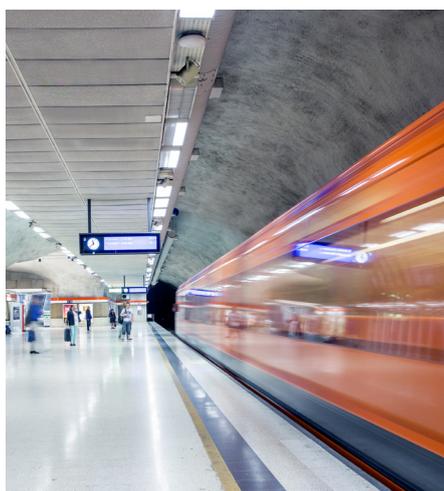
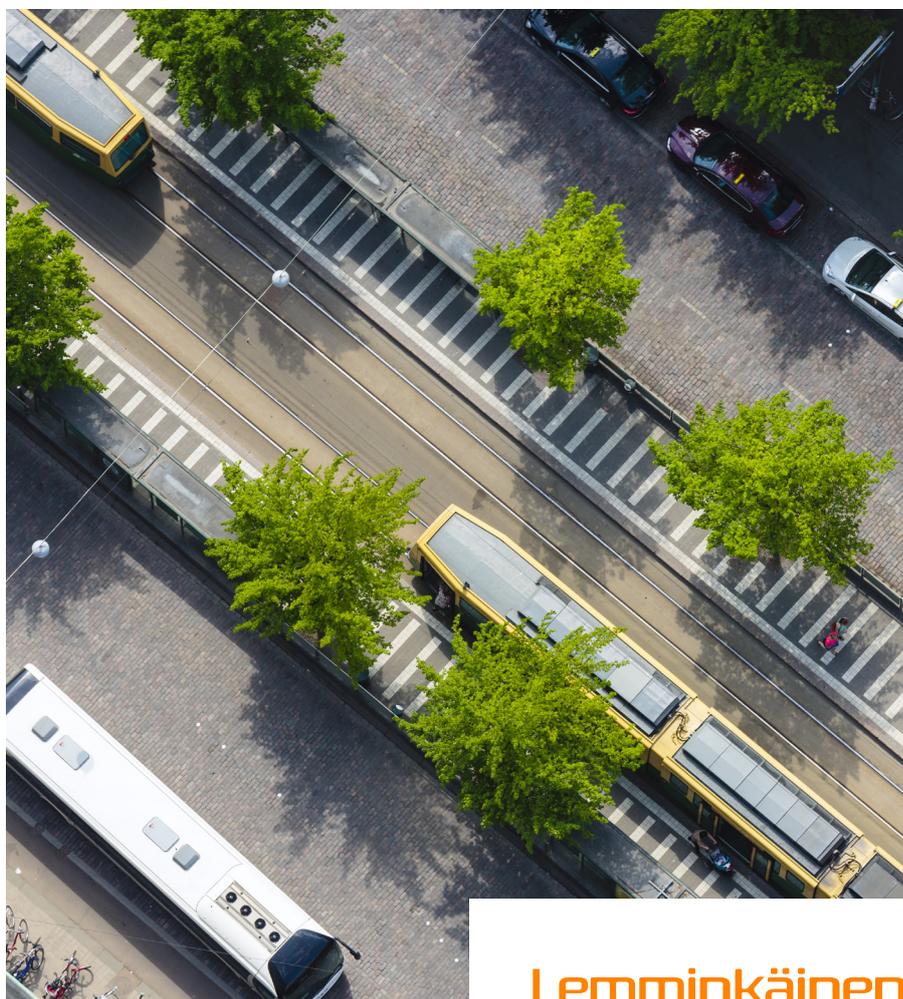


ANNUAL REPORT 2014



Lemminkäinen

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Lemminkäinen in brief

We are an expert in infrastructure and building construction. With a hundred years of experience, we create conditions that make living, working and travelling functional, safe and healthy.

To enable future profitable growth, we concentrate in the short term on improving our competitiveness, profitability and financial position. In the long term, we seek profitable growth by leveraging our strong market position in infrastructure construction in northern Europe. In

building construction, we focus on selected customer segments and regions in Finland and in Russia.

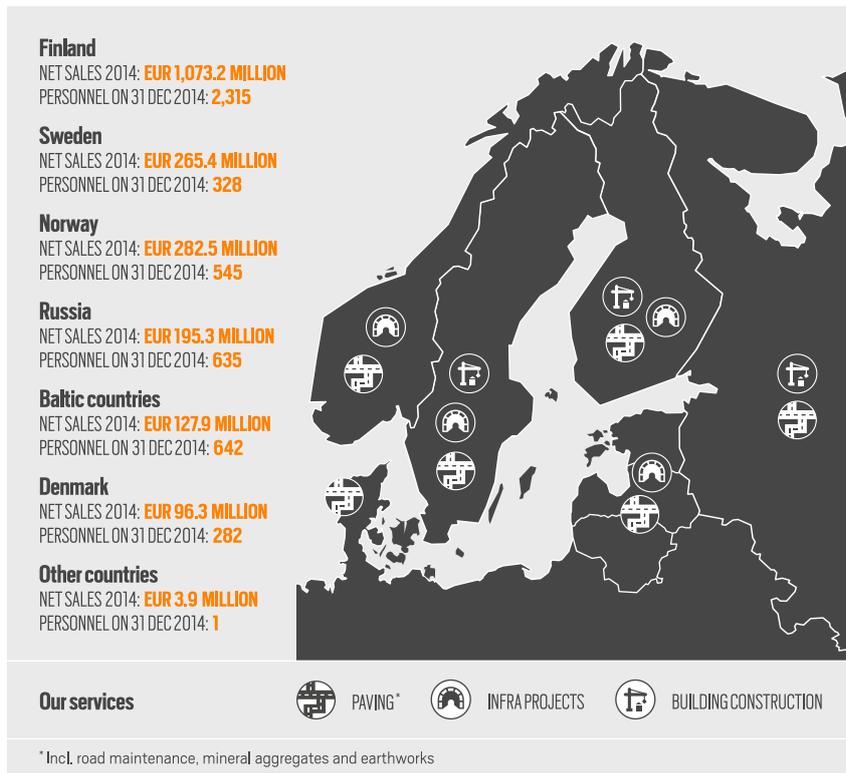
Our net sales in 2014 were EUR 2.0 billion. We employ on average 5,600 construction professionals. The Group's parent company Lemminkäinen Corporation's share is quoted on NASDAQ OMX Nordic Exchange Helsinki.

Key figures	2014	2013	Change
Net sales, EUR million	2,044.5	2,020.1	24.4
Operating profit (IFRS), EUR million	36.3	-89.3	125.6
Operating margin (IFRS), %	1.8	-4.4	
Operating profit (excl. non-recurring items), EUR million	52.3	-3.9	56.2
Operating margin (excl. non-recurring items), %	2.6	-0.2	
Pre-tax profit, EUR million	-1.7	-116.1	114.4
Profit for the period, EUR million	18.1	-93.5	111.6
Basic earnings per share, EUR	0.40	-4.81*	5.21
Dividend per share, EUR	0.00**	0.00	
Cash flow from operations, EUR million	-54.8	8.3	-63.1
Gross investments, EUR million	30.0	71.2	-41.2

Key figures	31 Dec 2014	31 Dec 2013	Change
Order book, continuing operations, EUR million	1,456.1	1,733.2	-277.1
Personnel at end of period, continuing operations	4,748	5,526	-778
Interest-bearing net debt, EUR million	213.6	326.5	-112.9
Equity ratio, %	37.1	27.3	
Gearing, %	51.8	100.8	
Return on investment, %	13.5	-9.4	
Site accident frequency rate, continuing operations, accidents/ million working hours	6.9	10.5	-3.6

*) Includes a retrospective adjustment due to the effect of the rights offering in 2014 on the the weighted average number of shares

***) Board of Directors' proposal to the AGM



A challenging year accelerated our turnaround

Dear Lemminkäinen shareholders,

We have a challenging year behind us, during which we managed to achieve a turnaround in our result. We focused on lightening our cost structure, strengthening our balance sheet and increasing our financial flexibility.

In the spring of 2014, we launched the Deliver 2014 cost-saving programme. In the programme, we concentrated on Norway, Russia and the streamlining of our cost structure, securing our result for 2014 in this manner. The programme was successful. In Norway, the result turned to positive, and, in Russia, a good result was achieved — thanks to the Deliver measures and to good housing sales. Unfortunately, the programme also resulted in personnel reductions involving nearly 500 employees. In 2015, we will ensure that the programme is completed and that our lighter cost structure is clearly reflected in our result.

In June 2014, we issued a EUR 100 million five-year bond. In September, we conducted an approximately EUR 30 million rights offering targeted at our shareholders. In addition, we divested our technical building services business in the summer. Thanks to these measures, we strengthened our balance sheet and extended our debt maturity.

The divestment of the technical building services business clarified our business portfolio and enabled us to concentrate on our core businesses: infrastructure construction and building construction. Following the divestment, we revised our strategy. In the short term, we will concentrate on building a solid foundation for future profitable growth by improving our competitiveness, profitability and financial position. We have launched development initiatives to improve our operational efficiency, to develop tendering processes and project management, and to release capital. These initiatives will continue in 2015 and 2016, too. In the long term, we will leverage our strong market position in infrastructure construction in Northern Europe. In building construction, we focus on selected customer segments and regions in Finland and in Russia.

At the beginning of 2015, we renewed our operating model, which supports the advancement of our strategy. Our business operations are organised into four business segments: Paving; Infra projects; Building construction, Finland; and Russian operations. We are concentrating on

leveraging the potential of the new operating model: we harmonise our ways of working and share best practices across country borders and business boundaries. We pay attention to risk management as well as the quality of our products and services. We seek operational efficiency in paving, for instance, by increasing wintertime planning, energy-efficient production methods and the utilisation of recycled materials. In all infrastructure business, we invest in optimising our fleet and increasing utilisation rates.

I am pleased to note that our accident frequency rate decreased by 34.3 per cent in 2014, to 6.9 (10.5). In 2015, we will continue occupational safety improvement measures and promote common ways of working in all of our operating countries.

The renewal of our more-than-100-year-old company has only begun, but 2014 showed that we are heading in the right direction. We were forced to make and implement tough decisions, but we begin 2015 from a good starting point. When these efforts are combined with the skills and expertise of Lemminkäinen's employees, I believe that this year we are an even more competitive player in the market. We want to retain the trust of our customers in the future, too, and generate added value for them through our joint projects. Our target is to improve our operations continuously, which translates to higher quality, better project management and new innovations for our customers.

I would like to thank our personnel for your support and a job well done. I thank our customers for the smooth cooperation in which we will also invest strongly in the future. A thank you also goes to our shareholders who have shown their support and their trust in our turnaround.

President and CEO
Casimir Lindholm

Strategy for 2014–2016

In the summer of 2014, we reviewed our strategy in order to sharpen our strategic focus after the divestment of the technical building services business. We now have a more focused business portfolio – infrastructure construction and building construction. We seek profitable growth in infrastructure project construction as well as in residential development and construction in the Helsinki metropolitan area in Finland. We concentrate on improving operational efficiency in paving and building construction contracting.

The implementation of our new strategy is supported by the new organisational structure, valid as of 1 January 2015, in which we divided infrastructure construction into two segments. This way, we ensure the right management models both for infrastructure construction projects and for paving, as these segments have different development needs.

Going forward, our reporting segments will be:

- Paving
- Infra projects
- Building construction, Finland
- Russian operations

Improving competitiveness

In the summer of 2014, we identified several measures for improving the profitability, operational efficiency and long-term competitiveness of our business operations. In the autumn of 2014, we launched internal development initiatives to improve the efficiency and competitiveness of our business. The first phases of the initiatives will be completed during the first half of 2015, and all phases of the initiatives will be completed by the end of 2016.

The internal development initiatives focus on:

- Harmonisation of tendering processes with regard to pricing and operating models, for example
- Development of project management, project tracking and claims management
- Fleet optimisation in paving and infrastructure construction

We are also investing in the improvement of capital efficiency by accelerating invoicing and by optimising fixed assets and inventories according to our profit performance, for example.

In addition, we are seeking better profitability in the paving business, supported by the inclusion of these business operations into one business segment. This will help us to share best practices and utilise economies of scale across geographical boundaries and to adapt local presence and fleets to business needs.

Focusing our operations in building construction

In the future, our building construction will focus more strongly on the growing areas of Helsinki and St Petersburg. In Finland, we are investing in residential development and construction projects and negotiated construction contracting projects in the Helsinki metropolitan area and in other urban growth centres.

In St Petersburg, we are building comfort-class apartments for the needs of the growing middle class. The apartments combine high technical quality with individually tailored housing solutions. We estimate that our net sales in Russia will not increase during the next few years, due to the economic and political uncertainty in the country.

We are reducing the amount of competitive contracting in building construction both in Finland and in Russia.

Investing in a strong position in infrastructure construction in northern Europe

We have a strong position in the provision of infrastructure construction solutions and services in the Nordic and Baltic countries. In the long term, we are focusing on leveraging this position and aiming to expand our operations in growing infrastructure construction markets outside Finland through our technical expertise and versatile competences. We are seeking profitable growth in the energy and logistics sectors, for example.

Our financial targets

Our long-term financial targets are:

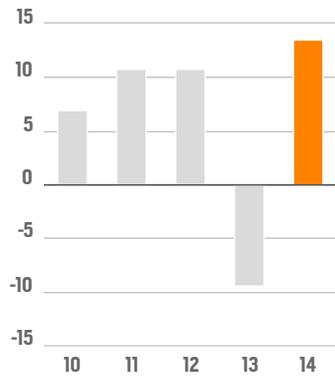
- Return on investment: 18% over the cycle
- Equity ratio: at least 35%

In addition, we have defined a short-term financial target of reaching a return on investment of >15% by the end of 2016.

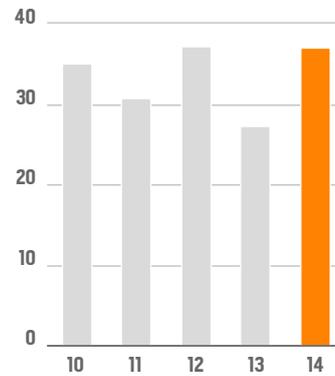
We are aiming for a stable distribution of dividends, with at least 40% of the profit for the financial year distributed to shareholders. The Board of Directors

proposes that no dividend will be paid for 2014.

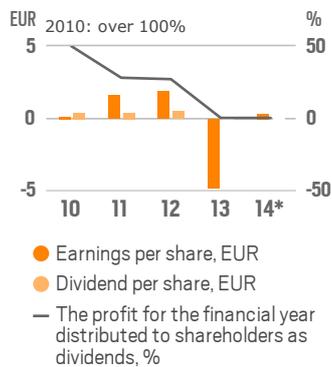
Return on investment, %



Equity ratio, %



Earnings per share, dividend per share



*The Board of Directors proposes that no dividend will be paid for 2014.

Figures for 2010-2013 include a retrospective adjustment due to the effect of the rights offering in 2014 on the weighted average number of shares

Progress of the strategy

Target	Actions in 2014	Actions in 2015
Profitability improvement	<ul style="list-style-type: none"> • Deliver 2014 cost-saving programme 	<ul style="list-style-type: none"> • Completion of the Deliver 2014 cost-saving programme
Strengthening the balance sheet and capital	<ul style="list-style-type: none"> • 5-year, EUR 100 million bond • EUR 30 million rights offering • EUR 70 million hybrid bond • Divestment of non-core business operations and assets 	<ul style="list-style-type: none"> • Divestment of non-core business operations and assets • Improvement in working capital efficiency • Improved profitability of business operations
Competitiveness improvement	<ul style="list-style-type: none"> • Lightening of the cost structure • Improvement of risk and project management 	<ul style="list-style-type: none"> • New operating model <ul style="list-style-type: none"> • Harmonised ways of working and the sharing of best practices • Wintertime planning • Internal development initiatives <ul style="list-style-type: none"> • Harmonisation of tendering processes • Improvement of project management • Fleet optimisation

Our strengths

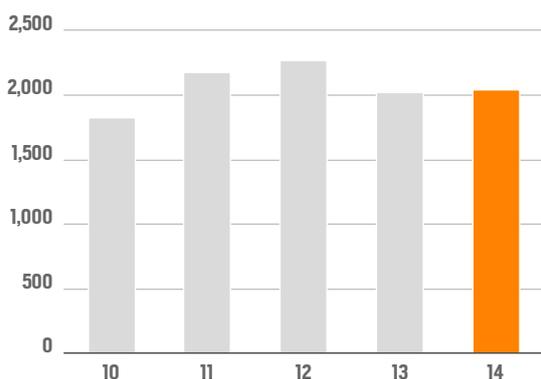
Presence in the growing markets	We have a strong position in the growing infrastructure construction market in Nordic countries. In residential construction we focus on urban growth centres in St Petersburg area in Russia and in the Helsinki metropolitan area in Finland.
Strong position in paving in the main operating area	We benefit from our strong position in operational efficiency and product development, for example.
Versatile know-how for demanding infrastructure construction projects	We estimate that we are the leading provider of demanding infrastructure construction solutions in Finland. Long experience and strong expertise will enable us to strengthen our position also outside Finland.
Experience and proven track record of new types of demanding project models	We have experience of projects that are based on new types of cooperation models and alternative financing models. They create new innovations to customers and tie less of our capital.
Well-known brand associated with reliability and long history	We are a reliable and respected player in Finland, and our brand awareness is growing steadily in other key markets.
Balanced and diversified customer base	We have a diverse customer base in both private and public sectors, and our business is not dependent on any individual customer.

Financial development in 2014

KEY FIGURES

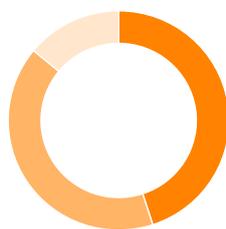
GROWTH

Net sales, EUR million



- The Group's net sales remained on a par with last year and were EUR 2,044 million. The company did not aim for net sales growth in 2014.
- The impact of exchange rate changes on the euro-denominated net sales was EUR -73 million with regard to the comparison year.
- Net sales by country were 52% from Finland, 32% from Scandinavia, 10% from Russia and 6% from the Baltic countries.

Distribution of net sales by business, %

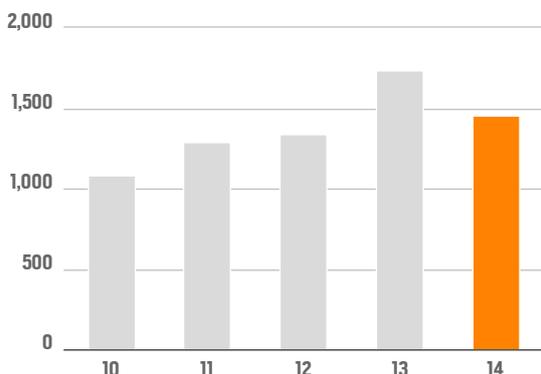


- Paving*, 45%
- Building construction, 41%
- Infra projects, 14%

*Incl. road maintenance, mineral aggregates and earthworks

- Nearly half of the Group's net sales came from the paving, mineral aggregates and earthworks businesses.
- The mild winter lengthened the paving season and increased paving business net sales in nearly all operating countries.
- In Finland, the increase in net sales was supported by major infrastructure projects.
- In building construction, net sales were boosted by residential development and construction in Russia.
- Competitive contracting in building construction in Finland and Russia decreased.

Order book, continuing operations, EUR million

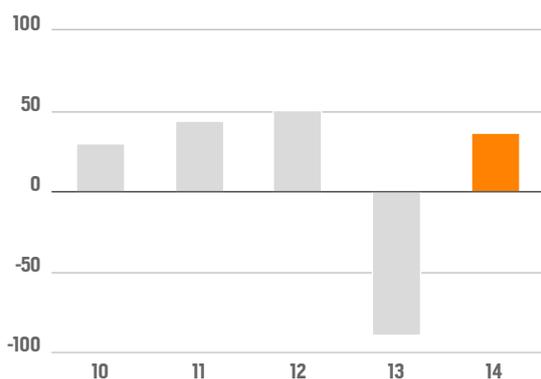


- The order book decreased by 16% year-on-year.
- In infrastructure construction, the increase in the stage of completion of major infra projects decreased the order book.
- At the end of the year, the paving order book was clearly lower than in the previous year, as the mild winter lengthened the 2014 paving season.
- The building construction order book was increased by major renovation contracts in Finland.
- In Russia, the order book decreased clearly due to the completion of two residential development projects.
- Approximately 65% of the order book is attributable to 2015.

KEY FIGURES

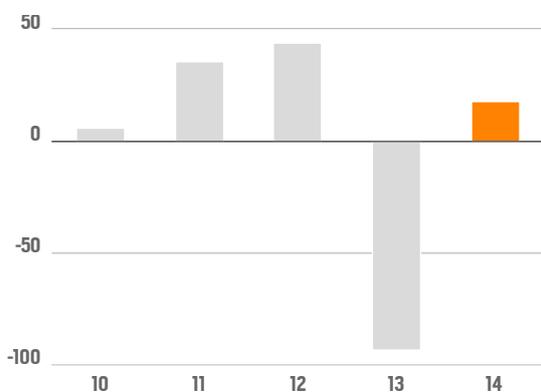
PROFITABILITY

Operating profit, EUR million



- Profitability was improved by ongoing infrastructure projects in Finland, building construction in the Helsinki metropolitan area, paving in all Nordic countries and residential construction in Russia.
- The Group's cost structure was lightened by EUR 10 million.
- Profitability was impaired by expenses related to the revised organisation and declining margins in individual projects.
- The Group's operating profit (IFRS) includes non-recurring items: EUR 9.6 million (2013: EUR 19.8 million) of asset-related write-downs and EUR 6.4 million (2013: EUR 65.6 million) of asphalt cartel damages and related provisions.

Profit for the period, EUR million

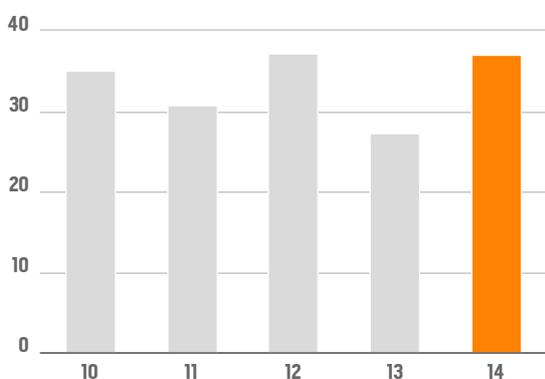


- The profit for the financial year 2014 includes a EUR 23.6 million capital gain recorded for the divestment of the technical building services business.
- The Board of Directors proposes that no dividend will be paid for 2014.

KEY FIGURES

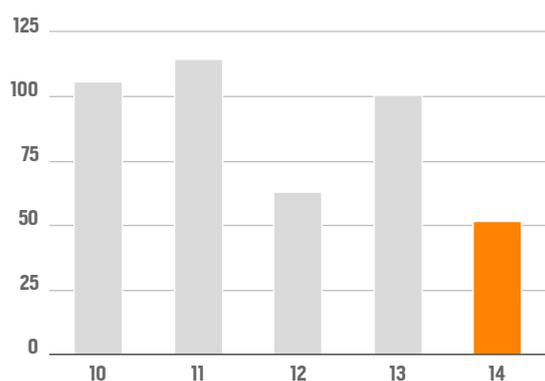
SOLVENCY

Equity ratio, %



- Equity increased 27% and stood at EUR 413 million at the end of year. It was boosted by the rights offering, the hybrid bond, the divestment of business operations and the year-on-year improved result.
- Equity includes hybrid bonds worth EUR 140 million (2013: EUR 70 million). If the hybrid bonds were recognised as debt, the equity ratio would be 24.6% (2013: 21.5%).

Gearing, %

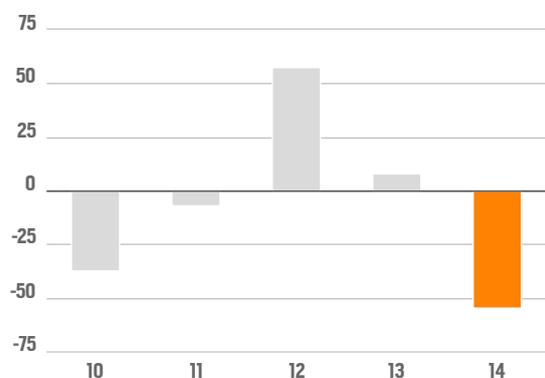


- Interest-bearing net debt decreased by 35% and was EUR 214 million.
- Equity and the liquidity situation were boosted by the rights offering, the hybrid bond, the divestment of business operations and the year-on-year improved result.
- If the hybrid bonds were recognised as debt, the gearing would be 128.4% (2013: 155.2%).

KEY FIGURES

CASH FLOW

Cash flow from operating activities, EUR million

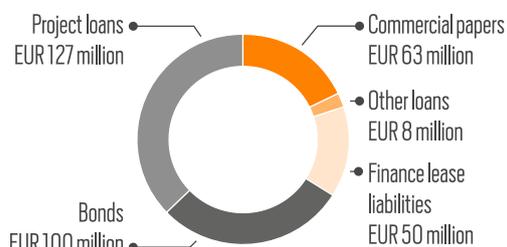


- The operating cash flow remained negative in 2014.
- The cash flow includes EUR 60 million of damages paid related to the asphalt cartel.
- Working capital was released through more efficient invoicing, but, at the same time, the slowdown of housing sales in Finland increased inventories.

KEY FIGURES

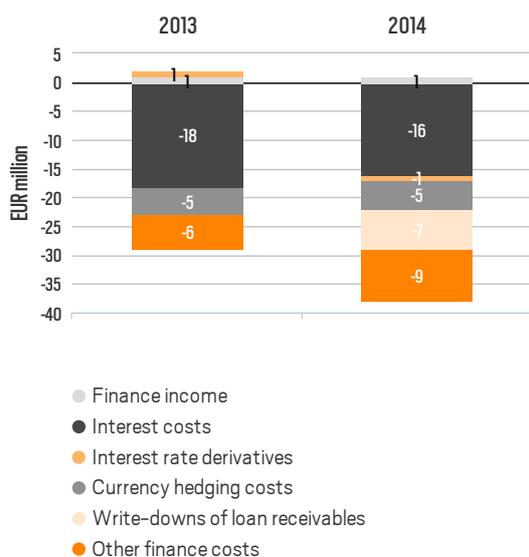
FINANCING

Debt portfolio, 31 December 2014



- Interest-bearing debt decreased by 15% and was EUR 348 million.
- Of this debt, 40% (2013: 15%) was long term and 60% (2013: 85%) short term.
- Commercial papers decreased by 42% and project loans increased by 74% compared to 2013.
- In the spring, the company issued a EUR 100 million five-year bond to refinance the old EUR 60 million bond.
- At the end of 2014, the company had unused credit limits worth EUR 185 million.
- In addition, the company has hybrid bonds worth EUR 140 million.

Net finance costs 2013–2014



- Net finance costs increased by 40% and were EUR 38 million (2013: EUR 27 million) compared to 2013.
- The share of interest expenses in net finance costs was less than half.
- The largest individual item was a EUR 7 million write-down of loan receivables related to the divestment of the Lemcon Networks business.
- Other costs were increased by changes in financial agreement terms and conditions, expenses incurred by a covenant violation and consultancy costs.

Note! The interest expenses of the hybrid bonds are not recorded under the finance costs in the income statement.

Operating environment

 PAVING	 INFRA PROJECTS	 BUILDING CONSTRUCTION
Growth drivers		
<ul style="list-style-type: none"> • The public sector's investments in road maintenance • Major road projects • Urban growth centre development • Repair backlog • Several years' investment gap in Russia 	<ul style="list-style-type: none"> • The public sector's and industry's investments in infrastructure • Urbanisation • Need for energy production renewal • Weak infrastructure in the Baltic countries and Russia 	<ul style="list-style-type: none"> • Migration to city centres • Decrease in family size • Change in demographic • Apartment as part of investment assets • Increased logistics and storage needs • Old building stock in a poor condition • In Russia, constant need for apartments and high dwelling density
Outlook for the near future		
<ul style="list-style-type: none"> • In Finland, the weak economic situation of the public sector affects road maintenance negatively • Growth in Scandinavia • Stable market situation in the Baltic countries • In Russia, funding depends on economic development. Allocation decisions are political. 	<ul style="list-style-type: none"> • Major infrastructure projects underway and being planned in Finland • New and replacement investments in the energy sector increase demand in all Nordic countries • Strong growth in Scandinavia • In the Baltic countries, infrastructure construction is supported by EU funding 	<ul style="list-style-type: none"> • In Finland, renovation projects patch declining new construction • Economic uncertainty and increasing unemployment decrease the demand for housing, demand focuses in urban growth centres • In Russia, the outlook is very uncertain and the direction of growth is difficult to forecast • The limited scope of the Russian financial markets influences mortgaging

Competitive field and the most significant competitors		
<ul style="list-style-type: none"> • Lemminkäinen holds a strong position in the Nordic and Baltic countries; it is one of the largest paving companies • The industry entry threshold has become lower • In Russia, the company operates in the paving business mainly as a subcontractor • The most significant competitors: NCC, Skanska, Veidekke, Peab, Colas; in Russia: Major Russian players, such as Mostotrest and VAD 	<ul style="list-style-type: none"> • In Finland, Lemminkäinen is the market leader in the industry in terms of net sales • Of the different forms of contract, PPP and alliance projects are increasing • In Scandinavia, competition is increased by Central European players • The most significant competitors: NCC, Skanska, Veidekke, Peab, YIT, SRV, Destia 	<ul style="list-style-type: none"> • In Finland, Lemminkäinen is among the five largest builders • When it comes to small- and medium-sized contracts, there are many minor players and the industry entry threshold is low • In Russia, apartments are built by several local players. In the comfort-class residential construction, there is less competition. • The most significant competitors: YIT, SRV, NCC, Skanska; in Russia, also LSR and Settle Group

Market development

	Finland	Sweden	Norway	Denmark	Baltic countries	Russia*
Paving	➔	⬆	⬆	➔	➔	➔
Infra projects	➔	⬆	⬆	⬆	➔	➔
Building construction	⬇	⬆	➔	⬆	➔	➔
Other building construction	⬇	➔	⬆	⬆	⬇	⬇

*includes high political and economic risk

Black arrow = Lemminkäinen operates in this market
 Grey arrow = Lemminkäinen doesn't operate in this market
 Source: Euroconstruct, company's own estimate

Expert in demanding infra projects and road network maintenance

As one of the major infrastructure construction companies in northern Europe, we smoothen traffic flows and ensure that our construction projects are executed safely and sustainably, taking people's needs into account. We offer our customers comprehensive infrastructure construction services, from road maintenance to specialised contracting, in Finland, Norway, Sweden and the Baltic countries. In addition, we carry out paving in the Danish and Russian markets.

In line with our strategy, we focus on leveraging our strong market position as the provider of infrastructure construction solutions and services in northern Europe. Our target is to grow and become the leading provider of demanding infrastructure solutions in our market area. In paving, we aim at leveraging our strong position in operational efficiency and product development, for example, to our customers' benefit. In Russia, we focus on paving and special paving in European Russia. In all of our operating countries, our most important customers include the public sector, construction companies, industry and property owners.

Constructing demanding infrastructure

In 2014, we had major infra projects underway, especially in Finland: three West Metro stations, the Kivisydän underground parking facility in Oulu, in northern Finland, as well as the Turvesolmu graded interchange in Espoo, in the Helsinki metropolitan area. Towards the end of 2013, we started working on a major project, the Rantaväylä tunnel in Tampere, in central Finland; that project will continue until the end of 2017.

In Oulu, the excavation and reinforcement work of the approximately 900-space Kivisydän parking facility continued throughout the year and was completed at the beginning of 2015. In addition, we started the construction of the parking facility interior in the summer of 2014. Kivisydän is a turnkey project management contract. In this type of contract the construction company is responsible for both design and construction. We started the earthworks and foundation construction in 2012. The parking facility will be completed in autumn 2015. In the spring of 2014, INFRA ry, a Finnish infrastructure construction association, awarded Kivisydän the title of the Safest Underground Construction Site of 2013.

In Espoo, we continued the construction of the Turvesolmu graded interchange and the Turveradantie street. The project was started at late 2013 and will continue until the end of 2015. The construction site was elected the Piling Site of the Year 2014, thanks to the excellent organisation and management of piling work as well as the smooth cooperation among different parties.

In Norway, we continued the Tisleifjord contract to renovate an old dam and a power plant. The contract was started in 2013 and will continue until 2015. In the spring of 2014, we completed the excavation contracts for two underground caverns for the zinc melting plant Boliden Odda AS in Norway. We built two caverns for the storage of zinc production waste and carried out the concrete work. We also built transport tunnels and a storage area for mercury.

In Sweden, the new spillage channel for the Bergforsen hydroelectric power plant was completed in the summer of 2014. Work on the construction site started in 2011 and involved demanding dam arrangements during work and exceptionally large amounts of land mass, for example. In addition, we completed the extensive Sjömalmen mine contract for LKAB in Kiruna towards the end of the year and slightly ahead of the schedule.

In the Baltic countries, in addition to public sector projects during 2014, we gained new kinds of customers in property and industrial foundation engineering. A good example of this is the Rotermann parking facility construction project in Estonia. The project involves digging below the water level and under buildings to construct two underground levels in a tight city centre setting in protected historical surroundings.

Proof of demanding new operating models

Good planning and cooperation in infrastructure construction means quality and cost efficiency. We need new

operating models, such as PPP and alliance contracts, for developing the construction industry's efficiency and cooperation.

Our major project in Finland, the Rantaväylä tunnel in Tampere, is being carried out under an alliance contract. The experience during the planning stage was excellent: the cost estimate decreased by more than 10% compared to the traditional way of working. Various projects that we and others have done have shown that the average savings potential in alliance contracting is 10–20%. The principles of alliance contracting were also used in the three-year Helsinki Airport contract for Finavia, completed in 2014.

In Russia, we participate in large-scale PPP projects, such as the Moscow – St Petersburg highway's construction and development, as a subcontractor or main contractor for paving and special surface works.

Smooth traffic flows

We are one of the largest paving contractors in our market area. In 2014, we manufactured 6.2 million tonnes of asphalt mass.

During the year, we contributed to the maintenance of the road network in each of our operating countries. In Finland, we are a leading paving contractor. We paved and patched roads in extensive areas in Ostrobothnia and Central Finland, for example.

We specialise in paving in challenging locations, such as airports. In Finland, we completed the three-year paving contract for Finavia at Helsinki Airport in 2014. We also replaced the paving of Ivalo Airport. Extensive paving and repair work started in 2013 at Andøya Airport in northern Norway and was completed in late 2014. In addition, our paving projects in 2014 included the paving of two runways at Stavanger Airport within a challenging schedule of nine days.

Near Tallinn, Estonia, we expanded the container terminal at the Muuga harbour. Our contracts also included the renovation of two kilometres of a four-lane motorway between Kurna and Luige. In Lithuania, we were responsible for rebuilding the foundations and paving a 9-kilometre stretch of the 7-metre wide road between Smiltyne and Nida.

In Denmark, we continued for example the paving of the first two phases of the highway to be constructed around the city of Silkeborg, which we started in 2013. In this contract, we developed our spreading methods in order to speed up the work, and we used significant amounts of reclaimed asphalt. The contract was completed in the autumn.

In Russia, our strengths in infrastructure construction include reliability, efficiency and expertise — especially in special surfacing. Mobile asphalt plants, enable us to develop our geographical flexibility in European Russia. In 2014, we repaired streets in St Petersburg's Moskovsky district, the largest industrial and residential area in the city. Near the City of Moscow, we renovated a 24-kilometre section of the A108 road. A108 is a ring road located approximately 80 kilometres from the centre of Moscow and an important cross-traffic artery for major highways leading out of the city. In addition, we renovated nine bridges on the M2 road. The busy M2 road is one of Russia's major highways with heavy traffic. Towards the end of the year, we also won a contract for the asphalt work for a bridge that crosses the Oka River on the M4 road.

We are developing our operations

We continued the Group-wide paving development programme, which focuses on implementing best practices and promoting energy efficiency by, for example, increasing the use of low-temperature asphalt and reclaimed asphalt. In Denmark and Finland, the use of reclaimed asphalt is at a good level. In 2014, we significantly increased the production of low-temperature asphalt in Finland. In Norway, the use of reclaimed asphalt was started.

FINAS accreditation service accredited our Central Laboratory in Finland, specialising in infrastructure construction and paving, in July, as the first — and so far the only — laboratory in the asphalt industry in Finland. For the customer, an accreditation is a guarantee that the quality control follows the strict evaluation and monitoring criteria set by the accreditation, and that the work is reliable and independent. In addition to the Finnish laboratories, our Latvian, Lithuanian and Swedish laboratories have been accredited.

Case

The metro goes west

The West Metro contract, which began five years ago in the Helsinki metropolitan area, in Finland, proceeded in giant leaps during 2014. We continued work on the Tapiola and Matinkylä metro station contracts that we started in 2013 and will be completed by the end of 2015. According to forecasts, the Tapiola and Matinkylä stations will have the highest number of passengers of all stations in Espoo, with 20,000–30,000 passengers travelling through them every day.

In May 2014, we started our third station contract, the construction of the Niittykumpu station. For a long time, Niittykumpu featured in the plans only as a reservation for a station, but in October 2013, the Espoo City Council made the decision to have the station built on the same schedule as the other stations. During the summer and early autumn, we worked hard at the Niittykumpu construction site, doing day, evening and weekend shifts. The Niittykumpu station contract covers the construction of the station building and the maintenance tunnel. Our customer ordered the work

as a management contract, which means that the cash basis policy is, unlike the two earlier station contracts, a target price contract and is based on open cost control with the customer. The Niittykumpu station will be completed by the end of 2015.

In 2014, our West Metro project proceeded above ground when all excavation work was completed in February. During the past five years, Lemminkäinen and other construction companies excavated two parallel 13.9-kilometre track tunnels and eight stations. In September, the superstructure contract, in other words, the actual track work, was launched throughout the West Metro line.

In September 2014, the Espoo City Council gave the green light for the extension of the West Metro from Matinkylä to Kivenlahti. Construction work between Matinkylä and Kivenlahti includes seven kilometres of new metro track as well as five metro stations: Finnoo, Kaitaa, Soukka, Espoonlahti and Kivenlahti.

Case

Rantaväylä tunnel will remove a bottleneck

In 2014, cars are still queueing at traffic lights on Rantaväylä road in Tampere, in central Finland, during the evening rush hour, but the situation soon will become better. The construction of the Rantaväylä tunnel will improve the flow and safety of traffic and contribute to the development of Tampere city centre. It will free up plots by lake Näsijärvi, enabling the construction of the Ranta-Tampella residential area for approximately 3,600 residents.

We will move the Rantaväylä section between Santalahti and Naistenlahti into a 2.3-kilometre road tunnel, the longest in Finland, that will also go under the Tammerkoski rapids. In addition to the tunnel, we will construct two graded interchanges and related road arrangements in the area. The project improves a 4.2-kilometre section of Highway 12.

“In 2014, approximately one third of the contract was completed and about 70% of the tunnel was ready. Outside the tunnel, we carried out ground cutting, foundation reinforcement, open-pit excavation and treatment of contaminated soil, among other work. Two bridges are ready. At the turn of the year, the construction site had a total of approximately 360 workers,” says **Esko Mulari**, Project Manager for the alliance contract at Lemminkäinen.

In an alliance, cooperation is power

The Rantaväylä tunnel project is being carried out through an alliance formed by Lemminkäinen, the City of Tampere, the Finnish Transport Agency, the engineering office Saanio & Riekkola Oy, and A-Insinöörit Suunnittelu Oy. The alliance is a pioneering implementation model in Finland. The

customer and the service providers design and implement the project together, as a joint organisation. Everyone wins when benefits and risks are shared.

Through jointly created innovations, we are reducing the disruption caused by the construction site, creating cost savings and accelerating the progress of the project. One of the innovations of the alliance was to change the planned location of the access tunnel. "We built an access tunnel in the middle of the site using the existing access tunnel of the Näsinkallio sports facility. Starting from the middle, we are

excavating two road tunnels east and two road tunnels west. Without this innovation, we would have needed to start excavation in the middle of the existing Rantaväylä road and to build a detour for current traffic close to the shore of lake Näsijärvi," Esko Mulari says.

The Rantaväylä tunnel project is divided into two separate phases. The project's development phase took place in 2012–2013 and the implementation began in October 2013. The tunnel will be opened to traffic in 2017.

Business › Travelling › Kivisydän increases the attractiveness and safety of the city centre in Oulu

Case

Kivisydän increases Oulu's accessibility and safety

We are building the Kivisydän parking facility below the city centre of Oulu, in northern Finland, making the services of the centre easily accessible both on foot and by car. At the same time, the facility will free up space in the cityscape for other uses.

Kivisydän will expand Oulu's commercial centre and improve the parking situation in the heart of the city. Underground parking makes it possible to carry out complementary construction in central blocks, develop parks and expand the Rotuaari pedestrian zone. By moving parking and maintenance traffic underground, the functionality, attractiveness and safety of the expanding central pedestrian zone can be improved significantly.

With good planning, we have ensured that traffic and daily life in nearby properties can proceed as normally as possible during the project.

Kivisydän, to be excavated at a depth of around 30 metres below the centre of Oulu, will be a high-quality 900-space parking facility utilising modern technology. Its functionality, safety and comfort will be among the elite of parking facilities. Below the facility, we will build a maintenance road along which will be the maintenance premises of four properties.

We started the construction of the parking facility in the summer and work on technical building systems began in late autumn. Excavation and reinforcement work will be completed at the beginning of 2015. Construction is proceeding on schedule and the project will be completed in autumn 2015.

Business › Travelling › We improve traffic connections in Espoo

Case

We are improving traffic connections in Espoo

In Espoo, in the Helsinki metropolitan area, in Finland, we are building the Turveradantie street, a main link connecting the districts of Leppävaara, Mankkaa and Tapiola and

passing over the Turunväylä highway. Turveradantie street will connect with Turunväylä highway via the Turvesolmu graded interchange that is part of the same contract.

The contract covers major earthworks and civil engineering work as well as six new bridges.

The Turvesolmu and Turveradantie project is the all-time largest individual project undertaken and self financed by the City of Espoo; it provides employment for hundreds of people. Nearly all of the work included in the contract lies within Lemminkäinen's core areas of infrastructure construction expertise. For example, the contract entails excavation, crushing, treatment of contaminated soil, piling, stabilisation and paving. We are also improving noise reduction in the area to minimise noise nuisance in residential areas.

Turveradantie significantly improves not only traffic connections within Espoo, but also connections to

the main road network of the Helsinki metropolitan area. It is estimated that in 2030, approximately 9,800 cars per day will use the street between Mankkaantie and Sinimäentie. The currently unbuilt area will be developed; a shopping centre is also being planned close to Turveradantie street.

In 2014, piling and bridge casting were started at the construction site. The construction site was awarded Piling Site of the Year 2014 by the Confederation of Finnish Construction Industries RT. The grounds for the award included the project's extremely challenging foundation conditions. Paving and construction of stone-paved areas and noise barriers as well as landscaping will begin in spring 2015. The contract will be completed in late 2015.

Business › Travelling › Meeting high quality requirements in airport paving in Western Norway

Case

Meeting high-quality requirements in airport paving in western Norway

Our completion of the paving of one of the two runways at Stavanger Airport Sola in June 2014, in northern Norway, is the latest in a string of recent airport projects for us in Finland and Norway. The work was completed in just nine days and met the high-quality requirements. "It was an intensive project. Including sub-contractors, there were 75 people working in shifts around the clock," says **Åsbjørn Skrettingland**, head of Lemminkäinen Norway's Region West.

Airport projects are complex, with high requirements for density, stability and wear resistance. "We had to create an asphalt recipe that met all these requirements and a surface durability of at least 12 years, to secure a runway surface with the highest standards," says Skrettingland. The busy airport was open for traffic throughout construction and paving operations, and we worked in close cooperation with our customer Avinor. Avinor is a wholly-owned state limited company under the Norwegian Ministry

of Transport and Communications and is responsible for 46 state-owned airports.

Safety is always priority number one in our operations, but in airport projects security demands are of a different order entirely. "We need to be focused on extreme 'clean' operations throughout, for instance by removing small stones in order to prevent any damage to aircraft engines or fuselages. In addition, we had contingency plans for equipment removal in case of a stoppage, to make sure the runway was kept open at all times," says Skrettingland.

Although the final assessment report on the work delivered has not been yet received, we have received very positive feedback from the customer Avinor. "We are pleased with both the planning and execution at our end, and Avinor has signalled satisfaction with the full project delivery," says Skrettingland. "We have contributed to safe and smooth take-offs and landings."

Easy living

We build apartments in urban growth centres in Finland and in the St Petersburg region in Russia. Our customers appreciate the quality and good location of our apartments.

In the housing market, 2014 was a challenging year. In Finland, the general economic uncertainty could be seen in housing sales and, consequently, in the number of residential units started. So far, the economic uncertainty in Russia has not been reflected in the demand for our apartments in St Petersburg city centre. In 2014, we started the construction of 979 (1,058) new residential development units in Finland. In Russia, we did not start any new residential development units (757) but continued the construction of ongoing projects and completed two major residential development projects.

Apartments for customers appreciating high quality and location

In Finland, we focus on residential development and construction in the Helsinki metropolitan area and other urban growth centres. Our aim is to build high-quality apartments in attractive areas. In the acquisition of new plots, we focus on the Helsinki metropolitan area, where our apartments are mainly located near good traffic connections and services. Our customers include both private buyers and investors. Private residential property investors are also a growing customer group.

In the Helsinki metropolitan area, we completed and continued several residential area development and construction projects in 2014, such as in the Töölö Bay, Vuosaari and Jätkäsaari areas. In the Töölö Bay area, we completed our second residential project. In Vuosaari, we are building a residential entity of 22 apartment blocks, called Kahvikortteli, on the plot of land where Paulig's old coffee roastery was once located, offering homes for approximately 2,000 people by 2022. In 2014, we completed the construction of the housing cooperative Paahtaja. In addition, we started building one new apartment complex in the area and continued the construction of the housing cooperative Kahvimylly. In Jätkäsaari, we will build 430 apartments in the Saukonpaasi quarter by 2016. In 2014, we continued construction in the Ruori, Kompassi and Loisto apartment complexes. We also completed the conversion of a former office and commercial building, Kivipalatsi, into apartments in the centre of Helsinki.

In the centre of Turku, in western Finland, we

completed Aurajoen Helmi, a 78-apartment complex, and continued the construction of Telakkaranta. In Oulu, in northern Finland, we completed the 83-apartment Louhi complex, and in Jyväskylä, in central Finland, we handed over two projects built for investors. We have numerous new residential projects underway in Tampere, Jyväskylä, Vaasa and Oulu, for example.

Quality assurance permeates the construction process

Our management system covers all construction phases. We use it to make sure that all inspections and reviews are done on time, right up to the pre-handover inspection. This way we can ensure that our apartments are handed over to our customers according to schedule and in impeccable condition. In addition, for all of our completed projects, we measure the quality of both the product and the customer service with resident satisfaction surveys, for example.

Our own housing sales network helps our customers to find the most suitable solution. Working in cooperation with the housing sales organisation, our alteration engineers help our customers to choose the optimal space solutions and surface materials. In 2014, the use of Nettikoti, a web-based additional work and alteration service, was expanded from the Helsinki metropolitan area to other major cities in Finland, as planned.

A busy year in St Petersburg

In Russia, we are developing our operations as one of the largest foreign players in the construction of premium, technically high-quality comfort-class apartments in the St Petersburg region. In 2014, we completed two large residential development projects in St Petersburg: the second phase of the 230-apartment Aino project and the first phase of the 339-apartment Tapiola project. In addition, we started the construction of the second phase of Tapiola in the autumn, and the construction is proceeding well. The 418-apartment project is scheduled to be completed in last quarter of 2015.

Location is the most important criterion in plot acquisition in St Petersburg, too. Our primary target group is Russia's growing middle class that appreciates high technical quality

of apartments and living in a central location near good traffic connections and services. In Russia, developers also take part in the development of the urban infrastructure, which means that a day-care centre or a school is often built as part of residential projects. In 2014, we handed over to the City Administration the kindergarten built in connection with our Aino residential project, as the first construction company in St Petersburg to do so.

We also have residential contracting projects underway in Russia. In 2014, we completed the elite residential building project for Tetra Invest in Kamennyi Ostrov, St Petersburg. In addition, the contracting project we started to build for OOO Mikrorayon Kantri in 2013 is proceeding as planned. The project includes the construction of 46 low-rise apartment buildings in the park-like, esteemed Istra area near Moscow.

Quality awards for our teams

Our customers appreciate our reliability and high standard of finishing. In 2014, two of our Tapiola teams received awards

for high quality both in concrete construction and in roof structures.

Our housing sales organisation supports our customers at every step of the home buying process. Our customer service also helps in the registration of the apartment purchase and provides advice on the mortgage options of the banks. When one of our residential projects is completed, our property management company looks after its upkeep and maintenance as well as the cleaning of public areas.

New housing sales websites

In Russia, the web is the primary customer service channel. Consequently, we launched a new housing sales website at the end of 2014 to better serve our customers online. In 2014, we also started renewing the Finnish housing sales website in order to improve our customer service online. The new website was launched in early 2015.

Business › Living › Aino residential complex - record-breaking construction time

Case

Aino residential complex – record-breaking construction time

The Aino residential complex is located in the centre of St Petersburg, in Russia, in the historical district on Vasiliyevsky Island. A thirteen-storey building comprises six interconnected sections. The Aino residential complex was built in two phases and completed in 2013 and 2014. An underground heated parking facility is designed for 156 parking spaces. The ground floor of the Aino residential complex accommodates commercial premises.

Unique technical solutions

The unique technologies of the environmentally friendly and energy-efficient construction have been implemented in the Aino residential complex and are incorporated in the building structure, its engineering systems and apartment layouts. All apartments were fitted with a smart-house system, which allows automatic optimisation and control of the heating system of the apartment. The building has also its own gas boiler plant equipped with weather-dependent automation that controls the heat supply depending on the outdoor temperature. We always use environmentally friendly finishing materials from the leading European manufacturers.

Ahead-of-schedule commissioning

The construction of the second stage of the Aino residential complex started at the end of 2013. Thanks to the structural solutions and the well-coordinated three-shift operations, we reduced the installation time of one floor in three sections to 7 days, with one of those days used for setting of concrete. That allowed us to construct the building faster than planned. The first residents have already moved into their new homes.

A historical kindergarten

In September 2014, we handed over to the City of St Petersburg a kindergarten located in the Aino residential complex. The kindergarten in Aino is the first social facility that was constructed by the contractor at their expense and handed over to the City as a part of the city infrastructure. The kindergarten is designed for 60 children and houses the spaces for three age groups, a hall for musical and sports activities, a kitchen, a medical office and staff offices. The kindergarten opened in January 2015.

Case

One sea – many scenes

We are building new homes and commercial premises in various parts of Helsinki, Finland. The projects offer solutions for many different needs, and their location varies from peaceful natural surroundings to active urban areas. Most of these projects have one thing in common: the sea. Seaside area planning and solutions related to construction activities in city centres are part of our core expertise. The day-to-day life of residents is the focus of contemporary residential planning: services, transportation connections, recreational services and jobs are all located in the vicinity of residential areas. When building new residential areas, we can implement innovative solutions with regard to waste recycling, parking and the comfort and safety of yards.

The new seaside residential area of Jätkäsaari

Jätkäsaari has become a new seaside neighbourhood in central Helsinki, and will be home to 17,000 residents by 2025. Saukonpaasi, our residential development and construction project in the area, consists of high-quality apartment blocks and low-rise apartment buildings. In 2013, we started the construction of housing cooperative Merituuli, the first of our four apartment complexes. In 2014, we continued construction in the Ruori, Kompassi and Loisto apartment complexes. The seven-storey apartment blocks will have 50 residential units each. All apartments have glazed balconies with a view of the sea. The apartment blocks have a cooling system that allows residents to reduce the indoor temperature by a few degrees in the summer. In Jätkäsaari, waste is collected by an innovative pipeline-based system that reduces maintenance vehicle traffic in the neighbourhood.

Long-term solutions in the Töölö Bay area

In 2011–2014, we built new commercial premises in a premium location, Töölö Bay, in Helsinki. Alma Media's head office, completed in 2012 next to the railway tracks, has now been joined by EY's and KPMG's office buildings, completed in 2014. KPMG's office building is a colourful eye-catcher that has a 200-metre-long wavy facade. All of the new business premises represent timeless, high-quality architecture.

Töölö Bay is also a residential area. Housing cooperative Aalto was completed in 2013, followed by the

15-apartment Alvar in May 2014 and Arietta in June 2014. The apartments meet the highest standards and are designed to be comfortable in all four seasons. All of the buildings in the Töölö Bay area meet the criteria for international LEED environmental certification.

An entity consisting of four residential blocks in Vuosaari

In the Vuosaari region in Helsinki, we are building an attractive residential entity of 22 apartment blocks, housing approximately 2,000 people, on the plot of land where Paulig's old coffee roastery was once located. Construction on the Kahvikortteli residential blocks began in 2011, and the buildings will be completed over several stages by 2022.

The buildings will form residential blocks with protected and safe inner courtyards. Parking spaces for the apartments will be built under a deck in the yard, with direct lift access from the parking facility to the residential floors. Kahvikortteli is located close to a boat harbour and a beach. The area offers excellent opportunities for outdoor activities and hobbies, as well as convenient access to the Helsinki city centre by metro.

In 2014, housing cooperative Paahtaja was completed and the construction of Kahvipannu started. The construction of the 13-storey Kahvimylly also proceeded on schedule.

Functional and sustainable premises for working

We build functional and comfortable commercial premises that not only revitalise cities but also last from generation to generation.

We build new commercial premises and renovate old ones in Finland and Russia. We want to provide our customers with comfortable working environments located near good traffic connections. When renovating old premises, we can also convert them to other purposes, if necessary. In 2014, our projects in Finland were concentrated even more strongly in the Helsinki metropolitan area.

Functional and comfortable working environments

We are actively investigating opportunities to execute commercial construction projects that enable innovative solutions and bring services closer to residents, for example. In addition to a central location, we pay attention to ensuring that space solutions are modifiable and that technical building solutions support the comfort of the end users of the premises.

In 2014, we completed our project, launched in 2011, in the Töölö Bay area in Helsinki in which we built three office blocks as well as apartments located in connection with them. The interior of each office property was tailored according to the tenants' needs. Each property complies with the LEED environmental certification criteria. The developer of the project was Etera.

In 2014, we also continued the construction of the S Group's logistics centre in Sipoo, in southern Finland, in cooperation with Skanska.

In Russia, we completed the Hermitage contract and the Betset factory building, among other projects. In commercial construction in Russia, we have made the strategic decision to focus on negotiated construction contracts with our long-term customers.

Modernising old premises

The renovation of old buildings is a good way to revitalise cities. We have the professional competence and expertise required for demanding renovation projects. In 2015, we will begin the renovation of the main Parliament Building. When the renovation is completed in the autumn of 2017, the Parliament will have fully restored, energy-efficient premises. In connection with this project, we

renewed the Sibelius Academy concert hall during the winter of 2014–2015 to serve as a temporary Session Hall.

The use of a premises can be altered in renovation projects. In 2015, we will also begin the renovation of the Auratalo office property located in Helsinki's Töölö district and its conversion to a hotel. Within the scope of the contract, we will completely renew the interior and technical building services of the 11-storey property. In addition, we will renovate the facade while preserving its original appearance. We are responsible for both the design and construction of the project.

Responsibility throughout the lifecycle

We want to proactively develop the construction industry and new ways of working together with our customers. New models of cooperation are needed, as lack of funding hinders public-sector investments while the need for renovation and new construction increases.

The PPP model is often used when building public projects, such as schools. It requires that the builder understands the owner's needs and the users' needs. In the PPP model, we design and construct the buildings and see to the maintenance of the premises throughout the 25-year lifecycle responsibility.

In 2014, we completed the construction of the Kastelli community centre in Oulu, in northern Finland, and now we are responsible for the upkeep and maintenance of the building for the next 25 years. We utilised pedagogic expertise when designing the premises as modern and modifiable learning environments. The community centre was awarded the Finnish Association of Civil Engineers' annual RIL award. The RIL award is presented to construction projects whose planning and implementation demonstrate outstanding expertise in construction engineering. Kastelli is also the first Nordic school to be awarded the Gold level LEED for Schools certificate. In 2014, we also started the construction of a new PPP project in Pudasjärvi, in northern Finland. This timber school for 800 students will be completed in 2016.

Case

We develop learning environments

We design, build and maintain schools with the PPP model in Finland in Kuopio, Oulu and Pudasjärvi. In projects like this, a far-reaching vision is needed: what kind of environment supports new information-gathering methods, virtual learning and cooperation? Ensuring the best conditions for learning, teaching and multiprofessional school communities is our top priority, starting from the planning stage.

With the PPP model, construction expands into a comprehensive long-term service. We design and construct the buildings meticulously and maintain the premises throughout the 25-year lifecycle responsibility. In addition to the owner's needs, the PPP builder must understand the users' needs. For this reason, we cooperate closely with users and planners and utilise pedagogic expertise when designing learning environments.

"We consider how everything works, how information will be shared at schools in the future, and how project schedules and costs are managed. By taking user needs into account at all phases, we are also building the trust required by a long-term partnership," describes Vice President **Esa Kemppainen**, who is responsible for PPP projects at Lemminkäinen.

The Kastelli community centre in Oulu, in northern

Finland, was completed in autumn 2014 and is an educational, leisure and cultural centre for the residents of the nearby areas and the entire city. The building houses a day-care centre, a comprehensive school, upper secondary schools for young people and adults, an adult education centre, a library and a youth centre. The building is designed to be a modern collaborative learning environment that is equipped to meet the needs of the future learning and teaching environments in many ways. The space is extensively adaptable and the structural solutions are sustainable and lasting. Kastelli is the first Nordic school to be awarded the Gold level LEED for Schools certificate. The community centre was also awarded the Finnish Association of Civil Engineers' annual RIL award.

Currently, we are building a timber school in the Poropudas region in Pudasjärvi, in northern Finland. The school will be taken into use in the summer of 2016 and comprises four buildings to house the primary and secondary schools, a high school, an adult education centre and the school gym. The school will accommodate around 800 students. In addition to planning and construction, we are responsible for the maintenance, upkeep, user services and basic renovation investments during the 25-year service contract.

Case

Renovating the Parliament Building to meet today's requirements

We started the renovation of the main Parliament Building in Helsinki, Finland, in spring 2015. Work will continue until autumn 2017. For the duration of the renovation, the Parliament will be relocated to the Sibelius Academy building, where we altered the concert hall to serve as a Session Hall during the winter 2014–2015.

The Parliament Building was completed in 1931. Its main building has never been fully renovated before. For instance,

the technical building systems are the original ones, the basement is cramped, and the interior and the facades, along with their stairs, require renovation or restoration.

We have strong experience in technically demanding, versatile and extensive renovation projects. We ensure that the entire contract is carried out on schedule and with high quality and cost efficiency.

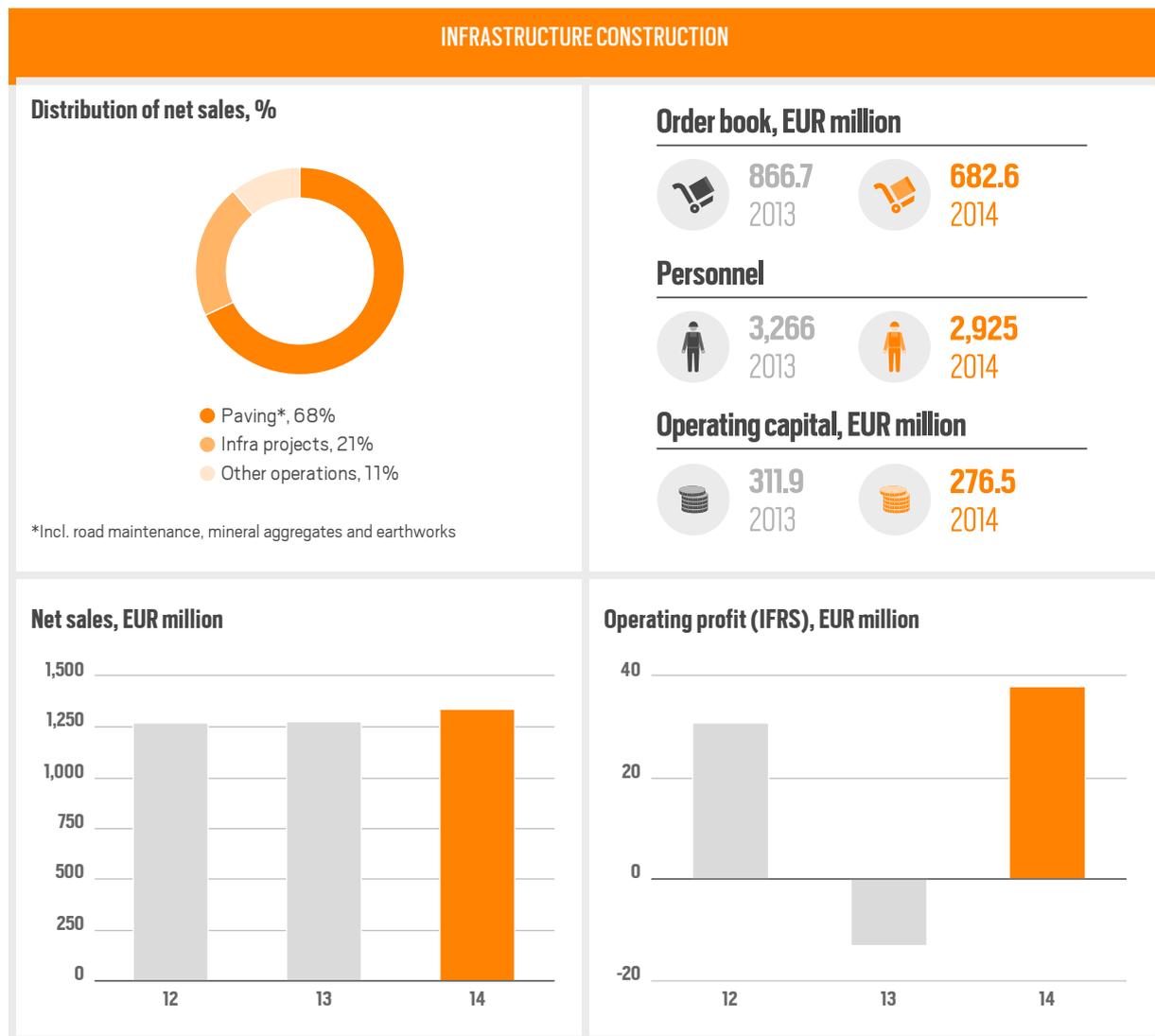
When the renovation is completed, the Parliament will have fully restored and energy-efficient premises. Accessibility will also be improved, as the southern lift tower will be renovated to accommodate larger lifts and a service lift.

One of the most demanding parts of the contract will be the expansion of the narrow pipe tunnel in the basement area, which requires excavation in an area sensitive to vibration.

"Both the site and the project are unique in Finland in many ways. The Parliament Building is a unique part of our

national heritage, and it is subject to continuous publicity. The museal protection results in its own challenges. The seasons and humidity conditions will change during the project, but the indoor conditions must continuously be in such a state that the works of art and specially treated surfaces do not suffer. The schedule of this major project is another challenge; this is why we chose the supplier well in advance in order to ensure a shared clear insight into the details even before the work begins," says **Hannu Peltonen**, Project Manager at the Parliament.

Key figures by business segment



BUILDING CONSTRUCTION

Distribution of net sales, %



- Residential construction, 43%
- Commercial construction, 21%
- Competitive contracting and other operations, 36%

Order book, EUR million



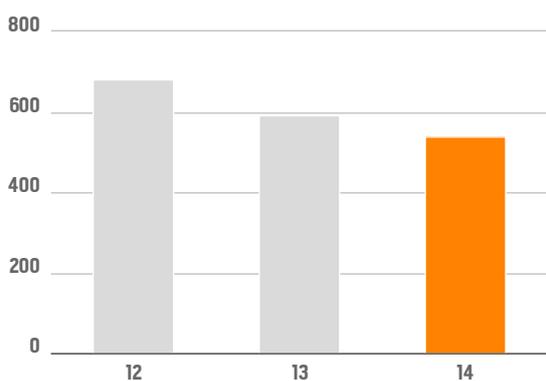
Personnel



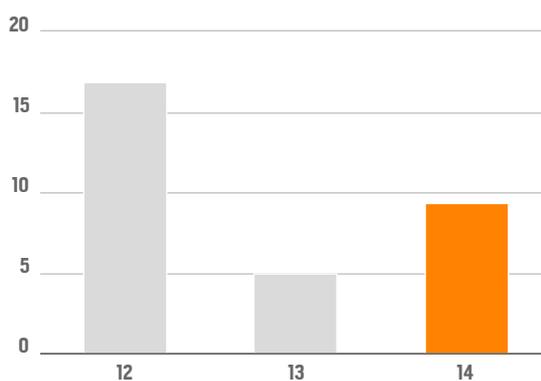
Operating capital, EUR million



Net sales, EUR million



Operating profit (IFRS), EUR million



RUSSIAN OPERATIONS

Distribution of net sales, %



- Residential development and construction, 48%
- Paving, 25%
- Building construction contracting, 27%

Order book, EUR million



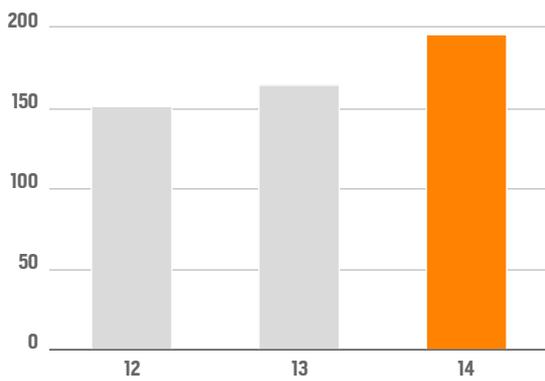
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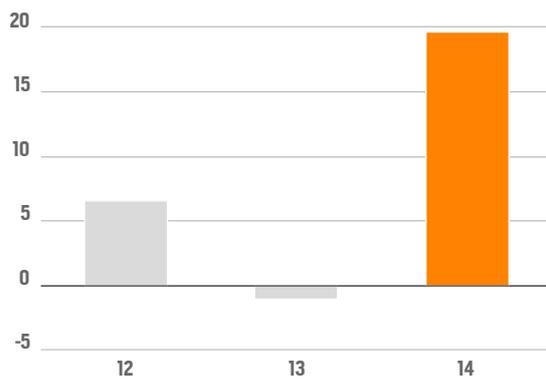
Operating capital, EUR million



Net sales, EUR million



Operating profit (IFRS), EUR million



Our way of working

Our goal is to grow our business operations profitably over the long term in compliance with the principles of sustainable development and good governance. Together with our customers, we want to create conditions that make living, working and travelling functional, safe and healthy.

We base our operations on our values:

- Respect and trust
- Constructive collaboration
- Sustainable growth and development

We comply with our Code of Conduct

Our operations are guided by our Code of Conduct. The Code is based on international regulations, such as the UN's Declaration of Human Rights and the Global Compact's ten principles that are related to human rights, labour law, the environment and anti-corruption. The Code also adheres to the ILO's employment rights and principles, the OECD's operational guidelines for multinational companies, and the International Chamber of Commerce's (ICC) recommendations. In addition, our Code of Conduct acts as a set of guidelines for our partners.

Our Code of Conduct is supplemented by various guidelines and policies, such as entertainment and sponsorship principles as well as Competition Law and insider guidelines. In 2014, we started the Code of Conduct online training that is mandatory for the entire personnel. The goal of the training is to ensure that Lemminkäinen's employees know how to apply the Code of Conduct in practice and how to act in conflict situations. Some of our seasonal employees will not take the training until the beginning of the new season in the

spring of 2015. In the future, the training will be repeated annually and included in the induction training.

We do not condone bribery, nor do we enter into business relationships that could lead to conflicts of interest. We require every Lemminkäinen employee to adhere to current legislation and the Group's internal principles and guidelines at all times. Our supervisors are responsible for familiarising employees with our working methods and for ensuring compliance.

We encourage all Lemminkäinen employees to report to their own supervisors or to the internal audit unit any suspected malpractice or behaviour that does not comply with our Code of Conduct. The internal audit unit investigates all reports it receives. In addition, its tasks include conducting regular audits of business operations and reporting its findings to the Board of Directors' Audit Committee.

We use the SpeakUp service where Lemminkäinen employees and external stakeholders can report any suspected malpractice anonymously. Suspected cases are handled in accordance with all relevant legislation and Lemminkäinen's internal practices, while respecting personal privacy and the rights of all parties. In 2014, the internal audit unit launched further investigations into 13 cases of suspected malpractice, 4 of which led to further action.

Cooperation with our stakeholders

Continuous engagement with our stakeholders is an important way to develop our operations. The successful execution of demanding projects and new, innovative solutions requires close cooperation with our customers and partners.

In all stakeholder cooperation, we adhere to our Code of Conduct as well as to local and international commitments and legislation. Our stakeholders are current and potential customers, current and potential employees, shareholders and investors, analysts, financiers, partners and the media. Our business segments have the main responsibility for customer relations and the personnel and the business segments' procurement professionals for our partner network. Our Group functions are responsible for relations with investors, shareholders, financiers, the media, industry associations, decision makers and authorities.

Continuous dialogue

In 2014, our stakeholders were particularly interested in our financial situation and the outlook in our operating environment, especially in Russia. Other topics of discussion included the development of services and solutions as well as our revised strategy and renewed operating model.

As a significant local employer and buyer of services, we engage in a continuous dialogue with local authorities and decision makers. At the planning and launching phase of large construction projects, we also arrange town hall meetings for those stakeholders whose daily lives will be affected by our projects.

We regularly collect customer feedback, which enables us to develop our business. For example, everyone who has purchased an apartment built by us as well as all our commercial property customers are asked about their satisfaction with our products and services.

During the reporting year, we renewed Lemminkäinen's housing sales websites. The Russian housing sales website was launched towards the end of 2014 and the Finnish website in January 2015. The renewed websites offer our customers an easier way to learn about our housing offering.

We monitor the results of stakeholder cooperation regularly

In order to develop our operations, we measure the results of stakeholder cooperation regularly. Our most important Group-wide surveys are:

- the net promoter score measuring customer satisfaction
- the employee survey
- the employer image survey
- the public image analysis
- the brand survey

We support non-profit associations

Our sponsorship principles are based on our values and Code of Conduct. We focus on supporting children and young people, and, in 2014, we continued our cooperation with the Finnish National Skills Competition Taitaja and the Myrsky project of the Finnish Children and Youth Foundation. As in previous years, instead of sending Christmas greetings, we supported a charity. The charity for 2014 was the Baltic Sea Action Group's Give the Baltic Sea a Nutrient-poor Christmas campaign.

Due to the cost-saving programme and personnel negotiations initiated in the spring of 2014, we did not sign any new cooperation agreements during the year.

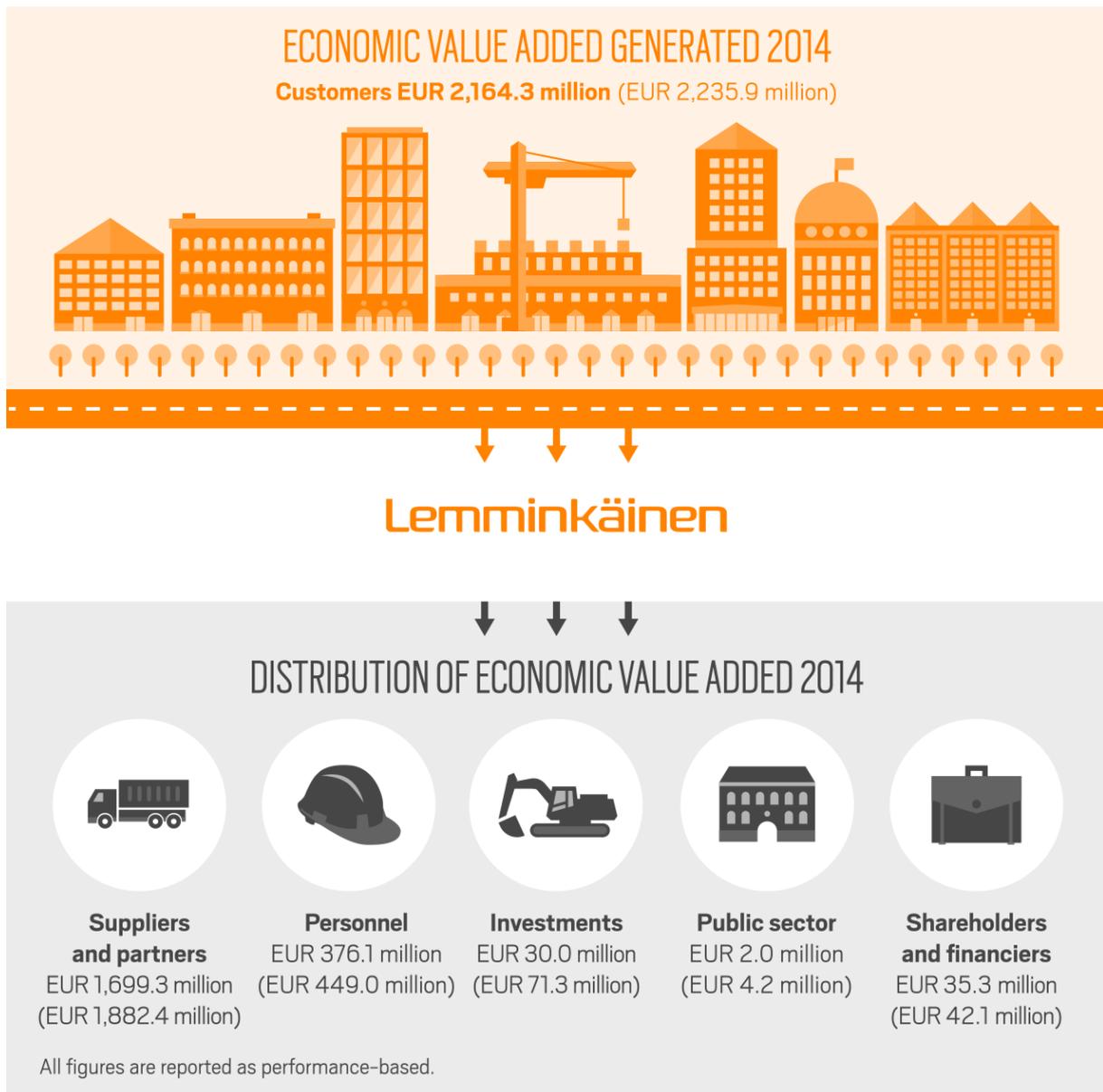
Stakeholder	Expectations	Actions in 2014
Industry associations, such as the Confederation of Finnish Construction Industries RT	<ul style="list-style-type: none"> • Continuous development in the industry • Promoting common interests 	<ul style="list-style-type: none"> • Active participation in associations' work, work groups and projects
Customers	<ul style="list-style-type: none"> • High-quality, reliable and sustainable solutions • Good project management, delivery reliability, transparency, and the right price-quality ratio • Understanding customer needs, customer service, and customer relations management 	<ul style="list-style-type: none"> • Face-to-face meetings • Customer events • Dialogue at industry trade fairs, seminars and other events • Newsletters and websites • Customer magazine
Personnel	<ul style="list-style-type: none"> • Good leadership and supervisory work • Motivating remuneration and opportunities for training and personal development • Equality and openness within the organisation • Occupational safety and well-being 	<ul style="list-style-type: none"> • Developing supervisory work and leadership • Developing remuneration • Continual development of occupational safety • Open communications • Personnel magazine, intranet, internal newsletters
Media	<ul style="list-style-type: none"> • Reliable and up-to-date information about the company's operations • Open communications culture 	<ul style="list-style-type: none"> • Stock exchange and press releases • Visits by editorial staff • Interviews • Easy to contact
Shareholders and investors	<ul style="list-style-type: none"> • Return on investment and a sufficient analysis of the company's risk management • Open and timely information about the company's financial position, profit drivers and outlook 	<ul style="list-style-type: none"> • Shareholder, investor and analyst meetings • Interim report briefings • Annual General Meeting • Investors section of Lemminkäinen's website • Documentation and meetings related to financial arrangements • Easy to contact

<p>Students and job applicants</p>	<ul style="list-style-type: none"> • Interesting and challenging tasks • Comprehensive information about career opportunities offered by Lemminkäinen 	<ul style="list-style-type: none"> • Summer jobs and trainee positions, opportunities for writing theses, and cooperation with educational institutions • Dialogue at recruitment events • Employer image surveys • Cooperation with Taitaja, a competition run by Skills Finland
<p>Decision makers and opinion leaders</p>	<ul style="list-style-type: none"> • Compliance with laws and regulations • Transparency and minimising hazardous impacts • Regular reporting • Increasing employment; good corporate citizenship • Payment of taxes 	<ul style="list-style-type: none"> • Dialogue through industry organisations in, for example, political decision making • Local meetings with decision makers • Regular, open reporting
<p>Partners and suppliers</p>	<ul style="list-style-type: none"> • Safeguarding earnings and growth • Opportunities for networking and developing operations • Operational reliability and continuity 	<ul style="list-style-type: none"> • Meetings and direct contacts • Supplier audits • Development of procurement systems

Financial responsibility

Distribution of economic value added to our stakeholder groups

For us, it is important to grow and develop our company's business sustainably over the long term. We want to create added value for our stakeholders in a manner that benefits all parties. This requires investments in the development of our customer relations, services and competence so that we are able to offer our customers the best services in the market.



Economic value added generated 2014



Customers

EUR 2,164.3 million (EUR 2,235.9 million)

Direct impact

- We offer our customers high-quality, reliable and sustainable solutions.

Indirect impact

- Our solutions create conditions that make living, working and travelling functional, safe and healthy.
- We develop our operations and introduce new, cost-effective and sustainable solutions.
- For example:
 - Low-temperature and reclaimed asphalts reduce the environmental footprint of infrastructure projects, as their manufacture consumes less energy or virgin materials.

Distribution of economic value added 2014



Suppliers and partners

EUR 1,699.3 million (EUR 1,882.4 million)

Direct impact

- We purchase construction-related raw materials, products and services from our partners.

Indirect impact

- We are a significant local service buyer. Our purchases create local jobs and open up new business opportunities for our partners.
- We seek long-term cooperation agreements that give our suppliers and partners the opportunity to develop their business over the long term.
- We are continuously developing new cooperation models that enable the sharing of expertise.



Personnel

EUR 376.1 million (EUR 449.0 million)

Direct impact

- We employ on average 5,600 people in eight countries.
- We make social security and employer contributions.

Indirect impact

- We develop our personnel's competence and offer various career opportunities.
- We are a significant local employer.
- We invest in our personnel's occupational safety and well-being by, for example, using the early support model. This lengthens careers.
- We provide our personnel with retraining opportunities.



Investments

EUR 30.0 million (EUR 71.3 million)

Direct impact

- We invest in operational development in all of our operating countries.

Indirect impact

- We create new business opportunities to improve our competitiveness. At the same time, we safeguard jobs.
- We invest in new, environmentally friendly production methods and equipment, which helps to reduce our environmental footprint.



Public sector

EUR 2.0 million (EUR 4.2 million)

Direct impact

- We pay income taxes.
- We also pay other public levies, such as property, waste and energy taxes.

Indirect impact

- We support social well-being by paying taxes and making other mandatory payments. In addition, our personnel pays income taxes from their salaries.
- We comply with the local tax legislation in all of our operating countries and we do not operate in tax havens for taxation reasons.
- In our operations, we apply the principles of the OECD's transfer pricing guidelines and local legislation.
- We are a significant local employer in many countries and our purchases from partners also support employment.



Shareholders and financiers

EUR 35.3 million (EUR 42.1 million)

Direct impact

- The Board of Directors proposes that no dividend will be paid for 2014 (EUR 0.00 per share). The figure for 2013 includes paid dividends for the year 2012.
- We pay interest to financiers.

Indirect impact

- We seek to increase shareholder value by creating conditions for the future flow of dividends through measures that aim at strengthening our balance sheet. In 2013, our result was clearly negative; in the financing negotiations in the spring 2014, we agreed not to pay dividends without the consent of certain lenders.
- We secure our position as a reliable debtor by meeting payment obligations as agreed.

The figures include discontinued operations.

We save energy and the environment

We minimise any environmental impact of our operations, use natural resources sparingly, generate as little waste as possible and sort it appropriately. By recycling raw materials, we reduce both the amount of waste and the need for virgin materials. To our customers, we offer products and services that we strive to produce with the highest possible energy and material efficiency.

Focus on the energy efficiency of building construction

We comply with regulations defined in legislation for the energy efficiency of new buildings. In 2020, all new buildings in Finland must have a zero energy rating. We continue to prepare for this new requirement. Many property investors require their commercial properties to be very energy efficient and executed in a manner that allows them to obtain general construction industry environmental certification, such as BREEAM or LEED. We consider these requirements already during design management.

The Kastelli community centre in Oulu, in northern Finland, built by us under the PPP model and completed in 2014, was the first Nordic school to be awarded the Gold level LEED for Schools certificate. The certificate encompasses the environmental friendliness of the entire building, assessing how ecological its key environmental aspects are. The high energy efficiency of the Kastelli community centre is based on comprehensive heat recovery and utilisation in ventilation as well as on energy-efficient lighting and lighting control. Furthermore, the building has numerous individual features that improve energy efficiency, such as condensing heat recovery in refrigeration devices and heating control on the basis of weather forecasts.

During the reporting year, the property we built for Technopolis in St Petersburg was awarded a LEED Gold certificate. Commercial premises built for the developer Etera in the Töölö Bay area in Helsinki and completed in 2014 also meet the LEED environmental certificate criteria. In addition, we are currently building a logistics centre for S Group in Sipoo in the Helsinki metropolitan area and applying for BREEAM environmental certificate for it. The certificate is awarded for above-the-norm performance in energy efficiency and minimisation of the environmental impact of a building.

A pioneer in environmentally friendly paving

Most of our environmental footprint comes from our own production, especially our paving and mineral aggregates business. In these sectors, Lemminkäinen is a pioneer in developing environmentally friendly products and operating methods in Finland.

During 2014, we increased the use of reclaimed asphalt in our own production in Finland by 15% and reduced the fuel oil and electricity costs of the production. In addition, we produced a significant amount of low-temperature asphalt at six asphalt plants. The production method of low-temperature asphalt is low in emissions and environmentally friendly. Low-temperature asphalt is produced at a substantially lower temperature than normal asphalt, which reduces fuel consumption, emissions and odour pollution.

In 2015, we will develop energy-efficiency measurement methods and monitoring in all of our operating countries. Furthermore, we will make environmental investments in several asphalt plants, enabling the production of recycled asphalt and low-temperature asphalt, for example.

Ecological and energy-saving earthworks

As a major northern European construction group, we use large volumes of different mineral aggregates as raw material. For this reason, we have approximately 300 mineral aggregate areas around our operating countries.

We aim at reducing the environmental impact of quarrying by investing in large, long-term mineral aggregate quarrying sites near urban growth centres. This makes transportation distances shorter and allows us to make investments that reduce the impact caused by the sites in their immediate surroundings. These investments include noise and protection barriers and stable and impermeable support areas. We also ensure that areas that have been used for mineral aggregate quarrying can later be utilised for construction or as a recreational area, for example.

Utilising by-products

Our goal is to constantly develop the recycling of raw materials and to utilise waste generated as a by-product of construction projects to an increasing extent.

We develop and implement methods that make it possible to replace the natural mineral aggregates used in earthworks with recovered materials. These materials can be recovered from surplus soil, industrial by-products and waste, mildly contaminated soil and materials used in old earthworks structures. For example, we use blasted rock from tunnel construction sites as raw material in foundation engineering and asphalt production.

Stabilisation is a foundation reinforcement method that uses a mineral aggregate-based binder in reinforcing soft soil, making it suitable for construction. Using recovered material, otherwise transported to a landfill site, in the binder reduces energy consumption and the environmental impact of construction.

The goal is to expand the use of the stabilisation method to different operating countries. Thus far, we have done mass stabilisation in Finland, Estonia and Sweden.

We are developing the entire industry in cooperation with authorities and other industry players. For example, we are actively involved in the UUMA2 programme in which Finnish authorities and industry players join forces to look for solutions on how to promote the use of recovered materials in earthworks and thus decrease the use of virgin materials and the environmental effects of earthworks.

Sustainability › Environmental responsibility › Laboratory specialised in paving

Case

Laboratory specialised in paving

Our Central Laboratory in Tuusula, Finland, serves Lemminkäinen's business operations and customers in our different operating countries. The Laboratory's area of expertise is infrastructure construction, in particular paving.

Our paving customers, such as the Swedish Transport Administration, require high quality and absolute reliability in testing activities. For this reason, the Central Laboratory and the Oulu regional laboratory operating under it have applied for and been granted accreditation for certain asphalt tests. Accreditation, laboratory certification (SFS-EN ISO 9001:2000) and external audits required by the CE marking of products guarantee the validity of results.

"Accreditation means that supervision exceeds the requirements of CE marking. It is a guarantee given by an official authority indicating that our operations are reliable and independent, and our reports are valid," says **Nina Orttenvuori**, Product Development Manager at Lemminkäinen.

New uses for asphalt products

In addition to quality control, the Central Laboratory develops and improves asphalt products and finds new uses for them. The products include recycled asphalt and polymer-modified bitumen, or, in colloquial terms, rubber bitumen. For the latter, we are the only Finnish producer that manufactures it for use on roads.

"Our extensive experience of polymer modification in particularly demanding paving is now utilised in the binding agents for paving aggregates used on other traffic routes and at airports. In this way, we have succeeded in extending the useful life of paving and making it more weatherproof," Orttenvuori explains.

"Recycling of old asphalt has increased significantly during the past few years. Recycled asphalt has become an important raw material for asphalt. Consequently, the properties of old asphalt must be studied and known thoroughly when planning new mixtures. Laboratory tests play a significant role in this. Our production operations are highly controlled and the products are tested regularly. Customers have no quality risks to worry about," says **Vesa Laitinen**, Research Manager at Lemminkäinen.

Lemminkäinen has a paving laboratory in each of its operating countries. In addition to the Finnish laboratories, the Latvian, Lithuanian, Estonian and Swedish laboratories are accredited.

Case

Mass stabilisation by the sea

A shipping lane in front of Jätkäsaari, Helsinki's new seaside residential area, was moved in 2012–2014. As ship traffic to the West Terminal in Jätkäsaari has increased significantly during the past few years, traffic safety and adherence to timetables required a new lane routing.

The seabed was dredged for the new lane, and we stabilised dredged soil masses for further use. As the dredged masses were mildly contaminated and contained heavy metals and other hazardous substances, they could not be disposed of in the sea but had to be placed on land.

We transferred the nearly 40,000 m³ of dredged masses to basins that had been built specifically for them on the shores of Jätkäsaari island. We stabilised the masses with various binders. The binders used included, for example, Helsingin

Energia's by-products, such as fly ash produced by the combustion of coal and desulphurisation end product produced in flue-gas scrubbing. On the customer's request, we also tested oil shale ash from Estonia as a binder. According to the results, it works as a binder as well as coal fly ash.

Together with the Public Works Department and our customer, Stara (the construction service of the City of Helsinki), we achieved an end result that everyone was satisfied with. The City of Helsinki can use the solidified dredged masses as a filler in noise barriers or at landfill sites, for example. Consequently, less waste is produced and there is also less need to use virgin materials.

Case

Use of reclaimed asphalt on the rise in Denmark

In Denmark, we increased the use of reclaimed asphalt to 26% from our total asphalt production in 2014.

The use of old crushed asphalt pavements as part of new asphalt has increased significantly. Nowadays, approximately 20% of all new asphalt in Denmark is produced using recycled asphalt.

One of our worksites where we used a large amount of reclaimed asphalt in the base layer in 2014, was the new motorway constructed around the city of Silkeborg for the Danish Road Directorate. Lemminkäinen started the paving work there in 2013 and it was finished during

autumn 2014. The total asphalt volume of the contract was about 240,000 tonnes.

Durable reclaimed asphalt

Ordinary asphalt is made from 95% mineral aggregates and 5% bitumen, which is the binder in asphalt. Recycling old asphalt saves valuable natural resources, expensive bitumen as well as large quantities of crushed rock. It also decreases asphalt production's carbon dioxide emissions.

In principle, all types of old asphalt can be recycled into new durable and high-quality asphalt.

Our HR work supports the turnaround

In 2014, we focused on change support for personnel. As our financial situation was challenging, our HR work concentrated on measures that supported the efficiency improvement targets defined in the strategy.

We want to be an attractive and valued workplace for construction industry professionals, offering interesting and challenging tasks as well as career development opportunities. In 2014, our aim was to support the Group's cost-savings targets and operational efficiency improvement initiatives by creating tools and operating models for all HR work.

We invest in target setting and bonus harmonisation

Target setting and performance discussions are an important leadership and management tool for us. During the discussion, an employee and his/her supervisor agree on the employee's targets as well as the means for achieving them. The discussions clarify to Lemminkäinen employees their role in the implementation of the strategy. According to our experience, the discussions have a clear impact on personnel satisfaction, efficient organisation of tasks and labour productivity.

In 2014, we provided training on target setting and performance discussions for supervisors in different operating countries. In 2014, approximately 70% of Lemminkäinen employees had a target setting and performance discussion. Our goal is for our entire personnel to have an annual target setting and performance discussion. The implementation of the model will continue in 2015.

We also strive to continuously develop our incentive systems so that they support the achievement of our targets more effectively. In 2014, we modified the annual performance bonuses practices so that the targets defined in the strategy are emphasised to an even greater extent than before. In 2015, our goal is to harmonise annual performance bonus practices in all countries and to create a common project bonus model.

We support supervisors and ensure the availability of the right kind of competence

In 2014, we continued the clarification of supervisory

roles and tasks. We defined the supervisory tasks and revised the organisations so that each supervisor has a reasonable number of employees. In order to better support the performance of both the manager and the employees, we have focused on optimising the ratio of supervisors and employees.

In 2014, we also investigated which kind of talent and competence we need in order to achieve our strategic targets. The information we obtained about both organisational and individual-level expertise needs, gives us a good foundation for future competence development.

As part of the Deliver 2014 cost-saving programme, we did not conduct an employee survey. The survey will be conducted in 2015.

We develop our employer image

The aim of developing Lemminkäinen's employer image is to ensure that our current employees enjoy their work and are satisfied with Lemminkäinen and that the company is an interesting employer option for future employees so that we have a sufficient number of experts in the long term.

In Finland, we monitor our external employer image through the annual employer image survey conducted by T-Media. Awareness of Lemminkäinen among construction industry students and graduates is high: 92–96% of the respondents know Lemminkäinen as an employer. According to the survey, approximately 34% of the respondents are interested or somewhat interested in Lemminkäinen as an employer.

In Finland, we searched for summer employees through a recruitment campaign and received more than 3,000 applications. We want to ensure that Lemminkäinen's summer employees have a practical and enjoyable work experience. Therefore, in 2014 we participated again in the Responsible Summer Jobs (Vastuullinen kesäduuni) campaign, which challenges employers to offer young people more – and better – summer jobs. In 2014, Lemminkäinen had about 250 summer employees working in Finland.

The Finnish National Skills Competition Taitaja is the biggest annual event for vocational students

in Finland. The competition is intended for vocational students aged 20 or younger. We have sponsored the Taitaja competition for several years, and in 2014 we were one of the main partners of the competition, held in Lahti, Finland.

Personnel negotiations in spring 2014

In spring 2014, we launched the Deliver 2014 cost-saving programme to improve our competitiveness. The programme included personnel negotiations or other similar measures that started in the second quarter in all our operating countries. The personnel reductions related to the negotiations conducted in 2014 have, for the most part, been realised.

Furthermore, 1,550 employees in Finland transferred to Are in conjunction with the divestment of the technical building services business. The divestment of the Lemcon Networks telecommunications network business has reduced the number of employees in other countries.

During 2014, we offered our personnel support for handling and coping with change. For example, in Finland we arranged group guidance as well as outplacement coaching for dismissed personnel and provided supervisors with guidelines to ensure appropriate change management skills.

Sustainability › Social responsibility › HR › Learning common rules through an online training programme

Case

Learning common rules through an online training programme

We comply with Lemminkäinen's Code of Conduct in everything we do. It ensures that we obey the law and norms in each of our operating countries. The Code of Conduct applies to each and every one of us. With it and other common guidelines, we can ensure that everything we do supports the achievement of Lemminkäinen's targets of improving our competitiveness, profitability and financial position. The Code of Conduct also applies to our partners.

Our employee surveys have indicated that some Lemminkäinen employees are not sure about how to implement the Code of Conduct in practice. Consequently, we launched Code of Conduct online training for the entire personnel in autumn 2014. The aim of the training is to teach us to apply the Code of Conduct in our day-to-day work and to act according to our common rules, also in conflict situations.

Not all of Lemminkäinen employees work on computers,

so the online training was arranged in two ways. White-collars took the training independently; for blue-collars, group events were organised at construction sites in connection with weekly meetings, for instance.

Our goal was for all Lemminkäinen employees to complete the training by the end of 2014. The exception to this is certain seasonal employees, who will take the training when they return to work in 2015.

We have received positive feedback on the training. An online environment is an easy way to familiarise oneself with different topics, and learning common rules also strengthened the sense of togetherness within the Group. In the future, the training will be repeated annually, and online training will be used when implementing other common rules and guidelines, too.

We take care of personnel well-being

The majority of our personnel work in physically demanding conditions at construction sites. This may leave them susceptible to occupational diseases and injuries and increase the risks of disability and early retirement. Therefore, we ensure that our entire personnel has access to occupational healthcare and occupational well-being services that support health maintenance and coping at work. Our occupational healthcare is arranged in accordance with the local operating model in each of our operating countries.

Good results in improving occupational health and well-being through the early support model

We focus on preventive measures and the early identification of potential risks to working capacity in particular. We believe that healthy and contented employees accomplish the best results and are satisfied with their work.

In Finland, we use the early support model for

working capacity, which helps us to improve occupational well-being and lengthen the careers of our personnel. In addition, we identify persons with reduced working capacity through a regular health survey. We want to find the tasks that are suitable for everyone's individual working capacity.

The early support model has steadily decreased sickness absences for a couple of years in a row. In 2014, the sickness absence percentage in Finland was 2.56% (2.67). Occupational healthcare consultations are also part of our management of risks related to working capacity. During a consultation, the employee and his/her supervisor, together with the occupational healthcare service, discuss solutions to support working capacity. We offer our employees the opportunity to retrain or help them to reorganise their current duties with the help of coaching.

During 2015, our goal is to look into the arrangement of employee healthcare in different operating countries and thus establish a foundation for standardised operating models and policies.

We improve occupational safety through cooperation

We are committed to The Confederation of Finnish Construction Industries CFCI's zero-accident target, which we are systematically pursuing by making on-site weekly meetings an established practice and by standardising protective equipment, among other measures. In addition to the site accident frequency rate at our own sites, we monitor the development of our subcontractors' accident frequency rate.

In 2014, our site accident frequency rate was 6.9 (10.5). The figure does not include accidents during commuting or occupational diseases. In 2014, we started the consistent monitoring and reporting of our subcontractors' site accident frequency rate in all of our operating countries. When subcontractors are included, our site accident frequency rate was 4.81.

Although our site accident frequency rate decreased, we cannot be satisfied with it. There were fewer

minor accidents at our construction sites in 2014, but the number of serious accidents increased. In addition, unfortunately, a fatal accident involving one of our employees occurred in Russia.

We conduct weekly safety inspections at our sites, and safety issues are discussed at weekly meetings. The Group's Executive Team and business segment management teams regularly monitor the development of the site accident frequency rate. Furthermore, we share information about

serious accidents within all businesses and countries. The Board of Directors also monitors the development of occupational safety.

Weekly meetings are an important channel for sharing information

On-site weekly meetings are an important channel for sharing information about current occupational safety issues. Weekly meetings are mandatory and attended by our subcontractors and their employees, too. The meetings enable us to distribute information, for example, about changes in working methods to all of our operating countries. The meetings also provide us with development proposals from construction sites for future weekly meeting topics.

Weekly meetings have become an established practice in all of our operating countries, and we have received positive feedback from our construction sites. The number of meetings held increased in 2014.

In all of our operating countries, we conduct occupational safety audits during which we review the site-specific risks and agree on measures to improve safety. The site managers, together with the occupational safety managers, are responsible for the safety audits. In connection with site visits, we can, for example, introduce new protective equipment and ensure compliance with existing guidelines.

We also plan occupational safety improvements by collecting occupational safety observations from our construction sites and by monitoring the number of observations regularly. In 2014, the number of safety observations in the entire Group decreased – a development with which we cannot be satisfied. In the future, the Group's development initiatives will also pay attention to safety observations.

Standardisation of protective equipment will continue

Personal protective equipment is mandatory at all of our construction sites. The rules also apply to

our subcontractors and their employees. In 2014, we started standardising our protective equipment practices in all of our operating countries. Our goal is that Lemminkäinen employees in all of our operating countries use the same protective equipment and always in compliance with the requirements of local legislation. We will continue the standardisation of protective equipment in 2015.

We train our personnel in occupational safety issues. The aim of training is to reduce the risk of accidents at construction sites and to ensure that protective equipment is used appropriately.

Industry-wide occupational safety week

In 2014, we held an occupational safety week together with other member companies of The Confederation of Finnish Construction Industries CFCI in all of our operating countries. The activities organised during the week included seminars, management's visits to own construction sites as well as to those of other companies in the industry, and Scaffolding Thursday, a theme day focusing on the safety of scaffolding.

During the occupational safety week, all Confederation of Finnish Construction Industries CFCI member companies, their subcontractors and stakeholder personnel as well as authorities participated in measures promoting occupational safety.

Continuous development

We are committed to the Confederation of Finnish Construction Industries CFCI's target of zero accidents. We are pursuing the target by continuing the practice of holding on-site weekly meetings, by reacting to any defects reported in occupational safety observations, by standardising the use of protective equipment and including an occupational safety initiative as part of the Group's development initiatives, among other measures. We focus on monitoring and reporting our subcontractors' site accident frequency rate and investigate how accidents could be prevented.

Case

New fall protection equipment makes it easier to work safely

In occupational safety, we are continuously working towards the Confederation of Finnish Construction Industries RT's target of zero accidents and we are paying particular attention to the use of protective equipment. At the Kahvikortteli construction site in Helsinki, we have developed new fall protection equipment. It is intended to be used in moulding work in prefabricated apartment blocks where timber moulds are installed around a floor or a section for the casting of elements. When working at a height, proceeding floor by floor, the use of functional and safe protective equipment at each phase of the work is crucial.

The father of the innovation, Lemminkäinen's Site Manager **Sami Saarinen**, says that with the aid of the new safety pole, the safe working area of a single employee extends up to 20 metres, whereas with traditional fall protection equipment, it is approximately three metres. This makes working easier and speeds up production substantially.

Together with Vepe Oy, a company specialising in occupational safety solutions for the construction

industry, we utilised the idea in order to develop a bushing, which is installed into wall elements at the factory and in which the pole is inserted at the construction site. The use of the fall protection equipment requires two poles that are placed on opposite sides of the floor. The poles are connected with a Lifeline safety line, to which the employees' harnesses are attached.

The working area increases

With the new fall protection equipment, employees can move easily.

"There can be two employees attached to Lifeline safely, expanding their working area to a total of 400 square metres. In this way, moulding can be carried out on both sides of the section at the same time," says Sami Saarinen.

The new protective equipment will be used on Lemminkäinen's other residential construction sites, whenever possible.

GRI table

We have declared that our reporting is compliant with Application Level B of the GRI G3 Guidelines.

- Reported
- Partly reported
- Not reported

Global Compact	GRI Content	Reporting	Remarks	Pages
1. Strategy and Analysis				
1.1	CEO's statement	●		CEO's review
1.2	Key impacts, risks and opportunities	●		Strategy Operating environment Risk management
2. Organizational Profile				
2.1	Name of the organization	●		Lemminkäinen in brief
2.2	Primary brands, products and services	●		Lemminkäinen in brief
2.3	Operational structure incl. main divisions, operating companies, subsidiaries, joint ventures	●		Operating segments Investments
2.4	Location of organization's headquarters	●		Accounting principles applied in the IFRS consolidated financial statements
2.5	Number of countries and names of countries with major operations or that are relevant to sustainability issues	●	The number of major operating countries of Lemminkäinen is 8: Finland, Sweden, Norway, Denmark, Russia, Estonia, Latvia and Lithuania.	
2.6	Nature of ownership and legal form	●		Corporate Governance Statement
2.7	Markets served (geographic breakdown, sectors served, types of customers/beneficiaries)	●		Key figures by business segment Financial development
2.8	Scale of the reporting organization (Number of employees, number of operations, net sales, total capitalization by debt and equity, quantity of products/services provided)	●		Lemminkäinen in brief
2.9	Significant changes regarding size, structure or ownership (location of, or changes in operations, incl. facility openings, closings, and expansions; and changes in share capital structure)	●	No significant changes during the reporting period.	
2.10	Awards received in the reporting period	●	No awards that GRI requires to be reported during the reporting period.	

3. Report Parameters				
Report profile				
3.1	Reporting period	●	Reporting principles	
3.2	Date of most recent report	●	Lemminkäinen's annual report 2013 was published 14 March 2014.	
3.3	Reporting cycle	●	Reporting principles	
3.4	Contact point for questions regarding the report or its content	●	www.lemminkainen.com/contacts/	
Report scope and boundary				
3.5	Process for defining report content (materiality, prioritizing topics and stakeholders using the report)	●	Reporting principles	Our way of working
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	●	Reporting principles	
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	●	Reporting principles	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	●	Reporting principles	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	●	Reporting principles	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods).	●	Reporting principles	
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods	●	Reporting principles	
GRI content index				
3.12	Table identifying the location of the Standard Disclosures in the report.	●		
Assurance				
3.13	Policy and current practice with regard to seeking external assurance for the report.	●	Reporting principles	
4. Governance, Commitments and Engagement				
Governance				
4.1	Governance structure of the organisation, incl. committees under the highest governance body (mandate and composition incl. number of independent members and/or non-executive members) (report % of individuals by gender within the highest governance body, broken down by age group and minority group membership/ other indicator of diversity)	●	Corporate Governance Statement	Board of Directors
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●	Corporate Governance Statement	

4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	●	Board of Directors	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.		Corporate Governance Statement	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	●	Remuneration	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	Corporate Governance Statement	
4.7	Process for determining the composition, qualifications and expertise of the Board of Directors and its committees, including any consideration of gender and other indicators of diversity.	●	Corporate Governance Statement	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●	Sustainability management systems	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	●	Sustainability management systems	Corporate Governance Statement
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	Corporate Governance Statement	
Commitments to External Initiatives				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	●	Risk management	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	●	Sustainability management systems	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	●	Our way of working	
Stakeholder Engagement				
4.14	List of stakeholder groups engaged by the organization.	●	Cooperation with our stakeholders	
4.15	Basis for identification and selection of stakeholders with whom to engage.	●	Cooperation with our stakeholders	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	Cooperation with our stakeholders	

4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	●	Cooperation with our stakeholders	HR
Economic Performance Indicators				
	Management approach to economic responsibility	●	Corporate Governance Statement	Risk management
	Economic Performance		Group strategy	Sustainability management systems
	EC1* Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	●	Financial responsibility	Cooperation with our stakeholders
7	EC2* Financial implications and other risks and opportunities for the organization's activities due to climate change.	●	Economic performance indicators	
	EC3* Coverage of the organization's defined benefit plan obligations.	●	Pension obligations	
	EC4* Significant financial assistance received from government.	●	Economic performance indicators	
Market presence				
1	EC5 Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	●		
	EC6* Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	●		
6	EC7* Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	●		
Indirect Economic Impacts				
	EC8* Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	●		
	EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts.	●	Financial responsibility	Economic performance indicators
Environmental Performance Indicators				
	Management approach to environmental responsibility	●	Sustainability management systems	Environmental responsibility
Materials				
8	EN1* Materials used by weight or volume	●		
8-9	EN2* Percentage of materials used that are recycled input materials	●	Environmental responsibility	
Energy				
8	EN3* Direct energy consumption by primary source	●	Environmental performance indicators	
8	EN4* Indirect energy consumption by primary source	●	Environmental performance indicators	
8-9	EN5 Energy saved due to conservation and efficiency improvements	●		
8-9	EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	●	Environmental responsibility	

8-9	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	●	
Water				
8	EN8*	Total water withdrawal by source	●	Environmental performance indicators
8	EN9	Water sources significantly affected by withdrawal of water (incl. value/importance of water source to local communities)	●	
8-9	EN10	Percentage and total volume of water recycled and reused	●	
Biodiversity				
8	EN11*	Location and size of land holdings in areas of high biodiversity	●	
8	EN12*	Description of significant impact of activities, products, and services on biodiversity	●	
8	EN13	Habitats protected or restored	●	
8	EN14	Managing impacts on biodiversity (incl. engagement with relevant stakeholders)	●	Environmental performance indicators
8	EN15	Species with extinction risk with habitats in areas affected by operations	●	
Emissions, Effluents and Waste				
8	EN16*	Total direct and indirect greenhouse gas emissions	●	Environmental performance indicators
8	EN17*	Other relevant indirect greenhouse gas emissions	●	
7-9	EN18	Initiatives to reduce greenhouse gas emissions	●	
8	EN19*	Emissions of ozone-depleting substances	●	
8	EN20*	NOx, SOx, and other significant air emissions	●	
8	EN21*	Total water discharge by quality and destination	●	
8	EN22*	Total amount of waste by type and disposal method	●	Environmental performance indicators
8	EN23*	Total number and volume of significant spills	●	
8	EN24	Transported, imported, exported, or treated hazardous waste	●	
8	EN25	Water bodies and habitats affected by discharges of water	●	
Products and Services				
7-9	EN26*	Mitigating environmental impacts of products and services	●	Environmental responsibility
8-9	EN27*	Percentage of products sold and their packaging materials reclaimed by category	●	
Compliance				
8	EN28*	Significant fines and sanctions for non-compliance with environmental regulations	●	Environmental performance indicators
Transport				
8	EN29	Environmental impacts of transportation	●	Environmental performance indicators
Overall				
7-9	EN30	Total environmental protection expenditures and investments	●	Environmental performance indicators

Social Performance Indicators					
Labor Practices and Decent Work		●		Sustainability management systems	HR
Management approach to labor practices and decent work				Occupational well-being	Occupational safety
Employment					
	LA1*	Total workforce by employment type, employment contract and region, broken down by gender	●	Social performance indicators	Board of Directors' report
6	LA2*	Total number and rate of new employee hires and employee turnover by age group, gender and region	●	Social performance indicators	Board of Directors' report
	LA3	Benefits to full-time employees that are not provided to temporary or part-time employees	●		
Labor/Management Relations					
1-3	LA4*	Coverage of collective bargaining agreements	●	Social performance indicators	
3	LA5*	Minimum notice period regarding operational changes	●	Lemminkäinen complies with local legislation.	Social performance indicators
Occupational Health and Safety					
1	LA6	Percentage of employees represented in joint health and safety committees	●	Social performance indicators	
1	LA7*	Rates of injury, occupational diseases, lost days, fatalities and absenteeism by region, and by gender	●	Social performance indicators	Occupational safety
1	LA8*	Education and prevention programmes regarding serious diseases	●	Social performance indicators	Occupational well-being
1	LA9	Health and safety topics covered in formal agreements with trade unions	●	Occupational safety	
Training and Education					
	LA10*	Average training hours per year per employee by gender and by employee category	●		
	LA11	Programmes for skills management and lifelong learning	●	Social performance indicators	
	LA12	Employees receiving regular performance and career development reviews, by gender	●	Social performance indicators	
Diversity and Equal Opportunity			●		
1-6	LA13*	Composition of governance bodies and breakdown of employees	●	Social performance indicators	
1-6	LA14*	Ratio of basic salary of men to women by employee category	●		
	LA15*	Return to work and retention rates after parental leave, by gender	●		
Human rights					
Management approach to human rights		●		Sustainability management systems	Our way of working
Investment and procurement practices					
1-6	HR1*	Percentage and number of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening	●		
1-6	HR2*	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening and actions taken	●	Social performance indicators	
1-6	HR3*	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, incl. percentage of employees trained	●		
Non-discrimination					

1-2, 6	HR4*	Incidents of discrimination and actions taken	●	
Freedom of association and collective bargaining				
1-3	HR5*	Operations and significant suppliers identified in which the right to exercise freedom of association or collective bargaining may be at significant risk and actions taken to support these rights	●	Social performance indicators
Child labor				
1-2, 5	HR6*	Operations and significant suppliers identified as having significant risk for child labor and measures taken to contribute to the elimination of child labor	●	Social performance indicators
Forced and compulsory labor				
1-2, 4	HR7*	Operations and significant suppliers identified as having significant risk for forced or compulsory labor and measures taken to contribute to the elimination of forced or compulsory labor	●	Social performance indicators
Security practices				
1-2	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	●	
Indigenous rights				
1-2	HR9	Number of incidents involving rights of indigenous people and actions taken	●	
		Assessment		
	HR10*	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	●	
		Remediation		
	HR11*	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	●	
Society				
Management approach to society				
			●	Sustainability management systems Our way of working
Local community				
	SO1*	Percentage of operations with implemented local community engagement, impact assessments, and development programs	●	Environmental performance indicators
Corruption				
10	SO2*	Percentage and total number of business units analyzed for risks related to corruption	●	
10	SO3*	Percentage of employees trained in anti-corruption policies and procedures	●	
10	SO4*	Actions taken in response to incidents of corruption	●	Social performance indicators
Public Policy				
1-10	SO5*	Public policy positions and participation in public policy development and lobbying	●	Social performance indicators
10	SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions	●	Social performance indicators
	SO7	Number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	●	Social performance indicators Legal proceedings
Compliance				
	SO8*	Monetary value of significant fines and number of non-monetary sanctions for non-compliance with laws and regulations	●	Social performance indicators

	S09*	Operations with significant potential or actual negative impacts on local communities	●		
	S010*	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	●		
Product Responsibility					
		Management approach to product responsibility	●	Sustainability management systems	Cooperation with stakeholders
Customer Health and Safety					
1	PR1*	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	●		
1	PR2	Number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	●		
Product and Service Labeling					
8	PR3*	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	●		
8	PR4	Number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	●		
	PR5	Practices related to customer satisfaction and results of customer satisfaction surveys	●	Social performance indicators	Cooperation with stakeholders
Marketing Communications					
	PR6*	Programs for adherence to laws, standards and voluntary codes related to marketing communications, advertising, promotion and sponsorship	●	Social performance indicators	
	PR7	Number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, advertising, promotion, and sponsorship	●		
Customer Privacy					
1	PR8	Number of substantiated complaints regarding breaches of customer privacy and losses of customer data	●		
Compliance					
	PR9*	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	●		

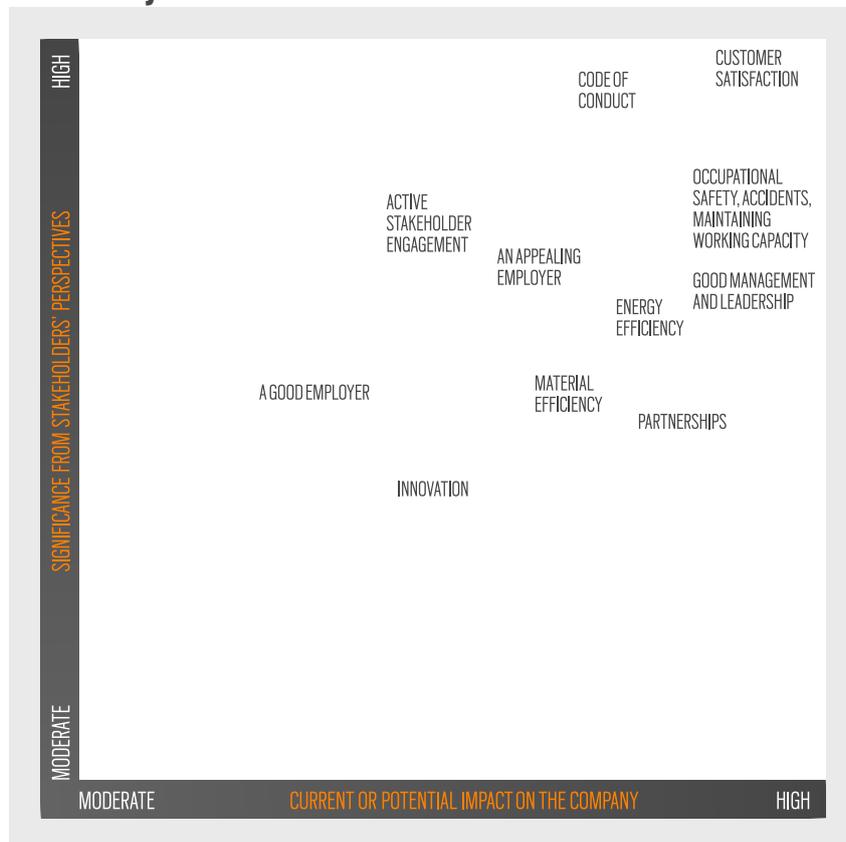
* GRI Core indicator

Reporting principles

Lemminkäinen's combined annual report and sustainability report covers the period 1 January–31 December 2014. The annual report is geared towards our most important stakeholders: shareholders, investors, analysts, financiers, the media, customers, partners, and personnel. This is Lemminkäinen's fifth sustainability report and it complies with the GRI G3.1 reporting framework. The company reports on sustainability annually.

The materiality matrix guides Lemminkäinen's sustainability reporting; the company focuses on those themes that are highlighted in the materiality evaluation. Lemminkäinen's materiality matrix is from 2012 and it is based on management's assessment.

Materiality matrix



Lemminkäinen's consolidated financial statements are drawn up and presented in accordance with IFRS standards. Consolidated financial statements provide the majority of the key economic responsibility figures. The consolidated financial statements have been drawn up in accordance with EU-approved IAS and IFRS standards, and the SIC and IFRIC interpretations in effect on 31 December 2014. Segment reporting is based on management reporting, as per IFRS 8, which complies with the consolidated accounting principles. Comparison figures for 2013 are presented in brackets.

Personnel and remuneration data has been obtained during personnel and financial reporting and is published in the financial statements. The data on Finnish employees is supplemented with information from the HR data system. Occupational health figures cover Lemminkäinen's operations in Finland, and occupational safety figures cover all of Lemminkäinen's operations. Absences due to sickness and accidents are calculated on theoretical, regular working hours. The figures do not include the Technical building services segment that Lemminkäinen divested in June 2014.

Environmental reporting for 2014 covers operations in Finland. The reporting of waste, electricity and water covers the production facility operations subject to permits. The figures have not been adjusted in proportion to production volumes. The figures for 2013 and 2014 do not include the Technical building services segment that Lemminkäinen divested in June 2014. In 2014, Lemminkäinen's head office in Helsinki implemented an environmental management system with the WWF Green Office label.

In 2014, Lemminkäinen participated in the CDP climate change survey. CDP is an international, non-profit organisation representing institutional investors that studies the impact of climate change from an investor's perspective.

Calculation principles as well as any exceptions in and limitations to the calculation methods used have been noted next to the figures in question. If there have been any changes in the key figures reported, or to their scope, boundaries or measurement techniques, these have also been noted next to the figures in question.

Lemminkäinen has declared that its reporting is compliant with Application Level B of the GRI G3.1 Guidelines.



Sustainability › GRI › Sustainability management systems

Sustainability management systems

Lemminkäinen wants to develop its business sustainably over the long term while growing profitably. In its operations, the company takes the expectations of customers, personnel and other stakeholders into account.

Lemminkäinen's sustainability management is based on the company's values, Code of Conduct as well as policies and principles defined at the Group level. The President and CEO is responsible for leading sustainability. The Group's Executive Team discusses these matters regularly, and they are also reported to the Board of Directors.

Lemminkäinen adheres to current legislation both in all its operating countries. The most significant international regulations and agreements that guide the company's operations are:

- the UN Universal Declaration of Human Rights;
- the UN Global Compact initiative in the field of corporate responsibility, promoting human rights, labour rights, environmental protection and anti-corruption

- the ILO Declaration on Fundamental Principles and Rights at Work;
- the OECD Guidelines for Multinational Enterprises; and
- International Chamber of Commerce (ICC) recommendations.

Lemminkäinen employs management systems that meet the requirements of the international standards ISO 9001:2008 (quality management system), ISO 14001:2004 (environmental management system) and OHSAS 18001:2007 (occupational health and safety management system). The management systems ensure that there are the required resources for every stage of the projects and that work is completed on time and in accordance with the customer's order. Lemminkäinen has separate, quality-certified management systems for each business segment. The company's mineral aggregates and asphalt plants are CE marked in those countries where legislation so requires.

Financial responsibility management systems

A detailed description of the financial responsibility management systems can be found in the [Corporate Governance Statement](#).

Environmental and safety management systems

Responsibility for the Group's environmental and occupational safety issues is held by an Executive Team member, and at the business segment level, by an EHSQ manager. The Group's Director, HSQE, coordinates the development of occupational safety between the different business segments and countries. Lemminkäinen is committed to the Confederation of Finnish Construction Industries RT's target of zero accidents by 2020.

In July, Lemminkäinen published its revised strategy and reporting system. Consequently, the environmental and safety management systems will be reviewed during winter 2014–2015.

Social responsibility management systems

Lemminkäinen's social responsibility management has been decentralised. Human resources management is led by the Executive Vice President, HR. Lemminkäinen's HR policy aims to ensure that the company has the competent, motivated and satisfied personnel required by the operational targets.

The goal of Group-level policies and principles, such as the equality action plan, is to promote fairness

and to ensure equal treatment. Compliance with these Group-level policies and principles is managed and monitored within the scope of line operations.

Lemminkäinen's partner and supplier network is expected to comply with laws, international human rights, labour rights, environmental regulations and the Code of Conduct. In addition, Lemminkäinen requires all its subcontractors to adhere to the Act on the Contractor's Obligations and Liability When Work Is Contracted Out when operating in Finland. The Senior Vice President, Procurement, is responsible for the partner and supplier network.

Legal affairs are coordinated by a Group-level unit in order to promote consistent practices. The General Counsel is responsible for this. Legal affairs related to business operations are handled by the lawyers in business operations. Furthermore, additional guidelines about competition law and insider issues are provided to complement the Code of Conduct. Business management is responsible for monitoring compliance with these guidelines, and internal training on them is also provided. Lemminkäinen has zero tolerance with regard to activities violating competition legislation.

In addition, Lemminkäinen uses the SpeakUp service through which Lemminkäinen employees and external stakeholders alike can report any suspected violation of the Code of Conduct.

Product responsibility is led by the Executive Vice Presidents of Lemminkäinen's business segments. They are responsible for customer service, and they ensure that Lemminkäinen's products and marketing comply with laws and regulations.

Sustainability › GRI › Economic performance indicators

Economic performance indicators

EC1 Direct economic value generated and distributed

Lemminkäinen analyses the economic impact of its operations at the Group level. The company's key stakeholders are customers, employees, shareholders and financiers, suppliers and partners, and the public sector.

More detailed information on Lemminkäinen's financial

impact can be found in the section discussing financial responsibility.

EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change

Climate change risk analyses

and financial impact assessments have been integrated into Lemminkäinen Group's risk management processes. Lemminkäinen has not defined the financial implications of climate change in euros.

In 2010, Lemminkäinen started to calculate its energy efficiency and carbon footprint at the Group level. At the moment, these calculations cover the production facilities in Finland. Lemminkäinen's goal is to extend these indicators to cover project production throughout Finland and then all operating countries as soon as the information systems allow. Lemminkäinen aims to calculate how efficiently it uses energy in its processes. With this information, Lemminkäinen will be able to make estimates of future trends in its energy consumption and emissions. Production facilities, traffic and transportation are the most notable sources of the company's emissions.

Risks associated with the availability of exhaustible raw materials have an impact on Lemminkäinen's costs. Rises and fluctuations in the price of raw materials also have an effect on the costs of the company's contracts. Of these raw materials, bitumen is the most important. Bitumen is one of Lemminkäinen's biggest purchases on the annual level. The price of bitumen is tied to the global price of oil. A rise in the price of bitumen affects the profitability of the company's paving production. Lemminkäinen manages the bitumen price risk with oil derivatives and contractual terms. In order to protect the company from this risk, the use of alternative materials and fuels as part of the company's processes must also be researched.

Lemminkäinen continuously develops the material and energy efficiency of its production. In mineral aggregate extraction, for example, the company takes an area's potential after-use into consideration already at the planning stage. By recycling asphalt, the company also saves virgin materials. Waste is one of the most significant environmental impacts caused by construction sites, and Lemminkäinen is striving to achieve a high level of waste sorting at its sites. This enables the company to reduce the amount of waste that ends up in landfill sites and ensures effective re-use and recycling of materials.

Climate change – and unusual weather conditions in particular – may have an effect on Lemminkäinen's working conditions by, for example, interrupting or delaying the projects or the start of the operational season, which can reduce the profitability of projects. The cold, snowy winters of recent years have increased heating costs and have shortened the company's standard operating season. On the other hand, in 2014 the company benefitted from the mild winter and a long paving season in its operating countries. Lemminkäinen has started to offer non-seasonal maintenance services in some of its operating countries.

Legislation and voluntary certification (such as LEED, BREEAM and PromisE) have an impact on the energy efficiency of buildings and infrastructure. Due to the risks and assumptions arising from climate change, uncertain outlooks and the changing socio-economic situation, increasingly stricter legislation is being employed to promote energy-efficient products, services and construction. Stricter legislation – and also customers' and consumers' growing demands – may have a significant cost impact by lowering both demand for products and services, and their cost efficiency. For example, an increase in fuel taxes or fuel prices may lower the cost efficiency of Lemminkäinen's production facilities and increase transportation costs. Lemminkäinen strives to minimise this risk by enhancing its traffic and transportation logistics.

Lemminkäinen takes into account its customers', investors', consumers' and partners' increased interest in environmentally friendly products and material and energy efficiency. Lemminkäinen has, for example, developed a dense asphalt that protects the ground from chemicals and other hazardous substances. Lemminkäinen aims to constantly increase the percentage of low-temperature and recycled asphalts in its production. The company is stepping up to meet the challenges posed by climate change by enhancing the quality and energy efficiency of construction. Lemminkäinen believes that meeting the challenges of climate change with new energy-efficient solutions and services will also give the company a competitive advantage.

EC3 Coverage of defined benefit plan obligations

Lemminkäinen's pension schemes are discussed in connection with the management's remuneration and in the notes to the financial statements under Pension obligations.

EC4 Significant subsidies received from the government

In 2014, Lemminkäinen received EUR 448,659 (2013: EUR 113,677) in financial assistance for development projects from the Finnish government.

EC9 Significant indirect economic impacts

Lemminkäinen contributes to general well-being in society by, for example, providing employment and paying taxes, salaries and social security contributions.

More detailed information on Lemminkäinen's financial impact can be found in the section discussing financial responsibility.

Environmental performance indicators

EN3 Direct energy consumption

Lemminkäinen uses non-renewable energy sources as our

direct energy sources. The company's direct energy consumption is based on consolidated Group purchases.

Direct energy consumption, Finland

	2014	2013	2012
Light fuel oil, GWh	129	138	162
Heavy fuel oil, GWh	94	84	85
Natural gas, GWh	55	38	60
Liquefied petroleum gas, GWh*	2	2	2
Total, GWh	280	262	309

* Liquefied petroleum gas (LPG) was added to the data for 2012–2014.

EN4 Indirect energy consumption

Indirect energy consumption, production facilities Finland

	2014	2013	2012
Electricity, GWh	16	26	26
District heating, GWh*	n/a	n/a	n/a
Total, GWh	16	26	26

* District heating has been excluded from the reporting for years 2012–2014. It was only used at concrete product factories that were sold in connection with a divestment.

Our indirect energy consumption is based on consolidated Group purchases for 2014.

and environmental permits. The figure includes the registrations of asphalt plants.

EN8 Total water withdrawal by source

During the reporting year, Lemminkäinen used an estimated 70,000 m³ (60,000*) of water in the production facilities of the paving and mineral aggregates operations.

The Environmental Protection Act defines those projects that also require a separate environmental impact assessment (EIA). The company did not launch any EIA projects during the reporting year.

The company uses some water for dust suppression and for drilling in rock engineering. Whenever possible, construction sites also use surface water. The reporting is based on estimated usage.

Lemminkäinen conducts its own environmental risk assessment for projects that do not legally require an environmental permit. These assessments seek to predict any detrimental environmental impact, enabling the company to target the necessary precautions correctly.

Lemminkäinen's business operations do not currently employ any processes that consume high volumes of water.

Lemminkäinen continually monitors the impact its operations have on the environment. To the company's knowledge, no serious environmental incidents occurred in 2014. At the company's mineral aggregate area in Karkkila, an oil spill occurred in connection with an equipment breakdown. The surroundings have been cleaned of the traces of the incident in cooperation with authorities.

* The figure has been revised.

EN14 Managing impacts on biodiversity

Lemminkäinen's mineral aggregates and paving operations require permits. At Lemminkäinen, these permits are coordinated by a separate team that supports production.

Lemminkäinen is a member of Corporate Responsibility Network FIBS. In 2014, the company participated in FIBS' Business & Biodiversity programme. The programme offered information about best business practices concerning biodiversity as well as tools for biodiversity management and for the determination of Lemminkäinen's role and responsibilities as a provider and user of ecosystem services.

In 2014, Lemminkäinen's operations in Finland were granted 15 new mineral aggregates permits, 22 environmental permits and 5 registrations of asphalt plants. In Finland, Lemminkäinen has a total of 385 mineral aggregates

EN16 Total direct and indirect greenhouse gas emissions

Lemminkäinen continually seeks to reduce emissions from its production facilities. The company aims to employ the industry's best available technology, such as filters,

which reduce the volume of rock dust, sulphur dioxide and nitrogen oxide released into the air.

Calculated emissions, Finland

	2014	2013	2012
Scope 1, t From fuels consumed and own transportation	81,000	75,600	86,100
Scope 2, t From purchased electricity and district heating*	3,200	5,200	5,700
Total CO ₂ emissions, t scope 1 + 2	84,200	81,800	91,800

The following CO₂ emissions coefficients have been used when calculating the emissions for these forms of energy: Light fuel oil 261 g/kWh; heavy fuel oil 284 g/kWh; natural gas 198 g/kWh, diesel 265 g/kWh and petroleum 265g/kWh (source: Motiva).
* Electricity, purchased 203 g/kWh (source: IEA 5-year average 2007-2011).

The coefficient for purchased electricity is obtained annually from data published by the IEA. We have defined CO₂ as the most significant greenhouse gas. These emissions are generated by both transportation and energy consumption in our own operations.

Scope 1 emissions cover the entire Group's energy consumption and all the vehicles and fuel cards that we own.

Scope 2 covers the emissions generated during the production of electricity and district heating at our production facilities.

Our scope 3 coverage is currently being defined.

In addition to CO₂, we also cause environmental loading through, for example, noise, dust, vibration and odour pollution, and SO_x, NO_x and small particle emissions.

EN22 Total amount of waste by type and disposal method

Waste, production facilities Finland

	2014	2013
Production facilities		
Recycled, reused and incinerated waste, %	71	73.4
Recycled, reused and incinerated waste, t	848	756
Landfill waste, %	29	26.6
Landfill waste, t	350	274

The recycling, reuse and incineration rate includes all waste that is recycled, reused and incinerated as a percentage of total waste.

The landfill rate includes all waste that ends up in landfills as a percentage of total waste.

Hazardous waste has been included in recycling, as it is being reused.

Reports do not include demolition waste and excavated materials. The amount of mixed waste is based on capacity of waste container / emptying.

EN26 Mitigating environmental impacts of products and services

Read more about the environmental impacts of Lemminkäinen's solutions and services.

EN28 Significant fines and sanctions for non-compliance with environmental regulations

Lemminkäinen received no significant fines or sanctions in 2014.

In autumn 2013, the Centre for Economic Development, Transport and the Environment for Uusimaa, that is to say the authority controlling the environmental permit of Lemminkäinen's asphalt plant in Sammonmäki, Tuusula, Finland, submitted a request to the National Bureau of Investigation, asking it to launch an investigation with regard to the terms and conditions of the environmental permit of the asphalt plant. In December 2014, the investigation

request led to charges for an environmental offence against Lemminkäinen and two of its employees. The hearing of the case will continue in 2015.

EN29 Environmental impacts of transportation

Lemminkäinen is striving to optimise transportation and ensure its efficiency. The company utilises systems that enable it to reduce unnecessary driving, and the company pays attention to idling.

To reduce business travel, Lemminkäinen uses videoconferencing. Emissions caused by business trips in 2014 were reported as part of our head office's Green Office reporting. They account for an estimated 1–2% of the total emissions caused by Lemminkäinen's operations in Finland.

The carbon dioxide emissions limit for company vehicles is 150 g/km.

Traffic and transportation

	2014	2013	2012
Energy consumption, GWh	36	31	27

Transportation causes CO₂, SO_x, and NO_x emissions as well as noise and dust pollution. CO₂ emissions are reported as part of our EN 16 indicator (scope 1). Our reporting covers our own vehicles' fuel consumption in our domestic operations. Traffic and transportation includes all vehicles used on public highways. We reduce the environmental impact of traffic and transportation by paying attention to the optimisation and efficiency of transportation and by servicing our vehicles regularly. We avoid idling, and we choose machinery and equipment that are appropriate for the intended use. We take extra care to protect the ground on aprons, to prevent oils, fuels and solvents from contaminating the soil and groundwater.

EN30 Total environmental protection expenditures and investments

Lemminkäinen made environmental investments of approximately EUR 1 million (1). Investments were mainly associated with equipment and machinery

purchases for the production of recycled asphalt and low-temperature asphalt, for example.

Sustainability › GRI › Social performance indicators

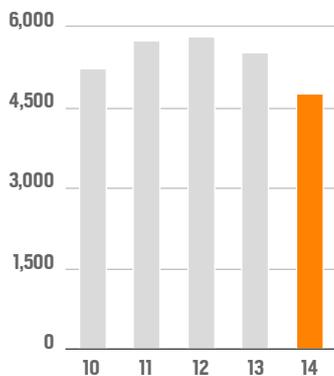
Social performance indicators

LA1 Total workforce by employment type, employment contract and region

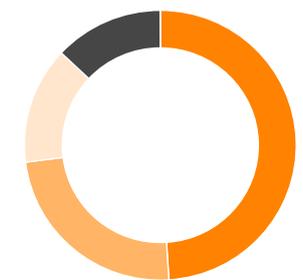
At the end of 2014, Lemminkäinen employed an average of 4,748 experts (5,526) in 8 countries. 49% of

Lemminkäinen employees worked in Finland.

Personnel, 31 Dec

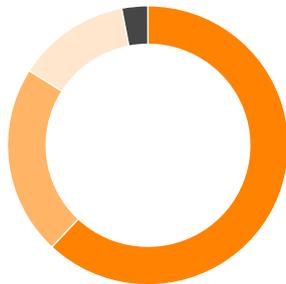


Personnel by market area, 31 Dec



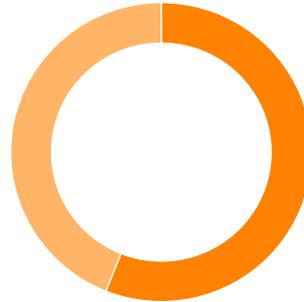
- Finland 49% (49%)
- Sweden, Norway, Denmark 24% (23%)
- Baltic countries 14% (13%)
- Russia 13% (14%)
- Other countries 0% (1%)

Personnel by segment, 31 Dec



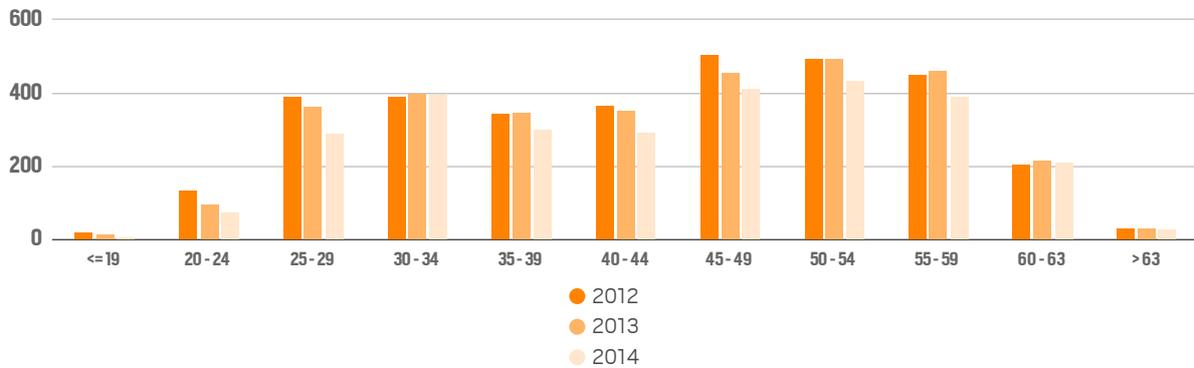
- Infrastructure construction 62% (59%)
- Building construction, Finland 22% (22%)
- Russian operations 13% (14%)
- Parent company 3% (5%)

Personnel by employment group, 31 Dec

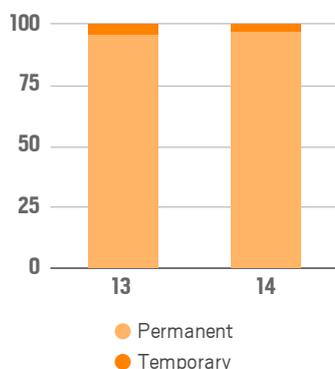


- Blue-collar workers 56% (56%)
- White-collar workers 44% (44%)

Age distribution, Finland, 31 Dec



Permanent and temporary employment, Finland, 31 Dec, %



Full-time and part-time employment, Finland, 31 Dec, %



LA2 Total number and rate of employee turnover by age group, gender and region

Personnel turnover, Finland, permanent employees

	2014	2013	2012
Personnel turnover (outgoing), %:			
Employments ended / number of personnel at 31 Dec.	20.5	12.6	12.0
Personnel turnover (ingoing), %:			
Employments began / number of personnel at 31 Dec.	5.2	10.1	7.5
Average personnel turnover, %:			
Employments ended and began / 2 / number of personnel at 31 Dec.	12.8	11.3	9.8
Reason for departure (permanent personnel) by category, %			
Due to retirement	12.0	12.0	14.0
At own request	33.0	44.0	52.0
Employer ended	54.0	44.0	33.0
Due to death	1.0	1.0	0.5

Due to the seasonal nature of our business, the number of our employees varies monthly and is at its lowest level at the end of the year.

LA4 Coverage of collective bargaining agreements

Lemminkäinen's employment contracts comply with current labour legislation in each operating country.

In 2014, all of our blue collar and white collar workers in Finland – over 87% of the Finnish personnel – were covered by collective labour agreements. No collective labour agreements, nor any other collective agreements, have been agreed on with senior white collar workers and management.

LA5 Minimum notice period regarding operational changes

In all of its operating countries, Lemminkäinen

applies a period of notice equal to at least the minimum required by labour legislation in each operating country and by collective labour agreements. Minimum periods of notice vary depending on the employees' collective agreements and the length of time they have worked for Lemminkäinen.

LA6 Percentage of employees represented in joint health and safety committees

In Finland, occupational safety and health committees enable Lemminkäinen's employees to have a say in issues related to safety and health care in their workplace. 100% of Lemminkäinen's employees are represented in the committees. A joint meeting of all occupational

safety and health committee representatives of the Group's Finnish companies is held once a year.

LA7 Rates of injury, occupational diseases, lost days, fatalities and absenteeism

Absence due to accident, %, Finland

	2014	2013	2012	2011
All personnel	0.17	0.28	0.23	0.26
White-collars	0.02	0.02	0.08	0.02
Blue-collars	0.28	0.49	0.36	0.43
Corporate functions	0.01	0.04	0.03	0.01
Building construction	0.18	0.40	0.34	0.32
Infrastructure construction	0.18	0.23	0.17	0.25

Accident frequency rate

	2014	2013	2012	2011
Lemminkäinen Group*)	6.9	10.5	13.6	n/a
Lemminkäinen's domestic operations	10.6	22.6	26.9	34.6
Corporate functions	0	0	3.9	0
Building construction	11.0	19.1	33.1	34.3
Infrastructure construction	10.4	14.4	18.4	17.4
Fatal accidents	1	0	1	0
International operations*)	4.0	5.3	5.1	n/a

Accident frequency rate: the number of accidents resulting in an absence of more than one day per million working hours. Includes own staff.

*) Operations in Russia were not included in 2012 reports.

Absence due to sickness, %, Finland

	2014	2013	2012	2011
All personnel	2.56	2.67	2.72	2.98
White-collars	1.63	1.42	1.63	1.69
Blue-collars	3.29	3.67	3.59	3.92
Corporate functions	2.38	2.32	2.64	2.41
Building construction	2.87	3.01	3.01	3.31
Infrastructure construction	2.36	2.44	2.47	2.73

LA8 Education and prevention programmes regarding serious diseases

Lemminkäinen believes that the best results can be achieved with a combination of the early support model, professional rehabilitation and occupational healthcare. Through regular monitoring, the company evaluates the risks associated with the personnel's working capacity and implements preventive measures in the required areas. Lemminkäinen conducts a Sante health survey as part of health check-ups and comprehensive occupational healthcare. According to the survey, the personnel's greatest health risks are excess weight, diabetes, sleeping disorders, alcohol and smoking. The most common symptom predicting work disability is musculoskeletal disorders. Lemminkäinen's occupational healthcare unit supports the solving of health problems either individually or in groups.

In 2014, Lemminkäinen launched three new ASLAK groups for employees in Finland. ASLAK is the Social Insurance Institute of Finland's early rehabilitation for minor health problems.

Lemminkäinen supports its personnel's leisure-time exercise in many ways. For example, in Finland the company offers all of its personnel an exercise card that can be used at approximately 850 sports facilities around Finland.

LA11 Programmes for skills management and lifelong learning

As part of the Deliver 2014 cost-saving programme, Lemminkäinen focused its personnel development efforts on statutory competence training as well as on training that supports specific needs.

In 2014, Lemminkäinen started the Code of Conduct online training that is mandatory for the entire personnel. By the end of the year, more than 4,000 Lemminkäinen employees had completed the training.

Read more about our way of working.

In Finland, the PAKKI training programme promotes occupational safety and skills that ensure top-quality results through so-called mandatory competence training. A total of 1,674 (926*) people completed PAKKI courses in 2014.

The Lemminkäinen supervisor academy LEKA supports supervisors in implementing Lemminkäinen's strategy. In 2014, a total of 25 (86*) people took part in the LEKA training, focusing on project management.

The VILLA programme supplements LEKA training. VILLA courses were organised on competition law and the supervision of the contractor's interests (General Conditions for Building Contracts YSE), among other topics, and a total of 284 (287*) people took part in them in Finland in 2014. In addition, Lemminkäinen organised, when necessary, training on topics such as ICT and access control systems changes.

*The training figures for 2013 include the personnel of the Technical building services business divested in 2014.

LA12 Employees receiving regular performance and career development reviews

Target setting and performance discussions are an important management tool for Lemminkäinen. They help the company

to set personal and team targets, monitor the achievement of these goals, and evaluate the personnel's development needs.

In 2014, approximately 70 per cent of Lemminkäinen employees had a target setting and performance discussion. The goal is for each Lemminkäinen employee to have an annual target setting and performance discussion.

Read more about target setting.

LA13 Composition of governance bodies and breakdown of employees

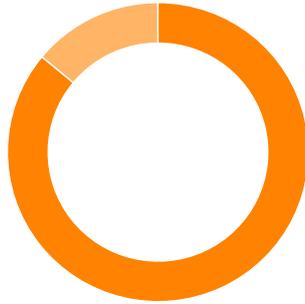
Lemminkäinen's Code of Conduct requires its personnel to be treated equally. Lemminkäinen does not condone any form of discrimination on the basis of race, religion, political beliefs, gender, age, nationality, language or sexual orientation.

The company follows the realisation of equality with an employee survey every other year. The next survey will be conducted in 2015.

In addition, Lemminkäinen has a separate equality action plan as well as guidelines to identify and prevent workplace bullying in Finland. The equality action plan promotes a diverse personnel structure, salary consistency, the suitability of working conditions for the entire personnel and equal opportunities for career development, among other things.

In 2014, Lemminkäinen's Board of Directors had six members of which two, 33.3%, were women. At the end of 2014, the Group's Executive Team had six members of which two, 33.3%, were women.

Gender distribution, Finland 31 Dec 2014



● Male 86%
● Female 14%

HR2 Suppliers and contractors that have undergone human rights screening and actions taken

Lemminkäinen requires all of its suppliers and partners to comply with legislation and international regulations concerning human rights, employment rights and the environment, as well as its Code of Conduct.

Lemminkäinen audits its suppliers when the company wants to ensure the performance of a potential major supplier or when the company wants to identify areas for development with current suppliers. In 2014, the company audited five suppliers.

HR5 Operations identified in which the right to exercise the freedom of association or collective bargaining may be at significant risk and actions taken to support these rights

Lemminkäinen has not identified operations nor significant suppliers where the right to exercise the freedom of association or collective bargaining would be at significant risk.

HR6 Operations identified as having significant risk of child labour and measures taken to contribute to the elimination of child labour

Lemminkäinen has not identified operations nor significant suppliers which involve significant risks of child labour.

HR7 Operations identified as having significant risk of forced or compulsory labour and measures taken to contribute to the elimination of forced or compulsory labour

Lemminkäinen has not identified operations nor significant suppliers which involve significant risks of forced labour.

S04 Actions taken in response to incidents of corruption

Lemminkäinen's Code of Conduct prohibits corruption. In 2014, Lemminkäinen started the Code of Conduct online training that is mandatory for the entire personnel. The goal of the training programme is to ensure that Lemminkäinen's employees know how to apply the Code of Conduct in practice and how to act in conflict situations.

In 2014, no incidents of corruption were detected at Lemminkäinen.

S05 Public policy positions and participation in public policy development and lobbying

Lemminkäinen exercises political influence through the industry's advocacy groups. In Finland, Lemminkäinen actively participates in the Confederation of Finnish Construction Industries RT and other associations that represent its industry, such as Infra ry and the Building Construction Association. Lemminkäinen is also involved with corresponding associations in other operating countries.

S06 Contributions to political parties, politicians and related institutions

Lemminkäinen does not donate money to political parties or activities, religious organisations, authorities, municipalities, or local administrations.

S07 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices

On 28 November 2013, the District Court of Helsinki issued its decisions concerning damages related to the asphalt cartel. In line with the decisions, Lemminkäinen recorded approximately EUR 66 million in expenses in its 2013 result. Of this, approximately EUR 60 million consisted of damages ordered only to Lemminkäinen, Lemminkäinen's share of the damages ordered to it and other asphalt industry companies to be paid jointly and severally, as well as interest and legal expenses related to the damages. This amount was paid by the company in January 2014.

Lemminkäinen has appealed against all 35 decisions, where the plaintiffs' claims were partly upheld, to the Helsinki Court of Appeal. In Lemminkäinen's opinion, there are some judicial aspects in the decisions of the District Court, where the conclusions of the District Court differ from previous legal practices. Such judicial aspects are related to the questions of prescriptions and value added tax, for example. The main oral hearing in the Court of Appeal will take place during 2015. The Finnish state and 22 municipalities have also submitted their appeals to the Helsinki Court of Appeal.

In addition to the claims which the Helsinki District Court has decided on in November 2013, Lemminkäinen has been served summons regarding 21 claims against Lemminkäinen and other asphalt companies for damages. The capital amount of these claims is approximately EUR 26 million. For these claims, Lemminkäinen has made a provision worth EUR 12.3 million by the end of 2014.

More information on the asphalt cartel, related damages and related communications can be found on the company's website www.lemminkainen.com/Lemminkainen/Investors/.

S08 Significant fines and sanctions for non-compliance with laws and regulations

In 2014, Lemminkäinen received no significant fines or other sanctions.

PR5 Practices related to customer satisfaction and results of customer satisfaction surveys

Lemminkäinen tracks its customer satisfaction with the international NPS (Net Promoter Score) customer satisfaction survey. In 2014, the survey was not conducted due to the Deliver 2014 cost-saving programme. The company will conduct a customer satisfaction survey in 2015.

PR6 Adherence to laws, standards and voluntary codes related to marketing communications, advertising, promotion and sponsorship

In 2014, in addition to meeting with the customers, Lemminkäinen also kept them informed about current issues through the customer magazine and newsletters. The company's advertising focuses on creating recognition of the range of solutions and services, and it complies with the International Chamber of Commerce ICC guidelines.

Corporate Governance Statement

Lemminkäinen Corporation is a Finnish public listed company whose administration complies with current legislation, such as the Finnish Companies Act, the Accounting Act and the Finnish Securities Markets Act, and the company's Articles of Association. We also observe the rules, regulations and guidelines of NASDAQ OMX Helsinki Ltd and the Finnish Financial Supervisory Authority, and we adhere to the Finnish Corporate Governance Code. The Corporate Governance Code is publicly available, e.g. on the Securities Market Association website www.cgfinland.fi.

Lemminkäinen's administrative bodies

The General Meeting is where shareholders exercise their voting rights and is Lemminkäinen's highest decision-making body. The Annual General Meeting (AGM) elects the Board of Directors, which in turn appoints the President and CEO. The Board of Directors and the President and CEO are responsible for the management of the Group. The Group Executive Team and other management personnel assist the President and CEO in his or her duties. The Board of Directors decides on the Group's administrative systems and ensures compliance with good governance principles.

Annual General Meeting

Lemminkäinen's AGM is held annually within six months of the end of the previous financial year on a date determined by the Board of Directors. An Extraordinary General Meeting may be held if the Board of Directors deems it necessary, or if one is legally required.

Notice of a general meeting of shareholders is published on the company's website no later than three weeks prior to the meeting. All of Lemminkäinen's shareholders have the right to attend general meetings, as long as they follow the instructions given in the notice. Shareholders may either attend in person or authorise a representative to represent them. Each share carries one vote at a general meeting.

The AGM carries out all of the tasks stipulated in the Companies Act, such as adoption of the Financial Statements, profit distribution, granting discharge from liability to the members of the Board of Directors and the President and CEO, and making any potential changes to the company's Articles of Association. The AGM also elects the members of the Board of Directors and the auditors, and decides on their remuneration.

Lemminkäinen aims to have the President and CEO, the auditor, and all members of the company's Board of Directors and Group Executive Team present at the AGM. Unless there is a pressing reason for their absence, any prospective members of the Board of Directors who have been nominated for the first time should be present at the AGM that votes on their nomination.

2014 Lemminkäinen Corporation's 2014 Annual General Meeting was held in Helsinki on 9 April 2014. Ninety-two shareholders attended the meeting, either in person or through an authorised representative, representing about 65.7 per cent of the company's total number of shares and votes.

Board of Directors

Lemminkäinen Corporation's AGM elects at least four and at most eight members each year to serve on the company's Board of Directors, which elects a Chairman and Vice Chairman from among its members. The Board members' terms of office end upon the conclusion of the first AGM held after their election.

The Board of Directors handles the company's administration and the appropriate arrangement of its operations. The Board also ensures that the supervision of bookkeeping and asset management is appropriate. The Board of Directors decides on matters of principle and on any issues that would have wide-ranging implications for the company. The Board's task is to steer the company's operations in a manner that adds the greatest possible value to the capital invested in the company over the long term. The Board appoints and dismisses the President and CEO, supervises his or her actions, and decides on his or her remuneration and other terms and conditions of service. The Board also approves the Group's strategy, operating principles and guiding values, as well as ensures that they are up-to-date and correctly implemented. The Board also ensures that the Group has a functional system of internal controls and that the Group's risk management principles have been defined. It also ensures that key business risks have been identified and are being systematically monitored. The Board approves the operational guidelines and annual plan for the internal audit, and also assesses its effectiveness. Lemminkäinen's President and CEO attends the Board's meetings to present matters for the Board's consideration, as does the CFO. Other members of the Executive Team and the company's

management attend meetings as required. The Group's General Counsel acts as the secretary of the Board of Directors.

2014 At the Annual General Meeting held on 9 April 2014, the following were elected as members of the Board of Directors: Berndt Brunow, Noora Forstén, Finn Johnsson, Juhani Mäkinen, Kristina Pentti-von Walzel and Heikki Rätty. At its organisational meeting on 9 April 2014, the Board appointed from among its members Berndt Brunow as Chairman and Juhani Mäkinen as Vice Chairman. The Board of Directors convened 20 times in 2014. Each member's attendance is shown in the table below.

The Board's focus areas in 2014 included improving Lemminkäinen's profitability clearly and strengthening

its balance sheet and financial position. The most important agenda topics discussed included changes related to the President and CEO and the Group Executive Team, the clarification of the business portfolio, changes in the reporting structure and the operating model, the rights offering, the bond, the hybrid bond and the divestment of the technical building services business.

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

Members of the Board of Directors

Members	Independent of the company	Independent of major shareholders	Board of Directors	Audit Committee	Nomination Committee	HR Committee
Berndt Brunow ¹⁾ , born 1950, B.Sc. (Econ.)	Yes	Yes	Chair (20/20)		Chair (2/2) ¹⁾	Chair ¹⁾ (5/5)
Juhani Mäkinen, born 1956, Counsellor of Law	Yes	Yes	Vice (19/20)	Member (6/6)		
Noora Forstén, born 1981, Secondary School Graduate, entrepreneur	Yes	No	Member (20/20)		Member (2/2)	Member (5/5)
Finn Johnsson, born 1946, M.Sc. (Econ.)	Yes	Yes	Member (19/20)			
Kristina Pentti-von Walzel, born 1978, M.Sc. (Econ.), B.Sc. (Pol.Sc.), Director, Libera	Yes	No	Member (20/20)	Member (6/6)	Member (2/2)	Member (5/5)
Heikki Rätty, born 1953, M.Sc. (Econ.), Managing Director, Helectron Oy Ab	Yes	Yes	Member (20/20)	Chair (6/6)		

Chair=Chairman, Vice=Vice Chairman

Attendance rate in brackets

¹⁾ Did not participate in the committee work when acting as interim President & CEO from 2 April to 31 July 2014

Board committees

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

Audit Committee

The Audit Committee monitors and supervises Lemminkäinen's annual statements and financial reporting processes and the statutory audit of the consolidated and

parent company's Financial Statements. The Committee monitors the adequacy and effectiveness of the Group's risk management, internal control and internal auditing. It also handles the section of the Group's Corporate Governance Statement that describes the main features of the internal control and risk management systems associated with the financial reporting process.

The Audit Committee deals with reports and plans prepared by the internal audit unit. It also assesses the independence of the statutory auditor or firm of authorised public accountants and, in particular, the provision of ancillary services to the audited firm. The Audit Committee

evaluates potential auditors and submits a proposal for the Board of Directors' consideration.

The Audit Committee meets at least four times per annum. It comprises a Chairman and at least two members appointed by the Board of Directors. The company's auditor, internal auditor and management representatives are also invited to meetings. Members of the Audit Committee must be independent of the company, and at least one member must also be independent of the company's major shareholders. All members must be competent in the Audit Committee's task domain, and at least one member must have expertise in accountancy, bookkeeping or auditing in particular.

2014 The Audit Committee convened six times in 2014. The members and their meeting attendance are presented in the Members of the Board of Directors table.

In addition to mandatory items, other matters discussed by the Audit Committee included the Group's financial arrangements, balance sheet structure, and progress in the Group's efficiency improvement programme. The committee also discussed measures aimed at the improvement of financial reporting.

Nomination Committee

The Nomination Committee makes preparations for the AGM by drawing up a list of proposed nominees for the Board of Directors and making a recommendation on their remuneration.

The Nomination Committee meets at least once per annum. It consists of a Chairman and between two and four members appointed by the Board of Directors. The majority of the members of the Nomination Committee must be independent of the company. The President and CEO and other members of the company's management may not be members of the Committee.

2014 The Nomination Committee convened twice in 2014. The members and their meeting attendance are presented in the Members of the Board of Directors table.

The Committee made a proposal containing a list of proposed nominees for Lemminkäinen's Board and a recommendation on the remuneration of Board and Committee members. The AGM approved the Nomination Committee's proposal, which was presented at the AGM on 9 April 2014.

During the period from 2 April to 31 July 2014, the company deviated from Recommendation 29 (Members of the nomination committee) of the Finnish Corporate Governance Code in that during this period the Chairman of the Board of Directors Berndt Brunow, acting as the Chairman of the Committee, served as interim President and

CEO. Berndt Brunow did not participate in the committee work during this period.

HR Committee

The HR Committee handles matters relating to senior management's salaries and incentives, as well as other key terms and conditions of their service agreements. The Committee also deals with Group-level remuneration, incentive and retention schemes as well as other HR issues.

The HR Committee meets at least once per annum. It consists of a Chairman and between two and four members appointed by the Board of Directors. The majority of the members of the HR Committee must be independent of the company. The President and CEO and other members of the company's management may not be members of the Committee.

2014 The HR Committee convened five times in 2014. The members and their meeting attendance are presented in the Members of the Board of Directors table.

At its meetings, the HR Committee discussed management incentive practices, short- and long-term management incentives, the elements and earning criteria of short- and long-term incentives in 2015, and who falls within the scope of the management incentive scheme in 2014 and 2015. The Committee also discussed long-term incentives for 2015–2018. The Committee drew up a list of remuneration recommendations, which was approved by the Board of Directors.

During the period from 2 April to 31 July 2014, the company deviated from Recommendation 32 (Members of the remuneration committee) of the Finnish Corporate Governance Code in that during this period the Chairman of the Board of Directors Berndt Brunow, acting as the Chairman of the Committee, served as interim President and CEO. Berndt Brunow did not participate in the committee work during this period.

Management President and CEO

The President and CEO is responsible for the day-to-day management of the company in line with the Board of Directors' guidelines and instructions. He or she is responsible for the Group's day-to-day administration and business planning. The President and CEO undertakes the execution of measures approved by the Board of Directors and handles preparations for any measures that are strategically important at the Group level. The President and CEO makes sure that the Group has adequate management resources and the company's bookkeeping complies with legislation. He or she also ensures the appropriate arrangement of the Group's administration and asset management.

As of 1 August 2014, Casimir Lindholm, M.Sc. (Econ.), MBA (born 1971), has served as President and CEO of Lemminkäinen Corporation. From 2 April to 31 July 2014, he served as the company's deputy CEO. The Chairman of the Board of Directors, Berndt Brunow, acted as the company's interim President and CEO from 2 April to 31 July 2014, after Timo Kohtamäki left the company on 2 April 2014.

During the period from 2 April to 31 July 2014, the company deviated from Recommendation 36 (Managing director and chairman of the board) of the Finnish Corporate Governance Code in that during this period the Chairman of the Board of Directors served as interim President and CEO. The underlying reason for the deviation was the fact that, as the former President and CEO left the company, the company would have been without a President and CEO until the appointment of the actual President and CEO.

Executive Team

Lemminkäinen's Group Executive Team consists of the parent company's President and CEO and other members appointed by the Board of Directors. The President and CEO is Chairman of the Executive Team and appoints its secretary.

The Executive Team meets regularly, at least once a month and supports the President and CEO in, for example, the preparation and execution of strategic matters, operating plans as well as matters of principle and any other significant matters. The Executive Team also assists the President and CEO in ensuring information flow and smooth internal cooperation.

2014 There were several changes in Lemminkäinen's Executive Team in 2014. At the end of the review period, Casimir Lindholm served as Lemminkäinen's President and CEO and the Chairman of the Executive Team. The other members of the Executive Team were Executive Vice Presidents Harri Kailasalo (Infrastructure construction), Pauli Mäkelä (Building construction, Finland) and Maaret Heiskari (Russian operations), Ilkka Salonen, CFO, and Tania Jarrett, Executive Vice President, HR. The Group's Head of Group Communications and Marketing acted as the secretary of the Executive Team. The table below contains more detailed information on the members of the Executive Team and their positions in 2014.

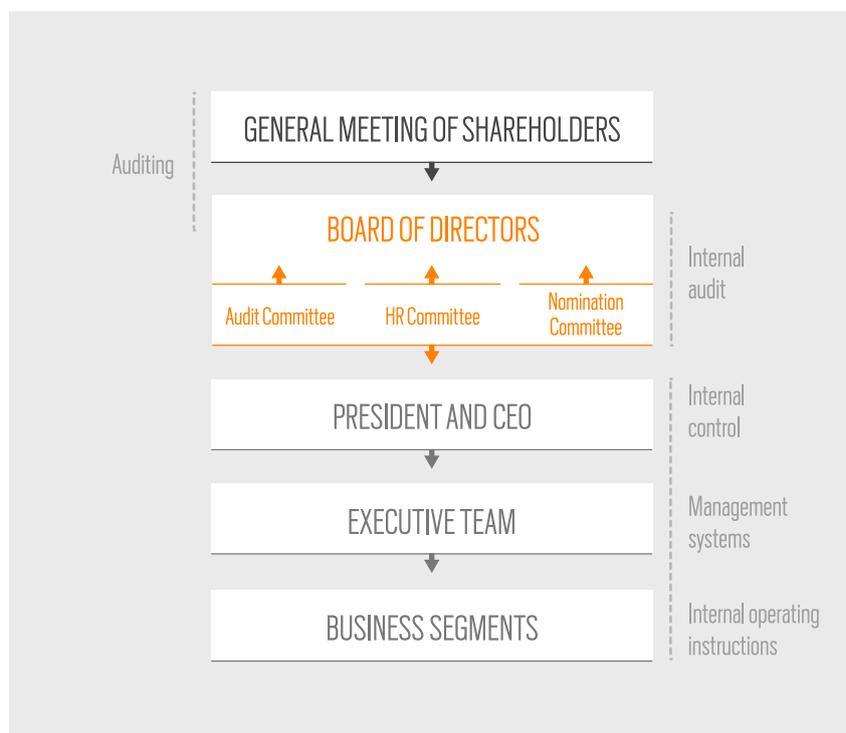
	Position	Executive Team member who held the position in 2014
The members of the Executive Team, as of 1 January 2015	President and CEO and Chairman of the Executive Team	Casimir Lindholm, as of 1 August 2014 Berndt Brunow, interim President and CEO, 2 April–31 July 2014 Timo Kohtamäki, until 2 April 2014
	Chief Financial Officer	Ilkka Salonen, as of 8 April 2014 (from 8 April to 30 June 2014, Salonen acted as interim CFO) Robert Öhman, until 7 April 2014
	Executive Vice President, HR	Tania Jarrett, as of 1 November 2014 Tiina Mellas, until 19 June 2014
	Executive Vice President, Infrastructure construction (as of 1 January 2015 Executive Vice President, Infra projects)	Harri Kailasalo
	Executive Vice President, Building construction, Finland	Pauli Mäkelä, as of 1 November 2014 Casimir Lindholm, until 31 July 2014 (from 1 August to 31 October 2014 Lindholm acted as interim EVP)
	Executive Vice President, Russian operations	Maaret Heiskari
	Executive Vice President, Paving (as of 1 January 2015)	Robert Blumberg, as of 1 January 2015
Members who have left the Executive Team	Executive Vice President, Scandinavia ¹⁾	Timo Vikström, until 30 July 2014
	Executive Vice President, Technical building services ¹⁾	Marcus Karsten, until 13 June 2014
	Chief Strategy Officer ²⁾	Tiina Mikander, until 1 November 2014
	Executive Vice President, Procurement ²⁾	Jouni Pekonen, until 9 June 2014

1) Due to the reporting structure that was changed on 1 August 2014, the Scandinavia business segment was integrated into the Infrastructure construction business segment. On 13 June 2014, the technical building services business was divested in its entirety to Are Oy.

2) President and CEO Casimir Lindholm is responsible for Lemminkäinen's strategy and Executive Vice President, Infrastructure construction Harri Kailasalo is responsible for procurement.

The Executive Team held eighteen meetings in 2014. The Executive Team's key topics during 2014 were the improvement of the company's profitability and efficiency (the Deliver 2014 cost-saving programme), the strengthening of the balance sheet and the capital structure (the EUR 100 million efficiency

programme), and the improvement of long-term competitiveness (the reviewed strategy and new organisation).



Controls

The principles of the internal control, risk management and internal audit adhered to by Lemminkäinen Corporation have been approved by the Board of Directors.

Internal control and risk management seek to ensure that the company's business is efficient and profitable, that reporting is consistent and reliable, and that applicable laws, regulations and the Group's operating principles are observed.

Internal control

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

The President and CEO is responsible for the organisation of internal control. Among other duties, he or she ensures that the company's bookkeeping complies with the law and that asset management is handled in a reliable manner.

Lemminkäinen's business is organised into business segments whose Executive Vice Presidents report to the President and CEO. The Group's other directors and managers are responsible for internal control within their own areas of responsibility.

Lemminkäinen controls and monitors its functions to ensure their efficiency and appropriateness, primarily through financial reports and business reviews prepared by management at the business area, business segment and Group level. In addition, the Group set up an Investment Board in 2014. The Investment Board convenes twice a month to discuss and prioritise the Group's most important projects and investments while ensuring that the Group's resources are allocated as well as possible.

Risk management

Risk management is an essential part of Lemminkäinen's business operations. Risk management seeks to ensure that the Group's strategic and operational targets are achieved with the best possible result and by increasing shareholder value.

Risk management is based on the risk management policy approved by the Board of Directors. The Board also supervises the implementation of risk management. Where necessary, the Board assesses and updates the Group's specified risk levels and decision-making authorisations. The President and CEO may tighten, but not loosen, these specifications set by the Board. The Board's Audit Committee monitors the adequacy and effectiveness

of the Group's risk management in accordance with the annual Action Plan.

The President and CEO is responsible for the implementation of risk management. Members of the Group Executive Team are responsible for the execution of the policy in their respective areas of responsibility. Personnel receive training in systematic and effective risk management, including legal and contractual matters. Detailed guidelines for different areas, such as competition law and insider issues, have also been drawn up. Monitoring compliance with these guidelines falls within the scope of line operations and management, and internal training on them is also provided.

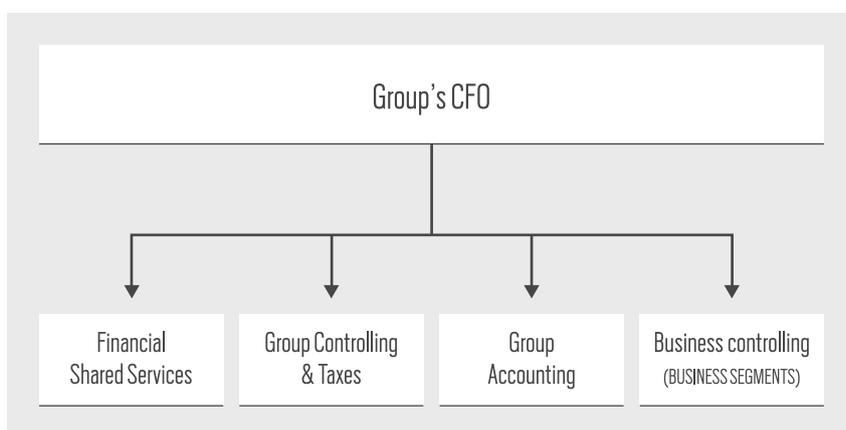
The main features of internal control and risk management systems associated with the financial reporting process

Internal control associated with the financial reporting process aims to ensure that the company's management

has sufficient and accurate information available for leading the company and that the financial reports published by the company give a true view of the company's business development and financial position.

The structure and management of Lemminkäinen's financial reporting process

Lemminkäinen's financial administration is organised into the Financial Shared Services function, the Group Controlling (Management accounting) and Taxes function, the Group Accounting (Group consolidation) function and segment-specific business controlling functions. In financial administration in Sweden (excluding Rekab) and Finland, the basic processes are handled in the Financial Shared Services, whereas other foreign subsidiaries have separate financial administration organisations. All of the units mentioned above report to the Group's CFO.



Lemminkäinen's financial reporting process consists of internal and external accounting. Internal accounting focuses on the monitoring and forecasting of the Group's profit performance and measures, whereas external accounting fulfils the information presentation requirements of the International Financial Reporting Standards endorsed by the European Union and, with regard to the notes to the financial statements, the presentation requirements set by the Finnish accounting and company legislation. The Board of Directors' Report and the parent company's Financial Statements are prepared in accordance with the Finnish Accounting Act and the instructions and statements issued by the Finnish Accounting Standards Board.

Group reporting employs both a standard chart of accounts and a reporting and consolidation system. The accounting principles used in internal and external accounting are consistent.

In Finland and Sweden (excluding Rekab), a single financial administration system is used in all financial

reporting, and other foreign companies use local systems. The SAP business management system was implemented in Finland in 2013 and in Sweden in 2014.

Main features and control environment of internal control of the financial reporting process

The company publishes an external accounting interim report quarterly (each year's final quarter is reported as part of the financial statements bulletin). The interim report includes a description of the business development and financial position in the review period with comparative figures as well as a short-term forecast about the development of the operating environment and the result. The Board of Directors discusses and approves the interim reports, the financial statements bulletin as well as the financial statements and the report of the Board of Directors.

Group Controlling provides instructions on internal accounting reporting timetables and content and combines financial information from different business segments to prepare a monthly management report. The monthly management report includes the Group's

and the business segments' income statement, capital employed, investments, order book, operative key indicators and a description of the most business-critical events. In addition, the report contains a rolling forecast of the development of the Group's and the business segments' financial position. The Group Executive Team, the Group's Board of Directors and the Board's Audit Committee monitor the development of the financial position and assess the achievement of targets monthly.

Group Accounting (the Group accounting function) provides guidance for Group companies in drawing up their quarterly external accounting Group reports. In addition to Group guidance, the Group accounting function and the Group Controlling function also support and coordinate the Financial Shared Services, the business segments' business controlling functions, and subsidiaries in their financial reporting. The business segments' business controlling functions also ensure that their profit centres draw up the monthly internal accounting report in accordance with the specified principles and instructions. The Group Controlling function reconciles internal and external accounting every quarter to verify the reliability of financial information.

The internal audit unit, too, assesses processes associated with financial reporting. In 2014, the internal audit unit examined procedures related to management reporting and the project reporting process as well as internal controls and authorisations associated with financial administration processes and systems. In addition, the internal audit unit assessed procedures related to the financial reporting of the subsidiaries.

Risk management associated with the financial reporting process

One of the tasks of risk management is to identify and proactively deal with threats associated with the accuracy of financial reporting, the realisation of which could lead to a situation in which the management would not have sufficient and accurate information available for leading the company and the financial reports published by the company would not give materially true information and assessment about the company's business development and financial position. The Group's CFO is responsible for risk management associated with financial reporting.

Lemminkäinen manages the risks associated with the financial reporting process with instructions related to accounting, reporting and investments and the Group's treasury policy. One of the aims of the unified SAP reporting system is to harmonise and simplify the financial reporting process and to mitigate the risks related to the management of several parallel systems.

Project-type operations,

in which the percentage-of-completion method and the recognition-on-completion method of revenue recognition are applicable, are characteristic of Lemminkäinen's business. Approval authorisations determined by the magnitude and risks of the undertaking are defined for projects. The day-to-day financial control of construction projects is supervised by the project organisation. The business segment management regularly examines the current project forecast and any updates, project risks, the degree of project completion, and revenue recognition. Recognition of revenue from construction projects is based on the management's judgement and estimates.

Internal audit

The internal audit unit is subordinate to the Board of Directors and operates under the supervision of the President and CEO. It consists of the Head of Internal Audit and as many internal auditors as are required for the unit to carry out its work. Internal auditing resources are strengthened as required by procuring internal auditing services from external service providers. Its operating principles are defined in the internal auditing instructions approved by the Board of Directors.

The internal audit unit assists the Board of Directors in its supervisory role by obtaining information on the adequacy and functionality of risk management and internal control in the Lemminkäinen Group and its business units. The internal audit unit assesses the economy and efficiency of resource usage, the reliability of reporting, the protection and security of assets, and compliance with regulations, operating principles and guidelines. Malpractice reports are regularly submitted to the Board of Directors' Audit Committee.

2014 The internal audits of 2014 focused on malpractice reports, construction project management, development project assessment and internal control of financial reporting, among other areas.

Insider administration

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

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

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

Auditing

Lemminkäinen has one auditor, which must be a firm of authorised public accountants approved by Finland's Central Chamber of Commerce. The Annual General Meeting elects the auditor for a term of office that runs until the end of the following Annual General Meeting.

The scope of the audit encompasses the Group's accounting, administration, Financial Statements and Board of Directors' Report for each financial year. The Auditor makes regular reports to the Audit Committee and submits an Auditor's Report to the Annual General Meeting. The Auditor's Report contains a statement as to whether the Financial

Statements and the Board of Directors' Report give a true and fair view, as defined in the rules governing financial reporting, of the Group's operative result and financial position, and as to whether the information contained in the Board of Directors' Report is consistent with the Financial Statements. The auditor's fee is paid annually, in accordance with the Annual General Meeting's decision.

2014 PricewaterhouseCoopers Oy, a firm of authorised public accountants, is Lemminkäinen's auditor. Kim Karhu has been chief auditor since 2011. In 2010, Lemminkäinen invited bids from firms of authorised public accountants.

In 2014, Lemminkäinen paid its auditor EUR 457,843 (657,373) in auditing fees and EUR 595,472 (358,217) in consultancy fees. The increase in consultancy fees is due to the rights offering and other financial arrangements Lemminkäinen carried out.

Remuneration

Remuneration – Board of Directors

Lemminkäinen Corporation's Annual General Meeting elects the members of the Board of Directors on an annual basis and also determines their fees. These fees are paid entirely as monetary compensation. The Board members' terms of office end upon the conclusion of the first Annual General Meeting held after their election.

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

2014 The 2014 Annual General Meeting decided that the Chairman of the Board is paid a fee of EUR 10,000 per month (2013: EUR 10,000) and Board members each receive EUR 3,000 per month (3,000). Members

of the Board also received an attendance fee of EUR 500 per meeting (500).

The Chairman of the Audit Committee was paid an attendance fee of EUR 1,000 (1,000) and members EUR 500 (500) per committee meeting.

The members residing abroad were paid the attendance fee increased by EUR 1,000.

Travel expenses were reimbursed as invoiced.

The Chairman of the Board of Directors, Berndt Brunow, acted as the company's interim President and CEO from 2 April to 31 July 2014, after President and CEO Timo Kohtamäki left the company on 2 April 2014.

Fees – Board of Directors	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
EUR per annum		
Board of Directors		
Berndt Brunow	120,000	120,000
Juhani Mäkinen	36,000	36,000
Noora Forstén	36,000	36,000
Finn Johnsson ¹⁾	36,000	26,143
Mikael Mäkinen ²⁾		9,857
Kristina Pentti-von Walzel	36,000	36,000
Heikki Rätty	36,000	36,000
Total	300,000	300,000

¹⁾ From 9 April 2013

²⁾ Until 9 April 2013

Meeting fees – Board of Directors	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
EUR per annum		
Board of Directors		
Berndt Brunow	10,000	6,500
Juhani Mäkinen	12,500	8,500
Noora Forstén	10,000	6,500
Finn Johnsson 1)	28,500	13,500
Mikael Mäkinen 2)		2,000
Kristina Pentti-von Walzel	13,000	9,000
Heikki Rätty	16,000	11,500
Total	90,000	57,500

1) From 9 April 2013

2) Until 9 April 2013

Remuneration – Management

On the basis of a proposal submitted by the HR Committee, Lemminkäinen's Board of Directors decides on the salaries, short- and long-term incentives and other benefits received by the President and CEO and the Group Executive Team.

The scope of the management remuneration policy adopted by the Board of Directors encompasses, in addition to the President and CEO and the Group Executive Team, the business segment management teams and the Group's other key personnel. According to the remuneration policy, the remuneration of the President and CEO, the members of the Group Executive Team and other management personnel consists of a fixed basic salary, other benefits, annual short-term incentives (a performance bonus), and long-term incentives (share-based incentives and pension schemes).

A fixed basic salary denotes monthly monetary compensation, which is determined by the nature of the position and the person's experience and performance.

The content of the benefits defined in the management remuneration policy varies from country to country. The benefits available to the President and CEO and the Group Executive Team include the use of a company car and mobile phone, the meal benefit, and extended insurance coverage for accidents and travel during their leisure time. The meal benefit is generally available to persons whose employment started before 1 January 2012. For the President and CEO and the Group Executive Team, total remuneration therefore consists of both a basic salary and benefits (excluding the meal benefit).

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

Short-term incentives

Management's short-term incentives are based on the opportunity to receive an annual performance bonus. The size of this reward depends on whether or not the financial and operational targets specified at the beginning of each year have been achieved. Lemminkäinen's management is divided into five groups, which determine the maximum percentage applicable to each individual. Individuals are allocated to these groups on the basis of their position in the organisational hierarchy and the nature and commercial value of their position.

2014 In 2014, the size of management's performance bonus was based on the Group's operating profit, the Group's return on investment and the achievement of other growth and development targets, such as those associated with the improvement of customer satisfaction and operational efficiency. Performance bonuses for the Executive Vice Presidents of business segments were also based on each segment's operating profit and return on capital employed. Achievements were monitored every six months. The maximum performance bonus payable to the President and CEO was 80 per cent of the annual salary and 60 per cent for other members of the Group Executive Team.

Share-based incentive plan The 2013–2015 incentive plan

At the end of 2012, Lemminkäinen Corporation's Board of Directors decided to introduce a share-based incentive plan for key personnel. The plan consists of both a performance-based and a conditional reward. The conditional reward seeks to encourage the Group's key personnel to increase their holding in the company. The Board of Directors recommends that the President and CEO and members of the Group Executive Team retain ownership of half of all the shares they receive through the plan until the value of their holding corresponds to half of their annual salary. They should maintain this holding during the validity of employment or service.

A reward paid through this plan may correspond to the value of a maximum of 700,000 Lemminkäinen Corporation shares (including the monetary portion). The value of the reward will be determined by the market price of the reward shares on the payment date. The Lemminkäinen Corporation shares handed over as rewards will be bought from the stock market. Therefore, the incentive plan will not have a diluting effect on the value of the shares.

Performance-based reward

The plan consists of three earning periods: the calendar years 2013, 2014 and 2015. The company's Board of Directors decides on the plan's earning criteria and the targets to be set at the beginning of each earning period.

A possible performance-based reward for the earning period will be paid out partly in company shares and partly in cash. The cash portion will cover any taxes and tax-related costs arising from the reward. The shares may not be transferred during the two-year commitment period. If a key person's employment or service contract ends during the commitment period, they will generally have to return any reward shares to the company without compensation.

Conditional reward

In addition to the performance-based reward, the above-mentioned individuals also have the opportunity to receive a conditional reward based on share ownership and a continuation of their employment or service contract. In order to receive the conditional reward, a key person must already own or acquire a specified number of company shares, or a percentage thereof, by a specified date. The number and date are set by the Board of Directors. If they do so, key personnel will then be granted one share for each share acquired, as long as their employment or service contract remains valid and they retain ownership of these shares until the conditional reward is paid. The earning period for the conditional reward is the calendar years 2013–2015. The conditional reward will be paid by the end of April 2016, partly in shares and partly in cash.

2014 About 50 people fell within the scope of the plan during the 2014 earning period.

The performance-based reward was based on Lemminkäinen Group's operating profit and its return on investment. The reward for the earning period 2014 will be paid out in 2015 partly in company shares and partly in cash. The cash portion will cover any deferred taxes and tax-related costs arising from the reward. The shares may not be transferred during the commitment period, which ends two years after the end of the earning period. The company's President and CEO and the members of the Group Executive Team must retain ownership of half of all the shares they receive through the plan for two years after the end of the commitment period.

In order to receive the conditional reward, a key person had to own or acquire a specified number of company shares, or a percentage thereof, by 30 June 2013. The number was set by the Board of Directors. The conditional reward will be paid by the end of April 2016, partly in shares and partly in cash.

Pension plan

As of 1 January 2010, additional pension plans for the President and CEO and the Group Executive Team have been based on a defined contribution plan and obtaining a paid-up policy. Contributions are calculated as a percentage of annual salary.

The President and CEO and other members of the Group Executive Team are entitled to retire either upon reaching 60 years of age (under the old system) or upon reaching 63 years of age (under the new system, which came into force on 15 September 2011).

The President and CEO's contract of service

The President and CEO's contract of service may be terminated with six months' notice. Upon termination of the contract by the company, the President and CEO shall be entitled to receive a one-off severance payment equivalent to 12 months' salary in accordance with his or her salary rate at the time of termination. In Timo Kohtamäki's contract of service, the severance payment was equivalent to 18 months' salary.

**Remuneration and fees – Executive Team members
(Excluding the President and CEO)**

	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
EUR per annum		
Monetary salary*	2,276,414	1,565,226
Benefits	111,198	98,223
Performance-based incentives	222,329	0
Pension schemes	496,557	586,030
Total	3,106,498	2,249,479
Share-based incentive (shares, no.)	2,269	0

*Includes compensations related to redundancy

Remuneration and fees – President and CEO

Timo Kohtamäki	1 Jan–2 Apr 2014	1 Jan–31 Dec 2013
EUR per annum		
Monetary salary*	1,239,570	486,720
Benefits	11,721	24,627
Performance-based incentives	0	0
Pension schemes	329,633	337,000
Total	1,580,924	848,347
Share-based incentive (shares, no.)	0	0

*Includes compensations related to redundancy

Berndt Brunow	3 Apr–31 Jul 2014
EUR per annum	
Monetary salary*	124,000
Benefits	2,164
Performance-based incentives	0
Pension schemes	0
Total	126,164
Share-based incentive (shares, no.)	0

*Excluding Chairman of the Board fee and meeting fees

Casimir Lindholm	1 Aug–31 Dec 2014
EUR per annum	
Monetary salary	205,000
Benefits	6,125
Performance-based incentives	85,608
Pension schemes	75,175
Total	371,908
Share-based incentive (shares, no.)	267

Board of Directors



Berndt Brunow

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

Chairman of the Board since 2008 and a member of the Board since 2002

Chairman of the Nomination Committee and the HR Committee

Independent of the company and its major shareholders



Juhani Mäkinen

b. 1956, Counsellor of Law

Vice Chairman and member of the Board since 2008

Member of the Audit Committee

Independent of the company and its major shareholders



Noora Forstén

b. 1981, Secondary School Graduate

Member of the Board since 2012

Member of the Nomination Committee and the HR Committee

Independent of the company and non-independent of its major shareholders



Finn Johnsson

b. 1946, M.Sc. (Econ.)

Member of the Board since 2013

Independent of the company and its major shareholders



Kristina Pentti-von Walzel

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

Member of the Board since 2007

Member of the Nomination Committee, the HR Committee and the Audit Committee

Independent of the company and non-independent of its major shareholders



Heikki Rätty

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

Member of the Board since 2009

Chairman of the Audit Committee

Independent of the company and its major shareholders

More detailed information about Board members can be found at:

www.lemminkainen.com/Lemminkainen/Investors/Corporate-Governance/Board-of-Directors/Board-of-Directors/

Executive Team



Casimir Lindholm

b. 1971, M.Sc. (Econ.), MBA

President and CEO since 2014, member of the Executive Team since 2013, Group employee since 2013.

Since 2013, Lindholm worked as Executive Vice President, responsible for building construction in Finland. Before joining Lemminkäinen, Lindholm worked at Eltel Networks as President Fixed Telecom and as CEO of Eltel Networks in Sweden.



Maaret Heiskari

b. 1966, B.Sc. Linguistics, JOKO 57 Executive education

Executive Vice President, responsible for business in Russia, member of the Executive Team since 2013, Group employee since 2013.

Before joining Lemminkäinen, Heiskari was Regional Director for Russia at KONE Corporation.



Tania Jarrett

b. 1963, Master of Arts

Executive Vice President, HR, Lemminkäinen Group, member of the Executive Team since 2014, Group employee Since 2014.

Before joining Lemminkäinen, Jarrett worked at Microsoft Mobile Oy as a HR Director.



Harri Kailasalo

b. 1969, M.Sc. (Eng.), eMBA

Executive Vice President, responsible for infrastructure construction in Finland, Scandinavia and the Baltic countries as well as environmental leadership, procurement and occupational safety, member of the Executive Team since 2012, Group employee since 1995.

Kailasalo previously held a variety of executive positions in infrastructure construction at Lemminkäinen, most recently as Senior Vice President of Business Operations.



Pauli Mäkelä

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

Executive Vice President, responsible for building construction in Finland, member of the Executive Team since 2014, Group employee since 1982.

Mäkelä has had a long career at Lemminkäinen and held a variety of executive positions both at Oy Alfred A. Palmberg AB and Lemminkäinen Corporation.



Ilkka Salonen

b. 1965, M.Sc. (Econ.)

Chief Financial Officer, responsible for finance, risk management, investor relations and ICT, member of the Executive Team since 2014, Group employee since 2014.

Before joining Lemminkäinen, Salonen held executive positions in finance at several companies, most recently as Chief Financial Officer at Neste Oil.

More detailed information about the members of the Executive Team can be found at:

www.lemminkainen.com/Lemminkainen/Investors/Corporate-Governance/Group-management/Executive-Team/

Risk management

Risk management is an essential part of Lemminkäinen's business operations; it ensures that the most significant strategic, operative, financial and accident risks are identified, analysed, assessed and managed proactively. Risk management aims to ensure the achievement of the Group's strategic and operational targets with the best possible result as well as to secure the continuity of the operations under changing conditions, too.

Our risk management is based on the risk management policy approved by the Board of Directors. The Board of Directors defines the Group's risk appetite and risk tolerance in conjunction with its strategic and annual planning processes and through its decisions. The Board's Audit Committee monitors the adequacy and effectiveness of the Group's risk management in accordance with the annual planning.

The Group's President and CEO is responsible for the implementation of risk management. Members of the Group Executive Team are responsible for the execution of risk management in their respective areas of responsibility. The Group Executive Team monitors the implementation of risk management regularly. Every Lemminkäinen employee is responsible for identifying any risks related to their own work and for bringing them to the attention of their supervisor.

We train our personnel to implement risk management systematically and effectively. We provide our personnel with training in legal and contractual matters. The Group also has detailed guidelines for different areas, such as competition law and insider issues. We monitor compliance with these guidelines as part of line operations and management.

Lemminkäinen's major risks

Strategic risks

Uncertainty in the global economy and financial markets may have a negative effect on Lemminkäinen's operations, performance, financial position and sources of capital. Lemminkäinen's business operations are sensitive to new construction cycles in Finland in particular. We manage the risk structurally by distributing our business operations throughout Scandinavia, the Baltic countries and Russia. However, ongoing changes in the organisation and management may affect our ability to implement our strategy in the changing operating environment.

In Russia, the weakened economic situation, the prolonged political uncertainty or the significant escalation

in the sanctions between the EU and Russia could, in the worst case scenario, lead to a standstill in housing sales, changes in the infrastructure market that are unfavourable to us, and/or the interruption of or withdrawal from our ongoing projects. Furthermore, the political culture, legislation, its interpretation and regulatory practices in Russia compared to Finland as well as the uncertainty of the legal system, administrative procedures and interpretation of law enforcement mechanisms as well as changes in them may result in significant risks for us. In order to manage the risks, we have increased the efficiency of our housing sales.

Legislative changes can affect market development and customer behaviour and, consequently, the profitability of our business operations. We continuously monitor and analyse our operating environment, invest in the maintenance and implementation of our Code of Conduct and Corporate Governance, and provide guidelines and training to our employees.

Operative risks

Lemminkäinen's financial performance depends largely on successful contract and project management, which, among other things, includes the correct pricing of the project, reasonable use of resources, careful planning and scheduling, ability to procure raw materials at competitive prices, cost control, appropriate change management as well as efficient and timely handling of claims for damages. We are continually developing our contractual expertise and project management practices during the tender and execution stage. We are renewing project tracking systems and steering models, and we are paying more attention to the personnel's competence development.

Residential and commercial development and construction projects involve sales and price risks, as we have full responsibility over the entire project, starting with plot acquisition. Our target is to actively manage and monitor the risk related to the capital tied up in unsold completed apartments and other assets. We take market changes and risks into account when assessing the profitability of new development and construction projects. We only start new residential projects if a sufficient number of units have been reserved in advance, taking into consideration the area in question, and we keep the number of unsold completed apartments at a minimum. When undertaking commercial development, we usually sell the business premises to property investors in the early stages of construction, thereby reducing sales risks.

Fluctuations in the price of raw materials may have an impact on financial performance. Lemminkäinen's biggest individual outsourced raw material is bitumen, and its price is based on the world market price of oil. We manage the bitumen price risk with contractual terms and oil derivatives. Unexpected changes in the weather may also cause fluctuations in our income from road construction and paving.

As our business operations and operating environment develop, we also need new kinds of expertise. The success of our development and business projects is greatly affected by the availability and commitment of competent personnel. In addition, Lemminkäinen's turnaround requires change management expertise. We manage these risks by supporting supervisory work and providing training as well as by investing in the competence development of current employees and in increasing their work motivation, whenever possible.

Financial risks

In its business operations, Lemminkäinen is exposed to financial risks, such as liquidity, foreign exchange rate and interest rate risks, and impairment of tangible and intangible assets. Management of financial risks is based on the treasury policy, which defines the operating principles, and division of responsibility in financial risk management and funding activities as well as the company's risk appetite. Lemminkäinen protects itself from currency exchange risks primarily through operative means. If necessary, transaction risks are hedged with the aid of foreign currency loans and currency derivatives. The company does not hedge translation risk. In 2014, approximately 40% of Lemminkäinen's net sales were generated in functional currencies other than the euro, the major currencies being the Russian rouble and the Norwegian, Swedish and Danish kronas.

Accident risks

The majority of our environmental impact stems from our production facilities, construction, and transportation. We regularly monitor our environmental impact and constantly seek to reduce it by, for example, enhancing our production methods and optimising transportation. Our guidelines, compliance with our management systems

and personnel training help us to manage our environmental risks.

We manage risks associated with occupational safety by providing regular training for our personnel and by investing in the reporting of safety observations. Lemminkäinen's Board of Directors, the Group Executive Team and the business segment management teams regularly monitor the development of occupational safety.

Accidents and damage involving IT systems, personnel security and information security may also pose accident risks for us. We manage these risks by making plans for exceptional circumstances. The implementation of new IT systems involves risks, which we manage through careful planning and training.

Legal proceedings

One-off risks are posed by the legal proceedings concerning damages related to the asphalt cartel as well as charges for an alleged environmental offence related to the amounts of recycled asphalt used in asphalt mass production. More information about the legal proceedings and related claims can be found in the [Board of Directors' report](#) and on the company's website.

More information about risks and risk management

Lemminkäinen also publishes its assessment of the most essential risks in its interim reports that can be found on the company's website at

www.lemminkainen.com/Lemminkainen/Investors/Releases-and-publications/Interim-Reports-and-Financial-Statements-Bulletins/.

More information on the asphalt cartel and the related damages can be found on the company's website at

www.lemminkainen.com/Lemminkainen/Investors/Lemminka-as-an-investment/Asphalt-cartel-issue/.

More information about Lemminkäinen's financial risks and management can be found on the company's website at

www.lemminkainen.com/Lemminkainen/Investors/Credit-facilities/Financial-risks/.

Board of Directors' report

Group key figures

Key figures, IFRS	Jan–Dec 2014	Jan–Dec 2013	Change
Net sales	2,044.5	2,020.1	24.4
Infrastructure construction, EUR million	1,339.0	1,279.2	59.8
Building construction, Finland, EUR million	539.0	592.9	-53.9
Russian operations, EUR million	196.1	164.5	31.6
Other items, EUR million	-29.6	-16.4	-13.2
Operating profit, EUR million	36.3	-89.3	125.6
Infrastructure construction, EUR million	38.0	-13.1	51.1
Building construction, Finland, EUR million	9.3	5.0	4.3
Russian operations, EUR million	19.7	-0.3	20.0
Other items, EUR million	-30.8	-80.8	50.0
Operating profit, excl. NR-items, EUR million*	52.3	-3.9	56.2
Operating margin, %	1.8	-4.4	
Infrastructure construction, %	2.8	-1.0	
Building construction, Finland, %	1.7	0.8	
Russian operations, %	10.1	-0.2	
Operating margin, excl. NR-items, %*	2.6	-0.2	
Pre-tax profit, EUR million	-1.7	-116.1	114.4
Profit from continuing operations, EUR million	-5.0	-96.2	91.2
Profit for the period, EUR million	18.1	-93.5	111.6
Earnings per share, continuing operations, EUR	-0.68	-4.94	4.26
Earnings per share for the period, EUR	0.40	-4.81	5.21
Cash flow from operations, EUR million**	-54.8	8.3	-63.1

* Non-recurring items included in IFRS operating profit are:

1–12/2014: Total EUR 16.0 million (EUR 9.6 million write-downs and EUR 6.4 million increase in provisions related to asphalt cartel)

1–12/2013: Total EUR 85.4 million (EUR 19.8 million write-downs and EUR 65.6 million damages paid and provisions related to asphalt cartel)

** 1–12/2014 cash flow from operations includes EUR 60 million of damages paid related to asphalt cartel.

Key figures, IFRS	31 Dec 2014	31 Dec 2013	Change
Order book, continuing operations, EUR million	1,456.1	1,733.2	-277.1
Balance sheet total, EUR million	1,257.8	1,342.7	-84.9
Interest-bearing net debt, EUR million	213.6	326.5	-112.9
Equity ratio, %	37.1	27.3	
Gearing, %	51.8	100.8	
Return on investment, rolling 12 months, %*	13.5	-9.4	

* Includes discontinued operations.

Group strategy

In July 2014, Lemminkäinen reviewed its strategy and sharpened its focus after the divestment of technical building services. In the short term, Lemminkäinen concentrates on improving its competitiveness, profitability and financial position. In the long term, the company seeks profitable growth by utilising its strong market position in infrastructure construction in Northern Europe. In

paving, where Lemminkäinen already has a leading position, the company will continue measures to improve its competitiveness through enhanced operational and capital efficiency. In building construction in Finland and Russia, where the market outlook continues to be uncertain, Lemminkäinen is focusing on selected customer segments and areas.

Financial targets and actual performance

Financial target	Target level	Actual 2014	Actual 2013	Actual 2012
Return on investment over the cycle	18% (15% by the end of 2016)	14%	-9%	11%
Equity ratio*	at least 35%	37%	27%	37%
Payment of dividend	at least 40% of the profit for the financial year	0	0	27%

* If hybrid bonds were recognised as debt, equity ratios would be: 2014: 25%, 2013: 22% and 2012: 31%.

Deliver 2014 cost savings programme

Early in the year, Lemminkäinen launched the Deliver 2014 cost savings programme, which is centrally managed, and consists of three modules: operational efficiency improvement in both Norway and Russia and the streamlining of the cost structure in all countries. The programme was the most important improvement

initiative within the company. Its target is to reach EUR 30 million annual cost savings in fixed costs by the end of 2015. From this target, EUR 10 million cost savings were achieved in 2014. The total personnel impact of the efficiency measures in 2014 was approximately 500 full-time equivalents.

Financial performance

Net sales

Net sales by segment, IFRS	Jan–Dec 2014	Jan–Dec 2013	Change
Infrastructure construction, EUR million	1,339.0	1,279.2	59.8
Building construction, Finland, EUR million	539.0	592.9	-53.9
Russian operations, EUR million	196.1	164.5	31.6
Other operations and eliminations, EUR million	-29.6	-16.4	-13.2
Group total, EUR million	2,044.5	2,020.1	24.4

In 2014, the Group's net sales were EUR 2,044.5 million (2,020.1). The impact of currency exchange rate changes on the euro-denominated net sales was EUR -73.2 million compared to the comparison year. The main factors contributing to the increase in net sales were major infra projects in Finland, the paving business in Norway and Denmark as well as residential development projects in Russia. In building construction, competitive contracting in both Finland and Russia decreased.

The Group's net sales by country in January–December were 52% from Finland, 32% from Scandinavia, 10% from Russia and 6% from the Baltic countries. Net sales by business type were 45% from paving (including road maintenance, mineral aggregates and earthworks), 14% from infra projects and 41% from building construction.

Operating profit

Operating profit by segment	FY2014 IFRS	FY2013 IFRS	FY2014 excl. NR	FY2013 excl. NR
Infrastructure construction, EUR million	38.0	-13.1	39.2	-7.4
Building construction, Finland, EUR million	9.3	5.0	13.4	19.1
Russian operations, EUR million	19.7	-0.3	24.0	-0.3
Business segments, total, EUR million	67.1	-8.5	76.7	11.3
Other operations, EUR million	-30.8	-80.8	-24.4	-15.2
Group, total, EUR million	36.3	-89.3	52.3	-3.9

Operating margin (%) by segment	FY2014 IFRS	FY2013 IFRS	FY2014 excl. NR	FY2013 excl. NR
Infrastructure construction, %	2.8	-1.0	2.9	-0.6
Building construction, Finland, %	1.7	0.8	2.5	3.2
Russian operations, %	10.1	-0.2	12.2	-0.2
Group, total, %	1.8	-4.4	2.6	-0.2

In 2014, the Group's operating profit was EUR 36.3 million (-89.3). The operating profit includes asset write-downs worth EUR 9.6 million (19.8) and a EUR 6.4 (65.6) damages related to asphalt cartel and associated provision. The 2014 operating profit, excluding non-recurring items, improved clearly and amounted to EUR 52.3 million (-3.9). The impact of currency exchange rate changes on the euro-denominated operating profit was EUR -5.0 million compared to 2013, mainly resulting from the weakening of the external value of the rouble.

The profitability was improved by ongoing major infra projects in Finland, measures to lighten the cost structure and a long paving season in all operating countries. In Russia, the strong result was supported by

brisk housing sales especially towards the end of the year and the completion of two residential projects during the second half of the year. In Norway, the result turned clearly positive through overhead reductions and by closing down unprofitable sites and business operations, among other measures. In Building construction in Finland, the development was positive in the first half of the year. However, the profitability for the second half of the year was impaired by the slowdown of housing sales and declining margins in individual projects. The profit development was clearly better in the Helsinki metropolitan area compared to the rest of Finland. The result for 2014 was impaired by expenses related to organisation renewal (approximately EUR 10 million).

Order book

Order book by segment, continuing operations	31 Dec 2014	31 Dec 2013	Change
Infrastructure construction, EUR million	682.6	866.7	-184.1
Building construction, Finland, EUR million	687.1	544.3	142.8
Russian operations, EUR million	86.4	322.2	-235.8
Group, total, EUR million	1,456.1	1,733.2	-277.1
- of which unsold (residential development projects), EUR million	188.7	346.5	-157.8

At the end of 2014, the Group's order book was 16 per cent lower than at the same time in 2013.

The most significant ongoing infra projects in Finland were the Rantaväylä tunnel in Tampere, the underground parking facility in Oulu, the construction of three West Metro stations and the Turvesolmu graded interchange in Espoo. The infrastructure construction order book was impaired by rock engineering in all Nordic countries.

In Building construction, Finland, the order book was increased by major contracting projects, such as the renovation of the Parliament Building and the Sibelius Academy in Helsinki as well as the school campus of timber to be built in Pudasjärvi with the PPP model.

In Russia, the order book was decreased by the completion of two residential development projects (a total of approximately 550 residential units) in late 2014.

Of the order book, 47% came from building construction, 23% from paving (including road maintenance, mineral aggregates and earthworks) and 30% from infra projects. The order book by country was 70% from Finland, 21% from Scandinavia, 6% from Russia and 3% from the Baltic countries.

Balance sheet, cash flow and financing

Measures to strengthen the balance sheet

On 14 May 2014, Lemminkäinen announced the divestment of its technical building services business. The price was EUR 55.4 million, of which Lemminkäinen recorded capital gain of EUR 23.6 million.

In 2014, Lemminkäinen committed to strengthening its balance sheet with EUR 100 million by the end of September 2015. As part of the programme, the company conducted

a rights offering in the third quarter. With the offering, the company raised gross proceeds of EUR 29.3 million (net proceeds of EUR 27.3 million). In addition, the company will divest non-core assets and operations by EUR 70 million. At the end of the year, the company had carried out divestments amounting to EUR 21.5 million.

The Board of Directors proposes that Lemminkäinen will not pay any dividends for the financial year 2014.

Balance sheet, financing and cash flow, IFRS	31 Dec 2014	31 Dec 2013	Change
Key figures, balance sheet			
Equity ratio, %*	37.1	27.3	
Gearing, %**	51.8	100.8	
Return on investment, %***	13.5	-9.4	
Capital invested, EUR million	760.3	731.7	28.6
Net working capital, EUR million	362.6	325.1	37.5
Financial position and liquidity			
Interest-bearing debt, EUR million	347.8	407.6	-59.8
- of which long-term liabilities, EUR million	139.5	61.3	78.2
- of which short-term liabilities, EUR million	208.3	346.3	-138.0
Liquid funds, EUR million	134.2	81.1	53.1
Interest-bearing net debt, EUR million	213.6	326.5	-112.9
Committed, unused credit limits, EUR million	185.0	175.0	10.0
Unused overdraft limits, EUR million	33.2	44.0	-10.8
Net financial costs, EUR million****	37.9	26.8	11.1
Cash flow			
Cash flow from operations, EUR million*****	-54.8	8.3	-63.1

* If hybrid bonds were recognised as debt, the equity ratio would be: 12/2014 24.6%, 9/2014 22.5% and 12/2013 21.5%.

** If hybrid bonds were recognised as debt, gearing would be: 12/2014 128.4%, 9/2014 125.5% and 12/2013 155.2%.

*** Rolling 12 months

**** Cumulative, from the beginning of the year.

***** The 2014 cash flow was impaired by the payment of EUR 60 million in damages related to the asphalt cartel.

Balance sheet, financing and cash flow for the financial year

On 31 December 2014, the balance sheet total was EUR 1,257.8 million (1,342.7), of which shareholders' equity accounted for EUR 412.5 million (324.0). In 2014, shareholders' equity was increased by the EUR 70 million hybrid bond and the approximately EUR 30 million rights offering. The slowdown of housing sales in Finland increased net working capital. At the same time, the company has released capital through more efficient invoicing, for example. Solvency was improved by measures related to the strengthening of the capital structure, the divestment of business operations and the improved result.

Interest-bearing debt at the end of the year amounted to EUR 347.8 million (407.6) and interest-bearing net debt totalled EUR 213.6 million (326.5). Liquid funds increased due to the divestment of the technical building services and measures related to the strengthening of the capital structure. Of the company's interest-bearing debt, EUR 127.1 million (73.1) comprises project loans, EUR 99.6 million (59.9) bonds, EUR 63.4 million (150.2) commercial papers, EUR 50.2 million (57.8) finance lease liabilities, EUR 5.6 million (45.1) loans from financial institutions and other liabilities, and EUR 2.0 million (21.5) pension loans. Of all interest-bearing debt, 41% (32) was at a fixed interest rate.

Net financial costs increased in January–December and amounted to EUR 37.9 million (26.8), representing 1.9% (1.3) of net sales. The increase was due to a EUR 7 million write-down of loan receivables related to the divestment of Lemcon Networks' businesses, the renegotiated credit limits, increasing currency hedging costs for the rouble and valuation of interest rate derivatives. The interest expenses of the hybrid bonds are not recorded under the finance costs in the income statement; instead, their impact can be seen in the earnings per share as well as in equity.

Cash flow from operations in January–December totalled EUR -54.8 million (8.3). The cash flow includes the payment of EUR 60 million in damages related to the asphalt cartel.

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Business segments

Changes in the reporting structure in 2014 and 2015

Lemminkäinen changed its reporting structure on 1 August 2014 into three reporting segments: Infrastructure construction; Building construction, Finland; and Russian operations. The former Scandinavia business segment was integrated into the Infrastructure construction business segment. Russian operations include both building construction and infrastructure construction businesses.

At the beginning of 2015, the Infrastructure construction business segment was divided into two: Paving, mineral aggregates and earthworks businesses were transferred to the new Paving business segment. Foundation engineering, civil engineering and rock engineering constitute the new Infra projects business segment. As of 1 January 2015, the reporting business segments are: Paving; Infra projects; Building construction, Finland; and Russian operations. Building construction in Sweden is reported as part of the Group's other operations.

Infrastructure construction

Operating environment

In Finland, infrastructure construction decreased due to weak development in building construction and cuts in road maintenance appropriations in the state budget. Underground infrastructure construction remained brisk, especially in urban growth centres. In Sweden, Norway and Denmark, road construction, including the renovation projects, maintained the demand for paving in particular. In addition, the governments of these countries are investing in the infrastructure network development and in road maintenance. In the Baltic countries, the market situation in infrastructure construction was mainly stable. The mild weather prolonged the paving season in all Lemminkäinen's operating countries.

Key figures	FY2014 IFRS	FY2013 IFRS	FY2014 excl. NR	FY2013 excl. NR
Net sales, EUR million	1,339.0	1,279.2	1,339.0	1,279.2
Operating profit, EUR million	38.0	-13.1	39.2	-7.4
% of net sales	2.8	-1.0	2.9	-0.6
Order book at end of period, EUR million	682.6	866.7	682.6	866.7

In January–December, net sales were EUR 1,339.0 million (1,279.2) and operating profit was EUR 38.0 million (-13.1). The operating profit includes asset write-downs worth EUR 1.2 million (5.7). The operating profit, excluding non-recurring items, was EUR 39.2 million (-7.4). The impact of currency exchange rate changes on the euro-denominated net sales was EUR -33.2 million and on the operating profit EUR -0.7 million compared to 2013.

Net sales by country were 41% from Finland, 49% from Scandinavia and 10% from the Baltic countries. Net sales by business type were 68% from paving (including road maintenance, mineral aggregates and earthworks), 21% from projects and 11% from building construction in Sweden.

In Finland, the profitability was improved by major infra projects as well as paving and mineral aggregates businesses. In Norway, the result turned clearly positive through overhead reductions and by closing down unprofitable sites and business operations, among other measures. The efficiency of paving project management and tendering process has also been improved. The segments' operating profit includes an approximately EUR 3 million loss related to unreceived payments from the company's customer Lapland Gold Miners that declared bankruptcy.

At the end of the year, the order book for infrastructure construction was lower than in 2013: EUR 682.6 million (866.7), of which 67% attributable to 2015. The most significant decline in the order book took place in rock engineering in Finland and Sweden.

Building construction, Finland

Operating environment

The market situation in building construction remained weak in 2014. Construction was supported by renovation, which remained stable. Only some 25,000 (28,000) new residential units were started, and the number is not expected to increase in 2015. Housing sales slowed down especially during the second half of the year as consumer demand was decreased by economic uncertainty and longer sales times of old private houses. Commercial construction was minimal, particularly outside the Helsinki metropolitan area. In 2015, the market situation in building construction is estimated to remain similar to 2014.

Key figures	FY2014 IFRS	FY2013 IFRS	FY2014 excl. NR	FY2013 excl. NR
Net sales, EUR million	539.0	592.9	539.0	592.9
Operating profit, EUR million	9.3	5.0	13.4	19.1
% of net sales	1.7	0.8	2.5	3.2
Order book at end of period, EUR million	687.1	544.3	687.1	544.3

In January–December, net sales were EUR 539.0 million (592.9) and operating profit was EUR 9.3 million (5.0). The operating profit includes asset write-downs worth EUR 4.1 million (14.1). The operating profit, excluding non-recurring items, was EUR 13.4 million (19.1). The segment's result was improved by residential and commercial projects in the Helsinki metropolitan area. The profitability was impaired by slowdown of housing sales and failures in individual projects such as a declined margin of approximately EUR 4 million related to an old consortium.

Housing sales slowed down during the second half of 2014 and the number of reservations cancelled was higher than before. Due to the declining markets in 2014, the number of residential development start-ups targeted at consumers was slightly lower than in the previous year. The decrease in consumer demand was compensated by growing sales to investors. The number of unsold completed residential units doubled, and was 336 (164) at the end of the year.

The order book of Building construction, Finland stood at EUR 687.1 million (544.3), of which 58% attributable to 2015. The order book was increased by major contracting projects such as the renovation of the Parliament Building and the Sibelius Academy in Helsinki as well as the school campus of timber to be built in Pudasjärvi with the PPP model.

Lemminkäinen's residential production (development projects and negotiated contracting)	Jan–Dec 2014	Jan–Dec 2013	Change
Started, units	1,410	1,191	219
- of which development projects, units	979	1,058	-79
Completed, units	1,363	1,145	218
- of which development projects, units	1,088	875	213
Sold, units	1,280	1,183	97
- of which development projects, units	849	1,050	-201
Sales to investors, %	47		
Under construction 31 Dec, units	1,362	1,211	151
- of which unsold 31 Dec, units	522	557	-35
Unsold completed 31 Dec, units	336	164	172
Land bank, balance sheet value 31 Dec, EUR million	105.4	109.1	-3.7
Started in competitive contracting, units	244	159	85

Russian operations

Operating environment

The economic uncertainty in Russia and the radical weakening of the rouble in 2014 increased mortgage interest rates and banks applied stricter loan terms in many locations. However, the economic and political uncertainty did not decrease consumer demand for housing in the so-called comfort class, where a large proportion of housing transactions are financed by the consumers themselves. Housing sales were brisk especially during the fourth quarter of the year. In infrastructure construction, several state-funded road renovation projects were started, especially on roads departing from Moscow. The outlook for 2015 continues to be uncertain. The declining oil price is slowing down the country's economic growth and, together with the limited scope of the Russian financial markets, is impairing the general construction market situation. The increase in mortgage interest rates and the decreasing purchasing power of the middle class may reduce the demand for housing this year.

Key figures	FY2014 IFRS	FY2013 IFRS	FY2014 excl. NR	FY2013 excl. NR
Net sales, EUR million	196.1	164.5	196.1	164.5
Operating profit, EUR million	19.7	-0.3	24.0	-0.3
% of net sales	10.1	-0.2	12.2	-0.2
Order book at end of period, EUR million	86.4	322.2	86.4	322.2

The net sales were EUR 196.1 million (164.5) and the operating profit was EUR 19.7 million (-0.3). The result includes a EUR 4.3 million write-down related to a residential development project completed in 2010. The operating profit, excluding non-recurring items, was EUR 24.0 million (-0.3). The impact of currency exchange rate changes on the euro-denominated net sales was EUR -40.0 million and on the operating profit EUR -4.3 million compared to 2013. Of the net sales, 48% came from residential development projects, 25% from infrastructure construction and 27% from building construction contracting.

Profitability for 2014 was improved by residential development projects, better margins in ongoing contracts and profitable road and bridge special paving projects. Housing sales picked up towards the end of the year and the apartment price level in roubles rose. During the second half of the year, Lemminkäinen completed two residential development and construction projects in St Petersburg, comprising altogether 545 residential units as well as some individual commercial properties and parking spaces. Of the completed projects, a total of 446 residential units had been sold and recognised as revenue at the end of the year. At the end of the financial year, Lemminkäinen had one residential development project (418 residential units) under construction, with estimated completion at the end of 2015. The results for building construction contracting and infrastructure construction developed favourably in 2014, but the company recorded approximately EUR 1 million loss related to the termination of technical building services. The capital tied up in Russian operations at the end of period was EUR 61.9 million (85.6).

The segment's order book decreased clearly and stood at EUR 86.4 million (322.2) at the end of the year. The order book was decreased by the completion of two residential development projects and fewer contracting projects.

Lemminkäinen's residential development projects, Russia	Jan-Dec 2014	Jan-Dec 2013	Change
Started, units	0	757	-757
Completed, units	545	222	323
Sold, units	520	165	355
Under construction 31 Dec, units	418	963	-545
- of which unsold, units	283	808	-525
Unsold completed 31 Dec, units	139	134	5

Financials › Board of Directors' report › Investments

Investments

Gross investments in 2014 amounted to EUR 30.0 million (71.2), representing 1.5% (3.5) of the company's net sales. They were mainly replacement investments in infrastructure construction. Acquisitions increased investments in the comparison year. Lemminkäinen has imposed stricter criteria involving investments and more effective monitoring processes have been introduced.

Personnel

At the end of the year, Lemminkäinen employed 4,748 people (5,526), which was 778 people less than in 2013. Of these, 2,070 (2,439) were white-collar workers and 2,678 (3,087) were blue-collar workers. During the year, the number of white-collar workers decreased by 369 people (-15%) and that of blue-collar workers by 409 people (-13%).

The number of personnel has decreased due to two personnel reduction negotiations in Finland and similar negotiations in other operating countries conducted in 2013 and 2014. The results of the negotiations conducted in 2013 are fully visible in the number of personnel. The personnel reductions related to the negotiations conducted in 2014 have, for the most part, been realised.

Personnel by business segment, continuing operations	31 Dec 2014	31 Dec 2013	Change
Infrastructure construction, persons	2,925	3,266	-341
Building construction, Finland, persons	1,038	1,224	-186
Russian operations, persons	635	755	-120
Parent company, persons	150	281	-131
Group, total, persons	4,748	5,526	-778

Personnel by country, continuing operations	31 Dec 2014	31 Dec 2013	Change
Finland, persons	2,315	2,726	-411
Sweden, Norway, Denmark, persons	1,155	1,256	-101
Baltic countries, persons	642	738	-96
Russia, persons	635	755	-120
Other countries, persons	1	51	-50
Group, total, persons	4,748	5,526	-778

Changes in management

During 2014, the composition of Lemminkäinen's Executive Team changed significantly. At the beginning of the year, the members of the Executive Team were: Timo Kohtamäki, President and CEO; Robert Öhman, CFO; Casimir Lindholm, EVP Building construction, Finland; Harri Kailasalo, EVP Infrastructure construction, Finland and the Baltic countries; Marcus Karsten, EVP Technical building services; Timo Vikström, EVP Scandinavia; Maaret Heiskari, EVP Russian operations; Tiina Mikander, Chief Strategy Officer; Tiina Mellas, EVP, HR, and Jouni Pekonen, EVP, Procurement.

President and CEO Timo Kohtamäki left the company on 2 April 2014 and CFO Robert Öhman on 7 April 2014. In connection with the divestment of the Technical building services business segment, Marcus Karsten left the company on 13 June 2014. Jouni Pekonen left the company on 9 June 2014 and Tiina Mellas on 19 June 2014.

In connection with the strategy revision, Timo Vikström left the company on 30 July 2014. Tiina Mikander left the company on 1 November 2014.

At the beginning of the year 2015, the members of Lemminkäinen's Executive Team were (the date of appointment): Casimir Lindholm, President and CEO (1 August 2014); Ilkka Salonen, CFO (11 June 2014); Harri Kailasalo, EVP Infra projects; Robert Blumberg, EVP Paving (1 January 2015), Pauli Mäkelä, EVP Building construction, Finland (1 November 2014); Maaret Heiskari, EVP Russian operations; and Tania Jarret, EVP HR (1 November 2014).

Berndt Brunow, Chairman of the Board of Directors, acted as Lemminkäinen's interim President and CEO from 3 April to 31 July 2014.

Occupational safety and environment

The goal of Lemminkäinen's occupational safety measures is to create a safe working environment for all employees and subcontractors. Lemminkäinen is committed to the shared occupational safety principles of the Confederation of Finnish Construction Industries RT, which aims to accelerate the construction industry's progress towards the zero-accident target.

In 2014, Lemminkäinen continued to harmonise the rules for occupational safety in all of our operating countries. In addition, the company included the subcontractors' site accident frequency rate in its safety statistics.

Lemminkäinen minimises the environmental impact of its operations by using natural resources as sparingly as possible and by using recycled materials in our production, among

other measures. The company invests in safeguarding biodiversity by developing post-extraction measures in its mineral aggregate areas. Lemminkäinen constantly develops its production technology in order to reduce its energy consumption and environmental impact.

At the Group level, Lemminkäinen measures energy consumption figures and the environmental impact of its production facilities in Finland. Each business segment monitors the indicators relevant to their business.

More detailed information on Lemminkäinen's occupational safety and environmental issues are presented in the company's Annual Report and on its website.

Research and development

Research and development activities at Lemminkäinen focus on the utilisation of information technology in construction, environmental and energy efficiency, and service development. Lemminkäinen has also initiated a variety of developmental measures to improve operational efficiency.

The Group's business segments are each responsible for their own research and development activities, which focus on,

for example, the efficiency of business operations and quality assurance. Lemminkäinen's Central Laboratory carries out infrastructure construction R&D. The company aims to constantly increase the percentage of low-temperature and recycled asphalts in its production. In 2014, the Group's research and development expenditure accounted for approximately 0.5 (0.6) per cent of net sales.

Shares

The company has one share class. Each share carries one vote at a general meeting of shareholders and confers an equal right to a dividend. Lemminkäinen's share capital is EUR 34,042,500 and the total number of shares was 23,219,900 at the end of the financial year. In 2014, Lemminkäinen conducted a rights offering, which increased the number of shares by 3,569,724. The subscription price of the offer shares was EUR 8.20 per share, and the company raised gross proceeds of approximately EUR 29.3 million (net proceeds of EUR 27.3 million) through the offering.

Trading with shares

At the end of 2014, the market capitalisation of Lemminkäinen's shares stood at EUR 220.9 million (298.2). The price of Lemminkäinen Corporation's share on the NASDAQ OMX Helsinki was EUR 15.20 (14.28) at the beginning of the 2014 and EUR 9.52 (15.20) at the end. In addition to the NASDAQ OMX Helsinki, Lemminkäinen's share is also traded on alternative markets. A total of 1,268,320 shares (2,076,080) were traded during 2014, of which alternative markets accounted for 14 per cent (15). (Source: [Fidessa Fragmentation Index](#))

Treasury shares

At the end of 2014, Lemminkäinen owned 16,687 of its own shares.

Shareholders

The company had 4,532 shareholders (4,705) at the end of 2014. Nominee-registered and non-Finnish shareholders held 13 per cent (13) of all Lemminkäinen Corporation shares and voting rights. Information on company ownership and division by segment and scale, major shareholders, and share ownership of Executive Team members and the Board of Directors is available on the company's website, www.lemminkainen.com/Investors.

Shareholder agreements

The company is not aware of any agreements between shareholders that would have a significant bearing on the use of ownership rights or voting behaviour at general meetings of shareholders.

Flagging notifications

The company received one flagging notification in 2014 (on 22 August 2014). Lemminkäinen Corporation's shares held by Noora Forstén decreased from 1,966,073 shares, i.e. 10.0 per cent of all shares, to 1,866,073, i.e. 9.5 per cent, decreasing below 10 per cent of all shares and votes in Lemminkäinen Corporation.

Resolutions of the AGM and administration

On 9 April 2014, Lemminkäinen Corporation's Annual General Meeting adopted the Company's annual accounts and consolidated financial statements for 2013 and granted the members of the Board of Directors and the President and CEO discharge from liability. The General Meeting resolved, in accordance with the Board of Directors' proposal, that no dividend be paid for the financial year ended 31 December 2013.

The General Meeting resolved, in accordance with the Board of Directors' proposal, to authorise the Board of Directors to resolve on the repurchase of the Company's own shares. In accordance with the authorisation, the Board of Directors may resolve to repurchase a maximum of 1,000,000 own shares. The authorisation is effective for a period of 18 months from the resolution of the General Meeting.

In addition the General Meeting resolved, in accordance with the Board of Directors' proposal, to authorise the Board of Directors to resolve on a share issue and/or an issue of special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act in one or several instalments, either against payment or without payment. The number of shares to be issued, including the shares to be received based on special rights, shall not exceed 3,900,000 shares. The Board of Directors may resolve to issue either new shares or own shares possibly held by the Company. The authorisation is effective for a period of 18 months from the resolution of the General Meeting.

The General Meeting confirmed the number of members of the Board of Directors as six. Berndt Brunow, Noora Forstén, Finn Johnsson, Juhani Mäkinen, Kristina Pentti-von Walzel, and Heikki Rätty were elected as members of the Board. PricewaterhouseCoopers Oy, a firm of authorised public accountants, was re-elected to serve as the Company's auditor.

Lemminkäinen Corporation's Board of Directors held its organising meeting on 9 April 2014. The Board re-elected Berndt Brunow as the Chairman and Juhani Mäkinen as the Vice Chairman of the Board. The Board of Directors elected from among its members Heikki Rätty to serve as the Chairman of the Audit Committee, with Juhani Mäkinen and Kristina Pentti-von Walzel serving as members. Berndt Brunow was elected to serve as the Chairman of the Nomination Committee, with Noora Forstén and Kristina Pentti-von Walzel serving as members. Berndt Brunow was elected to serve as the Chairman of the HR Committee, with Noora Forstén and Kristina Pentti-von Walzel serving as members.

Legal proceedings

Damages related to the asphalt cartel

On 28 November 2013, the District Court of Helsinki issued its decisions concerning damages related to the asphalt cartel. In line with the decisions, Lemminkäinen recorded approximately EUR 66 million in expenses in its 2013 result. Of this, approximately EUR 60 million consisted of damages ordered only to Lemminkäinen, Lemminkäinen's share of the damages ordered to it and other asphalt industry companies to be paid jointly and severally, as well as interest and legal expenses related to the damages. This amount was paid by the company in January 2014.

Lemminkäinen has appealed against all 35 decisions, where the plaintiffs' claims were partly upheld, to the Helsinki Court of Appeal. In Lemminkäinen's opinion, there are some judicial aspects in the decisions of the District Court, where the conclusions of the District Court differ from previous legal practices. Such judicial aspects are related to the questions of prescriptions and value added tax, for example. The main oral hearing in the Court of Appeal will take place during 2015. The Finnish state and 22 municipalities have also submitted their appeals to the Helsinki Court of Appeal.

In addition to the claims which the Helsinki District Court has decided on in November 2013, Lemminkäinen has been served summons regarding 21 claims against Lemminkäinen and other asphalt companies for damages. The capital amount of these claims is approximately EUR 26 million. For these claims, Lemminkäinen has made a provision worth EUR 12.3 million.

More information on the asphalt cartel, related damages and related communications can be found on the company's website

<http://www.lemminkainen.com/Lemminkainen/Investors/Lemminkainen-as-an-investment/Asphalt-cartel-issue/>.

Quotas related to the use of recycled asphalt

On 7 December 2014, the prosecutor decided to press charges for an environmental offence against Lemminkäinen and two of its employees. The alleged offence is related to the quotas for the amount of recycled asphalt used in asphalt mass production, as defined in the environmental permits of the company's Sammonmäki asphalt plant in Finland. The prosecutor is demanding Lemminkäinen a confiscation of illegal profit of EUR 3.4 million and a corporate fine of at least EUR 120,000.

Lemminkäinen and its employees consider themselves not guilty of the charges presented. The case pertains to the interpretation of a regulation in the environmental permit. Crushing recycled asphalt for using it as raw material for new asphalt is an ecological practice. It reduces the environmental hazards of production when compared to asphalt made of virgin materials. Asphalt mass containing recycled asphalt is of the same quality as asphalt mass made of virgin materials.

The hearing of the case will most likely start at the District Court of Tuusula in the spring of 2015.

Risks and uncertainties

Risk management is an essential part of Lemminkäinen's business operations. Its main target is to ensure achievement of strategic and operational targets with best possible results including continuity of the operations under changing conditions. Lemminkäinen's risk management is based on the risk management policy approved by the Board of Directors.

Uncertainty in the global economy and financial markets may have a negative effect on Lemminkäinen's operations, performance, financial position and sources of capital. Lemminkäinen's business operations are sensitive to new construction cycles in Finland in particular. The company manages the risk structurally by distributing

its business operations throughout Scandinavia, the Baltic countries and Russia. However, ongoing changes in management and organisational structure may affect Lemminkäinen's ability to implement its strategy in changing operating environment.

In Russia, the negative economic trends and prolonged political uncertainties including major escalation of sanctions between EU and Russia could, in the worst case scenario, culminate in a standstill of housing sales, changes in the infrastructure markets unfavourable to Lemminkäinen and/or the interruption or exits of ongoing projects. On top of this, the differing political culture, legislation, its interpretation and procedures of the authorities compared to Finland and

the uncertainty of the legal system, administrative procedures and interpretation of law enforcement mechanisms as well as changes in them may result in significant risks to Lemminkäinen. In order to manage the risk, Lemminkäinen has increased the efficiency of its housing sales.

Lemminkäinen's financial performance depends largely on successful contracting and project management, which, among other things, includes the correct pricing of the project, reasonable use of resources, careful planning and scheduling, ability to procure raw materials at competitive prices, cost control, management of change requests as well as efficient and timely handling of claims for damages. Lemminkäinen is continually developing its contractual expertise and project management practices during the tender and implementation stage. Project monitoring systems and steering models are being renewed and more attention has been paid to the personnel's competence development.

In the residential and commercial development and construction projects, Lemminkäinen is exposed to price and sales risks due to the full responsibility over the entire project, starting with plot acquisition. The aim is to actively manage and monitor the valuation risk related to the capital tied up in unsold completed apartments and other assets. Lemminkäinen evaluate new residential development projects by taking the market changes and risks into account. The company starts new housing construction only if a sufficient number of units have been reserved in advance. The requisite number of reserved units varies regionally. When undertaking commercial development, business

premises are usually sold to property investors in the early stage of a construction, thereby reducing sales risks.

The price fluctuation of raw materials may have an impact on financial performance. Lemminkäinen's biggest individual outsourced raw material is bitumen, and its price depends on the world market price of oil. Lemminkäinen manages the bitumen price risk with contractual terms and oil derivatives. On top of this, unexpected changes in the weather conditions and business cycles can cause volatility in income generation.

Lemminkäinen's business operations are exposed to financial risks, such as liquidity, interest rates, foreign exchange rates, as well as impairment of tangible and intangible goods. Management of financial risks is based on Lemminkäinen treasury policy defining the operating principles and division of responsibility in financial risk management and funding activities. Lemminkäinen seeks to protect itself from currency exchange risks primarily through operative means and, if necessary, transaction risks are hedged with the aid of foreign currency loans and currency derivatives. The company does not hedge translation risk. In 2014, approximately 40% of Lemminkäinen's net sales were generated in functional currencies other than the euro, the major currencies being the Russian rouble as well as Norwegian krone, Swedish krona and Danish krone.

More information about Lemminkäinen's risks, including a more detailed description of the company's risk management, is presented on the company website. A more detailed account of the financial risks is also provided in the notes to the annual financial statements.

Financials › Board of Directors' report › Market outlook

Market outlook

In Finland, the outlook for new construction is still weak and building construction is supported by renovation projects, which are less dependent on the economic cycles. The general economic uncertainty and longer sales times of old private houses will slow down housing sales to consumers. Ongoing urbanisation will affect the housing market in many ways, and the focus of demand will be on small apartments in urban growth centres. The few commercial construction projects will also be concentrated in urban growth centres and the Helsinki metropolitan area in particular.

The outlook for infrastructure construction improved slightly after the governmental programme last summer. However, the benefits yielded by these investments will most likely to be realised in full from 2016 onwards. The government committed to promote significant traffic projects, such

as the West Metro, City Rail Loop (Pisara-rata) and the tram in Tampere. The outlook for infrastructure construction will be impaired by weak development in building construction and cuts in road maintenance appropriations in the state budget.

In Norway, Sweden and Denmark, multi-year, state-funded traffic infrastructure development plans are currently underway. These countries are also investing in the renewal of energy production, and large-scale road and rail projects are being planned around urban growth centres over the coming years. In addition, the private sector will most likely continue to invest in infrastructure construction.

In Russia, the outlook continues to be uncertain. The declining oil price and lack of investments slow down

the country's economic growth and impairs the general construction market. The weakening of the rouble increases mortgage interest rates, which may also decrease the demand for comfort-class apartments in the near future. Efforts to develop infrastructure are ongoing, and numerous state- and municipality-funded projects to expand and repair road networks are currently underway across the country. However, the decline in oil price limits state funding, which may have an impact on the volume of infra projects and their prioritisation in the coming years.

In the Baltic countries, the volume of infrastructure construction is estimated to decrease in 2015 but to pick up in 2016. In these countries, several road construction and renovation projects are being planned, many of them with EU funding. The possible launch of the Rail Baltica traffic project would boost the infrastructure construction market situation in all of the Baltic countries.

Financials › Board of Directors' report › Board of Directors' proposal for the distribution of profit

Board of Directors' proposal for the distribution of profit

The distributable shareholders' equity shown on the balance sheet of the parent company, Lemminkäinen Corporation, amounts to EUR 136,159,542.86 consisting of EUR 90,580,653.68 in invested unrestricted equity fund, EUR 47,951,259.89 in retained earnings from previous years and EUR -2,372,370.71 in result for the financial year.

The Board of Directors proposes to the AGM that the company will not pay a dividend for the financial year ended 31 December 2014, and thus retained earnings would stand at EUR 45,578,889.18.

Financials › Board of Directors' report › Profit guidance for 2015

Profit guidance for 2015

Lemminkäinen estimates that its net sales will not increase as compared to 2014 net sales (EUR 2,044.5 million). Operating profit (IFRS) is expected to improve as compared to 2014 (EUR 36.3 million).

Helsinki, 4 February 2015

LEMMINKÄINEN CORPORATION

Board of Directors

Financials › Consolidated financial statements › Consolidated income statement (IFRS)

Consolidated income statement (IFRS)

EUR 1,000	Note			1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Net sales	2	3	6	2,044,482	2,020,127
Other operating income			7	18,251	16,212
Change in inventories of finished goods and work in progress				14,487	50,063
Production for own use				1,402	1,526
Use of materials and services				1,477,516	1,545,771
Employee benefit expenses	8	29	30 39	336,964	361,738
Depreciation and amortisation		2	9	43,164	44,642
Impairment			9	1,270	
Other operating expenses			10	183,951	225,654
Share of the profit of associates and joint ventures			11	497	562
Operating profit			2	36,255	-89,316
Finance income			12	41,285	18,155
Finance costs			12	79,194	44,928
Profit before income				-1,654	-116,089
Income taxes			13	-3,346	19,885
Profit from continuing operations				-5,000	-96,204
Profit from discontinued operations			14	23,130	2,705
Profit for the financial year				18,130	-93,498
Profit for the financial year attributable to					
Equity holders of the parent company				18,165	-93,723
Non-controlling interests				-35	225
Basic and diluted earnings per share attributable to equity holders of the parent company					
From continuing operations			15	-0.68	-4.94
From discontinued operations			15	1.08	0.13
From profit for the year			15	0.40	-4.81

Consolidated statement of comprehensive income (IFRS)

EUR 1,000	Note	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Profit for the financial year		18,130	-93,498
Items that will not be reclassified to profit or loss			
Defined benefit pension obligations	16 27	-3	2,404
Items that may be reclassified subsequently to profit or loss			
Translation difference	16 27	-18,559	-7,675
Cash flow hedge	16 27	59	378
Change in fair value of available-for-sale financial assets	16 27		-15
Other comprehensive income, total		-18,504	-4,909
Comprehensive income for the financial year		-374	-98,407
Comprehensive income for the financial year			
Equity holders of the parent company		-339	-98,632
Non-controlling interests		-35	225
Comprehensive income attributable to equity holders of the parent company arises from			
Continuing operations		-23,469	-101,337
Discontinued operations		23,130	2,705

Financials › Consolidated financial statements › Consolidated statement of financial position (IFRS)

Consolidated statement of financial position (IFRS)

EUR 1,000	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Property, plant and equipment	18	181,217	201,111
Goodwill	19	53,846	80,100
Other intangible assets	19	20,182	29,234
Holdings in associates and joint ventures	11	6,916	8,831
Available-for-sale financial assets	20	3,191	3,764
Deferred tax assets	13	42,026	38,540
Other non-current receivables	21	546	904
		307,923	362,484
Current assets			
Inventories	22	523,987	504,385
Trade and other receivables	23	290,014	391,174
Income tax receivables		1,656	3,529
Available-for-sale financial assets	24	25,118	30,010
Cash and cash equivalents	25	109,080	51,072
		949,854	980,170
TOTAL ASSETS		1,257,777	1,342,654
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	27	34,043	34,043
Share premium account	27	5,675	5,675
Hedging reserve	27		-59
Invested non-restricted equity fund	27	91,448	63,763
Hybrid bond	27	138,377	69,095
Translation difference		-21,702	-3,143
Retained earnings		146,360	247,807
Profit for the financial year		18,165	-93,723
		412,365	323,457
Non-controlling interests	11	143	582
Total equity		412,508	324,038
Non-current liabilities			
Interest-bearing liabilities	28	139,513	61,348
Deferred tax liabilities	13	15,583	13,168
Pension obligations	29	553	867
Provisions	31	27,461	19,935
Other non-current liabilities	32	793	3,033
		183,903	98,351
Current liabilities			
Interest-bearing liabilities	28	208,291	346,277
Provisions	31	11,134	7,229
Trade and other payables	32	440,882	564,851
Income tax liabilities		1,059	1,906
		661,366	920,264
Total liabilities		845,269	1,018,615
TOTAL EQUITY AND LIABILITIES		1,257,777	1,342,654

Financials › Consolidated financial statements › Consolidated cash flow statement (IFRS)

Consolidated cash flow statement (IFRS)

EUR 1,000	Note	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Cash flows from operating activities (including discontinued operations)			
Profit before taxes		21,554	-117,521
Adjustments	35		
Depreciation and impairment		44,684	45,329
Share of the profit of associates and joint ventures		-497	-562
Finance income and costs		37,900	26,669
Other adjustments		-37,609	-4,757
Cash flow before change in working capital		66,031	-50,842
Change in working capital			
Increase(-)/decrease(+) in trade and other receivables		8,184	-54,459
Increase(-)/decrease(+) in inventories		-51,583	-18,589
Increase(+)/decrease(-) in current liabilities		-52,459	156,225
Cash flow from operations before financial items and taxes		-29,827	32,335
Interest paid		-23,624	-25,177
Other finance costs paid		-35,892	-18,346
Dividends received		615	361
Interest received		700	1,285
Other finance income received		34,942	16,304
Income tax paid		-1,679	1,513
Cash flow from operating activities		-54,765	8,275
Cash flows from investing activities (including discontinued operations)			
Purchases of property, plant and equipment		-23,732	-26,025
Proceeds from sale of property, plant and equipment		15,279	15,814
Purchases of intangible assets		-3,655	-15,563
Proceeds from sale of intangible assets		180	569
Investments in other assets		-93,795	-92,010
Proceeds from sale of other investments		99,996	124,587
Acquired subsidiary shares less cash and cash equivalents at time of purchase		-2,760	-11,849
Disposed subsidiary shares less cash and cash equivalents at time of sale		58,600	-2,265
Purchases of shares in associates and joint ventures		393	
Cash flow from investing activities		50,507	-6,742
Cash flows from financing activities (including discontinued operations)			
Increase(-)/decrease(+) of long-term loan receivables		-646	-185
Rights offering		29,272	
Transaction cost from rights offering		-1,984	
Proceeds from short-term borrowings		199,729	490,682
Repayments of short-term borrowings		-303,631	-456,614
Proceeds from long-term borrowings		300,604	301,271
Repayments of long-term borrowings		-217,683	-291,437
Hybrid bond		69,283	
Repayments of finance lease liabilities		-12,030	-14,678
Dividends paid		-143	-11,744
Cash flow from financing activities		62,771	17,296
Increase(+)/decrease(-) in cash and cash equivalents		58,513	18,829
Cash and cash equivalents at beginning of financial year		51,072	34,926
Translation difference of cash and cash equivalents		-505	-2,683
Cash and cash equivalents at the end of financial year	25	109,080	51,072

Financials › Consolidated financial statements › Consolidated statement of changes in equity (IFRS)

Consolidated statement of changes in equity (IFRS)

EUR 1,000	Note	Share capital	Share premium account	Hedging reserve	Fair value reserve	Invested non-restricted equity fund	Hybrid bond	Translation difference	Retained earnings	Parent company shareholders' equity	Non-controlling interest	Total equity
Equity 1 Jan 2013		34,043	5,675	-436	15	63,607	69,095	4,532	264,861	441,391	373	441,764
Profit for the financial year									-93,723	-93,723	225	-93,498
Items that will not be reclassified to profit or loss												
Pension obligations	29								2,404	2,404		2,404
Items that may be reclassified subsequently to profit or loss												
Translation difference	27							-7,675		-7,675		-7,675
Cash flow hedge	27			378						378		378
Change in fair value of available-for-sale financial assets						-15				-15		-15
Comprehensive income for the financial year				378	-15			-7,675	-91,319	-98,632	225	-98,407
Acquisition of shares of non-controlling interest									-270	-270		-270
Change in non-controlling interest											-16	-16
Option to redeem shares from non-controlling interest									-535	-535		-535
Direct entries, acquisition of non-controlling interest									-800	-800		-800
Recognition of share-based payments						156			-808	-651		-651
Hybrid bond interest									-5,285	-5,285		-5,285
Dividends paid	17								-11,762	-11,762		-11,762
Transactions with owners, total						156			-19,459	-19,303	-16	-19,318
Equity 31 Dec 2013		34,043	5,675	-59		63,763	69,095	-3,143	154,084	323,457	582	324,038

EUR 1,000	Note	Share capital	Share premium account	Hedging reserve	Fair value reserve	Invested non-restricted equity fund	Hybrid bond	Translation difference	Retained earnings	Parent company share-holders' equity	Non-controlling interest	Total equity
Equity 1 Jan 2014		34,043	5,675	-59		63,763	69,095	-3,143	154,084	323,457	582	324,038
Profit for the financial year									18,165	18,165	-35	18,130
Items that will not be reclassified to profit or loss												
Pension obligations	29								-3	-3		-3
Items that may be reclassified subsequently to profit or loss												
Translation difference	27							-18,559		-18,559		-18,559
Cash flow hedge	27			59						59		59
Comprehensive income for the financial year				59				-18,559	18,161	-339	-35	-374
Share-based incentive schemes									163	163		163
Contingent shares returned to the company											-403	-403
Shares returned to the company, acquisition of non-controlling interest by share exchange in 2010								424	424			424
Rights offering	27					29,272			29,272			29,272
Transaction cost from rights offering	27					-1,587			-1,587			-1,587
Hybrid bond interest								-8,307	-8,307			-8,307
Transactions with owners, total						27,684		-7,720	19,964		-403	19,561
Hybrid bond	27						69,283		69,283			69,283
Equity 31 Dec 2014		34,043	5,675			91,448	138,377	-21,702	164,525	412,365	143	412,508

Accounting principles applied in the IFRS consolidated financial statements, 31 December 2014

Basic information on the company

Lemminkäinen Corporation is a public limited company established under the laws of Finland and domiciled in Helsinki. The company's registered address is Salmisaarenaukio 2, 00180, Helsinki, Finland.

Lemminkäinen Corporation is the parent company of the Group and together with its subsidiaries comprises the Lemminkäinen Group (later "the Group" or "the company"). The Group produces building and infrastructure construction mainly in Finland and other Nordic countries as well as in Russia and the Baltics.

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and the IAS and IFRS standards as well as the SIC and IFRIC interpretations that were in force on 31 December 2014 have been observed in their preparation. The term 'International Financial Reporting Standards' refers to standards and their interpretations authorised for use in the European Union in accordance with the procedure prescribed in EU Regulation (EC) No. 1606/2002 as well as in the Finnish Accounting Act and the provisions laid down pursuant to the Act. The notes to the consolidated financial statements are also in accordance with Finnish accounting and community legislation supplemental to the IFRS regulations.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The areas involving management judgements, estimates and assumption are presented in paragraph Management judgements and estimates

The financial statements have been prepared in euros and are presented in thousands of euros in the annual report. Transactions are treated on the basis of original acquisition costs, with the exception of financial instruments, pension obligations, contingent considerations in acquisitions recognised as liability and options to redeem shares from non-controlling shareholders recognised as liability.

The Board of Directors approved the publication of the consolidated financial statements on 4 February

2015. Copies of the Lemminkäinen Corporation's and the consolidated financial statements will be available on the company's website at www.lemminkainen.com from week 10 of 2015 onwards. Printed copies of the consolidated financial statements can be ordered via e-mail info@lemminkainen.com, from week 11/2015 onwards.

Principles of consolidation

Subsidiaries

The consolidated financial statements include Lemminkäinen Corporation and those entities (subsidiaries) that are under its control. Lemminkäinen Corporation controls an entity when it has power over that entity and it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries acquired during the accounting period are included in the consolidated financial statements from the moment of the Group gaining control, and divested subsidiaries up until the time that the control is lost. Direct acquisition costs are recognised as other operating expenses in the income statement.

Intra-group shareholdings are eliminated by means of the acquisition method. The acquisition price comprises the consideration paid, the non-controlling interest in the acquiree, and the fair value of the previously held interest. The consideration paid is measured as the fair value of the assets given, liabilities assumed, and equity instruments issued by the Group. Any contingent consideration is measured at fair value at the time of acquisition and is included in the consideration paid. It is classified as either a liability or equity. Any contingent consideration classified as a liability is fair valued on the reporting date of each reporting period, and the resulting gains or losses are recognised through profit or loss. A contingent consideration classified as equity is not re-measured. Non-controlling interest in the acquiree is recognised on an acquisition-by-acquisition basis at either fair value or the amount corresponding to the share of the net assets of the acquiree held by non-controlling interests. The amount by which the sum of the consideration paid, the non-controlling interest in the acquiree, and the fair value of the previously held interest exceed the fair value of the acquired net assets is recognised as goodwill on the balance sheet. If the total amount of consideration, the non-controlling interest in the acquiree, and the previously held interest is smaller than the fair value of the acquired subsidiary's net assets, the difference is recognised

in the statement of comprehensive income. Fixed price symmetrical put and call option in relation to acquisition of non-controlling interest is recognised at fair value in the financial liabilities. When this kind of option exists, the share of the non-controlling interest is not recognised in the consolidated balance sheet.

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

Intra-group transactions; unrealised internal margins; and internal receivables, liabilities, and dividend payments are eliminated on consolidation. The distribution of profit for the financial year to the shareholders of the parent company and to the non-controlling interests is presented in the income statement. On the balance sheet, the non-controlling interest is included in the total equity of the Group.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Control is defined similarly as with subsidiaries.

A joint arrangement is classified as a joint operation or a joint venture. The participating parties of a joint operation have the rights to the assets, and obligations for the liabilities, relating to the arrangement. The company consolidates its share of the joint operation's assets, liabilities, revenues and expenses. The company's consortiums in Finland are typically classified as joint operations.

The participating parties of a joint venture have the right to the joint arrangement's net assets. The company consolidates joint ventures using the equity method. In equity

method the Group's share of the profit of the joint venture corresponding to its ownership stake is included in the consolidated income statement. Correspondingly, the Group's share of the equity in the joint venture, including the goodwill arising from its acquisition, is recorded as the value of the Group's holding in the joint venture on the consolidated balance sheet. If the Group's share of the losses of a joint venture exceeds the investment's carrying amount, the investment is assigned a value of zero on the balance sheet and the excess is disregarded, unless the Group has obligations related to the joint venture.

Unrealised gains arising in connection with business and fixed asset transactions between the Group and joint ventures are eliminated in proportion to the holding. The eliminated gain is recognised through profit or loss as it is realised.

Associates

An associate is an entity over which the company has significant influence. If the company holds, directly or indirectly, 20 per cent or more of the voting power of the entity, it is presumed that the company has significant influence, unless it can be clearly demonstrated that this is not the case. The company consolidates associates using the equity method. The Equity method is described above in joint arrangements paragraph.

Operating segments

The Group comprises the following operating segments: Infrastructure construction; Building construction, Finland and Russian operations.

Reported segment information is based on internal segment reporting to the chief operating decision maker.

Lemminkäinen Group's chief operating decision maker is the President and CEO of Lemminkäinen Corporation. Internal segment reporting to the management covers net sales, depreciation, operating profit, and as assets fixed assets, inventories, and trade receivables. The figures reported to the management are accurate to the nearest EUR 1,000.

Reportable segment information is prepared according to the accounting principles applied for the consolidated financial statements with the exception of discontinued operations, which are not specified in the segment information.

Intra-group transactions are priced at market prices. The cost plus method, wherein the price of a product or service is determined by the addition of an appropriate profit mark-up to the costs incurred, is the main transfer pricing method applied.

Presentation of the financial statements

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

Non-current assets held for sale and discontinued operations

Non-current assets are classified (or disposal group) as held for sale if their carrying amount will be recovered principally through a sale transaction and sale is highly probable. If the carrying amount of non-current assets will be recovered principally through a sale transaction rather than through continuing use, they are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation stops/ceases from the moment the asset is classified as held for sale.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale. A discontinued operation represents a separate major line of business or geographical area of operations, or is part of a co-ordinated plan to dispose of a separate major line of business or geographical area of operations. As well a subsidiary acquired exclusively with a view to resale is classified as a discontinued operation. The profit for the current and comparative period from discontinued operation is presented separately in the consolidated income statement.

Foreign currency items

The consolidated financial statements are presented in euros, which is also the functional and presentation currency of the Group's parent company. The figures relating to the profit and financial position of group companies are initially recognised in the functional currency of their operating environment. Every group company's functional currency is the primary currency of the economic environment in which the entity/company operates. Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Receivables and liabilities denominated in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Exchange rate differences resulting from operating activities are recorded as adjustments to the corresponding items above the operating profit. Exchange rate gains and losses related to financing are recognised as finance income and costs.

Income statements of group companies outside the euro area are translated into euros in line with the average exchange rates for the accounting period. Items in the balance sheet and in the statement of comprehensive income are translated into euros at the exchange rates prevailing on the balance sheet date. The translation differences resulting from the translation of the income statement and balance sheet at different exchange rates and from the elimination of the acquisition cost of subsidiaries outside the euro area are recognised in equity and the changes presented in the statement of comprehensive income. When foreign subsidiaries are divested, the translation difference accrued in equity is recognised through profit and loss as part of gains or losses.

Goodwill arising from the acquisition of subsidiaries outside the euro area as well as fair value adjustments to the carrying amounts of the assets and liabilities of the foreign subsidiaries are treated as assets and liabilities of the foreign subsidiaries in question and are translated into euros at the exchange rates prevailing on the balance sheet date.

Financial assets

Financial assets are recognised on the settlement date. The Group classifies financial assets on initial recognition into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables. The category is determined in accordance with the purpose for which the financial asset has been acquired. Financial assets are derecognised once the Group has lost the contractual right to their cash flows or when it has substantially transferred their risks and rewards to a party outside the Group.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include all derivative contracts that do not meet the hedge accounting criteria. These derivative contracts include interest rate, foreign exchange and commodity derivatives. Derivatives are carried at fair values based on market prices and generally accepted valuation models. Changes in the fair values are recognised according to the nature of the derivative, either in the Group's financial items or in other operating income or expenses.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets other than derivative contracts, that are specifically designated as such or that are not classified in any other category. The Group's available-for-sale financial assets include property, housing-company and other shares, as well as short-term money-market investments. Available-for-sale financial assets are measured at fair value. Changes in the fair

values are recognised in equity and presented in other comprehensive income. If a fair value cannot be reliably measured, the asset is recognised at cost less impairment, if any. The dividends from equity instruments included in available-for-sale financial assets and the interest from fixed-income instruments are recognised under financial items.

When financial assets classified as available-for-sale are sold or impairment is recognised, accumulated fair value changes recognised in equity are reclassified in profit or loss either under other operating income or expenses if the asset is an equity instrument, or under financial items if the asset is other than an equity instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, and are not quoted in an active market. Loans and receivables of the Group also include trade and other receivables on the balance sheet. Loans and receivables are initially recognised at fair value added with transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank-account balances and liquid money-market investments with original maturities of three months or less.

Impairment of financial assets

On every reporting date, the Group assesses whether there is any objective evidence of impairment of the value of a financial asset or a group of financial assets. If there is objective evidence of impairment, the amount recoverable from the financial asset, which is the fair value of the asset, is estimated and the impairment loss is recognised wherever the carrying amount exceeds the recoverable amount. Impairment losses are recognised in the income statement. For example, when a debtor is in significant financial difficulties, any probable bankruptcy, delinquent payments, or payments that are more than 90 days overdue constitute evidence of possible impairment of the receivables.

Financial liabilities

Financial liabilities are initially recognised on the settlement date at fair value less transaction costs. Subsequently, all financial liabilities except derivative instruments are measured at amortised cost using the effective interest rate method. Financial liabilities at fair value through profit or loss include all derivative contracts that do not meet the hedge accounting criteria. These derivative contracts include interest rate, foreign exchange and commodity derivatives. Derivatives are carried at fair values based on market prices

and generally accepted valuation models. Changes in the fair values are recognised according to the nature of the derivative, either in the Group's financial items or in other operating income or expenses.

Fees paid on the establishment of loan facilities are capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

The Group has non-current and current financial liabilities, and they may be interest-bearing or non-interest-bearing. Financial liabilities are derecognised once the Group's obligations in relation to liability is discharged, cancelled or expired.

Capitalisation of borrowing costs

The company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. A qualifying asset is one that takes a substantial period of time to complete for its intended purpose. A qualifying asset may be a fixed or movable asset, an inventory item or an intangible asset.

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

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the balance sheet on the date a derivative contract is entered into and subsequently re-measured at their fair value on each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group applies cash flow hedge accounting for certain variable-rate loans. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risks management objectives and strategy. The effectiveness of the hedging relationship is assessed at inception and then at regular intervals at least on every reporting day. The gain or loss relating to the effective portion of the eligible derivatives are deferred in hedging reserve of equity and presented in other comprehensive income. The ineffective portion

is recognised under financial items in the income statement. The cumulative change in fair value is transferred from equity and recognised in the income statement for the periods in which the hedged item affects the result.

When a hedging instrument expires or is sold, or the hedge no longer meets the criteria for hedge accounting, the hedge accounting is ceased. Any cumulative gain or loss from the hedging instrument remains in equity until the forecasted transaction is ultimately recognised in the income statement. If the forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within financial items.

Derivatives that are not eligible for hedge accounting are classified as current assets or liabilities. Changes in the fair value of these derivatives are recognised according to the nature of the derivative, either in other operating income and expenses or in the financial items.

Revenue recognition

Revenues from goods and services sold are recognised as net sales less indirect taxes and discounts. If the sales transaction contains both unconditional and contingent considerations, the company examines the meeting of revenue recognition criteria concerning both considerations separately.

Recognition of revenue from construction projects Percentage-of-completion

When recognising revenue from construction projects, the company applies the percentage-of-completion method if the project in question possesses the characteristics of construction contract and the project's outcome can be estimated reliably. Construction contracts from which revenue is recognised with percentage-of-completion method are specifically negotiated for the construction of an asset or a combination of assets. In the case of real estate construction, the buyer must also be able to decide on the primary structural or functional characteristics of the project before or during construction, in order for the real estate construction project to be recognised using the percentage-of-completion method. If the project's outcome cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and costs are expensed in the period in which they incur.

The percentage-of-completion of a project is calculated as the ratio of actually incurred costs to estimated total costs. If it is likely that the total costs needed for completion of a project on the order book will exceed the total revenue receivable from the project, the anticipated loss is immediately recognised in its entirety as an expense.

When the costs incurred and recognised profits are greater than billing based on the project's progress, the difference is presented under the balance sheet item 'trade and other receivables' as project income receivables. If the costs incurred and recognised profits are less than the billing based on the project's progress, the difference is presented in the balance sheet item 'accounts payable and other current liabilities' as received advance payments or project expense liabilities.

In commercial building construction, the amount and probability of lease liability commitment is estimated as a project progresses. Provision is made, when there is a buyer for the property and the management estimates that it is probable that the company will have to fulfil lease liability commitments.

There are long-term construction projects from which revenue is recognised with percentage-of-completion method in all segments of the company.

Completed contract method

Revenue from building construction projects, where the buyer does not have a contractual right to specify major structural elements of the building is recognised on completion in connection with delivery and in accordance with revenue recognition principles of the sale of manufactured goods. Projects from which revenue is recognised on completion are mostly Building construction and Russian operations segments' own residential and commercial building development projects.

Recognition of revenue from services

Revenue recognition from services is based on the percentage-of-completion on the reporting date. The same revenue recognition principles are applied as for recognition of construction projects under the percentage-of-completion method. Service business exists in all segments of the company.

Recognition of revenue from the sale of manufactured goods

The company recognises revenue from the sale of manufactured goods at the time when the significant risks and rewards associated with product ownership are transferred to the buyer and the company no longer has any authority or control over the product. As a rule, this means the time when the product is handed over to the customer in accordance with the agreed terms and conditions of delivery. The fair value of revenue received, adjusted for indirect taxes, discounts given and exchange rate differences on foreign currency sales, is presented in the income statement as net sales. There are sales of manufactured goods mostly in infrastructure segment.

Recognition of life-cycle projects

In life-cycle projects, the operator – that is, the service provider – builds or improves the infrastructure used for service provision and provides operation services for said infrastructure. The company recognises revenue from construction and improvement services as well as from operation services on the basis of the percentage-of-completion.

Recognition of interest and dividends

Interest income is recognised over the period of the borrowing using the effective interest rate method. Dividends are recognised when the right to receive payment is established.

Non-current assets

Property, plant and equipment

Property, plant and equipment are recognised on the balance sheet at cost less depreciation and impairment. Property, plant and equipment are depreciated on a straight-line basis over their estimated useful economic lives. Land has indefinite useful economic life and is therefore not subject to depreciation. Estimated useful economic lives of property, plant and equipment are as follows:

- Buildings and structures 10–40 years
- Machinery and equipment 3–10 years
- Mineral aggregate deposits depreciation based on material depletion
- Other property, plant and equipment 10 years

An asset is subject to depreciation when it is available for use. Depreciation is charged over the period from the asset's introduction to use until the end of its useful economic life. The residual value and economic life of assets are reviewed in connection with the preparation of each annual financial statements and, if necessary, these are adjusted to reflect any changes that may have occurred in the economic benefit expected. When all depreciation charges according to plan have been made, the residual value of the asset is zero. Depreciation of property, plant and equipment ceases when it is classified as held for sale.

Normal maintenance and repair costs are expensed as incurred. Significant improvements or additional investments are capitalised and depreciated over the remaining useful economic life of the asset to which they pertain, provided that it is likely that the company will derive future economic benefit from the asset. Gains on the sale of property, plant and equipment are presented in other operating income, and losses in other operating expenses. The Group expenses the interest costs of the acquisitions of property, plant and equipment, unless the project meets the requirements for capitalisation of borrowing costs, in which case they are capitalised as part of the acquisition cost.

Intangible assets

An intangible asset is recognised in the balance sheet, when the cost of the asset can be measured reliably and it is probable that the expected economic benefits that are attributable to the asset will flow to the entity. Intangible assets are recognised at cost less amortisation and impairment in the balance sheet. Amortisation of an intangible asset is recorded from the moment the asset is available for use. Amortisations are recorded until the end of the asset's useful economic life. When all amortisations according to plan are made, the residual value of the asset is zero. Residual values and useful lives of the assets are reviewed at each financial year-end and, adjusted, if necessary to reflect changes in the expected economic benefits.

Goodwill

Goodwill is the amount by which the acquisition cost exceeds the Group's interest in the net fair value of its identifiable assets, liabilities and contingent liabilities at the time of acquisition. Possible non-controlling interest is measured either at fair value, or a value equal to the non-controlling owners' proportions of the identifiable net assets of the acquiree. The valuation principle is determined separately for each acquisition.

Goodwill is not amortised. Instead, it is regularly tested for impairment. In the impairment testing, goodwill is allocated to cash-generating units. Goodwill is recognised on the financial statements at cost less impairment, if any, which is expensed on the income statement.

Other intangible assets

Other intangible assets include IT software licence fees as well as other licence fees and patents, including their advance payments. Other intangible assets are recorded at cost in the balance sheet and are depreciated over their useful economic lives. The estimated useful lives of intangible assets are:

- IT software licence fees 5 years
- Other intangible assets 5–10 years

Other capitalised expenditure

Intangible assets include other capitalised expenditure that are not related to property, plant and equipment and have economic effects lasting longer than one year. Other capitalised expenditure creates future economic benefits over their useful economic lives. The benefits can be either income or cost savings.

Research and development expenditure

Research expenditure is expensed as incurred. Development expenditure is recognised on the balance sheet when the intangible asset satisfies all the following criteria:

- Research and development phases can be separated from each other
- It is technically feasible and it can be used or sold
- It will be completed and either used or sold
- It can be demonstrated that the asset will generate probable future economic benefit and that the company has the adequate resources to use or sell the intangible asset
- Its development expenditure can be reliably measured

If the development expenditure does not satisfy all the above capitalisation criteria, it is expensed as incurred.

Grants received

Government grants received from a public-sector source are recognised as income on the income statement at the same time that corresponding costs are expensed. Investment grants are deducted from the value of the asset in question.

Impairment

The carrying amounts of assets are assessed on each reporting date to determine whether there are indications of impairment. If indications of impairment are found, the recoverable amount for the asset in question is assessed. The recoverable amount for an asset is either its fair value less costs to sell or, if higher, its value in use. In the measurement of value in use, expected future cash flows are discounted to their present value with discount rates that reflect the time value of money and the risks specific to the asset. The Weighted Average Cost of Capital (WACC) is used as the discount factor. WACC takes into account the risk-free interest rate, the liquidity premium, the expected market rate of return, the industry's beta value, country risk and the debt interest rate, including the interest rate margin. These components are weighted according to the fixed, average target capital structure of the sector. If it is not possible to calculate the recoverable cash flows for an individual asset, the recoverable amount for the cash-generating unit to which the asset belongs is determined. An impairment loss is recognised on the income statement if the carrying amount exceeds the recoverable amount.

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

Impairment losses related to assets other than goodwill are reversed if the estimates used for determination of the recoverable amount of the asset have changed. The biggest permitted reversal equals the carrying amount of the asset less depreciation if impairment was not recognised in earlier years.

Leasing agreements wherein the Group is the lessee

Leasing agreements that pertain to property, plant and equipment in which a substantial proportion of the risks and rewards of ownership are transferred to the Group are classified as finance leases. Finance leases are presented as assets in the balance sheet at a value equal to the fair value of the leased item on the date of the lease's commencement or, if lower, the present value of the minimum lease payments. Corresponding liability is presented in current and non-current borrowings.

Assets leased under finance leases are depreciated over the useful economic life of the asset class or a shorter period as the life of the lease elapses. Possible impairment losses are recognised as reductions of the asset in question. Annual lease payments are divided into finance costs and debt amortisation instalments over the life of the lease so that the same interest rate is applied to the outstanding debt in every accounting period.

Leasing agreements in which the risks and rewards of ownership are retained by the lessor are treated as operating leases. Payments under operating leases are treated as lease expenses, and they are expensed over the lease term. If the lease agreement is not expected to yield future benefits, the minimum lease payments under the contract are immediately recognised as costs.

Inventories

Inventories are measured at the lower of acquisition cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of selling are not included in the valuation of inventories at cost. Finance costs are included in the valuation of inventories at cost only when the particular project meets the requirements set for capitalisation of borrowing costs. The cost of materials and supplies is assigned by using the FIFO (first-in, first-out) principle. Net realisable value is the estimated selling price in ordinary business operations less the estimated expenditure on product completion and sales. The carrying amounts of separate items in inventories are not decreased when the completed products in which the items belong to are expected to be sold at a price equalling or exceeding the combined acquisition costs of the separate items.

Treatment of own building developments

Expenditure committed to own building developments is capitalised on the balance sheet as inventories. Liabilities and prepayments related to real estates under construction are included in current liabilities. The share of loans obtained that corresponds to the unsold proportion of flats that are still under construction as well as the proportion of loans for completed but unsold flats is included in current interest-bearing liabilities.

Employee benefits

Pension obligations

The pension schemes of Lemminkäinen's group companies are generally defined contribution plans. Defined contribution plan related payments are made to pension insurance companies, after which the Group has no other payment obligations. Payments in respect of defined contribution plans are expensed on the income statement in the accounting period in which they accrue. Other pension plans than defined contribution plans are defined benefit plans. The company has defined benefit plans in Norway and Finland. In the case of a defined benefit plan, a pension liability is recognised to the extent that the plan gives rise to a pension obligation. If a defined benefit plan gives rise to a pension surplus, it is recognised in prepayments and accrued income on the balance sheet.

The pension costs of a defined benefit plan are measured by the projected unit credit method. The amount of pension liability is calculated by deducting the fair value of the assets belonging to the pension scheme from the present value of the future pension obligations. The defined benefit pension costs consist of employee service based expenses and are booked to employee benefit expenses for the duration of the employee service. Net interests from defined benefit plans are booked to finance income or costs. The actuarial gains and losses are recognised through the statement of comprehensive income as a change in pension obligation or asset.

The Finnish group companies' pension liability is determined by calculating the present values of estimated future cash flows, using Eurozone high investment grade companies' bond interest rates as discount rates. In Norway, where no deep markets for mentioned bonds exist, the discount rate is determined by Norwegian government bonds' market returns. The bonds used in determining the discount rates are in the same currency as pension benefits to be paid. The chosen discount rate reflects the estimated average moment of payment of the benefits.

Market values are primarily used for defining the fair value of plan assets. If a market value is not available, the fair value

is estimated by discounting the expected future cash flows using the same discount rate that is used for defining the pension liability.

Remuneration schemes

The Group has a share-based remuneration schemes. Share-based rewards are measured at fair value of Lemminkäinen share on the date of their being granted and expensed over their vesting and commitment periods. Matching shares are expensed over their commitment periods. The expenses of other management remuneration are recognised in the income statement as personnel expenses as they arise.

Provisions, contingent liabilities and contingent assets

A provision is made when the Group has a legal or constructive obligation based on some past event and it is likely that exemption from responsibility would either require a payment or would result in a loss, and that the amount of liability can be reliably measured. Provisions have not been discounted because of the minor effect of the discounting.

Warranty provisions cover after completion repair costs arising from warranty obligations. Warranty provisions are calculated on the basis of the level of warranty expenses actually incurred in earlier accounting periods and are recognised when income from a project is recognised on the income statement. If the Group will receive reimbursement from a subcontractor or material supplier on the basis of an agreement in respect of anticipated expenses, the future compensation is recognised when its receipt is, in practice, beyond doubt.

Provision is made for onerous contracts when the amount of expenditure required by the agreement to fulfil the obligations exceeds the benefits that may be derived from it. The provisions made for onerous contracts do not include the losses from construction contracts.

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

10-year liability provision arising from residential and commercial construction is determined by considering the class of 10-year liabilities as a whole. In this case, the likelihood of future economic loss for one project may be small, although the entire class of these obligations is considered to cause an outflow of resources from the company.

Lease liability commitment arises, when the company has a contractual obligation to obtain tenants for premises not yet leased in a commercial real estate under construction. The

amount and probability of lease liability commitment is estimated as the project progresses. Provision is made, when there is a buyer for the property and the management estimates that it is probable that the company will have to fulfil lease liability commitments.

The company recognises a provision for legal proceedings when it estimates that an outflow of financial resources is likely and the amount of the outflow can be reliably estimated.

Contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of an uncertain future event that is not wholly within the control of the Group. In addition, a present obligation whose settlement is not likely to require an outflow of financial resources and an obligation whose amount cannot be measured with sufficient reliability are deemed contingent liabilities. No provision is made for contingent liability and it is presented in the notes of the financial statement.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in financial statements but it is presented in the notes of the financial statement.

Income taxes

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

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

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

Distribution of dividends

The proposed dividend by the Board of Directors to the annual general meeting is not recognised as a deduction of distributable equity until it has been approved by the Annual General Meeting.

Hybrid bond

A hybrid bond is recognised in shareholders' equity after equity belonging to shareholders. The bond holders do not have any rights equivalent to ordinary shareholders, and the bond does not dilute shareholders' ownership in the company. The company has no contractual obligation to repay the loan capital or the interest on the loan. The hybrid bond is initially recognised at fair value less transaction cost and subsequently the bond is measured at cost. If interest is paid to the hybrid bond, it is recognised directly into retained earnings.

Treasury shares

Where the parent company of the group or any group company purchases the parent company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the company's equity holders until the shares are cancelled. Where such ordinary shares are subsequently sold or reissued, any consideration received is included in the equity attributable to the company's equity holders. No gain or loss is recognised in the income statement from purchasing, selling, issuance or cancellation of company's equity instrument.

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent company, less hybrid bond interest calculated on accrual basis and adjusted with tax effect, by the weighted average number of ordinary shares in issue during the year. Treasury shares held by the company and outstanding ordinary shares that are contingently returnable are excluded from the weighted average number of ordinary shares in issue. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume the conversion of all dilutive potential ordinary shares.

Management judgement and estimates

The use of judgement and estimates

When preparing the financial statements, the company management has to make accounting estimates and assumptions about the future, as well as judgement-based decisions on the application of the accounting principles. These estimates and decisions affect the reported amounts of assets, liabilities, income and expenses for the accounting period as well as the recognition of contingent items. The estimates and assumptions are based on historical knowledge and other justifiable assumptions which are considered to be reasonable at the time of preparing the financial statements. It is possible that actuals differ from the estimates used in the financial statements. Information on key aspects of the financial statements for which management judgement and estimates have been necessary is presented below.

Subsidiaries

The management makes judgements when considering whether an investee possesses the characteristics of a subsidiary. An investee is considered a subsidiary, when the investor has power over that entity and it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Joint arrangements

The management makes judgements when considering whether an investee possesses the characteristics of a joint arrangement. An investee is considered a joint arrangement, when all entities that are a party to a joint arrangement have joint control.

The management makes judgements when classifying joint arrangements to be either joint operations or joint ventures. The participating parties of a joint operation have the rights to the assets, and obligations for the liabilities, relating to the arrangement. The company consolidates its share of the joint operation's assets, liabilities, revenues and expenses. The participating parties of a joint venture have the right to the joint arrangement's net assets. The company consolidates joint ventures using the equity method.

Economic lives of property, plant and equipment and intangible assets

The management makes estimates and judgements when considering and defining the useful economic lives and depreciation methods for productive assets. The factors considered in the estimation of useful economic lives include the purpose of a productive asset, the effects of wear, maintenance and repair stemming from use of the asset, the duration of the asset's technical usability, limitations

or obligations arising from leasing or other agreements, and the magnitude of any residual value.

Inventories

Inventories are considered by comparing its cost with recoverable amounts in ordinary course of business, the so-called net realisable value. The net realisable value is an entity-specific value which is based on the most reliable evidence available at the time. Materials and other supplies held for use in the production of inventories are not written-down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Capitalisation of borrowing costs

The company's management makes estimates when assessing whether a project fulfils the criteria of a qualifying asset.

Financial assets

Judgements and estimates are used when assessing impairment of financial assets. The estimates are done according to the company's credit policy and are based on realised credit losses and the company's empirical knowledge and surveys.

Leasing agreements where the Group is the lessee

The management have had to make judgements when classifying leasing agreements as either finance or operating leases. The classification of leasing agreements is made in accordance with generally accepted standards for the definition of finance leases, and it is based on the actual content of the agreement. According to the definition of a finance lease, essentially all of the economic risks and rewards of ownership are transferred to the lessee. The classification is always made at the lease's inception. The provisions of a leasing contract can be amended by agreement with the lessor, in which case the classification may have to be revised. A change that takes place in an estimation criterion – such as a change in the present value of minimum lease payments relative to the fair value of the leased asset – does not constitute grounds for reclassification.

Recognition of revenue from construction projects

When recognising revenue from construction projects, the company observes the percentage-of-completion method if the project in question possesses the characteristics of construction contract and the project's outcome can be estimated reliably. Costs actually incurred include only those costs that correspond to work already carried out. Management estimates are necessary for reliable determination of the total costs that will be incurred for completion of a project. All project costs are itemised and measured as accurately as possible to facilitate

comparison with earlier values. If the management assess a project to be onerous (i.e. total costs exceed total income), the loss is immediately expensed. If the management are unable to make a reliable determination of the total revenue from a construction project, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and costs are expensed in the period in which they incur.

Recognition of provisions

The management estimates, based on its best knowledge, whether it is likely that the settlement of a present obligation will result in an outflow of resources embodying economic benefits from the Group. If such a condition exists and a reliable estimate as to the amount and the timing of the obligation can be made, then it is recognised as a provision in the financial statements.

Acquisition cost

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. When measuring fair value, the management use estimates based on their experience and, if necessary, the assistance of experts specialising in the balance sheet items in question. The estimates and assumptions made in accordance with the management's views are sufficiently accurate to ensure the correctness of cash flows associated with balance sheet items.

Employee benefits

In the calculation of obligations related to employee benefits, the factors requiring management estimates include the expected returns on the assets of defined-benefit pension plans, the discount rate used for calculation of pension liabilities and pension expenses for the accounting period, the future development of salary levels, the rising level of pensions, durations of employee service, and the trend of inflation.

The assumed outcome of the share-based incentive plan at the balance sheet date is based on management's estimates of the achievement of the earning criteria. The Board of Directors decides on the distribution of shares to key personnel.

Impairment testing

The carrying amounts of assets are tested for impairment, whenever deemed necessary. In addition, goodwill is tested for impairment annually. Goodwill is allocated to cash-generating units in a consistent manner. In impairment tests, the amount recoverable from a cash-generating unit's business is based on value-in-use calculations. The cash flow forecasts used for these calculations

are based on profitability plans approved by the business's management for a certain period and on other justifiable estimates of the prospects for the business sector and the cash-generating unit. In connection with impairment tests, the management must estimate whether the fair value of an asset has decreased during the accounting period, whether significant adverse changes have occurred in the operating environment, whether it is necessary to change the discount rate applied in value-in-use calculations, and whether the carrying amount of a company's net assets is higher than its fair value. On the basis of these and possibly other indicators both within and outside the company, the management assesses whether there is any need to perform additional impairment tests on asset items between the annual tests. A more detailed description of the estimates and assumptions concerning goodwill impairment testing is given in the notes to the financial statements.

Taxes

Management estimate pertains to the principles for recognition of deferred tax assets. The most common tax-deductible temporary difference between accounting and taxation are tax losses. The management must judge whether there will be sufficient taxable profit in the future for the purpose of making use of remaining tax losses. A deferred tax asset arising from unused tax losses is recognised only to the extent that future taxable profit, against which the unused tax losses may be utilised, is expected to be generated.

New standards and interpretations

New standards and interpretations applied by the Company in 2014

IFRS 10 consolidated financial statements –standard changed the criteria for classifying an investee as a subsidiary. An investee is considered a subsidiary when a parent company controls the investee. The criteria for control are fulfilled, when the parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Adoption of the standard had no impact on the figures in the company's consolidated financial statements but it affected the company's accounting principles as described above.

IFRS 11 Joint Arrangements –standard defines the accounting treatment of arrangements under the joint control of two or more parties. According to the standard, a joint arrangement is either a joint operation or a joint venture. The participating parties of a joint operation have the rights to the assets, and obligations for the liabilities, relating to the arrangement. In this case the company consolidates its share of the joint operation's assets, liabilities, revenues

and expenses. The participating parties of a joint venture have the right to the joint arrangement's net assets. The company consolidates joint ventures using the equity method. Adoption of the standard had no impact on the figures in the company's consolidated financial statements but it affected the company's accounting principles as described above.

There are no other IFRSs or IFRIC interpretations adopted by the company for the first time for the financial year beginning on 1 January 2014 that have had an impact on the company's consolidated financial statements.

Standards and interpretations applied by the Company after 2014

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing this interim report. None of these is expected to have a significant effect on the consolidated financial statements of the company, except the following set out below:

IFRS 15 Revenue from Contracts with Customers was issued in May 2014 and applies to an annual reporting

period beginning on or after 1 January 2017. An EU endorsement is required for the standard to become effective in the EU. The standard specifies how and when to recognise revenue from contracts with customers. The company examines the effects of the standard to the consolidated financial statements.

IFRS 9 Financial Instruments was issued in July 2014 and applies to an annual reporting period beginning on or after 1 January 2018. An EU endorsement is required for the standard to become effective in the EU. The standard will affect, among other things, the recognition of credit losses from financial instruments. According to the standard, credit losses are recorded based on expected losses and therefore they will be recorded earlier. In addition, the standard will affect the classification and measurement of financial assets and liabilities, but this will not have a material impact on the company's consolidated financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company's consolidated financial statements.

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1 Adjustments concerning prior periods

Adjustment to consolidated cash flow statement

The company has adjusted figures preceding cash flows from operating activities presented in the consolidated cash flow statement. The adjustment does not have an effect on the company's consolidated income statement or statement of financial position. Neither does it affect the cash flows from operating, investing or financing activities.

Impacts of the adjustments on comparison year's cash flow are shown in the table below.

1 Jan–31 Dec 2013 EUR 1,000	Cash flow before adjustments	Adjustments	Adjusted cash flow
Other adjustments	-10,042	5,285	-4,757
Cash flows before change in working capital	-56,127	5,285	-50,842
Financial items	-18,574	-7,000	-25,574
Direct taxes paid	-202	1,715	1,513

Impact of the changes in accounting principles on comparison year's segment reporting figures

Lemminkäinen has changed its accounting principles for segment reporting as of 1 August 2014. According to the changed accounting principle, only continuing operations are included in the segment reporting income statement figures. As a consequence, income statement items in the company's segment reporting complies with the consolidated financial statement's accounting principles. The comparison periods' figures have been adjusted to comply with the new accounting principle.

2 Operating segments

Lemminkäinen's business operations were organised into five business segments on 1 January 2014. On 30 July 2014 Lemminkäinen announced that it will renew its organisational and reporting structure with its updated strategy. As of 1 August 2014 Lemminkäinen Group's business operations are organised into three business segments: Infrastructure construction; Building construction, Finland and Russian operations. Income statement items in segment reporting comply with the consolidated financial statement's accounting principles. Segments' assets include fixed assets, inventories as well as trade and other receivables.

Infrastructure construction

Infrastructure construction contains paving and mineral aggregates, earthworks and construction of transport infrastructure as well as foundation, civil and rock engineering in Finland, Sweden, Norway, Denmark and the Baltic countries. In addition, building construction in Sweden and items related to telecommunication network business are reported as part of the Infrastructure construction business segment.

Building construction, Finland

Building construction covers residential construction, commercial and office construction, industrial construction, property development, facility management, public-private partnership projects and renovation services in Finland.

Russian operations

In Russia, the company acts as a building constructor as well as an infrastructure constructor. The company concentrates on residential development mainly in St Petersburg as well as in paving and special surfaces.

Unallocated items

Unallocated items of other operations on the consolidated income statement include expenses that are not allocated to the operating segments. Unallocated assets of other operations include mainly financial assets.

Operating segments

1 Jan–31 Dec 2014 EUR 1,000	Infrastructure construction	Building construction, Finland	Russian operations	Other operations	Eliminations	Group total, IFRS
Net sales	1,338,984	538,957	196,126	26,847	-56,432	2,044,482
Depreciation and impairment	36,605	259	1,884	5,686		44,434
Operating profit	37,980	9,339	19,749	-30,813		36,255

1 Jan–31 Dec 2013 EUR 1,000	Infrastructure construction	Building construction, Finland	Russian operations	Other operations	Eliminations	Group total, IFRS
Net sales	1,279,165	592,903	164,488	35,875	-52,304	2,020,127
Depreciation and impairment	36,928	348	1,715	5,651		44,642
Operating profit	-13,162	5,003	-337	-80,820		-89,316

EUR 1,000	31 Dec 2014	31 Dec 2013
Assets by operating segment		
Infrastructure construction	465,744	533,956
Building construction, Finland	472,197	454,619
Russian operations	101,770	152,172
Other operations	42,988	47,835
Segments, total	1,082,699	1,188,582
Technical building services		61,766
Assets not allocated to segments and Group eliminations, total	175,078	92,306
Group total, IFRS	1,257,777	1,342,654

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 3 Information by market area

3 Information by market area

1 Jan–31 Dec 2014 EUR 1,000	Finland	Scandinavia	Russia	Baltic States	Other countries	Total
Net sales	1,073,239	644,096	195,339	127,908	3,900	2,044,482
Assets	829,954	263,692	108,003	49,050	7,078	1,257,777
Investments	12,159	12,569	2,279	2,965	7	29,979

1 Jan–31 Dec 2013 EUR 1,000	Finland	Scandinavia	Russia	Baltic States	Other countries	Total
Net sales	1,091,149	603,982	164,399	145,340	15,258	2,020,127
Assets	863,982	261,493	159,617	52,931	4,630	1,342,654
Investments	41,892	22,668	2,374	4,151	158	71,243

Net sales is determined by customer location and the carrying amount of assets based on their geographic location.

4 Acquisitions

2014

The company made no acquisitions in 2014.

2013

The company acquired the city of Tampere's asphalt paving business on 2 January 2013. The goodwill recognised from the acquisition comprises of a strengthening the market position in the Pirkanmaa area.

The company acquired the entire share capital of Biomaa Oy on 2 January 2013. Biomaa Oy specialises in mass stabilisation and the treatment of contaminated soil. The goodwill recognised from the acquisition comprises of special expertise in contaminated soil treatment. The acquisition includes a contingent consideration. Biomaa Oy was merged to Lemminkäinen Infra Oy on 1 May 2013.

The company acquired on 2 January 2013, with a single deed, the entire share capitals of three companies: Maanrakennus Katupojat Oy, Bergqvist Oy and Kuljetus Oy Wilkman. The acquirees engage in earthwork contracting, regional development, energy network construction and transport as well as the winter and summer maintenance of roads in Southern Finland. A negative goodwill of EUR 0.1 million was recognised from the acquisition. The acquired companies were merged to Lemminkäinen Infra Oy on 1 May 2013.

The company acquired 80 per cent of the share capital in a Danish company FD-Entreprise ApS on 2 May 2013. FD-Entreprise specialises in the milling of asphalt and concrete road surfaces and operates primarily in eastern Denmark. The goodwill recognised from the acquisition comprises of expanding the company's market area. The acquisition doubles Lemminkäinen's market share in road milling in Denmark and expands the company's market area to cover the entire country. The acquisition involves an option to redeem shares from non-controlling shareholders which is recognised as a liability in the balance sheet.

The company acquired 75 per cent of the share capital in Swedish Landvetterkrossen AB (former Vest Kross AB) on 12 July 2013. Landvetterkrossen AB is a supplier of mineral aggregates. The acquisition involves an option to redeem shares from non-controlling shareholders which has not been recognised as a liability in the balance sheet.

The company acquired the entire share capital in LEC Consultancy JLT on 24 July 2013. The company is domiciled in the United Arab Emirates. The goodwill recognised from the acquisition comprises of special expertise of the company's personnel.

Fair values recognised in consolidation of the businesses acquired in 2013 are presented in the table below.

EUR 1,000	Fair values recognised in consolidation 2013
Assets	
Property, plant and equipment	9,081
Intangible assets	2,867
Available-for-sale financial assets	559
Inventories	885
Current receivables	5,394
Cash and cash equivalents	2,252
Assets, total	21,038
Liabilities	
Deferred tax liabilities	153
Interest-bearing liabilities	5,860
Other liabilities	5,304
Liabilities, total	11,317
Non-controlling interests	-16
Net assets	9,737
Consideration paid in cash	10,116
Consideration recognised as liability	4,873
Total consideration	14,989
Goodwill	5,252
Goodwill recognised in balance sheet	5,396
Negative goodwill recognised during the accounting period	-144
Consideration paid in cash	-8,384
Cash of acquired subsidiaries	2,247
Impact on cash flow	-6,137
Acquisition-related costs recorded in other operating expenses	287

On the consolidation of the acquired business operations, EUR 13.8 million was recognised in net sales and EUR 0.2 million in operating profit of 2013. Full-year net sales of the acquired business operations in 2013 amounted to EUR 15.1 million and operating profit to EUR -0.5 million. If the acquirees had been consolidated as from the beginning of 2013, consolidated net sales would have been EUR 2,219.5 million and operating profit EUR -91.5 million.

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 5 Seasonality of business

5 Seasonality of business

Seasonality of certain operations of the company affects the amount and timing of the company's profits. Paving and mineral aggregates working season takes place mostly in the second and third quarters of a year to which quarters most of the revenues are recognised. Weather conditions influence the lengths of the paving and mineral aggregates working seasons, which also affects the amount and timing of the company's profits. Other infrastructure projects, e.g., rock engineering and earthworks, are generally less seasonal in nature, but there is some seasonality in foundation engineering due to the timing of building construction projects.

Revenue from own building developments is recognised, for the sold proportion, on completion which causes seasonal fluctuations to the company's profit. The company seeks to offset this fluctuation by launching new own developed housing projects evenly throughout the year in which case the projects will be completed and revenue from them is recognised as evenly as possible throughout the year.

6 Construction projects

EUR 1,000	31 Dec 2014	31 Dec 2013
Percentage-of-completion method, continuing operations		
Revenue recognised according to the percentage-of-completion method	1,654,052	1,705,601
Incurred costs and recognised net profits (less booked losses) of work in progress projects	1,467,033	1,150,364
Gross project-related receivables from clients	32,732	58,479
Gross project-related liabilities to clients	67,424	56,547

Service concession arrangements

Lemminkäinen currently has three major ongoing life cycle projects, which are located in Kuopio, Oulu and Pudasjärvi.

Kuopio

Lemminkäinen PPP Oy (the service provider), signed a contract agreement with Kiinteistö Oy Kuopion koulutilat (the financier) on 14 December 2009. The project comprises of new construction and renovation works for four schools and one day-care center. The service provider is responsible for building management and maintenance for a period of 25 years. The total value of the project is EUR 93.5 million.

The financier owns the current buildings and land. The service provider renovates the properties and constructs new buildings as set out in the contract agreements made with the financier. City of Kuopio will gain possession of the buildings after handover. Lemminkäinen PPP Oy manages the buildings for a period of around 25 years pursuant to the service agreement. Kuopio will serve as the contract agreement client for the sites it financed and as the representative of the financier. The contracts are fixed-price and tied to the construction cost index and reference rate. The financier pays the contract prices in installments as set out in the contract agreements. The service provider shall not have the right to use any of the properties or to organise supplementary use.

City of Kuopio shall have the right to terminate the agreement with a six-month period of notice, subject to certain additional terms and conditions concerning the service provider. City of Kuopio shall have the right to terminate the agreement after the 10th and 20th years of the agreement, that is, in 2021 and 2031. The service provider shall have the right to terminate the agreement with a six-month period of notice, if the financier or the City of Kuopio neglect their payment obligations for 90 days.

The construction phase is ready for all of the buildings belonging to the project. The investment phase warranty periods for all other buildings except Pohjantie School have expired and the warranty period guarantees have been returned. The investment phase of the project has proceeded according schedule, as well as cost and quality objectives.

The building maintenance and upkeep period (the service period) is in progress for all of the sites. The services have been provided according to plan and no service or usability deductions have been made.

Oulu

Lemminkäinen PPP Oy (the service provider), signed a contract agreement with the City of Oulu (the subscriber) on 1 June 2012. The project includes the new construction of Oulun Kastelli community center, dismantling of the Tenavalinna day care center and arranging temporary spaces. The service provider is responsible for building management and maintenance for a period of 25 years. The total value of the project is EUR 86 million.

City of Oulu owns the current buildings and land. The service provider will construct the new buildings as set out in the contract agreement made with the subscriber. City of Oulu will gain possession of the buildings after handover. Lemminkäinen PPP Oy will manage the buildings for a period of around 25 years pursuant to the service agreement. City of Oulu itself will serve as the contract subscriber for the sites it also finances. The contracts are fixed-price and tied to the construction cost index and reference rate. The subscriber will pay the contract prices in installments as set out in the contract agreements. The service provider has the right to arrange supplementary use of the properties according to terms pre-agreed terms as well as the right to charge fees for the supplementary use. The company has not recognised an intangible asset for the right for supplementary use because of the uncertainty related to its usability.

City of Oulu shall have the right to terminate the agreement with a six-month period of notice, subject to certain additional terms and conditions taking into consideration the interests of the service provider. The service provider shall have the right to terminate the agreement with a six-month period of notice, if the City of Oulu neglect their payment obligations for 90 days.

The construction phase of the Kastelli community center began in the late spring of 2012 and the investment phase was completed in the summer of 2014. The service period begun on 1 June 2014 and will end in 2039. The project has mostly proceeded according to schedule, as well as quality and cost objectives. However, the accumulated costs for the construction work have exceeded the target level and the budgeted profit margin for the investment phase had to be cut down. Services for the maintenance and upkeep period have been implemented according to plan and no service or usability deduction have been made.

Pudasjärvi

Lemminkäinen PPP Oy (the service provider), signed a contract agreement with the City of Pudasjärvi (the subscriber) on 13 March 2014. The project includes the design, construction and maintenance of Pudasjärvi school campus. The school will be built of timber. The service provider is responsible for building management and maintenance for a period of 25 years, that is until 2041. The total value of the project is EUR 41 million.

City of Pudasjärvi owns the land where the school is built. The service provider will construct the new buildings as set out in the contract agreement made with the subscriber. City of Pudasjärvi will gain possession of the buildings after handover. Lemminkäinen PPP Oy will manage the buildings for a period of around 25 years pursuant to the service agreement. City of Pudasjärvi itself will serve as the contract subscriber for the sites it also finances. The contracts are fixed-price and tied to the construction cost index. The subscriber will pay the contract prices in installments as set out in the contract agreements. The service provider doesn't have the right to arrange supplementary use of the properties. The service contract is automatically terminated at the end of the contract period and neither party has the possibility to terminate the contract during the contract period unless there has been a breach of the contract.

The construction phase of the Pudasjärvi School Campus began in the late spring of 2014 and the investment phase ends in the summer of 2016. The project has mostly proceeded according to schedule, as well as quality and cost objectives.

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 7 Other operating income

7 Other operating income

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Gain on sale of property, plant and equipment*	10,413	5,222
Gain on sale of available-for-sale financial assets	904	1,356
Rental income	1,926	1,363
Gain from hedging purchases and sales**	1,204	1,552
Grants and compensation on damages received	993	235
Negative goodwill		144
Gain on settlement of defined benefit plans	227	1,933
Others	2,584	4,407
	18,251	16,212

* Gain on sale of property, plant and equipment are mainly related to equipment sales in Infrastructure construction business. In 2014 the company also sold a land area in Norway from which it recorded a gain on sale of EUR 5.3 million.

**Gain from hedging purchases and sales includes realised gains and changes in fair values of commodity derivatives which are used for hedging bitumen purchases and currency derivatives which are used for hedging purchases and sales.

8 Employee benefit expenses and number of personnel

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Personnel expenses		
Wages and salaries	281,643	302,369
Share-based payments	343	950
Pension expenses, defined contribution plans	36,082	35,234
Pension expenses, defined benefit plans	5	1,383
Other personnel-related expenses	18,890	21,802
	336,964	361,738
The wages and salaries of the group companies' managing directors and Board of Directors, continuing operations	4,649	3,435

Defined benefit pension expenses are explained in more detail in the note 29 and share-based payments in the note 30 and related party transactions in the note 39.

	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Personnel at the end of period, continuing operations		
White collar	2,070	2,439
Blue collar	2,678	3,087
	4,748	5,526
Personnel by business segment at the end of period, continuing operations		
Infrastructure construction	2,925	3,266
Building construction, Finland	1,038	1,224
Russian operations	635	755
Parent company	150	281
	4,748	5,526

9 Depreciation, amortisation and impairment

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Depreciation of property, plant and equipment		
Buildings and structures	1,056	1,011
Machinery and equipment	20,840	21,748
Leased machinery and equipment	13,028	12,738
Other tangible assets	1,840	2,000
	36,764	37,497
Amortisation of intangible assets		
Intangible rights	5,312	3,693
Other capitalised expenditure	1,087	3,453
	6,399	7,146
Depreciation and amortisation, total	43,164	44,642
EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Impairment		
Intangible rights	1,270	

10 Other operating expenses

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Loss on the sale of property, plant and equipment and intangible assets	522	288
Loss on sale of available-for-sale financial assets	138	
Voluntary personnel expenses	8,446	12,060
Rental expenses	31,345	32,245
Direct acquisition costs		287
Losses from hedging purchases and sales*	2,945	2,520
Damages-related legal proceedings**	6,408	65,587
Credit losses	5,957	5,256
Other expenses	128,190	107,411
	183,951	225,654

* Losses from hedging purchases and sales includes realised losses and changes in fair values of commodity derivatives which are used for hedging bitumen purchases and currency derivatives which are used for hedging purchases and sales.

** The 2014 damages-related legal proceedings consist of the change in the provision related to the claims for damages related to the asphalt cartel pending a main proceeding. Most of the increase is due to new claims for damages against Lemminkäinen. The 2013 damages-related legal proceedings consist of EUR 66 million costs related District Court's decision on the damages for the asphalt cartel. The amount includes a EUR 5.9 million provision for the claims for damages waiting for the main proceeding to begin.

The table below shows the fees formed in Finland to the audit firm elected by the General Meeting. The fees have been recorded in other operating expenses. In addition to the expenses presented in the table below, expenses recorded in invested non-restricted equity fund that reduce the gross funds collected in the rights offering, include fees to the audit firm elected by the General Meeting a total of EUR 0.4 million.

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Audit fees	179	181
Other consulting	157	184
	336	366

11 Investments

Subsidiaries

31 Dec 2014	Consolidated shareholding, %	Parent company shareholding, %	Parent company shareholding, shares	Parent company shareholding, book value Finnish GAAP, EUR 1,000	Shareholdings of subsidiaries, book value Finnish GAAP, EUR 1,000
Lemminkäinen Talo Oy, Helsinki	100.0	100.0	2,183,663	73,922	
Lemminkäinen Infra Oy, Helsinki	100.0	100.0	1,338	36,711	
Lemcon Networks Oy, Helsinki	100.0	100.0	392,000	0	
UAB Lemcon Vilnius, Lithuania	100.0	100.0		0	
UAB Lemminkainen Lietuva, Lithuania	99.9	99.9	3,747,989	3,529	
Lemminkäinen International Oy, Helsinki	100.0				5
Lemminkäinen Russia Oy, Helsinki	100.0				163
Lemminkäinen PPP Oy, Kuopio	100.0				3
ICM International Construction Management, Hungary	100.0				0
Lemminkäinen Co., Ltd, China	100.0				72
Lemminkäinen Construction (India) Private Limited, India	100.0				853
Lemcon HR Oy, Helsinki	100.0				60
OOO Lemminkäinen Invest, Russia	100.0				2,284
Lemminkäinen Polska Sp.Z O.O, Poland	100.0				1,576
Lemminkäinen Ehitus As, Estonia	100.0				3
OOO Lemminkäinen Service, Russia	100.0				13
OOO Lemminkäinen Stroy, Russia	100.0				1,151
Rekab Entreprenad Ab, Sweden	100.0				4,343
ZAO Lemminkäinen Rus, Russia	100.0				29,923
Lemcon Argentina S.R.L, Argentina	100.0				0
LEMCON Baumanagement GmbH, Germany	100.0				0
Lemcon Network Services Ltd, UK	100.0				0
Lemcon Venezuela C.A., Venezuela	100.0				0
Pasila Telecom Oy, Helsinki	100.0				0
Asfalt Remix AS, Norway	75.0				4,562
FD-Entreprice Aps, Denmark	80.0				1,526
Lemminkäinen A/S, Denmark	100.0				18,972
Lemminkäinen Industri AS, Norway	100.0				218
Lemminkäinen Eesti AS, Estonia	100.0				5,594
Lemminkäinen Norge AS, Norway	100.0				27,158
Lemminkäinen Sverige Ab, Sweden	100.0				12
Oü Järva Paas, Estonia	52.0				3
SIA Lemminkäinen Latvija, Latvian	100.0				1,835
Landvetterkrossen AB, Sweden	75.0				423
OOO Lemminkäinen Dor Stroi, Russia	100.0				5,430
				114,162	106,181

All the company's subsidiaries have been included in the consolidated financial statements. Non-controlling interests in the company's subsidiaries been recorded in relation to voting rights and ownership except for Norwegian Asphalt Remix AS. The company has a fixed price symmetrical put and call option with the non-controlling owners of Asphalt Remix AS for which reason the share of the non-controlling interest is not recognised in balance sheet. The option has been measured at fair value and recorded as a liability in the consolidated balance sheet. The amount of the liability is not material (in 2014 EUR 1.1 million).

Non-controlling interest in the consolidated balance sheet totalled EUR 0.1 million (EUR 0.6 mill.) at the end of 2014, and the non-controlling interest is not material to the company.

The company is not aware of any restrictions on its assets at the end of 2014.

Joint ventures

The Group's joint ventures are not individually material.

31 Dec 2014	Consolidated shareholding, %	Shareholdings of subsidiaries, book value Finnish GAAP, EUR 1,000
Genvej A/S, Denmark	50.0	201
Martin Haraldstad AS, Norway	50.0	680
Nordasfalt AS, Norway	50.0	525
Ullensaker Asfalt ANS, Norway	50.0	
Total		1,407

EUR 1,000	2014	2013
Shares in joint ventures 1 Jan	8,202	8,859
Translation difference	-580	-1,137
Decreases	-632	
Dividends received	-608	-299
Share of the profit for the period	510	780
Shares in joint ventures 31 Dec	6,893	8,202

At the end of 2014 the company considered it had lost its share of the control over the joint venture Ullensaker Asfalt ANS after agreeing to end co-operation between the shareholders. Ullensaker Asfalt ANS was still listed in the local company register at the end of 2014, and it's therefore presented in the list of joint ventures above.

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Total of joint ventures that are not individually material (information presented in full)		
Profit from continuing operations	510	780
Comprehensive income for the financial year	510	780

Associates

The Group's associates are not individually material.

31 Dec 2014	Consolidated shareholding, %	Shareholdings of subsidiaries, book value Finnish GAAP, EUR 1,000
Finavo Oy, Helsinki	47.5	1
Vuokatin Betoni Oy, Sotkamo	33.1	13
Total		14

EUR 1,000	2014	2013
Shares in associates 1 Jan	629	848
Decreases	-593	0
Share of the profit for the period	-13	-218
Shares in associates 31 Dec	24	629

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Total of associates that are not individually material (information presented in full)		
Profit from continuing operations	-13	-218
Comprehensive income for the financial year	-13	-218

The company divested its share in NHK Rakennus Oy during 2014.

Finavo Oy is a real estate rental operator. The company has given a EUR 14.4 million loan guarantee for the real estate shares owned by Finavo Oy. Due to the loan guarantee the company's liabilities in in Finavo Oy exceed the amount recorded in the consolidated balance sheet.

Other shares and holdings

31 Dec 2014	Parent company shareholding, book value Finnish GAAP, EUR 1,000	Shareholdings of subsidiaries, book value Finnish GAAP, EUR 1,000	Total
Housing shares	248		248
Property shares	755	1,065	1,821
Others	356	766	1,123
	1,360	1,831	3,191

The company's other shares and holdings are recorded as non-current available-for-sale financial assets in the balance sheet. Changes in other shares and holdings are presented in the note 20.

12 Finance income and costs

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Finance income		
Interest income from loans and receivables	537	986
Interest income from available-for-sale financial assets	49	147
Dividend income from available-for-sale financial assets	7	62
Foreign exchange rate gains	40,604	16,285
Gains on the change in fair value of interest rate derivatives		575
Other finance income	89	101
	41,285	18,155
Finance costs		
Interest expenses for financial liabilities recognised at amortised cost	16,334	17,936
Foreign exchange rate losses	47,750	21,654
Losses on the change in fair value of interest rate derivatives	1,175	63
Other finance costs	13,934	5,275
	79,194	44,928
Finance income and costs, total	-37,909	-26,773

Exchange rate differences recognised in the income statement

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Exchange rate differences on sales	-80	1,271
Exchange rate differences on purchases	-2	-3,305
Exchange rate differences on hedging purchases and sales	329	-273
Exchange rate differences on financial items	-7,147	-5,369
Exchange rates differences, total	-6,900	-7,677

13 Taxes**Income taxes**

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Income taxes on normal business operations	-2,859	-2,820
Income taxes in respect of prior years	815	-1,338
Deferred taxes	-1,302	24,043
	-3,346	19,885
Reconciliation of taxes in the income statement and taxes calculated at the Finnish tax rate		
Profit before income taxes	-1,654	-116,089
Taxes calculated on the above at the Finnish tax rate	331	28,442
Differing tax rates of foreign subsidiaries	-353	1,631
Tax-exempt income in income statement	511	1,275
Non-deductible expenses in income statement	-5,174	-2,512
Deductible non-income statement items	107	200
Taxable non-income statement items	-6	-2
Use of unrecognised tax losses	40	77
Tax losses for the financial year for which no deferred tax asset was recognised	-22	-7
Effect of change in the corporate tax rate		-4,345
Other items	404	-3,536
Taxes for the previous financial year	815	-1,338
Taxes in the income statement, total	-3,346	19,885

Deferred taxes

EUR 1,000	1 Jan 2014	Translation difference	Recognised in income statement*	Recognised in other comprehensive income	Transactions with owners of the parent company	Acquisitions, divestments and mergers	31 Dec 2014
Deferred tax asset							
Tax losses	37,715	-1,815	1,757			-145	37,512
Pension benefits	348	-4	-193	0			150
Provisions	6,267	-930	1,468				6,804
Financial instruments	15		-2,474	-15	2,474		
Property, plant and equipment	1,803	0	-282				1,521
Intangible assets	22		-22				
Temporary difference from revenue recognition of construction projects	5,874	-1,923	-917			576	3,610
Other temporary differences	936	-132	2,353			-994	2,163
Deferred tax asset, gross	52,981	-4,805	1,689	-15	2,474	-562	51,761
Offsetting	-14,440	3,392	1,299	15			-9,735
Deferred tax asset, net	38,540	-1,413	2,987	0	2,474	-562	42,026

EUR 1,000	1 Jan 2014	Translation difference	Recognised in income statement*	Recognised in other comprehensive income	Transactions with owners of the parent company	Acquisitions, divestments and mergers	31 Dec 2014
Deferred tax liabilities							
Property, plant and equipment and intangible assets	4,025	-80	-1,001				2,944
Financial instruments	441	0	544				985
Accelerated depreciations	10,956	12	298			-237	11,028
Temporary difference from revenue recognition of construction projects	9,727	-4,375	2,518			-3	7,867
Other temporary differences	2,461	-354	715			-328	2,494
Deferred tax liabilities, gross	27,609	-4,797	3,074			-568	25,318
Offsetting	-14,440	3,392	1,299	15			-9,735
Deferred tax asset, net	13,168	-1,404	4,373	15		-568	15,583

* Includes the effect of discontinued operations

EUR 1,000	1 Jan 2013	Translation difference	Recognised in income statement*	Recognised in other comprehensive income	Transactions with owners of the parent company	Acquisitions, divestments and mergers	31 Dec 2013
Deferred tax asset							
Tax losses	19,350	-1,914	20,280			0	37,715
Pension benefits	1,447	-164	-22	-913			348
Provisions	3,350	-275	3,192				6,267
Financial instruments	142		-1,715	-127	1,715		15
Property, plant and equipment	1,776	0	27				1,803
Intangible assets	22						22
Temporary difference from revenue recognition of construction projects	1,755	-496	4,615				5,874
Other temporary differences	734	13	842			-653	936
Deferred tax asset, gross	28,576	-2,836	27,219	-1,040	1,715	-653	52,981
Offsetting	-5,100	950	-10,417	127			-14,440
Deferred tax asset, net	23,475	-1,886	16,802	-913	1,715	-653	38,540

EUR 1,000	1 Jan 2013	Translation difference	Recognised in income statement*	Recognised in other comprehensive income	Transactions with owners of the parent company	Acquisitions, divestments and mergers	31 Dec 2013
Deferred tax liabilities							
Property, plant and equipment and intangible assets	4,288	-258	-647			642	4,025
Available-for-sale financial assets	5			-5			
Financial instruments	441						441
Accelerated depreciations	13,560	-207	-2,397				10,956
Temporary difference from revenue recognition of construction projects	8,806	-1,003	1,923				9,727
Other temporary differences	3,172	-312	154			-552	2,461
Deferred tax liabilities, gross	30,271	-1,780	-967	-5		90	27,609
Offsetting	-5,100	950	-10,417	127			-14,440
Deferred tax asset, net	25,171	-830	-11,384	122		90	13,168

* Includes the effect of discontinued operations

The company has recorded the deferred tax asset from tax losses to the amount it considers, based on its profit forecasts, to be utilisable in the future. The amount of tax losses has increased especially due to non-recurring items, which are not expected to reoccur in the future. In 2013, the amount of tax losses in Finland was increased by the damages that the District Court ordered Lemminkäinen to pay related to the asphalt cartel. At the end of 2014, tax losses in the Group's Finnish companies totalled EUR 23.1 million (EUR 19.5 mill.) and they can be carried forward for 10 years. The amount of tax losses in the Group's Norwegian companies stood at EUR 12.1 million (EUR 14.6 mill.) at the end of 2014, and they can be carried forward indefinitely. The amount of the company's tax losses, from which deferred tax asset has not been recorded, is not significant.

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

14 Discontinued operations**2014**

Lemminkäinen announced on 14 May 2014 that it has divested its Technical building services business by selling the entire share capital of Lemminkäinen Talotekniikka Oy. The transaction was completed on 13 June 2014 and the total purchase price is EUR 55.4 million. The company recorded a pre-tax gain on sale of EUR 23.6 million to the second quarter of 2014. The company classified Lemminkäinen Talotekniikka Oy as discontinued operation at the time of sale. The comparative consolidated income statement information for the financial period 2013 have been adjusted correspondingly. The financial position for the year 2013 include all assets and liabilities attributable to the discontinued operations.

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Profit from the discontinued operations		
Income	77,403	198,388
Expenses	77,815	199,820
Profit before taxes	-412	-1,432
Taxes	55	4,138
Profit for the financial period	-358	2,705
Pre-tax gain on sales of the businesses	23,621	
Taxes	-133	
Gain on sale after taxes	23,488	
Profit for the period from discontinued operations	23,130	2,705

EUR 1,000	2014
Cash flows from discontinued operations	
Cash flow from operating activities	-3,882
Cash flow from investing activities	-91
Cash flow from financing activities	4,342
Cash flows total	369

EUR 1,000	2014
The impact of the sale on Group's financial position	
Cash consideration received	55,364
Transferred assets and liabilities	-29,115
Other related items	-2,629
Gain on sale	23,621

2013

At the end of 2013 the company did not have any discontinued operations or assets classified as held-for-sale.

15 Earnings per share

	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Weighted average number of shares, shares*	21,362,255	20,670,876
Contingent shares, shares	-16,896	-35,869
Treasury shares, shares	-16,687	-34,915
Weighted average number of shares in issue, shares	21,328,672	20,600,092
Diluted weighted average number of shares, shares	21,328,672	20,600,092
Instruments that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the periods presented.		
Dilutive shares of share based incentive and commitment plans, shares	33,779	35,869
Profit for the year attributable to the ordinary equity holders, continuing operations, EUR 1,000	-4,965	-96,429
Interest of the hybrid bond calculated on accrual basis less tax, EUR 1,000	-9,566	-5,285
Profit for the year for the purpose of calculating earnings per share, continuing operations, EUR 1,000	-14,531	-101,714
Basic earnings per share, continuing operations, EUR	-0.68	-4.94
Diluted earnings per share, continuing operations, EUR	-0.68	-4.94
Profit for the year attributable to the ordinary equity holders, discontinued operations, EUR 1,000	23,130	2,705
Basic earnings per share, discontinued operations, EUR	1.08	0.13
Diluted earnings per share, discontinued operations, EUR	1.08	0.13
Profit for the year attributable to the ordinary equity holders, EUR 1,000	18,165	-93,723
Interest of the hybrid bond calculated on accrual basis less tax, EUR 1,000	-9,566	-5,285
Profit for the year for the purpose of calculating earnings per share, EUR 1,000	8,599	-99,008
Basic earnings per share, EUR	0.40	-4.81
Diluted earnings per share, EUR	0.40	-4.81

*The amount for 2013 includes a retrospective adjustment due to the rights issue in 2014

16 Other comprehensive income items

EUR 1,000	Before taxes	Taxes	After taxes
2014			
Translation difference	-18,559		-18,559
Cash flow hedges	74	-15	59
Defined benefit pension obligations	-3	0	-3
	-18,489	-15	-18,504
2013			
Translation difference	-7,675		-7,675
Cash flow hedges	504	-127	378
Change in fair value of available-for-sale financial assets	-20	5	-15
Defined benefit pension obligations	3,318	-913	2,404
	-3,874	-1,035	-4,909

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 17 Dividends paid and proposed

17 Dividends paid and proposed

	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Dividend paid during the financial year		
Per share for the previous year, EUR	0.00	0.60
In total for the previous year, EUR 1,000	0	11,762
Proposed for approval by the AGM		
Per share for the financial year, EUR	0.00	0.00
In total for the financial year, EUR 1,000	0	0

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 18 Property, plant and equipment

18 Property, plant and equipment

EUR 1,000	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost, 1 Jan 2014	13,698	39,182	352,739	42,016	4,748	452,383
Translation difference	-76	-270	-10,740	-868	-184	-12,138
Increases	1,608	1,157	16,965	2,258	5,852	27,840
Disposals	-159	-993	-24,008	-1,562	-26	-26,748
Discontinued operations			-3,704	-4		-3,708
Transfers between items	219	337	7,203	-146	-7,613	
Acquisition cost, 31 Dec 2014	15,290	39,413	338,455	41,694	2,778	437,629
Accumulated depreciation, 1 Jan 2014		-28,266	-202,764	-20,242		-251,272
Translation difference		187	6,442	407		7,036
Accumulated depreciation on decreases		858	19,304	1,273		21,435
Accumulated depreciation on discontinued operations			3,302			3,302
Transfers between items		-8	196	-240		-52
Depreciation for the financial year		-1,056	-33,868	-1,840		-36,764
Depreciation for the financial year from discontinued operations			-96			-96
Accumulated depreciation, 31 Dec 2014		-28,286	-207,484	-20,643		-256,412
Carrying amount, 31 Dec 2014	15,290	11,127	130,971	21,051	2,778	181,217
Carrying amount, 1 Jan 2014	13,698	10,916	149,975	21,773	4,748	201,111

EUR 1,000	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost, 1 Jan 2013	12,908	37,254	339,822	42,671	4,542	437,197
Translation difference	-156	-428	-10,813	-1,486	1	-12,883
Increases	1,099	782	35,185	2,909	6,256	46,231
Increases from acquired businesses	1	20	9,212	3		9,236
Disposals	-82	-247	-24,620	-2,448		-27,397
Transfers between items	-71	1,803	3,953	366	-6,051	
Acquisition cost, 31 Dec 2013	13,698	39,182	352,739	42,016	4,748	452,383
Accumulated depreciation, 1 Jan 2013		-26,180	-190,743	-19,807		-236,730
Translation difference		233	5,978	685		6,896
Accumulated depreciation on increases			-177			-177
Accumulated depreciation on decreases		245	15,045	1,248		16,539
Transfers between items		-1,554	1,922	-368		
Depreciation for the financial year		-1,011	-34,486	-2,000		-37,497
Depreciation for the financial year from discontinued operations			-303			-303
Accumulated depreciation, 31 Dec 2013		-28,266	-202,764	-20,242		-251,272
Carrying amount, 31 Dec 2013	13,698	10,916	149,975	21,773	4,748	201,111
Carrying amount, 1 Jan 2013	12,908	11,074	149,079	22,864	4,542	200,466

The Group has no capitalised interest expenses in fixed assets.

EUR 1,000	2014	2013
Assets acquired under finance lease agreement are included in machinery and equipment as follows:		
Acquisition cost, 1 Jan	109,759	106,685
Translation difference	-2,021	-3,387
Increases	5,332	16,492
Disposals	-7,349	-10,031
Acquisition cost, 31 Dec	105,722	109,759
Accumulated depreciation, 31 Dec	-56,223	-52,320
Carrying amount, 31 Dec	49,499	57,439

19 Intangible assets

EUR 1,000	Goodwill	Intangible rights	Other capitalised expenditure	Advance payments	Total
Acquisition cost, 1 Jan 2014	80,100	23,779	18,362	7,911	130,153
Translation difference	-952	-161	-471		-1,585
Increases		146	1	5,089	5,236
Disposals		-593	-2,471	-3,107	-6,171
Discontinued operations	-25,302	-3,761	-1,337		-30,400
Transfers between items		11,994	-2,641	-9,352	
Acquisition cost, 31 Dec 2014	53,846	31,404	11,443	541	97,234
Accumulated amortisation and impairment, 1 Jan 2014		-9,192	-11,627		-20,819
Translation difference		54	303		357
Accumulated amortisation on disposals		509	2,462		2,971
Discontinued operations		1,296	759		2,055
Transfers between items		-601	653		52
Amortisation for the financial year from continuing operations		-5,312	-1,087		-6,399
Amortisation for the financial year from discontinued operations		-112	-41		-153
Impairment		-1,270			-1,270
Accumulated amortisation and impairment, 31 Dec 2014		-14,628	-8,579		-23,206
Carrying amount, 31 Dec 2014	53,846	16,776	2,864	541	74,027
Carrying amount, 1 Jan 2014	80,100	14,588	6,735	7,911	109,334

EUR 1,000	Goodwill	Intangible rights	Other capitalised expenditure	Advance payments	Total
Acquisition cost, 1 Jan 2013	77,043	11,653	18,053	10,934	117,684
Translation difference	-1,813	-18	-795		-2,626
Increases		660	425	7,810	8,895
Increases from acquired businesses	5,396	2,173	678		8,247
Disposals	-526	-378		-1,144	-2,048
Transfers between items		9,689		-9,689	
Acquisition cost, 31 Dec 2013	80,100	23,779	18,362	7,911	130,153
Accumulated amortisation and impairment, 1 Jan 2013		-5,536	-8,433		-13,969
Translation difference		6	399		405
Accumulated depreciation on increases			-50		-50
Accumulated amortisation on disposals		324			324
Amortisation for the financial year from continuing operations		-3,894	-3,251		-7,146
Amortisation for the financial year from discontinued operations		-91	-292		-383
Accumulated amortisation and impairment, 31 Dec 2013		-9,192	-11,627		-20,819
Carrying amount, 31 Dec 2013	80,100	14,588	6,735	7,911	109,334
Carrying amount, 1 Jan 2013	77,043	6,117	9,620	10,934	103,714

At the end of 2014, other capitalised expenditure included EUR 9.5 million (EUR 9.2 mill.) and advance payments EUR 0.4 million (EUR 5.5 mill.) capitalised computer software development costs.

The company recorded an impairment of EUR 1.2 million to infrastructure construction segment's intangible assets in 2014. The impairment was recorded to a land use right located in Sweden which was initially measured at fair value in connection to an acquisition of a subsidiary. The fair value of the land use right has been measured based on its value in use.

Goodwill

At the date of acquisition, goodwill is allocated to cash-generating units, or groups of cash-generating units, that are expected to benefit from synergies arising from the business combination. The company's business was organised into four operating segments at the beginning of 2014 and later into three operating segments at the beginning August. In connection with the reorganisation at the beginning of the year the company reallocated the goodwill previously subject to Baltic Rim region paving and mineral aggregates operations (common to segment in the table) to country level. In addition, the goodwill decreased by EUR 25.2 million due to the divestment of the company technical building services business during 2014.

Goodwill by segment

EUR 1,000	Finland	Other Nordic countries	Baltic states and Russia	Market areas, total	Discount rate, % (pre-tax WACC)
31 Dec 2014					
Infrastructure construction	6,158	34,024	6,880	47,062	9.4 *
Building construction, Finland	6,196			6,196	8.6
Russian operations			587	587	17.6
	12,354	34,024	7,467	53,846	

EUR 1,000	Finland	Other Nordic countries	Baltic states and Russia	Other countries	Market areas, total	**Common to segment	Total	Discount rate, % (pre-tax WACC)
31 Dec 2013								
International operations		17,066	1,909	139	19,114	23,469	42,583	8.3 *
Building construction	6,196				6,196		6,196	6.7
Infrastructure construction	6,158				6,158		6,158	7.1
Technical building services	25,164				25,164		25,164	7.1
	37,518	17,066	1,909	139	56,632	23,469	80,100	

* Country-specific sales-weighted average

** The goodwill reported in the "Common to segment" column has arisen from the asphalt business acquisitions in Denmark and Norway. It is allocated to the International Operations' Baltic Rim region paving and mineral aggregates cash generating unit. This goodwill has been tested for impairment at the level of the whole International Operations' Baltic Rim region paving and mineral aggregates cash generating unit. In addition, the goodwill allocated to each business area has been tested separately for each country.

Goodwill impairment tests

Goodwill is tested for impairment annually and whenever there are indications of possible impairment. The tests are carried out as value-in-use calculations of individual businesses in accordance with the smallest cash-generating unit principle. In impairment testing the discounted present value of the recoverable cash flows of each cash-generating unit is compared with the carrying amount of the unit in question. If the present value is lower than the carrying amount, the difference is recognised through profit or loss as an expense in the current year.

The goodwill impairment tests carried out during the third quarter of 2014, showed that the present values of the future cash flows exceed the carrying amounts in all business units. The company carried out a goodwill re-testing for Finland's Building Construction at end of 2014. Based on the tests, there was no need for impairment of goodwill in 2014.

Forecasts and key assumptions used in goodwill impairment testing

Cash generating units' cash flow forecasts are prepared for a four year planning period based on management estimates based on actual past performance. Main assumptions used in the preparation of the cash flow forecasts are the growth of the market in question, the company's profitability development as well as measures which the company has committed to.

Main assumptions in the goodwill impairment testing are long term growth and discount rate. Cash flow forecasts beyond the four year (five years in 2013) planning period are based on the assumption of 1 percent annual growth which was lower than European Central Bank's target inflation rate over medium term in effect at the time of the impairment testing. Weighted Average Cost of Capital (WACC), calculated for each individual unit, is used as the discount factor. WACC takes into account risk-free interest rate, illiquidity premium, expected market rate of return, the industry's beta value, country risk and the debt interest rate including interest rate margin. These components are weighted according to average target capital structure of the sector. Pre-tax WACC is determined separately for each tested unit.

Sensitivity analysis

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

The majority of the company's goodwill is subject to the Infrastructure construction operating segment. Sensitivity analysis prepared in 2014 show that reasonable and ordinary variation to key assumptions used in the testing would not cause a need for impairment in the Infrastructure construction operating segment. Neither does the goodwill subject to other Nordic countries, the Baltics or the Russia operations include a risk of impairment, according to the sensitivity analysis. The most significant risk for impairment of goodwill arises from the Building construction, Finland -operating segment where the unit's recoverable cash flow exceeds the unit's carrying amount by EUR 0.0 million. The pronounced risk is a result of the weak general economic situation in Finland that appears in the demand for housing and commercial construction. Sensitivity analysis show that an increase in the discount rate or decrease in the long term annual growth rate would cause an impairment of goodwill in the Building construction, Finland -operating segment.

Figures describing the goodwill impairment risk of units subject to impairment testing by business segment are presented below.

EUR 1,000	Infrastructure construction	Building construction, Finland	Russian operations
2014			
Goodwill allocated to the business sector, total	47,062	6,196	587
Ratio of present value to carrying amount *	3.63	1.00	1.34
Goodwill impairment if annual growth over the			
long term were 1 percentage point lower	0	6,196	0
long term were 2 percentage points lower	0	6,196	0
Goodwill impairment if the discount rate			
were half a percentage point higher	0	6,196	0
were one percentage point higher	0	6,196	0

EUR 1,000	International operations	Building construction	Infrastructure construction	Technical building services
2013				
Goodwill allocated to the business sector, total	42,583	6,196	6,158	25,164
Ratio of present value to carrying amount *	3.79	1.50	3.81	1.96
Goodwill impairment if annual growth over the				
long term were 1 percentage point lower	0	0	879	0
long term were 2 percentage points lower	0	0	879	0
Goodwill impairment if the discount rate				
were half a percentage point higher	0	0	879	0
were one percentage point higher	0	0	879	0

* Net-sales-weighted average of the business sector's cash-generating units subject to impairment testing. Ratio less than one would result in an impairment.

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 20 Non-current available-for-sale financial assets

20 Non-current available-for-sale financial assets

EUR 1,000	2014	2013
Balance sheet value, 1 Jan	3,764	5,971
Translation difference	0	0
Additions	10	4
Disposals	-583	-2,211
Balance sheet value, 31 Dec	3,191	3,764

Available-for-sale financial assets include several different unquoted shares. The value of one individual investment is not significant in relation to the total of all other investments. The fair value of unquoted shares could not be reliably determined, thus they are presented at cost less possible impairments. Shares included in the financial assets available-for-sale are itemised in note 11 under the heading other shares and holdings.

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 21 Non-current receivables

21 Non-current receivables

EUR 1,000	31 Dec 2014	31 Dec 2013
Interest-bearing		
Loan receivables	19	19
Non-interest-bearing		
Trade receivables	513	259
Other receivables	13	625
	527	884
Non-current receivables, total	546	904

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 22 Inventories

22 Inventories

EUR 1,000	31 Dec 2014	31 Dec 2013
Materials and supplies	39,135	38,304
Building plots and real estate	118,223	126,362
Housing under construction	167,688	171,350
Commercial property under construction	7,929	11,072
Other work in progress	27,719	33,496
Advance payments	18,704	13,985
Completed apartments	96,007	55,393
Completed commercial property	21,078	21,588
Products and goods	27,505	32,834
	523,987	504,385

Collateral notes for uncompleted properties included in inventories are used as collateral security for the debts of companies included in inventories to the value of EUR 128.6 million (EUR 119.3 mill.).

In 2014, the company recognised EUR 8.3 million (EUR 19.3 mill.) non-sales related write-downs of inventory as expense, of which EUR 4.1 million was related to Building construction, Finland –operating segment's activated project development costs, EUR 3.0 million to an own developed housing project in Russia and EUR 1.1 million to Infrastructure construction segment's mineral aggregate reserves in Finland.

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 23 Current receivables

23 Current receivables

EUR 1,000	31 Dec 2014	31 Dec 2013
Interest-bearing		
Loan receivables	541	1,279
Non-interest-bearing		
Trade receivables	143,226	214,893
Project income receivables	72,417	98,611
Accrued interest	2	99
Personnel expenses	2,928	2,947
Other prepayments and accrued income	37,260	35,597
Derivative assets	7,109	1,881
Receivables from real estate companies under construction	3,208	7,506
Other receivables	23,323	28,361
	289,473	389,894
Current receivables, total	290,014	391,174

In 2014, a net amount of trade receivable credit losses from continuing operations were EUR 5.1 million (EUR 5.3 mill.). Credit losses from other current receivables were EUR 7.8 million of which EUR 7.0 million are recognised in finance costs.

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 24 Current available-for-sale financial assets

24 Current available-for-sale financial assets

EUR 1,000	2014	2013
Balance sheet value, 1 Jan	30,010	59,020
Additions	93,858	
Decreases	-98,750	-29,011
Balance sheet value, 31 Dec	25,118	30,010

Available-for-sale financial assets include short term investments in bank deposits.

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 25 Cash and cash equivalents

25 Cash and cash equivalents

EUR 1,000	31 Dec 2014	31 Dec 2013
Cash in hand and at banks	109,080	51,072

Cash and cash equivalents includes cash in hand and liquid deposits with solvent banks with original maturities of three months or less.

26 Financial assets and liabilities by category

EUR 1,000	Financial assets / liabilities recognised at fair value through profit and loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amortised cost	Derivatives subject to hedge accounting	Carrying amount	Fair value
31 Dec 2014							
Non-current financial assets							
Available-for-sale financial assets			3,191			3,191	3,191
Other non-current receivables		546				546	318
Current financial assets							
Trade and other receivables		282,905				282,905	282,905
Derivative assets	7,109					7,109	7,109
Available-for-sale financial assets			25,118			25,118	25,118
Cash and cash equivalents		109,080				109,080	109,080
Financial assets total	7,109	392,530	28,309			427,948	427,720
Non-current financial liabilities							
Interest-bearing liabilities				139,513		139,513	139,366
Other non-current liabilities				793		793	793
Current financial liabilities							
Interest-bearing liabilities				208,291		208,291	208,291
Trade payables and other financial liabilities*				273,358		273,358	273,358
Derivative liabilities	4,158					4,158	4,158
Financial liabilities total	4,158			621,955		626,113	625,966

EUR 1,000	Financial assets / liabilities recognised at fair value through profit and loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amortised cost	Derivatives subject to hedge accounting	Carrying amount	Fair value
31 Dec 2013							
Non-current financial assets							
Available-for-sale financial assets			3,764			3,764	3,764
Other non-current receivables		904				904	857
Current financial assets							
Trade and other receivables		389,293				389,293	389,293
Derivative assets	1,881					1,881	1,881
Available-for-sale financial assets			30,010			30,010	30,010
Cash and cash equivalents		51,072				51,072	51,072
Financial assets total	1,881	441,268	33,774			476,923	476,876
Non-current financial liabilities							
Interest-bearing liabilities				61,348		61,348	61,305
Other non-current liabilities				3,033		3,033	3,033
Current financial liabilities							
Interest-bearing liabilities				346,277		346,277	347,115
Trade payables and other financial liabilities*				386,608		386,608	386,608
Derivative liabilities	2,006				74	2,079	2,079
Financial liabilities total	2,006			797,267	74	799,346	800,140

* Trade payables and other financial liabilities do not include statutory obligations or prepayments received, as these are not classified as financial liabilities under IFRS.

Fair value measurement

Other non-current receivables includes trade receivables and other interest-free receivables. Fair values are based on future cash flows discounted using risk free market yields plus appropriate credit spreads. The used discount rates vary between 3.6–19.3 per cent (0.6–4.8%). The carrying amount of current trade and other receivables is equal to their fair value due to their short maturity.

The fair value of the bond included in non-current interest-bearing financial liabilities is based on the market price and the fair value of other non-current financial liabilities is based on future cash flows discounted using a market yield plus appropriate credit spread for the Group at the reporting date. The used discount rates vary between and 2.2–4.8 per cent (2.3–3.2%). The carrying amount of current financial liabilities is assumed to be close to their fair value due to their short maturity.

A fair value hierarchy of financial assets and liabilities recognised at fair value

The Group has categorised financial instruments recognised at fair value by using a three-level fair value hierarchy. Financial instruments within Level 1 of the hierarchy are traded in active markets hence prices are obtained directly from the efficient markets. Fair values of instruments within Level 2 are based on observable market inputs and generally accepted valuation methods. Fair values within Level 3 are not based on observable market data but on quotations provided by brokers and market valuation reports.

EUR 1,000	Level 2	Level 3	Total
31 Dec 2014			
Available-for-sale financial assets			
Equity instruments		3,191	3,191
Money market investments	25,118		25,118
Derivative instruments			
Derivative assets	7,015	94	7,109
Derivative liabilities	2,321	1,838	4,158
EUR 1,000			
31 Dec 2013			
Available-for-sale financial assets			
Equity instruments		3,764	3,764
Money market investments	30,010		30,010
Derivative instruments			
Derivative assets	1,858	23	1,881
Derivative liabilities	862	1,217	2,079

Level 3 reconciliation statement

The table below presents the changes in Level 3 financial instruments for the financial year.

EUR 1,000	Financial instruments recognised at fair value through profit or loss	Financial instruments recognised at fair value through other comprehensive income
Opening balance 1 Jan 2014	-1,194	3,764
Additions		10
Disposals		-583
Gains and losses recognised in profit or loss, total	-549	
Fair values 31 Dec 2014	-1,743	3,191
Gains and losses on level 3 financial instruments held at the end of the accounting period		
In other operating income and expenses	-1,743	
EUR 1,000	Financial instruments recognised at fair value through profit or loss	Financial instruments recognised at fair value through other comprehensive income
Opening balance 1 Jan 2013	-563	5,971
Additions		4
Disposals		-2,211
Gains and losses recognised in profit or loss, total	-631	
Fair values 31 Dec 2013	-1,194	3,764
Gains and losses on level 3 financial instruments held at the end of the accounting period		
In other operating income and expenses	-1,194	

27 Shareholders' equity

Shares and share capital

Lemminkäinen Corporation has one share class. On 31 December 2014, the company had a total of 23,219,900 (19,650,176) shares and 16,687 (34,915) treasury shares. The increase of the total number of shares was due to the rights offering held in 2014. In the offering 3,569,724 new shares were subscribed. All issued shares are fully paid up. The shares do not have a nominal value.

Share premium account

Share premiums are recognised in the share premium account.

Hedging reserve

Hedging reserve includes the effective portion of the fair value changes of interest rate derivatives designated for hedge accounting. Cash flow hedging is applied for hedging interest rate risk. During 2014, a fair value change of interest rate derivatives EUR -0.1 million before deferred taxes has been removed from the hedging reserve into the income statement (in 2013 EUR 0.5 mill. recognised in hedging reserve). Hedging instruments have matured and hedge accounting terminated during the reporting period. An amount of EUR -0.1 million (EUR -0.5 mill.) has been recognised in interest expenses in profit and loss during the financial year arising from cash flow hedging.

Invested unrestricted equity fund

Invested unrestricted equity fund includes the subscription prices of shares to the extent that they are not entered into share capital on the basis of a separate decision. The company arranged a rights offering in 2014 and as a result, the gross proceeds deducted by the transactions costs less taxes, a total of EUR 27.7 million, were recognised in the invested unrestricted equity fund.

Hybrid bond eligible for equity classification

Shareholders' equity includes two EUR 70 million hybrid bonds, one issued in 2012 and the other in 2014. The bonds have no maturity dates but the company has the right to redeem the hybrid bonds after four years of the issue date. The bonds are unsecured and in a lower priority than the company's other debt obligations. A holder of Hybrid bond notes does not possess any of the rights of a shareholder, and the bond does not dilute shareholders' holdings in the company. The annual coupon rate of the bond issued in 2012 is 10% and the annual coupon rate of the bond issued in 2014 is 8.75%.

Translation differences

Translation differences include the differences arising from the translation of the Group's foreign entities' non-Euro denominated financial statements into Euros. In previous years the Group hedged the net investment in foreign entities and hedging gains and losses from hedge instruments are also included in the translation differences, provided they qualified for hedge accounting. The Group has not applied hedge accounting for hedging the net investment in foreign entities during the reporting period.

At the end of 2014 the translation difference amounted to EUR -21.7 million (EUR -3.1 mill.). The change of the translation difference was EUR -18.6 million during 2014. The impact of Russian exchange rate changes on the translation difference was a total of EUR -15.8 million and the impact of Norwegian exchange rate changes was a total of EUR -2.7 million. The change includes EUR 0.9 million related to termination of control or joint control which has been recognised in the income statement.

28 Interest-bearing liabilities

EUR 1,000	31 Dec 2014	31 Dec 2013
Non-current		
Borrowings from financial institutions	2,122	15,136
Pension loans		1,956
Finance lease liabilities	36,750	43,542
Bonds	99,647	
Other non-current liabilities	994	715
	139,513	61,348
Current		
Borrowings from financial institutions	1,193	9,016
Pension loans	1,956	19,555
Finance lease liabilities	13,420	14,254
Bonds		59,931
Chequing accounts	363	17,261
Commercial papers	63,365	150,205
Liabilities of housing companies under construction	127,057	73,115
Other current liabilities	939	2,939
	208,291	346,277

Most of the liabilities are drawn in the debtors functional currency.

Finance lease liabilities

EUR 1,000	31 Dec 2014	31 Dec 2013
Finance lease liabilities and interest on them is due as follows		
In one year or earlier	14,790	15,958
Over one year, but less than five years	36,535	39,028
Over five years	2,184	7,462
	53,509	62,448
Maturity of present value of minimum leases		
In one year or earlier	13,420	14,254
Over one year, but less than five years	34,614	36,283
Over five years	2,136	7,259
	50,170	57,796
Accumulated future finance costs from finance lease liabilities	3,340	4,652

29 Pension obligations

The company has in its operating countries several defined contribution pension plans which are subject to local regulation and practices. The company's one most significant pension plan is the Finnish Employees Pensions Act (TyEL), in which the benefits are determined directly on the basis of the level of the beneficiary's earnings level. TyEL pension plan is mainly arranged through pension insurance companies and it is treated as a defined contribution plan.

At the end of 2014, the company had defined benefit pension plans in Finland and Norway. All plans at the year-end 2014 were final salary defined benefit plans, and they supplement the statutory pensions or enable retirement before the statutory retirement age. The company's two defined benefit pension plans in Norway were terminated during 2014 from which the company recognised a curtailment gain of EUR 0.2 million which was booked to other operating income. In 2013, some of the company's defined benefit plans were converted to defined contribution plans in Norway. All of the plans' obligations, EUR 12.4 million, were settled. In addition, the company recognised a curtailment gain of EUR 1.9 million, which was booked to other operating income. Three persons left the Finnish plan in 2013, which was treated as a partial settlement of the obligation, and it had no effect on the company's income statement.

EUR 1,000	31 Dec 2015 (forecast)	31 Dec 2014	31 Dec 2013
Recognised in the balance sheet			
Present value of funded obligations	576	614	969
Fair value of plan assets	-68	-61	-102
Total amount recognised in the balance sheet	508	553	867
of which in Finland	499	504	490
of which in Norway	10	49	376

Estimated amount of defined benefit plan payments in Lemminkäinen Group during 2015 is EUR 0.0 million. Estimates and forecasts may vary from actual figures.

EUR 1,000	Present value of obligation	Fair value of plan assets	Total
1 Jan 2014	969	-102	867
Current service cost	5		5
Net interest	22	-3	19
Settlements	-41	41	
Curtailments	-227		-227
	-241	38	-203
Remeasurements			
Return on plan assets		13	13
(Gain)/loss from change in financial assumptions	-159		-159
Experience (gains)/losses	149		149
	-10	13	3
Exchange differences	-11	0	-11
Employer contributions		-23	-23
Benefit payments	-14	14	
Business combinations and disposals	-79		-79
31 Dec 2014	614	-61	553

EUR 1,000	Present value of obligation	Fair value of plan assets	Total
1 Jan 2013	19,032	-13,816	5,216
Current service cost	1,383		1,383
Net interest	393	-226	167
Settlements	-12,434	12,434	
Curtailments	-1,933		-1,933
	-12,591	12,208	-383
Remeasurements			
Return on plan assets		27	27
Change in demographic assumptions	1,101		1,101
(Gain)/loss from change in financial assumptions	-4,479	586	-3,892
Experience (gains)/losses	-554		-554
	-3,931	614	-3,318
Exchange differences	-1,158	824	-334
Employer contributions		-314	-314
Benefit payments	-382	382	
31 Dec 2013	969	-102	867

The company's defined benefit pension obligations do not include minimum funding requirements.

	31 Dec 2014 Finland	31 Dec 2014 Norway	31 Dec 2013 Finland	31 Dec 2013 Norway
Actuarial assumptions				
Discount rate, %	2.5	3.0	3.3	4.1
Inflation rate, %	2.0	1.8	2.0	1.8
Expected rate of salary increases, %	1.0	3.0	1.0	3.3
Future pension increases, %	2.1	2.3	2.1	0.6
Life expectancy of plan members				
	31 Dec 2014 Finland	31 Dec 2014 Norway	31 Dec 2013 Finland	31 Dec 2013 Norway
Male age 65 (current life expectancy), years	19.0	20.6	19.0	20.6
Female age 65 (current life expectancy), years	24.7	23.5	24.7	23.5
Male age 45 (at age 65), years	20.6	22.8	20.6	22.8
Female age 45 (at age 65), years	26.4	26.0	26.4	26.0

Defined benefit plans' assets consist entirely of qualifying insurance policies and are fair valued on the accounting date. These assets do not include investments to Lemminkäinen or to real estate or other assets used by the company. The expected return on the plan assets is an estimate of a life insurance company's future long term total rebate.

Plan participants at the end of period	31 Dec 2014	31 Dec 2013
Active	6	12
Inactive not in pay status / Deferred	9	9
Inactive in pay status / Pensioners	91	95
Total number of participants	106	116

The effect of a 0.5 percentage point change in the most significant actuarial assumptions to the amount of defined benefit pension obligations is presented in the tables below.

	31 Dec 2014 Finland	31 Dec 2014 Norway	31 Dec 2013 Finland	31 Dec 2013 Norway
0.5% increase in the principal assumption will impact the liability as follows				
Discount rate	-4.76%	-0.33%	-4.49%	-3.32%
Inflation rate	55.41%	-	4.98%	-
Expected rate of salary increases	0.24%	0.01%	0.17%	0.01%
0.5% decrease in the principal assumption will impact the liability as follows				
Discount rate	5.22%	0.33%	4.30%	3.32%
Inflation rate	-35.66%	-	-4.74%	-
Expected rate of salary increases	-0.24%	-0.01%	-0.17%	-0.01%

The above analyses are based on a 0.5 percentage point change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit pension obligation the same method has been applied as when measuring the defined benefit pension obligation recognised in the balance sheet.

	2014	2013	2012	2011	2010
Plan assets and liabilities for the past five years					
Defined benefit obligation	614	969	19,032	21,674	21,776
Fair value of plan assets	-61	-102	-13,816	-13,376	-15,961
	553	867	5,216	8,298	5,815

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 30 Share-based payments

30 Share-based payments

Performance-based reward

Years 2010–2012

Lemminkäinen had a share-based incentive plan comprising three one-year earning periods: the calendar years 2010, 2011 and 2012. The Board of Directors decided on the earning criteria for each period as well as on the targets to be established at the beginning of each earning period. In 2012, the earning criteria for long-term incentives were the targets set for the Group's equity ratio and return on investment. The reward was paid partly in company shares and partly in cash. The proportion paid in cash covered the taxes and tax-related costs arising from the reward. The shares may not be transferred during the commitment period which ends two years after the earning period ends.

Years 2013–2015

At the end of 2012, the Board of Directors of Lemminkäinen Corporation decided on a new share-based incentive plan for the Group's key personnel. The plan includes three one-year earning periods, calendar years 2013, 2014 and 2015. The company's Board of Directors will decide on the earning criteria and the targets to be set at the beginning of each earning period. The potential performance-based reward for an earning period will be paid out in company shares and cash. The proportion to be paid in cash will cover the taxes and tax-related costs arising from the reward. The shares may not be transferred during the commitment period of approximately two years. If a key person's employment or service contract ends during the commitment period, they will generally have to return any reward shares to the company without compensation.

Conditional reward

As part of the plan the above mentioned key personnel has the opportunity to receive conditional reward, ie matching shares, on the basis of their share ownership and continued employment or service contract. In order to receive the conditional reward, a key person must already own or acquire a specified number of company shares, or a percentage thereof. The number and date are set by the Board of Directors. In this case, the key person will be granted, as a reward, one share for each share acquired, as long as their employment or service contract remains valid and they retain ownership of these shares until the conditional reward is paid. The earning period for the conditional reward is the calendar years 2013–2015.

Information concerning share-based incentive plans are presented below:

	Conditional reward		Performance-based reward		
	2014	2013	2014	2013	2012
Grant date	13 Feb 2014	6 Feb 2013	7 Feb 2014	7 Feb 2013	9 Feb 2012
Earning period start date	1 Jan 2014	1 Jan 2013	1 Jan 2014	1 Jan 2013	1 Jan 2012
Earning period end date	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Commitment period end date	30 Apr 2017	30 Apr 2016	31 Dec 2016	31 Dec 2015	31 Dec 2014
Vesting conditions	Share ownership requirement	Share ownership requirement	EBIT, ROI	Equity ratio, ROI	Equity ratio, ROI
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity
Share price at grant date, EUR	13.41	15.80	13.83	15.85	20.20
Fair value of share at grant date, EUR *	12.81	15.03	13.31	15.26	19.70
Amount of granted shares during period, maximum			259,730	205,591	75,076
Changes in number of granted shares, maximum			-90,898	-3,449	2,433
Number of granted shares at the end of period, maximum			168,832	202,142	77,509
Number of shares earned at the end of period **			16,883	0	42,630
Matching shares subscribed at grant year	860	16,036			
Number of plan participants at end of period	1	15	49	43	40
Assumed fulfilment of earning criteria, %			10.0	0.0	60.0
Estimated number of shares returned prior to the end of commitment period, %	10.0	10.0	10.0	10.0	10.0

* The fair value of share at grant date is the share's grant date value less estimated dividend payments during the earning period.

** Number of shares earned in 2014 is an estimate.

The accrued expenses from the share based incentive plans recognised in the income statement in 2014 were a total of EUR 0.3 million (EUR 1.0 mill.). The liability recognised in the balance sheet in respect of share-based incentive plan at the end of 2014 was EUR 0.1 million (EUR 0.9 mill.). The company estimates that expenses to be recognised in 2015 from incentive plans realised before 2015 will be approximately EUR 0.2 million. Actual amount may differ from the estimated amount.

31 Provisions

EUR 1,000	Warranty provisions	10 year liability provisions	Environmental provisions	Lease commitment provisions	Litigation provisions	Other provisions	Total 31 Dec 2014	Total 31 Dec 2013
Provisions, 1 Jan	7,089	8,657	3,196	1,476	5,900	847	27,164	22,341
Translation differences	-121		-175			-18	-314	-492
Increases in provisions	11,088	593	457	3,924	6,408	6	22,477	15,083
Expensed provisions	-6,126	-615	-594	-1,851		-829	-10,016	-9,764
Purchases and sales of subsidiaries	-718						-718	-4
Provisions, 31 Dec 2014	11,212	8,635	2,884	3,549	12,308	6	38,594	
Provisions, 31 Dec 2013	7,089	8,657	3,196	1,476	5,900	847		27,164

EUR 1,000	Warranty provisions	10 year liability provisions	Environmental provisions	Lease commitment provisions	Litigation provisions	Other provisions	Total 31 Dec 2014	Total 31 Dec 2013
Provisions categorised as								
Long-term	1,159	7,554	2,884	3,549	12,308	6	27,461	19,935
Short-term	10,053	1,081					11,134	7,229
	11,212	8,635	2,884	3,549	12,308	6	38,594	27,164

Warranty provisions cover after completion repair costs arising from warranty obligations. Provisions related to housing construction are expected to be used within one year after the provision is made. Warranty provisions related to other construction projects are mainly used in 1–2 years after the provision is made.

10 year liability provision related to housing and commercial construction is determined as a whole for all the projects including such liabilities.

Environmental provisions are mainly related to a site's landscaping obligations. The expected time for using landscaping provisions depends on the use of the site, because in most cases the landscaping work starts after the use of the site ceases. In addition, environmental provisions cover other provisions related to environmental obligations.

Lease liability commitment arises, when the company has a contractual obligation to obtain tenants for premises not yet leased in a commercial real estate under construction. Provisions for lease commitments are expected to be used in 1–3 years after the provision is made.

Litigation provision is recognised for the asphalt cartel related claims for damages pending in the District Court of Helsinki, with 21 municipalities as plaintiffs. The court proceedings of these actions are expected to start in the District Court during 2016 at the earliest, and are expected to last 1–3 years. The amount of provision is estimated on the basis of the decisions given by Helsinki district court on 28th November 2013.

32 Trade and other payables

EUR 1,000	31 Dec 2014	31 Dec 2013
Non-current		
Other non-current liabilities	793	3,033
Trade payables and other current liabilities		
Advance payments received	140,855	140,989
Liabilities to owners of housing under construction	4,506	13,427
Trade payables	89,220	139,780
Project expense liabilities	59,484	42,659
VAT	22,511	35,175
Accrued interest	4,282	1,180
Accrued personnel expenses	58,162	83,121
Other accrued liabilities	16,400	16,927
Derivative liabilities	4,158	2,079
Other current liabilities*	41,304	89,515
	440,882	564,851
Non-current and current trade payables and other liabilities, total	441,675	567,884

* Other current liabilities at the end of 2013 include EUR 59.7 million of payables associated with the asphalt cartel related legal proceedings.

33 Financial risk management

In its business operations, Lemminkäinen Group is exposed to financial risks, mainly funding, liquidity, foreign exchange rate, interest rate and credit risks. The aim of the Group's financial risk management is to reduce uncertainty concerning the possible impacts that changes in fair values on the financial markets could have on the Group's result, cash flow and value. The management of financial risks is based on principles of the treasury policy approved by the Board of Directors. The treasury policy defines the principles and division of responsibilities with regard to financial activities and the management of financial risk. The policy is reviewed and if necessary updated at least annually.

Execution of the treasury policy is the responsibility of the Group Treasury, which is mainly responsible for the management of financial risks and handles the Group's treasury activities on a centralised basis. The Group's treasury policy defines the division of responsibilities between the Group Treasury and business units in each subarea. The group companies are responsible for providing the Group Treasury with up-to-date and accurate information on treasury-related matters concerning their business operations. The Group Treasury serves as an internal bank and co-ordinates, directs and supports the group companies in treasury matters such that the Group's financial needs are met and its financial risks are managed effectively in line with the treasury policy.

Funding and liquidity risk

The Group seeks to ensure the availability of funding, optimise the use of liquid assets in funding its business operations and to minimise interest and other finance costs. The Group Treasury is responsible for managing the Group's overall liquidity and ensuring that adequate credit lines and a sufficient number of different funding sources are available. It also ensures that the maturity profile of the Group's loans and credit facilities is spread sufficiently evenly over coming years as set out in the treasury policy. The maturity schedule of the interest-bearing liabilities, as per the Group's accounting, is front-loaded. The reason for this is the EUR 127.1 million (EUR 73.1 mill.) liabilities of housing and commercial property companies. These liabilities mainly consist of non-current loans of housing companies under construction which are recorded under current interest-bearing liabilities, and will be transferred to the buyers of the co-op shares when the units are handed over. Regarding unsold housing units, the Group will bear the liability by paying financial consideration for the units in question during a long loan period. The Group's available financing sources and liquid assets are sufficient to cover the obligations arising from current interest-bearing liabilities.

According to the treasury policy, the Group's liquidity reserve shall at all times match the Group's total liquidity requirement, and it must be accessible within five banking days without any additional charges being incurred. The Group's total liquidity requirement consists of the liquidity requirement of day-to-day operations, risk premium needs and the strategic liquidity requirement. The Group's liquidity management is based on monthly forecasts of funding requirements and daily cash flow forecasting. The Group's excess liquidity is managed by means of internal transactions and cash pools.

Due to the nature of the Group's business operations, seasonal borrowing is of great importance. The effect of seasonal variation on short-term liquidity needs is controlled by using a commercial paper programme, committed credit limits and bank overdraft facilities. The total amount of the Group's commercial paper programme is EUR 300 million (EUR 300 mill.), of which EUR 63.4 million (EUR 150.2 mill.) was in use at 31 December 2014. Lemminkäinen has a EUR 185 million, three-year syndicated revolving credit facility. The credit facility is binding and unsecured, and its matures in March 2016. At the end of the year, the Group had unused committed credit facilities amounting to EUR 185.0 million (EUR 175.0 mill.) and overdraft limits amounting to EUR 33.2 million (EUR 44.0 mill.). The amount of liquid assets at 31 December 2014 was EUR 134.2 million (EUR 81.1 mill.).

Contractual cash flows of financial liabilities and derivative instruments

EUR 1,000	2015	2016	2017	2018	2019	2020–	Total
31 Dec 2014							
Interest-bearing liabilities	218,072	23,629	17,900	14,537	113,269	2,172	389,578
Interest rate derivatives	319	320	319	162			1,119
Forward foreign exchange contracts							
Cash flows payable	77,180						77,180
Cash flows receivable	-81,905						-81,905
Commodity derivatives							
Cash flows payable	1,335	505					1,840
Cash flows receivable	-87						-87
Other financial liabilities	179,856	69	23	559	23	120	180,649
Trade payables	89,220						89,220
Financial guarantees given	14,413	1,519				254	16,186
	498,402	26,041	18,242	15,258	113,292	2,546	673,780

EUR 1,000	2014	2015	2016	2017	2018	2019–	Total
31 Dec 2013							
Interest-bearing liabilities	352,436	18,912	23,433	8,972	5,656	7,535	416,945
Interest rate derivatives	346	247	248	247	118		1,206
Forward foreign exchange contracts							
Cash flows payable	106,015						106,015
Cash flows receivable	-106,552						-106,552
Commodity derivatives							
Cash flows payable	593	97	321				1,011
Cash flows receivable	-14	-9					-23
Other financial liabilities	245,861	2,279	535				248,675
Trade payables	139,568						139,568
Financial guarantees given	17,413		1,519			254	19,186
	755,664	21,526	26,056	9,219	5,774	7,790	826,029

Foreign exchange rate risk

The aim of foreign exchange rate risk management is to reduce uncertainty concerning the possible impacts that changes in exchange rates could have on the future values of cash flows, business receivables and liabilities, and other balance sheet items. Exchange rate risk mainly consists of translation risk and transaction risk.

Translation risk consists of foreign exchange rate differences arising from the translation of the income statements and balance sheets of foreign group companies into the Group's functional currency. Translation risk recorded in accounting is caused by equity investments in foreign entities and their retained earnings, the effects of which are recorded under translation differences in shareholders' equity. Lemminkäinen Group has foreign net investments in several currencies. The key currencies in which the Group was exposed to translation risk in 2014 were the Russian rouble and the Norwegian krone. It is likely that the most significant translation risk is associated to these currencies in the future, too. The change in translation differences in 2014 was EUR -18.6 million, of which EUR -15.8 million was attributable to the Russian rouble and EUR -2.7 million to the Norwegian krone. Reportable translation risk is also caused by the reporting period's income statement, the impact of which can be seen, among others, directly in the Group's reportable net sales and operating profit in euros. In 2014, the impact of exchange rate changes on the Group's net sales was EUR -73.2 million, of which EUR -40.0 million was attributable to the Russian rouble and EUR -19.7 million to the Norwegian krone, and their impact on the operating profit was EUR -5.0 million, of which EUR -4.3 million was attributable to the Russian rouble and EUR -0.6 million to the Norwegian krone. In accordance with the treasury policy, Lemminkäinen Group protects itself from translation risks primarily by keeping equity investments in foreign entities at an appropriately low level, and thus does not use financial instruments to hedge the translation risks.

Transaction risk consists of cash flows in foreign currencies from operational and financial activities. The Group seeks to hedge business currency risks primarily by operative means. The remaining transaction risk is hedged by using instruments such as foreign currency loans and foreign currency derivatives.

The group companies are responsible for identifying, reporting, forecasting and hedging their transaction risk positions internally. The Group Treasury is responsible for hedging the Group's risk positions as external transactions in accordance with the treasury policy. The general rule is that the major net positions, forecasted and known, for the 12 months following the review date are hedged, with a hedging ratio ranging from 25–100 per cent and emphasising the first six months.

The key currencies in which the Group was exposed to transaction risk in 2014 were Russian rouble and Swedish krona. These transaction risk positions were mainly due to sales, procurements, receivables and liabilities. In 2014 the Group did not apply hedge accounting to transaction risk hedging.

Sensitivity analysis of transaction risk

The following assumptions have been made when calculating the sensitivity caused by changes in exchange rates:

- the exchange rate change is assumed to be +/- 10%
- the position includes financial assets and liabilities denominated in Swedish kronas and Russian roubles
- the position does not include forecasted future cash flows
- taxes are excluded in sensitivity analysis

EUR 1,000	Transaction position	+/- 10% impact on profit or loss
31 Dec 2014		
EUR/SEK	369	-34 / +41
EUR/RUB	264	-24 / +29

EUR 1,000	Transaction position	+/- 10% impact on profit or loss
31 Dec 2013		
EUR/SEK	-2,432	+221 / -270
EUR/RUB	-6,432	+585 / -715

Interest rate risk

The aim of Lemminkäinen Group's interest rate risk management is to minimise changes affecting the result, cash flows and value of the Group due to interest rate fluctuations. The Group Treasury manages and monitors the interest rate position. The Group's interest rate risk primarily comprises fixed-rate and variable-rate loan and leasing agreements, interest-bearing financial receivables and interest rate derivatives. Interest rate changes affect items in the income statement and balance sheet.

The interest rate risk is decreased by setting the Group's average period of interest fixing term to the same as the interest rate sensitivity of its business. The interest rate sensitivity position of the Group's business is estimated to be about 15 months. The treasury policy thus defines the Group's average interest fixing term as 12–18 months. The Group aims to keep 40–65 per cent of its liabilities per currency hedged.

The Group can have both variable and fixed-rate long-term borrowings. The ratio of fixed and variable-rate borrowings can be changed by using interest rate derivatives. In 2014, the Group has used interest rate swaps for managing interest rate risks. Part of the interest rate swaps were used for hedge accounting and a hedging result of those derivatives have been recognised in interest expenses. There was no ineffectiveness to be recorded from hedge accounting during the financial year. Hedging instruments assigned to hedge accounting have matured and hedge accounting terminated during the reporting period.

Interest rate fluctuations in 2014 did not have any unusual effect on the Group's business, but a significant rise in the level of interest rates may have a detrimental effect on the demand for housing.

Sensitivity analysis of interest rate risk

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

- the interest rate change is assumed to be 1 percentage point
- the position includes variable-rate financial liabilities, variable-rate financial receivables and interest rate derivatives
- all factors other than the change in interest rates remain constant
- taxes have not been taken into account when calculating sensitivity

EUR 1,000	Interest rate risk position	Impact on profit or loss (+1%)	Impact on profit or loss (-1%)	Impact on other comprehensive income (+1%)	Impact on other comprehensive income (-1%)
31 Dec 2014					
Variable-rate liabilities	-182,901	-1,829	1,829		
Variable-rate receivables	134,547	1,345	-1,345		
Interest rate derivatives	40,000	1,295	-1,358		
	-8,354	812	-875		

EUR 1,000	Interest rate risk position	Impact on profit or loss (+1%)	Impact on profit or loss (-1%)	Impact on other comprehensive income (+1%)	Impact on other comprehensive income (-1%)
31 Dec 2013					
Variable-rate liabilities	-172,028	-1,720	1,720		
Variable-rate receivables	81,845	818	-818		
Interest rate derivatives	47,180	1,606	-1,699	9	-9
	-43,003	704	-798	9	-9

Commodity price risk

The Group's paving operations are exposed to bitumen price risk. The price of bitumen is determined by the world market price of oil in practise. The Group protects itself against the bitumen price risk with fixed purchase prices, price clauses in sales agreements and derivatives for which hedge accounting is not applied. By the closing date, the group companies had used bitumen derivatives to hedge, in total, 11,000 MT (58,933 MT) of bitumen purchases.

Credit risk

Credit risks arise when a counterparty is unable to meet its contractual obligations, causing the other party to suffer a financial loss. Lemminkäinen has defined a credit policy for customer receivables that aims to boost profitable sales by identifying credit risks in advance and controlling them. The credit policy sets the minimum requirements concerning trade credit and collections for Lemminkäinen Group. The Group's credit control function defines credit risks and the business units are responsible for managing them.

Most of the Group's business is based on established and trustworthy customer relationships and on contractual terms generally observed in the industry. The Group is exposed to credit risk mainly through the Group's trade receivables and receivables associated with deposits and receivables. The maximum amount of credit risk is the combined total of the balance sheet values of the aforementioned items. The amounts and due dates of the Group's trade receivables are presented in the table below. The Group does not have any significant credit risk concentrations as trade receivables are distributed among many different customers in a number of market areas. The business unit that made the contract actively monitors the receivables situation. If the business units renegotiate the terms of the receivables, they must do so in accordance with the requirements of the Group's credit policy. The risk of credit losses can be reduced by means of guarantees, mainly bank guarantees and bank deposits. In addition, Lemminkäinen uses factoring arrangements which also mitigates the credit risk.

Lemminkäinen's credit losses have been minimal in relation to the scale of its operations. The main risks are associated with business in Russia. As a general rule, construction projects in Russia are only undertaken against receipt of advance payments. If, in exceptional situations, a credit risk is taken, the amount permitted is always proportional to the expected margin on the project in question. Receivables transferred for legally enforceable collection are recognised as credit losses.

The Group is exposed to counterparty risk when investing liquid assets and using derivative instruments. Liquid assets are invested in short-term bank deposits, certificates of deposit issued by solvent partner banks, and commercial papers issued by corporations with a good credit rating. The Group Treasury is responsible for the management of the Group's counterparty and credit risks related to cash, financial investments and financial transactions. The treasury policy specifies the approved counterparties and their criteria. At the end of 2014, the counterparty risk was considered to be low.

Ageing analysis of trade receivables

EUR 1,000	31 Dec 2014	31 Dec 2013
Not due	108,711	171,472
Past due 1–30 days	22,331	19,698
Past due 31–60 days	3,184	8,023
Past due 61–90 days	3,383	7,070
Past due over 90 days	6,131	8,889
	143,740	215,152

Management of capital and the capital structure

Capital means the equity and interest-bearing liabilities shown on Lemminkäinen's consolidated balance sheet. Lemminkäinen Group's capital management ensures cost-effectively that all of the Group's business sectors maintain their business viability at a competitive level in all cyclical conditions, that risk-carrying capacity is adequate, for example, in construction contracts, and that the company is able to service its borrowings and pay a good dividend.

The amount of the Group's interest-bearing liabilities is affected by factors such as scale of operations, seasonal changes in production, acquisitions, investments in or the sale of production equipment, buildings and land, and possible equity related arrangements. The company continuously monitors especially the amount of debt, the ratio of net debt to EBITDA, and the equity ratio. The company also follows the development of equity by means of the return on investment. A long-term average in excess of 18 per cent is regarded as a good return. The return on investment in 2014 was 13.5 per cent (-9.4%).

We may from time to time seek to repurchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. The amounts involved may be material. We may decide to hold, cancel or sell such repurchased debt. Possible subsequent sales of repurchased debt may be made against cash or other compensation or in exchange for equity securities and such sales may be executed as open market offers, privately negotiated transactions or otherwise. Repurchases or exchanges of outstanding debt or subsequent sales or exchanges of repurchased debt, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

Some of the Group's financial arrangements include two financial covenants, the ratio of net debt to EBITDA and the equity ratio, which are monitored quarterly and calculated as an average of four previous quarters, which are monitored quarterly and calculated as an average of four previous quarters. The terms of the net debt/EBITDA covenant were not met in the first quarter. Consequently, the company started negotiations with certain lenders, which were completed on 21 May 2014. Due to the negotiations, the company has committed to strengthening its balance sheet with approximately EUR 100 million, among other measures. In the third quarter, the company conducted a rights offering. With the offering, the company raised gross proceeds of EUR 29.3 million (net proceeds of EUR 27.3 million). In addition, the company will divest non-core assets and operations by EUR 70 million by the end of September 2015. At the end of 2014, the company had carried out divestments amounting to EUR 21.5 million. The company will not pay any dividends for 2014 without the consent of certain lenders. Furthermore, in the second quarter the company agreed with its lenders on changes to the net debt to EBITDA covenant for the second and third quarters of 2014. At the end of the year, the company met its covenants.

In addition, the company has taken several other measures to strengthen its balance sheet and to improve its financial position. In the first quarter, the company issued a EUR 70 million hybrid bond. In the second quarter, the company divested its technical building services business for EUR 55.4 million and used the inbound cash flow from the divestment for repayment of current liabilities. In addition, the company issued a EUR 100 million unsecured senior five-year bond in June 2014. The EUR 100 million bond issued by the company was used for refinancing the EUR 60 million bond that matured in October 2014. The bond carries a fixed annual coupon at the rate of 7.375 per cent payable semi-annually. The terms and conditions of the bond include two financial incurrence-based covenants: an equity ratio and net debt to EBITDA. If the equity ratio covenant is not met, the company is restricted from making certain payments, including repurchases of its own shares and redemption of hybrid bonds. If the net debt to EBITDA covenant is not met, the company is restricted in its ability to raise additional debt.

The Group's equity includes two EUR 70 million hybrid bonds with no maturity date. The first of these was issued in March 2012 and the second in March 2014. These hybrid bonds are classified as equity instrument but the bond holders do not have any rights of a shareholders, and the bond does not dilute shareholders' ownership in the company. The hybrid bonds are unsecured and junior to all other borrowings of the company. The bond have no maturity date but company has the right to redeem them at it's own discretion after four years of the issuance date.

EUR 1,000	31 Dec 2014	31 Dec 2013
Interest-bearing liabilities	347,804	407,626
Liquid assets	134,197	81,081
Interest-bearing net debt	213,607	326,544
Equity, total	412,508	324,038
Equity ratio, %	37.1	27.3
Gearing, %	51.8	100.8
Return on investment, %	13.5	-9.4

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 34 Derivative financial instruments

34 Derivative financial instruments

EUR 1,000	Nominal value	Fair value, positive	Fair value, negative	Fair value, net
31 Dec 2014				
Foreign exchange derivatives	77,179	7,015	-1,305	5,710
Interest rate derivatives	40,000		-1,045	-1,045
Commodity derivatives	2,659	87	-1,838	-1,750
	119,838	7,102	-4,188	2,915

EUR 1,000	Nominal value	Fair value, positive	Fair value, negative	Fair value, net
31 Dec 2013				
Foreign exchange derivatives	106,009	1,640	-726	914
Interest rate derivatives	47,180	216	-180	36
Commodity derivatives	24,407	23	-1,217	-1,194
	177,597	1,879	-2,123	-244

The fair value of derivative instruments is the gain or loss arising from the settlement of the contract at the market price prevailing on the reporting date.

Hedge accounting has not been applied to all derivative instruments. Nevertheless, these derivative instruments have been utilised for hedging purposes. The derivatives are used in order to reduce business risks and to hedge balance-sheet items denominated in foreign currencies. Changes in the fair value of non-hedge accounted derivatives are recognised through profit or loss in accordance with their nature either in financial items or as other operating income and expenses.

Financial derivatives are subject to master netting or similar arrangements which are enforceable in some circumstances. According to these arrangements above mentioned derivative assets and derivative liabilities could be settled on a net basis. Netting arrangements are enforceable according to typical negligence events or other events of default as the general terms for derivative transactions applies. These items are recognised on gross basis in the balance sheet. Net figures would have been EUR 1.4 million (EUR 0.8 mill.) smaller than the figures presented in the table.

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 35 Adjustments to cash flows

35 Adjustments to cash flows

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Depreciation and impairment of goodwill	44,684	45,329
Share of the profits of associates and joint ventures	-497	-562
Finance income and costs recognised in the income statement	37,900	26,669
Change in provisions	12,468	5,315
Change in pension obligations	-285	-3,763
Credit losses on trade receivables	6,035	5,331
Gain and loss on the sale of fixed assets as well as other non-payment income and expenses	-36,406	-4,450
Translation differences	-19,421	-7,189
	44,477	66,679

36 Operating lease commitments

EUR 1,000	31 Dec 2014	31 Dec 2013
Minimum leases of irrevocable lease contracts within		
One year or less	9,387	12,337
Over one year, but less than five years	21,242	26,116
Over five years	12,103	6,005
	42,732	44,458
Minimum leases of irrevocable lease contracts include operating lease commitments due within		
One year or less	3,503	5,144
Over one year, but less than five years	6,352	5,978
Over five years	329	562
	10,185	11,684

Irrevocable lease commitments include mainly leases of real estates and machinery.

37 Guarantees and commitments

EUR 1,000	31 Dec 2014	31 Dec 2013
Pledged deposits		
For own commitments	316	17
Guarantees		
On behalf of associates and joint ventures	14,356	17,356
On behalf of consortiums and real estate companies	1,831	1,831
	16,186	19,186
Investment commitments	2,084	7,738

38 Contingent liabilities**Litigation**

On 28 November 2013, the District Court of Helsinki issued its decisions concerning damages related to the asphalt cartel. In line with the decisions, Lemminkäinen recorded approximately EUR 66 million in expenses in its 2013 result. Of this, approximately EUR 60 million consisted of damages ordered only to Lemminkäinen, Lemminkäinen's share of the damages ordered to it and other asphalt industry companies to be paid jointly and severally, as well as interest and legal expenses related to the damages. This amount was paid by the company in January 2014. Lemminkäinen has appealed against all 35 decisions, where the plaintiffs' claims were upheld, to the Helsinki Court of Appeal. In Lemminkäinen's opinion, there are some judicial aspects in the decisions, where the conclusions of the District Court differ from previous legal practices. Such judicial aspects are related to the questions of prescriptions and value added tax, for example. The main oral hearing in the Court of Appeal will take place during 2015. The Finnish state and 22 municipalities have also submitted their appeals to the Helsinki Court of Appeal. In addition to the claims decided on by the District Court in November 2013, 21 claims against Lemminkäinen and other asphalt industry companies for damages are waiting for the main proceeding to begin. These damages amount to a total of approximately EUR 26 million and the company has made a EUR 12.3 million provision for them.

In addition, the company has several other individual legal proceedings related to business operations, the outcome of which is uncertain. The company estimates that these legal proceedings will not have a material impact on the company's financial position.

39 Related-party transactions

Lemminkäinen Group's related parties comprise associates and joint ventures as well as members of the key management personnel including their related parties. Members of the key management personnel comprise the Board of Directors, the President and CEO, the Executive Team and the Head of Internal Audit.

Transactions with related parties

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Sales of goods and services		
To associates and joint ventures	1,878	2,948
To key management personnel and their related parties	380	125
	2,258	3,074
Purchases of goods and services		
From associates and joint ventures	15,748	11,275
EUR 1,000	31 Dec 2014	31 Dec 2013
Balance of purchases/sales of goods and services		
Trade receivables		
From associates and joint ventures	13	28
From key management personnel and their related parties	80	125
	93	153
Trade payables		
To associates and joint ventures	241	212
EUR 1,000	31 Dec 2014	31 Dec 2013
Loan receivables from associates and joint ventures	154	

Related-party transactions with associates and joint ventures are mainly asphalt works and mineral aggregate deliveries. Sales to a key management personnel and their related parties include one sale of a non-current asset at market price and one sale of construction service at a market price. A list of investments in subsidiaries and associates and joint ventures is presented in Note 11.

Remuneration of key management personnel

On the basis of a proposal submitted by the HR Committee, the company's Board of Directors decides on the basic salary and fringe benefits as well as on both short-term and long-term remuneration of the President and CEO and of the Executive Team. The Board of Directors decides annually both short and long-term indicators for management remuneration and the target values for the indicators which are designed to support achievement of the strategic goals. On the basis of the President and CEO's proposal, The Board of Directors decides on the amount of fees and whether the indicator-based goals have been reached.

According to management remuneration policy approved by the Board of Directors, the remuneration of the President and CEO, members of the Group's Executive Team and other management personnel consists of a fixed basic salary, fringe benefits, other benefits, annual short-term incentives (performance-based pay) as well as long-term share based incentive plans and pension plans.

Costs related to remuneration of key management personnel are presented in the table below. The figures in the table are presented separately for each President and CEO of the Group and as a total for other key management personnel. In 2014, the company booked social security costs of EUR 0.9 million (EUR 0.8 mill.) from key management personnel's salaries, fees and other short-term employee benefits. The social security costs are not included in the table's figures below. The table's figures are calculated on accrual basis and the performance and share-based rewards included in the figures are based on a year-end estimate. The figures do not include the Chief Financial Officer's service fee from the time period between 1 April and 30 June 2014.

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Short-term employee benefits	2,779	2,622
Timo Kohtamäki	168	511
Bernd Brunow (President & CEO term)*	170	
Casimir Lindholm (President & CEO term)	297	
Key management personnel other than the President & CEO	2,145	2,110
Post-employment benefits	758	835
Timo Kohtamäki	330	337
Casimir Lindholm (President & CEO term)	75	
Key management personnel other than the President & CEO	354	498
Share-based payments	128	428
Timo Kohtamäki	33	128
Casimir Lindholm (President & CEO term)	5	
Key management personnel other than the President & CEO	91	300
Termination benefits	2,003	
Timo Kohtamäki	1,084	
Key management personnel other than the President & CEO **	919	
Other long term benefits		6
Key management personnel other than the President & CEO		6
Remuneration of key management personnel, total	5,669	3,891

*Includes fees paid for Board work during the CEO period as well as fees for working as a President and CEO

**Does not include share based payments or costs of additional pension plans for the term of notice

Short-term employee benefits

A fixed basic salary refers to a person's monthly salary, which is determined by the requirements of the position as well as the performance and experience of the person holding the position. In addition to the use of a company car and mobile phone and a meal benefit, management personnel have extended insurance cover for accidents and travel in their leisure time. The total salary covers fixed basic salary and fringe benefits.

The amount of the management's performance-related reward is earned by exceeding financial and operational profit targets specified at the beginning of the year. Lemminkäinen's management is divided into four performance-related reward groups which define the maximum performance-related reward percentage for each person. Defining a person's reward group is based on organisation level as well as the requirements and operational influence of the position. In 2014 the level of performance-related reward of the management was based on profit before taxes and reaching goals related efficiency improvement measures and other development targets. Performance-related rewards of the Executive Vice Presidents of the business segments, who are members of the Group's Executive Team were also based on the operating profits of each segment. Achieving targets set on performance-related rewards were assessed semi-annually. The maximum performance bonus payable to the President and CEO was 80 per cent of the annual salary and 60 per cent for other members of the Group Executive Team.

Lemminkäinen Corporation's General Meeting elects each year the members to serve on the company's Board of Directors and decides on their fees. The fees are paid fully in cash. The term of office of the Board members lasts until the end of the first Annual General Meeting held after their election. The members of Lemminkäinen's Board of Directors do not belong to the share-based incentive plan, and they are not employees of Lemminkäinen. The 2014 Annual General Meeting decided that the Chairman would be paid a fee of EUR 10,000 per month (EUR 10,000) and the Board members would each receive a fee of EUR 3,000 per month (EUR 3,000). The Board members also receive an attendance fee of EUR 500 per meeting (EUR 500). The Chairman of the Audit Committee is paid an attendance fee of EUR 1,000 (EUR 1,000) and the members of the Audit Committee EUR 500 (EUR 500) for each meeting of the Committee. Board members living outside Finland receive an extra EUR 1,000 to their attendance fees.

Post-employment benefits

From the beginning of 2010 the additional pension plan of the President and CEO and the members of Executive Team is based on cash basis and earning a paid-up policy. The amount of payment is defined as percentages of the annual salary. The President and CEO and other members of the Executive Team are, according to the old policy, entitled to retire at the age of 60 or according to the policy valid since 15.9.2011 at the age of 63. The amount of the President and CEO's defined contribution pension benefit equals 20 per cent of his annual fixed salary.

Other long term benefits

Other long term benefits expenses arose from service year awards and anniversary gifts to related-party personnel. The awards and gifts comply with the Group's HR practices.

Termination benefits

Term of notice for the Lemminkäinen's President and CEO agreement and for other members of the Executive Team is six months. If the company dismisses the President and CEO agreement, the President and CEO is entitled to an absolute severance pay equal to 12 months cash salary at the time of the agreement's termination. For other members of the Executive Team the equivalent severance pay equals to six months cash salary at the time of the agreement's termination. Severance pay in Timo Kohtamäki's President and CEO agreement equalled 18 month cash salary.

Share-based payments

The share-based incentive plan for the Group's key personnel comprises of performance-based and conditional rewards.

Performance based reward comprises of three earning periods, which are calendar years 2013, 2014 and 2015. The company's Board of Directors decides on the earning criteria and the targets to be set at the beginning of each period. Performance based compensation targets for 2014 were related to the company's return on investment and equity ratio.

In addition to the performance-based reward, the key personnel also have the opportunity to receive a conditional reward based on share ownership and a continuation of their employment or service contract. The conditional reward seeks to encourage the Group's key personnel to increase their holding in the company. The earning period for the conditional reward is the calendar years 2013–2015.

Share-based payments are described in more detail in the Note 30.

Financials › Parent company financial statements › Parent company income statement (FAS)

Parent company income statement (FAS)

EUR 1,000	Note	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Net sales	1	35,911	42,487
Production for own use		598	904
Other operating income	2	12,402	67
Materials and services	3	3,694	234
Personnel expenses	4	21,724	21,721
Depreciation	5	6,269	6,845
Other operating expenses	6	30,462	27,611
Operating profit/loss		-13,237	-12,953
Finance income and costs	7	-10,132	-8,516
Profit/loss before extraordinary items		-23,369	-21,468
Extraordinary items	8	15,812	-64,381
Profit before taxes		-7,558	-85,849
Direct taxes	9	5,185	17,461
Profit for the financial year		-2,372	-68,389

Parent company balance sheet (FAS)

EUR 1,000	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets 10			
Intangible assets		14,225	19,312
Tangible assets		14,474	15,337
Holdings in group companies		114,162	159,565
Other investments		1,360	1,676
		144,220	195,891
Current assets 11			
Non-current receivables			1,700
Deferred tax asset		21,296	16,125
Current receivables		272,146	327,405
Financial securities		25,118	30,010
Cash in hand and at banks		93,749	28,358
		412,309	403,598
		556,529	599,489
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity 12			
Share capital		34,043	34,043
Share premium account		5,675	5,675
Invested non-restricted equity fund			-59
Fair value reserve		90,581	61,309
Retained earnings		47,951	116,340
Profit for the financial year		-2,372	-68,389
		175,877	148,919
Provisions 13			
Other provisions		12,308	5,900
Liabilities 14			
Non-current liabilities		238,024	81,050
Current liabilities		130,320	363,620
		368,344	444,670
		556,529	599,489

Parent company cash flow statement (FAS)

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Cash flows from operating activities		
Profit/loss before extraordinary items	-23,369	-21,468
Adjustments		
Depreciation and impairment	6,269	6,845
Finance income and costs	10,132	8,516
Other adjustments	-12,514	-39
Cash flow before change in working capital	-19,483	-6,146
Change in working capital		
Increase(-)/decrease(+) in trade and other receivables	1,173	-22,818
Increase(+)/decrease(-) in current liabilities	-51,108	-2,148
Cash flow from operations before financial items and taxes	-69,418	-31,112
Interest and other finance costs paid	-51,716	-31,648
Dividends received	12,400	55
Interest and other finance income received	57,061	26,345
Income tax paid	1	-8
Cash flow from operating activities	-51,672	-36,367
Cash flows from investing activities		
Purchases of tangible and intangible assets	-5,142	-8,672
Proceeds from sale of tangible and intangible assets	1,580	77
Investments in other assets	-10	
Proceeds from sale of other investments	1,233	
Return on invested capital	2,932	
Disposed subsidiary shares	53,864	
Cash flow from investing activities	54,458	-8,594
Cash flows from financing activities		
Increase(-)/decrease(+) of long-term loan receivables	1,700	
Share issue for cash consideration	29,272	
Group contributions received	1,206	19,400
Change in Group receivables/liabilities	42,975	-5,281
Proceeds from short-term borrowings	127,982	270,621
Repayments of short-term borrowings	-304,315	-246,975
Proceeds from long-term borrowings	368,893	300,000
Repayments of long-term borrowings	-210,000	-290,000
Dividends paid		-11,755
Cash flow from financing activities	57,712	36,010
Increase(+)/decrease(-) in cash and equivalents	60,498	-8,951
Cash and cash equivalents at beginning of financial year	58,368	67,320
Cash and cash equivalents at the end of financial year	118,866	58,368

Parent company's accounting principles, 31 Dec 2014

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

Foreign currency items

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Receivables and liabilities are translated at the exchange rates prevailing on the balance sheet date.

Financial securities

Financial securities are measured at fair value and the changes in fair values are recognised in fair value reserve in equity. Fair values are calculated by discounting future cash flows to present value. When financial securities are sold, accumulated fair value changes are transferred from fair value reserve to financial items in the income statement.

Derivative financial instruments and hedge accounting

The derivatives are used in order to reduce business risks and to hedge balance sheet items denominated in foreign currencies. Derivative financial instruments are measured at fair value.

Foreign exchange derivatives are used to hedge against changes in forecasted foreign currency-denominated cash flows and changes in value of receivables and liabilities in foreign currencies. The company has used foreign exchange forward contracts which are re-measured at the balance sheet date by using the foreign exchange forward rates prevailing on the balance sheet date.

Interest rate derivatives are used to hedge against changes affecting the result, balance sheet and cash flows due to interest rate fluctuations. The company has used interest rate swaps which are re-measured by discounting the contractual future cash flows to the present value.

The Company has applied cash flow hedge accounting to some variable-rate loans. The change in fair value of the interest rate swap agreements used as hedging instrument is recognised in the fair value reserve in equity as the hedging relationship is effective. The ineffective portion of the change in fair value is recognised in financial items in the income statement. Changes in fair value accumulated in equity are transferred from equity and recognised in financial items for the accounting period in which the hedged item affects the result.

Fair value changes from derivative financial instruments which are not used for hedge accounting are recognised in financial items in the income statement. Fair value changes are presented on section 6 of the notes to the financial statements.

Valuation and depreciation of fixed assets

Fixed assets are shown on the balance sheet at their original acquisition costs less planned depreciation over their expected economic lifetimes. In addition, the values of some land, buildings and shareholdings include revaluations, against which no depreciation is charged. The depreciation periods are as follows:

- Buildings and structures 10–40 years
- Machinery and equipment 4–10 years
- Other fixed assets 3–10 years

Pension liability

The pension security of employees, inclusive of additional benefits, is covered by policies taken out from a pension insurance company.

Research and development expenses

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

Direct taxes

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

Notes to the parent company financial statements (FAS)

- 1 Net sales by market area
- 2 Other operating income
- 3 Materials and services
- 4 Personnel, management and Board members
- 5 Depreciation
- 6 Audit fees
- 7 Finance income and costs
- 8 Extraordinary items
- 9 Direct taxes
- 10 Non-current assets
- 11 Current assets
- 12 Shareholders' equity
- 13 Provisions
- 14 Liabilities
- 15 Guarantees and commitments

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 1 Net sales by market area

1 Net sales by market area

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Finland	31,920	42,419
Scandinavia	1,045	68
Baltic countries	331	
Russia	2,615	
	35,911	42,487

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 2 Other operating income

2 Other operating income

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Gain on sale of fixed assets	12,042	55
Others	360	12
	12,402	67

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 3 Materials and services

3 Materials and services

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Raw materials and consumables	2,390	196
External services	1,304	38
	3,694	234

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 4 Personnel, management and board members

4 Personnel, management and board members

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Personnel expenses		
Salaries, wages and emoluments	17,624	16,956
Pension expenses	3,314	3,920
Other staff costs	786	845
	21,724	21,721
Management salaries and emoluments		
Board Members and the President and CEO	2,009	844
Average number of employees		
Salaried employees	234	303

Pension commitments concerning Board Members and the President and CEO

The retirement age of the President and CEO of Lemminkäinen Corporation is 63 years.

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 5 Depreciation

5 Depreciation

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Intangible rights	5,081	3,502
Other capitalised expenditure	298	2,445
Buildings	784	770
Machinery and equipment	44	67
Other tangible assets	62	62
	6,269	6,845

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 6 Audit fees

6 Audit fees

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Audit fees	111	119
Tax counselling		14
Other consulting	102	88
	213	220

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 7 Finance income and costs

7 Finance income and costs

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Dividend income		
From group companies	12,400	
From others		55
	12,400	55
Other interest and finance income		
From group companies	15,747	15,524
From others	40,135	16,952
	55,882	32,477
Interest expenses and other finance costs		
To group companies	-663	-1,378
To others	-77,751	-39,669
	-78,414	-41,047
Net finance income/costs	-10,132	-8,516
Finance income and costs include:		
Exchange gains and losses (net)	-5,372	-4,908
Change in fair value of currency derivatives (net)	4,796	1,197
Change in fair value of interest rate derivatives (net)	-1,175	517
Gains and losses from hedge accounting (net)	-72	-503

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 8 Extraordinary items

8 Extraordinary items

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Extraordinary incomes, Group contributions	22,220	1,206
Extraordinary expenses, damages related to legal proceedings	-6,408	-65,587
	15,812	-64,381

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 9 Direct taxes

9 Direct taxes

EUR 1,000	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Income taxes in respect of previous years	0	-1
Change in the deferred tax liability	5,186	17,461
	5,185	17,461

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 10 Non-current assets

10 Non-current assets**Intangible assets**

EUR 1,000	Intangible rights	Other capitalised expenditure	Advance payments and work in progress	Total
Acquisition cost 1 Jan 2014	18,019	7,713	7,380	33,111
Increases	4,678	19	382	5,080
Decreases	-2,798	-2,707	-2,566	-8,071
Transfers between items	4,080	575	-4,655	
Acquisition cost 31 Dec 2014	23,979	5,600	541	30,120
Accumulated amortisation and impairment 1 Jan 2014	-6,619	-7,180		-13,799
Accumulated amortisation on disposals and transfers	611	2,672		3,283
Amortisation for the financial year	-5,081	-298		-5,379
Accumulated amortisation and impairment 31 Dec 2014	-11,089	-4,806		-15,895
Carrying amount 31 Dec 2014	12,890	794	541	14,225

EUR 1,000	Intangible rights	Other capitalised expenditure	Advance payments and work in progress	Total
Acquisition cost 1 Jan 2013	7,912	7,713	9,258	24,883
Increases	2,209		6,101	8,310
Decreases	-81			-81
Transfers between items	7,980		-7,980	
Acquisition cost 31 Dec 2013	18,019	7,713	7,380	33,111
Accumulated amortisation and impairment 1 Jan 2013	-3,194	-4,735		-7,929
Accumulated amortisation on disposals and transfers	77			77
Amortisation for the financial year	-3,502	-2,445		-5,947
Accumulated amortisation and impairment 31 Dec 2013	-6,619	-7,180		-13,799
Carrying amount 31 Dec 2013	11,400	532	7,380	19,312

Property, plant and equipment

EUR 1,000	Land	Building and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost 1 Jan 2014	2,947	18,566	947	1,323	361	24,145
Increases		62				62
Decreases			-463			-463
Transfers between items		361			-361	
Acquisition cost 31 Dec 2014	2,947	18,989	484	1,323		23,744
Accumulated depreciation and impairment 1 Jan 2014		-12,360	-817	-1,050		-14,227
Accumulated depreciation on decreases and transfers			428			428
Depreciation for the financial year		-784	-44	-62		-890
Accumulated depreciation 31 Dec 2014		-13,144	-434	-1,112		-14,690
Revaluations	3,087	2,333				5,420
Carrying amount 31 Dec 2014	6,034	8,178	50	211		14,474

EUR 1,000	Land	Building and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost 1 Jan 2013	2,947	18,608	957	1,323		23,835
Increases					361	361
Decreases		42	9			52
Acquisition cost 31 Dec 2013	2,947	18,566	947	1,323	361	24,145
Accumulated depreciation and impairment 1 Jan 2013		-11,632	-760	-989		-13,381
Accumulated depreciation on decreases and transfers		42	9			52
Depreciation for the financial year		-770	-67	-62		-898
Accumulated depreciation 31 Dec 2013		-12,360	-817	-1,050		-14,227
Revaluations	3,087	2,333				5,420
Carrying amount 31 Dec 2013	6,034	8,539	130	273	361	15,337

Investments

EUR 1,000	Holdings in group companies	Shares in real estate	Other shares and holdings	Shares in housing companies	Total
Acquisition cost 1 Jan 2014	159,565	793	556	250	161,165
Increases			10		10
Disposals	-43,018	-38	-210	-79	-43,344
Acquisition cost 31 Dec 2014	116,547	755	356	172	117,831
Impairment	-2,386				-2,386
Accumulated impairment 31 Dec 2014	-2,386				-2,386
Revaluations				76	76
Carrying amount 31 Dec 2014	114,162	755	356	248	115,522

EUR 1,000	Holdings in group companies	Shares in real estate	Other shares and holdings	Shares in housing companies	Total
Acquisition cost 1 Jan 2013	159,565	793	556	250	161,165
Acquisition cost 31 Dec 2013	159,565	793	556	250	161,165
Revaluations				76	76
Carrying amount 31 Dec 2013	159,565	793	556	327	161,241

11 Current assets

EUR 1,000	31 Dec 2014	31 Dec 2013
Non-current receivables		
Loan receivables from group companies		1,700
		1,700
Deferred tax asset		
From accruals and temporary differences	22,395	21,099
Impact of change in tax rate		-3,875
	22,395	17,224
Deferred tax liability		
From revaluations	1,099	1,347
Change in tax rate		-247
	1,099	1,099
Deferred tax asset(+) and liability(-), total	21,296	16,125
Current receivables		
Receivables from parties outside the Group		
Trade receivables	279	258
Loan receivables		413
Other receivables	10,066	3,444
Accrued receivables	3,399	1,577
	13,743	5,692
Receivables from group companies		
Trade receivables	6,642	4,350
Other receivables	249,349	302,932
Accrued receivables	2,412	14,431
	258,403	321,713
Current receivables, total	272,146	327,405
Items included in accrued receivables		
Accrued interest	28	6,345
Taxes	3	5
Deferred personnel expenses	942	344
Others	4,838	9,313
	5,811	16,008

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 12 Shareholders' equity

12 Shareholders' equity

EUR 1,000	2014	2013
Share capital 1 Jan	34,043	34,043
Share capital 31 Dec	34,043	34,043
Share premium account 1 Jan	5,675	5,675
Share premium account 31 Dec	5,675	5,675
Invested non-restricted equity fund 1 Jan	61,309	61,309
Increases	29,272	
Invested non-restricted equity fund 31 Dec	90,581	61,309
Fair value reserve 1 Jan	-59	-421
Change in fair value of hedging instruments	74	504
Change in fair value of financial securities		-20
Transfer to deferred tax liability	-15	-122
Fair value reserve 31 Dec		-59
Retained earnings 1 Jan	47,951	128,102
Dividends paid		-11,762
Retained earnings 31 Dec	47,951	116,340
Profit for the financial year	-2,372	-68,389
Shareholders' equity, total	175,877	148,919
Distributable funds 31 Dec	136,160	109,260

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 13 Provisions

13 Provisions

EUR 1,000	31 Dec 2014	31 Dec 2013
Litigation provision	12,308	5,900

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 14 Liabilities

14 Liabilities

EUR 1,000	31 Dec 2014	31 Dec 2013
Non-current liabilities		
Liabilities to parties outside the Group		
Loans from financial institutions		10,000
Pension loans		1,956
Bonds	99,647	
Hybrid bond	138,377	69,095
	238,024	81,050
Current liabilities		
Liabilities to parties outside the Group		
Loans from financial institutions		5,751
Pension loans	1,956	19,555
Bonds		59,931
Commercial papers	63,365	150,205
Trade payables	629	1,530
Other liabilities	9,910	66,755
Accrued liabilities	15,325	6,563
	91,184	310,291
Liabilities to group companies		
Trade payables	36	184
Other liabilities	39,100	52,980
Accrued liabilities	0	165
	39,136	53,329
Items included in accrued liabilities		
Accrued interests	7,461	2,925
Accrued personnel expenses	4,780	3,013
Others	3,083	790
	15,325	6,728

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 15 Guarantees and commitments

15 Guarantees and commitments

EUR 1,000	31 Dec 2014	31 Dec 2013
Guarantees		
On behalf of group companies	407,697	438,185
On behalf of associates and joint ventures	14,356	17,356
On behalf of consortiums and real estate companies	1,831	1,831
	423,884	457,371
In addition, Lemminkäinen Corporation has set one guarantee without maximum amount on behalf of its subsidiary.		
Lease liabilities		
Payable next year	4,888	7,906
Payable in subsequent years	24,579	19,127
	29,468	27,034
Derivative contracts		
Forward foreign exchange contracts		
Nominal value	77,179	113,435
Fair value	5,710	852
Interest rate swap contracts		
Nominal value	40,000	45,751
Fair value	-1,045	41

Financial indicators (IFRS)

EUR mill.	2014	2013	2012	2011	2010*
Net sales	2,044.5	2,020.1	2,267.6	2,183.9	1,829.6
Operations outside Finland	971.2	929.0	897.3	780.3	543.5
% of net sales	47.5	46.0	39.6	35.7	29.7
Operating profit	36.3	-89.3	50.4	44.0	29.6
% of net sales	1.8	-4.4	2.2	2.0	1.6
Profit before taxes	-1.7	-116.1	29.1	25.0	7.6
% of net sales	-0.1	-5.7	1.3	1.1	0.4
Profit for the financial year attributable to the equity holders of the parent company	18.2	-93.7	43.9	34.7	0.3
% of net sales	0.9	-4.6	1.9	1.6	0.0
Non-current assets	307.9	362.5	343.8	351.0	315.1
Inventories	524.0	504.4	494.4	448.5	376.0
Financial assets	425.9	475.8	465.3	443.3	370.9
Equity	412.5	324.0	441.8	348.7	325.2
Non-controlling interest	0.1	0.6	0.4	1.7	5.1
Interest-bearing liabilities	347.8	407.6	371.2	431.6	375.5
Interest-free liabilities	497.5	611.0	490.6	460.7	356.2
Balance sheet total	1,257.8	1,342.7	1,303.5	1,242.8	1,062.0
Return on equity, %**	4.9	-24.4	11.1	10.5	0.4
Return on investment, %**	13.5	-9.4	10.8	10.8	7.0
Equity ratio, %	37.1	27.3	37.2	30.8	35.0
Gearing, %	51.8	100.8	62.8	114.5	105.7
Interest-bearing net liabilities	213.6	326.5	277.3	401.2	349.2
Gross investments	30.0	71.2	64.5	84.0	59.6
% of net sales	1.5	3.5	2.8	3.8	3.3
Order book 31 Dec continuing operations	1,456.1	1,733.2	1,336.1	1,289.3	1,083.6
Personnel at the end of period, continuing operations	4,748	5,526	5,833	5,751	5,234

The effects of changes in accounting principles to the financial indicators have been adjusted for the period when the new accounting principle became applicable as well as for the preceding accounting period. Correspondingly, discontinued operations have been adjusted from the income statement items for the accounting period in which they are classified as discontinued operations, as well as for the preceding accounting period.

*The figures include the assets held for sale and related liabilities.

**Includes the effect of discontinued operations

Share-related financial indicators (IFRS)

	2014	2013	2012	2011	2010
Basic earnings per share (EPS), EUR*	0.40	-4.81	1.94	1.68	0.01
Diluted earnings per share (EPS), EUR*	0.40	-4.81	1.93	1.68	0.01
Equity per share, EUR*	19.33	15.70	21.45	16.87	16.32
Dividend per share, EUR	0.00**	0.00	0.60	0.50	0.50
Dividend per earnings, %	0.0	0.0	26.9	28.3	over 100
Effective dividend yield, %	0.0	0.0	4.2	2.7	1.9
Price per earnings (P/E)*	23.6	-3.2	7.4	11.1	1,734.7
Share price, EUR					
average	12.61	15.57	16.48	22.86	24.73
lowest	9.50	13.74	13.95	17.08	21.21
highest	15.89	16.97	20.50	27.37	30.00
at end of financial year	9.52	15.20	14.28	18.72	26.00
Market capitalisation at year end, EUR mill.	220.9	298.2	280.6	367.8	510.8
Share trading (OMX Helsinki), 1,000 shares	1,096	1,758	992	3,367	4,172
% of shares issued	4.7	8.9	5.0	17.1	21.2
Weighted average number of shares, 1,000*	21,329	20,600	20,582	20,665	19,932
Number of shares at end of period, 1,000	23,220	19,650	19,650	19,645	19,645
Number of treasury shares	16,687	34,915	509		

The effects of changes in accounting principles to the financial indicators have been adjusted for the period when the new accounting principle became applicable as well as for the preceding accounting period. Correspondingly, discontinued operations have been adjusted from the income statement items for the accounting period in which they are classified as discontinued operations, as well as for the preceding accounting period.

* Figures for 2010–2013 include a retrospective adjustment due to the effect of the rights offering in 2014 on the the weighted average number of shares

** Board of Directors' proposal to the AGM

Calculation of key ratios

RETURN ON INVESTMENT, %

$$\frac{\text{Profit before income taxes + finance costs}}{\text{Total equity (average) + interest-bearing liabilities (average)}} \times 100$$

RETURN ON EQUITY, %

$$\frac{\text{Profit for the financial period}}{\text{Total equity (average)}} \times 100$$

EQUITY RATIO, %

$$\frac{\text{Total equity}}{\text{Balance sheet total - advances received}} \times 100$$

GEARING, %

$$\frac{\text{Interest-bearing liabilities - cash and other liquid assets}}{\text{Total equity}} \times 100$$

INTEREST-BEARING NET DEBT

Interest-bearing debt - cash and other liquid assets

BASIC EARNINGS PER SHARE

$$\frac{\text{Profit for the financial year attributable to owners of the parent company - accrual basis interest of the hybrid bond adjusted with tax effect}}{\text{Weighted average number of ordinary shares in issue}}$$

DILUTED EARNINGS PER SHARE

$$\frac{\text{Profit for the financial year attributable to owners of the parent company - accrual basis interest of the hybrid bond adjusted with tax effect}}{\text{Weighted average number of ordinary shares in issue + dilutive potential ordinary shares}}$$

EQUITY PER SHARE

$$\frac{\text{Equity attributable to owners of the parent company}}{\text{Weighted average number of ordinary shares in issue}}$$

DIVIDEND PER SHARE

$$\frac{\text{Dividend for the financial period}}{\text{Total number of shares - treasury shares}}$$

DIVIDEND PER EARNINGS, %

$$\frac{\text{Dividend for the financial period}}{\text{Profit for the financial year attributable to owners of the parent company}} \times 100$$

EFFECTIVE DIVIDEND YIELD, %

$$\frac{\text{Dividend per share}}{\text{Share price at the end of the period}} \times 100$$

PRICE PER EARNINGS (P/E)

$$\frac{\text{Share price at the end of the period}}{\text{Basic earnings per share}}$$

MARKET CAPITALISATION

Number of shares in issue x share price at the end of the period

Board of Directors' proposal for the distribution of profit

The distributable shareholders' equity shown on the balance sheet of the parent company, Lemminkäinen Corporation, amounts to EUR 136,159,542.86 consisting of EUR 90,580,653.68 in invested unrestricted equity fund, EUR 47,951,259.89 in retained earnings from previous years and EUR -2,372,370.71 in result for the financial year.

The Board of Directors proposes to the AGM that the company will not pay a dividend for the financial year ended 31 December 2014, and thus retained earnings would stand at EUR 45,578,889.18.

Helsinki, 4 February 2015

Berndt Brunow

Juhani Mäkinen

Noora Forstén

Finn Johnsson

Kristina Pentti-von Walzel

Heikki Rätty

Casimir Lindholm
President & CEO

Auditor's Report

(Translation from the Finnish Original)

To the Annual General Meeting of Lemminkäinen Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Lemminkäinen Oyj for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 16 February 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Kim Karhu
Authorised Public Accountant

Shares and shareholders

Lemminkäinen has one series of shares (LEM1S). Each share carries one vote at a general meeting of shareholders and confers an equal right to a dividend.

Share capital and amount of shares

Lemminkäinen's share capital remained unchanged, and amounted to EUR 34,042,500 million. Due to the rights issue in autumn 2014, the number of Lemminkäinen's shares rose to 23,219,900 shares (19,650,176).

Share price and trading volume

The price of Lemminkäinen Corporation's share on NASDAQ OMX Helsinki was EUR 15.20 (14.28) at the beginning of the year and EUR 9.52 (15.20) on the last trading day in 2014. The highest share price quoted was EUR 15.89 in January and the lowest EUR 9.50 in December. The average trading price in 2014 was EUR 12.61 (15.57). At the end of 2014, the market capitalisation of Lemminkäinen's shares stood at EUR 220.9 million (298.2).

In addition to the NASDAQ OMX Helsinki Ltd., Lemminkäinen's share is also traded on alternative markets. The total trading volume in 2014 totalled 1,268,320 (2,076,080). Of this amount, 14 per cent (15) of trading took place in alternative markets. (Source: Fidessa Fragmentation Index, <http://fragmentation.fidessa.com>.)

Rights issue

Lemminkäinen carried out a rights issue in 2014. The shareholders were offered one freely transferable subscription right in the form of a book-entry for each share they owned. Every eleven (11) subscription rights entitled their holder to subscribe for two (2) new shares at the subscription price of EUR 8.20 per share.

Lemminkäinen raised gross proceeds of EUR 29.3 million through the offering, which was oversubscribed by 27.5 per cent. The number of total shares rose from 19,650,176 shares to 23,219,900 shares.

Shareholders

At the end of the financial year, the company had 4,532 shareholders (4,705). Holders of nominee-registered shares and non-Finnish shareholders held 13 per cent (13) of all Lemminkäinen Corporation shares and voting rights.

Flagging notifications

Lemminkäinen received one flagging notification during 2014. Shares held by Noora Forstén decreased from 1,966,073 shares, i.e. 10.0 per cent of all shares, to 1,866,073, i.e. 9.5 per cent, dropping below 10 per cent of all shares and votes in Lemminkäinen Corporation.

Treasury shares

At the end of 2014, Lemminkäinen owned 16,687 of its own shares, which have been returned to the company as part of its share-based incentive scheme.

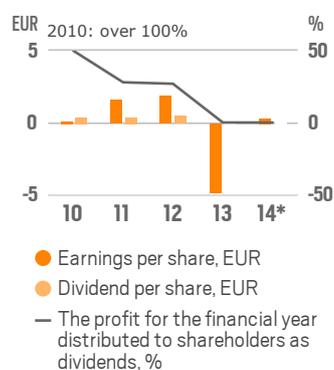
Management and Board of Director's shareholdings

	No. of shares on 31 December 2014	No. of shares on 31 December 2013
Board of Directors	2,983,553	2,612,733
President and CEO	500	17,475
Group management, excluding the President and CEO	13,458	22,653
Management and Board of Directors shareholdings, total	2,997,511	2,652,861
% of all shares	13%	14%

Lemminkäinen's share (LEM1S)

Listing:	NASDAQ OMX Helsinki
Listing date:	1 June, 1995
Trading currency:	EUR
Segment:	Mid cap
Sector:	Industrials
Trading code:	LEM1S
ISIN code:	FI0009900336
Reuters ID:	LEM1S.HE
Bloomberg ID:	LEM1S FH

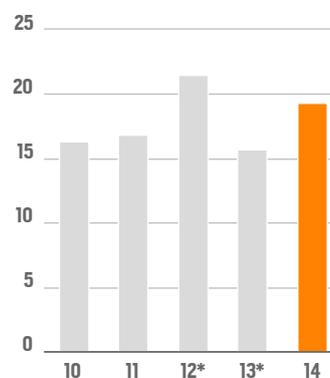
Earnings per share, dividend per share



*The Board of Directors proposes that no dividend will be paid for 2014.

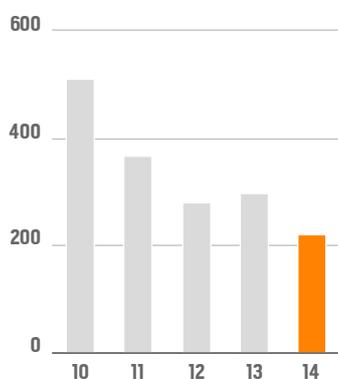
Figures for 2010-2013 include a retrospective adjustment due to the effect of the rights offering in 2014 on the weighted average number of shares

Equity per share, EUR

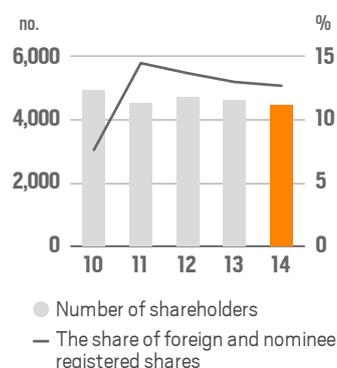


*Figures for 2010-2013 include a retrospective adjustment due to the effect of the rights offering in 2014 on the weighted average number of shares

Market capitalisation, EUR million



Number of shareholders



Investor information › Information for shareholders and investors

Information for shareholders and investors

2015 Annual General Meeting

Lemminkäinen Corporation's 2015 Annual General Meeting will be held at 3 p.m. on Wednesday, 25 March 2015, at the Varma auditorium, Salmisaarenranta 11, Helsinki.

Right to participate

Each shareholder who is recorded on 13 March 2015 in the Company's shareholder register (maintained by Euroclear Finland Ltd) has the right to participate in the Annual General Meeting. A shareholder whose shares are registered in his/her personal Finnish book-entry account is registered in the Company's shareholder register.

A shareholder whose shares are nominee registered and who wishes to participate in the Annual General Meeting and exercise his right to vote must be entered in the company's shareholder register by 20 March 2015 at 10:00 a.m. in order to participate in the meeting.

Registration

Registration for the Annual General Meeting begins on 5 February 2015 and ends on 20 March 2015. Registration is possible:

- online at www.lemminkainen.com
- by phone +358 2071 53378
- by mail to Lemminkäinen Corporation, Pirjo Favorin, P.O. Box 169, 00181 Helsinki, Finland

When registering, shareholders should provide their name, personal identification number, address and telephone number, as well as the name and personal identification number of any assistant. Notices of intention to attend must be received before the registration deadline. Any instruments of proxy must also be submitted with the registration. The Notification of Annual General Meeting can be read in full on the Company's website at www.lemminkainen.com.

Dividend policy and dividend for the year 2014

In accordance with Lemminkäinen's dividend policy, the company seeks to pay its shareholders a dividend of at least 40 per cent of the profit for the financial year.

Lemminkäinen's Board of Directors will propose to the AGM that no dividend for the 2014 financial year will be paid.

Financial reporting 2015

5 February 2015	2014 Financial Statements bulletin
week 10	Annual Report 2014
29 April 2015	Interim Report, 1 January–31 March 2015
29 July 2015	Interim Report, 1 January–30 June 2015
30 October 2015	Interim Report, 1 January–30 September 2015

Lemminkäinen holds a Finnish-language briefing for analysts and the media in connection with the publication of the Interim Reports and The Financial Statements bulletin at its Head Office in Helsinki.

Prior to the Financial Statements bulletin and each Interim Report, Lemminkäinen follows a so-called silent period. During this period, Lemminkäinen does not comment on the financial situation or future outlook of the Group and does not meet with representatives of the capital markets or financial media.

Ordering publications and releases

The Company publishes its financial reports, stock exchange releases and press releases in both Finnish and English. All releases can be ordered directly to email at Lemminkäinen's website, www.lemminkainen.com/investors.

Investor relations

Lemminkäinen's investor relations seek to support the correct valuation of the Company's share by providing capital markets with current information on the Company's business, strategy and financial position. The information

must be objective and simultaneously disclosed to all market participants. The Company answers questions from analysts and investors by phone and email, as well as by holding meetings with investors.

Investment research

According to the information available to the Company, the following banks and brokerage firms have made investment analyses of Lemminkäinen in 2014: Carnegie Securities, Danske Bank, Evli Bank, Inderes Oy and Pohjola Bank. Contact information for these analysts is provided on Lemminkäinen's website at www.lemminkainen.com/investors.

Contact information

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Shareholders on 31 Dec 2014

	Number of shares	% of all shares
1. Pnt Group Oy	4,341,948	18.7%
2. Heikki Pentti Estate	2,253,698	9.7%
3. Noora Forstén	2,209,721	9.5%
4. Olavi Pentti	2,020,285	8.7%
5. Varma	1,091,677	4.7%
6. Kristina Pentti-von Walzel	756,580	3.3%
7. Timo Pentti	756,580	3.3%
8. Eva Pentti-Kortman	751,234	3.2%
9. Mandatum Life	521,132	2.2%
10. Wipunen varainhallinta Oy	355,000	1.5%
11. Mariatorp Oy	355,000	1.5%
12. Etera Mutual Pension Insurance Company	319,743	1.4%
13. Ilmarinen Mutual Pension Insurance Company	319,527	1.4%
14. Fennia Life Insurance Company Ltd	215,000	0.9%
15. Laakkonen Mikko Kalervo	189,797	0.8%
15 largest total	16,456,922	70.9%
Other owners	3,956,725	17.0%
Nominee registered total	2,806,253	12.1%
All shares total	23,219,900	100.0%

Lemminkäinen received a flagging notification on 2 April 2012, according to which Peab Invest AS, a wholly owned subsidiary of Peab AB, ownership in Lemminkäinen's share rose to 10.6 per cent of all Lemminkäinen's shares and votes. Lemminkäinen has not after this received a flagging notification from Peab regarding the changes in their ownership. The shares are in nominee-registered account, where the shareholdings are not public.