

Annual Report 2004



LEMMINKÄINEN

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Year 2004



Improved result for Lemminkäinen

Lemminkäinen Group's net sales rose 12.8 % to EUR 1 533.5 million (1 359.0). The Group's profit before taxes was up 18.4 % at EUR 49.5 million (41.8) and the operating profit rose 20.1 % to EUR 58.6 million (48.8). Operations abroad accounted for 23.4 % (21.3) of net sales, i.e. EUR 358.6 million (289.3). The order book grew by 32.1 % to EUR 783.4 million (593.0).

There were considerable variations in the profitability of the Group's divisions. Lemcon Ltd's operating profit almost doubled and the result of the Palmberg Group, Lemminkäinen's building contractor in Finland, also improved significantly. The Paving and Mineral Aggregates Division and the Building Materials Division both suffered as a result of the abnormally wet summer, and their results remained unchanged from the previous year. Tekmanni's result weakened.

Reasonable outlook

GDP growth is expected to slow down slightly in 2005, but the outlook for the Finnish construction market remains stable. The construction sector as a whole will continue to grow, supported primarily by sustained activity in building construction. The number of new housing starts in 2005 will remain at the present high level, although the final tally may be slightly lower than last year. There are clear indications of a pick-up in industrial and office construction. The major infrastructure projects under way in Finland will sustain

the growth of civil engineering contracting, although many of the large transport infrastructure projects will be completed towards the end of 2005. Commercial construction, refurbishment contracting and international construction will all remain brisk.

Lemminkäinen's steady growth and favourable profitability trend have continued for a number of years. The strong order book provides the Company with reasonably good starting points for 2005.

Dividend

The Company's Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 (2.50) per share be paid for the 2004 accounting period.

Key figures		2004	2003	Change, %
Net sales	EUR mill.	1 534	1 359	13
Profit before taxes	EUR mill.	49	42	17
Return on investment	%	14.8	13.3	
Equity ratio	%	30.3	34.0	
Earnings per share	EUR	1.89	1.30	45
Dividend per share	EUR	0.60 ¹⁾	2.50	
Gross investments	EUR mill.	41	37	11
Order book	EUR mill.	783	593	32
Average number of employees		7 479	7 167	4

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 2004 were EUR 1 533.5 million, of which exports and operations abroad accounted for 23.4 %. The average number of employees in the Group was 7 479. 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
Palmberg TKU Oy, Turku
Lemminkäinen Norge AS, Fjellhamar, Norway
Palmberg-Rakennus Oy, Oulu
LMK VEJ A/S, Silkeborg, Denmark
Palmberg-Urakoitsijat Oy, Hyvinkää
ICM International Construction Management Rt, Budapest, Hungary
AS Talter, Tallinn, Estonia
Tekmanni Service Oy, Helsinki
Kvalitetsasfalt i Mellansverige Ab, Sala, Sweden
Byggnads Ab Forsström Rakennus Oy, Kokkola
Rakennusliike A. Taskinen Oy, Joensuu
Rekab Entreprenad Ab, Umeå, Sweden
Savocon Oy, Kuopio
Rakennus-Otava Oy, Jyväskylä
Lemcon Networks Ltd, Helsinki
Forssan Betonituote Oy, Forssa
Omni-Sica Oy, Helsinki
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 project contractor that generates two thirds of its net sales from abroad. In Finland the company focuses on demanding infrastructure construction and project management contracting. Internationally, Lemcon Ltd operates in Europe, the Americas and Asia as a project contractor and telecom network builder.

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

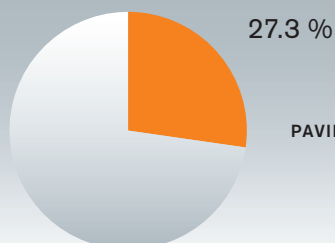
LEMCON LTD

OY ALFRED A. PALMBERG AB

TEKMANNI OY

EUR million

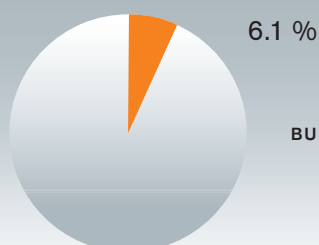
	2004	2003	Change, %
Net sales	430.4	380.6	13.1
Operating profit	15.3	16.9	-9.5
Net investments	24.8	22.4	10.7
Order book	124.7	64.9	92.1



PAVING AND MINERAL AGGREGATES DIVISION

EUR million

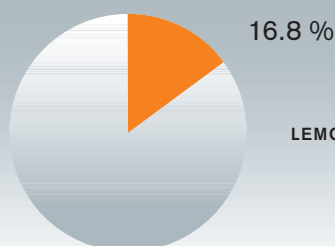
	2004	2003	Change, %
Net sales	95.7	95.1	0.6
Operating profit	2.7	2.8	-3.6
Net investments	2.5	2.7	-7.4
Order book	12.5	16.5	-24.2



BUILDING MATERIALS DIVISION

EUR million

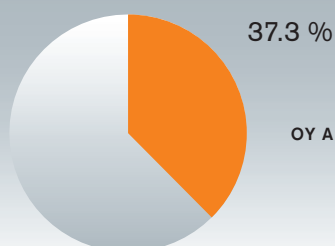
	2004	2003	Change, %
Net sales	264.5	201.2	31.5
Operating profit	11.1	6.4	73.4
Net investments	0.5	1.0	-50.0
Order book	239.1	139.6	71.3



LEMCON LTD

EUR million

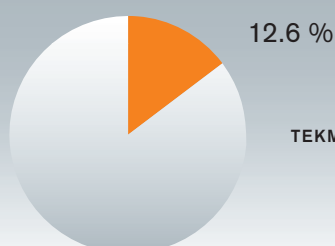
	2004	2003	Change, %
Net sales	588.6	524.7	12.2
Operating profit	30.9	22.0	40.5
Net investments	3.8	3.6	5.6
Order book	334.3	286.8	16.6



OY ALFRED A. PALMBERG AB

EUR million

	2004	2003	Change, %
Net sales	198.3	192.3	3.1
Operating profit	1.7	3.6	-52.8
Net investments	1.8	1.5	20.0
Order book	72.7	85.3	-14.8



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 14 % over the business cycle is regarded as good profitability, and an equity ratio of 35 % is equated with good solvency.

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 construction market as a whole is stable and its predictability is good. The estimated 3 % positive growth of construction in 2004 and 2005 matches the growth of gross national product.

The housing market is healthy. The price level, which is always ultimately dependant on the market price of existing dwellings, is not particularly high in relation to household purchasing power or indeed by international standards. Peak prices, which are also determined by the prices of existing housing in the neighbourhood, have been paid mainly in some specific downtown districts. In these central locations the high prices trickle down to the price of building rights, which are most commonly sold by the state or city authorities.

Of course the best way to alleviate housing price pressures would be to improve the efficiency of the urban planning process and rationalise the seemingly endless succession of appeals that all too often accompanies it.

Housing production is the most important business area for building firms. There is a strong correlation between demand for housing and the level of interest rates. Housing loans have long amortisation periods and in a way households discount their cash flow from future decades to their own homes. The share of buyers' savings in the funding of home purchases is low. In the early years of housing loans, interest accounts for most of the loan servicing payments. For this reason changes in the level of interest rates have a direct impact on the purchasing power of potential home buyers. The years 1999–2001 provide a good example of this. When the average interest rate on housing loans rose from 4 % to over 6 % in 1999–2000, private-sector housing starts collapsed in 2000–2001 from 10 400 to a mere 4 500.

The European Central Bank is under pressure to raise interest rates, but at least for now these are not regarded as being so great that the housing market would be subjected to any significant disturbance.

Construction firms are generally very vulnerable when there is a decline in demand for housing. They may have to cut selling prices at the same time as falling volume is undermining their profitability. Furthermore, their capital is tied up in unsold housing.

Through Palmberg, Lemminkäinen is one of Finland's biggest housing producers. However, private-sector housing production accounts for less than 10 % of the Group's net sales. The risks faced by Lemminkäinen from possible disturbances to the housing market are small in comparison with most of its competitors.

Lemminkäinen is also an important builder of infrastructure. Civil engineering contracting is brisk due to the major transport infrastructure projects currently under way in Finland. There have been no detectable signs of the sector overheating. Only design and planning resources have been in slightly short supply from time to time. Neither has anyone questioned the economic value and rationale of the investments now being made. Nonetheless the infra sector faces the prospect of a sharp decline in activity as early as 2006, when the current projects are completed. One would wish for more far-sighted political decision-making that evens out cyclical fluctuations rather than generating them.

The price level of asphalt paving contracts has been very poor throughout Scandinavia over the past three years. The overcapacity that ails the sector would appear to be surprisingly persistent. Many if not most of the industry's contractors have posted losses. At some stage prices must return to a healthier level. Whether this will occur in the coming paving season remains to be seen. Lemminkäinen's good price competitiveness in difficult market conditions has protected the company from the worst blows.

The state of the technical building services market is fragmented. The market for technical facility services is growing and profitability is satisfactory. On the other hand, traditional HVAC contracting is suffering from the low level of office construction and industrial investment. This is being felt especially by big companies that are members of the Confederation of Finnish



Managing Director Juhani Sormaala

Construction Industries (RT) and their profitability in this sector has been poor. On the other hand, small firms that do not belong to RT have found their market in areas such as the modernisation of technical services in apartment blocks, where they have a significant competitive advantage based on flexible pay systems. Collective agreements in the technical building services sector need to be developed so that they are more favourably inclined towards local agreements.

Owing to the fairly difficult market situation, business adjustment measures have been implemented in Tekmanni, the Group's technical building services contractor, and these will improve its competitiveness in 2005.

A key element in Lemminkäinen's strategy is diversification among business areas that are independent of one another in terms of their cyclical behaviour. Last year this strategy once again proved its worth, as the Group's result improved even though the market conditions experienced by some of its business areas were difficult.

I would like to thank the employees of Lemminkäinen for their good work and also the other stakeholder groups for their co-operation and confidence.

A handwritten signature in blue ink, which appears to be 'Juhani Sormaala', written in a cursive style.



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.	2004	2003
Net sales	430.4	380.6
Operating profit	15.3	16.9
Net investments	24.8	22.4
Employees	2 553	2 283

Net sales by business area

EUR mill.	2004	2003
Asphalt paving and road marking	365.5	319.3
Mineral aggregates and ready-mix concrete	80.2	71.1
Internal invoicing	-15.3	-9.8
Total	430.4	380.6

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



There was a further intensification of price competition in paving contracting in all the Nordic countries during 2004. In Finland prices for Road Administration contracts remained low and the price level for local authority contracts fell. Rainy weather caused additional costs in all of the Scandinavian countries and Baltic states.

In Russia and the Baltic states the volume of paving works grew and profitability improved. The Division's mineral

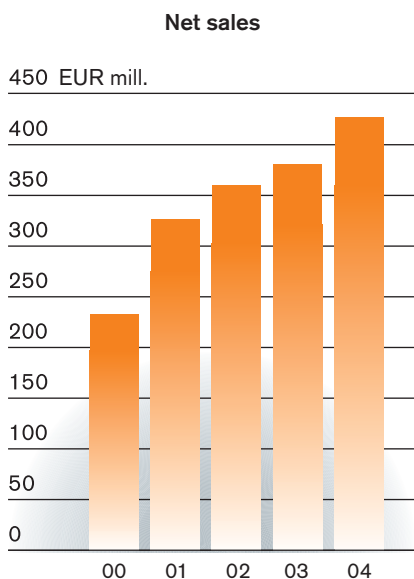
aggregates production capacity was fully utilised throughout the paving season.

The Division's net sales rose 13.1 % to EUR 430.4 million (380.6). Net sales were up 2.1 % in Finland and 30.8 % abroad. Part of the domestic growth stemmed from increased ancillary works due to the use of new procurement models.

The Division's operating profit was EUR 15.3 million (16.9). The average number of employees in 2004 was 2 553 (2 283).



Asphalt paving volumes in Finland remained unchanged from the previous year. Highway resurfacing work at Kytjää in Hyvinkää.



Head of the Division was Mr. Ari Junttila, M.Sc. (Eng.). Mr. Henrik Eklund, M.Sc. (Eng.) took over from him at the beginning of 2005.

Asphalt paving and road marking

Lemminkäinen had 90 asphalt production plants in service during the paving season. These produced 4.8 (4.8) million tonnes of asphalt, 2.4 (2.6) million tonnes in Finland and 2.4 (2.2) million tonnes abroad. The decrease in production in Finland was mainly due to the reduction of works for the Road Administration. The asphalt production plants at Tampere and Valkeakoski were replaced by a new one located at Valkeakoski. In addition, the

fixed asphalt plant at Maarianhamina and one mobile plant were renewed.

The net sales of the Paving Unit were EUR 359.9 million (316.4), of which operations abroad accounted for 51.8 % (44.4).

The volume of the Finnish Road Administration's paving contracts remained at the previous year's level, but the price level was poor owing to increased costs. For this reason the volume of work carried out by Lemminkäinen for the Road Administration declined. The volume of paving work ordered by local authorities and the private sector was almost unchanged at the level of the previous year.

One of the most important works in Finland was a two-year contract awarded by the



Road Administration for 2 million square metres of recycled asphalt paving works in the Uusimaa, Turku and Häme road districts. Paving works were carried out for the Civil Aviation Authority at Helsinki-Vantaa Airport, and this contract will also continue into 2005.

Paving volumes grew in Estonia, Latvia and Lithuania. The growth was due in part to the economic stimulus provided by the countries' accession to the European Union. The profitability of paving operations also improved slightly in the Baltic states. Asphalt paving volumes grew in Norway and Denmark, mainly due to the low price level of works ordered by the state and municipal authorities. Asphalt paving works resumed at airports in Western Siberia in the spring, with work starting on the asphalt paving contract at Nojabrsk airport. This work will continue in the 2005 season. The mineral aggregate operations of Franzefoss Pukk AS at Ravneberget in Norway were acquired at the beginning of the season. A new country for paving contracting is the Ukraine, where asphalt paving work began on a ten-kilometre stretch of highway between Kiev and Odessa. The contract will also continue in 2005.

Of the Unit's production plants abroad, the asphalt plants at Moscow and Riga were renewed. In Sweden, crushing and feed equipment for recycled asphalt was acquired, and a high-output mobile asphalt production plant together with its road paving equipment were transported to the work site in the Ukraine.

The average number of employees in 2004 was 2 090 (1 833). The Head of the Unit until the end of the year was Mr. Ari Junttila, M.Sc. (Eng.). Mr. Henrik Eklund, M.Sc. (Eng.) took over from him at the beginning of 2005.

The net sales of Lemminkäinen's road marking contractor, Tielinja Oy, were EUR 5.6 million (5.2). The fall in the price level of the Road Administration's contracts also extended to road marking works,

Milling old asphalt pavement.

Active housing construction and major infrastructure projects supported the good level of demand for mineral aggregates.

but a slight improvement in profitability over the previous year was achieved. The most important contracts were road marking works carried out in the Häme, Uusimaa and Turku road districts, in the cities of Helsinki, Tampere, Espoo and Vantaa, and in some smaller towns surrounding the city of Lahti. Operations abroad accounted for 5 % (25) of net sales. The Managing Director of Tielinja Oy is Mr. Harri Linnakoski, B.Sc. (Eng.).

Mineral aggregates and ready-mix concrete

Brisk housing construction and the major infrastructure projects currently under way in Finland kept the demand for mineral aggregate at an all-time high. However, a new pay system agreed for the civil engineering sector and a sharp increase in steel and fuel prices pushed up the industry's costs, and the increase could not be fully passed on in the prices of products and services.

A total of 16.2 million tonnes (14.6) of crushed aggregate was produced and the net sales from mineral aggregate operations were EUR 68.8 million (65.3). The average number of employees in 2004 was 297 (291).





Street paving work in the harbour area of Vejle in Denmark.

The year's most important contracts were the enlargement of Ämmässuo landfill site in Espoo, the crushing of rock excavated in connection with the foundation building contract for Fortum's oil refinery in Porvoo, and the commencement of deliveries of mineral aggregate for use in ready-mix concrete deliveries to the Olkiluoto nuclear power plant. The Head of the Mineral Aggregates Unit is Mr. Juhani Innanen, B.Sc.(Eng.).

The net sales and result of the ready-mix concrete company Forssan Betonituote Oy did not quite achieve the set targets. Total demand was up on the previous year, but especially in the Helsinki metropolitan area price competition intensified with the market entry of new suppliers. Deliveries of ready-mix concrete for the fifth nuclear power plant unit under construction at Olkiluoto began in the summer. The deliveries will last for over three years.

The operations of Valmisbetonitehdas Betmix Oy, a ready-mix concrete producer operating in the Tampere area which was acquired at the end of 2003, were merged with Forssan Betonituote Oy during the accounting period.

Forssan Betonituote's net sales were EUR 11.4 million (6.6). The average number of employees was 39 (27). The Managing Director of the company is Mr. Antti Hujanen, B.Sc.(Eng.).

Research and development

Lemminkäinen's Central Laboratory in Tuusula is a service unit that carries out development work, testing and technical services for the Group's various units and companies. Most of the Central Laboratory's development projects in 2004 involved asphalt technology and bituminous products. Life-cycle thinking and general environmental awareness 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 the improvement of material durability. The testing carried out by the Central Laboratory was significantly expanded during 2004.

The average number of employees in 2004 was 14 (14). The Head of R&D is Mr. Lars Forstén, M.Sc.(Eng.).

Outlook

In Finland the price level for paving contracts fell below the profitability threshold especially in works ordered by the Road Administration. However, the order book for domestic paving works is reasonably good, although the weakened state of local authority finances creates demand uncertainty in the municipal sector. The competitive climate in all of the Scandinavian countries is very similar. Some slight signs of price recovery are detectable in Denmark and Norway.

The order books for paving works in Russia and the Baltic states continue to develop favourably and the outlook in these countries is still good. In the Baltic states EU membership has stimulated construction, which will also improve the outlook for paving contracting going forward.

Major infrastructure projects will sustain demand for mineral aggregates at a good level in the coming years. The ready-mix concrete contract for Finland's fifth nuclear power plant unit will significantly increase Forssan Betonituote Oy's deliveries for the next three years.



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 carries out tiled and steel roof contracting. In addition, the Building Materials Division manufactures, imports and distributes specialist products for roofing and urban environments as well as sports construction products ranging from tennis court surfacings to spectator stands. The Division also offers design and installation services for all the products that it manufactures and imports.

Key figures

EUR mill.	2004	2003
Net sales	95.7	95.1
Operating profit	2.7	2.8
Net investments	2.5	2.7
Employees	603	639

Net sales by business area

EUR mill.	2004	2003
Roofing	59.3	54.2
Concrete products	29.2	32.7
Sports construction	7.2	8.2
Total	95.7	95.1

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



The net sales of the Building Materials Division were EUR 95.7 million (95.1). The Division's operating profit of EUR 2.7 million (2.8) fell short of the set target. The average number of employees in the Division remained at the level of the previous year and was 603 (639), of whom 178 were salaried staff and 425 hourly paid workers.

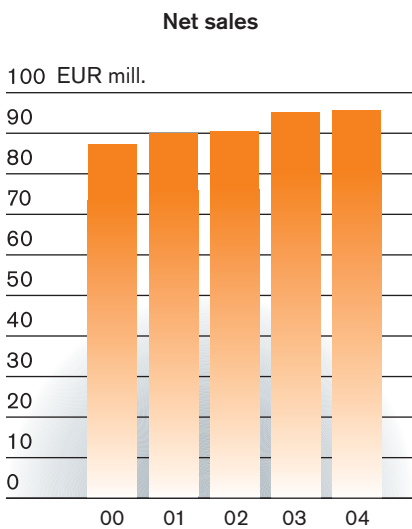
In spite of the rainy summer the capacity utilisation rate of the Division's production plants was reasonably high throughout the

year. Sales of building materials went mainly according to plan, but the rainy weather disrupted contracting works and there were a lot of delays. Among other things, the need for extra weather protection on work sites caused additional costs.

Most of the subcontracting works on phase II of the Leppävaara shopping centre in Espoo were completed during the accounting period. All of the Division's units were involved in this major project.



The most significant sports construction contract was the refurbishment of the Olympic Stadium in Helsinki for the 2005 World Athletics Championships.



Other significant works carried out by the Division included a roofing and concrete stone contract for the Bauhaus home improvement store in Tampere and precast concrete staircase deliveries and roofing contracts in connection with the enlargement of the Jumbo shopping centre in Vantaa.

The Division's production plants are located in Tuusula, Lohja, Orimattila, Viitasaari and Tampere. There are 15 other service locations in Finland as well as offices in Tallinn and Warsaw. The service points handle both material sales and contracting works. Lemminkäinen's subsidiary ZAO Lemruf handles contracting works in Russia.

The quality management systems of all of the Division's units are certificated to

the new ISO standard. The quality management systems encompass the ISO 9001 quality system, the ISO 14001 environmental system and the OHSAS 18001 safety system. The emphasis in training was on professional qualifications and occupational health & safety.

Roofing materials and contracting

Occupational health & safety was the year's theme for Lemminkäinen's Roofing Unit. Health & safety risks have been assessed and analysed throughout the organisation. The reporting of "near miss" situations has been improved and the health & safety problems discovered have been addressed. All the employees of the unit have received occupational health & safety training.



The stone works at Hartwall's production plant in Lahti were chosen as the urban environment structure of the year.

The net sales of the Roofing Unit were EUR 59.3 million (54.2) and the average number of employees in 2004 was 370 (383). The Head of the Unit is Mr. Erkki Lönnrot, B.Sc.(Eng.).

Concrete and natural stone products and urban environment construction

Lemminkäinen started to manufacture pre-cast concrete staircase units fifty years ago in 1954, when the first Elemento staircase units were produced at the company's cement foundry in the Hakaniemi district of Helsinki. When two new staircase types designed for small family dwellings were added to the production programme in 2004, the total number of different standard staircase units manufactured by Lemminkäinen had risen to no fewer than seventeen.

The production capacity of Lohja bituminous roofing factory was almost fully utilised throughout the accounting period. Production efficiency was improved by investing in additional bitumen mixing capacity. The new roof shingle cutting line that started up at the beginning of 2003 has performed well, and shingle quality problems have been reduced to the minimum.

The rains which persisted throughout the summer hampered roofing contracting. The bad weather caused significant additional expenses and weakened the unit's result. However, thanks to the effective weather protection measures and working methods developed in recent years, the unit came through the season reasonably well. The most significant contract of the year was the roofing work for phase II of the Leppävaara shopping centre, where extensive weather protection measures were employed. Other important contracts included the 15 000 m² roof of the GL Terminal in Kouvola, and a similar sized roof for the Halpahalli store in Kokkola. Roofing and stone paving works were carried out for Arabian Parkki Oy's car parking facility in Helsinki. This demanding site won the Finnish Roofing Association's "Roof of the Year" prize.

The Roofing Unit's operating system was extended to encompass the operations of the entire unit. The unit's functions now meet the requirements of the ISO 9001, ISO 14011 and OHSAS 18001 standards, and the operating system has been certified.

It was a busy year for terrazzo floor contracting. Additional flooring contracts were forthcoming from the Lidl retail chain, with new floors being laid in 20 stores during the year. An impressive terrazzo floor was laid in Nurmijärvi's Klaukkala church, which was inaugurated in the autumn.

There was no significant change in the demand for urban environment construction in 2004. The stone work carried out by Lemminkäinen for Hartwall's production plant in Lahti was chosen as the urban environment structure of the year. In Helsinki metropolitan area numerous contracts were carried out for the cities of Helsinki and Vantaa. Deliveries of natural stone and installation works for the Kamppi shopping centre contract began in autumn 2004. The most important contracts completed during the year were Kouvolan market square, stone works in the city centres of Jämsä and Kaarina, stone works on the Aleksanterinkatu bridge in Porvoo and a concrete stone contract for the Bauhaus home improvement store in Tampere. The two last-mentioned works were carried out as subcontracts for Lemcon Ltd.

Roofing and stone works for Arabian Parkki Oy's car parking facility in Helsinki won the "Roof of the Year" prize.



Stone works were carried out on the Aleksanterinkatu bridge in Porvoo.

The unit's certificated operating system was extended to encompass the Tampere concrete products factory and contracting. The whole operating system now meets the requirements of the ISO 9001 and 14001 standards.

The net sales of the Concrete Products Unit were EUR 29.2 million (32.7). The average number of employees in 2004 was 189 (203). The Head of the Unit is Mr. Juhani Uljas, M.Sc.(Eng.).

Sports construction

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

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. Concern for the health of the population as well as the numerous high-profile games and championships hosted by Finland over the years have been factors influencing these positive investment decisions.



The rainy summer also impacted on Omni-Sica's operations. The wet weather affected contracting in particular, which resulted in work backlogging into the autumn. In the 2004 accounting period Omni-Sica increased its market shares the most in contracting for golf course watering systems and skidpan surfacing works. The most important single contract was the re-turfing of the Olympic Stadium's field and the installation of Mondo surface on the stadium's field event areas for the 2005 World Athletics Championships. The athletics fields at Santahamina and Lauritsala were also refurbished. Watering systems were delivered to a number of golf courses, including Lappeenranta and Vierumäki.

Polyurethane waterproofing systems were installed on driving practice circuits as well as for the phase II development of the Leppävaara shopping centre and the enlargement of the Jumbo shopping centre in Vantaa. The sports construction market is expected to remain stable in 2005. The construction of local sports and athletics facilities and artificial turf fields is expected to increase. The good demand for polyurethane waterproofing systems is also expected to continue.

Omni-Sica's net sales were EUR 7.2 million (8.2). The average number of employees in 2004 was 26 (31). The Managing Director of the company is Mr. Pekka Peho.

Outlook for the coming season

The steady growth of construction and especially refurbishment contracting is forecast to continue. The outlook for the Building Materials Division over the coming year is quite favourable. In material production, volumes are expected to remain at last year's level. The low volume of commercial and office construction will keep price competition intense in precast staircase units and production volumes low.

A further pickup in the sales of building materials is expected as the volume of construction rises. Renewed growth on the international construction market, especially in Russia, will bring additional opportunities to boost sales in the product markets of St. Petersburg and Moscow.

In contracting, safeguarding the continued supply of professional workers and the streamlining of working methods are important development objectives. The worsening finances of the local authorities will impact on contracting regionally. Contracting is expanding all the time and the content of contracted works is growing and diversifying. The Division must meet this challenge by supplying its customers with increasingly comprehensive solutions on tighter and tighter schedules.

The rains which persisted throughout the summer hampered roofing contracting.



*Charger
Ossi Wilkman*

Lemcon Ltd

Lemcon Ltd is an international project contractor. In Finland the company is a significant project management and full-range infrastructure contractor. Lemcon has 30 years' experience of operating internationally across five continents. The focus of the company's international business is still in Europe. The importance of Russia as an export market has been growing in recent years. The company also engages in telecom network construction, mainly in Europe but also in the Americas.

Key figures

EUR mill.	2004	2003
Net sales	264.5	201.2
Operating profit	11.1	6.4
Net investments	0.5	1.0
Employees	556	559

Net sales by business area

EUR mill.	2004	2003
Infra	82.5	86.1
Project management	156.6	90.2
Telecom network const.	25.4	24.9
Total	264.5	201.2

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



The review year was a successful one for Lemcon Ltd. The company's result was good. Net sales were EUR 264.5 million (201.2) and operating profit EUR 11.1 million (6.4). The average number of employees in 2004 was 556 (559), of whom 418 (386) were salaried staff.

Infrastructure construction

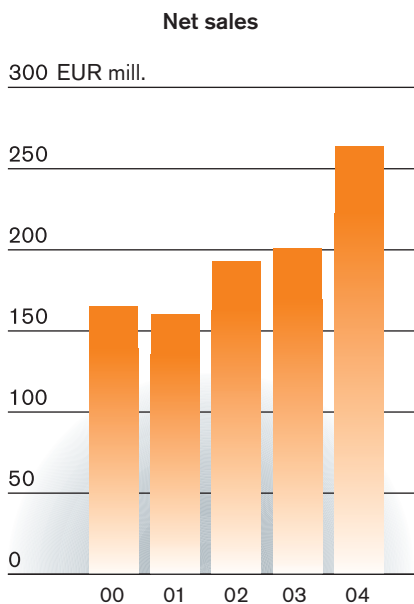
Lemcon Infra's net sales were EUR 82.5 million (86.1).

Lemcon Infra is a rock, soil and foundation engineering specialist and a full-range infrastructure project management contractor in Finland and Sweden. In 2004 Lemcon Infra generated about a third of its net sales in Sweden, mainly from the construction of railway tunnels.

The market for rock engineering contracting in Finland improved during 2004. This also attracted new companies to the sector. In the spring Lemcon started work



Lemcon Ltd is building Olkiluoto nuclear power plant's feed and return water channels together with their tunnels.



on several new tunnel contracts in southern Finland. In December the company signed agreements worth over EUR 25 million to build two new railway tunnels at Vuosaari harbour in Helsinki. These contracts will last until 2007. The company's operations in Sweden continued with starts being made on three new tunnels for Botniabana. Also in Sweden Lemcon completed two railway tunnels: one on the west coast at Åsa and the other for Botniabana. Lemcon was awarded the Swedish infrastructure sector's quality prize for the successful construction of the Åsa tunnel.

In the civil engineering sector Lemcon continued work on the project management contract for the Kerava-Lahti direct rail link, the total value of which is rough-

ly EUR 330 million, and the Ring Road III improvement contract - a consortium project worth over EUR 60 million. These contracts provided the unit with a steady basic workload. Railway track works were also carried out in the City of Kerava. The Aleksanterinkatu bridge in the city centre of Porvoo was completed in the autumn. New industrial building contracts included works at the Olkiluoto nuclear power plant, Sinebrychoff's brewery in Kerava, and the Diesel project at Fortum's Porvoo oil refinery.

In the soil and foundation engineering sector there was hard competition for the available contracts, which were fewer in number than expected and mainly involved repair work. The most significant

works completed in 2004 were the Kasarmintori foundation engineering contract in Helsinki and the foundation works for the Raahe wind power plant. The stabilisation market remained very competitive.

The focus of development work during the year was on occupational health & safety, and good results were achieved. The number of accidents was significantly reduced compared with earlier years. The unit was awarded an environmental management certificate in September.

The average number of employees in 2004 was 254 (285). The Head of Lemcon Infra is Mr. Timo Kohtamäki, Lic.(Tech.).

Project management

Net sales from project management contracting were EUR 156.6 million (90.2).

The project management contracting market in Finland picked up in 2004, with the emphasis on commercial construction. The most significant new project was a major extension to the Jumbo shopping centre in Vantaa. In Tampere Finland's largest Bauhaus home improvement centre was completed in time for the Christmas sales season. Construction work began on the University of Helsinki's animal hospital in the Viikki district of Helsinki. The most significant refurbishment site was the City Centre building in downtown Helsinki, where work started on the first contracts.

In sports construction Lemcon's string of arena projects was further extended, this time in Kazan, the capital of the Tatarstan Republic in the Russian Federation, where work started on the construction of a multipurpose arena with seating capacity for 10,000 spectators. The accomplishment of this contract is based on Lemcon's long experience of the Russian export market coupled with its considerable expertise in the construction of multipurpose arenas. Construction work also began on one new golf course in 2004.

The review year was a time of growth on the export market. Demand in Russia continued to be brisk. In Yegorievsk work began on phase II of Saint-Gobain Isover's mineral wool factory. In St. Petersburg work started on the construction of production plants for Nokian Renkaat and Elcoteq. The combined value of these contract is EUR 40 million and they are scheduled for completion in summer 2005. Also in St. Petersburg work began on phase II of the Hermitage Museum's storage facility for works of art. This contract will last for several years and is worth about EUR 65 million. The Nebolch sawmill in the St. Petersburg

region and the Arzamas corrugated board mill were handed over to Stora Enso during the summer. Kappa's packaging board mill in the St. Petersburg region was completed in December.

In Hungary, the production plants of Nokia and Perlos in Komarom were both enlarged and Elcoteq's production plant in Pécs was modernised. Work on these projects will continue in 2005 and their total value is about EUR 40 million.

In China work continued throughout the year on UPM-Kymmene Corporation's new paper mill at Changshu. The mill is scheduled for completion in summer 2006. A project management contract for the construction of a dry plaster factory in Beijing was signed with Maxit (Optiroc).

The average number of project management personnel in 2004 was 156 (142). Domestic operations and sports construction are the responsibility of Mr. Jouko Niemonen, B.Sc.(Eng.). Mr. Henrik Eklund, M.Sc.(Eng.) was responsible for operations abroad up until 31st December 2004. From the beginning of 2005 the company's Russian operations have been led by Mr. Jukka Posti, M.Sc. (Eng.), eMBA, with other exports now being the responsibility of Mr. Klaus Tervilä, M.Sc. (Eng.).

Telecom network construction

Lemcon Networks Ltd's net sales were EUR 25.4 million (24.9).

In 2004 telecom network construction projects were carried out in eleven different countries in the Far East, Europe and the Americas. These contracts have varied in content and scope from expert services to turnkey deliveries, and have encompassed every aspect of mobile phone network construction from design work to base station installation and commissioning. The share of technical network services in the company's business grew during the year.

Telecom network projects were carried out in eleven countries during the year.





Finland's biggest Bauhaus home improvement centre was completed in Tampere.

The number of people employed in Lemcon Networks Ltd's projects was about 240 (190) at the end of the year. The Managing Director of Lemcon Networks Ltd is Mr. Juha Nurmi, M.Sc.(Eng.).

Future outlook

Lemcon Ltd's order book grew strongly in the latter months of 2004 to stand at EUR 239.1 (139.6) at the end of the year, providing a firm foundation for successful business in 2005.

The Finnish infrastructure market will remain lively for the next couple of years. A number of major projects are under way in Finland. In addition to the large E-18 highway project, which is worth about EUR 700 million, there are likely to be a few other new transport infrastructure projects starting up in the years 2005–2007. However, competition in the civil engineering market will remain intense in spite of the volume growth. Demand on the Swedish infrastructure market will probably remain quite good over the next few years.

Lemcon's project management business is expected to continue to be brisk and there

are good prospects for further growth. The Russian market appears to be favourable, although the situation is largely dependent on the confidence of Western investors in the country's economic development and political stability. Of the new member states of the European Union, growth is expected in Hungary, Poland and Estonia.

China is the most important country for the inward investments of Lemcon's current clients, and therefore also offers the greatest growth potential for the company. Lemcon has been operating in China for several years and has already carved out a good foothold in the market.

The favourable development of project management contracting in Finland in 2004 has created a good platform for business development and expansion in the future.

The number of mobile phone users is growing everywhere, but especially in the developing countries. Telecom network investment volumes are also expected to grow. The construction of 2G networks is likely to occur in developing countries. In the developed world investments will be made in additional network capacity and new services. 3G projects are expected to proceed in both the developing and developed countries.



Lemcon's subsidiary ICM is building in Hungary for the Finnish mobile phone sector among other industries. Elcoteq's production plant at Pécs in southern Hungary.



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 Oy Konte Ab's own subsidiary, Rekab Entreprenad Ab, operates as a building contractor in the Umeå region of Sweden, and two other subsidiaries manufacture ready-mix concrete and concrete products in Ostrobothnia and North Karelia.

Key figures

EUR mill.	2004	2003
Net sales	588.6	524.7
Operating profit	30.9	22.0
Net investments	3.8	3.6
Employees	1 890	1 806

Net sales by business area

EUR mill.	2004	2003
Competitive tender contracting		
Housing	72.2	61.3
Other new construction	135.3	123.8
Refurbishment work	78.6	61.8
Developments		
Housing	126.6	97.2
Commercial and industrial buildings	41.6	52.9
Other business	18.3	17.9
Sales of shares and other items	116.0	109.8
Total	588.6	524.7

*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. During the accounting period Byggnads Ab Forsström Rakennus Oy's subsidiaries, Jakobe Oy and Kokkobe Oy, which operate in the ready-mix concrete and concrete products industries, merged to form JA-KO Betoni Oy.

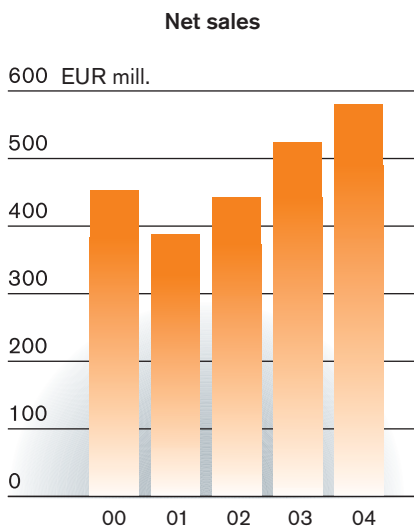
The Group's net sales were EUR 588.6 million (524.7), representing a 12 % inc-

rease in business volume. The value of the order book at the end of the accounting period grew to EUR 334.3 million (286.8). The Group's operating profit rose significantly from the level of the previous year to EUR 30.9 million (22.0).

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



The Finnish Forest Research Institute's research centre was completed in Joensuu.



period. On the other hand, especially in south-east Finland and Ostrobothnia the Group's subsidiaries are among the biggest actors in their regions. The Group's proportional share grew in the Tampere and especially the Turku areas.

The operations of the parent company, Oy Alfred A. Palmberg Ab, 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 developments. The Group's other regionally operating subsidiaries still derive most of their net sales from contracting, although the share of own housing developments in their net sales has grown to such an extent that own

housing development were the fastest growing business area for the Palmberg Group in 2004. Kouvola-based Oka Oy, which specialises in façade renovation work and operates 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 thanks to continued strong activity in own commercial and housing developments. The results of some of the companies can be considered excellent.

The number of own residential development apartments completed by the Group was 948 (800). At the end of the accounting period, 1 132 (1 070) own development apartments were under construction. New apartments completed under compet-



Palmberg-Rakenus Oy built new apartment buildings for YH and VVO Group in the Aine district of Oulu.

itive tender contracting totalled 859 (826), and 923 (963) apartments were under construction at the end of the accounting period. Private-sector housing production outstripped state-subsidised housing production for the first time.

The average number of employees in the Group during the accounting period was 1 890 (1 806), of whom 618 (588) were salaried staff.

Outlook for 2005

The volume of building construction grew last year by a full 2 %, and that growth rate is expected to remain unchanged in 2005. The good level of activity in housing production and refurbishment contracting will continue in 2005, although no further growth in housing production is expected. New housing starts in 2005 are expected to total 31 500 units.

Interest rates on housing loans have been low for several years and are expected to remain at the present level for some time to come. Low interest rates and extended amortisation periods on housing loans have increased the demand for owner-occupied housing. A shortage of building land has put a brake on residential construction, especially in the metropolitan area and in growth centres. Industrial construction

starts rose in 2004 after a long period of decline. New starts on office buildings also rose, although the office vacancy rate has long been higher than normal, especially in the metropolitan area. The production of commercial and logistics buildings is likely to remain at the present relatively high level. The construction of public service buildings will continue to be quite active in 2005. The outlook for refurbishment contracting is good and will remain so for years to come. Refurbishment contracting is expected to grow at an average annual rate of 2.5–3.5 % for the remainder of the decade.

The Palmberg Group's order book at the end of 2004 was about EUR 47 million stronger than it was a year earlier, and the Group's capabilities to start new housing developments of its own are this year better than before. Further growth in the Group's net sales is expected.



Scandic Hotel, Tampere

Most important completed contracts

	EUR mill.
Palmberg's share of the project's value	
- As. Oy Rauhalanpuisto 6 and 10	10.0
- Jumbo shopping centre's parking facility	8.2
- Turku central fire station	3.4
- Tuulos shopping centre	5.0
- Combitrans' terminal, Kouvola	4.4
- GL Terminal, Kouvola	4.3
- K. Oy Datariina, Kotka	3.5
- Aapeli shopping centre, Kuopio	23.0
- Local government buildings in Raahe, Raisio and Iisalmi	28.2
- Refurbishment of Hämeenkatu 18, Tampere	4.6
- Halpa-Halli's warehouse, Kokkola	6.0
- Finnish Forest Research Institute's research centre, Joensuu	8.2
- YH and VVO Group's housing sites (171 units), Oulu	9.3
- Linnanmaa shopping centre, Oulu	8.0
- Skogaholms bröd production plants, Umeå, Sweden	17.3

Most important contracts in progress

	EUR mill.
- Lanterna shopping centre, Helsinki	38.3
- Refurbishment of Hotel Tornio, Helsinki	6.4
- Refurbishment of Siltasaarenkatu 12, Helsinki	10.8
- Loimaa Secondary School and sports hall	6.2
- TYL Galleria, phase I, Lappeenranta	4.0
- Kotka shopping centre	45.6
- Logistiikka Multi-Center, Hamina	4.3
- Tahkon liikuntakeidas, Nilsia	5.1
- K. Oy Turontalo, Kuopio	4.2
- Scandic Hotel, Tampere	10.1
- TOAS Wainölä student housing, Tampere	5.6
- Enlargement of Vaasa swimming hall	5.5
- Nivala swimming hall	3.5
- City-Market, Raahe	3.9

Palmberg Group 2004

Company	Region	Net sales EUR mill.	Personnel (average)	Managing Director
Parent company				
Oy Alfred A. Palmberg Ab	Helsinki Metropolitan area	112.6 (94.4)	186 (185)	Risto Bono, M.Sc.(Eng.), M.Sc. (Econ.) Regional Director Pauli Mäkelä, M.Sc. (Eng.)
Subsidiaries				
Palmberg TKU Oy	Turku, Salo and surrounding municipalities	51.4 (39.5)	131 (118)	Mikko Pirhonen, M.Sc. (Eng.)
Palmberg-Urakoitsijat Oy	Western Uusimaa	45.3 (44.1)	35 (34)	Ahti Kara, M.Sc. (Eng.)
Oka Oy	Lahti, Kymenlaakso and South Karelia	108.9 (91.9)	466 (402)	Jorma Tamminen, B.Sc. (Eng.)
Rakennustoimisto Palmberg Oy	Tampere and southern central Finland	72.5 (57.9)	242 (207)	Jukka Terhonen, M.Sc. (Eng.)
Rakennus-Otava Oy	Jyväskylä and neighbouring municipalities	15.3 (15.4)	55 (56)	Jussi Kari, B.Sc. (Eng.)
Oy Konte Ab ¹⁾	Ostrobothnia, Southwest Finland, Umeå and surrounding areas in Sweden	74.1 (77.0)	294 (288)	Göran Pellfolk, M.Sc. (Eng.)
Byggnads Ab Forsström Rakennus Oy ²⁾	West coast region	25.5 (28.3)	150 (184)	Peter Forsström, B.Sc. (Bus.)
Palmberg-Rakennus Oy	Provinces of Oulu and Lapland	49.4 (31.4)	141 (117)	Ahti Heikka, B.Sc. (Eng.)
Savocon Oy	Kuopio and surrounding areas	17.0 (36.4)	69 (113)	Martti Kankkunen, B.Sc. (Eng.)
Rakennusliike A. Taskinen Oy	Joensuun and North Karelia	18.9 (13.5)	121 (102)	Ari Laamanen, Construction Manager

1) Also includes the Swedish company Rekab Entreprenad Ab.

2) Also includes JA-KO Betoni Oy.



Tekmanni Oy

Tekmanni Oy offers the full range of technical installations and facility services, including installation, repair, servicing and maintenance. The company's business areas are technical installations, technical facility services, industrial installations and maintenance, and telecommunications networks. In Finland, Tekmanni has 30 service points and three subsidiaries: Tekmanni Service Oy, Sähköliike Tekno Oy and Turun Rakennusputki Oy. Abroad, the company has subsidiaries in St Petersburg, Russia and Tallinn, Estonia.

Key figures

EUR mill.	2004	2003
Net sales	198.3	192.3
Operating profit	1.7	3.6
Net investments	1.8	1.5
Employees	1 877	1 880

Net sales by business area

EUR mill.	2004	2003
Technical building serv.	148.0	127.3
Industrial installations	11.1	26.4
Technical facility serv.	30.9	30.1
Telecom. networks	5.1	4.9
International operations	3.0	3.6
Total	198.3	192.3

*Technical Services Manager
Sakari Lehtimäki*

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



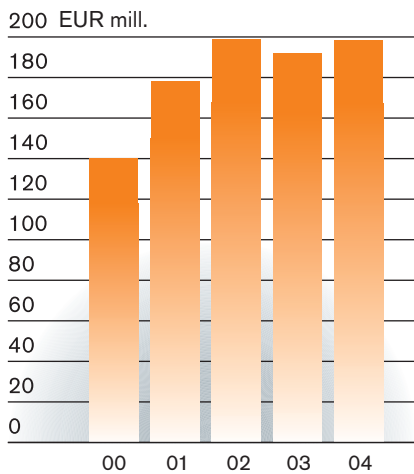
The development of Tekmanni's profitability was unsatisfactory due to deterioration in market conditions, an increase in the price level of materials and the implementation of business adjustment measures. Tekmanni's net sales were EUR 198.3 million (192.3) and the operating profit EUR 1.7 million (3.6). The value of the company's order book

fell to EUR 72.7 million (85.3). The average number of employees in the company during 2004 was 1 877 (1 880), of whom 490 (488) were salaried staff.

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



Net sales



Tekmanni Service Oy is responsible for technical services at the Iso Omena Shopping Centre.

Technical installations

In 2004 the market for technical installations grew especially in the building refurbishment segment. New construction accounted for some 58 % and building refurbishment for about 42 % of the market.

Tekmanni's services include not only installation but also planning guidance and project management. The company is a full-service supplier of HVAC-E, sprinkler, cooling, fire alarm, telecommunications, security and automation systems. During the accounting period the emphasis in technical building services shifted further towards

refurbishment projects and housing construction.

Intense price competition and increased costs contributed towards the poor development of Tekmanni's profitability in technical installations.

Technical facility services

The structural change of the market for technical facility services continued during the accounting period. The general trend towards the outsourcing of facility maintenance projects boosted the market for such services.



Tekmanni was involved in the modernisation of the Salmisaarentalo building in Helsinki and its conversion into a courthouse. The company's contract included HVAC and sprinkler works.

electrification and automation installations and the growing area of local maintenance services. Tekmanni consolidated its position as a supplier of industrial air conditioning services. Deliveries of industrial data networks and security systems were also up on the previous year.

Tekmanni's Industrial Installations Services and Maintenance unit maintained its position as the leading supplier of electrical installation services. During the accounting period Tekmanni completed two major industrial projects: the VEPA project at Veitsiluoto and the Wisä 800 project at Pietarsaari.

Telecommunications networks

The Technical Facility Services unit was corporatised to form Tekmanni Service Oy on 1st January 2004.

Tekmanni Service Oy 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 2004. Modernisation and conversion work accounted for a significant proportion of the company's business.

The net sales of Technical Facility Services were EUR 30.9 million (30.1). The net sales of Tekmanni Service Oy grew to EUR 27.0 million (23.2).

Industrial services

The number of new industrial building starts grew in 2004 after a long period of decline.

The key services of the Industrial Installations Services and Maintenance unit were

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

Price competition on the markets for cabling systems and security technology was intense during the accounting period. As a consequence of the development of the office construction market, the number of projects carried out by the unit was marginally lower than in the previous year, especially in the Helsinki metropolitan area. There was a slight increase in mobile and broadband network construction, and the rollout of 3G (UMTS) mobile networks began. For this reason the net sales generated from Tekmanni's installation services developed most favourably in these sectors.

Even though the overall market did not grow, the net sales of the Telecommunications Networks unit developed favourably in the accounting period and its profitability improved. Moderate market growth is expected in the near future.

Significant projects carried out during the accounting period included contracts for Elisa Mobile Phone Services, Ruokakesko, Pohjola, Ericsson, Arcada Nova and the City of Helsinki Education Department.

International operations

Tekmanni's international operations primarily involved comprehensive deliveries of technical building services as well as installation services on industrial sites. Russia was the main focus of Tekmanni's international business. The goals set for the profitability trend of Tekmanni's export operations were not achieved.

In the future the operational focus will shift from Finland to local subsidiaries in St. Petersburg and Tallinn.



A mobile phone network base station being installed on the island of Suomenlinna in Helsinki.

Outlook for 2005

The market for technical building services is expected to grow slightly in 2005. Office and industrial construction is recovering and commercial construction will continue to be relatively brisk. Refurbishment contracting will continue to grow, whereas housing production is expected to slow down slightly in the coming year. The market for facility maintenance services is forecast to grow at 6–8 % per annum, and Tekmanni Service Oy's goal is to increase its market share. As general trends in the field, the outsourcing of technical facility services will increase and the importance of technical expertise will grow.

The level of industrial investment started to rise in 2004. The start-up of the project for Finland's fifth nuclear power plant unit had a positive effect on the industrial market.

The value of Tekmanni's order book is EUR 72.7 million, which is 15 % lower than in the previous year. The reorganisation and restructuring measures implemented by the company will result in a sounder cost structure and improved competitiveness in 2005.

Some of last year's significant contracts

Exel Terminal, new construction, Vantaa, plumbing, air conditioning and sprinkler contract
SP- Kiinteistöt, modernisation of office building, Espoo, plumbing and air conditioning contract

Hotel Hesperia, Helsinki, modernisation, heating, plumbing and sprinkler contract

Ruoholahdenkatu 8, modernisation of commercial and office building, Helsinki, electrical contract

Kiinteistö Oy Helsingin Salmisaarentalo, Helsinki, building modernisation and conversion, HVACE and sprinkler contract

TietoEnator, Helsinki, office building, HVACE and sprinkler contracts

NCC's head office and the National Agency for Medicines, Helsinki, HVACE contracts

Tuulos shopping centre, Tuulos, HVACE contracts

Valio's cold store, Riihimäki, facility enlargement, HVACE contracts

Porvoo Fire Station, Porvoo, heating and plumbing contract

Klaukkala central wastewater treatment plant, Nurmijärvi, electrical contract

Asunto Oy Säästöluoto, Helsinki, phase III, modernisation of pipe system

Kiinteistö Oy Microtekniä, Kuopio, HVAC contracts

University of Jyväskylä, Nanoscience, HVAC contracts

KOY Hämeenkatu 28, Tampere, HVACEA, sprinkler, telecom and security systems

Päijät-Häme Central Hospital, Lahti, HVAC, telecom and security systems

Schering pharmaceutical factory, Turku, research and laboratory facilities, plumbing, air conditioning and electrical works

Maalaistentalo, Turku, HVACE and sprinkler works

ABB Service Oy / Esso, nationwide maintenance agreement

Fortum Power and Heat Oy, Loviisa power plant, HVACE maintenance services

Ilmarinen, Helsinki, technical maintenance

KCI Konecranes Oy, facility maintenance service agreement and nationwide collaboration

Keitele Engineering Wood Oy, Keitele, sprinkler works at gluelam factory

Stora Enso Corporation, Veitsiluoto, VEPA project, electrification and HVAC contracts for PM3 rebuild

UPM-Kymmene Corporation, Pietarsaari, Wisa 800 project, electrification of recovery line

UPM-Kymmene Corporation, Kaipola, KARU project, electrification, automation and ventilation installations

M-real Corporation, Kaskinen, HELMI project, electrification contract

ABB Oyj / Stora Enso, Kvarnsveden, Sweden, process electrification of paper mill

Elisa Corporation, installation and start-up of mobile phone networks in Finland

Ecosite Oy, equipment installations at mobile phone facilities in Finland

Oy LM Ericsson Ab, delivery of mobile phone network equipment in Finland and neighbouring countries

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

Hermitage Art Repository, phase II, St. Petersburg, LVISPA design

Elcoteq Corporation, St. Petersburg, LVISPAP design of plant's phase I and II, and works on phase I

Safety and the environment



Properly installed safety rails protect both employees and members of the public.

The purpose of Lemminkäinen's safety work is to create a safe working environment, to maintain safe working conditions and to support the company's business. The aim is to safeguard the health of employees and to prevent and eliminate environmental and safety risks to employees and material capital.

In the 2004 the focus of the company's industrial safety and environmental activities was on preventative safety work. Particular emphasis was placed on safety training for employees, monitoring the safety level and environmental effects of operations, and learning lessons from dangerous situations that had actually arisen.

Safety and environmental matters in management and planning

Industrial safety and environmental matters are part of Lemminkäinen's day-to-day management and planning. The industrial safety, occupational health and environmental management certificates of the company's core businesses have promoted systematic

safety work. In 2004 several operating and management systems were certificated.

In 2004 the OHSAS 18001 occupational health and safety certificate was awarded to Lemminkäinen's mineral aggregate quarrying and crushing operations, production of roofing materials, and roofing contracting as well as Lemcon Ltd's project management contracting. Environmental management certification to the ISO 14001 standard was granted to the company's mineral aggregate quarrying and crushing operations, roofing contracting, Lemcon Ltd's infrastructure contracting, and asphalt production and paving operations in Lithuania. All of the Concrete Products Unit's operations are now certificated. Environmental management certification to the ISO 14001 standard already covered Lemminkäinen's asphalt production and paving operations in Finland, Denmark and Estonia, production of roofing materials, production of concrete and natural stone products, and Lemcon Ltd's project management contracting. OHSAS 18001 safety certification already covered Lemminkäinen's asphalt production and paving operations in Finland and Denmark. Almost all of the units have ISO 9001 certificates as well.

Accident prevention for a safer workplace

Occupational safety risks involved in the company's business activities are assessed in advance at each workplace and project-specifically. The risk assessments are updated in connection with operational changes. The occupational health service makes reviews on individual work sites and workplaces. The findings of these reviews are used to improve the work environment as well as in risk management and project, work and operational planning. Accidents are monitored using an accident reporting and statistics system conforming to the Eurostat classification. In 2004 the system was developed to serve accident investigation and the reporting and monitoring of dangerous situations. In several business units the documentation and processing of dangerous situations were developed to prevent future accidents.

Information on the environmental effects of operations

When the sites of old production plants are closed down or renewed, soil studies are made to determine whether there has been any soil contamination. In 2004 soil studies were made on the sites of asphalt production and mineral aggregate quarrying and also in the Sammonmäki industrial area in Tuusula. Groundwater quality was monitored in groundwater areas and on sites in their immediate vicinity.

The environmental effects of Lemminkäinen's operations were observed by monitoring the consumption of water and energy, the generation and utilisation of waste materials, and the release of air-borne emissions. On construction sites the focus was on the generation and utilisation of waste materials.

The production of asphalt, the quarrying and crushing of mineral aggregate, the production of ready-mix concrete and concrete products, and the manufacture of bituminous roofing materials are all operations that require an environmental permit.

The environmental effects of operations were monitored to the extent required by the relevant environmental permits.

Reduced emissions into the environment

Energy consumption and air-borne emissions were reduced by procuring new plant and equipment and by means of plant maintenance and overhaul procedures. Natural gas, fuel oil and liquefied petroleum gas were used as energy sources at production plants. The use of natural gas is preferred whenever possible.

Reclaimed pavement was utilised in the production of recycled asphalt at Lemminkäinen's production plants in Scandinavia, Estonia and Latvia. 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.

The landscaping of the disused sludge area at Lemminkäinen's Sammonmäki concrete products factory in Tuusula was completed. The landscaping project included earthworks, tree plantings and the reconstruction of yard areas.

On construction sites waste materials were sorted as far as possible. Site workers were given guidance in an attempt to limit the generation of waste. The formation of waste materials and waste management expenses was studied project-specifically.

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. Packaging was developed in the direction of material conservation.

Greater safety and environmental awareness of own work

The safety and environmental awareness of employees has been heightened by wide-ranging safety and environmental training that supports their own work.

The ability of employees to identify risks associated with their own work was developed with the aid of risk assessment training. Familiarisation with occupational safety issues was increased with the industrial safety card training that was launched last year. Employees also attended training courses on road safety, fire work, electrical work safety and first aid. The company arranged training on the OHSAS 18001 system and project personnel were given training on the measurement of safety in building construction. The safety and environmental awareness of employees was heightened with the aid of training and familiarisation concerning the introduction of the occupational health, safety and environmental management systems.

Lemminkäinen is well prepared to provide its employees with internal safety training. Certain employees have been trained as instructors in road safety, fire work, the measurement of safety in building construction and industrial safety cards.

Co-operation in the development of safety and environmental issues

In safety and environmental issues the company acts in partnership with other actors and organisations of the construction sector. The Mineral Aggregates Unit participated in a devel-

opment project organised by the Central Association of Earth Moving Contractors in Finland concerning the safety measurement of crushing equipment. Palmberg and Lemcon are taking part in a project organised by the Confederation of Finnish Construction Industries (RT) with the aim of developing the eco-efficiency and life cycle measures of the construction and real estate management sectors.

The Roofing Unit joined the Finnish Institute of Occupational Health's Zero-Accident Forum. The forum operates in a network of companies and supports the industrial safety work being done in the unit.

Tekmanni is involved in the RATURVA II project of the Confederation of Finnish Construction Industries (RT) and VTT Building and Transport, in which material is produced for the safety training and guidance of employees.

The Mineral Aggregates Unit took part in the Poski Project co-ordinated by the Finland's Environmental Administration in the provinces of Uusimaa and Kymenlaakso. The purpose of the project is to improve the compatibility of groundwater protection and gravel extraction.

Lemminkäinen's various business units actively participated in industrial safety competitions organised in the construction sector.



Lemminkäinen's dense asphalt pavements are well suited to soil and groundwater protection applications. A dense asphalt base being laid at the Rusko waste management facility in Oulu.

Research and Development

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

Life cycle thinking

The main focus of Lemminkäinen's R&D activities in 2004 was on technical development work, boosting operational efficiency, and environmental and safety issues. Projects based on life cycle thinking represented a new R&D theme.

The high level of activity maintained over recent years in both traditional technical development work and product development continued in 2004. New solutions were tested on construction sites in collaboration with partners and customers. The aim of this work is to ensure that Lemminkäinen Group's products, methods and services remain productive, competitive and interesting for customers.

Lemminkäinen has been active in environmental protection and safety for many years and this well-established policy remained

unchanged in 2004. New products and services that fulfil the modern principles of environmental and safety thinking have been created in the Group's companies and units. Lemminkäinen embraces life cycle thinking by trying to develop products and structural solutions that have a long service life, can be maintained at low cost, and are suitable for recycling.

New markets for asphalt structures

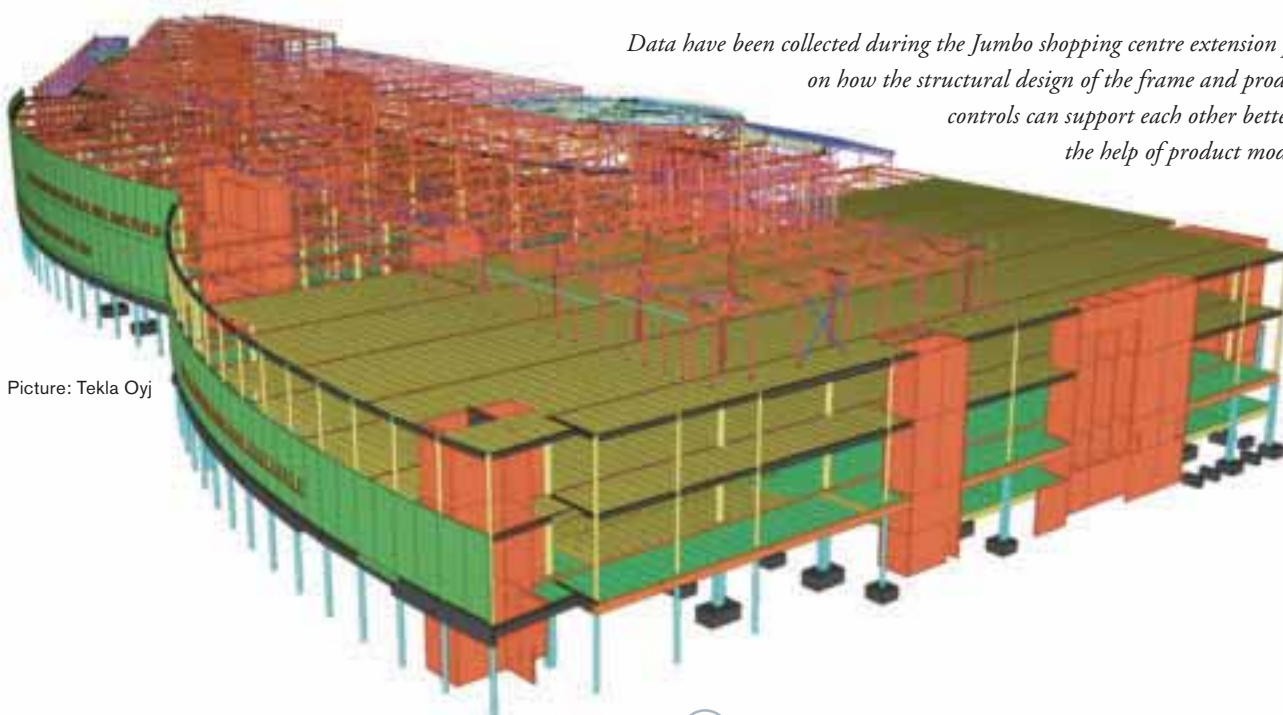
Lemminkäinen's asphalt paving operations are international. The joint R&D projects of the Group's asphalt companies have resulted in new products and services. The manufacture of bitumen emulsions and the development of their use is a good example of such projects. The new emulsion plant in Denmark has given birth to a new business for Lemminkäinen's Danish subsidiary. Emulsion applications have also been important development projects in Norway, Lithuania and Finland. The "low-noise" asphalts developed by Lemminkäinen in recent years have been well received in Scandinavia. The wear-resistant Confalt asphalt pavement stands up well to heavy traffic loads, and has been introduced by almost all of the Group's asphalt companies.

Lemminkäinen has continued with the development of dense asphalt pavement structures, which are resistant to chemicals and provide excellent protection to local groundwater resources. The stricter environmental requirements imposed on agriculture have increased the demand for dense asphalt pavements in connection with farm construction work. Asphalt pavement structures have also been developed in response to the growing speeds and loads of rail traffic. Higher load-bearing capacity, improved vibration damping, longer service life and better groundwater protection characteristics are being sought for asphalt structures intended for rail tracks and marshalling yards. A test track structure was built at Nikkilä during the summer.

Asphalt is a 100% recyclable material. Lemminkäinen has increased the recycling of reclaimed pavement by improving its recycling equipment and methods. At the moment about 20 asphalt production plants can use reclaimed pavement as a raw material. The development of new remixing equipment has increased the amount of in-situ asphalt pavement recycling.

The infrastructure sector's new procurement methods have required the development of new services and processes. 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

Data have been collected during the Jumbo shopping centre extension project on how the structural design of the frame and production controls can support each other better with the help of product modelling.



Picture: Tekla Oyj

developed for these contracts. In Finland, Lemcon Infra, the Paving Unit and Tielinja Oy have improved their services so that Lemminkäinen is better able to tender for these increasingly large and diversified contracts.

In 2004 the Mineral Aggregates Unit developed new measuring methods and crushing equipment for its quarrying operations. Development work on strong and durable mineral aggregate products has continued.

Tielinja has developed road markings that can be seen more easily in the dark and in wet conditions. Special attention has been paid to optimising the service life of road-marking mixes.

New products added to 50-year-old series of precast concrete staircase units

Lemminkäinen's new production line for bituminous roofing shingles has helped the Roofing Unit to develop new products and to improve the quality of its bituminous products. An extensive logistical study of roofing production and contracting has enabled the unit to improve its logistical services and to cut costs.

In the fiftieth anniversary year of Lemminkäinen's production of precast concrete staircase units the Concrete Products Unit developed the new Elemento staircase units and launched them on the market. The precast concrete staircase units designed for use in low-density residential buildings were installed in row house sites built by Palmberg-Urakoitsijat Oy. Also, the acoustic properties of staircases were studied and their installation methods improved. The range of urban environment products was enlarged.

Omni-Sica Oy has developed soft playground pavements for children and youths as well as control systems for watering systems designed mainly for golf courses.

Product model data in the construction process

Lemcon Infra has focused mainly on technical development work and the development

of project management. The unit has also studied the quality assurance of major infrastructure projects. Life cycle thinking has been incorporated into many rock engineering projects.

Lemcon Project Management has been deeply involved in different projects of the construction sector. The Confederation of Finnish Construction Industries' development project "Product Model Data in the Construction Process" is one example. Product model data was utilised in the frame building stage of the Jumbo shopping centre's expansion project. This trial will be continued in new construction projects. Palmberg has also been involved in new product modelling based on 3D technology.

The Palmberg Group concentrated its efforts in development work on strengthening the customer-focused business model. A development project supported by the National Technology Agency (Tekes) was launched with the aim of developing a new customer-focused business concept. The goal is to achieve a product and supporting service based on a controlled process, volume tailoring and networking. Rakennustoimisto Palmberg Oy has developed an elevator system suitable for retrofitting into old apartment blocks, and has submitted two patent applications concerning the innovation. The aim is to develop a product and method by which an elevator can be quickly installed in an existing property. The Palmberg Group took part in a number of technology programmes and sectoral development projects.

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. Co-operation with universities and research institutes has been close. The Paving Unit and Lemcon Infra have taken part in a number of projects belonging to the Infra Technology Programme of the National Technology Agency (Tekes). Lemcon Project Management and different companies of the Palmberg Group have been active participants in several programmes of the National Technology Agency (Tekes) or the Confederation of Finnish Construction Industries (RT). The most notable of these sectoral technology programmes and development projects have concerned life cycle models and measuring methods, energy systems, design systems and business models. 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.

Important role of academic theses in development and recruitment

Lemminkäinen has supported students by providing them with opportunities to make their academic theses. In 2004 almost 20 academic theses were under way. Most of these were being prepared for bachelor's or master's degrees in engineering. The theses dealt with both technical matters as well as environmental, safety and life cycle topics. Planning, productivity and economy also featured among the range of topics covered. Some of the undergraduates concerned have been recruited into the Group.

Quality systems

The Group's quality systems play an important role in business development. In practice, almost all of the Group's units have a quality system based on the ISO 9000 standard. In recent years particular emphasis has been placed on the development of environmental management and safety systems.

Personnel

Personnel in Finland and abroad

The average number of people employed by the Lemminkäinen Group in 2004 was 7 479 (7 167).

The average number of employees working in the Group's units abroad during the year was 1 623 (1 417), representing 21.7 % of all Group employees.

Lemminkäinen as an employer

The attractiveness of the construction sector as a career choice has improved considerably. The expectations of the sector are still good. The diverse range of projects undertaken in the sector offer interesting employment opportunities and will continue to do so.

Exceptionally long employment relationships, minimal staff turnover, and considerable interest from potential recruits are all indicative of Lemminkäinen's good standing as an employer. Lemminkäinen Group's activities encompass all aspects of construction work and the Group offers diverse career and employment opportunities. Lemminkäinen operates nationwide in Finland and in all the countries of the Baltic Rim region. In addition the Group carries out individual projects all over the world.

Lemminkäinen is actively involved in the sector's joint development projects, in the work of employer associations, and in collaboration bodies of industry associations and educational establishments.

Personnel development anticipates future changes

Internationalisation, the development of project working methods, the diversification of work community structures, and the management of changing work environments are key themes for personnel development in Lemminkäinen Group. These themes are incorporated into the development plans of the Group's companies and units as integral parts of their business plans.

Lemminkäinen aims to further develop the current professional competence of employees through vocational training leading to the award of a diploma. This also supports the career advancement and job rotation of professionals.

Lemminkäinen has long had close collaborative ties with colleges of different educational levels. Lemminkäinen is thus able to influence the content of and materials used in the training of future recruits to the construction sector. Co-operation with colleges also provides an opportunity to recruit new employees at the work practice stage of studies. Research work is also done with higher-level colleges.

Thanks to Lemminkäinen's expertise, asphalt industry training has been introduced as a specific line of studies in certain trade schools. This has required strong involvement both in the preparation of training material and in the teaching itself.

On the building construction side Palmberg and several trade schools have devised rules and procedures for one-the-job training. As a result of this co-operation, on-the-job trainees have worked on Palmberg's building sites and some of them have been recruited as permanent employees.

Lemcon Ltd's most important training project was the so-called HRD course, the aim of which is to improve project management competencies. In 2004 thirty-three employees from all of the company's business areas took part in the Finnish-language course. Twenty-five employees from Lemcon Network's locations abroad took part in the English-language version of the course. HRD training will continue in 2005.

The emphasis in Lemcon's other training was on special training for individual business areas. For example, rock engineering training has been arranged in collaboration with Outokumpu Trade School. The company participates in the organisation of the teaching and has committed itself to hire a certain number of the students who complete the training.

Tekmanni Oy has continued its partnership with AEL (Centre for Technical Training) concerning its own project management training programme for young project managers as well as the special technical diploma (TEAT) awarded at the end of apprentice-based training.

All of Lemminkäinen Group's companies and units organise training for both salaried staff and hourly paid workers on topical matters such as employment contracts and occupational safety.

Lemminkäinen Group's own extended business management training program continued with a new course that began in 2004. The programme is run in partnership with Helsinki University of Technology.

Confidence in the work community guarantees individual wellbeing



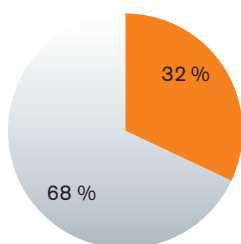
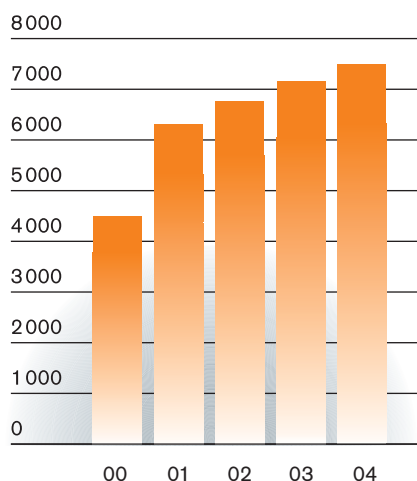
The personnel questionnaire that Lemminkäinen has been using for several years was renewed in 2004. The purpose of the renewal was to obtain even more detailed results and to enable comparisons between different group companies. The results can now be handled in small groups and at unit, company and group level.

Maintenance of fitness for work

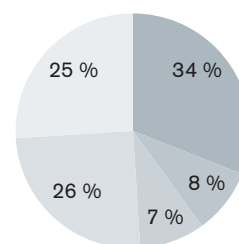
The aim of Lemminkäinen's activities that maintain fitness

*Paver Operator
Atte Lyytikäinen*

Personnel (average) of Lemminkäinen Group in 2004



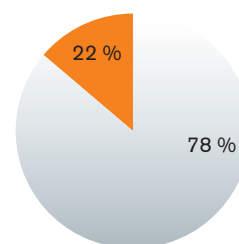
■ Salaried staff
■ Hourly paid workers



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



Location



■ Finland
■ Abroad

for work has been to support the employees' ability to cope at work, to improve their wellbeing and quality of life, and to prevent premature retirement. Supporting the ability of elderly employees to cope at work has been given particular attention.

The exercise programme that was launched in the Group in 2002 has gone well. The outsourced exercise services function globally and the role of Lemminkäinen's exercise contact persons became clear. The exercise campaigns organised by the Group have effectively spread the word among the employees, and the exercise events have offered an opportunity for local employees to take part in a shared activity and experience. The use of the Group's exercise services has doubled since 2002.

Training for managers was organised in connection with the renewal of the Group's alcohol abuse prevention programme. Work ergonomics programmes were continued in Lemminkäinen's production plants. For instance, new ergonomic tools were tried out in the Roofing Unit.

Early rehabilitation plays an important role in the maintenance of the individual's fitness for work. Lemminkäinen has organised various rehabilitation courses since 1983. The Group's occupational health service collaborates with the employer, the National Social Insurance Institution, pension institutions and rehabilitation institutions in the implementation and follow up of the courses. The occupational health service monitors the fitness of the course participants using walking tests and other means.

The occupational health service has made proposals for improvements in working conditions and methods, and has monitored the implementation of measures in the workplace. Lemminkäinen's occupational health nurses and physicians have provided information on work-related risks, issued instructions on correct working practices, and participated in risk assessments and

quality projects of the units.

In autumn 2004 a questionnaire study was conducted among about 3,000 employees of Lemminkäinen Corporation and Tekmanni Oy to determine the effect of health guidance and the actions of the occupational health service on absences and the risk of incapacity to work. The questionnaire study will be repeated in a year's time. The study was carried out by Evalua International Ltd in collaboration with the occupational health services of the companies involved.

Lemminkäinen's occupational health care services cover preventative healthcare, GP-level medical treatment and, if necessary, the services of specialist physician upon referral. Occupational health services are provided to all the Group's salaried and hourly paid employees nationwide on a uniform and even-handed basis.

Board of Directors' report

Construction market

The Finnish construction market continues to be stable. The volume growth of construction was about 3 % in 2004. Building construction grew by a full 2 %. Residential construction and refurbishment contracting were brisk, although the growth of housing production is slowing down. The number of new housing starts was approximately 32 000 units, whereas the number of new starts forecast for 2005 is about 31 500. The shortage of building plots continues to put a brake on residential construction, especially in the metropolitan area and in growth centres.

Industrial construction began to grow in 2004 after a long period of decline. New starts on office buildings also rose, even though the office vacancy rate has long been higher than normal, especially in the metropolitan area. Commercial construction remains active and the steady growth of refurbishment contracting continues. Refurbishment contracting accounts for roughly a half of all residential construction and about 40 % of office construction.

Investments in both road and rail infrastructure increased in 2004. Investments in harbour construction and energy supply were also considerable. Finnish asphalt paving volumes remained unchanged from the previous year. The volume of underground excavations was up thanks to major infrastructure projects. The volume of civil engineering contracting as a whole grew by about 5 % last year.

The value of the Finnish construction industry's international operations rose to about EUR 1.7 billion (1.3) in 2004. This favourable development was largely due to the steady growth of the Russian construction market.

Net sales and profits

The net sales of the Lemminkäinen Group rose 12.8 % to EUR 1 533.5 million (1 359.0), of which operations abroad accounted for EUR 358.6 million (289.3) or 23.4 % (21.3). The operating profit was EUR 58.6 million (48.8), the profit before taxes EUR 49.5 million (41.8) and the profit for the accounting period EUR 32.1 million (22.4). The return on investment was 14.8 % (13.3), the return on equity 18.9 % (12.7) and earnings per share EUR 1.89 (1.30).

The improvement in the Group's result was largely due to the significantly improved results of Lemminkäinen's domestic building contractor Oy Alfred A. Palmberg Ab and Lemcon Ltd. The results of the Paving and Mineral Aggregates Division and the Building Materials Division were adversely affected by the abnormally wet work season. Tekmanni's result was weaker than in the previous year.

Results and outlook by business sector

The net sales of the **Paving and Mineral Aggregates Division** rose to EUR 430.4 million (380.6). The Division's operating profit was EUR 15.3 million (16.9).

The price level of asphalt paving contracts is still low in all of the Scandinavian countries.

Contract prices for works ordered by the Finnish State remained low and the price level of local authority contracts fell. Rainy weather added to contracting costs in all of the Scandinavian countries and Baltic states. The price level of asphalt paving works in 2005 is still not known, but contract prices are not expected to fall any further.

In Russia and the Baltic states the order books for asphalt paving works are higher than before and the outlook remains good.

Major infrastructure projects will sustain demand for mineral aggregates at a good level in the coming years. The ready-mix concrete contract for Finland's new nuclear power plant unit will significantly increase Forssan Betonituote Oy's deliveries over the next three years.

The net sales of the **Building Materials Division** were EUR 95.7 million (95.1). The Division's operating profit was EUR 2.7 million (2.8).

The wet summer brought additional costs and weakened the result of the Division's contracting operations. The bad weather also caused some works to be delayed. On the other hand, the capacity utilisation rate of the Division's production plants was high.

The outlook for the Division in 2005 is positive thanks mainly to the continuing growth of refurbishment contracting. Exports of building materials are also expected to grow.

The net sales of **Lemcon Ltd** were EUR 264.5 million (201.2). The company's profit before taxes improved 71 % and was EUR 11.3 million (6.6).

The development of Lemcon's result was favourable. The state of the rock engineering markets in Finland and Sweden has remained good. The major infrastructure projects under way in Finland will continue for the next couple of years at least. Lemcon's exports are expected to develop favourably, and growth is forecast especially on the Chinese and Russian markets. The outlook for telecom network construction is also good.

The significantly increased order book provides the company with good starting points for 2005.

The net sales of **Oy Alfred A. Palmberg Ab**, which specialises in building contracting on the Finnish market, rose 12 % to EUR 588.6 million (524.7). Palmberg's result before taxes rose 51 % to EUR 27.8 million (18.4). The number of own residential development apartments completed by the company was 948 units (800). New apartments completed under competitive tender contracting totalled 859 (826).

The value of Palmberg Group's order book at the end of 2004 was higher than it was a year earlier, and the Group's capabilities to start new housing developments of its own are this year better than before.

The net sales of **Tekmanni Oy** were EUR 198.3 million (192.3). The company's result before taxes weakened and was EUR 2.1 million (4.3).

The unsatisfactory development of Tekmanni's result was due to a deterioration in market conditions, an increase in the price level of materials, and the implementation of business adjustment measures.

The overall market for technical building services is expected to grow slightly in 2005. Tekmanni's competitiveness will improve in 2005 as a result of the reorganisation and restructuring measures implemented by the company.

Financing

According to the source and application of funds statement, the cash flow from operating activities was EUR 76.7 million (22.0), the cash flow from investing activities EUR -21.8 million (-18.1) and the cash flow from financing activities EUR -59.6 million (2.7). The cash flow for the review period includes dividends totalling EUR 44.9 million paid in respect of the 2003 accounting period.

Interest-bearing liabilities at the end of the accounting period were EUR 222.2 million (224.1) and liquid funds were EUR 39.9 million (44.5). Interest-bearing net debt was EUR 182.3 million (179.6).

Net financing expenses were EUR 9.2 million (7.3), representing 0.6 % (0.5) of net sales. Unlike in the previous year, financing expenses included interest expenses of EUR 2.3 million on finance leasing liabilities. The equity ratio was 30.3 % (34.0) and gearing 100.7 % (93.0).

Transition to International Financial Reporting Standards (IFRS)

The Company will publish its first financial statements conforming to the International Financial Reporting Standards (IFRS) for the 2005 accounting period. Interim financial reviews complete with historical reference figures will be prepared in accordance with IFRS rules, commencing with the review for the period 1st January - 31st March 2006. The 2005 interim financial reviews will be restated according to IFRS rules by the end of 2005.

The first phase of the transition to IFRS was made in the 2003 financial statements with regard to finance leasing and inventories. This involved activating finance leasing purchases of fixed assets on the balance sheet, and incrementing the value of inventories to include their share of the fixed costs of production.

The most important changes to the accounting principles applying to the 2004 IFRS balance sheet are the adoption of the completed contract method of recognising income from own building developments, the abolition of goodwill amortisation charges in favour of annual impairment tests, and the recording of all temporary differences between taxation and the financial statements as deferred tax. The amount of goodwill written off in 2004 was EUR 7.7 million. Early disability

pension under the Employees' Pension Act will not be regarded as a defined benefit, in which case no pension liability will arise from it.

The above-mentioned changes to the accounting principles will result in shareholders' equity being reduced by about 2 %.

The treatment of own building developments according to IFRS rules will increase interest-bearing net debt by about EUR 30 million.

The double counting of net sales from own building developments will be eliminated in the IFRS financial statements. This will have a positive impact on relative profitability. IFRS bookings concerning own building developments will reduce the balance sheet total. Correspondingly, the possible activation of some intermediate real estate leasing contacts would increase the balance sheet total, in which case the net effect on the balance sheet would not be significant at all.

Investments

Investments made in the accounting period totalled EUR 40.8 million (37.2). These investments were primarily purchases of paving, crushing and excavation equipment, production plant for building materials, and building construction equipment.

Personnel

The average number of personnel in the Group during the accounting period was 7 479 (7 167), of whom 2 367 (2 259) were salaried staff and 5 112 (4 908) hourly paid employees. The number of employees at the end of the year was 6 783 (6 505). The average number of employees working abroad during the accounting period was 1 623 (1 417), i.e. 21.7 % (19.8) of the Group's personnel.

Research and development

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

Group structure

Lemminkäinen's stake in the Estonian construction company AS Talter was increased from 49.6 % to 99.4 %.

Order book

The value of the Group's uninvoiced orders was EUR 783.4 million (593.0), up 32.1 % on the total at the end of the previous year. Foreign orders accounted for EUR 244.6 million (115.5) of the order book's value.

Order book by business sector

EUR million	2004	2003	Change,%
Paving and Mineral Aggregates Division	124.7	64.9	92.1
Building Materials Division	12.5	16.5	-24.2
Lemcon Ltd	239.1	139.6	71.3
Oy Alfred A. Palmberg Ab	334.3	286.8	16.6
Tekmanni Oy	72.7	85.3	-14.8
Total	783.4	593.0	32.1

Share prices and trading

The average listed price of Lemminkäinen Corporation's share during the accounting period was EUR 15.98 (17.39). The year-end price of the Company's share was EUR 15.74 (17.00) and the market capitalisation EUR 267.9 million (289.4). At the end of the year the Company had 3 589 (2 807) shareholders. The trading volume was 5 004 790 shares (2 193 022).

Lemminkäinen made a liquidity providing (LP) agreement with Nordea Bank Finland Plc on 5th October 2004. According to the agreement Nordea Bank Finland Plc undertakes to quote both bid and offer prices for Lemminkäinen Corporation's share so that the prices do not deviate from each other by more than 4 per cent, calculated on the bid price. The bid and offer prices quoted by the liquidity provider must be for at least 800 shares. Nordea Bank Finland Plc is obliged to quote bid and offer prices for Lemminkäinen Corporation's share in Helsinki Stock Exchange's trading system every day for at least 85 per cent of the Continuous Trading I period and also in the daily opening and closing procedures applicable to securities.

Decisions made at general meetings of shareholders and corporate governance

Lemminkäinen Corporation's Annual General Meeting was held on 19th March 2004. The AGM adopted the Company's final accounts for the 2003 financial year and granted the Managing Director and the members of the Board of Directors freedom from responsibility. In accordance with the Board of Directors' proposal, the AGM decided to pay a dividend of EUR 1.50 per share, i.e. a total dividend pay-out of 25 531 875.00.

The AGM also decided to amend §9 of the Articles of Association to read as follows: "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 AGM decided that the definition arising from the amendment of §9 would be made in points 8 and 10 of §11 of the Articles of Association.

Messrs. Berndt Brunow, Erkki J. Pentti, Heikki Pentti, Teppo Taberman and Sakari Tamminen were elected to serve as members of the Company's Board of Directors. Price-waterhouseCoopers Oy, a firm of authorised public accountants, was elected to serve as the Company's auditor.

An Extraordinary General Meeting of Lemminkäinen Corporation's shareholders was held on 9th December 2004. The EGM decided in accordance with the Board of Directors' proposal to pay an additional dividend of EUR 1.00 per share, i.e. a total additional dividend pay-out of EUR 17 021 250.00.

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

Investigations of the competition authorities

The Finnish Competition Authority (FCA) has proposed to the Market Court that a fine of EUR 68 million should be imposed on Lemminkäinen in connection with its allegations of cartel in the asphalt paving industry. In the rejoinder submitted to the Market Court Lemminkäinen has denied the FCA's allegations as being unfounded in all respects and has called for the Market Court to dismiss the FCA's sanction proposal in its entirety. The case is still pending in the Market Court.

In Sweden a fine of SKR 4 million is being sought against Kvalitetsasfalt i Mellansverige, a Lemminkäinen subsidiary operating in the asphalt paving industry. The case is pending in Stockholm District Court.

In 2002 the FCA made surprise audits of all the principal bituminous roofing manufacturers and contractors in Finland. The investigations are still on-going.

Outlook

The steady development of the Finnish construction market will continue. Construction volume growth is expected to be sustained at 3 % in 2005.

Growth will be sustained by the continuing level of activity in building construction, the volume of which is expected to grow at 3–4 % in 2005. Residential construction will remain brisk, although its growth rate will probably slow down slightly this year. Office construction is showing signs of recovery, and commercial construction will continue to be active. The growth of civil engineering contracting will slow, whereas refurbishment contracting will continue to grow steadily. The growth of the Russian construction market will also continue.

The value of Lemminkäinen Group's order book at the end of 2004 was 32 % higher than it was a year earlier. The Company's starting points for 2005 are good. The net sales and result are expected to be at the level of the previous year.

Consolidated income statement

	Note	EUR 1 000 1.1.2004–31.12.2004	EUR 1 000 1.1.2003–31.12.2003
NET SALES	1.1	1 533 459	1 358 961
Increase (+) or decrease (-) in stocks of finished goods and work in progress		18 056	9 859
Production for own use		697	496
Other operating income	1.2	5 655	5 682
Materials and services	1.3	1 025 939	893 133
Personnel expenses	1.4	308 700	291 419
Depreciation	1.5	39 671	29 358
Other operating expenses		124 931	112 252
OPERATING PROFIT		58 625	48 836
Financial income and expenses	1.6	-9 154	-7 292
PROFIT BEFORE EXTRAORDINARY ITEMS		49 471	41 544
Extraordinary items	1.7		302
PROFIT BEFORE TAXES		49 471	41 846
Indirect taxes	1.9	-14 128	-15 274
Minority interests		-3 201	-4 124
PROFIT FOR THE ACCOUNTING PERIOD		32 142	22 447

Consolidated balance sheet

	Note	EUR 1 000 31.12.2004	EUR 1 000 31.12.2003
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	2.1		
Intangible assets	2.1.1	36 884	38 345
Goodwill on consolidation	2.1.2	21 692	25 245
Tangible assets	2.1.3	168 018	163 382
Holdings in affiliated undertakings	2.1.4	2 599	7 456
Other investments	2.1.4	6 697	7 590
		235 890	242 018
CURRENT ASSETS			
Inventories	2.2		
Inventories	2.2.1	198 920	179 384
Non-current receivables	2.2.2	109	74
Deferred tax asset	2.2.3	1 907	1 078
Current receivables	2.2.4	266 560	207 071
Investments	2.2.5	4 094	20 310
Cash in hand and at banks		35 820	24 194
		507 410	432 110
		743 300	674 128
LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	2.3	34 043	34 043
Share premium account		5 750	5 750
Retained earnings		93 646	113 949
Profit for the accounting period		32 142	22 447
		165 580	176 189
MINORITY INTERESTS			
		15 508	16 994
OBLIGATORY PROVISIONS			
	2.5	4 836	5 189
LIABILITIES			
Deferred tax liability	2.6		
Deferred tax liability	2.6.1	13 945	15 607
Non-current liabilities	2.6.2	113 160	133 344
Current liabilities	2.6.3	430 271	326 804
		557 376	475 756
		743 300	674 128

Consolidated statement of source and application of funds

Note	EUR 1 000 1.1.2004–31.12.2004	EUR 1 000 1.1.2003–31.12.2003
Cash flow from business operations		
Result before extraordinary items	49 471	41 544
Adjustments		
Depreciation according to plan	39 671	29 358
Other unpaid income and expenses	-328	-1 589
Financial income and expenses	9 154	7 292
Other adjustments	-2 914	-2 045
Cash flow before change in working capital	95 055	74 559
Change in working capital		
Increase (-)/decrease(+) in current interest-free business receivables	-56 029	-31 137
Increase (-)/decrease(+) in inventories	-18 837	-13 100
Increase (+)/decrease(-) in current interest-free liabilities	80 141	10 181
Cash flow from operations before financial items and taxes	100 330	40 503
Interest and other financial expenses paid	-11 398	-8 595
Dividends received	1 605	915
Interest and other financial income received	914	2 546
Direct taxes paid	-14 733	-13 403
CASH FLOW FROM BUSINESS OPERATIONS	76 718	21 966
Cash flow from investments		
Investments in tangible and intangible assets	-23 992	-20 290
Proceeds from the sale of tangible and intangible assets	4 787	4 377
Investments in other assets	-76	-227
Proceeds from the sale of other investments	1 326	623
Purchases of subsidiary shares	-5 390	-2 119
Sales of subsidiary shares	327	
Purchases of shares in affiliated undertakings	-126	-424
Sales of Shares in affiliated undertakings	1 308	
CASH FLOW FROM INVESTMENTS	-21 836	-18 059
Cash flow from financing		
Increase (-)/decrease(+) in non-current receivables	-35	18
Drawings of short-term loans	115 559	49 020
Repayments of short-term loans	-97 882	-3 234
Drawings of long-term loans	2 379	42 834
Repayments of finance leasing debts	-9 110	
Repayments of long-term loans	-25 682	-33 112
Dividends paid and other profit distribution	-44 872	-52 822
CASH FLOW FROM FINANCING	-59 643	2 703
INCREASE (+)/DECREASE(-) IN CASH FUNDS	-4 761	6 609
Cash flows at beginning of accounting period	44 504	39 061
Translation difference of cash funds	170	-1 167
CASH FLOWS AT END OF ACCOUNTING PERIOD	39 913	44 504

Parent company income statement

	Note	EUR 1 000 1.1.2004–31.12.2004	EUR 1 000 1.1.2003–31.12.2003
NET SALES	1.1	312 306	308 723
Increase (+) or decrease (-) in stocks of finished goods and work in progress		-1 015	-516
Production for own use		152	18
Other operating income	1.2	2 899	2 429
Materials and services	1.3	168 884	166 560
Personnel expenses	1.4	80 710	78 989
Depreciation	1.5	12 204	10 882
Other operating expenses		36 831	34 833
OPERATING PROFIT		15 712	19 389
Financial income and expenses	1.6	-3 994	-2 585
PROFIT BEFORE EXTRAORDINARY ITEMS		11 718	16 804
Extraordinary items	1.7		2 390
PROFIT BEFORE APPROPRIATIONS AND TAXES		11 718	19 194
Appropriations	1.8	3 974	3 161
Direct taxes	1.9	-4 494	-6 618
PROFIT FOR THE ACCOUNTING PERIOD		11 198	15 737

Parent company balance sheet

	Note	EUR 1 000 31.12.2004	EUR 1 000 31.12.2003
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	2.1 2.1.1	3 114	4 525
Tangible assets	2.1.3	67 034	71 660
Holdings in group undertakings	2.1.4	173 595	157 259
Holdings in affiliated undertakings	2.1.4	293	1 286
Other investments	2.1.4	5 060	5 307
		249 097	240 037
CURRENT ASSETS			
Inventories	2.2 2.2.1	31 769	32 668
Non-current receivables	2.2.2	34	52
Current receivables	2.2.4	47 363	50 386
Investments	2.2.5	3 000	18 478
Cash in hand and at banks		5 768	5 937
		87 933	107 522
		337 030	347 559
LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	2.3	34 043	34 043
Share premium account		5 675	5 675
Retained earnings		76 213	103 029
Profit for the accounting period		11 198	15 737
		127 128	158 483
APPROPRIATIONS	2.4	9 486	13 460
LIABILITIES			
Deferred tax liability	2.6 2.6.1	1 869	2 084
Non-current liabilities	2.6.2	27 232	26 843
Current liabilities	2.6.3	171 316	146 690
		200 417	175 617
		337 030	347 559

Parent company statement of source and application of funds

Note	EUR 1 000 1.1.2004–31.12.2004	EUR 1 000 1.1.2003–31.12.2003
Cash flow from business operations		
Result before extraordinary items	11 718	16 804
Adjustments		
Depreciation according to plan	12 204	10 882
Financial income and expenses	3 994	2 585
Other adjustments	-2 058	1 897
Cash flow before change in working capital	25 858	32 169
Change in working capital		
Increase (-)/decrease(+) in current interest-free business receivables	-2 127	-1 362
Increase (-)/decrease(+) in inventories	900	1 087
Increase (+)/decrease(-) in current interest-free liabilities	1 448	1 196
Cash flow from operations before financial items and taxes	26 078	33 089
Interest and other financial expenses paid	-5 864	-5 636
Dividends received	340	110
Interest and other financial income received	1 233	2 825
Direct taxes paid	-2 709	-8 345
CASH FLOW FROM BUSINESS OPERATIONS	19 077	22 043
Cash flow from investments		
Investments in tangible and intangible assets	-7 569	-13 661
Proceeds from the sale of tangible and intangible assets	3 427	2 158
Investments in other assets	-8	-2 742
Proceeds from the sale of other investments	702	414
Purchases of subsidiary shares	-15 343	
CASH FLOW FROM INVESTMENTS	-18 791	-13 831
Cash flow from financing		
Increase (-)/decrease(+) in non-current receivables	19	17
Change in Group receivables/liabilities	9 627	23 172
Drawings of short-term loans	112 000	47 000
Repayments of short-term loans	-96 326	-444
Drawings of long-term loans	11 642	8 000
Repayments of long-term loans	-10 342	-17 213
Dividends paid	-42 553	-51 064
CASH FLOW FROM FINANCING	-15 934	9 467
INCREASE (+)/DECREASE (-) IN CASH FUNDS	-15 647	17 679
Cash flows at beginning of accounting period	24 415	6 656
Corporate restructuring		80
CASH FLOWS AT END OF ACCOUNTING PERIOD	8 768	24 415

Accounting principles

Valuation of inventories

Inventories are valued according to the FIFO principle at their acquisition cost or, if lower, their new acquisition price or probable selling price. After the accounting policy change made in the financial statements dated 31st December 2003, 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. In the financial statements for the 2003 accounting period, the consequent EUR 2.5 million improvement in the result after taxes is recorded in extraordinary items.

Leasing

Starting from the financial statements dated 31st December 2003, finance leasing purchases of fixed assets are recorded on the consolidated balance sheet under non-current assets and the leasing debt in non-current and current liabilities. On the 2003 consolidated income statement 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. Leasing rents paid in 2004 are allocated in the consolidated financial statements to interest expenses and debt amortisation. The amortisation and interest expenses arising from finance leasing agreements are recorded on the 2004 consolidated income statement.

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 on 1st January 2005. 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.–31.12.2004	1.1.–31.12.2003	1.1.–31.12.2004	1.1.–31.12.2003
1 INCOME STATEMENT				
1.1 NET SALES AND OPERATING PROFIT				
Net sales by business sector				
Paving and Mineral Aggregates Division	430 429	380 592	230 495	231 876
Building Materials Division	95 681	95 143	86 665	81 877
Lemcon Ltd	264 504	201 157		
Oy Alfred A. Palmberg Ab	588 631	524 668		
Tekmanni Oy	198 273	192 287		
Intra-group sales / others	-44 058	-34 886	-4 854	-5 031
Total	1 533 459	1 358 961	312 306	308 723
Net sales by market area				
Finland	1 174 815	1 069 665	304 105	300 692
Nordic countries	173 374	183 899	2 919	2 370
Eastern Europe	116 990	69 909	4 580	3 978
Western Europe	44 428	13 922	121	107
Asia and America	23 852	21 565	581	1 575
Total	1 533 459	1 358 961	312 306	308 723
Operating profit by business sector				
Paving and Mineral Aggregates Division	15 253	16 904	14 085	16 924
Building Materials Division	2 725	2 813	1 627	2 465
Lemcon Ltd	11 102	6 396		
Oy Alfred A. Palmberg Ab	30 874	22 018		
Tekmanni Oy	1 687	3 560		
Group eliminations / others	-3 014	-2 855		
Total	58 625	48 836	15 712	19 389
1.2 OTHER OPERATING INCOME				
Profit on the sale of fixed assets	2 875	2 465	2 058	1 668
Share of the results of affiliated undertakings	361	1 749		
Others	2 419	1 468	841	760
Total	5 655	5 682	2 899	2 429

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2004	1.1.–31.12.2003	1.1.–31.12.2004	1.1.–31.12.2003
1.3 MATERIALS AND SERVICES				
Raw materials, consumables and goods				
Purchases during the accounting period	500 210	468 887	92 257	93 978
Change in inventories	-816	-2 939	-115	571
	499 394	465 949	92 142	94 549
External services	526 545	427 184	76 742	72 011
Total	1 025 939	893 133	168 884	166 560

1.4 NOTES CONCERNING PERSONNEL, MANAGEMENT AND BOARD MEMBERS

Personnel expenses				
Salaries, wages and emoluments	250 942	235 539	64 993	63 192
Pension expenses	37 142	37 189	11 319	10 958
Other personnel-related expenses	20 617	18 690	4 398	4 839
Total	308 700	291 419	80 710	78 989

Management salaries and emoluments				
Board members and managing directors	3 879	3 576	579	546

Average number of employees				
Salaried staff	2 367	2 259	548	525
Hourly paid employees	5 112	4 908	1 218	1 242
Total	7 479	7 167	1 766	1 767

Average number of employees by business sector				
Paving and Mineral Aggregates Division	2 553	2 283	1 189	1 182
Building Materials Division	603	639	578	585
Lemcon Ltd	556	559		
Oy Alfred A. Palmberg Ab	1 890	1 806		
Tekmanni Oy	1 877	1 880		
Total	7 479	7 167	1 766	1 767

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	820	734	227	227
Goodwill	2 823	3 250	1 346	291
Other capitalised expenditure	191	306	58	17
Buildings	2 574	2 511	1 043	1 010
Machinery and equipment	26 989	16 402	8 880	8 738
Other tangible assets	1 399	1 358	650	600
Depreciation of tangible and intangible assets	34 796	24 561	12 204	10 882
Depreciation of goodwill on consolidation	4 876	4 796		
Total	39 671	29 358	12 204	10 882

NOTES TO THE FINANCIAL STATEMENTS

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2004	1.1.–31.12.2003	1.1.–31.12.2004	1.1.–31.12.2003
1.6 FINANCIAL INCOME AND EXPENSES				
Dividend income				
From group undertakings			39	3
From others	582	269	424	151
Total	582	269	462	154
Other interest and financial income				
From group undertakings			1 250	1 424
From others	1 383	1 319	424	345
Total	1 383	1 319	1 674	1 770
Interest expenses and other financial expenses				
To group undertakings			-1 241	-1 151
To others	-11 120	-8 880	-4 889	-3 357
Total	-11 120	-8 880	-6 130	-4 509
Net financial income/expenses	-9 154	-7 292	-3 994	-2 585
Exchange rate differences (net) included in financial income/expenses	-410	-91	-311	1 055
1.7 EXTRAORDINARY ITEMS				
Extraordinary income		2 462		2 390
Extraordinary expenses		-2 160		
Total		302		2 390
1.8 APPROPRIATIONS				
Difference between depreciation according to plan and depreciation charged against taxation			3 974	3 161
1.9 DIRECT TAXES				
Income taxes on normal business operations	-16 914	-14 938	-4 692	-6 589
Income taxes in respect of previous years	313	98	-17	-7
Change in the deferred tax liability	2 473	-434	216	-22
Total	-14 128	-15 274	-4 494	-6 618
2 BALANCE SHEET				
2.1 NON-CURRENT ASSETS				
2.1.1 Intangible assets				
Intangible rights	2 133	2 021	323	389
Goodwill	33 768	35 088	2 329	3 675
Other capitalised expenditure	514	642	65	123
Advance payments	469	594	397	337
Total	36 884	38 345	3 114	4 525

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2004	1.1.–31.12.2003	1.1.–31.12.2004	1.1.–31.12.2003
2.1.2 Goodwill on consolidation	21 692	25 245		
2.1.3 Tangible assets				
Land and Waters	12 323	10 803	8 573	7 862
Buildings	29 076	29 129	13 896	14 544
Machinery and equipment	114 356	110 575	35 204	39 578
Other intangible assets	10 123	10 782	7 717	8 047
Advance payments and work in progress	2 141	2 093	1 644	1 628
Total	168 018	163 382	67 034	71 660
2.1.4 Investments				
Holdings in group undertakings			173 595	157 259
Holdings in affiliated undertakings	2 599	7 456	293	1 286
Other shares and holdings	6 697	7 590	5 060	5 307
Total	9 296	15 045	178 949	163 853
2.1.1 Intangible assets				
Intangible rights				
Acquisition cost 1.1.	4 924	4 751	1 517	1 571
Translation difference	3	-5		
Increases	986	447	172	131
Decreases	-511	-269	-126	-186
Acquisition cost 31.12.	5 401	4 924	1 563	1 517
Accumulated depreciation 31.12.	-3 268	-2 902	-1 241	-1 127
Book value 31.12.	2 133	2 021	323	389
Goodwill				
Acquisition cost 1.1.	44 467	46 131	4 799	1 700
Translation difference	234	-1 416		
Increases	1 614	144		3 492
Decreases	-245	-392	-245	-392
Acquisition cost 31.12.	46 070	44 467	4 555	4 799
Accumulated depreciation 31.12.	-12 302	-9 379	-2 226	-1 125
Book value 31.12.	33 768	35 088	2 329	3 675
Other capitalised expenditure				
Acquisition cost 1.1.	1 567	1 624	404	184
Translation difference	10	-74		
Increases	62	44		244
Decreases	-97	-26	-85	-25
Acquisition cost 31.12.	1 543	1 567	319	404
Accumulated depreciation 31.12.	-1 029	-925	-254	-280
Book value 31.12.	514	642	65	123

NOTES TO THE FINANCIAL STATEMENTS

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2004	1.1.–31.12.2003	1.1.–31.12.2004	1.1.–31.12.2003
Advance payments				
Acquisition cost 1.1.	594	87	337	18
Increases	193	522	121	335
Decreases	-317	-15	-61	-15
Acquisition cost 31.12.	469	594	397	337
2.1.2 Goodwill on consolidation				
Acquisition cost 1.1.	42 094	41 231		
Increases	1 573	999		
Decreases	-250	-136		
Acquisition cost 31.12.	43 417	42 094		
Accumulated depreciation 31.12.	-21 725	-16 849		
Book value 31.12.	21 692	25 245		
2.1.3 Tangible assets				
Land				
Acquisition cost 1.1.	7 580	7 695	4 639	4 645
Translation difference	19	-136		
Increases	1 500	85	711	7
Decreases		-63		-13
Acquisition cost 31.12.	9 100	7 580	5 350	4 639
Revaluations	3 223	3 223	3 223	3 223
Book value 31.12.	12 323	10 803	8 573	7 862
Buildings				
Acquisition cost 1.1.	55 729	53 913	30 367	27 942
Translation difference	32	-495		
Increases	2 607	2 563	395	2 454
Decreases	-130	-253	-25	-29
Acquisition cost 31.12.	58 238	55 729	30 737	30 367
Accumulated depreciation 31.12.	-31 762	-29 200	-19 441	-18 423
Revaluations	2 600	2 600	2 600	2 600
Book value 31.12.	29 076	29 129	13 896	14 544
Machinery and equipment				
Acquisition cost 1.1.	238 520	165 538	104 673	95 681
Translation difference	293	-1 209		
Increases	37 957	82 537	6 321	13 705
Decreases	-13 925	-8 345	-10 525	-4 713
Acquisition cost 31.12.	262 845	238 520	100 469	104 673
Accumulated depreciation 31.12.	-148 490	-127 945	-65 265	-65 094
Book value 31.12.	114 356	110 575	35 204	39 578

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2004	1.1.–31.12.2003	1.1.–31.12.2004	1.1.–31.12.2003
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:				
Acquisition cost 1.1.	63 817			
Increases	13 437	63 817		
Accumulated depreciation	-29 763	20 170		
Book value 31.12.	47 491	43 647		
Other tangible assets				
Acquisition cost 1.1.	19 565	19 275	13 292	12 925
Translation difference	27	-160		
Increases	1 008	807	321	515
Decreases	-146	-357	-1	-147
Acquisition cost 31.12.	20 455	19 565	13 612	13 292
Accumulated depreciation 31.12.	-10 331	-8 783	-5 895	-5 245
Book value 31.12.	10 123	10 782	7 717	8 047
Advance payments and construction in progress				
Acquisition cost 1.1.	2 093	3 486	1 628	2 486
Translation difference	1	-89		
Increases	2 502	3 780	1 122	1 339
Decreases	-2 456	-5 084	-1 107	-2 197
Acquisition cost 31.12.	2 141	2 093	1 644	1 628
2.1.4 Investments				
Holdings in group undertakings				
Acquisition cost 1.1.			157 259	159 921
Increases			16 336	1 838
Decreases				-4 499
Acquisition cost 31.12.			173 595	157 259
Holdings in affiliated undertakings				
Acquisition cost 1.1.	7 456	6 404	1 286	1 282
Translation difference	55	-307		
Increases		1 405		4
Decreases	-4 912	-46	-993	
Acquisition cost 31.12.	2 599	7 456	293	1 286
Other shares				
Acquisition cost 1.1.	6 225	6 370	3 943	3 998
Translation difference		-1		
Increases	80	83	17	17
Decreases	-973	-227	-264	-72
Acquisition cost 31.12.	5 332	6 225	3 696	3 943
Revaluations	1 364	1 364	1 364	1 364
Book value 31.12.	6 697	7 590	5 060	5 307

NOTES TO THE FINANCIAL STATEMENTS

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2004	1.1.–31.12.2003	1.1.–31.12.2004	1.1.–31.12.2003
2.1.5 Revaluations				
Land				
Value 1.1.	3 223	3 223	3 223	3 223
Value 31.12.	3 223	3 223	3 223	3 223
Buildings				
Value 1.1.	2 600	2 600	2 600	2 600
Value 31.12.	2 600	2 600	2 600	2 600
Shares				
Value 1.1.	1 364	1 364	1 364	1 364
Value 31.12.	1 364	1 364	1 364	1 364
2.2 CURRENT ASSETS				
2.2.1 Inventories				
Raw materials and consumables	18 015	14 914	7 452	7 336
Building plots	38 943	38 898		
Work in progress	14 528	11 796		
Apartments, construction in progress	70 398	56 259		
Apartments, completed	30 980	29 867		
Finished products/goods	26 055	27 651	24 317	25 332
Total	198 920	179 384	31 769	32 668
2.2.2 Non-current receivables				
Loan receivables	109	74	34	52
2.2.3 Deferred tax asset				
From timing differences	1 907	1 078		
2.2.4 Current receivables				
Accounts receivable	191 615	137 810	12 409	11 287
Amounts owed by group undertakings				
Accounts receivable			5 318	2 916
Other receivables			25 586	29 253
Prepayments and accrued income			173	173
Total			31 076	32 342
Amounts owed by affiliated undertakings				
Accounts receivable	5	69		
Loan receivables	22 420	21 227	223	139
Other receivables	5 281	2 602	163	154
Prepayments and accrued income	47 240	45 363	3 492	6 465
Total	74 941	69 192	3 878	6 758

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2004	1.1.–31.12.2003	1.1.–31.12.2004	1.1.–31.12.2003
Current receivables, total	266 560	207 071	47 363	50 386
Items included in prepayments and accrued income:				
Project income	35 174	33 226		
Taxes	2 128	4 247	950	2 873
Wage- and salary-related expenses	3 127	1 606	463	532
Others	6 811	6 285	2 079	3 059
Total	47 240	45 363	3 492	6 465
2.2.5 investments				
Other securities	4 094	20 310	3 000	18 478
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
Retained earnings 1.1.	136 396	165 686	118 766	154 093
Distribution of dividend	-42 553	-51 064	-42 553	-51 064
Translation difference	-197	-673		
Retained earnings 31.12.	93 646	113 949	76 213	103 029
Profit for the accounting period	32 142	22 447	11 198	15 737
Shareholders' equity, total	165 580	176 189	127 128	158 483
Distributable funds 31.12.	116 891	124 780	87 411	118 766
2.4 APPROPRIATIONS				
Depreciation reserve 31.12.			9 486	13 460
2.5 OBLIGATORY PROVISIONS				
Guarantee provisions	4 523	4 849		
Other obligatory provisions	312	341		
Total	4 836	5 189		

NOTES TO THE FINANCIAL STATEMENTS

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2004	1.1.–31.12.2003	1.1.–31.12.2004	1.1.–31.12.2003
2.6 LIABILITIES				
2.6.1 Deferred tax liability				
Appropriations	6 230	8 751		
Revaluations	1 869	2 084	1 869	2 084
Timing differences	5 845	4 772		
Total	13 945	15 607	1 869	2 084
2.6.2 Non-current liabilities				
Loans from credit institutions	61 690	83 547	27 232	26 483
Pension loans		1 568		
Finance leasing liabilities	42 529	42 022		
Other non-current liabilities	8 942	6 207		359
Total	113 160	133 344	27 232	26 843
Liabilities due after five years or later				
Loans from credit institutions	3 979	10 977	3 700	7 400
Finance leasing liabilities	8 322	8 198		
Total	12 301	19 175	3 700	7 400
2.6.3 Current liabilities				
Loans from credit institutions	95 905	78 439	80 393	62 983
Pension loans	1 568	1 652		
Finance leasing liabilities	10 096	6 690		
Advances received	146 036	105 548		
Accounts payable	56 564	37 689	7 204	6 206
Accounts payable to group undertakings			377	399
Other liabilities to group undertakings			64 551	58 592
Other liabilities	41 580	35 230	4 754	4 991
Accruals and deferred income	78 522	61 554	14 037	13 519
Total	430 271	326 804	171 316	146 690
Items included in accruals and deferred income:				
Project expenses	13 295	5 791		
Income tax	11 402	8 438		46
Wage- and salary-related expenses	47 882	43 501	12 512	12 055
Others	5 943	3 824	1 525	1 417
Total	78 522	61 554	14 037	13 519
2.7 EFFECT OF PERCENTAGE-OF-COMPLETION METHOD ON BALANCE SHEET ITEMS				
Inventories				
Work in progress, total	278 124	279 177		
Portion recognised as income	-263 596	-267 381		
Work in progress on the balance sheet	14 528	11 796		

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2004	1.1.–31.12.2003	1.1.–31.12.2004	1.1.–31.12.2003
Current liabilities				
Advances received, total	428 038	380 956		
Portion recognised as income	-282 002	-275 407		
Advances received on the balance sheet	146 036	105 548		
2.8 CONTINGENT LIABILITIES				
Liabilities as well as mortgages and bonds pledged as security for them				
Loans from financial institutions	43 830	52 306	7 568	8 830
Property mortgages	1 835	1 821		
Business mortgages	89 420	87 955	23 546	23 546
Bonds pledged as security	598			
Total	91 853	89 776	23 546	23 546
Other mortgages and securities for own commitments				
Property mortgages	2 770	5 502	69	69
Business mortgages	12 471	17 382	1 682	1 682
Bonds pledged as security	3 776	6 306	3 038	3 208
Total	19 017	29 191	4 789	4 959
Mortgages for commitments of group undertakings				
Business mortgages			33 000	33 000
Mortgages and securities, total				
Property mortgages	4 605	7 324	69	69
Business mortgages	101 891	105 337	58 228	58 228
Bonds pledged as security	4 374	6 306	3 038	3 208
Total	110 869	118 967	61 335	61 505
Guarantees given				
On behalf of group undertakings			265 426	235 444
On behalf of affiliated undertakings	327	885		585
Total	327	885	265 426	236 029
Leasing liabilities				
Payable next year	2 946	1 859	8 120	6 362
Payable in subsequent years	4 521	2 103	20 790	19 507
Total	7 467	3 963	28 910	25 869
Factoring liabilities				
	18 962	11 146		
Derivative contracts				
Forward foreign exchange contracts				
Nominal value	11 487	31 592	11 487	31 521
Current value	-41	424	-41	431

NOTES TO THE FINANCIAL STATEMENTS

EUR 1 000	GROUP		PARENT COMPANY	
	1.1.–31.12.2004	1.1.–31.12.2003	1.1.–31.12.2004	1.1.–31.12.2003
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	8 405	9 874	8 405	9 874
Current value	9	24	9	24
Interest rate options, puts written				
Nominal value	8 405	9 874	8 405	9 874
Current value	-664	-709	-664	-709
Interest rate swap contracts				
Nominal value	16 665	24 316	16 665	24 316
Current value	-141	-101	-141	-101

Shares and holdings

EUR 1 000	Consolidated shareholding		Parent company shareholding		Shareholding of other group undertakings Value
	%	%	Shares	Value	
Group undertakings 31st December 2004					
Oy Finnasfalt Ab, Helsinki	100.0	100.0	200	10	
Fjellhammer Asfalt AS, Norway	100.0				115
Forssan Betonituote Oy, Forssa	100.0	100.0	2 000	3 305	
UAB Kelio Linija, Lithuania	100.0				3
Kvalitetsasfalt i Mellansverige Ab, Sweden	75.0	75.0	15 000	6 088	
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		
LMKVEJ 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 Norge AS, Norway	100.0	100.0	350 000	11 642	
Lemminkäinen Svenska Ab, Sweden	100.0	100.0	10	12	
DB Lemminkäinen YUG, Ukraine	99.5				1 258
ZAO Lemruf, Russia	100.0	100.0	12	3	
Moelv Grus AS, Norway	100.0				115
Omni-Sica Oy, Helsinki	100.0	100.0	50	9	
As Rajar TI, Estonia	100.0				101
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		
Talter AS, Estonia	99.4	99.4	8 391	3 871	
TEK Holding Oy, Helsinki	100.0	100.0	900	37 859	

EUR 1 000	Consolidated shareholding %	Parent company shareholding			Shareholding of other group undertakings Value
		%	Shares	Value	
Tielinja Oy, Helsinki	100.0	100.0	75	309	
VAe A/S, Denmark	51.0				1 197
Lemcon Ltd, Helsinki	100.0	100.0	100	1 682	
OOO Dom Lemcon, Russia	100.0				
ICM International Construction Management, Hungary	85.6				467
Lemcon Argentina S.R.L, Argentina	76.0				3
Lemcon Bauprojekt-Management GmbH, Austria	76.0				28
Lemcon Canada Ltd, Canada	76.0				1
Lemcon do Brasil Ltda, Brazil	76.0				26
Lemcon Építőipari Kft, Hungary	76.0				28
Lemcon Networks Ltd, Helsinki	76.0				304
Lemcon Network Services Ltd, United Kingdom	60.2				12
Lemcon (Philippines) Inc., Philippines	76.0				222
Lemcon Polska Sp.z o.o, Poland	100.0				587
Lemcon Pte Ltd, Singapore	76.0				7
OOO Lemcon Rus, Russia	100.0				28
Lemcon (Thailand) Ltd, Thailand	76.0				51
Lemcon USA Corporation, United States	76.0				1
Lemcon Vilnius UAB, Lithuania	100.0				979
ZAO Lemstroï, Russia	100.0				18
Neccos Oy, Helsinki	100.0				52
Pasila Telecom Oy, Helsinki	76.0				8
WPL-System Oy, Helsinki	100.0				42
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
JA-KO Betoni Oy, Kokkola	100.0				3 465
Oy Konte Ab, Vaasa	90.9				168
Oka Oy , Kouvola	90.0				4 392
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
Rekab Entreprenad Ab, Sweden	80.0				243
Savocon Oy, Kuopio	88.3				417
Tekmanni Oy, Helsinki	82.7				1 485
Sähköliike Tekno Oy, Kokkola	72.7				2 326
UAB Tecmen Vilnius, Lithuania	82.7				2
Tekmanni Eesti AS, Estonia	82.7				6
Tekmanni Service Oy, Helsinki	82.7				500
Tekmen SPB, Russia	82.7				8
ZAO Tekmen SS, Russia	82.7				2
Turun Rakennusputki Oy, Turku	74.3				1 124
Total				173 595	34 408
Affiliated undertakings					
Pointti-Talo Oy, Lahti	45.0	45.0	27	293	
Bricks AS, Norway	50.0				14
Laing-Loy Management Ltd, United Kingdom	50.0				29
Lemcon Ballast Nedam N.V, Holland	50.0				8
Lörenskog Asphalt ANS, Norway	50.0				26
Martin Haraldstad AS, Norway	50.0				672
Nordasfalt AS, Norway	50.0				1 035
Ullensaker Asphalt AS, Norway	50.0				522
Total				293	2 306
Other shares and holdings					
Property shares				930	774
Housing shares				3 119	
Other shares and holdings				1 011	865
Total				5 060	1 636

Economic trends and financial indicators

	2004 EUR mill.	2003 EUR mill.	2003 EUR mill. Pro Forma ¹⁾	2002 EUR mill.	2001 EUR mill.	2000 EUR mill.
Net sales	1 533.5	1 359.0		1 255.8	1 116.5	964.6
Exports and operations abroad	358.6	289.3		249.0	202.5	117.6
% net sales	23.4	21.3		19.8	18.1	12.2
Operating profit	58.6	48.8		56.7	69.7	50.2
% net sales	3.8	3.6		4.5	6.2	5.2
Profit before extraordinary items	49.5	41.5		48.5	61.7	46.4
% net sales	3.2	3.1		3.9	5.5	4.8
Profit before taxes	49.5	41.8	41.5	48.5	61.7	46.4
% net sales	3.2	3.1		3.9	5.5	4.8
Profit for the accounting period	32.1	22.4	22.1	29.5	55.1	29.3
% net sales	2.1	1.7	1.6	2.3	4.9	3.0
Non-current assets	235.9	242.0	198.4	209.3	197.8	169.5
Inventories	198.9	179.4	175.9	163.1	145.2	137.2
Financial assets	308.5	252.7	251.8	215.5	212.6	192.5
Shareholders' equity	165.6	176.2	175.9	205.5	195.0	154.5
Minority interests	15.5	17.0		14.8	10.5	7.5
Interest-bearing liabilities	222.2	224.1	175.4	119.8	138.6	120.6
Interest-free liabilities	340.0	256.9	257.9	247.8	211.5	216.5
Balance sheet total	743.3	674.1	626.1	587.9	555.6	499.2
Return on equity, % ²⁾	18.9	12.7		15.4	31.4	19.9
Return on investment, %	14.8	13.3	14.2	17.1	23.0	20.7
Equity ratio, %	30.3	34.0	37.1	44.9	41.7	36.9
Gearing, %	100.7	93.0	67.8	36.7	44.1	54.0
Interest-bearing net liabilities	182.3	179.6	130.9	80.7	90.7	87.5
Gross investments ³⁾	40.8	37.2		48.7	94.0	72.4
% net sales	2.7	2.7		3.9	8.4	7.5
Order book 31.12.	783.4	593.0		567.9	440.7	451.1
Number of employees	7 479	7 167		6 773	6 311	4 487

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.

³⁾ Includes leasing purchases in 2004 and 2003.

Formulae for calculation of financial indicators

RETURN ON INVESTMENTS, %

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

(average for accounting period)

RETURN ON EQUITY, %

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

(average for accounting period)

EQUITY RATIO, %

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

GEARING, %

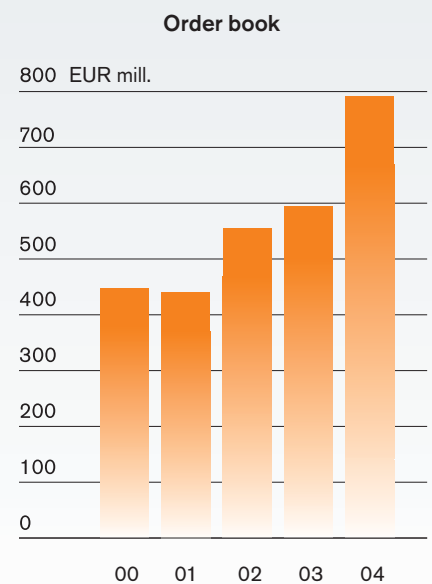
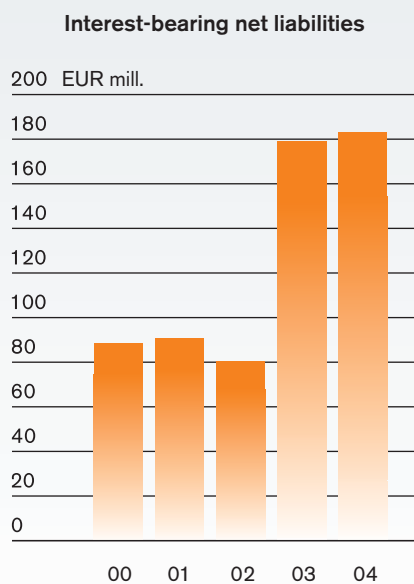
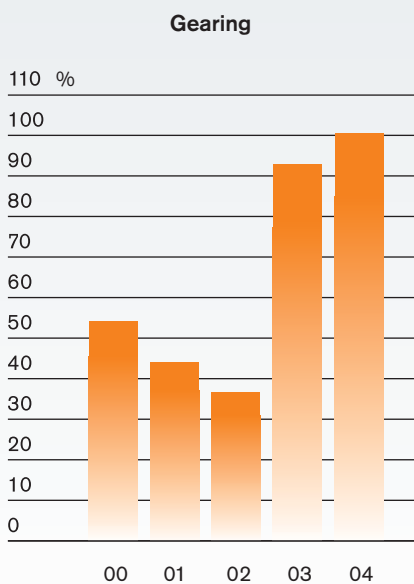
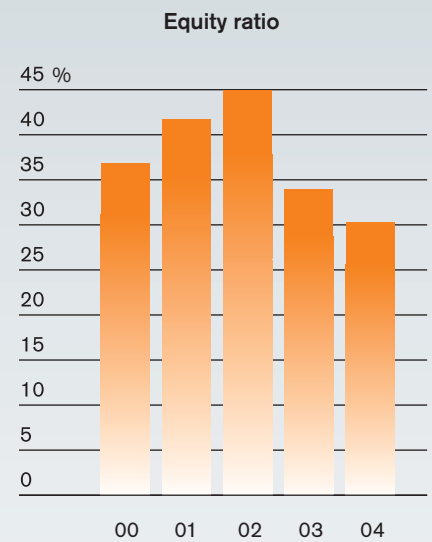
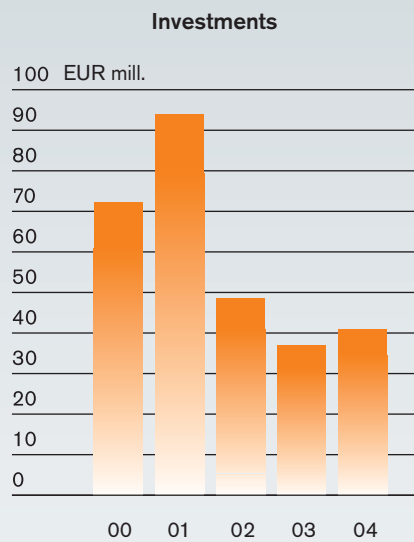
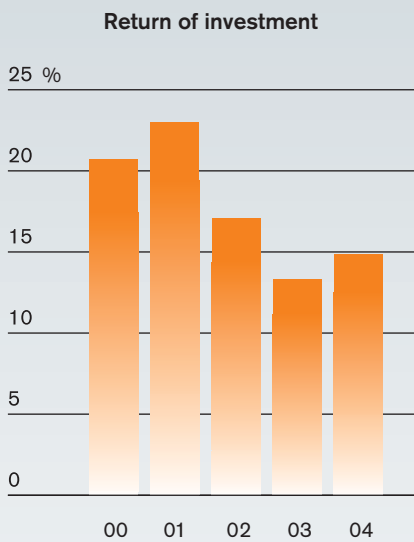
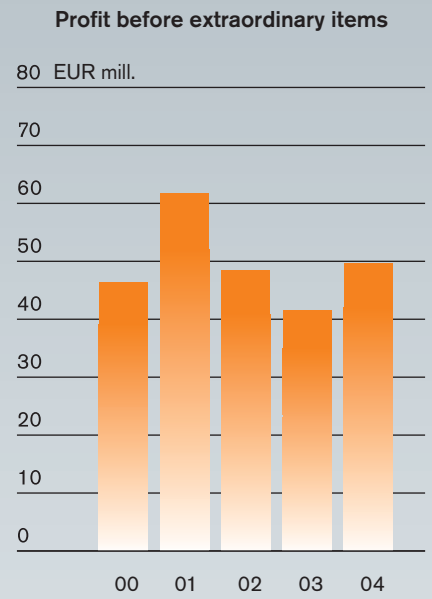
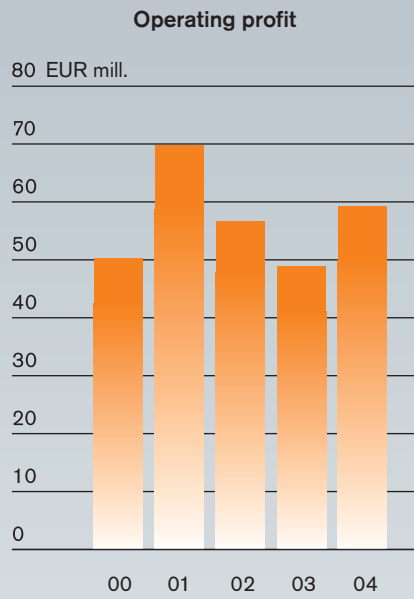
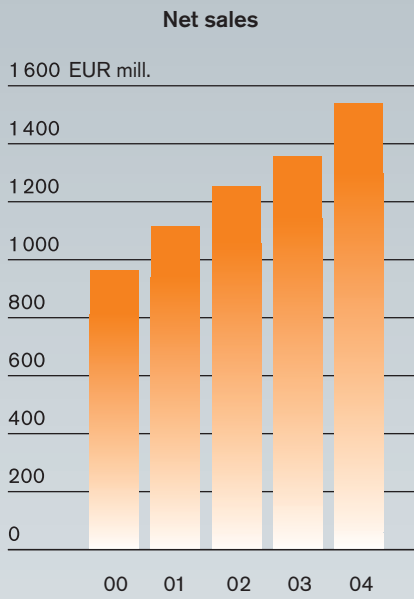
$$\frac{\text{Interest bearing liabilities} - \text{investments} - \text{cash in hand and at banks} \times 100}{\text{Shareholders' equity} + \text{minority interests}}$$

INTEREST-BEARING NET DEBT

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

EMPLOYEES

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



Shares and shareholders

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.

Lemminkäinen Corporation's shares are included in the book entry system for securities. The Company's share is listed on Helsinki Exchanges.

The average listed price of Lemminkäinen Corporation's share during the accounting period was EUR 15.98 (17.39). The year-end price of the Company's share was EUR 15.74 (17.00) and the market capitalisation EUR 267.9 million (289.4). At the end of the year the Company had 3 589 (2 807) shareholders. The trading volume was 5 004 790 shares (2 193 022).

Lemminkäinen Corporation and Nordea Bank Finland Plc made a liquidity providing (LP) agreement on 5th October 2004. According to the agreement Nordea Bank Finland Plc quotes both bid and offer prices for Lemminkäinen Corporation's share so that the prices do not deviate from each other by more than 4 per cent, calculated on the bid price. The bid and offer prices quoted by the liquidity provider must be for at least 800 shares. Nordea Bank Finland Plc is obliged to quote bid and offer prices for Lemminkäinen Corporation's share in Helsinki Stock Exchange's trading system every day for at least 85 per cent of the Continuous Trading I period and also in the daily opening and closing procedures applicable to securities.

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.

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

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.

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

As of 31st December 2004, the members of the Board of Directors and the Managing Director held a total of 7 505 512 shares, representing 44.1 % of the Company's shares and their conferred voting rights.

The Company's major shareholders, 31st December 2004

	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
Security Trading Oy	457 800	2.69
Varma Mutual Employment Pension Insurance Company	441 100	2.59
Nordea Bank Finland Plc.	414 774	2.44
Placeringsfonden Aktia Capital	299 522	1.76
Tukinvest Oy	201 600	1.18
Etera Mutual Pension Insurance Company	164 600	0.97
EQ Pikkujättiläiset/EQ Fund Management Company	120 000	0.71
Berling Capital Oy	103 500	0.61
Lamy Oy	100 000	0.59
Placeringsfonden Aktia Secura	86 800	0.51
Reino Laakkonen	65 000	0.38
Holding Manutas Oy	55 600	0.33
Total, 15 largest	13 672 161	80.32

Owner groups, 31st December 2004

	Number of shareholders	% of shareholders	Number of shares	% of total stock
Households	3 202	89.22	13 531 421	79.50
Companies	272	7.58	1 535 695	9.02
Financial and insurance institutions	15	0.42	473 222	2.78
Public corporations	7	0.20	668 900	3.93
Non-profit organisations	73	2.03	321 843	1.89
Foreign owned	13	0.36	29 735	0.17
Nominee-registered	7	0.20	449 109	2.64
In joint accounts			11 325	0.07
Total	3 589	100.00	17 021 250	100.00

Share ownership distribution, 31st December 2004

Number of shares per shareholders	Number of shareholders	% of shareholders	Number of shares	% of total stock
1-100	595	16.58	35 334	0.21
101-1 000	2 442	68.04	964 106	5.66
1 001-10 000	498	13.88	1 454 584	8.55
10 001-100 000	43	1.20	1 191 140	7.00
100 001-1 000 000	8	0.22	2 202 896	12.94
1 000 001-	3	0.08	11 161 865	65.58
In joint accounts			11 325	0.07
Total	3 589	100.00	17 021 250	100.00

Share-issue-adjusted financial indicators

EUR	2004	2003	2003 Pro Forma	2002	2001	2000
Earnings per share (EPS) ²⁾	1.89	1.30		1.73	3.23	1.72
Equity per share	9.73	10.35	10.33	12.07	11.46	9.08
Dividend per share	0.60 ¹⁾	2.50		3.00	1.10	0.84
Dividend to earnings ratio, % ²⁾	31.8	192.2		173.4	34.0	48.9
Effective dividend yield, %	3.8	14.7		18.8	8.5	7.0
Price/earnings ratio(P/E)	8.3	13.1		9.2	4.0	7.0
Share price						
mean	15.98	17.39		15.23	12.86	11.89
lowest	13.00	13.40		13.00	11.00	10.00
highest	19.55	20.90		17.00	13.90	14.00
at end of accounting period	15.74	17.00		16.00	13.00	12.00
Market capitalisation, mill.	267.9	289.4		272.3	221.3	204.3
Shares traded, 1000	5 005	2 193		960	460	1 185
% of total	29.4	12.9		5.6	2.7	7.0
Issue-adjusted number of shares						
average for the period, 1000	17 021	17 021		17 021	17 021	17 021
at end of period, 1000	17 021	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

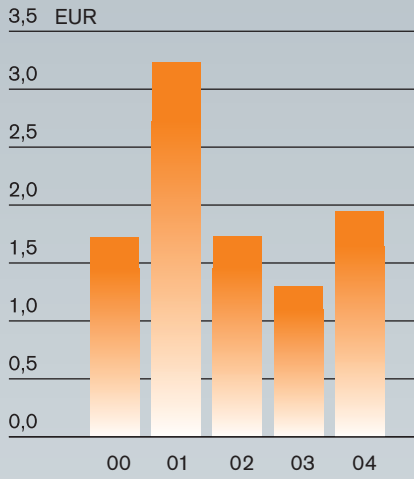
Share-issue-adjusted number of shares traded during the period

MARKET CAPITALISATION

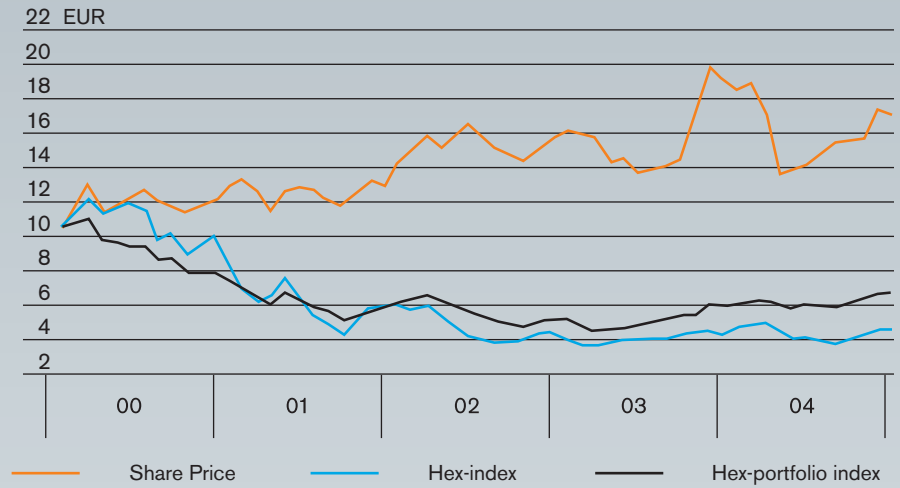
Number of shares x final share quotation

SHARES AND SHAREHOLDERS

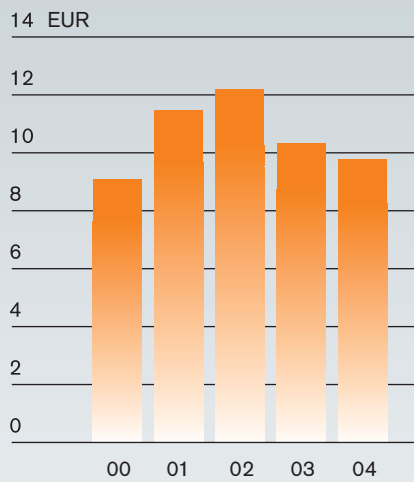
Earnings per share



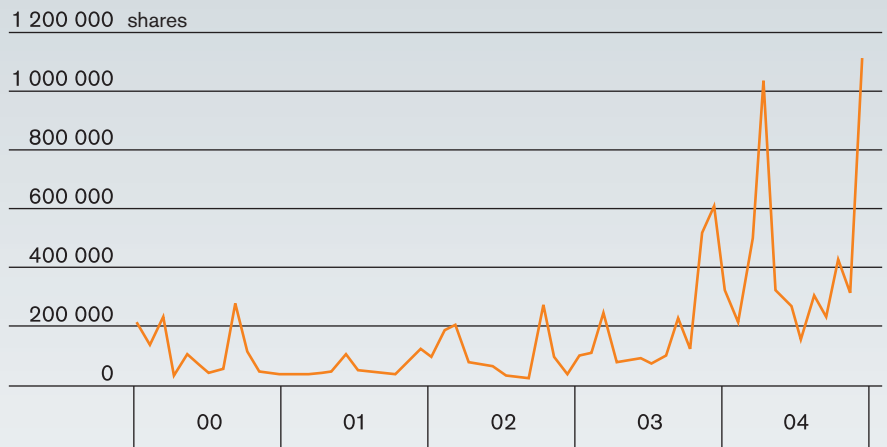
Share price trend



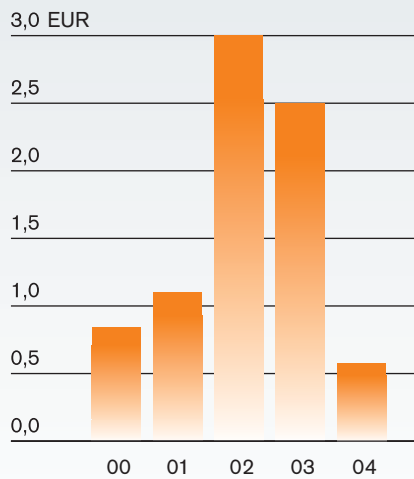
Shareholder's equity per share



Share trading



Dividend per share



Board of Directors' proposal for appropriation of retained earnings

Distributable shareholders' equity shown on the consolidated balance sheet at 31st December 2004 amounts to EUR 116 891 083.85. Distributable shareholders' equity shown on the parent company balance sheet at 31st December 2004 amounts to EUR 87 410 749.95 consisting of EUR 76 212 600.64 in retained earnings from previous years and EUR 11 198 149.31 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 0.60 per share for the 2004 accounting period, i.e. total EUR 10 212 750.00 after which retained earnings would stand at EUR 77 197 999.95.

Helsinki, 16th February 2005

Heikki Pentti
Erkki J. Pentti

Teppo Taberman
Sakari Tamminen

Berndt Brunow
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, 2004. 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, 3rd March 2005

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jan Holmberg
Authorised Public Accountant

Parent Company Board of Directors

Erkki J. Pentti

- Born 1948
- Graduate in business studies
- Non-independent Member of the Board of Directors since 1975
- Managing Director of Tahko-Chalet Oy
- Owns 3 673 956 Lemminkäinen Corporation shares

Heikki Pentti

- Born 1946
- B.Sc. (Econ.)
- Chairman of the Board of Directors since 1994
- Non-independent Member of the Board of Directors since 1969
- Managing Director of Lemminkäinen Corporation 1983-1993
- Member of the Board of Directors of Fortum Oyj and Myllykoski Oyj
- Owns 3 813 956 Lemminkäinen Corporation shares



Berndt Brunow

- Born 1950
- B.Sc. (Econ.)
- Independent Member of the Board of Directors since 2002
- Managing Director of Oy Karl Fazer Ab since 2002
- Over 20 years of experience in executive positions in the forest industry both in Finland and abroad
- Chairman of the Board of Directors of Sanitec Corporation and a Member of the Board of Directors of UPM Kymmene Corporation, Oy Nautor Ab and Cloetta Fazer AB (publ.)
- Owns 10 000 Lemminkäinen Corporation shares

Teppo Taberman

- Born 1944
- M.Sc. (Econ.)
- Vice Chairman of the Board of Directors since 1998
- Independent Member of the Board of Directors since 1997
- Professional board member and economic advisor since 1995
- Twenty years of experience in the banking industry, including deputy managing directorships in two different banks.
- Member of the Board of Directors of Perlos Corporation, Oy Rettig Ab, Oy G.W. Sohlberg Ab, Ingman Group Oy Ab, Larox Oyj, Paloheimo Oy and SKS-Tekniikka Oy
- Owns 2 000 Lemminkäinen Corporation shares

Sakari Tamminen

- Born 1953
- M.Sc. (Econ.)
- Independent Member of the Board of Directors since 2003
- Managing Director of Rautaruukki Oyj since 2004
- Deputy Managing Director of Rautaruukki Oyj 2003
- Occupied executive positions in Metso Oyj, Rauma Oy and Rauma-Repola Oy 1987-2003
- Member of the Board of Directors of SanomaWSOY Oyj, Technology Industries of Finland, Association of Finnish Steel and Metal Producers and the Stock Exchange Foundation
- Owns 200 Lemminkäinen Corporation shares

Shareholdings as of 31st December 2004

Management of Lemminkäinen Group

Juhani Sormaala

- Born 1950
- M.Sc. (Eng.), B.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)
- Member of the Supervisory Board of Tapiola Mutual Insurance Company
- Chairman of the Board of Directors of Tekmanni Oy, Lemcon Ltd and Oy Alfred A. Palmberg Ab
- 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, Lemcon Ltd and Tekmanni Oy
- Owns 900 Lemminkäinen Corporation shares

Ari Junttila

- Born 1955
- M.Sc. (Eng.)
- Development Director since 2005
- Head of the Paving and Mineral Aggregates Division, 2002–2004
- 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
- Member of the Board of Directors of the Finnish Asphalt Association, 2002–2004
- Owns 5 900 Lemminkäinen Corporation shares, of which 400 are owned by under-aged family members

Erkki Lönnrot

- Born 1954
- Construction engineer
- Head of the Building Materials Division since 1992
- 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) 2002–2004
- Chairman of the Board of Directors of the Finnish Roofing Association, 1997–2004
- Owns 500 Lemminkäinen Corporation shares

Matti A. Mantere

- Born 1945
- M.Sc. (Eng.)
- Managing Director of Lemcon Ltd since 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
- 1 000 Lemminkäinen Corporation shares owned by under-aged family member

Risto Bono

- Born 1942
- M.Sc. (Eng.), M.Sc. (Econ.)
- Managing Director of Oy Alfred A. Palmberg Ab since 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
- Member of the Board of Directors of Tekmanni Oy and Lemcon Ltd
- Owns 3 000 Lemminkäinen Corporation shares

Antero Huhta

- Born 1947
- B.Sc. (Eng.)
- Managing Director of Tekmanni Oy since 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 and LVI-TU ry
- Member of the Board of Directors of Oy Alfred A. Palmberg Ab
- Owns 1 400 Lemminkäinen Corporation shares

Henrik Eklund

- Born 1961
- M.Sc. (Eng.)
- Head of the Paving and Mineral Aggregates Division since 2005
- Lemcon Ltd, Export Director, 2001–2004
- Lemminkäinen Construction Ltd, Project Planning Manager, Project Manager, Regional Manager 1996–2000
- Group employee since 1989
- Member of the Board of Directors of the Finnish Asphalt Association since 2005
- 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 2004. They were Messrs. Berndt Brunow, Erkki J. Pentti, Heikki Pentti, Teppo Taberman and Sakari Tamminen. 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 2004 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 2004 and the overall attendance rate of the board members was 96 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 2004 the Chairman was paid a fee of EUR 11 000 per month and the board members each received a fee of EUR 2 000 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 2004 the Managing Director was paid a total of EUR 345 326, which included a performance-related reward of EUR 40 848.

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, the Development 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, the Finance Director and the Development 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 (Lemcon Ltd, Oy Alfred A. Palmberg Ab and Tekmanni Oy) 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 generated 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 2004 accounting period up until 19th March 2004 were Messrs. Jan Holmberg, A.P.A. and Jarmo Alén, A.P.A. The deputy auditor over the same period was Authorised Public Accountants Oy Joe Sundholm & Co. Ab, with Mr. Kim Karhu, A.P.A. as the responsible auditor. On 19th March 2004 the Annual General Meeting elected Authorised Public Accountants PricewaterhouseCoopers Oy to serve as the company's auditors, with Mr. Jan Holmberg, A.P.A. as the responsible auditor.

In 2004 the auditors were paid EUR 436 395 for their audits of the Group's companies and EUR 173 965 in consulting fees.

Insider Rules

Lemminkäinen Corporation's new Guidelines for Insiders came into force on 1st March 2000. They embrace the insider rules of 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 came into force on 1st 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, 18th March 2005 at the Palace Hotel, 10th 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.

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 8th March 2005 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 28th 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, 15th March 2005 at the latest. Notice of intention to attend the meeting may be given by telephoning Maritta Laitinen (+358 9 1599 303). Written notices may be mailed to Lemminkäinen Corporation, Maritta Laitinen, P.O. Box 23, 00241 Helsinki, or sent by fax (+358 9 1599 510), or e-mailed to 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 10th March 2005. 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 on the basis of the confirmed balance sheet a dividend of EUR 0.60 per share, i.e. a total of EUR 10 212 750.00 be paid for the accounting period 1st January – 31st December 2004. 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. 23rd March 2005. The dividend payment date will be 1st April 2005.

Financial reporting

In addition to its annual report, Lemminkäinen Corporation will publish the following financial reports in 2005:

16th February 2005
Bulletin on financial statements for the 2004 accounting period

11th May 2005
Interim financial review,
1st January – 31st March 2005

10th August 2005
Interim financial review,
1st January – 30th June 2005

9th November 2005
Interim financial review,
1st January – 30th September 2005

The interim financial reviews will be published electronically in Finnish and English on the company's website: 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 1599 511 or by e-mail: library@lemminkainen.fi

Contact information

HEAD OFFICE

LEMMINKÄINEN CORPORATION

Esterinportti 2, 00240 Helsinki
Telephone +358 9 15 991
Fax + 358 9 140 672
E-mail:
information@lemminkainen.fi
Website: www.lemminkainen.fi

REGIONAL OFFICES

FORSSA

Kaikulantie 57, 30100 Forssa
+ 358 3 424 0300

HUITTINEN

Risto Rytin katu 22
32700 Huittinen
+ 358 2 569 236

HÄMEENLINNA

Tölkkimäentie 4
13130 Hämeenlinna
+ 358 3 628 0010, 628 0020

IISALMI

Louhenkatu 7, 74100 Iisalmi
+ 358 17 816 861

IMATRA

Karjalantie 857, 55800 Imatra
+ 358 5 473 8666

JOENSUU

Parrutie 1, 80100 Joensuu
+ 358 13 264 210

JYVÄSKYLÄ

Vasarakatu 1, 40320 Jyväskylä
+ 358 14 334 400

KAJAANI

Brahenkatu 16 as. 9
87100 Kajaani
+ 358 8 613 1303

KEMI

Valtakatu 30, 94100 Kemi
+ 358 16 221 647

KOKKOLA

Outokummuntie
67100 Kokkola
+ 358 6 831 1089

KOTKA

Valajantie 7, 48230 Kotka
+ 358 5 210 4300, 210 4340

KOUVOLA

Alakyläntie 23, 45100 Kouvola
+ 358 5 375 6910

KUOPIO

Yrittäjätie 17, 70150 Kuopio
+ 358 17 264 4000

KUUSAMO

Kalliovaara, 93600 Kuusamo
+ 358 8 851 4468

LAHTI

Kerintie 20, 15500 Lahti
+ 358 3 874 200

LAPPEENRANTA

Ruukintie 9
53500 Lappeenranta
+ 358 5 5442 020

Ruukintie 1

53500 Lappeenranta
+ 358 5 5442 030

LOHJA

Puistokatu 25, 08150 Lohja
+ 358 19 362 0231

Pysäkkitie 14, 08680 Muijala

+ 358 19 335 245

MIKKELI

Kaarikuja 1 C 20
50170 Mikkeli
+ 358 15 366 034

OULU

Sälpätie 5, 90630 Oulu
+ 358 8 556 0111

PORI

Tuomolantie 2, 28360 Pori
+ 358 2 646 2505, 646 0961

RAAHE

Kirkkokatu 28 B, 92100 Raahе
+ 358 8 223 7019

SALO

Perämiehenkatu 9, 24100 Salo
+ 358 2 777 828

SAVONLINNA

Ahertajantie 11
57230 Savonlinna
+ 358 15 515 750

SEINÄJOKI

Teollisuustie 11
60100 Seinäjoki
+ 358 6 420 3500

TAMPERE

Possijärvenkatu 3
33400 Tampere
+ 358 3 237 6600

Teollisuustie 23

33330 Tampere
+358 3 244 5111

TURKU

Voimakatu 13, 20520 Turku
+ 358 2 274 6611

TUUSULA

Sammonmäki, Puusepäntie 11
P.O.Box 10, 04361 Tuusula
+ 358 9 870 441

VAASA

Teollisuustie 11
65610 Mustasaari
+ 358 6 322 3557, 322 1656

VALKEAKOSKI

Vainionkatu 2
37600 Valkeakoski
+ 358 3 584 4344

VANTAA

Eläntie 5, 01510 Vantaa
+ 358 9 478 4410

FACTORIES

CONCRETE PRODUCTS FACTORIES

Sammonmäki, P.O.Box 10
04361 Tuusula
+ 358 9 870 441

Ollostentie 66

16300 Orimattila
+ 358 3 887 450

Teollisuustie 23
33330 Tampere
+ 358 3 244 5111

NATURAL STONE WORKS

Kölkynvuorentie 6
44500 Viitasaari
+ 358 14 570 010

BITUMINOUS PRODUCTS FACTORY (ROOFING)

Puistokatu 25-27, 08150 Lohja
+ 358 19 362 0201

SUBSIDIARIES IN FINLAND

LEMCON LTD

Esterinportti 2, 00240 Helsinki
+ 358 9 15 991
Managing Director
Matti A. Mantere

Lemcon Networks Ltd

Esterinportti 2, 00240 Helsinki
+ 358 9 15 991
Managing Director Juha Nurmi

OY ALFRED

A. PALMBERG AB
Esterinportti 2, 00240 Helsinki
+ 358 9 15 991
Managing Director Risto Bono

Palmberg TKU Oy

Käsityöläiskatu 9, 20100 Turku
+ 358 2 2751 800
Managing Director
Mikko Pirhonen

Palmberg-Urakoitsijat Oy

Uudenmaankatu 32-34
05800 Hyvinkää
+ 358 19 475 9100
Managing Director Ahti Kara

Oka Oy

Ilmarinkuja 3, 45100 Kouvola
+ 358 201 741 200
Managing Director
Jorma Tamminen

Rakennustoimisto
Palmberg Oy
Satakunnankatu 22 E
33210 Tampere
+ 358 3 3397 1100
Managing Director
Jukka Terhonen

Rakennus-Otava Oy
Pajatie 8, 40630 Jyväskylä
+ 358 14 339 3800
Managing Director Jussi Kari

Oy Konte Ab
Olympiakatu 16, 65100 Vaasa
+ 358 6 323 0311
Managing Director
Göran Pellfolk

Byggnads Ab Forsström
Rakennus Oy
Åströminkuja, 67100 Kokkola
From 1st May Tervahovintie 2
67100 Kokkola
+ 358 6 823 2200
Managing Director
Peter Forsström

Palmberg-Rakennus Oy
Valtatie 21, 90500 Oulu
+ 358 8 514 4600
Managing Director
Raimo Hätälä

Savocon Oy
Kauppakatu 28 B 3. krs
70110 Kuopio
+ 358 17 266 3400
Managing Director
Martti Kankkunen

Rakennusliike A. Taskinen Oy
Arppentie 26, 82500 Kitee
+ 358 13 680 6610
Managing Director
Ari Laamanen

TEKMANNI OY
Mikkolantie 1 B
00640 Helsinki
+ 358 9 35 031
Managing Director
Antero Huhta

ESPOO
Sinikalliontie 12
02630 Espoo
+ 358 9 512 3930

FORSSA
Murrontie 3, 30420 Forssa
+ 358 3 412 7555

HYVINKÄÄ
Siltakatu 21, 05900 Hyvinkää
+ 358 19 456 5400

HÄMEENLINNA
Helsingintie 70
13430 Hämeenlinna
+ 358 3 644 141

JOENSUU
Ukkolantie 21, 80130 Joensuu
+ 358 13 126 811

JYVÄSKYLÄ
Vasarakatu 9, 40320 Jyväskylä
+ 358 14 334 9211

JÄMSÄ
Koskentie 1, 42100 Jämsä
+ 358 14 749 8800

KEMI
Asentajankatu 6, 94600 Kemi
+ 358 16 271 329

KOKKOLA
Tehtaankatu 35, 67100 Kokkola
+ 358 6 832 6200

KOTKA
Rautatienkatu 2, 48100 Kotka
+ 358 5 212 377

KOUVOLA
Valtakatu 20 C, 45100 Kouvola
+ 358 5 371 1010

KUOPIO
Kartanonkatu 2, 70700 Kuopio
+ 358 17 264 6600

LAHTI
Sopenkorvenkatu 15
15800 Lahti
+ 358 3 544 7800

LAPPEENRANTA
Eteläkatu 12 B
53500 Lappeenranta
+ 358 5 610 0611

LOHJA
Sauvonrinne 2, 08500 Lohja
+ 358 19 357 561

OULU
Jääsalontie 14, 90400 Oulu
+ 358 8 534 4700

PORI
Itsenäisyydenkatu 42
28130 Pori
+ 358 2 630 7400

PORVOO
Asentajantie 9, 06150 Porvoo
+ 358 19 5298 700

RAUMA
Paananvahe 6, 26100 Rauma
+ 358 2 549 8680

RIIHIMÄKI
Saranpää 2, 11130 Riihimäki
+ 358 19 716 050

SEINÄJOKI
Päivölänskatu 40
60120 Seinäjoki
+ 358 6 223 2500

SÄKYLÄ
Yrittäjätie 1, 27800 Säkyä
+ 358 2 867 1435

TAMPERE
Paasikiventie 16 C
33230 Tampere
+ 358 3 236 7700

TURKU
Lukkosepänkatu 7
20320 Turku
+ 358 2 515 1600

VAASA
Olympiakatu 3 B
65100 Vaasa
+ 358 6 223 2600

VALKEAKOSKI
Asemantie 8
37630 Valkeakoski
+ 358 3 585 0510

ÄÄNEKOSKI
Yrittäjänkatu 2
44150 Äänekoski
+ 358 14 529 5200

Sähköliike Tekno Oy
Tervahovintie 2-4
67100 Kokkola
+ 358 6 832 4800

Turun rakennusputki Oy
Orikedonkatu 22 A
20380 Turku
+ 358 2 239 7987

TIELINJA OY
Päivöläntie 3, 12400 Tervakoski
+ 358 19 760 460
Managing Director
Harri Linnakoski

FORSSAN
BETONITUOTE OY
Kaikulantie 57, 30100 Forssa
+ 358 3 4240 3300
Managing Director
Antti Hujanen

Itä-Suomen Valmisbetoni
Kaakkoiskaari 14
53500 Lappeenranta
+ 358 5 416 1215

Punka-Betoni
Hiekkalahdentie 219
58430 Kulenoinen
+ 358 15 442 261

Valmisbetonitehdas Betmix
Mäkirinteentie 38
36220 Kangasala
+ 358 3 230 3300

OMNI-SICA OY
Esterinportti 2, 00240 Helsinki
+ 358 9 148 1144
Managing Director
Pekka Peho

FOREIGN SUBSIDIARIES

Latvia
LEMCON LATVIJA SIA
Vilandes iela 3, LV-1010 Riga
+371 735 8048

Lithuania
UAB LEMMINKÄINEN
LIETUVA
Granito 4, 2028 Vilnius
+370 52 640 330

UAB LEMMINKÄINEN
LIETUVA
Tilžės 53, 5799 Klaipeda
+370 46 314 354

CONTACT INFORMATION

UAB Tecmen Vilnius
c/o Mikkolantie 1 B
00640 Helsinki
+358 9 35 031

Norway
LEMMINKÄINEN NORGE AS
Fjellhamarveien 44 b
1472 Fjellhamar
+47 67 91 48 00

Røraskogen 16, 3739 Skien
+47 35 59 34 50

Hovemovegen 80
2624 Lillehammer
+47 61 05 43 00

Industriveien 8, 9310 Sørreisa
+47 77 86 12 45

Poland
LEMCON POLSKA
Sp. Z O.O.
ul. Marconich 9/4
02-954 Warsaw
+48 22 858 9837

Sweden
LEMCON LTD. FINLAND
Dalagatan 5 /2 tr.
11123 Stockholm
+46 8 5452 5380

KVALITETSASFALT I
MELLANSVERIGE AB
Brunnsgatan 38, 733 31 Sala
+46 22 437 550

Vargmötesvägen 2 C
186 30 Vallentuna
+46 8 514 308 50

REKAB ENTREPRENAD AB
Spårvägen 22
901 31 Umeå
+46 90 128 750

Denmark
LMK VEJ A/S
Nørreskov Bakke 1
8600 Silkeborg
+45 8722 1500

Special products
(Confalt, bridges, sport)
Nørreskov Bakke 1
8600 Silkeborg
+45 8722 1500

Region Nord
Egelundvej 3, 8800 Viborg
+45 8727 5030

Region Syd
Jernbanegade 3A
6230 Rødekro
+45 7466 2444

Region Øst
Nordhavnsvej 2, 4600 Køge
+45 5664 6800

Hungary
ICM INTERNATIONAL
CONSTRUCTION
MANAGEMENT Rt.
H-1065 Budapest
Nagymező ul. 44
+36 1 3120 484

Russia
LEMCON OY
ZAO LEMSTROI
Ul. Narodnaja 12
109172 Moscow
+7 095 2340 647,
+7 095 956 04 71/72

ZAO LEMMINKÄINEN
DORSTROI
Prospekt Statsek 62
198097 St. Petersburg
+7 812 331 3922

OOO LEMCON RUS
Nab. Martynova 4
197110 St. Petersburg
+7 812 118 3486

OOO DOM LEMCON
Zhukovskogo 57
193036 St. Petersburg
+7 812 335 1770

ZAO Tekmen SS, Moscow
c/o Mikkolantie 1 B
00640 Helsinki
+358 9 35 031

OOO Tekmen SPb
St. Petersburg
c/o Mikkolantie 1 B,
00640 Helsinki
+358 9 35 031

Estonia
LEMMINKÄINEN EESTI AS
Liivalaia 14, 10118 Tallinn
+372 6 461 125

AS TALTER
Betooni 28, 11415 Tallinn
+372 6057 550

Tekmanni Eesti OÜ
c/o Mikkolantie 1 B
00640 Helsinki
+358 9 35 031

- Asphalt plant
- Mobile asphalt plant
- Crushing plant



Lemminkäinen has a firm foothold in the asphalt paving and mineral aggregate markets of the Baltic Rim region. In addition to the locations marked on the map, the Company has 23 crushing plants in service in Finland. There is one mobile asphalt plant in the Ukraine.

Lemminkäinen Group websites

Lemminkäinen Group	www.lemminkainen.fi
Paving Unit	www.lemminkainen.fi/paallystys
Mineral Aggregates Unit	www.lemminkainen.fi/kiviaines
Building Materials Division	www.insinööri.net
Roofing Unit	www.kerabit.com
Roofing contracting	www.laatukatto.com
Central Laboratory	www.lemminkainen.fi/laboratorio
Tielinja Oy	www.tielinja.fi
Kvalitetsasfalt i Mellansverige AB	www.kvalitasfalt.se
Forssan Betonuote Oy	www.forssanbetoni.fi
Omni-Sica Oy	www.omni-sica.fi
Lemcon Ltd	www.lemcon.fi
	www.lemminkainen.ru
	www.lemcon.com
Lemcon Networks Ltd	
ICM International	
Construction Management Rt.	www.icm.hu
Oy Alfred A. Palmberg Ab	www.palmberg.com
Byggnads Ab Forsström Rakennus Oy	www.forsstromrakennus.fi
Oy Kokkobe Ab	www.kokkobe.fi
Oy Konte Ab	www.konte.fi
Oka Oy	www.oka.fi
Rakennus-Otava Oy	www.rakennusotava.fi
Rakennustoimisto Palmberg Oy	www.palmberg-tampere.com
Palmberg-Rakennus Oy	www.palmberg-rakennus.fi
Palmberg TKU Oy	www.palmberg-tku.fi
Palmberg-Urakoitsijat Oy	www.palmberg-urakoitsijat.fi
Rakennusliike A. Taskinen Oy	www.taskinen.fi
Rekab Entreprenad Ab	www.rekab.se
Savocon Oy	www.savocon.fi
Tekmanni Oy	www.tekmani.fi
Sähköliike Tekno Oy	www.kpnet.com/tekno/
LMK Vej A/S	www.lmkvej.dk
Lemminkäinen Norge AS	www.lemminkainen.no
AS Talter	www.talter.ee
Lemminkäinen Lietuva	www.lemminkainen.lt



LEMMINKÄINEN

Lemminkäinen Corporation
Esterinportti 2, 00240 Helsinki
P.O.Box 23, 00241 Helsinki
Telephone +358 9 15 991
Fax +358 9 140 672
www.lemminkainen.fi