Amounts owed by group undertakings				
Accounts receivable			2 916	2 975
Other receivables			29 253	47 498
Prepayments and accrued income			173	173
<b>Total</b>			<b>32 342</b>	<b>50 646</b>
<b>Amounts owed by affiliated undertakings</b>				
Accounts receivable	69	2		2
Loan receivables	21 227	10 034	139	160
Other receivables	2 602	6 622	154	268
Prepayments and accrued income	45 363	37 705	6 465	4 619
<b>Total</b>	<b>69 192</b>	<b>54 361</b>	<b>6 758</b>	<b>5 046</b>

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2003	1.1.–31.12.2002	1.1.–31.12.2003	1.1.–31.12.2002
Current receivables, total	207 071	175 489	50 386	65 243
Items included in prepayments and accrued income:				
Project income	33 226	24 272		
Taxes	4 247	2 259	2 873	1 035
Wage- and salary-related expenses	1 606	1 847	532	916
Others	6 285	9 327	3 059	2 668
Total	45 363	37 705	6 465	4 619
2.2.5 investments				
Other securities	20 310	6 446	18 478	5 904
2.3 SHAREHOLDERS' EQUITY				
Share capital 1.1.	34 043	34 043	34 043	34 043
Share capital 31.12.	34 043	34 043	34 043	34 043
Share premium account 1.1	5 750	5 750	5 675	5 675
Share premium account 31.12.	5 750	5 750	5 675	5 675
Revaluation reserve 1.1.		105		105
Decrease		-105		-105
Revaluation reserve 31.12.				
Retained earnings 1.1.	165 686	155 090	154 093	107 587
Distribution of dividend	-51 064	-18 723	-51 064	-18 723
Transfer from revaluation reserve		105		105
Translation difference	-673	-243		
Retained earnings 31.12.	113 949	136 229	103 029	88 969
Profit for the accounting period	22 447	29 457	15 737	65 124
Shareholders' equity, total	176 189	205 479	158 483	193 810
Distributable funds 31.12.	124 780	153 758	118 766	154 093
2.4 APPROPRIATIONS				
Depreciation reserve 31.12.			13 460	14 987
2.5 OBLIGATORY PROVISIONS				
Guarantee provisions	4 849	4 219		
Other obligatory provisions	341	812		
Total	5 189	5 030		

NOTES TO THE FINANCIAL STATEMENTS

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2003	1.1.–31.12.2002	1.1.–31.12.2003	1.1.–31.12.2002
<b>2.6 LIABILITIES</b>				
<b>2.6.1 Deferred tax liability</b>				
Appropriations	8 751	7 367		
Revaluations	2 084	2 063	2 084	2 063
Timing differences	4 772	5 927		
<b>Total</b>	<b>15 607</b>	<b>15 357</b>	<b>2 084</b>	<b>2 063</b>
<b>2.6.2 Non-current liabilities</b>				
Loans from credit institutions	83 547	78 632	26 483	30 466
Pension loans	1 568	3 140		
Finance leasing liabilities	42 022			
Other non-current liabilities	6 207	5 292	359	1 096
<b>Total</b>	<b>133 344</b>	<b>87 063</b>	<b>26 843</b>	<b>31 562</b>
<b>Liabilities due after five years or later</b>				
Loans from credit institutions	10 977	23 122	7 400	11 100
Finance leasing liabilities	8 198			
<b>Total</b>	<b>19 175</b>	<b>23 122</b>	<b>7 400</b>	<b>11 100</b>
<b>2.6.3 Current liabilities</b>				
Loans from credit institutions	78 439	28 862	62 983	19 972
Pension loans	1 652	1 652		
Finance leasing liabilities	6 690			
Advances received	105 548	96 899		
Accounts payable	37 689	40 443	6 206	9 722
Accounts payable to group undertakings			399	641
Other liabilities to group undertakings			58 592	52 365
Other liabilities	35 230	34 245	4 991	5 256
Accruals and deferred income	61 554	58 041	13 519	10 344
<b>Total</b>	<b>326 804</b>	<b>260 143</b>	<b>146 690</b>	<b>98 299</b>
<b>Items included in accruals and deferred income:</b>				
Project expenses	5 791	3 982		
Income tax	8 438	8 598	46	
Wage- and salary-related expenses	43 501	38 526	12 055	9 940
Others	3 824	6 936	1 417	404
<b>Total</b>	<b>61 554</b>	<b>58 041</b>	<b>13 519</b>	<b>10 344</b>
<b>2.7 EFFECT OF PERCENTAGE-OF-COMPLETION METHOD ON BALANCE SHEET ITEMS</b>				
<b>Inventories</b>				
Work in progress, total	279 177	294 069		
Portion recognised as income	-267 381	-283 560		
<b>Work in progress on the balance sheet</b>	<b>11 796</b>	<b>10 509</b>		

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2003	1.1.–31.12.2002	1.1.–31.12.2003	1.1.–31.12.2002
Current liabilities				
Advances received, total	380 956	393 759		
Portion recognised as income	-275 407	-296 860		
Advances received on the balance sheet	105 548	96 899		

## 2.8 CONTINGENT LIABILITIES

Liabilities as well as mortgages and bonds pledged as security for them

Loans from financial institutions	52 306	35 297	8 830	10 091
Property mortgages	1 821	1 942		
Business mortgages	87 955	59 332	23 546	23 546
Total	89 776	61 274	23 546	23 546

Other mortgages and securities for own commitments

Property mortgages	5 502	6 849	69	281
Business mortgages	17 382	22 966	1 682	1 682
Bonds pledged as security	6 306	7 513	3 208	3 208
Total	29 191	37 328	4 959	5 171

Mortgages for commitments of group undertakings

Business mortgages			33 000	33 000
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Mortgages and securities, total

Property mortgages	7 324	8 791	69	281
Business mortgages	105 337	82 298	58 228	58 228
Bonds pledged as security	6 306	7 513	3 208	3 208
Total	118 967	98 602	61 505	61 717

Guarantees given

On behalf of group undertakings			235 444	225 195
On behalf of affiliated undertakings	885	984	585	784
Total	885	984	236 029	225 978

Leasing liabilities

Payable in the year 2003	1 859	9 740	6 362	5 304
Payable in subsequent years	2 103	35 009	19 507	19 159
Total	3 963	44 749	25 869	24 463

Finance leasing is recognised as a liability on the consolidated balance sheet at 31.12.2003

Factoring liabilities	11 146	9 195		
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Derivative contracts

Forward foreign exchange contracts				
Nominal value	31 592	29 347	31 521	29 153
Current value	424	-131	431	-117



NOTES TO THE FINANCIAL STATEMENTS

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2003	1.1.–31.12.2002	1.1.–31.12.2003	1.1.–31.12.2002
Currency options, calls purchased				
Nominal value	1 188			
Current value	10			
Currency options, puts written				
Nominal value	594			
Current value	-6			
Interest rate options, calls purchased				
Nominal value	9 874	12 370	9 874	12 370
Current value	24	22	24	22
Interest rate options, puts written				
Nominal value	9 874	12 370	9 874	12 370
Current value	-709	-187	-709	-187
Interest rate swap contracts				
Nominal value	24 316		24 316	
Current value	-101		-101	

## Shares and holdings

EUR 1 000	Consolidated shareholding		Parent company shareholding		Shareholding of other group undertakings Value
	%	%	Shares	Value	
<b>Group undertakings 31<sup>st</sup> December 2003</b>					
Oy Finnasfalt Ab, Helsinki	100.0	100.0	200	10	
Forssan Betonituote Oy, Forssa	100.0	100.0	2 000	3 305	
Kvalitetsasfalt i Mellansverige Ab, Sweden	75.0	75.0	7 500	5 266	
Lemcon Baumanagement GmbH, Germany	100.0	100.0	100	21	
Lemcon Company S.A., Luxembourg	100.0	100.0	1 605	31	
Lemcon Latvija SIA, Latvia	100.0	100.0	600	1 835	
Lemcon (UK) Ltd, United Kingdom	100.0	100.0	100		
Lemminkäinen A/S, Denmark	100.0	100.0	45 500	18 972	
ZAO Lemminkäinen Dor Stroi (Lemdorstroi), Russia	100.0	100.0	49	544	
Lemminkäinen Eesti As, Estonia	100.0	100.0	40	3	
UAB Lemminkäinen Lietuva, Lithuania	99.5	99.5	3 730 971	3 479	
Lemminkäinen Svenska Ab, Sweden	100.0	100.0	10	12	
ZAO Lemruf, Russia	100.0	100.0	12	3	
Omni-Sica Oy, Helsinki	100.0	100.0	50	9	
Oy Roofing Ab, Helsinki	100.0	100.0	200	16	
Sica Oy, Helsinki	100.0	100.0	1 003	55 946	
Oü Sten Killustik, Estonia	100.0	100.0	400		
TEK Holding Oy, Helsinki	100.0	100.0	900	37 859	
Tielinja Oy, Helsinki	100.0	100.0	75	309	
Fjellhammer Asfalt AS, Norway	100.0				113
UAB Kelio Linija, Lithuania	100.0				3
Lemminkäinen Norge AS, Norway	100.0				8 882
As Rajar TI, Estonia	100.0				101

EUR 1 000	Consolidated shareholding %	Parent company shareholding			Shareholding of other group undertakings Value
		%	Shares	Value	
VÅe A/S, Denmark	51.0				1 196
Valmisbetonitehdas Betmix Oy, Tampere	100.0				2 235
Lemcon Ltd, Helsinki	100.0	100.0	100	1 682	
ICM International Construction Management, Hungary	85.6				467
Lemcon Networks Ltd, Helsinki	76.0				304
Lemcon Polska Sp.z o.o, Poland	100.0				387
Lemcon Vilnius UAB, Lithuania	100.0				979
ZAO Lemstroj, Russia	100.0				18
Neccos Oy, Helsinki	100.0				52
WPL-System Oy, Helsinki	100.0				42
Lemcon Bauprojekt-Management GmbH, Austria	76.0				28
Lemcon Canada Ltd, Canada	76.0				1
Lemcon do Brasil Ltda, Brazil	76.0				245
Lemcon Épitöipari Kft, Hungary	76.0				28
Lemcon (Philippines) Inc., Philippines	76.0				222
Lemcon Pte Ltd, Singapore	76.0				7
OOO Lemcon Rus, Russia	76.0				
Lemcon (Thailand) Ltd, Thailand	76.0				51
Lemcon USA Corporation, United States	76.0				1
Pasila Telecom Oy, Helsinki	76.0				8
Oy Alfred A. Palmberg Ab, Helsinki	100.0	51.5	2 551	27 960	10 392
AAP-Insinöörit Oy, Helsinki	100.0				9
Byggnads Ab Forsström Rakennus Oy, Kokkola	75.0				151
Oy Konte Ab, Vaasa	90.9				168
Oka Oy, Kouvola	70.0				2 463
Palmberg-Rakennus Oy, Oulu	100.0				168
Palmberg TKU Oy, Turku	90.0				687
Palmberg-Urakoitsijat Oy, Hyvinkää	90.0				45
Rakennusliike A. Taskinen Oy, Kitee	70.0				1 920
Rakennusliike S. Horttanainen Oy, Porvoo	100.0				67
Rakennus-Otava Oy, Jyväskylä	100.0				605
Rakennustoimisto Palmberg Oy, Tampere	70.0				572
Savocon Oy, Kuopio	88.3				417
Ab Jakobe Oy, Pietarsaari	84.9				1 087
Oy Kokkobe Ab, Kokkola	90.3				1 452
Rekab Entreprenad Ab, Sweden	80.0				243
Tekmanni Oy, Helsinki	82.6				1 469
Sähköliike Tekno Oy, Kokkola	46.2				1 422
UAB Tecmen Vilnius, Lithuania	82.6				2
Tekmanni Eesti AS, Estonia	82.6				6
Tekmanni Service Oy, Helsinki	82.6				8
Tekmen SPB, Russia	82.6				8
ZAO Tekmen SS, Russia	82.6				2
Turun Rakennusputki Oy, Turku	49.5				658
<b>Total</b>				<b>157 259</b>	<b>39 394</b>
<b>Affiliated undertakings</b>					
Pointti-Talo Oy, Lahti	45.0	45.0	27	293	
Talter AS, Estonia	49.6	49.6	4 188	993	2 103
Laing-Loy Management Ltd, United Kingdom	50.0				29
Lemcon Ballast Nedam N.V, Holland	50.0				128
Bricks AS, Norway	50.0				27
Lörenskog Asfalt ANS, Norway	50.0				1 037
Martin Haraldstad AS, Norway	50.0				748
Moelv Grus AS, Norway	50.0				147
Nordasfalt AS, Norway	50.0				978
Ullensaker Asfalt AS, Norway	50.0				556
Oy Tara-Element Ab, Kokkola	48.9				417
<b>Total</b>				<b>1 286</b>	<b>6 170</b>
<b>Other shares and holdings</b>					
					Value, EUR 1 000
Property shares					2 585
Housing shares					3 400
Other shares and holdings					1 605
<b>Total</b>					<b>7 590</b>

## Economic trends and financial indicators

	2003 EUR mill.	2003 EUR mill. Pro Forma <sup>1)</sup>	2002 EUR mill.	2001 EUR mill.	2000 EUR mill.	1999 EUR mill.
Net sales	1 359.0		1255.8	1116.5	964.6	826.4
Exports and operations abroad	289.3		249.0	202.5	117.6	139.6
% net sales	21.3		19.8	18.1	12.2	16.9
Operating profit	48.8		56.7	69.7	50.2	42.8
% net sales	3.6		4.5	6.2	5.2	5.2
Profit before extraordinary items	41.5		48.5	61.7	46.4	39.9
% net sales	3.1		3.9	5.5	4.8	4.8
Profit before taxes	41.8	41.5	48.5	61.7	46.4	39.9
% net sales	3.1		3.9	5.5	4.8	4.8
Profit for the accounting period	22.4	22.1	29.5	55.1	29.3	26.4
% net sales	1.7	1.6	2.3	4.9	3.0	3.2
Non-current assets	242.0	198.4	209.3	197.8	169.5	124.5
Inventories	179.4	175.9	163.1	145.2	137.2	114.6
Financial assets	252.7	251.8	215.5	212.6	192.5	153.4
Shareholders' equity	176.2	175.9	205.5	195.0	154.5	139.6
Minority interests	17.0		14.8	10.5	7.5	3.3
Interest-bearing liabilities	224.1	175.4	119.8	138.6	120.6	73.3
Interest-free liabilities	256.9	257.9	247.8	211.5	216.5	176.3
Balance sheet total	674.1	626.1	587.9	555.6	499.2	392.5
Return on equity, % <sup>2)</sup>	12.7		15.4	31.4	19.9	20.6
Return on investment, %	13.3	14.2	17.1	23.0	20.7	21.7
Equity ratio, %	34.0	37.1	44.9	41.7	36.9	43.5
Gearing, %	93.0	67.8	36.7	44.1	54.0	33.1
Interest-bearing net liabilities	179.6	130.9	80.7	90.7	87.5	47.3
Gross investments	23.0		48.7	94.0	72.4	42.2
% net sales	1.7		3.9	8.4	7.5	5.1
Order book 31.12.	593.0		567.9	440.7	451.1	386.6
Number of employees	7 167		6 773	6 311	4 487	3 500

1) Inventories and finance leasing are treated in accordance with the old accounting principles.

2) The EUR 15.2 million tax refund that is recognised as income in the 2001 accounts weakens the comparability of this indicator.

### Formulae for calculation of financial indicators

#### RETURN ON INVESTMENTS, %

Profit before extraordinary items + interest expenses  
and other financial expenses x 100

Balance sheet total - interest-free liabilities  
(average for accounting period)

#### RETURN ON EQUITY, %

Profit before extraordinary items - income taxes x 100

Shareholders' equity + minority interests  
(average for accounting period)

#### EQUITY RATIO, %

Shareholders' equity + minority interests x 100

Balance sheet total - advances received

#### GEARING, %

Interest bearing liabilities - investments - cash in hand and at banks x 100

Shareholders' equity + minority interests

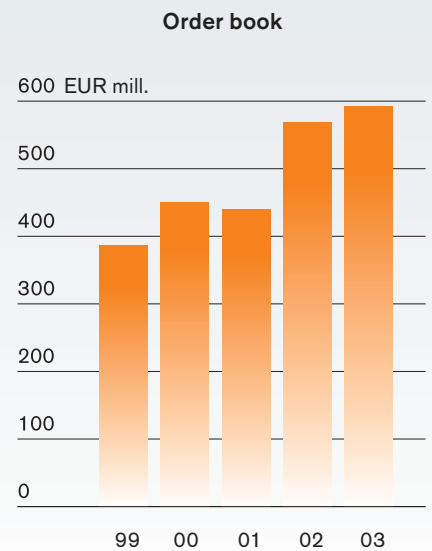
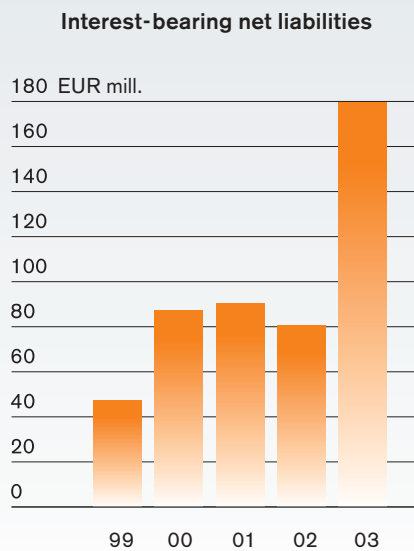
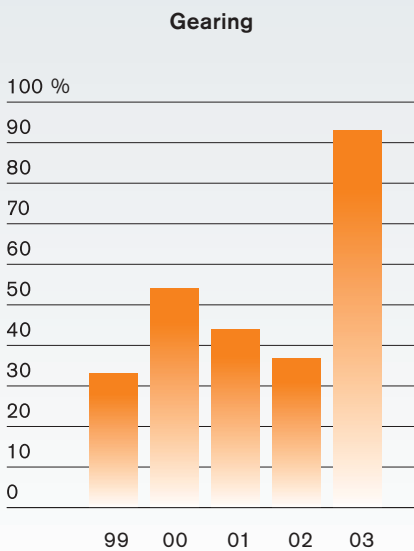
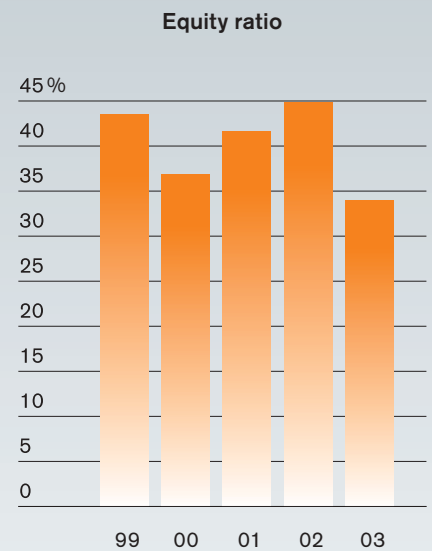
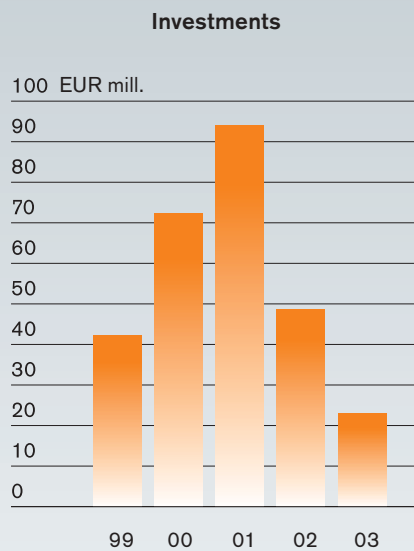
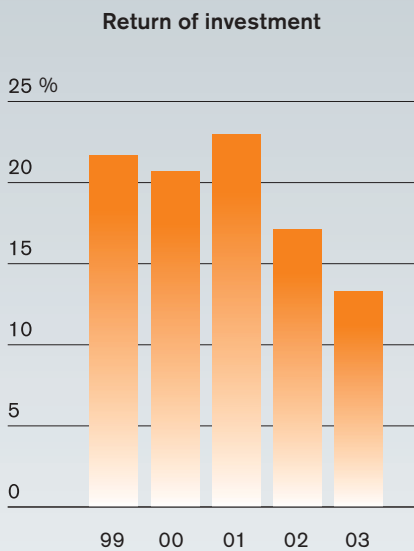
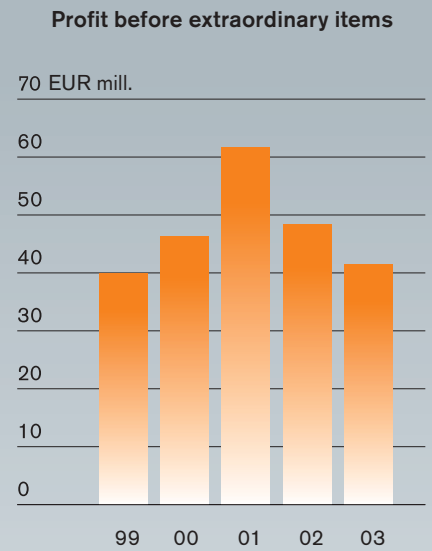
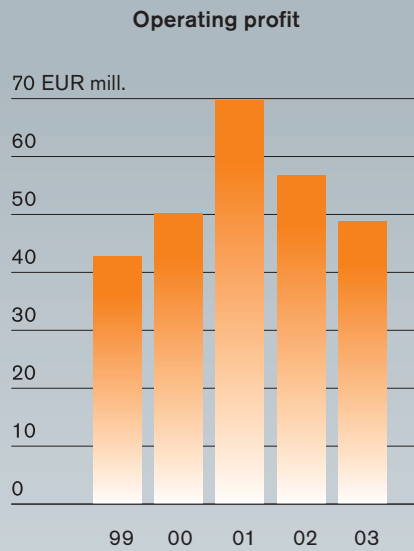
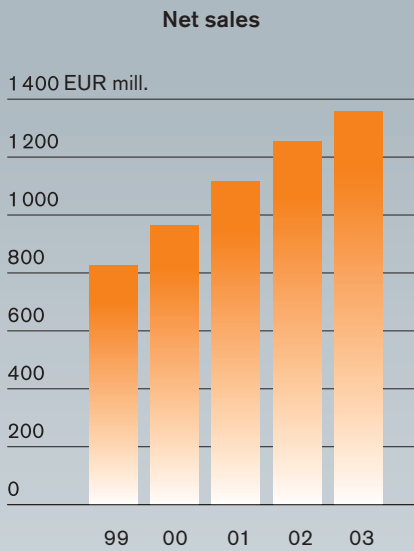
#### INTEREST-BEARING NET DEBT

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

#### EMPLOYEES

Sum of monthly employee totals

Number of months in accounting period





## Shares and shareholders

### Shares and shareholders

Lemminkäinen Corporation's shares are included in the book entry system for securities. The Company's share is listed on Helsinki Exchanges. The Company has a market-making agreement with Nordea Securities Oyj. The Company's share capital is EUR 34 042 500. The nominal value of the Company's share is EUR 2.00 and the number of shares 17 021 250. The Company has one share series.

### Share prices and trading

The average listed price of Lemminkäinen Corporation's share during the accounting period was EUR 17.39 (15.23). The year-end price of the Company's share was EUR 17.00 (16.00) and the market capitalisation EUR 289.4 million (272.3). At the end of the year the Company had 2 807 (2 065) shareholders. The trading volume was 2 193 022 shares (959 724).

### Notice as defined in section 2, article 9 of the securities market act

During the accounting period the Company received one notice as defined in section 2, article 9 of the Securities Market Act. According to the notice, Pohjola Group plc's holding of Lemminkäinen Corporation shares had fallen below 5 % of the Company's share capital and voting rights.

### Shareholder agreements

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

### Share issue authorisation

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

### Own shares

The Board of Directors is not currently authorised to buy back the Company's own shares.

### Management share ownership

As of 31<sup>st</sup> December 2003, the members of the Board of Directors and the Managing Director held a total of 7 503 312 shares, representing 44.1 % of the Company's shares and their conferred voting rights.

### The Company's major shareholders, 31<sup>st</sup> December 2003

	Number of shares	% of total stock
Heikki Pentti	3 813 956	22.41
Erkki J. Pentti	3 673 956	21.58
Olavi Pentti	3 673 953	21.58
Pohjola Non-Life Insurance Company Limited	856 800	5.03
Etra-Invest Oy Ab	444 400	2.61
Varma Mutual Employment Pension Insurance Company	441 100	2.59
Placeringsfonden Aktia Capital	365 822	2.15
Tukinvest Oy	201 600	1.18
Etera Mutual Pension Insurance Company	156 600	0.92
Placeringsfonden Aktia Secura	100 600	0.59
Mutual Insurance Company Pension-Fennia	82 200	0.48
Lamy Oy	82 000	0.48
Suomi Mutual Life Assurance Company	81 400	0.48
Ilmarinen Mutual Pension Insurance Company	71 900	0.42
Local Government Pensions Institution	68 100	0.40
<b>Total, 15 largest</b>	<b>14 114 387</b>	<b>82.90</b>

### Owner groups, 31<sup>st</sup> December 2003

	Number of shareholders	% of shareholders	Number of shares	% of total stock
Households	2 508	89.35	12 964 229	76.17
Companies	200	7.13	1 195 129	7.02
Financial and insurance institutions	20	0.71	1 477 798	8.68
Public corporations	8	0.28	842 700	4.95
Non-profit organisations	58	2.07	293 448	1.73
Foreign owned	8	0.28	7 235	0.04
Nominee-registered	5	0.18	228 411	1.34
In joint accounts			12 300	0.07
<b>Total</b>	<b>2 807</b>	<b>100.00</b>	<b>17 021 250</b>	<b>100.00</b>

### Share ownership distribution, 31<sup>st</sup> December 2003

Number of shares per shareholders	Number of shareholders	% of shareholders	Number of shares	% of total stock
1-100	506	18.03	29 654	0.17
101-1 000	1 888	67.26	739 241	4.34
1 001-10 000	364	12.97	1 126 583	6.62
10 001-100 000	38	1.35	1 167 555	6.86
100 001-1 000 000	8	0.28	2 784 052	16.36
1 000 001-	3	0.11	11 161 865	65.58
In joint accounts			12 300	0.07
<b>Total</b>	<b>2 807</b>	<b>100.00</b>	<b>17 021 250</b>	<b>100.00</b>

## Share-issue-adjusted financial indicators

EUR	2003	2003 Pro Forma	2002	2001	2000	1999
Earnings per share (EPS) <sup>2)</sup>	<b>1.30</b>		1.73	3.23	1.72	1.55
Equity per share	<b>10.35</b>	10.33	12.07	11.46	9.08	8.20
Dividend per share	<b>1.50</b> <sup>1)</sup>		3.00	1.10	0.84	0.84
Dividend to earnings ratio, % <sup>2)</sup>	<b>115.3</b>		173.4	34.0	48.9	54.3
Effective dividend yield, %	<b>8.8</b>		18.8	8.5	7.0	8.6
Price/earnings ratio(P/E)	<b>13.1</b>		9.2	4.0	7.0	6.3
Share price						
mean	<b>17.39</b>		15.23	12.86	11.89	8.78
lowest	<b>13.40</b>		13.00	11.00	10.00	7.25
highest	<b>20.90</b>		17.00	13.90	14.00	10.10
at end of accounting period	<b>17.00</b>		16.00	13.00	12.00	9.80
Market capitalisation, mill.	<b>289.4</b>		272.3	221.3	204.3	166.8
Shares traded, 1000	<b>2 193</b>		960	460	1 185	1 658
% of total	<b>12.9</b>		5.6	2.7	7.0	9.7
Issue-adjusted number of shares						
average for the period, 1000	<b>17 021</b>		17 021	17 021	17 021	17 021
at end of period, 1000	<b>17 021</b>		17 021	17 021	17 021	17 021

1) Board of Directors' proposal to the AGM

2) The EUR 15.2 million tax refund that is recognised as income in the 2001 accounts weakens the comparability of these indicators.

## Formulae for calculation of financial indicators

### EARNINGS PER SHARE

Profit before extraordinary items and taxes

- income taxes - minority interests

Share-issue-adjusted average number of shares

### SHAREHOLDERS' EQUITY PER SHARE

Shareholders' equity

Share-issue-adjusted number of shares at the end of period

### DIVIDEND PER SHARE

Dividend for the accounting period

Share-issue-adjusted number of shares at the end of period

### DIVIDEND TO EARNINGS RATIO, %

Dividend for the accounting period x 100

Profit before extraordinary items - taxes - minority interest

### EFFECTIVE DIVIDEND YIELD, %

Dividend per share x 100

Final share quotation

### P/E RATIO

Final share quotation

Earnings per share

### MEAN SHARE PRICE

(share-issued-adjusted)

Trading value of total share turnover

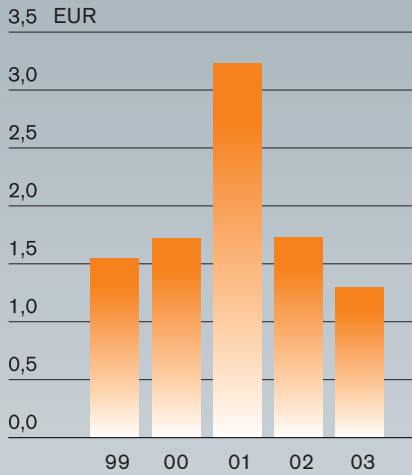
Share-issue-adjusted number of shares traded during the period

### MARKET CAPITALISATION

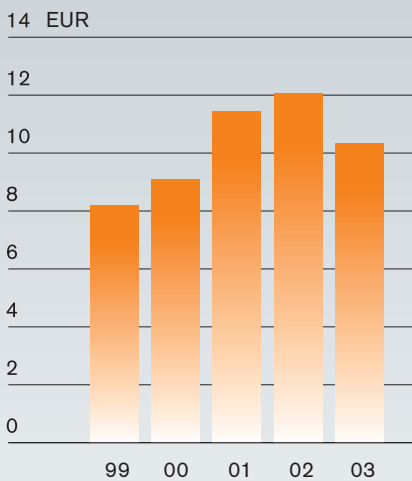
Number of shares x final share quotation

SHARES AND SHAREHOLDERS

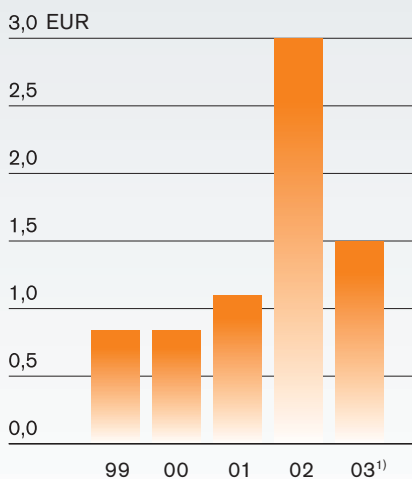
Earnings per share



Shareholder's equity per share



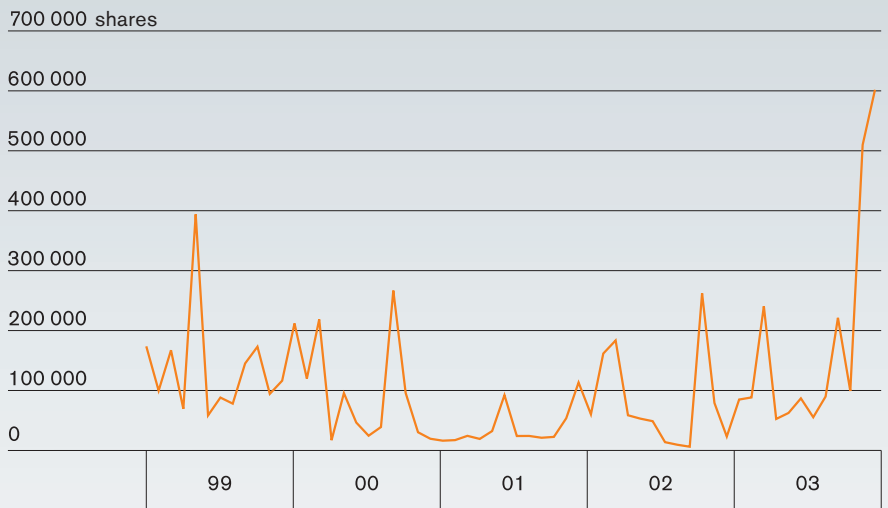
Dividend per share



Share price trend



Share trading



1) Board of Directors' proposal to the AGM

## Board of Directors' proposal for appropriation of retained earnings

Distributable shareholders' equity shown on the consolidated balance sheet at 31<sup>st</sup> December 2003 amounts to EUR 124 780 148.31. Distributable shareholders' equity shown on the parent company balance sheet at 31<sup>st</sup> December 2003 amounts to EUR 118 765 725.64 consisting of EUR 103 028 843.08 in retained earnings from previous years and EUR 15 736 882.56 in profit for the accounting period. The Board of Directors will propose to the Annual General Meeting that the Company pay a dividend of EUR 1.50 per share for the 2003 accounting period, i.e. total EUR 25 531 875.00 after which retained earnings would stand at EUR 93 223 850.64.

Helsinki, 11<sup>th</sup> February 2004

Heikki Pentti

Teppo Taberman

Berndt Brunow

Erkki J. Pentti

Sakari Tamminen

Juhani Sormaala  
Managing Director

## Auditors' Report

### To the shareholders of Lemminkäinen Corporation

We have audited the accounting, the financial statements and the corporate governance of Lemminkäinen Corporation for the financial year ended December 31, 2003. The financial statements, which include the report of Board of Directors, consolidated and parent company income statements, balance sheets and notes to financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the financial year audited by us. The proposal by the Board of Directors regarding distributable funds is in compliance with the Companies Act.

Helsinki 2<sup>nd</sup> March 2004

Jan Holmberg  
Authorised Public Accountant

Jarmo Alén  
Authorised Public Accountant

## Parent Company Board of Directors

### Erkki J. Pentti

- born 1948
- Graduate in business studies
- Member of the Board of Directors since 1975
- Managing Director of Tahko-Chalet Oy
- Group employee since 1973
- Owns 3 673 956 Lemminkäinen Corporation shares

### Heikki Pentti

- born 1946
- B.Sc. (Econ.)
- Chairman of the Board of Directors since 1994
- Member of the Board of Directors since 1969
- Managing Director of Lemminkäinen Corporation 1983–1993
- Group employee since 1973
- Member of the Board of Directors of Fortum Oyj, Myllykoski Oyj and Pohjola Group plc.
- Owns 3 813 956 Lemminkäinen Corporation shares



### Berndt Brunow

- born 1950
- M.Sc. (Eng.)
- Member of the Board of Directors since 2002
- Managing Director of Oy Karl Fazer Ab since 2003
- over 20 years of experience in management posts in the forest industry both in Finland and abroad
- Member of the Board of Directors of UPM Kymmene Corporation and Sanitec Corporation
- Owns 10 000 Lemminkäinen Corporation shares

### Teppo Taberman

- born 1944
- M.Sc. (Econ.)
- Vice Chairman of the Board of Directors since 1998
- Member of the Board of Directors since 1997
- Professional board member and economic advisor since 1995
- more than 20 years of banking experience deputy CEO in two different banks
- Member of the Board of Directors of Oy Rettig Ab, Oy G.W. Sohlberg Ab, Ingman Group Oy Ab, Larox Oyj, Paloheimo Oy and SKS-Tekniikka Oy
- Does not own any Lemminkäinen Corporation shares

### Sakari Tamminen

- born 1953
- M.Sc. (Econ.)
- Member of the Board of Directors since 2003
- Managing Director of Rautaruukki Oyj since 2004
- Deputy Managing Director of Rautaruukki Oyj 2003–
- Management posts with Rauma-Repola Oy, Rauma Oy and Metso Oyj 1987–2003
- Member of the Board of Directors of SanomaWSOY Oyj, Kuusakoski Group Oy, Kuusakoski Oy and the Stock Exchange Foundation
- Does not own any Lemminkäinen Corporation shares



# Management of Lemminkäinen Group

## Juhani Sormaala

- born 1950
- M.Sc. (Eng.), M.Sc. (Econ.)
- Managing Director of Lemminkäinen Corporation since 1994
- Managing Director of Oy Alfred A. Palmberg Ab 1986–1993
- Development Director of Lemminkäinen Corporation 1985–1986
- Group employee since 1981
- Member of the Board of Directors of the Confederation of Finnish Construction Industries (RT) 2000–
- Member of the Supervisory Board of Tapiola Mutual Insurance Company, 1998–
- Chairman of the Board of Directors of Tekmanni Oy 2000–, Lemcon Ltd 1994–, and Oy Alfred A. Palmberg Ab 1994–
- Owns 5 400 Lemminkäinen Corporation shares

## Jukka Ovaska

- born 1950
- Graduate in business studies
- Finance Director since 1994
- Group employee since 1979
- Member of the Board of Directors of Oy Alfred A. Palmberg Ab 1994–, Lemcon Ltd 1994– and Tekmanni Oy 2000–
- Owns 900 Lemminkäinen Corporation shares

## Ari Junttila

- born 1955
- M.Sc. (Eng.)
- Head of the Paving and Mineral Aggregates Division, 2002–
- Lemminkäinen Corporation
- Head of the Building Materials Division, 1996–2002
- Head of the Roofing Unit, 1992–1996
- Head of the Optimi Unit, 1990–1992
- Group employee since 1983
- Member of the Board of Directors of Tekmanni Oy, 2000–
- Member of the Board of Directors of the Finnish Asphalt Association, 2002–
- Owns 5 500 Lemminkäinen Corporation shares

## Erkki Lönnrot

- born 1954
- Construction engineer
- Head of the Building Materials Division, 2002–
- Lemminkäinen Corporation
- Head of the Roofing Unit, 1999–2002
- Contracting Manager, 1993–1998
- Group employee since 1980
- Member of the Board of Directors of the Confederation of Finnish Construction Industries (RT), 2002–
- Chairman of the Board of Directors of the Finnish Roofing Association, 1997–
- Owns 500 Lemminkäinen Corporation shares

## Matti A. Mantere

- born 1945
- M.Sc. (Eng.)
- Managing Director of Lemcon Ltd, 1992–
- Lemminkäinen Corporation
- Head of the Building Division, 1987–1991
- Export assignments, 1977–1987
- Group employee since 1975
- Member of the Board of Directors of Oy Alfred A. Palmberg Ab, 1996–
- Does not own any Lemminkäinen Corporation shares

## Risto Bono

- born 1942
- M.Sc. (Eng.), M.Sc. (Econ.)
- Managing Director of Oy Alfred A. Palmberg Ab, 1994–
- Director of Oy Alfred A. Palmberg Ab, 1990–1993
- Deputy Managing Director of Continental Air Conditioning International, Belgium, 1985–1991
- Confederation of Finnish Construction Industries (RT), Member of the Board of Directors of the Building Construction Section, 2003–
- Member of the Board of Directors of Tekmanni Oy, 2001– and Lemcon Ltd 1994–
- Owns 3 000 Lemminkäinen Corporation shares

## Antero Huhta

- born 1947
- B.Sc. (Eng.)
- Managing Director of Tekmanni Oy, 2000–
- Rakennustoimisto
- A Puolimatka Oy/NCC Oy
- Head of Building Production, 1989–2000
- Line manager, 1986–1989
- Member of the Board of Directors of the Technical Building Services Association, 2000–
- Member of the Board of Directors of LVI-TU, 2000–
- Member of the Board of Directors of Oy Alfred A. Palmberg Ab, 2001–
- Does not own any Lemminkäinen Corporation shares

## Corporate governance

### Lemminkäinen's values

**Profitable business.** The primary objective of business is profitability. Only by conducting business profitably can the interests of shareholders, employees and other stakeholder groups be safeguarded.

**Satisfied customers.** Lemminkäinen wishes to forge and maintain good and long-lasting relationships with customers. The Company systematically surveys and analyses not only the needs of its customers but also their satisfaction with its products and services.

**Employee wellbeing.** The professional competence of Lemminkäinen's employees is maintained and developed through continuous training, job rotation and other HR programmes. Particular attention is paid to fitness for work as well as occupational health & safety issues.

**Environmentally responsible construction.** Lemminkäinen wishes to act as an expert in environmentally responsible construction.

### Group structure

There are five business sectors in the Lemminkäinen Group. The business operations of the Parent Company are divided into the Paving and Mineral Aggregates Division and the Building Materials Division. The subsidiaries Lemcon Ltd, Oy Alfred A. Palmberg Ab and Tekmanni Oy each operate in their own business sectors.

### Board of Directors of the Parent Company

Lemminkäinen Corporation's Annual General Meeting elects each year at least four and at most eight members to serve on the Company's Board of Directors. The term of office of the board members ends at the conclusion of the first Annual General Meeting held after their election.

There were five members serving on the Board of Directors in 2003. They were Messrs. Berndt Brunow, Erkki J. Pentti, Heikki Pentti, Teppo Taberman, Juhani Sormaala (until 21<sup>st</sup> March 2003) and Sakari Tamminen (from 21<sup>st</sup> March 2003). Messrs. Berndt Brunow, Teppo Taberman and Sakari Tamminen were independent of the Company and its significant shareholders.

The Board of Directors elects its Chairman and Vice Chairman from among the members. In 2003 Mr. Heikki Pentti served as the Chairman and Mr. Teppo Taberman as the Vice Chairman.

Lemminkäinen Corporation's Board of Directors generally meets once a month. There were 11 board meetings in 2003 and the overall attendance rate of the board members was 93 per cent.

The Board of Directors handles matters in accordance with its order of business and decides on important matters of principle and issues with far-reaching consequences for the Group. The Board of Directors makes decisions in accordance with its mandate in the Articles of Association on matters such as expansion into new business areas and the discontinuation of old businesses. The Board of Directors approves the budgets of Group companies as constituent parts of the Group's budget, and makes investment and financing decisions that are important for the Group. In addition, the Board of Directors decides on the content of the Group's environmental, insurance and other key policies.

The Board of Directors appoints and dismisses the Managing Director as well as his/her immediate subordinates. It decides on the salary, fees and other benefits received by the Managing Director and his/her immediate subordinates. The Board of Directors also decides on the principles of the Group's incentive pay schemes.

As the number of members serving on the Board of Directors is small and the Board meets often, it is well able to handle the tasks relating to supervision, appointments and remuneration that belong to its own order of business. For this reason it is not regarded as being necessary at the present time to establish committees to prepare these matters for presentation to the Board of Directors.

At meetings of the Board of Directors the Managing Director presents his review of the Group's different business sectors as well as financial reports on the Group.

The fees payable to board members are decided at a general meeting of shareholders. In 2003 the Chairman was paid a fee of EUR 11 000 per month and the board members each received a fee of EUR 1 900 per month.

The Board of Directors made regular internal self-assessments of its work.

### Managing Director

The Managing Director of Lemminkäinen Corporation is responsible for the day-to-day management and practical planning of the Company's businesses. The Managing Director also takes care of actions that are strategically important at Group level, such as preparations for

acquisitions and the execution of measures decided by the Board of Directors. In addition, the Managing Director ensures that the Company's management resources are sufficient and that the Company's governance is both appropriate and in accordance with the law. Mr. Juhani Sormaala has served as the Company's Managing Director since 1994.

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

In 2003 the Managing Director was paid a total of EUR 325 084, which included a performance-related reward of EUR 30 000.

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

### Other executives and the governance of subsidiary groups

Lemminkäinen's senior management comprises the Managing Director, the Finance Director and the heads of the business sectors, i.e. the Head of the Paving and Mineral Aggregates Division, the Head of the Building Materials Division, and the managing directors of Lemcon Ltd, Oy Alfred A. Palmberg Ab and Tekmanni Oy. The heads of the business sectors and the Finance Director are operatively direct subordinates of Lemminkäinen Corporation's Managing Director. The Company has no separate management body at Group level.

The managing directors of Lemminkäinen's major subsidiaries act as presenters in meetings of their respective boards of directors, which are all chaired by Lemminkäinen Corporation's Managing Director. The managing directors of these major subsidiaries each serve as a member on the board of directors of at least one of the other major subsidiaries. No separate remuneration is paid to employees of the Group in respect of subsidiary board membership.

### Performance-related pay scheme

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

Lemminkäinen Group's performance-related pay scheme for senior management comprises an annual reward based on the Company's result and a long-term commitment incentive based on the creation of economic value added. Lemminkäinen's Board of Directors confirms the parameters of performance-related pay scheme annually. The result-based annual reward can be a maximum of 30 % of annual salary. The commitment incentive reward can be a maximum of six month's salary.

### Internal control, risk management and internal audit

#### Internal control

The Group's businesses and treasury management are controlled by means of efficient planning and supervisory systems, unit-specific reporting systems and internal audits. Most of the Company's management and operating systems are documented and/or certificated. The functionality of the systems as well as their observance are monitored not only internally but also by the certification organisations.

### Risk management

Lemminkäinen's risks are divided into six categories: market risks, project risks, financing risks, credit loss risks, environmental risks, and accidents and damage.

#### Market risks

The most significant of Lemminkäinen's market risks is the cyclical nature of new construction. This risk is managed by structural means and operational preparedness. Unlike most other construction companies, the structure of the Lemminkäinen Group is such that only about a half of its business sectors are sensitive to the cyclical nature of domestic building construction. Operationally, the Group counters market risks by maintaining the flexibility and responsiveness necessary to adjust quickly to changing market conditions.

#### Project risks

Building contracting is essentially a risky business. The building contractor is always exposed to the risk of estimated contract costs being exceeded. This risk is managed in three ways. Firstly, business is oriented so that the average contract size is quite small. The net sales generally annually from even the biggest of Lemminkäinen's contracts will not exceed about 5 % of the Group total in any given year. This means that the failure of an individual contract cannot have a major impact on the Group's result. Secondly, Lemminkäinen is selective when deciding on the projects for which it will submit tenders. The Company does not tender for projects when it does not possess the necessary resources or previous experience. Thirdly, special attention is continuously paid to project management and its development.

The sales risk associated with own housing and commercial development is controlled by not starting such developments without advance marketing and the receipt of sufficient reservations. Unplanned land or building rights are not acquired for future use without carefully planning when construction can start and who could be the site's users and owners.

#### *Financing risks*

All significant corporate or business acquisitions are evaluated critically from the perspectives of their cash flow and impact on the balance sheet. The Group hedges against interest rate and foreign exchange risks in the conventional ways. The maturities of seasonal credit stemming from the nature of Lemminkäinen's business are short, while those of other borrowings are mostly long. Receivables denominated in foreign currencies and the share capital of foreign subsidiaries are hedged.

#### *Credit losses*

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 predetermined in relation to the expected margin on the project in question.

#### *Environmental risks*

The environmental risks associated with the Group's businesses are analysed in advance. Risk assessment and risk management are part of the Group's normal operations. Environmental risks are minimised by reducing emissions and by improving the safety of storing and handling oils and other chemicals. The management of environmental affairs and the effects of the Group's operations on the environment are continuously monitored by means of internal reviews and control programmes.

#### *Accidents and damage*

The Group's fixed assets are insured against damage or loss in accordance with the insurance policy approved annually by the parent company's Board of Directors. Owing to the accident-prone nature of construction work, special attention is continuously paid to the development of industrial health & safety.

### Internal audit

The Company's internal audit function assists the Board of Directors to discharge its supervisory responsibility. The Board of Directors approves the internal auditing procedures and the annual audit plan. The internal audit function is subordinate to the Board of Directors and operates under the supervision of the Managing Director. The internal audit function reports its findings to the Chairman of the Board of Directors and to the Managing Director, and presents its report to the Board of Directors biannually.

The primary task of the internal audit function is to examine and assess Lemminkäinen Group's risk management as well as the efficiency and functionality of the units' internal controls. The internal audit function must check to ensure that financial information is correct and adequate, that the operating policies, regulations and guidelines are followed, that reporting and quality systems are observed, that assets are protected from losses, and that resources are used economically and efficiently. The internal audit function also acts as an expert in development projects associated with its field, and carries out special investigations at the behest of the Board of Directors or senior management.

### Auditors

Lemminkäinen Corporation's auditors for the 2003 accounting period were Messrs. Jan Holmberg, A.P.A. and Jarmo Alén, A.P.A. The deputy auditor was Authorised Public Accountants Oy Joe Sundholm & Co. Ab, with Kim Karhu, A.P.A. as the responsible auditor.

In the 2003 accounting period Lemminkäinen Corporation's auditors were paid EUR 69 500 for their auditing work and EUR 35 250 in consulting fees.

### Insider Rules

Lemminkäinen Corporation's new Guidelines for Insiders came into force on 1<sup>st</sup> March 2000. They embrace the insider rules drawn up by Helsinki Exchanges, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers.

Statutory insiders as well as persons who in the course of their duties regularly receive information essentially influencing the value of a security of the Company are defined as permanent insiders on the basis of the Guidelines.

The duration of the period preceding the publication of interim financial reviews and full-year financial statements during which the Company's permanent insiders may not trade in securities issued by the Company is 21 days.

### Recommendation on the management and governance systems of listed companies

Lemminkäinen Corporation will observe the recommendation of HEX Helsinki Exchanges, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers on the management and governance systems of listed companies, which comes into force on 1<sup>st</sup> July 2004.

## Information for shareholders

### Annual General Meeting

The Annual General Meeting of Lemminkäinen Corporation will be held at 3.00 p.m. on Friday, 19<sup>th</sup> March 2004 at the Palace Hotel, 10<sup>th</sup> floor, Eteläranta 10, Helsinki.

The items on the agenda of the Annual General Meeting will be as specified in §11 of the Articles of Association and will additionally include the Board of Directors' proposal that §9 of the Articles of Association be amended to read as follows:

"§9 Auditor. The Company shall have one Auditor, which shall be a firm of public accountants authorised by the Central Chamber of Commerce. The term of office of the auditor shall end at the conclusion of the first annual general meeting following the election."

Furthermore, the Board of Directors proposes that the definition arising from the amendment of §9 be made in point 8 and 10 of §11 of the Articles of Association.

Shareholders representing 65 % of the voting rights in the Company have announced that they will recommend and propose to the AGM that the following persons be elected as members of the Board of Directors: Messrs. Berndt Brunow, Heikki Pentti, Erkki J. Pentti, Teppo Taberman and Sakari Tamminen.

The above-mentioned shareholders have also announced that they will recommend and propose to the AGM that PricewaterhouseCoopers Oy be elected as the Company's Auditor.

Shareholders registered on the Company's list of shareholders kept by the Finnish Central Securities Depository Ltd as of 9<sup>th</sup> March 2004 shall be entitled to attend the Annual General Meeting.

Any shareholder whose shares have not been transferred to the book entry system for securities shall also be entitled to attend the Annual General Meeting, provided that the shareholder was recorded on the Company's share register before 28<sup>th</sup> October 1994. In this case the shareholder shall present at the AGM his/her share certificate or some other evidence that the ownership right has not been assigned to a book entry account.

Shareholders wishing to attend the AGM must inform the Company by 2 p.m. on Tuesday, 16<sup>th</sup> March 2004 at the latest. Notice of intention to attend the meeting may be given by telephoning Maritta Laitinen (+358 9 159 9303). Written notices may be mailed to Lemminkäinen Corporation, Maritta Laitinen, P.O. Box 23, 00241 Helsinki, or sent by fax (+358 9 159 9510), or e-mailed to [maritta.laitinen@lemminkainen.fi](mailto:maritta.laitinen@lemminkainen.fi)

Notices of intention to attend the AGM must be received before the deadline stated above. Any instrument of proxy must also be submitted to the Company by the same deadline.

Copies of the financial statements will be available for inspection at the Company's head office at Esterinportti 2, 00240 Helsinki from 3<sup>rd</sup> March 2004. Copies of the financial statements will be sent to shareholders upon request.

### Proposal for the appropriation of retained earnings

The Board of Directors of Lemminkäinen Corporation will propose to the Annual General Meeting that a dividend of EUR 1.50 per share, i.e. a total of EUR 25 531 875.00 be paid for the accounting period 1<sup>st</sup> January–31<sup>st</sup> December 2003. The dividend will be paid to shareholders recorded on the Company's list of shareholders kept by the Finnish Central Securities Depository Ltd on the record date, i.e. 24<sup>th</sup> March 2004. The dividend payment date will be 31<sup>st</sup> March 2004.

### Financial reporting

In addition to its annual report, Lemminkäinen Corporation will publish the following financial reports in 2004:

11<sup>th</sup> February 2004  
Bulletin on financial statements for the 2003 accounting period

12<sup>th</sup> May 2004  
Interim financial review,  
1<sup>st</sup> January – 31<sup>st</sup> March 2004

11<sup>th</sup> August 2004  
Interim financial review,  
1<sup>st</sup> January – 30<sup>th</sup> June 2004

10<sup>th</sup> November 2004  
Interim financial review,  
1<sup>st</sup> January – 30<sup>th</sup> September 2004

The interim financial reviews will be published electronically in Finnish and English on the company's website: [www.lemminkainen.fi](http://www.lemminkainen.fi)

The annual report will be published in Finnish and English, and mailed to the Company's registered shareholders. The annual report will also be available from the Company's head office.

Financial reports can be ordered from the Company's information services by phone: +358 9 159 9511 or by e-mail: [library@lemminkainen.fi](mailto:library@lemminkainen.fi)



## Contact information

### HEAD OFFICE

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Fax + 358 9 140 672  
E-mail:  
information@lemminkainen.fi  
Website: www.lemminkainen.fi

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#### Pysäkkitie 14, 08680 Muijala

+ 358 19 335 245

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60100 Seinäjoki  
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#### TAMPERE

Possijärvenkatu 3  
33400 Tampere  
+ 358 3 237 6600

#### Teollisuustie 23

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+ 358 5 212 377

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+ 358 5 371 1010

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+ 358 17 264 6600

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15800 Lahti  
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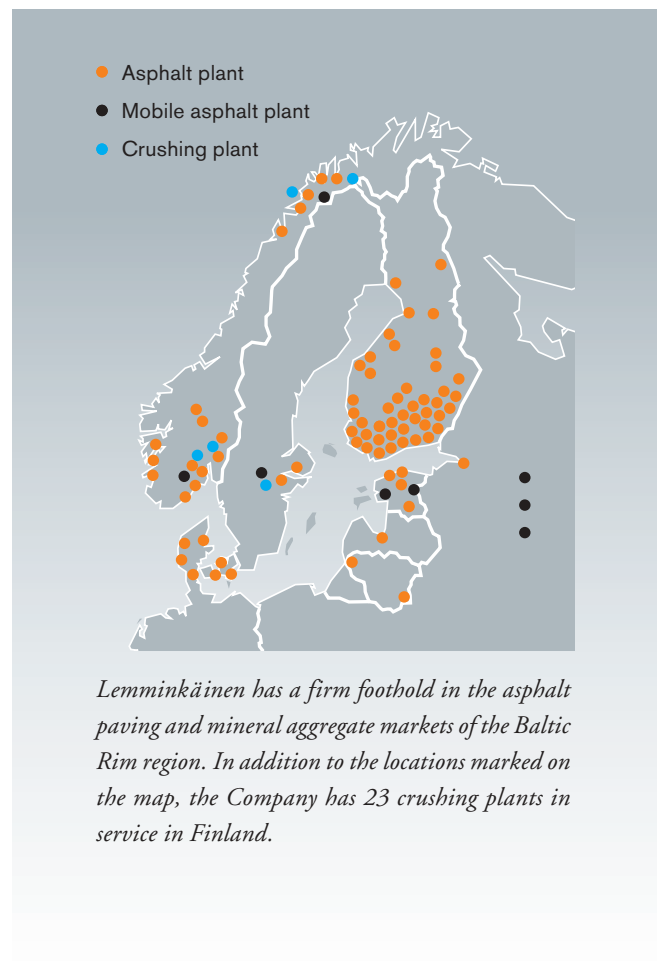
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## Lemminkäinen Group websites

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Paving Unit	<a href="http://www.lemminkainen.fi/paallystys">www.lemminkainen.fi/paallystys</a>
	<a href="http://www.pikipoika.fi">www.pikipoika.fi</a>
Mineral Aggregates Unit	<a href="http://www.lemminkainen.fi/kiviaines">www.lemminkainen.fi/kiviaines</a>
Building Materials Division	<a href="http://www.insinööri.net">www.insinööri.net</a>
Roofing Unit	<a href="http://www.kerabit.com">www.kerabit.com</a>
Roofing contracting	<a href="http://www.laatukatto.com">www.laatukatto.com</a>
Central Laboratory	<a href="http://www.lemminkainen.fi/laboratorio">www.lemminkainen.fi/laboratorio</a>
Tielinja Oy	<a href="http://www.tielinja.fi">www.tielinja.fi</a>
Kvalitetsasfalt i Mellansverige AB	<a href="http://www.kvalasfalt.se">www.kvalasfalt.se</a>
Forssan Betonuote Oy	<a href="http://www.forssanbetoni.fi">www.forssanbetoni.fi</a>
Omni-Sica Oy	<a href="http://www.omni-sica.fi">www.omni-sica.fi</a>
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Lemcon Networks Ltd	
ICM International	
Construction Management Rt.	<a href="http://www.icm.hu">www.icm.hu</a>
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Byggnads Ab Forsström Rakennus Oy	<a href="http://www.forsstromrakennus.fi">www.forsstromrakennus.fi</a>
Oy Kokkobe Ab	<a href="http://www.kokkobe.fi">www.kokkobe.fi</a>
Oy Konte Ab	<a href="http://www.konte.fi">www.konte.fi</a>
Oka Oy	<a href="http://www.oka.fi">www.oka.fi</a>
Rakennus-Otava Oy	<a href="http://www.rakennusotava.fi">www.rakennusotava.fi</a>
Rakennustoimisto Palmberg Oy	<a href="http://www.palmberg-tampere.com">www.palmberg-tampere.com</a>
Palmberg-Rakennus Oy	<a href="http://www.palmberg-rakennus.fi">www.palmberg-rakennus.fi</a>
Palmberg TKU Oy	<a href="http://www.palmberg-tku.fi">www.palmberg-tku.fi</a>
Palmberg-Urakoitsijat Oy	<a href="http://www.palmberg-urakoitsijat.fi">www.palmberg-urakoitsijat.fi</a>
Rakennusliike A. Taskinen Oy	<a href="http://www.taskinen.fi">www.taskinen.fi</a>
Rekab Entreprenad Ab	<a href="http://www.rekab.se">www.rekab.se</a>
Savocon Oy	<a href="http://www.savocon.fi">www.savocon.fi</a>
Tekmanni Oy	<a href="http://www.tekmani.fi">www.tekmani.fi</a>
Sähköliike Tekno Oy	<a href="http://www.kpnet.com/tekno/">www.kpnet.com/tekno/</a>
LMK VEJ A/S	<a href="http://www.lmkvej.dk">www.lmkvej.dk</a>
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