



Investor presentation

CEO Casimir Lindholm

27 May 2015

Lemminkäinen



Lemminkäinen in 2000–2015



Major Acquisitions:

2001: Icopal Roads (INFRA), NOR+DEN
2000: Tekmanni (TBS*), FIN

2011: Mesta Industri (INFRA), NOR

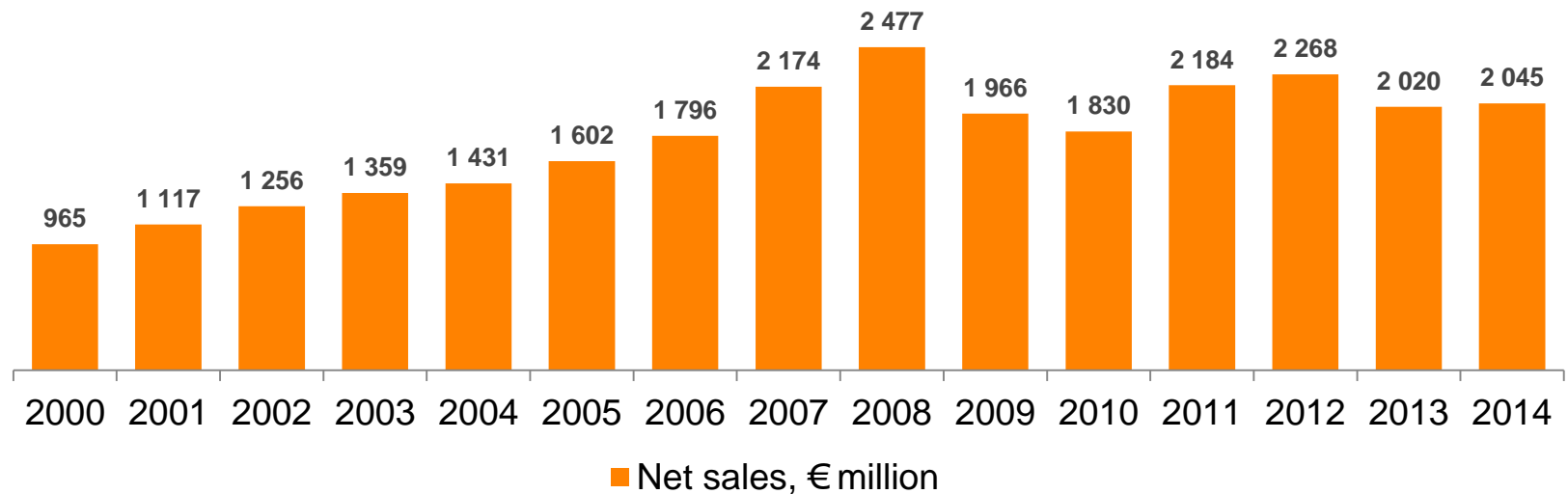
Major Divestments:

2010: Roofing
business, FIN

2012: Concrete
business, FIN

2014: TBS*,
FIN

2013–2014: Telecom network
business, International



*) Technical building services

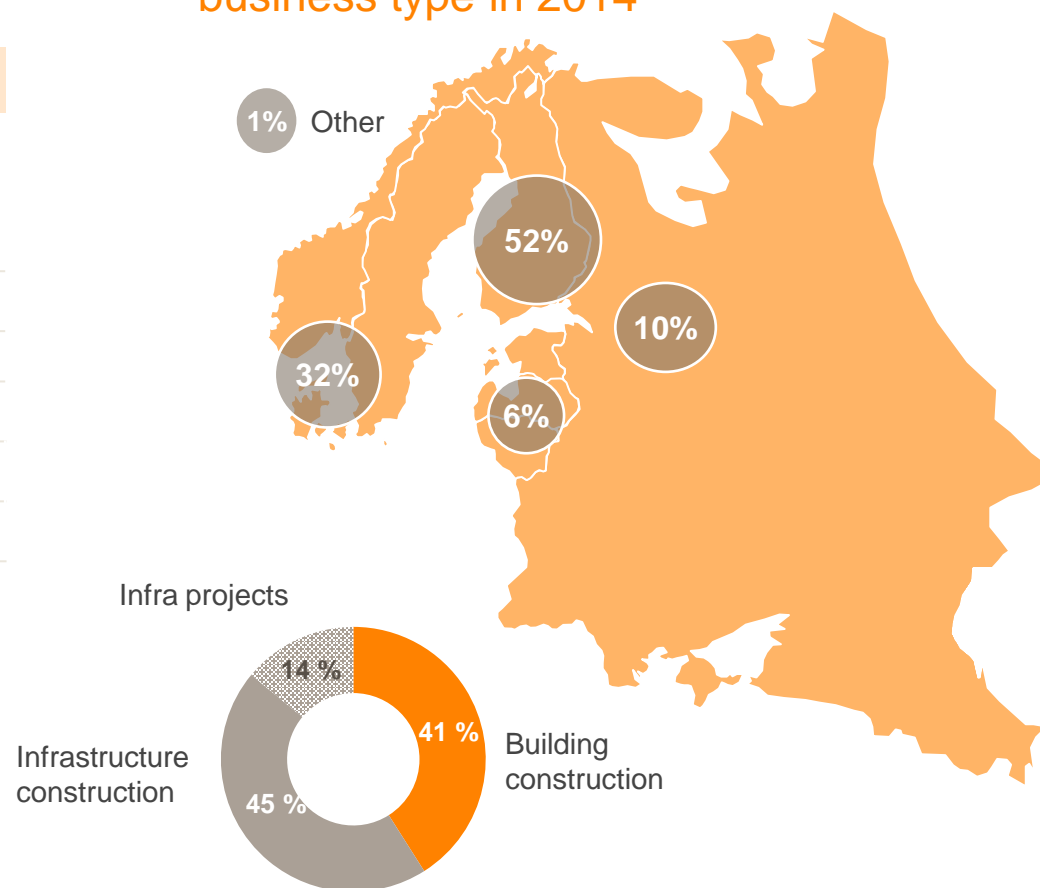


Lemminkäinen is a strong infrastructure constructor in Northern Europe and engaged in building construction in Finland and Russia

Key figures		FY2014	FY2013
Net sales	M€	2,045	2,020
EBIT excl. non-rec. items ¹⁾	M€	52.3	-3.9
EBIT %	%	2.6	-0.2
<i>At the end of period:</i>			
Order book	M€	1,456	1,733
Total assets	M€	1,258	1,343
Personnel	#	4,748	5,526

1) Non-recurring items: 85 M€ in 2013 and 16M€ in 2014.

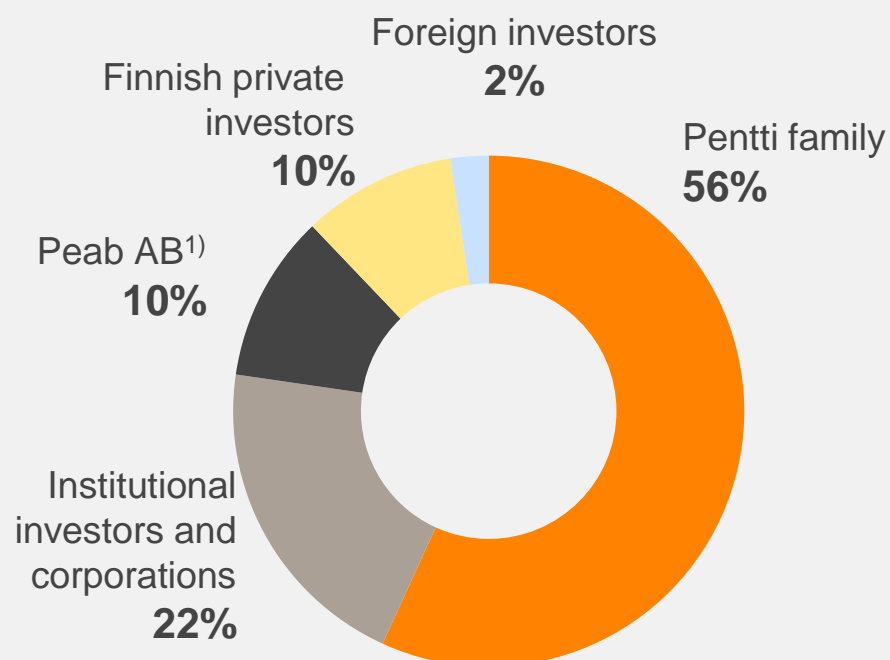
Net sales breakdown by geography and business type in 2014





Lemminkäinen's shareholders

Shareholders 30 April 2015



1) Information is based on a flagging notification received on 2 April 2012.

Major shareholders 30 April 2015

	Number of shares	% of shares
Pnt Group	4,341,948	18.7
Pentti Heikki, Estate	2,253,698	9.7
Forsten Noora	2,209,721	9.5
Pentti Olavi	2,020,285	8.7
Varma	1,091,677	4.7
Pentti Timo	756,580	3.3
Pentti-von Walzel Kristina	756,580	3.3
Pentti-Kortman Eva	751,234	3.2
Mandatum Life	520,581	2.2
Etera	452,112	2.0
10 largest total	15,154,416	65,3
Foreign and nominee registered total	2,800,732	12.1
Other owners	5,264,752	22.6
ALL SHARES TOTAL	23,219,900	100.0



Operating environment



Finland

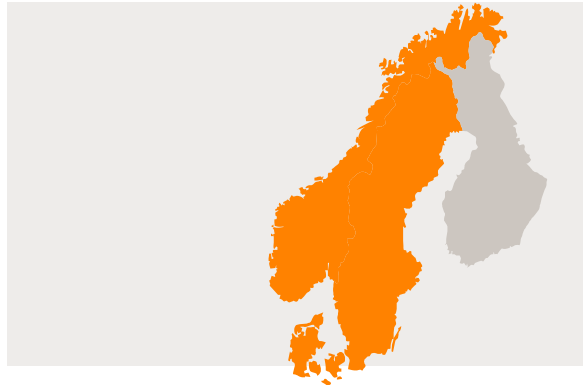
Large on-going projects in infrastructure construction.



Tendering in paving has started.



Investor sales has supported housing sales.

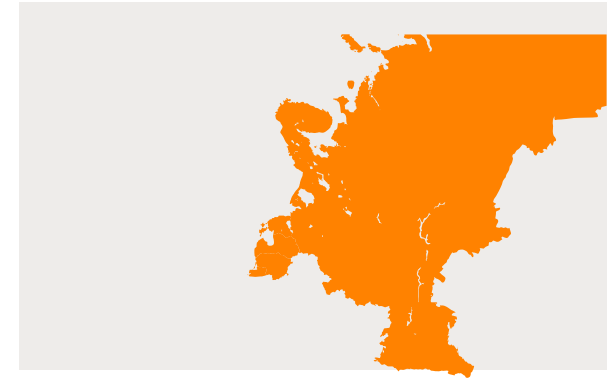


Scandinavia

Good demand in infra construction, both in projects and paving.



Intense competition for infra projects.



Russia and Baltic countries

Overall market situation uncertain.



Housing sales in comfort-class has remained on a good level.



Infra construction stable in Baltic countries.



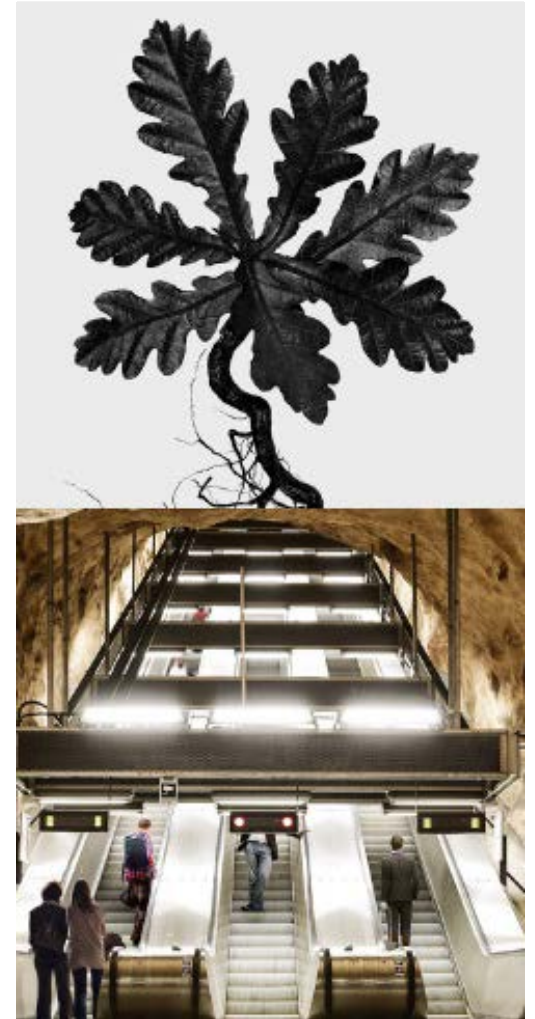


- **Group performance in FY 2014**
- Group performance in Q1/2015
- Balance sheet, financing and cash flow
- Outlook and guidance
- Segment overviews



FY 2014 in brief

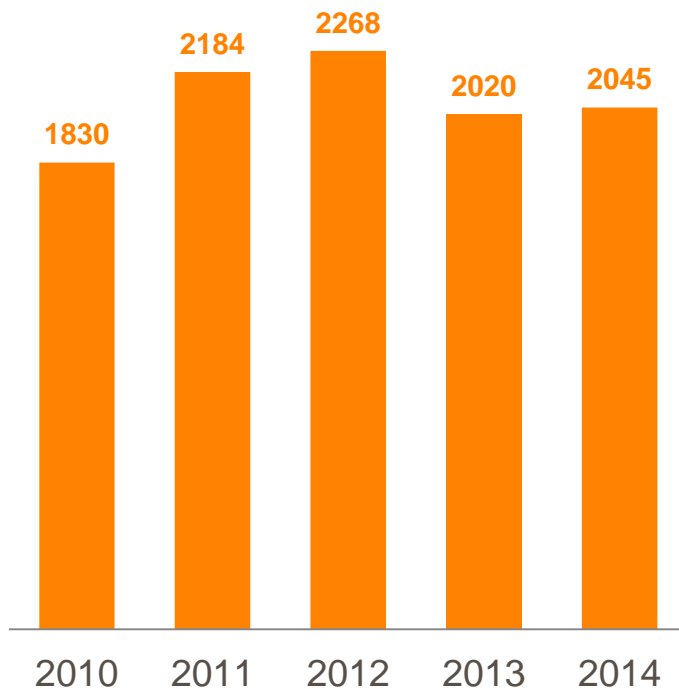
- Many operational successes:
 - Infra projects and paving
 - Building construction in Russia and Helsinki Metropolitan Area
- Order book slightly declined.
- Extensive actions to ensure the turnaround:
 - Stronger balance sheet and improved profitability.
- Non-recurring items worth EUR 16 million in FY2014 result.



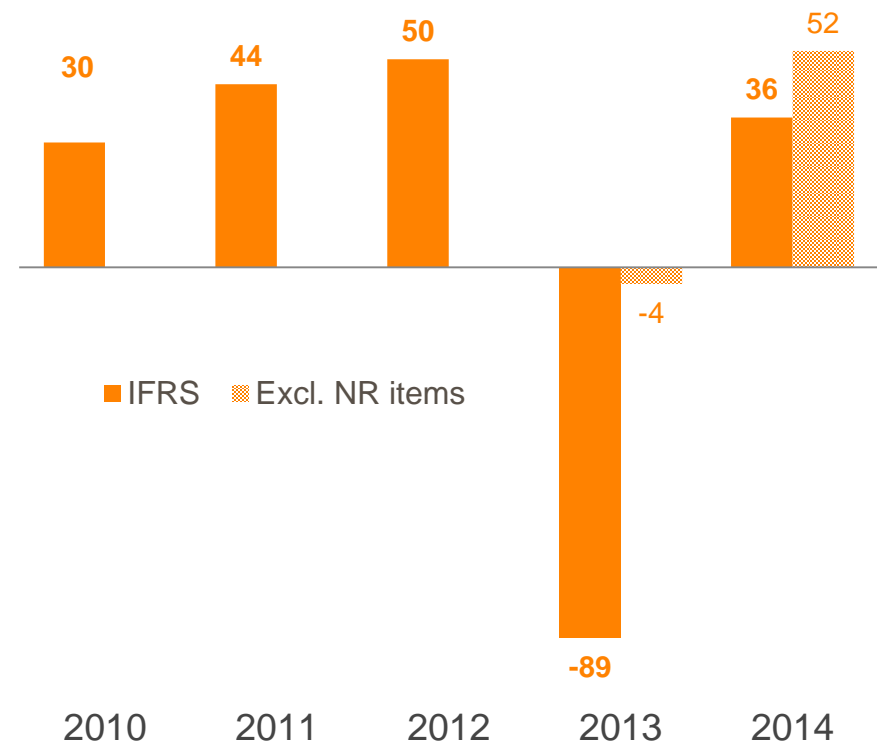


Net sales and EBIT 2010 – 2014

Net sales 2010 – 2014
€ million



EBIT 2010 – 2014
€ million



NOTE! FY2012 EBIT includes 11 M€ negative goodwill from an acquisition.



Targets and actions in 2014

Target	Actions	Status (12/2014)
Lengthening of debt maturity	5-year bond of 100 M€	Issued on Q2/14
Strengthening equity	Share issue of 30 M€	Issued on Q3/14
Clarifying business portfolio	Divestment of TBS	Deal closed on Q2/14
Efficient use of capital	Divestment of non-core assets and business operations	Divestments worth over 20 M€ (out of 70M€)
Improved profitability	Deliver 2014	10 M€ savings in fixed costs (out of 30M€)



Strategy update on Q2/2014

Long-term targets

Leverage strong position in infra construction in Northern Europe

Focusing on selected customer segments and areas in building construction

2014–2016 Short-term targets

Strengthened balance sheet

Improved profitability

Enhanced competitiveness

Financial objectives

ROI, %:
18%^{*)}

Equity ratio, %:
35%

^{*)} target at end of 2016 is 15%.



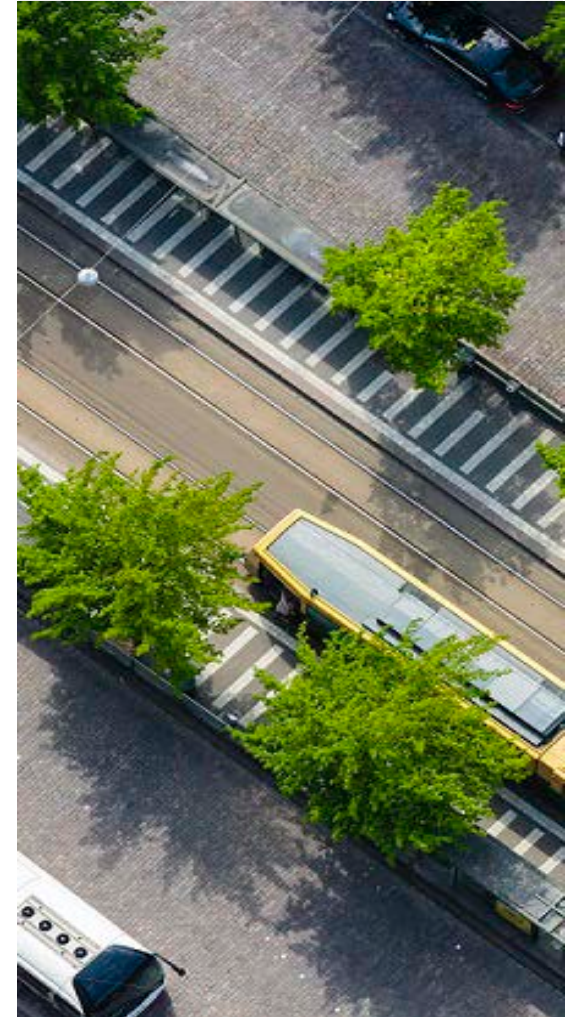
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Q1/2015 in brief

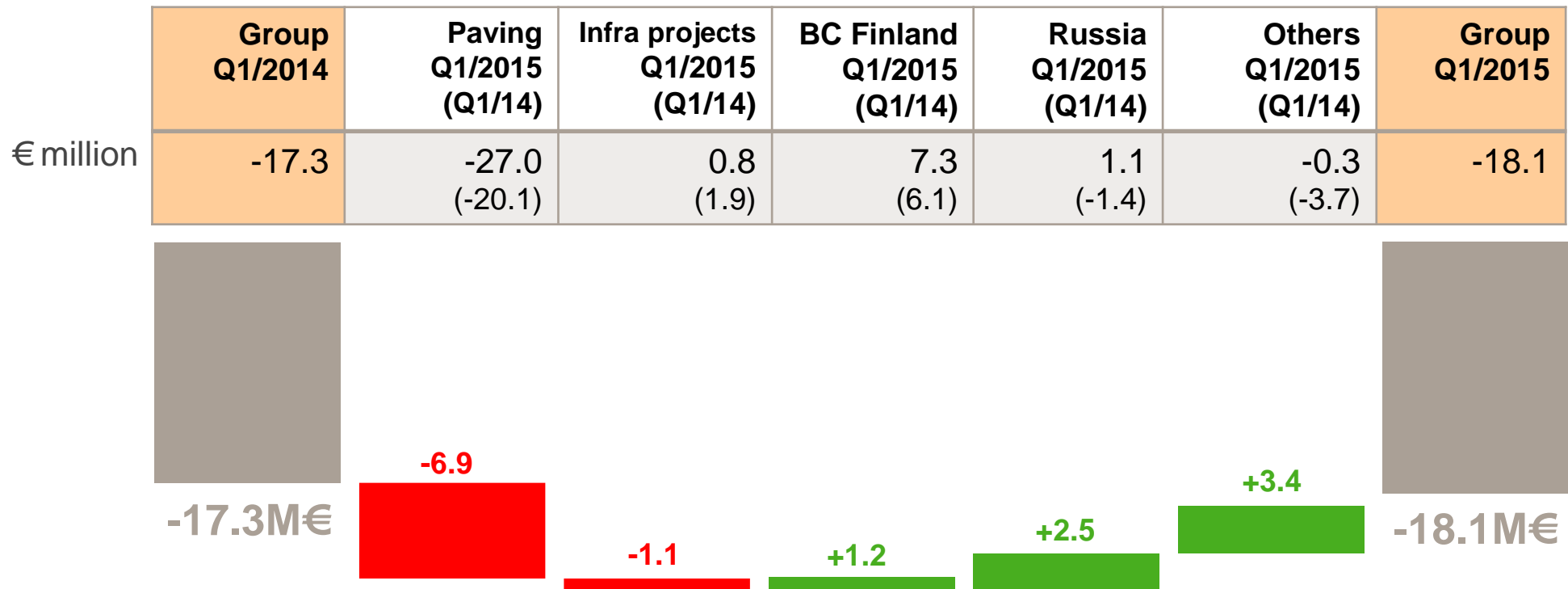
- Group's loss increased a bit from last year's level
 - Profitability in Paving and Infra projects weakened.
 - Improved results in building construction in Russia and Finland.
- Good year-to-date order inflow in paving.
- Strengthened Group balance sheet.
- Year-on-year operating capital decreased €137 million.*
- Operative cash flow clearly positive.

* Including the effect from discontinued operations





Group EBIT bridge Q1/2014 vs. Q1/2015





Key financials

Key figures, IFRS		Q1/ 2015	Q1/ 2014	Change	FY 2014
Order inflow	€ million	387.4	412.8	-25.4	1,590.6
Net sales	€ million	289.6	279.2	10.4	2,044.5
EBITDA	€ million	-12.9	-11.3	-1.6	80.7
EBIT	€ million	-18.1	-17.3	-0.8	36.3
<i>EBIT%</i>	%	-6.2	-6.2		1.8
EPS for the period	€	-0.96	-1.04	0.08	0.40
Interest-bearing net debt ¹⁾	€ million	198.7	364.2	-165.5	213.6
Operating capital ¹⁾	€ million	554.4	691.1	-136.7	590.4
Cash flow from operations	€ million	10.7	-102.2 ²⁾	112.9	-54.8

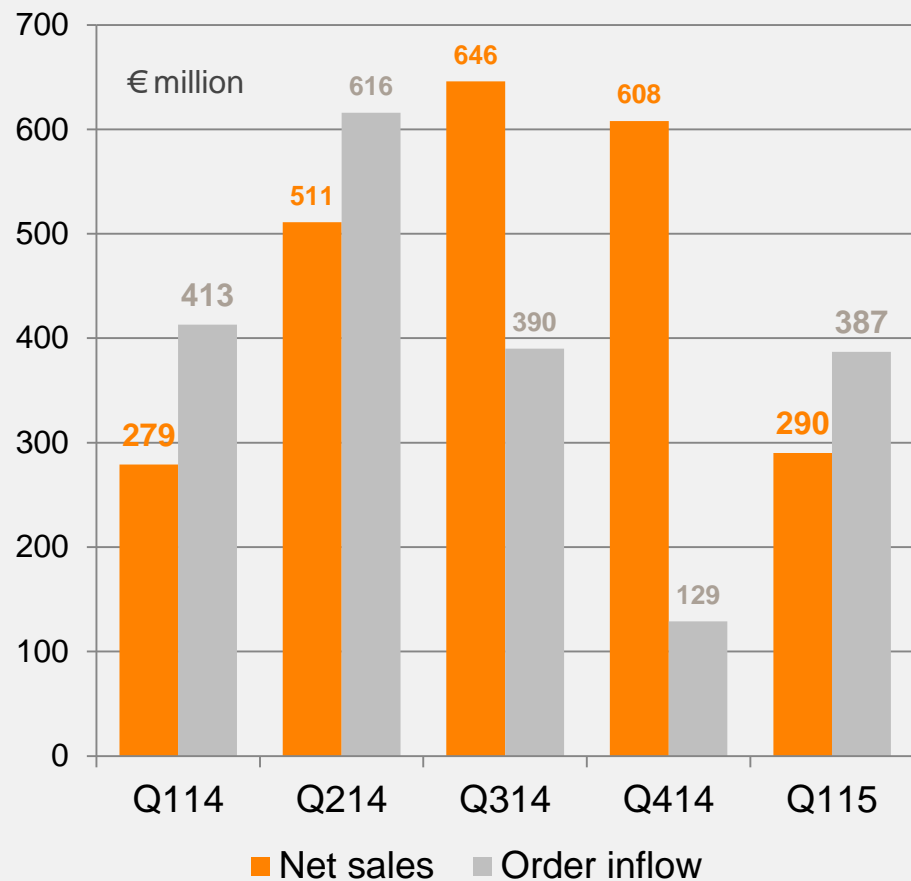
1) At the end of period.

2) Includes €60 million of damages paid related to asphalt cartel.

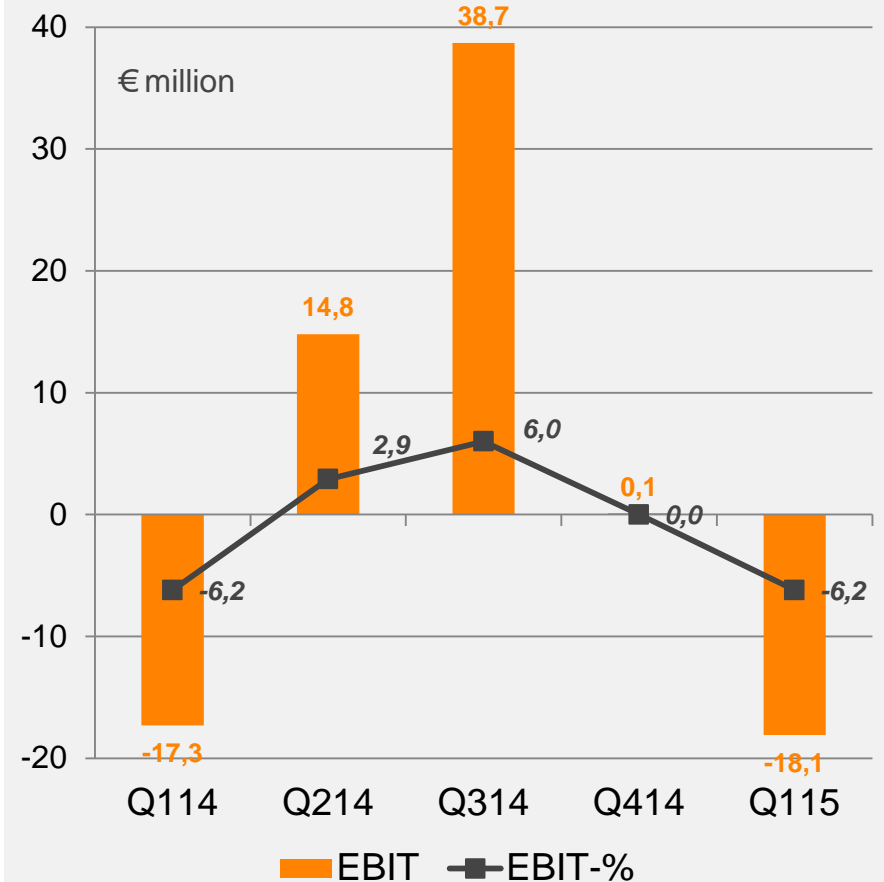


1-3/2015: Nearly flat Group net sales and EBIT compared to year earlier period

Quarterly net sales and order inflow



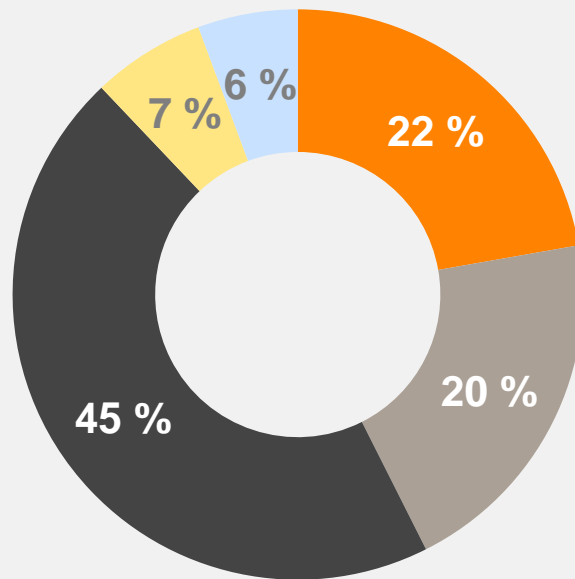
Quarterly EBIT and EBIT-%





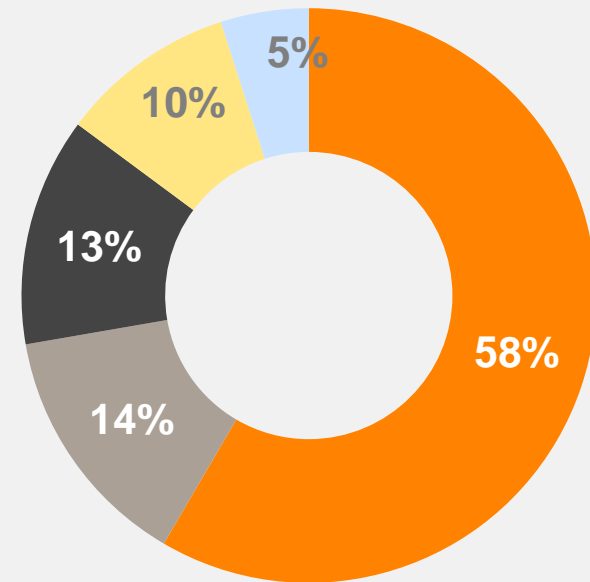
1-3/2015: Building construction in Finland generated the majority of net sales.

Net sales by segment



- Paving
- Infra projects
- BC Finland
- Russian operations
- Others

Net sales by currency

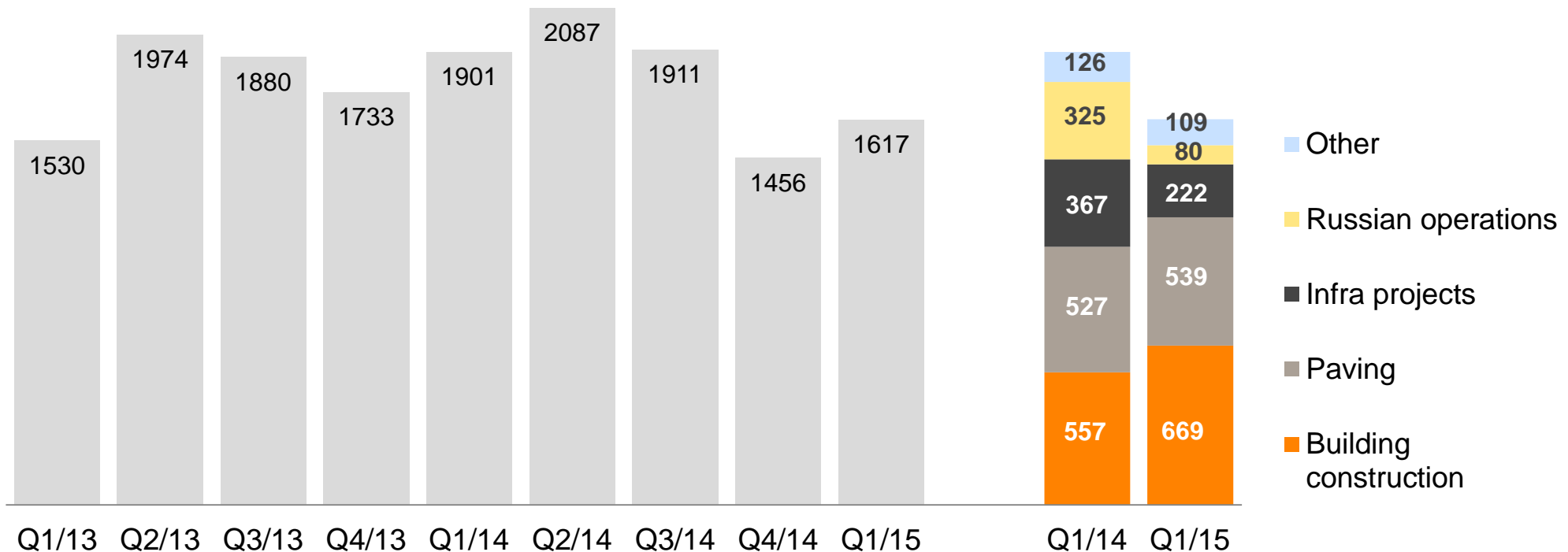


- EUR
- SEK
- NOK
- DKK
- RUB



Russian operations and Infra projects decreased the order book

€million



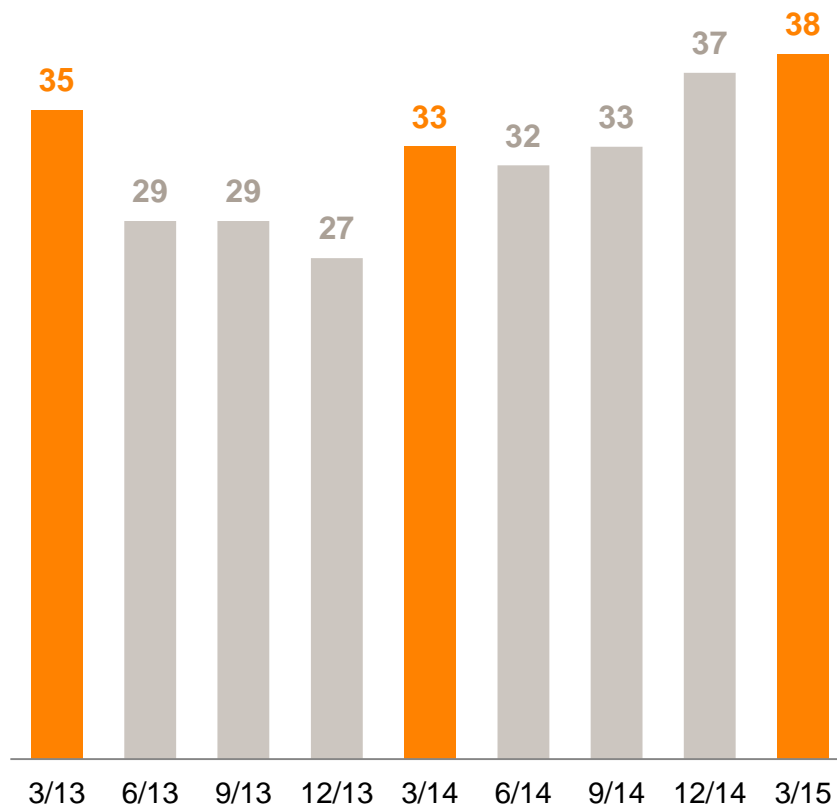


- Group performance in FY 2014
- Group performance in Q1/2015
- **Balance sheet, financing and cash flow**
- Outlook and guidance
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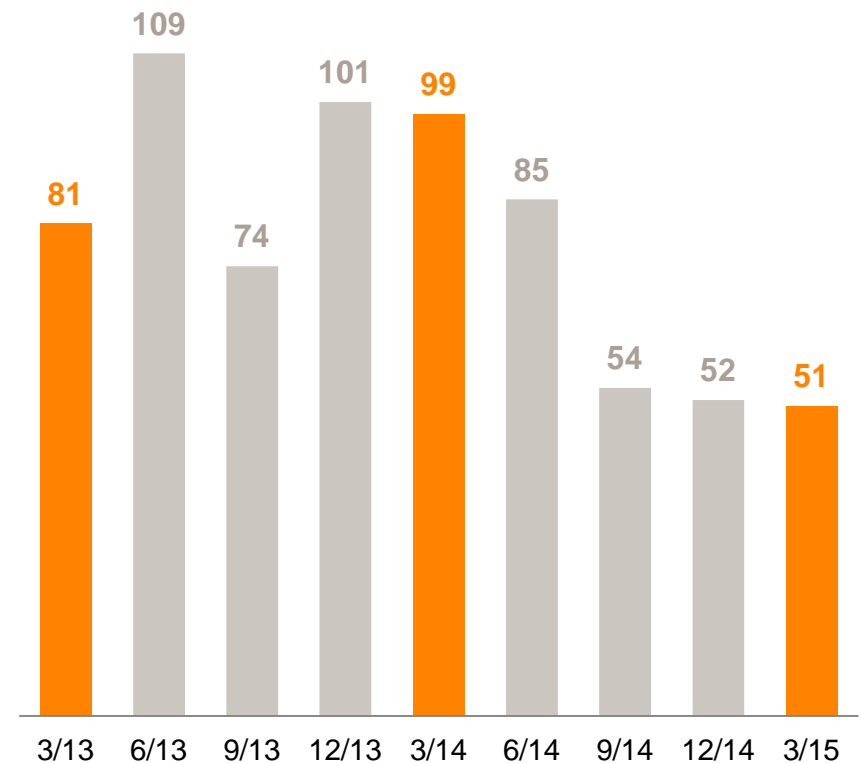


Improved solvency

Equity ratio, %



Gearing, %



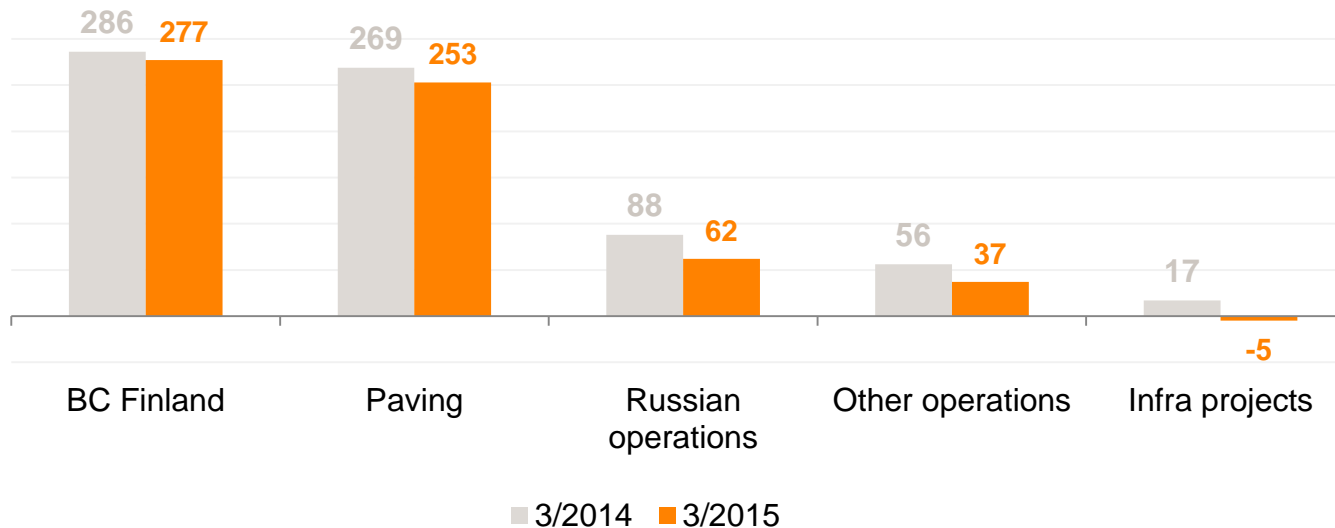
Note! If hybrid bonds were recognised as debt :
Equity ratio in 3/15 would be 25% (3/14: 20%)
Gearing in 3/15 would be 132% (3/14: 219%)



Balance sheet 3/2015: More efficient invoicing and decrease in inventories released the working capital.

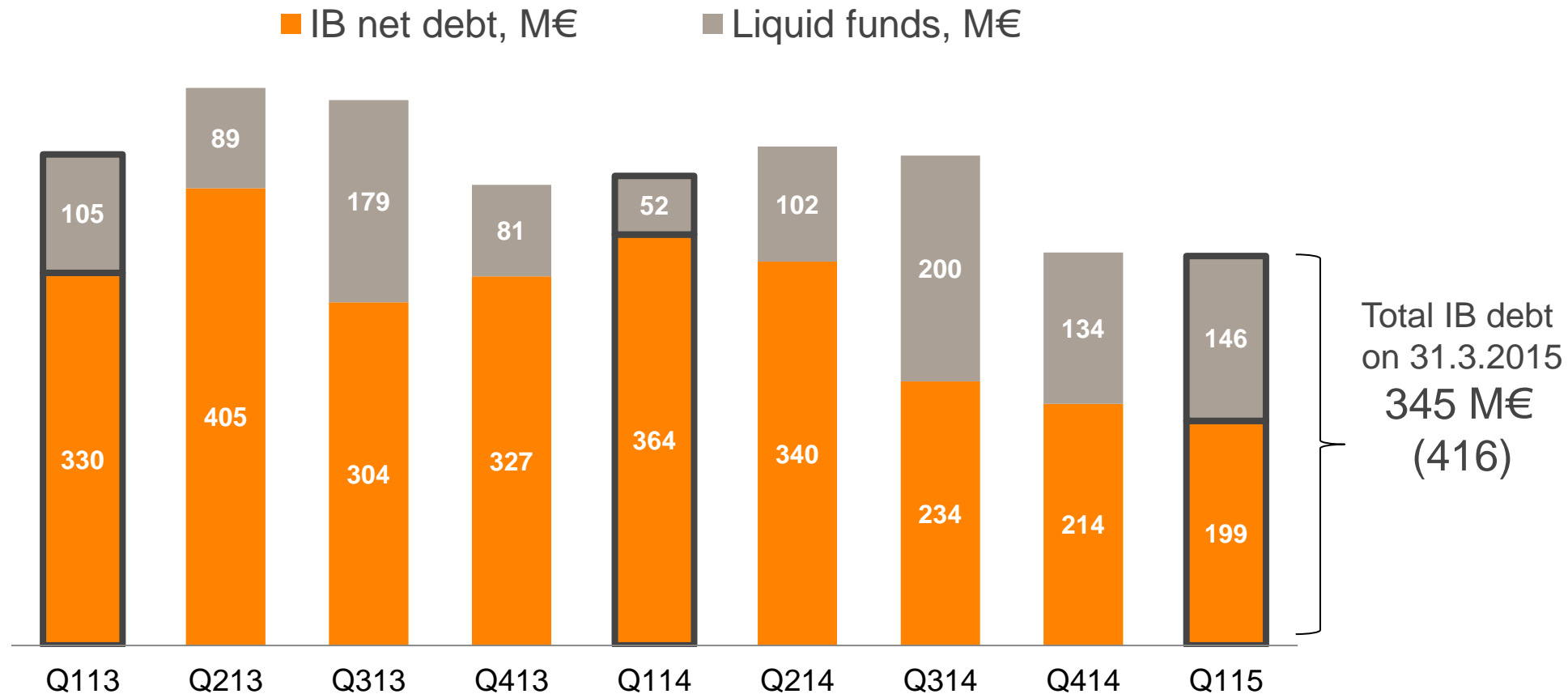
Operating capital		31.3.2015	31.3.2014	Change
Property, plant and equipment	€ million	179.4	202.1	-22.7
Goodwill and other intangible assets	€ million	73.2	109.9	-36.7
Net working capital	€ million	301.9	378.9	-77.0
TOTAL	€ million	554.5	691.1	-136.7

Operating capital by segment 3/2014 vs 3/2015, €million





Interest-bearing net debt decreased by €165 million or 45% year-on-year.



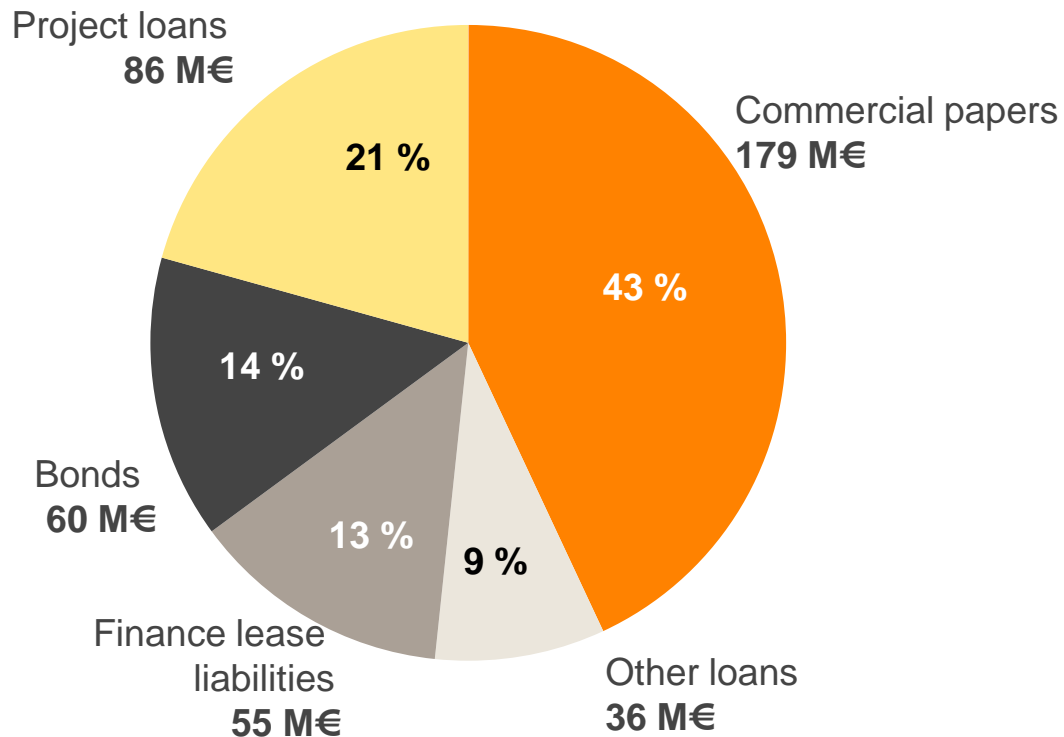


Debt portfolio on 31 March 2015

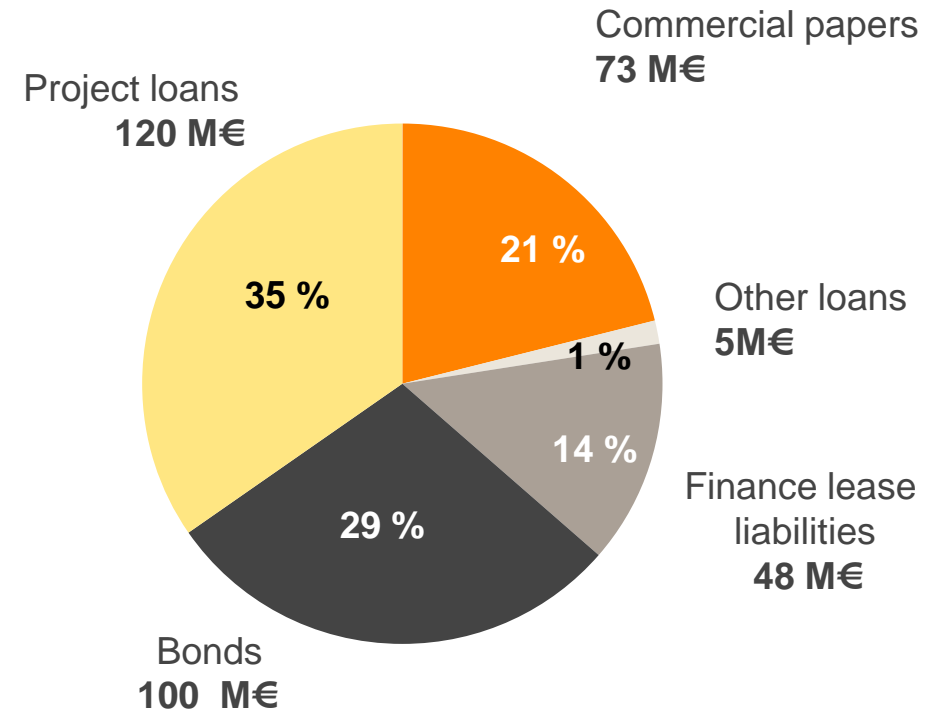
3/2014:
416 M€



3/2015:
345 M€



11% long-term
89% short-term

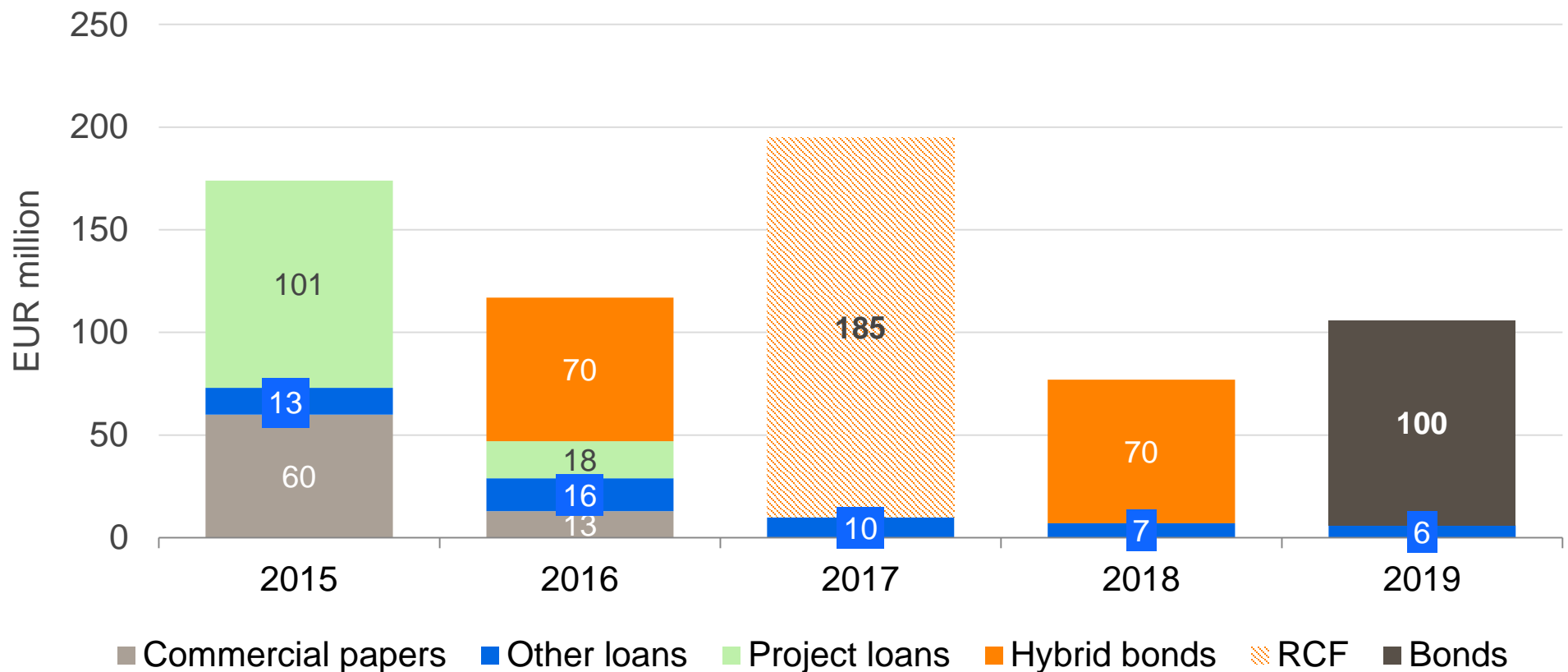


40% long-term
60% short-term



Maturity in debt portfolio

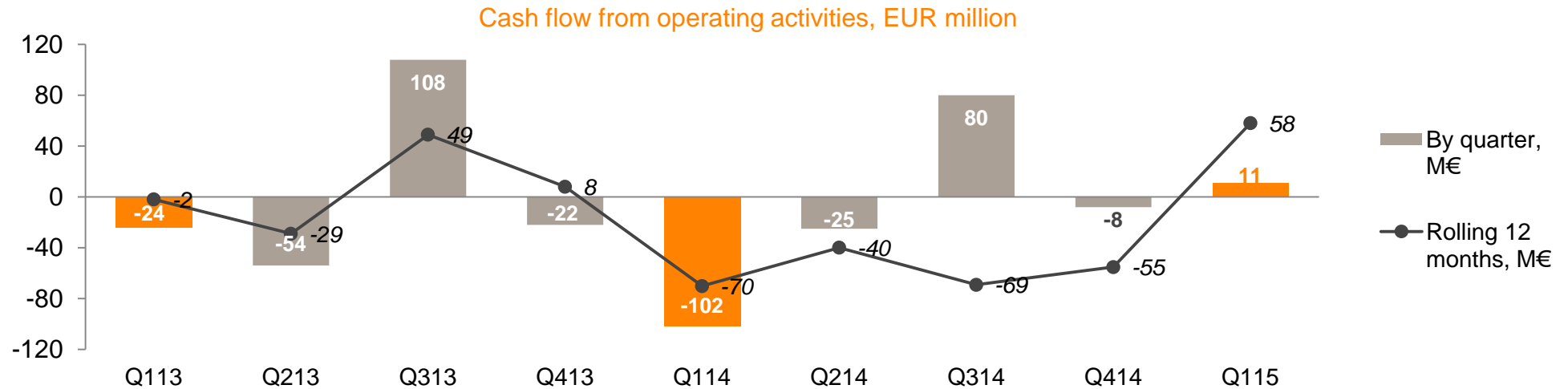
Financing maturity 2015–2019



NOTE! Hybrid bonds (140 M€) not included in IB debt. Company is entitled to redeem the bonds in 2016 and 2018. RCF (185 M€) was fully unused at the end of 31 March 2015. The maturity was extended by one year in Q1/2015. Project loans (120 M€) not due to be paid by the Company



Operative cash flow clearly positive



Cash flow from operating activities and free cash flow, EUR million	1-3/2015	1-3/2014	1-12/2014
EBIT (incl. Discontinued operations, excl. Share of the profit of associates and joint ventures)	-17.2	-16.8	59.0
Depreciation and impairment	5.2	6.1	44.7
Provisions and other non-cash items	-8.3	-5.1	-37.6
Cash flow from financing items and taxes	-10.5	-5.7	-24.9
Change in WC	41.6	-80.7	-95.9
Cash flow from operating activities	10.7	-102.2	-54.8
Cash flow from investing activities*	3.8	-6.7	44.3
Free cash flow	14.5	-108.9	-10.5

*excluding the effect of investments in available-for-sale financial assets



Damages related to the asphalt cartel

2013

- Lemminkäinen recorded 66 M€ as expenses from the damages* in Q4/2013.
- At the end of FY2013: 14 pending claims, total capital amount 8 M€, of which the company has made a 6 M€ provision.

2014

- Lemminkäinen paid 60 M€ in January 2014.
- Lemminkäinen appealed. The company has, for example, a different opinion regarding the questions of prescriptions and value added tax.
- At the end of FY2014: 21 pending claims, total capital amount 26 M€, of which the company has made a 12 M€ provision.

2015

- The main hearing in the Helsinki Court of Appeal started in March 2015.

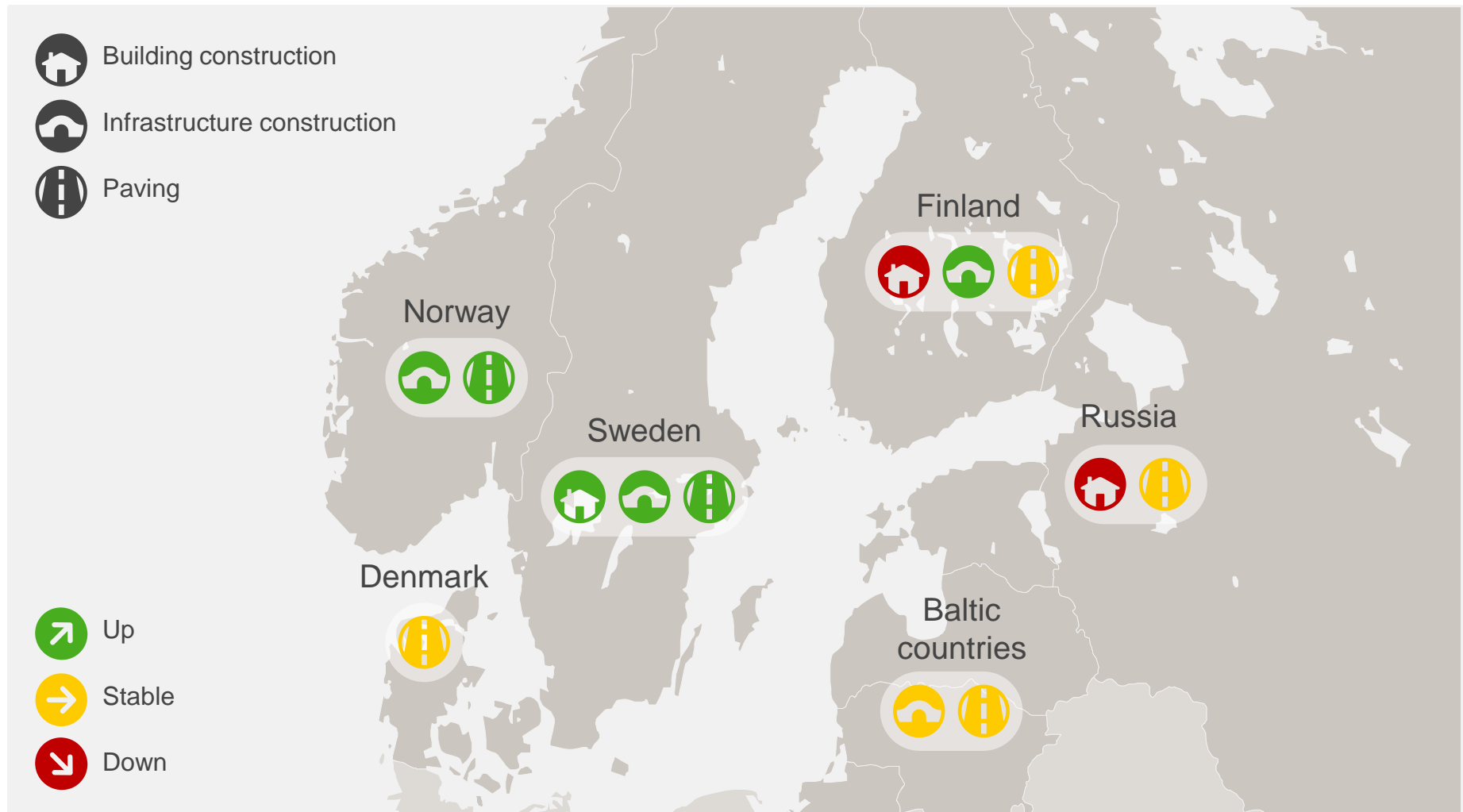
* Including interest and legal expenses



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- **Outlook and guidance**
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Market outlook 2015 – 2016



Source: Eurconstruct, company's own estimate



Profit guidance for 2015 is intact.

Lemminkäinen estimates that its net sales in 2015 will not increase as compared to 2014 (EUR 2,044.5 million).

Operating profit (IFRS) in 2015 is expected to improve as compared to 2014 (EUR 36.3 million).



Summary: Strengthened balance sheet and solid outlook for the rest of the year.

- Improved results in building construction in both Russia and Finland.
- Good order book in Paving.
- Favourable market situation in Infra projects, high activity in tendering processes.
- The actions taken last year regarding the cost structure support full year result.
- Decrease in operating capital, positive cash flow and improved risk management create a solid foundation to strengthen competitiveness and improve profitability.

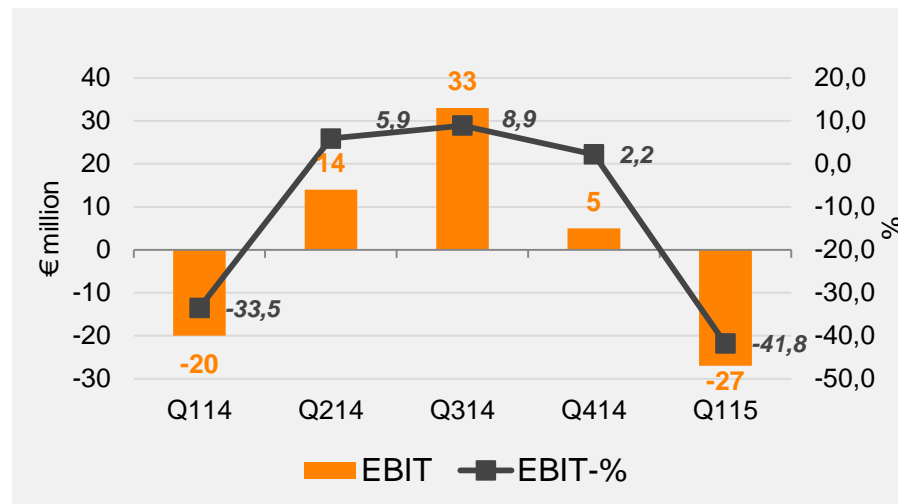
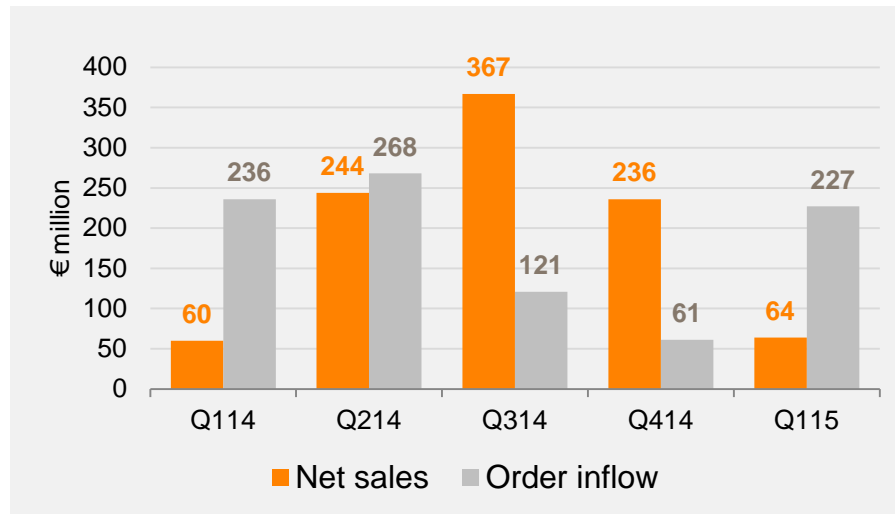




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1-3/2015: Paving Year-on-year result weakened



1-3/2015

- Result was weakened by write-downs related to inventories and declining margins in individual projects.

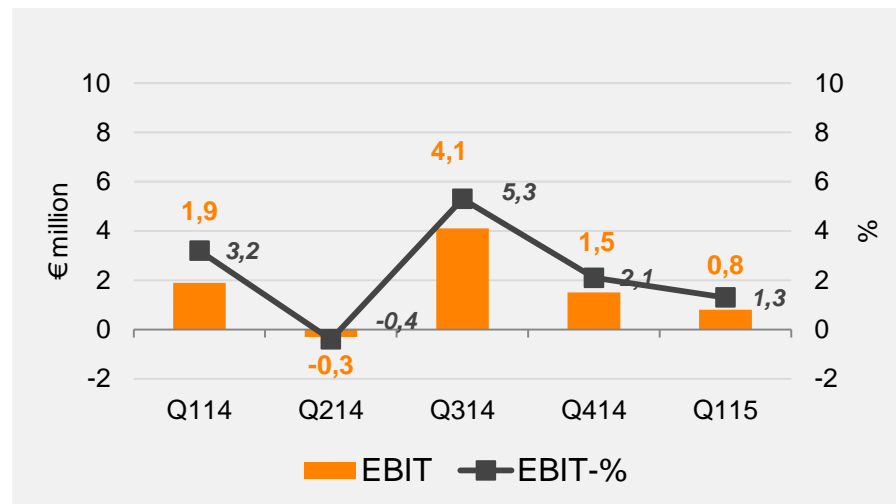
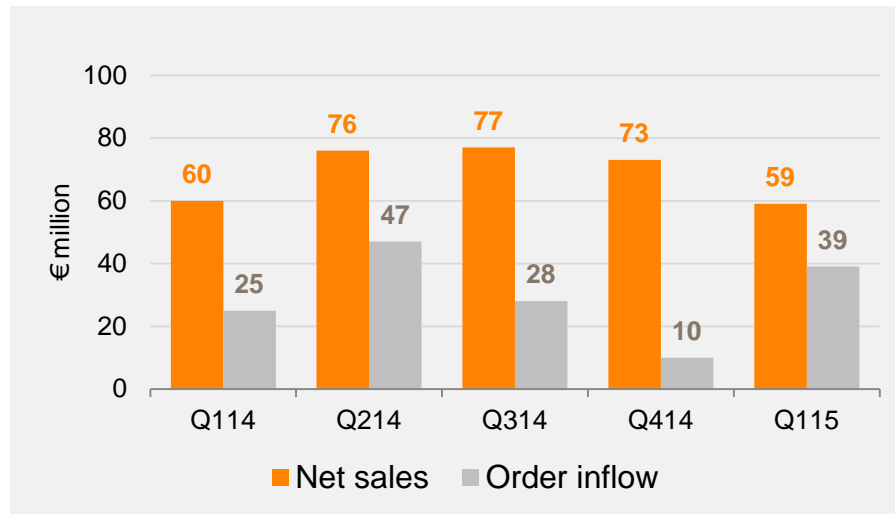
31.3.2015

- Order book stood at €538.5 million (527.2). In paving, the year-to-date order book especially in Finland, Sweden and Norway has grown faster than in 2014.
- Operating capital was €252.9 million (268.7). Release was due to asset sales and decrease in capex.



1-3/2015: Infra projects

Activity supported by major infra projects in Finland



1-3/2015

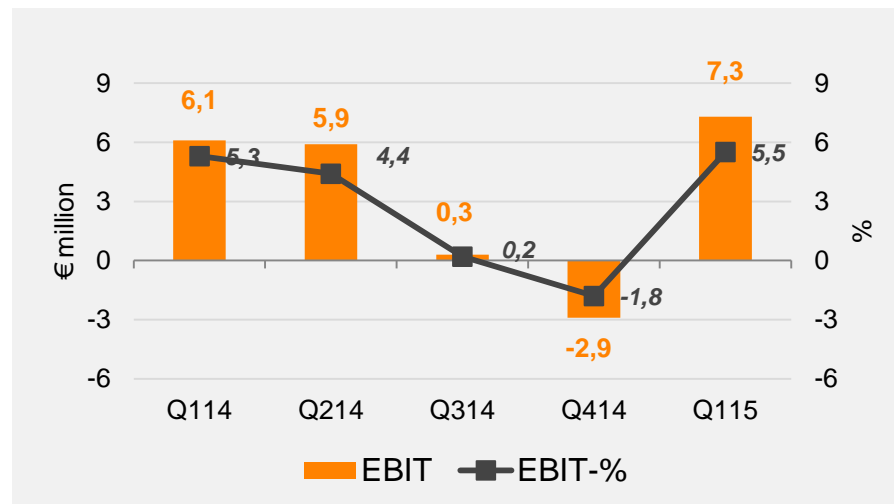
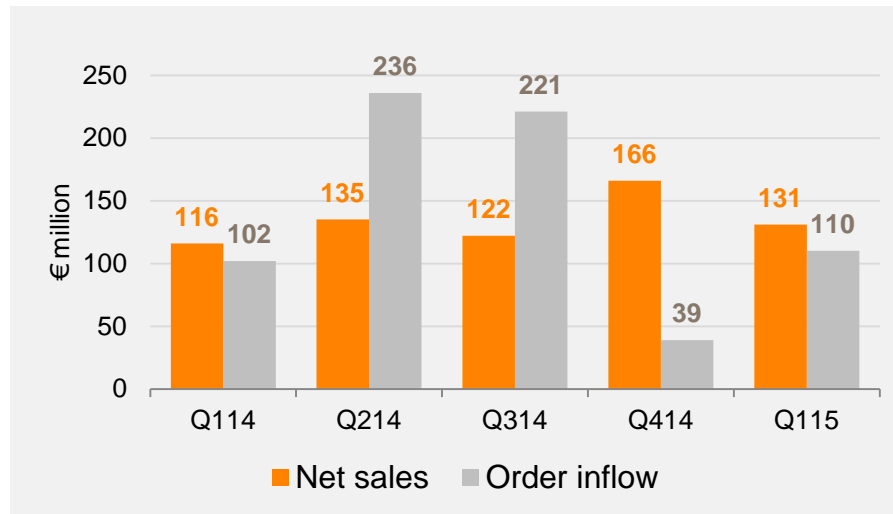
- Big infra projects in Finland proceeded as planned.
- Net sales and profitability in rock engineering in Sweden and Norway declined.

31.3.2015

- Order book stood at €221.5 million (366.5). Largest decline from Sweden and Norway.
- Operating capital was €-5.4 million (17.4). Decrease was due to favourable product mix in terms of cash flow and more efficient invoicing.



1-3/2015: Building construction, Finland: Strong Q1



1-3/2015

- Result was improved by residential construction and a release of rent liabilities in completed commercial projects in the capital region.
- Major contracting projects proceeded as planned

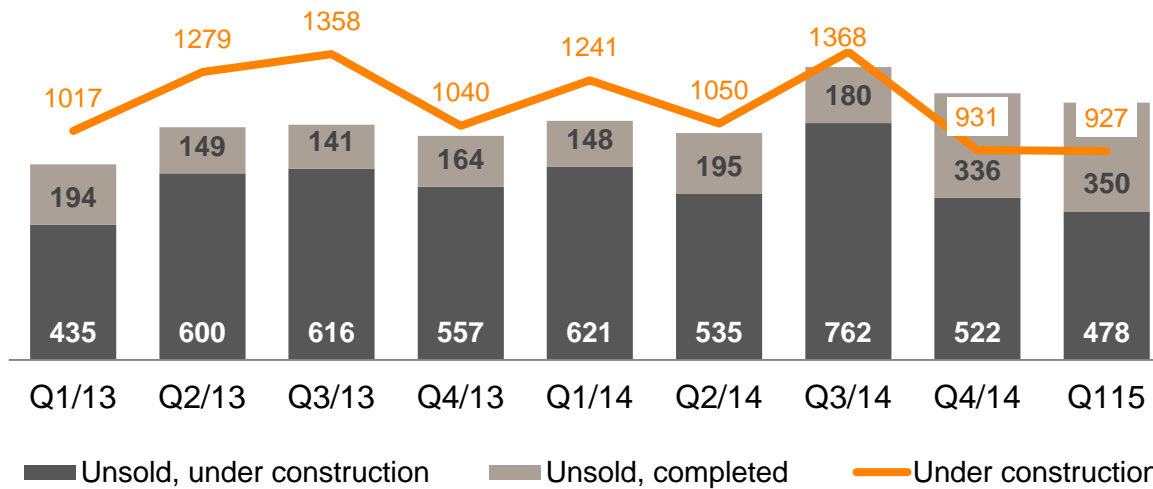
31.3.2015

- The order book stood at € 669.0 million (556.6). Increase due to big contracting projects in renovation.
- Operating capital was € 276.9 million (285.7).



Finland: In 2015, the volume of residential development and construction targeted at consumers will decrease some 30% from last year.

Apartments*, at the end of the quarter

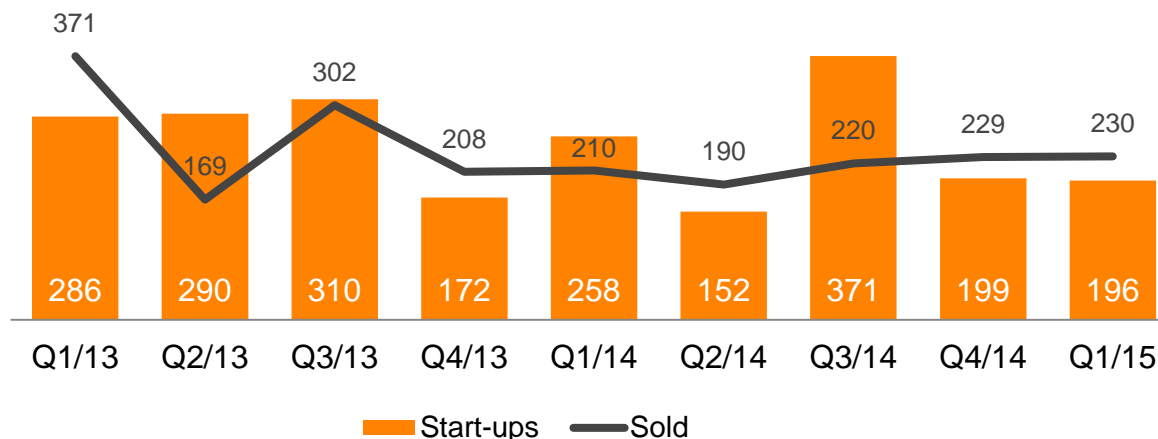


Q1/2015:

At the end of the period:

- Less apartments under construction
- Number of unsold completed apartments have risen

Apartments*, during the quarter



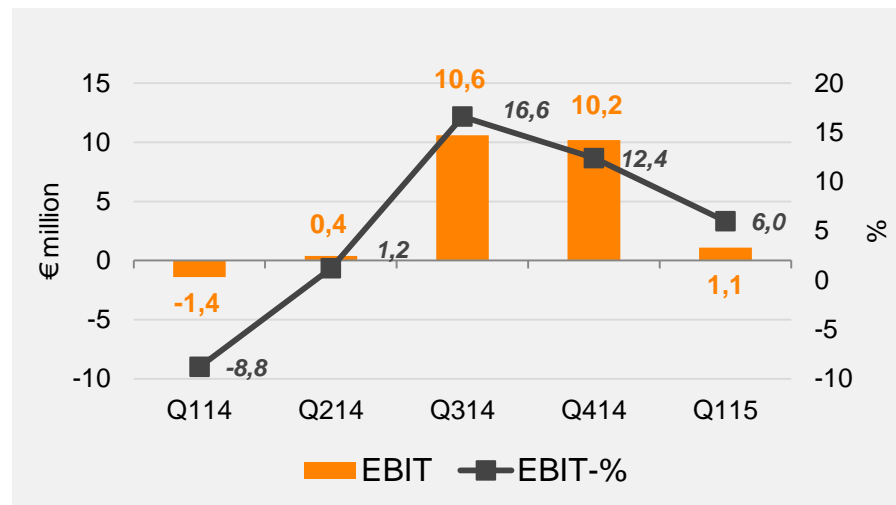
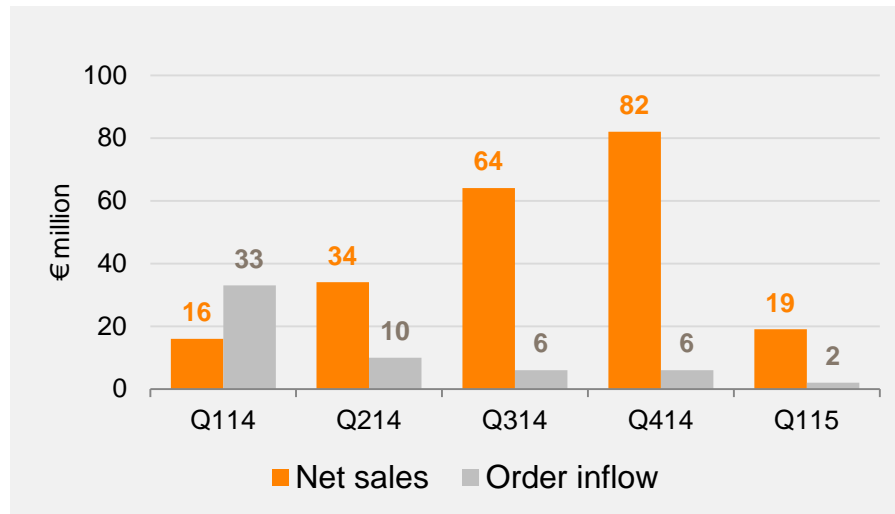
During the first quarter:

- Fewer start-ups compared to Q1/2014.
- Steady consumer sales, investor sales (negotiated contracting) increased.



1-3/2015: Russian operations

Order inflow getting smaller



1-3/2015

- Housing sales and decline in fixed costs improved the profitability.
- 160 apartments sold during Q1, the number of unsold at end of period was 266.
- Impact of currency exchange rate compared to Q1/2014:
 - € -8.8 million on net sales
 - € -0.5 million on EBIT
- Company announced to withdraw from the Ilmatar-project*.

31.3.2015

- The order book stood at € 79.6 million (324.5). No new start-ups in building construction since 2013.
- Operating capital was € 62.2 million (88.0). Housing sales decreased the working capital.

*) Lemminkäinen had a role as developer in a planned project with Lipsanen & Co. Group in St Petersburg, including approximately 2,000 apartments. The companies are negotiating about alternative ways to carry out the project.

Lemminkäinen

www.lemminkainen.com