

Lemminkäinen

Carnegie Construction seminar
President and CEO Casimir Lindholm

Lemminkäinen



Lemminkäinen in brief
Strategy
Segment overview
Outlook and guidance



Lemminkäinen - a strong infrastructure constructor in Northern Europe

Lemminkäinen's business segments



Paving

Paving and mineral aggregates in the Nordics and the Baltic countries



Infra projects

Rock engineering, earthworks and civil engineering in Finland, Sweden, Norway and the Baltic countries



Building construction, Finland

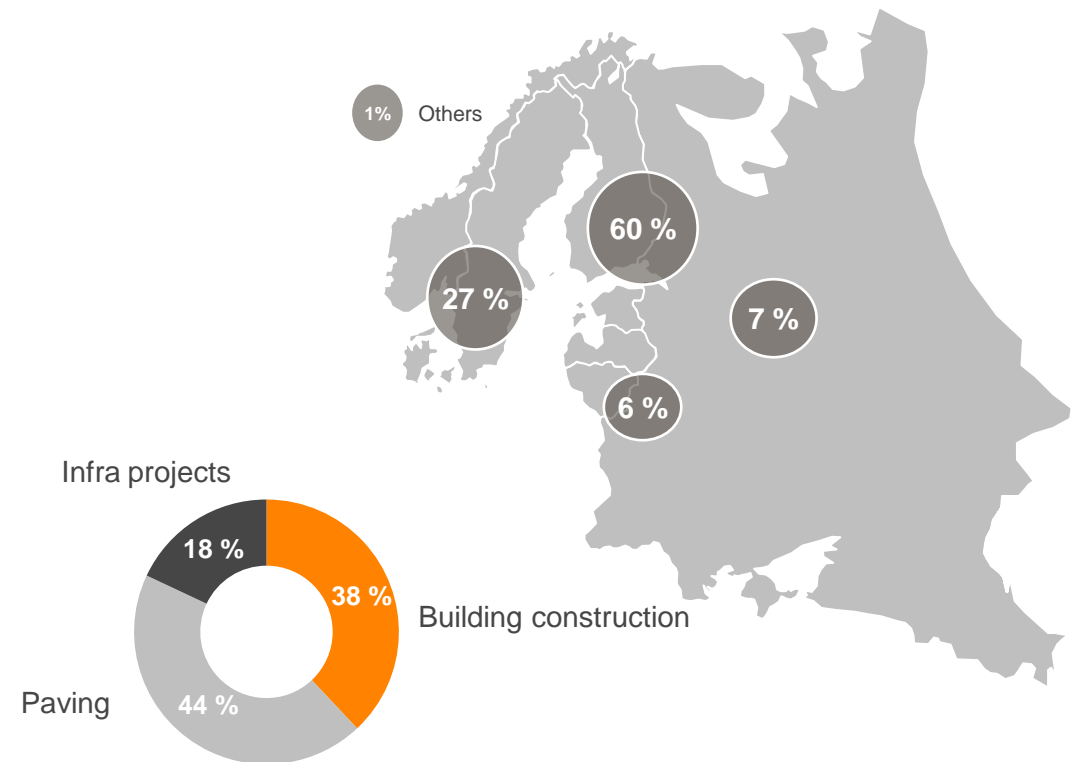
Residential and non-residential development, contracting, real estate management



Russian operations

Building construction and paving in St Petersburg and Moscow regions

Net sales by market area and business type in 2015



Lemminkäinen in 2000-2015

2000–2008:
TIME OF FAST GROWTH

2010–2013:
TOWARDS ONE LEMMINKÄINEN

2014–
TURNAROUND

2001: Icopal Roads (INFRA), NOR+DEN

Major Acquisitions: 2000: Tekmanni (TBS*), FIN

2011: Mesta Industri (INFRA), NOR

Major Divestments:

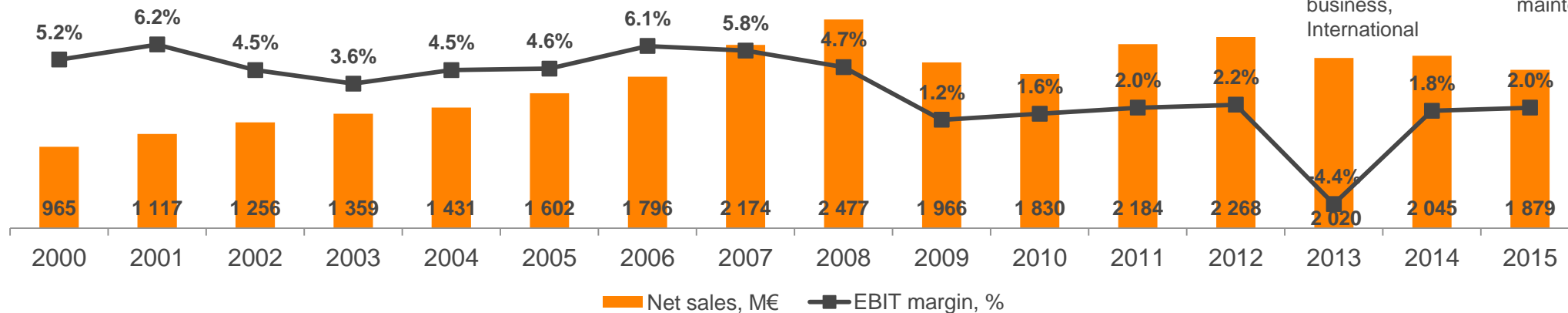
2010: Roofing business, FIN

2012: Concrete business, FIN

2014: Technical building services, FIN

2013-2014:
Telecom network business, International

2015: Building construction SWE, road maintenance NOR



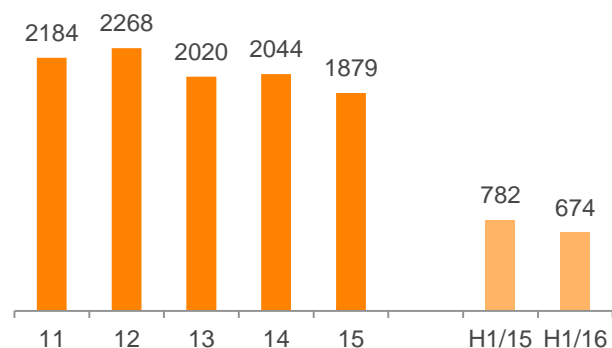
Review of the last two years

- Stronger balance sheet and cash flow.
- Operating capital has decreased from EUR 697 million in June 2014 to EUR 446 million in June 2016.
- Reduced investments and fixed cost level.
- Improved debt structure and interest-bearing net debt has decreased from EUR 340 million in June 2014 to EUR 165 million in June 2016 despite the redemption of the first hybrid bond.
- Improved transparency and corporate governance by implementing the new organisation structure, internal processes and procedures.
- Streamlined business portfolio.
- Substantially decreased risk level in Russia.

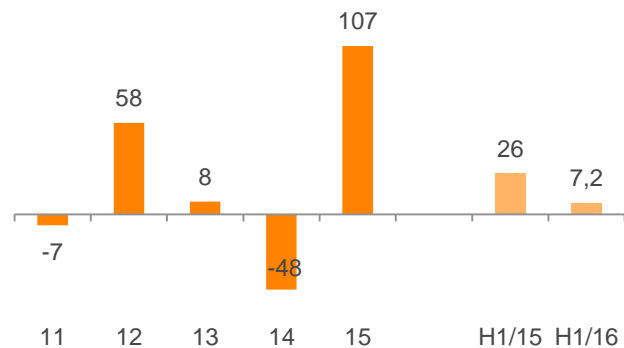


Key figures

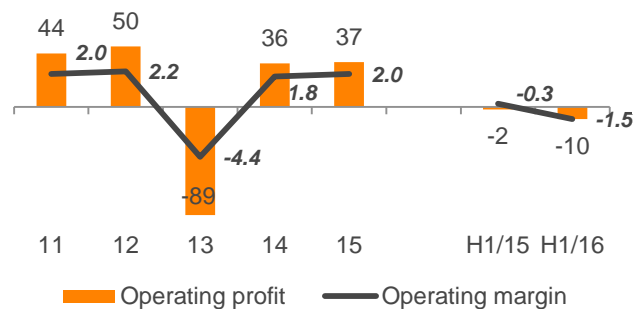
Net sales, EUR million



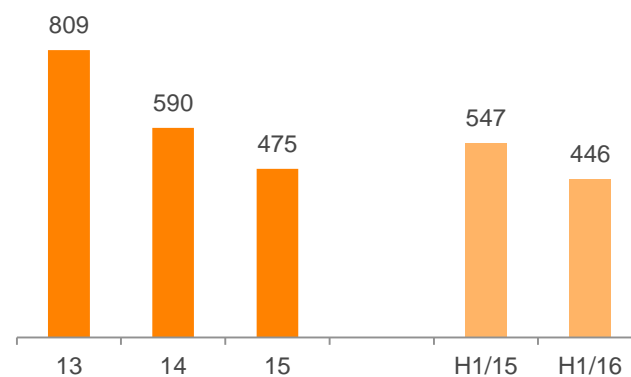
Cash flow from operating activities, EUR million



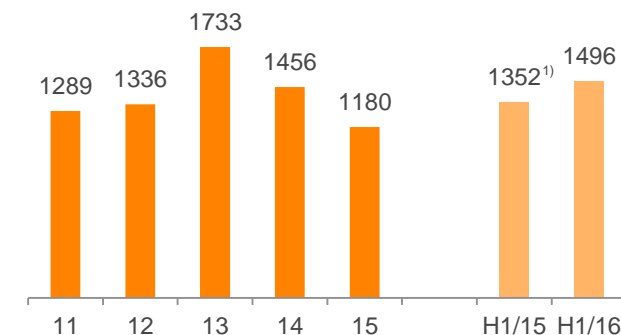
Operating profit, EUR million and operating margin, %



Operating capital, EUR million

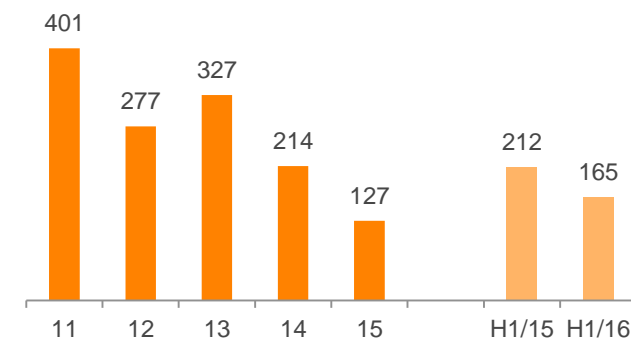


Order book, EUR million



¹⁾ Comparable figure

Interest-bearing net debt, EUR million



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Strategy 2016–2019

Focus to operational efficiency and growth

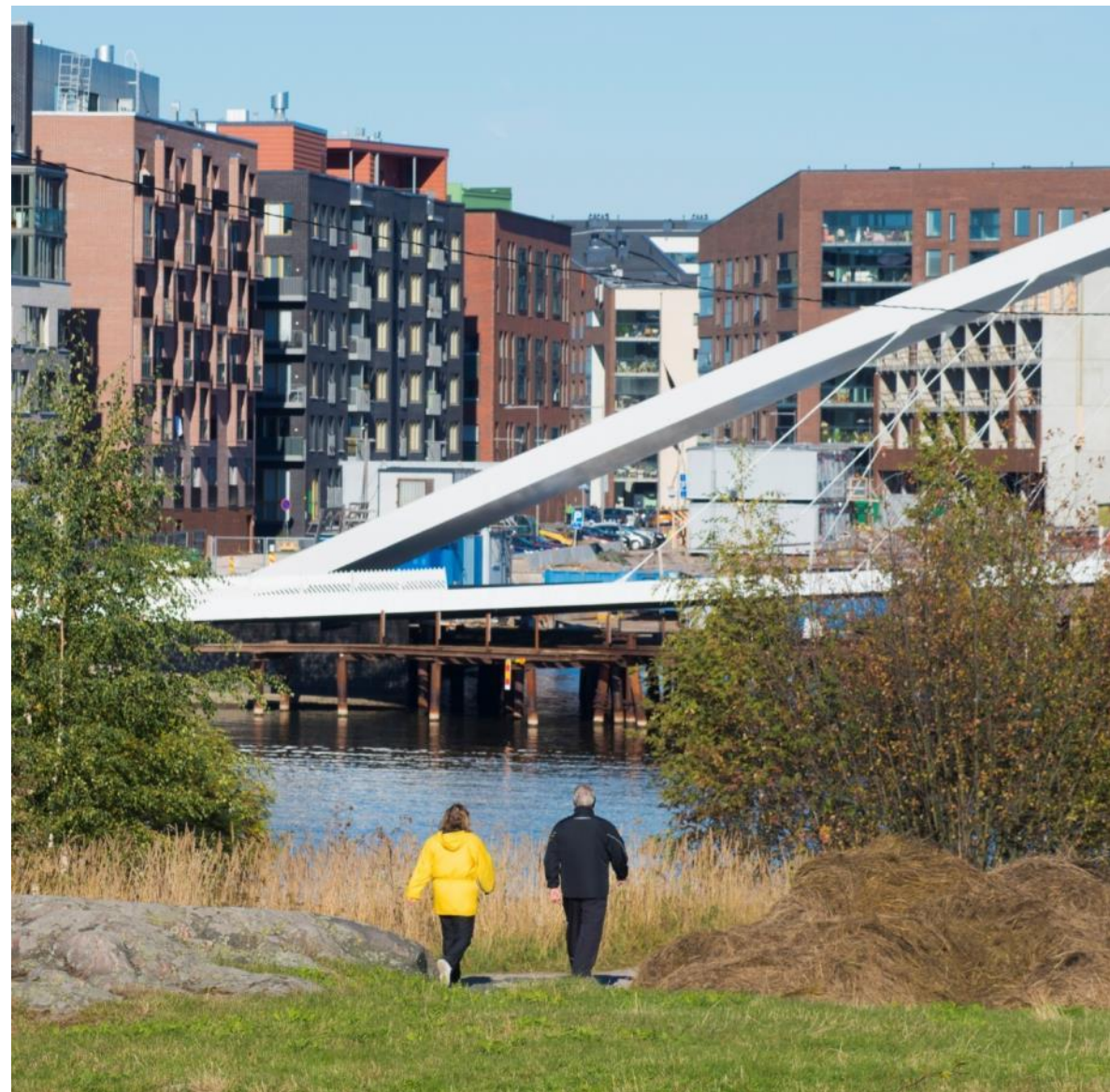


Financial targets

- ROCE above 15% in 2019
- EBIT margin above 4% in 2019
- Equity ratio above 35% during 2016-2019
- Lemminkäinen aims for a stable distribution of dividends, with at least 40% of the profit for the financial year distributed to shareholders.
- The company will maintain a moderate risk level during the strategy period to reach our financial targets.

Financial target	Actual 2013	Actual 2014	Actual 2015
ROCE: above 15% in 2019	-10.8	4.5	5.3
EBIT margin: above 4% in 2019	-4.4	1.8	2.0
Equity ratio: above 35% during 2016-2019	27.3	37.1	40.6
Dividend policy: At least 40% of the profit for the financial year	0	0	38.5

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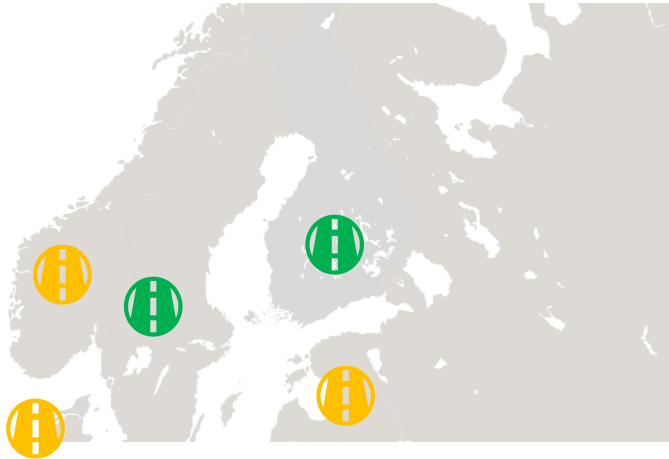
Paving: One of the largest paving companies in its market

- **Market drivers**

- The public sector's investments in road maintenance
- Oil price
- Urban growth centre development
- Poor condition of the road network
- Major road projects

- **Competitive field**

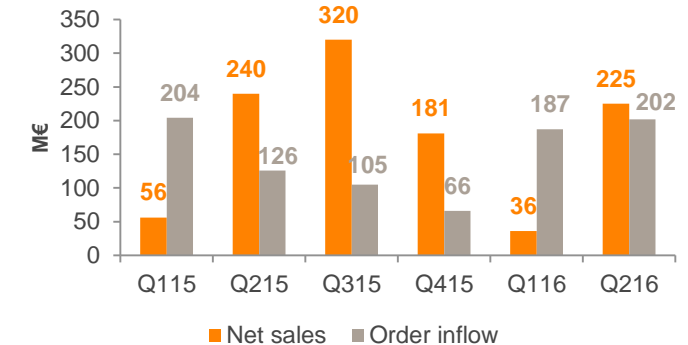
- Lemminkäinen holds a strong position in the Nordic and Baltic countries; it is one of the largest paving companies in its market
- The most significant competitors: NCC, Skanska, Veidekke, Peab, Colas



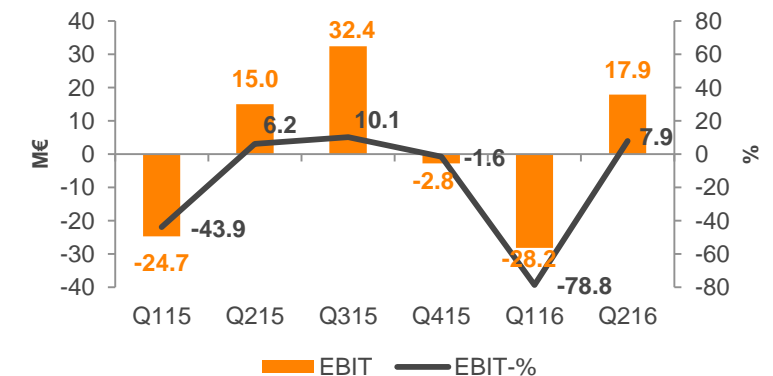
- **Operating environment**

- Finland: State investments increase demand
- Sweden: High level of activity in the market
- Norway and Denmark: Total asphalt volumes declining, especially in public sector
- Baltics: Market situation is stable. Growth expected to pick up 2017

Net sales and order inflow



EBIT and EBIT margin



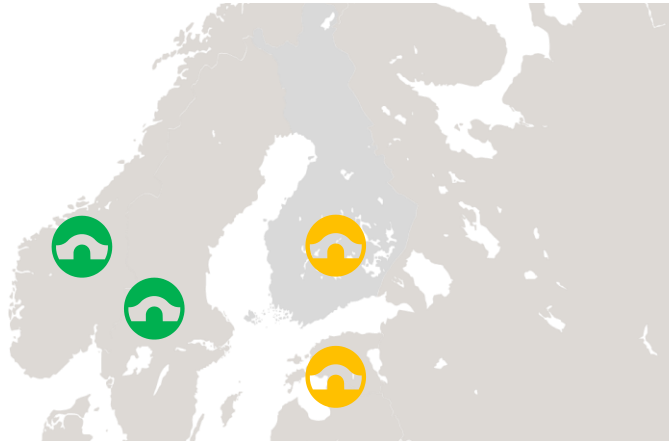
Infra projects: An expert in versatile and complex infrastructure construction

- **Market drivers**

- The public sector's and industry's investments in infrastructure
- Urbanisation
- Climate change
- Weak infrastructure in the Baltic countries

- **Competitive field**

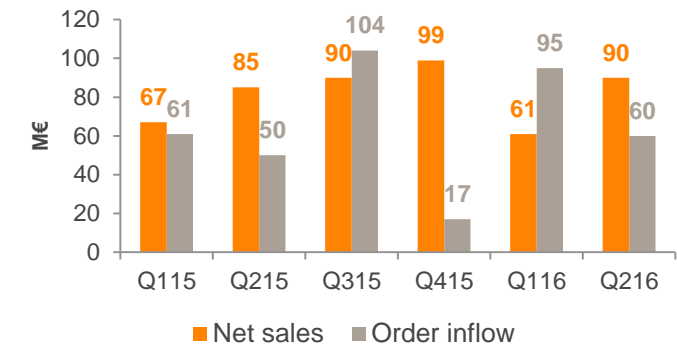
- Price competition further intensified especially in Sweden
- The most significant competitors: NCC, Skanska, Veidekke, Peab, YIT, SRV and Destia



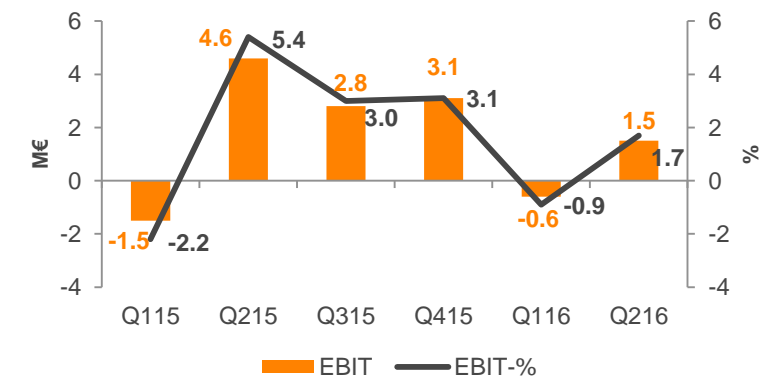
- **Operating environment**

- Finland: Large traffic and industrial projects support demand
- Sweden: Overall high market activity, both traffic and energy infrastructure
- Norway: Lot of public investments to traffic infrastructure
- Baltics: Opportunities driven by public sector traffic infrastructure investments (e.g. Rail Baltic)

Net sales and order inflow



EBIT and EBIT margin



Building construction, Finland: Premises for living and working

- **Market drivers**

- Urbanisation
- Apartments as a part of investment assets
- Demographic changes
- Building stock's need for renovation

- **Competitive field**

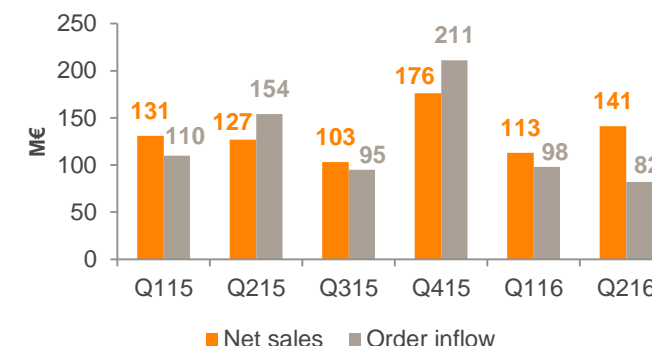
- Lemminkäinen is among the five largest builders in terms of net sales.
- In small and medium-size contracts many minor competitors (industry entry threshold is low)
- The most significant competitors: YIT, SRV, NCC, Skanska



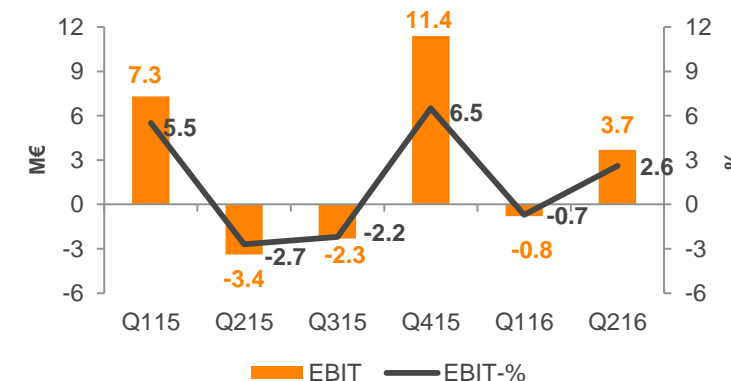
- **Operating environment**

- Residential construction is expected to grow. Focus on small apartments in urban growth centres. Active investor sales.
- Non-residential construction increases due to major individual projects and public sector.
- Renovation is brisk but its growth will slow down.

Net sales and order inflow



EBIT and EBIT margin



Russian operations: Paving and building construction contracting in St Petersburg and Moscow areas

- **Market drivers**

- Urbanisation in St Petersburg and Moscow regions
- Weak infrastructure

- **Competitive field**

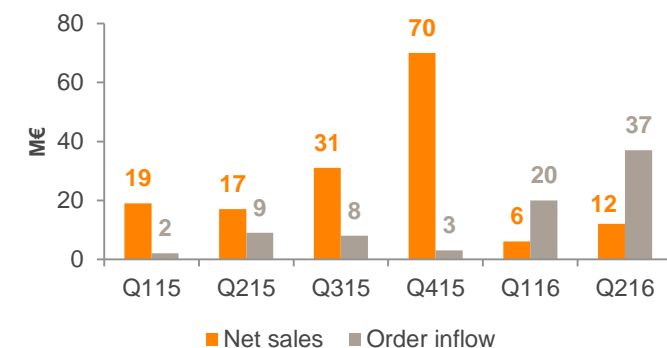
- In building construction contracting many local and smaller foreign competitors.
- In paving, Lemminkäinen operates mainly as a subcontractor and specialised work contractor. Competitors include major Russian players, such as Autobahn and VAD



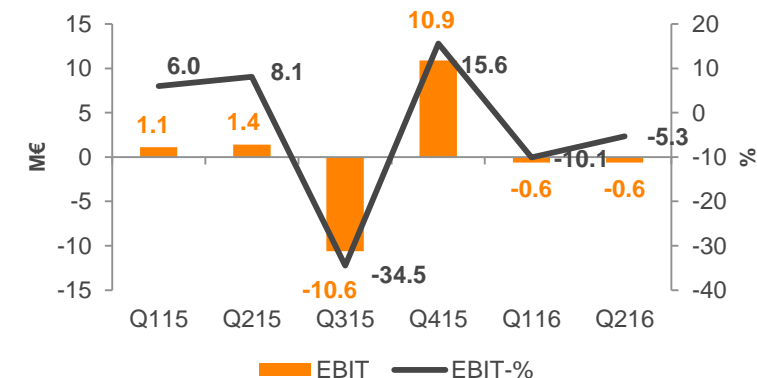
- **Operating environment**

- Uncertainty in the market is likely to continue
- In residential contracting price competition is intense, but contractor reliability is getting more and more important
- Construction and repair projects on major roads maintain demand for paving

Net sales and order inflow



EBIT and EBIT margin



Group performance
Balance sheet, financing and cash flow
Outlook and guidance



Damages related to the asphalt cartel

- The oral hearing at the Helsinki Court of Appeal started in March 2015 and ended in October 2015.
- The Court has not yet confirmed when the verdicts will be given. According to a preliminary statement they will be given during 2016.
- In addition, 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 13.4 million

Profit guidance for 2016

Lemminkäinen estimates that its net sales in 2016 will be on the level of EUR 1.8 billion.

Operating profit (IFRS) in 2016 is expected to improve as compared to 2015 (EUR 37.3 million).



Summary: The company is in a good position to reach the financial targets for this year

- Financial position has strengthened significantly during the past two years
 - Operating capital 446 M€ (697)
 - Interest-bearing net debt 165 M€ (340)
- Q2 went as planned
 - Operating profit improved
 - Comparable order book increased
- Focus remains on improving the operational result and competitiveness in all operations and seeking profitable growth in complex infrastructure construction in Sweden and Norway while maintaining a moderate risk level.





Lemminkäinen

www.lemminkainen.com