



Lemminkäinen

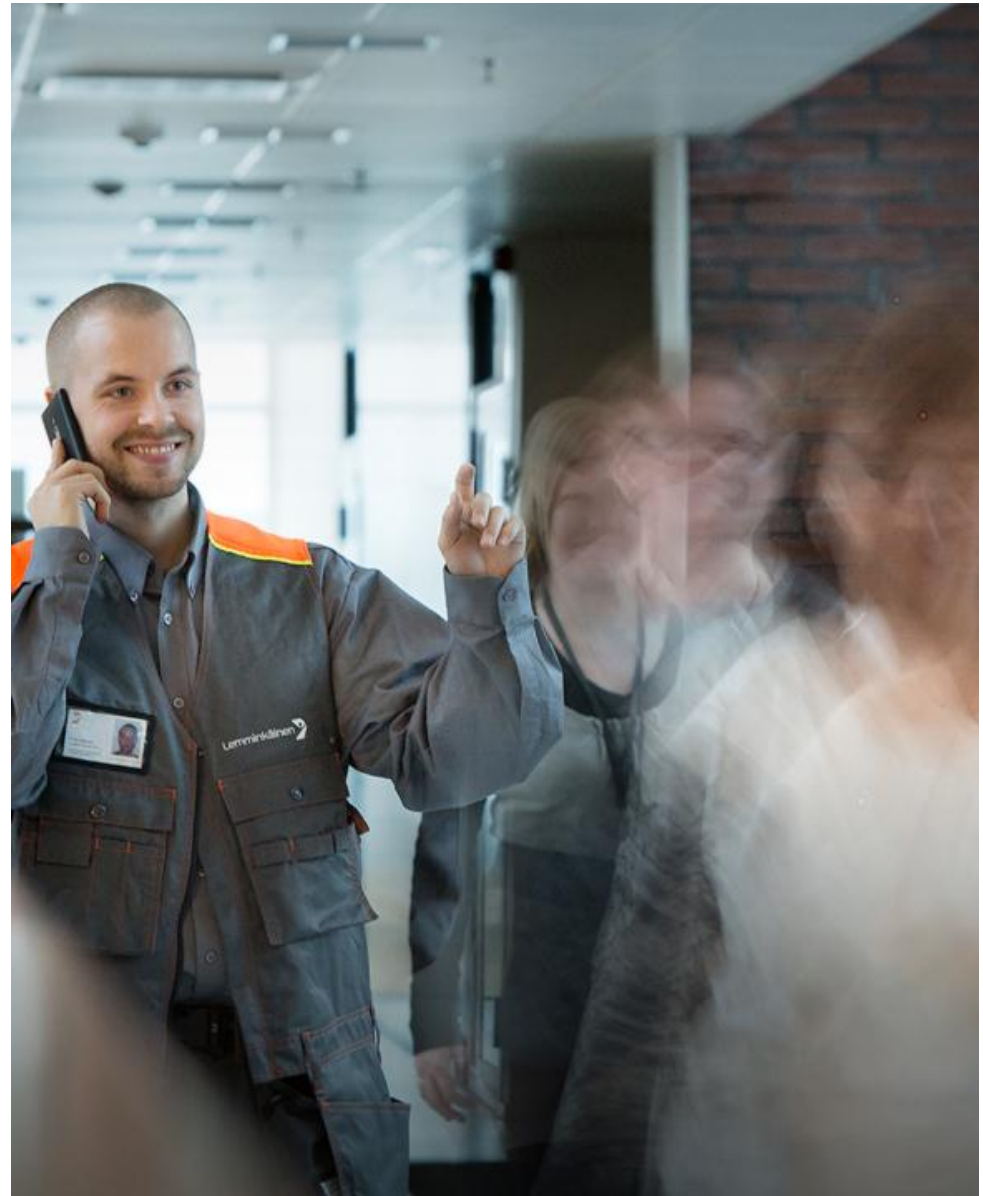
Interim Report 1-6/2013:

“Profitability challenges especially in international operations;
Lemminkäinen to cut costs by 30 million euros”



Contents

- Lemminkäinen in brief
- Financial performance H1/2013
- Balance sheet, cash flow and finance
- Outlook and guidance
- Business segment review Q2/2013





Year 2012:

Lemminkäinen's four business segments

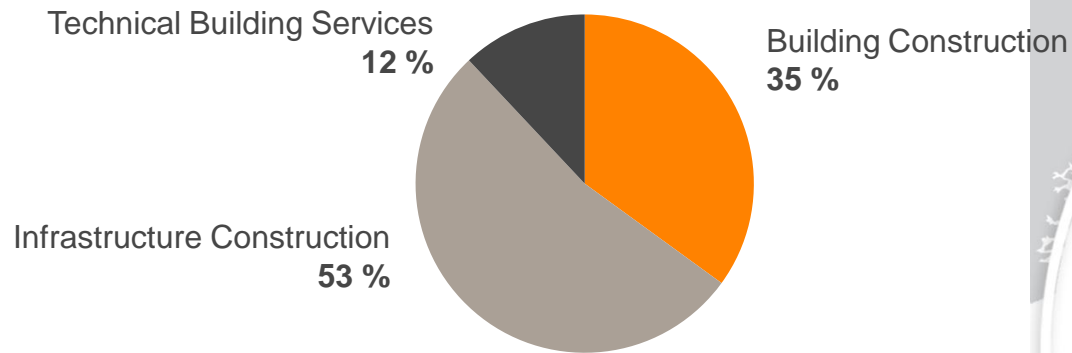
	Market area: Finland			
	International Operations	Building Construction	Infrastructure Construction	Technical Building Services
				
Net sales (% of Group)	38%	28%	24%	10%
EBIT (% of Group)	18%	21%	57%	4%
Market position	<p>One of the largest players</p> <ul style="list-style-type: none"> - in infrastructure construction in Scandinavia and Baltic countries - in residential construction in St. Petersburg (non-Russian players) 	#2-4 in residential and non-residential construction in Finland.	Market leader in paving. Strong position in special contracting.	#2 in contracting. One of the largest in maintenance and upkeep services.



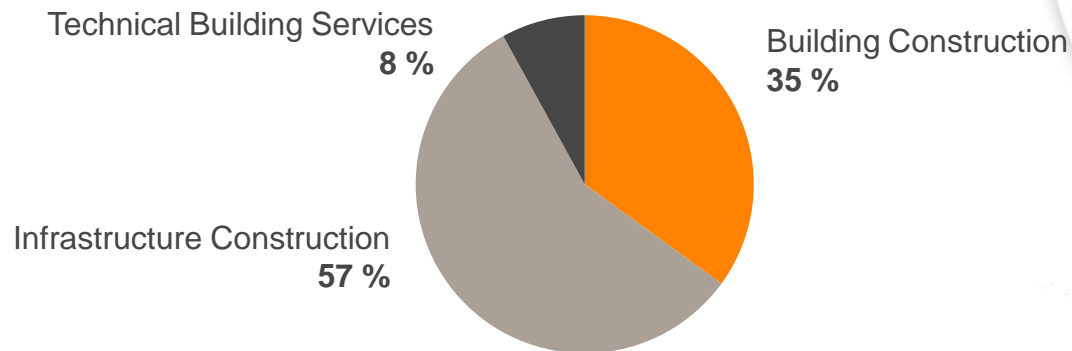
Year 2012:

Infrastrucutre construction generates more than a half of Group's net sales and operating profit

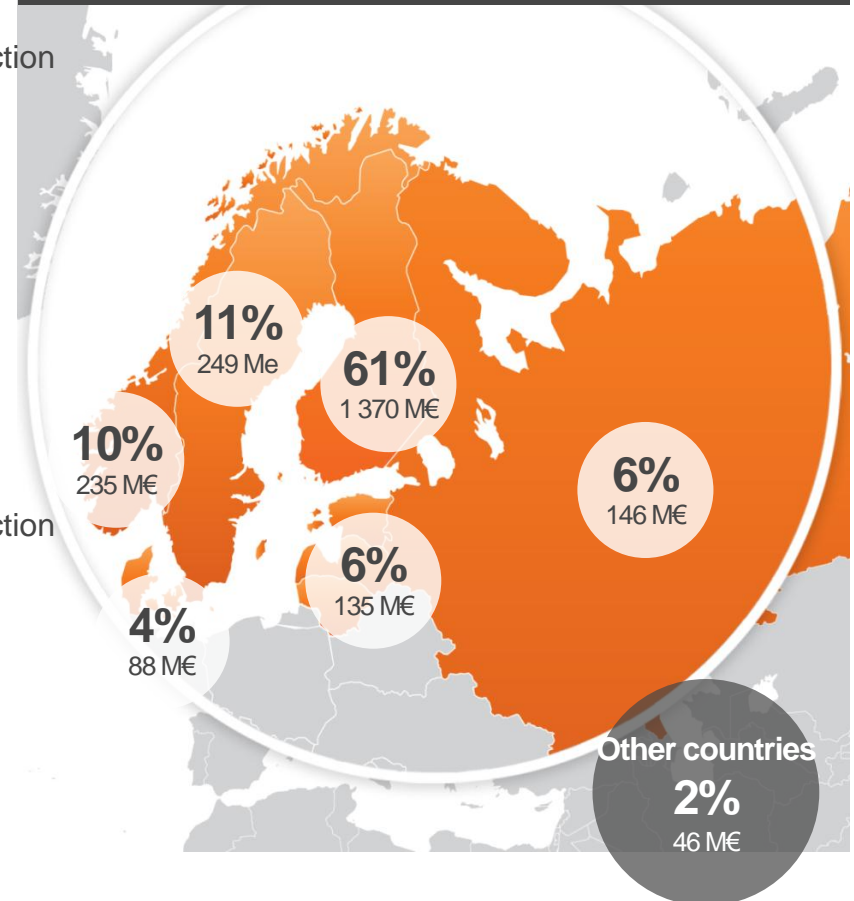
Net sales by business segment



Operating profit by business segment



Net sales by country





Strategic targets and actuals in 2012

Target	Target level	Actual 2012	Actual 2011	Actual 2010
Annual net sales growth	average 10 %	4 %	19 %	-4 %
Return on investment	18 %	11 %	11 %	7 %
Equity ratio	over 35 %	37 %	31 %	35 %
Dividend payout	40 % of net profit	27 %	28 %	Over 100 %





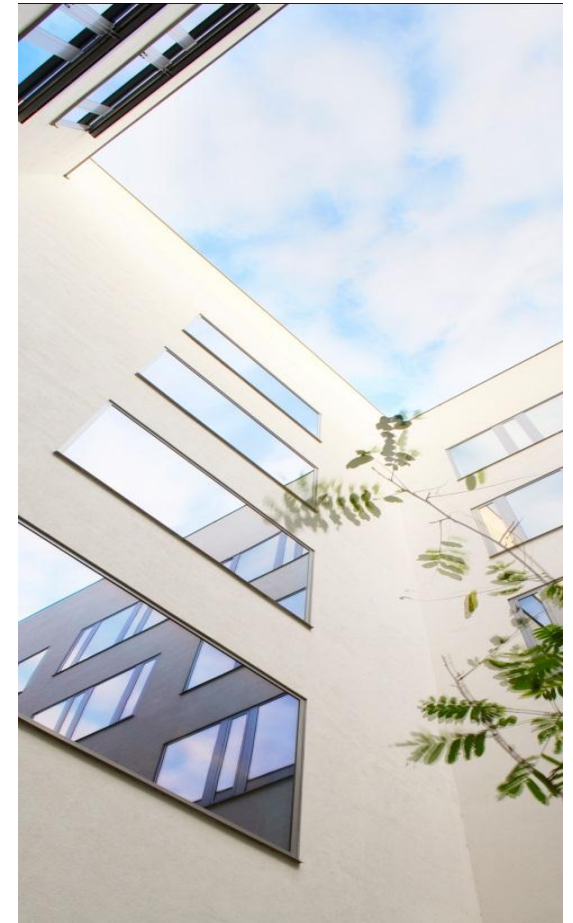
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Financial performance



Key points from H1/2013

- Weak H1/2013 result was due to
 - the delayed start of the paving season in all operating countries
 - no new housing units completed in Russia and even in Finland the number was exceptionally low
 - various one-offs worth about EUR 10 million
- Lemminkäinen has updated the profit guidance for 2013 in May and in July
- The gains of efficiency improvements were not fully realised in the company's result → Lemminkäinen will speed up and widen earlier published efficiency measures.





Market environment: Growth potential in Scandinavia and Russia



- Overall market situation has weakened
- Intense price competition in infrastructure construction
- Housing sales recovered gradually towards the end of the review period



- Additional state investments in road and rail projects
- The strong infrastructure market especially in Norway attracted new players into the industry and lowered the price level of contracts



- In St Petersburg, the demand for housing is still high
- Plenty of construction and repair work of major highways in Russia and the Baltic countries



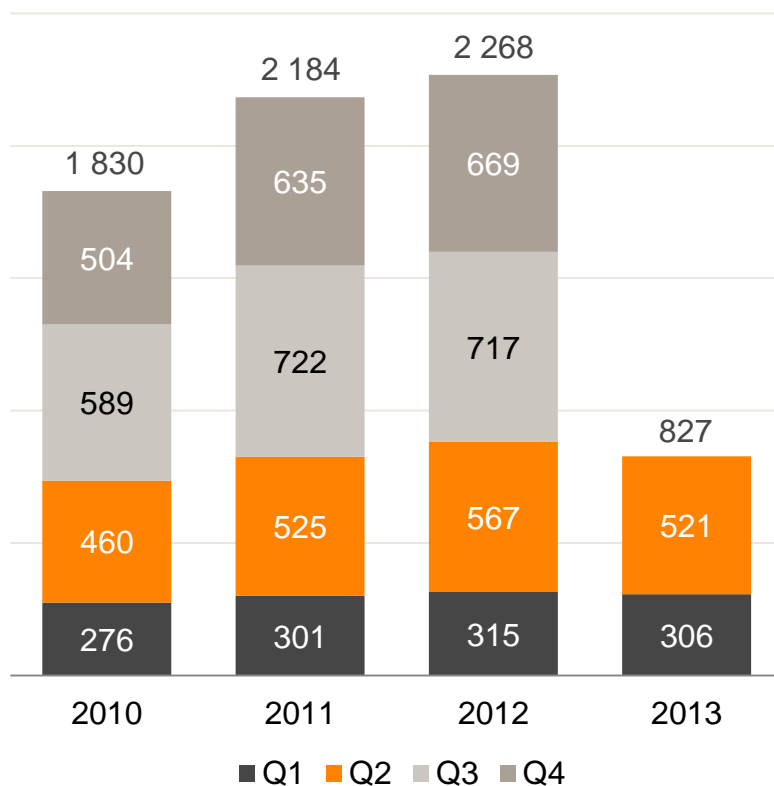
Key figures of H1/2013 and Q2/2013

Key figures IFRS, EUR million	1–6/2013	1–6/2012	Change	4–6/2013	4–6/2012	Change	1–12/2012
Net sales	827.6	882.4	↓	521.2	567.0	↓	2,267.6
Operating profit	-50.7	-13.9	↓	-12.4	7.7	↓	50.4
<i>Operating margin, %</i>	-6.1	-1.6	↓	-2.4	1.4	↓	2.2
Profit for the period	-48.9	-16.5	↓	-16.7	3.5	↓	44.1
Earnings per share, EUR	-2.63	-0.90	↓	-0.91	0.12	↓	2.04
Cash flow from operations	-78.2	9.2	↓	-53.8	-26.4	↓	57.8
Order book (at end of period)	2,085.1	1,931.2	↑	2,085.1	1,931.2	↑	1,443.9
Return on investment, % rolling 12 months	5.7	8.4					10.8
Interest-bearing net debt	405.2	348.9					277.3
Personnel (average)	7,620	7,950					8,180

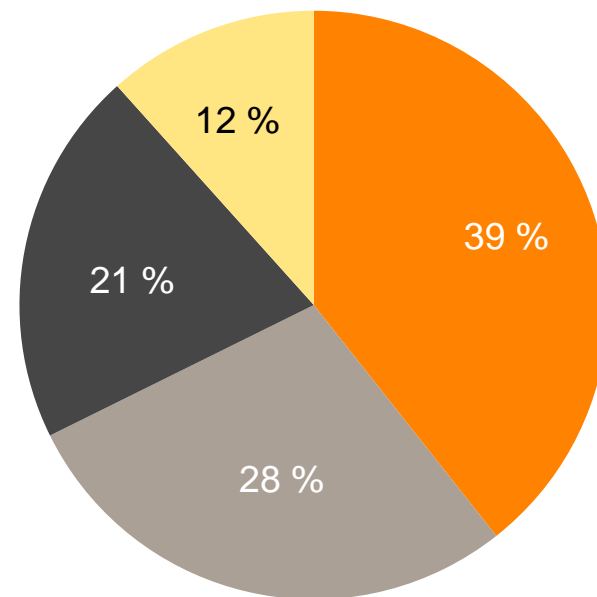


H1/2013 net sales down in all business segments

Quarterly net sales, EUR million



Net sales^{*)} by business segment
H1/2013 (H1/2012)



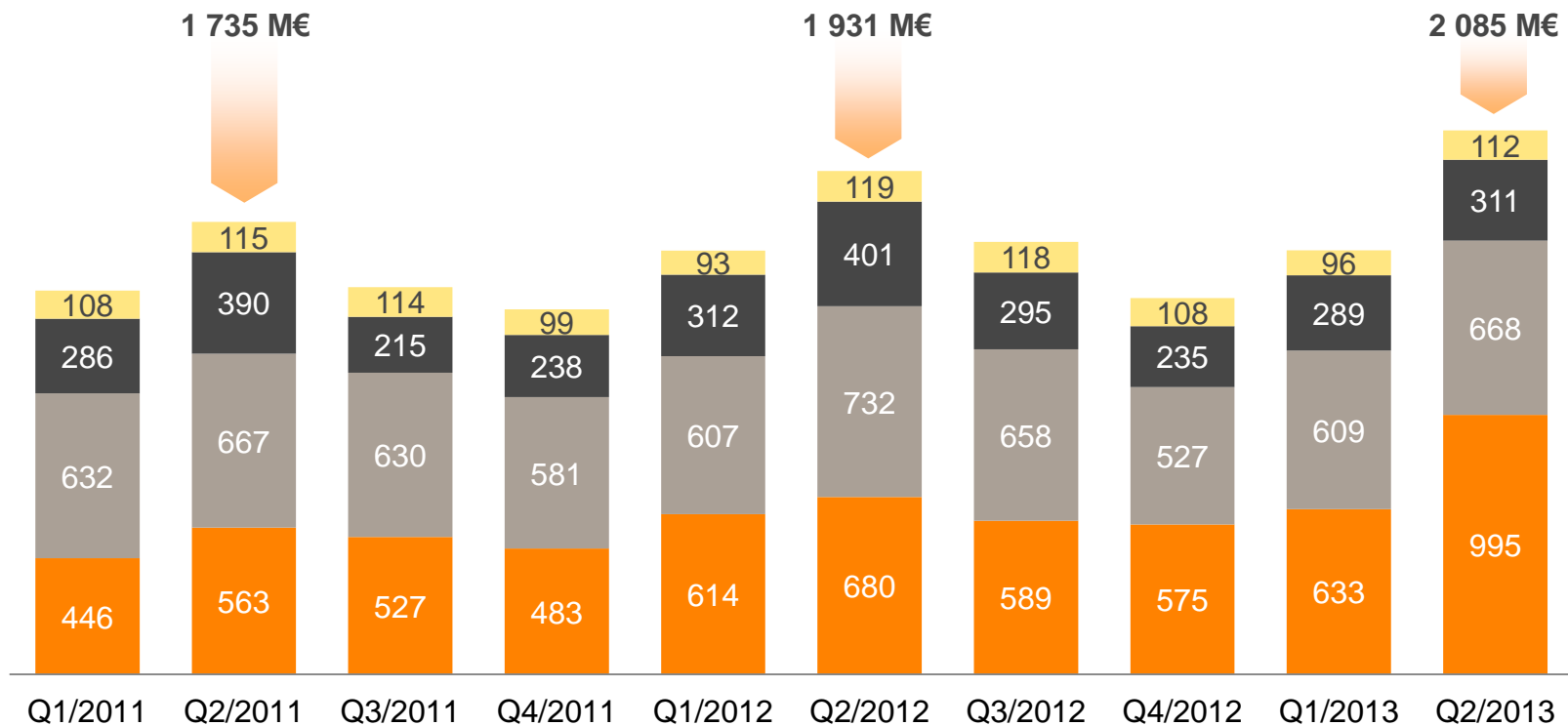
International operations;	333 M€ (335)	↓
Building Construction;	240 M€ (283)	↓
Infrastructure Construction;	175 M€ (191)	↓
Technical Building Services;	98 M€ (117)	↓

^{*)} Excluding the discontinued operations



Order book grew especially in Scandinavia and Russia

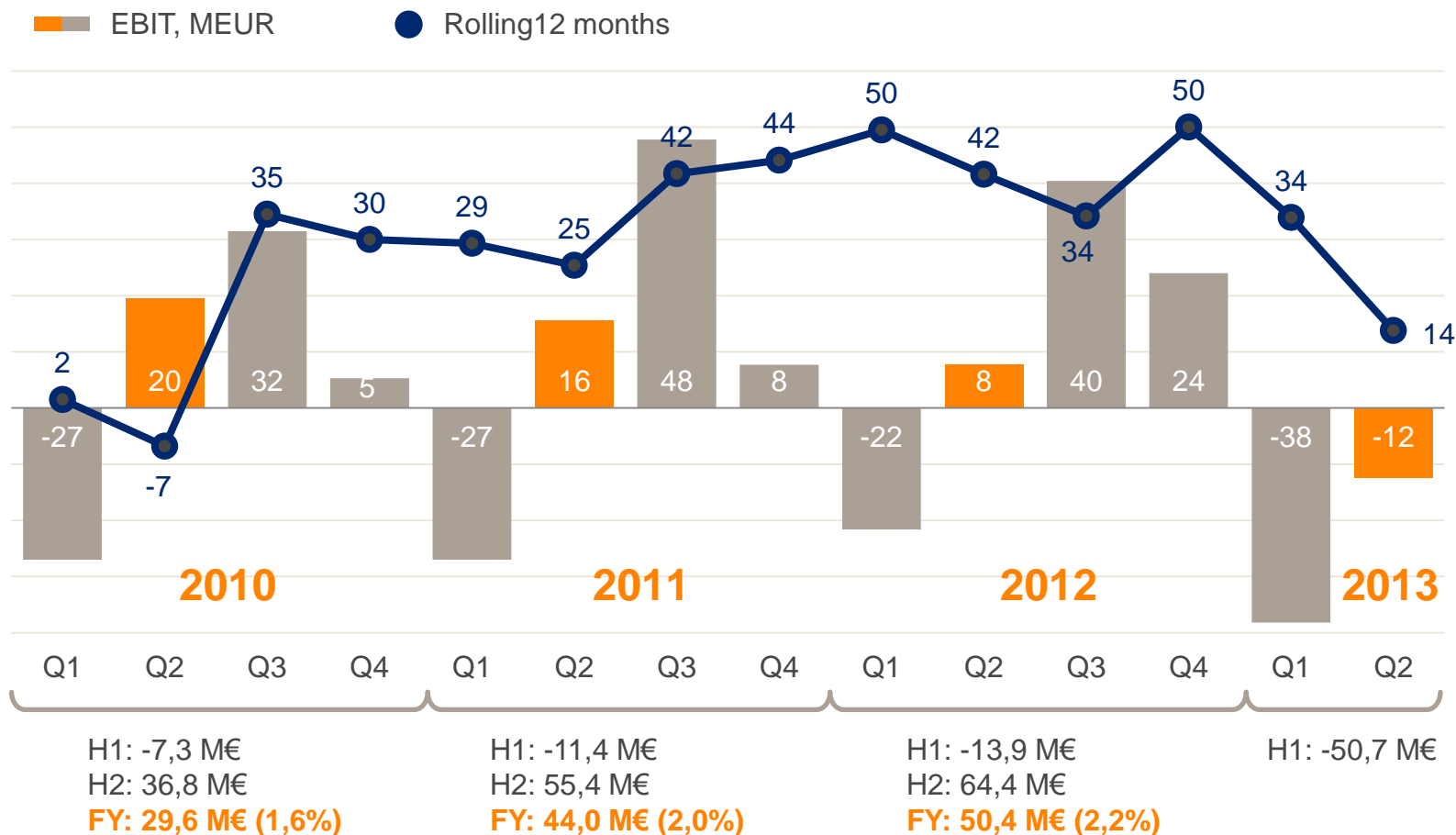
Order book at the end of period, EUR million



■ International Operations ■ Building Construction ■ Infrastructure Construction ■ Technical Building Services



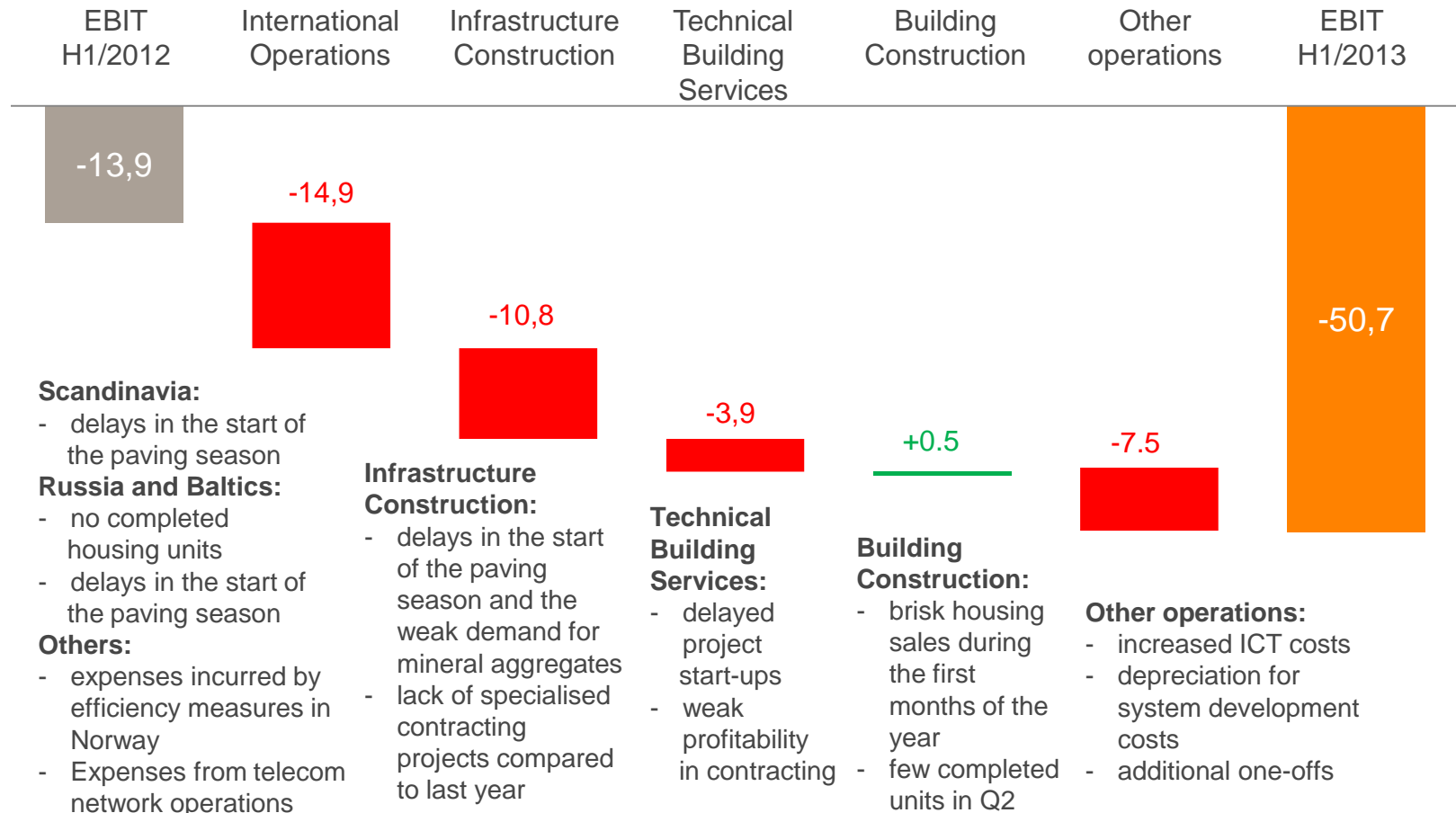
Delayed start of the paving season affected Q1/2013 and Q2/2013 results





EBIT bridge H1/2012^{*)} vs. H1/2013

EUR million

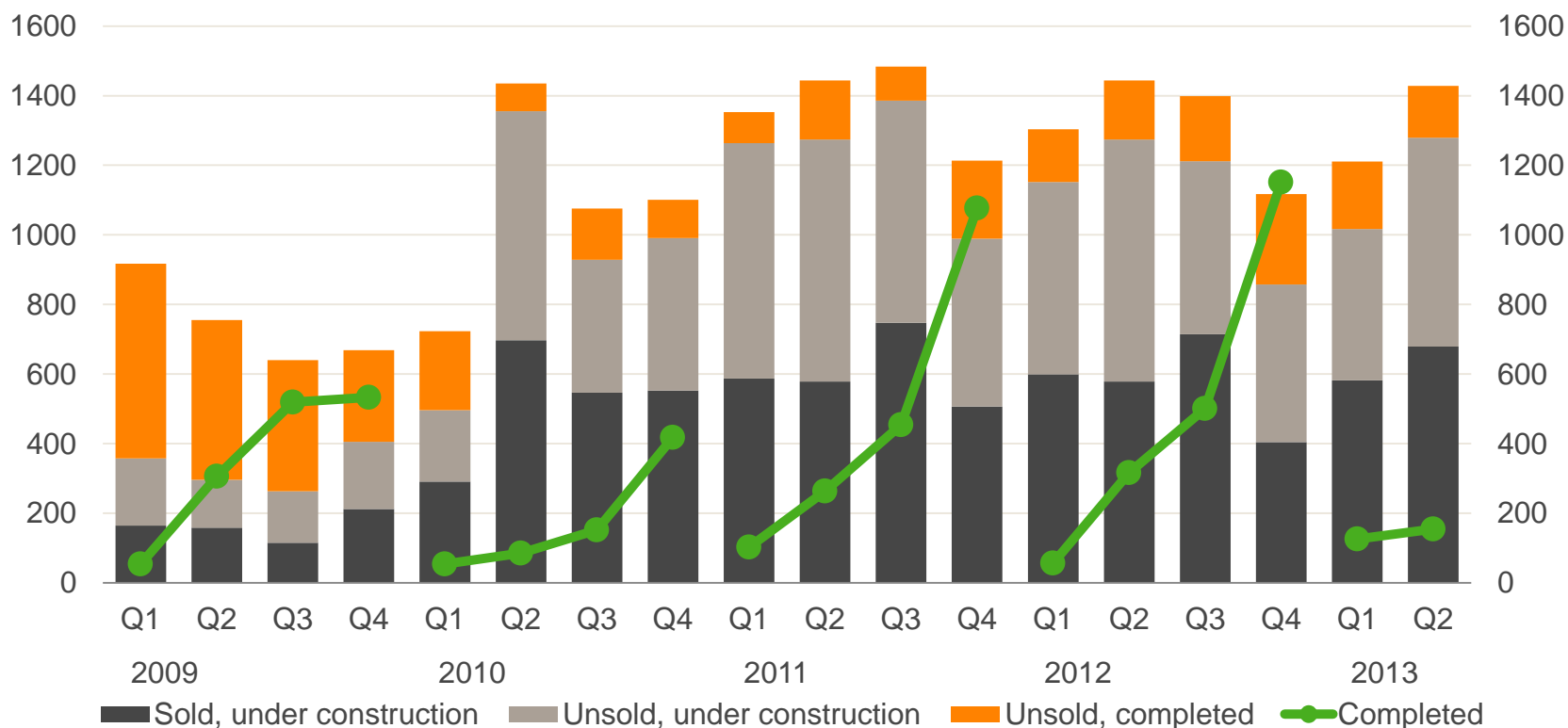


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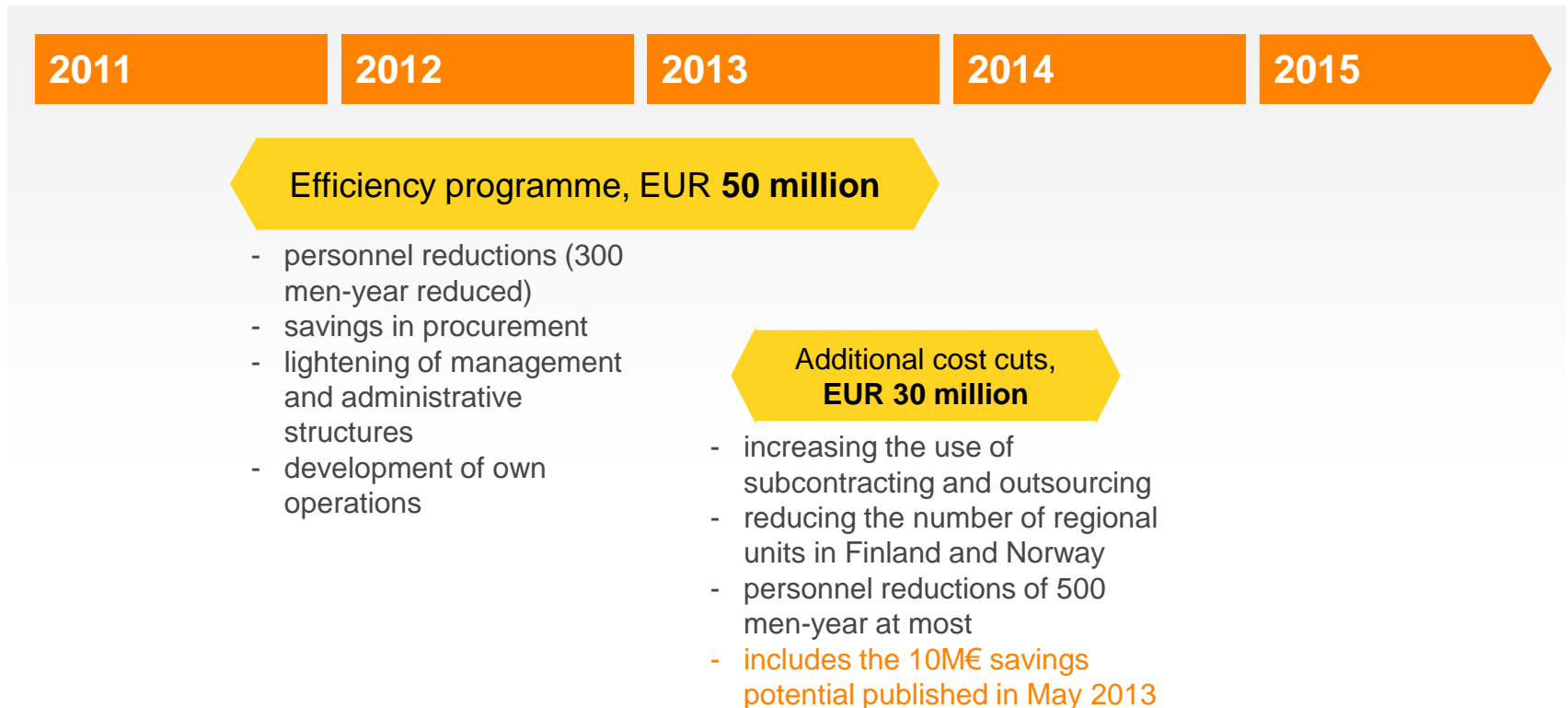
Ongoing residential development and construction: Only a few units were completed in Q2/2013.

Lemminkäinen's residential development and construction, Finland, units





Gains from efficiency measures have not fully realised in the company's result due to intensified competition.





Changes in Group Executive Board



Maaret Heiskari, Executive Vice President, Russia

- Heiskari currently holds the position of Regional Director, Russia for Kone Corporation.



Timo Vikström, Executive Vice President, Scandinavia

- Group employee since 2001. Vikström is currently serving as Senior Vice President, Scandinavian operations and Managing Director of Lemminkäinen Norge A/S.

Harri Kailasalo, Executive Vice President, Infrastructure Construction in Finland, will also be responsible for the Baltic countries as well as project exports.

Henrik Eklund, Executive Vice President, International Operations, will transfer to the position of Senior Vice President, Sweden and will no longer be a member of the Executive Board.



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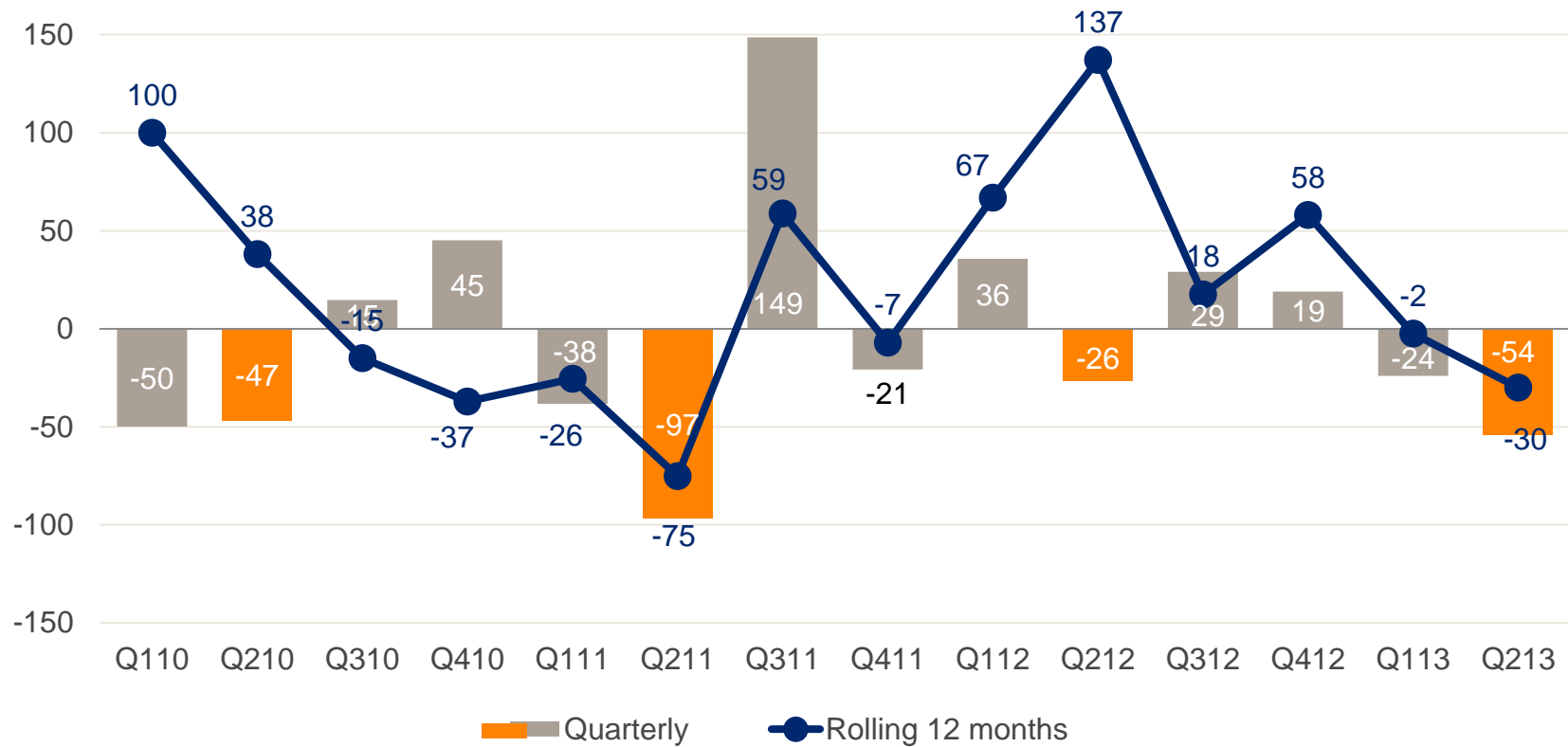
Balance sheet, cash flow and financing

Lemminkäinen



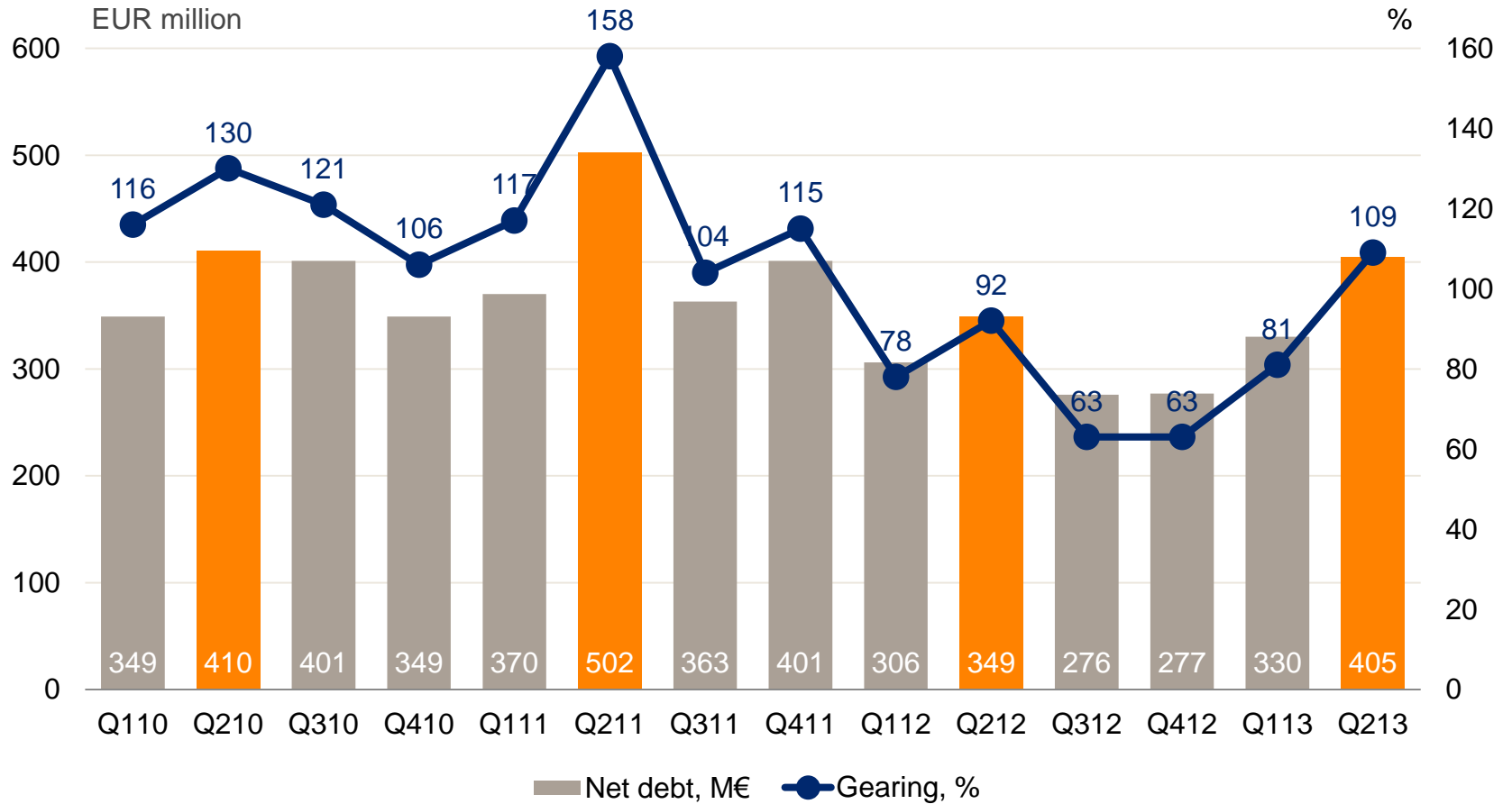
Changes in cash flow were due to a weaker result and increased working capital.

Cash flow from operations, quarterly and rolling 12 months
EUR million





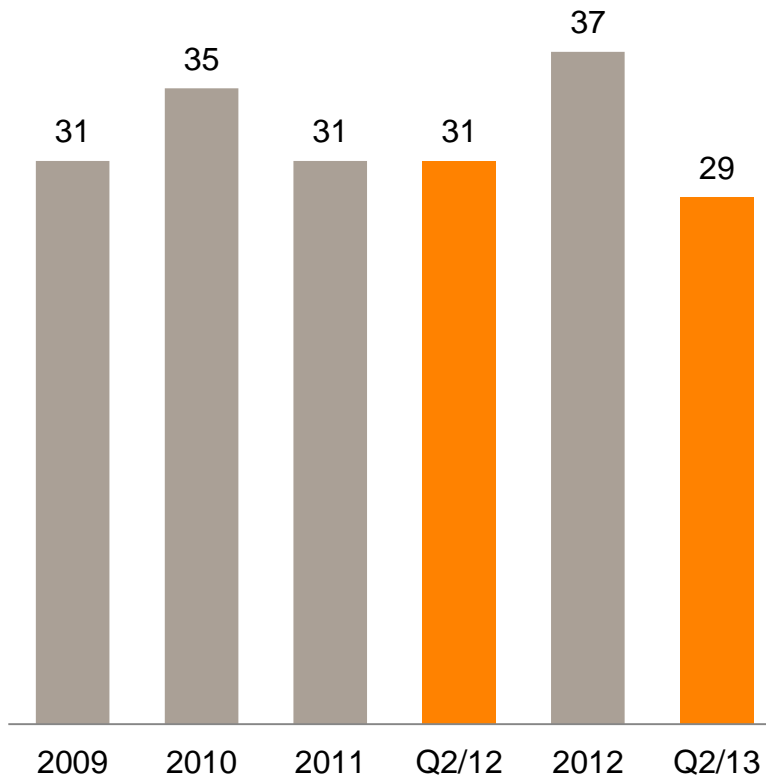
Interest-bearing net debt and gearing



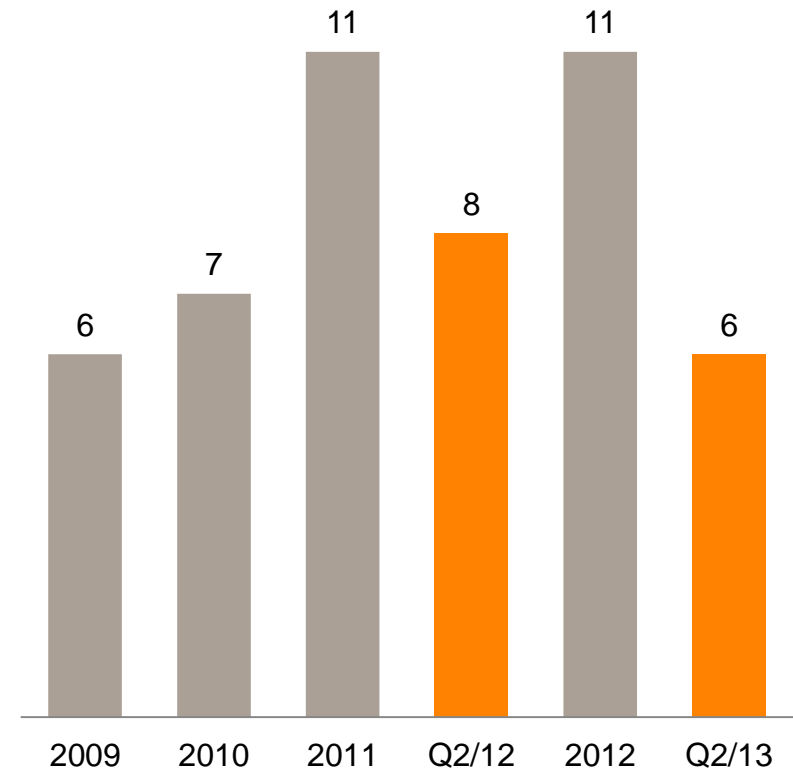


Long-term strategic targets: Equity ratio 35% and ROI 18%

Equity ratio,
%



Return on investment, rolling 12 months,
%



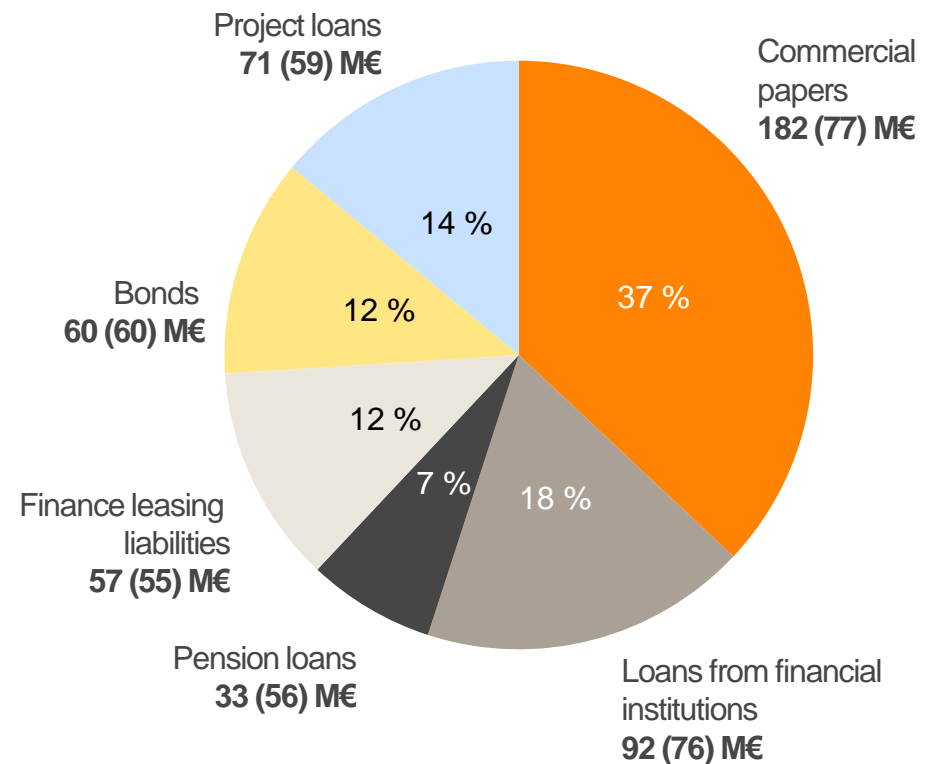


Amount and share of short-term debt increased in the debt portfolio

The company's interest-bearing debt,
30 June 2013

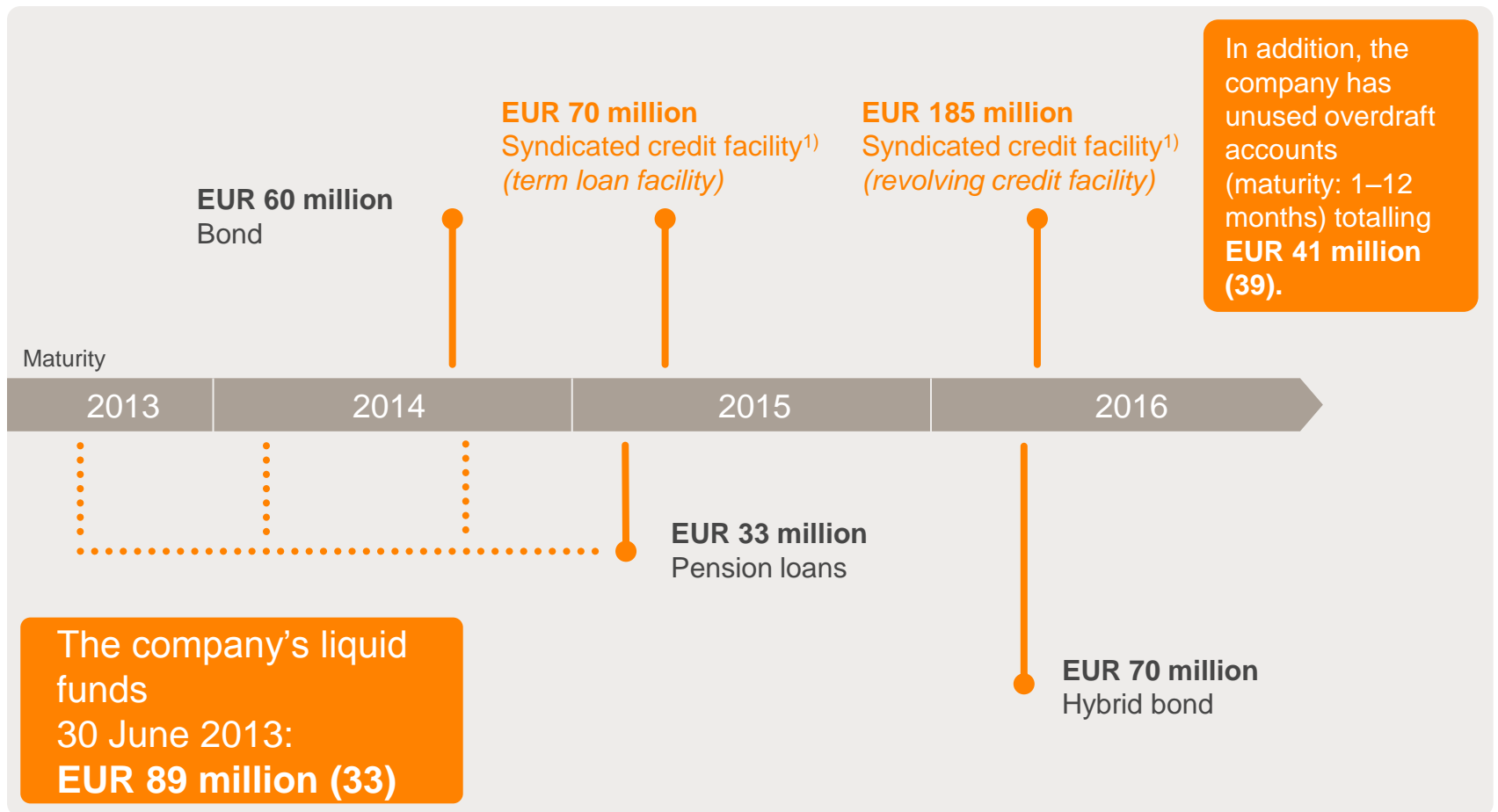
- Interest-bearing debt
EUR 495 million (382) ↑
 - Long-term EUR 163 million (176) ↓
 - Short-term EUR 332 million (206) ↑
- Interest-bearing net debt
EUR 405 million (349) ↑
- Of all interest-bearing debt, 30% (38) ↓ with a fixed interest rate
- Average financing expenses
2.83% (3.42) ↓

Debt portfolio,
30 June 2013





Maturity of long-term debt



1) Includes covenants: Equity ratio and net debt/EBITDA



Damage claims for Lemminkäinen and other Finnish asphalt companies

- 39 claims in the main **proceeding** (EUR 121 million)
- In total, 53 separate claims (EUR 129 million)
- The main proceeding ended on 12 April 2013, decisions to be announced in 24 October 2013 at the earliest
- Lemminkäinen's position is that the claims for damages are without foundation
→ no provisions made

Year	Event
2004	The Finnish Competition Authority proposes an infringement fine of EUR 68 million on Lemminkäinen regarding a suspected asphalt industry cartel in 1994-2002.
2007	Market Court decision: Lemminkäinen to pay EUR 14 million infringement fine.
2009	Supreme Administrative Court decision: Lemminkäinen to pay EUR 68 million infringement fine
2012	Claims for damages in the District Court. The main proceedings begun in 9/2012.



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Outlook and guidance



Market situation uneven: Challenges and opportunities



Opportunities

- Traffic infrastructure in Scandinavia
- Residential construction in St Petersburg
- Road projects in Russia
- Upkeep and maintenance of technical building systems



Outlook neutral

- Residential construction in Finland
- Infrastructure construction in the Baltic countries



Challenges

- Traffic and underground construction in Finland
- Commercial construction (excluding the Helsinki metropolitan area)
- Contracting in technical building services



Profit guidance for 2013

Lemminkäinen estimates that net sales in 2013 will be on a par with 2012. Operating profit for 2013 is expected to fall short of 2012.

The estimate is based on the short-term outlook for demand and the order book at the end of the review period. Lemminkäinen has updated its profit guidance for 2013 in April and July 2013.



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Business segment review Q2/2013

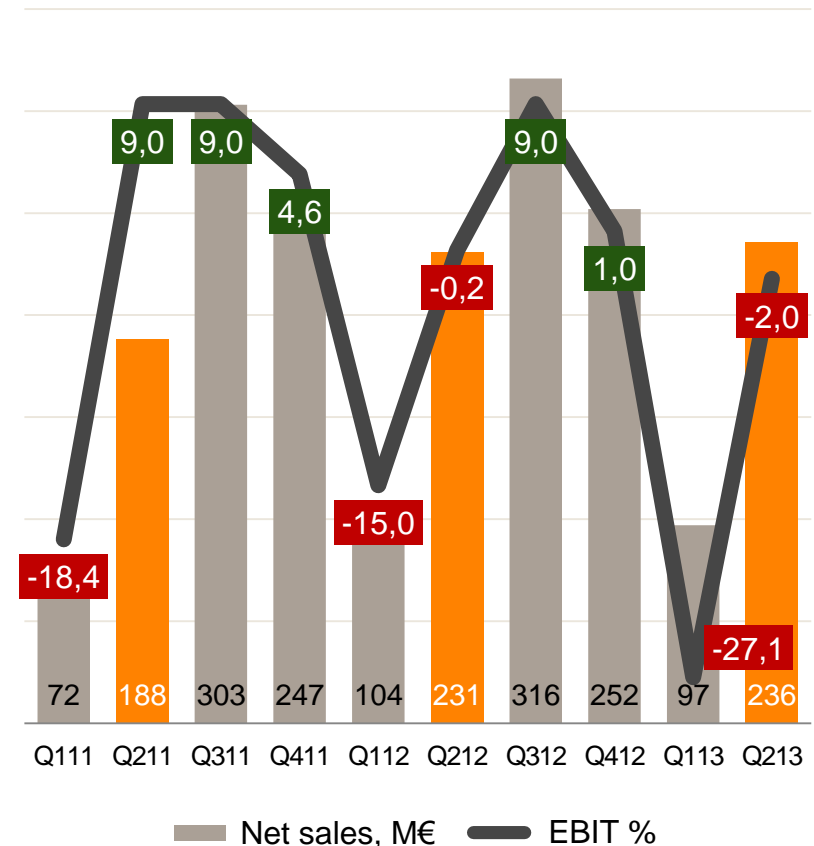
Lemminkäinen



International Operations

Q2/2013

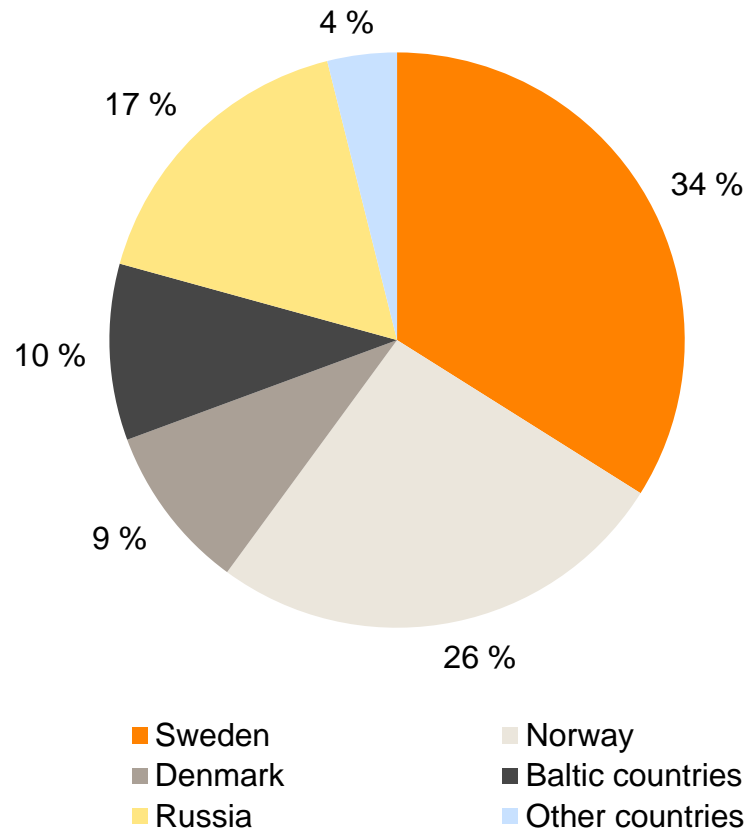
- Operating profit in Q2/2013 was EUR -4,7 million (-0,4).
- Due to the extended winter, the loss from paving and mineral aggregates increased clearly from last year.
- In St Petersburg, Russia, no units were completed during the review period. In May, the company began the construction of a residential project of approximately 700 units.
- Order book grew by 46% and stood at EUR 995 million (680).



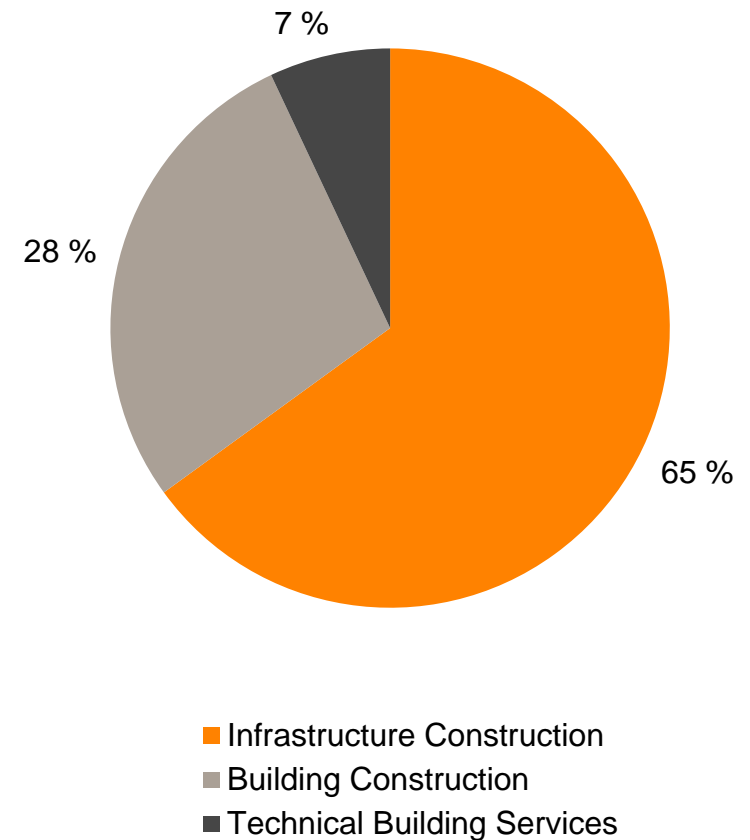


International operations

Net sales by country,
H1/2013



Net sales by business operations,
H1/2013

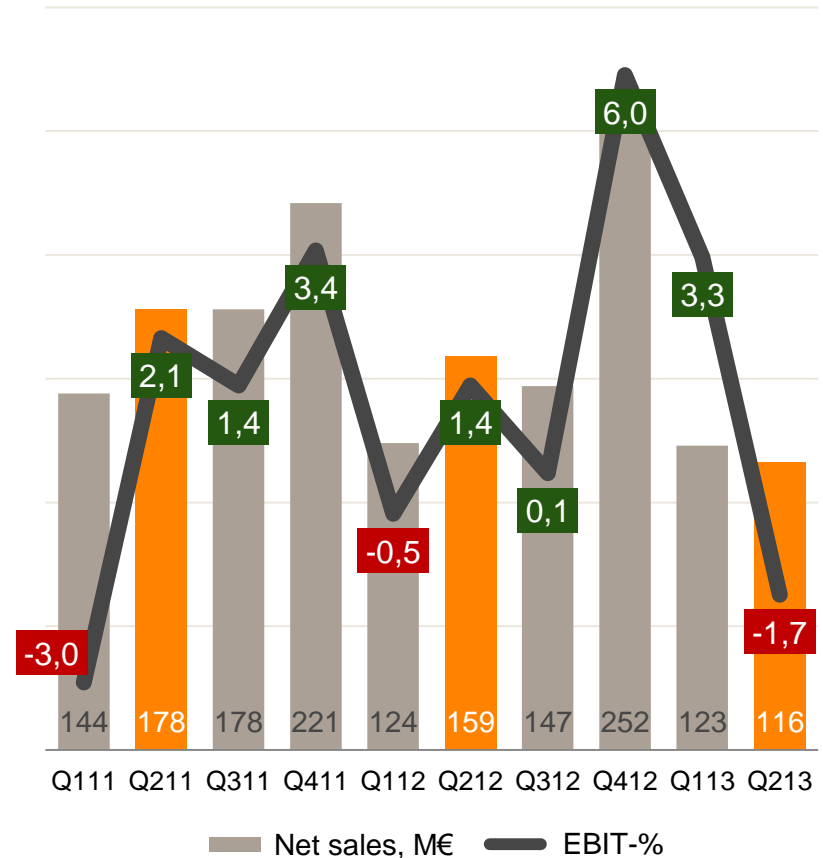




Building Construction

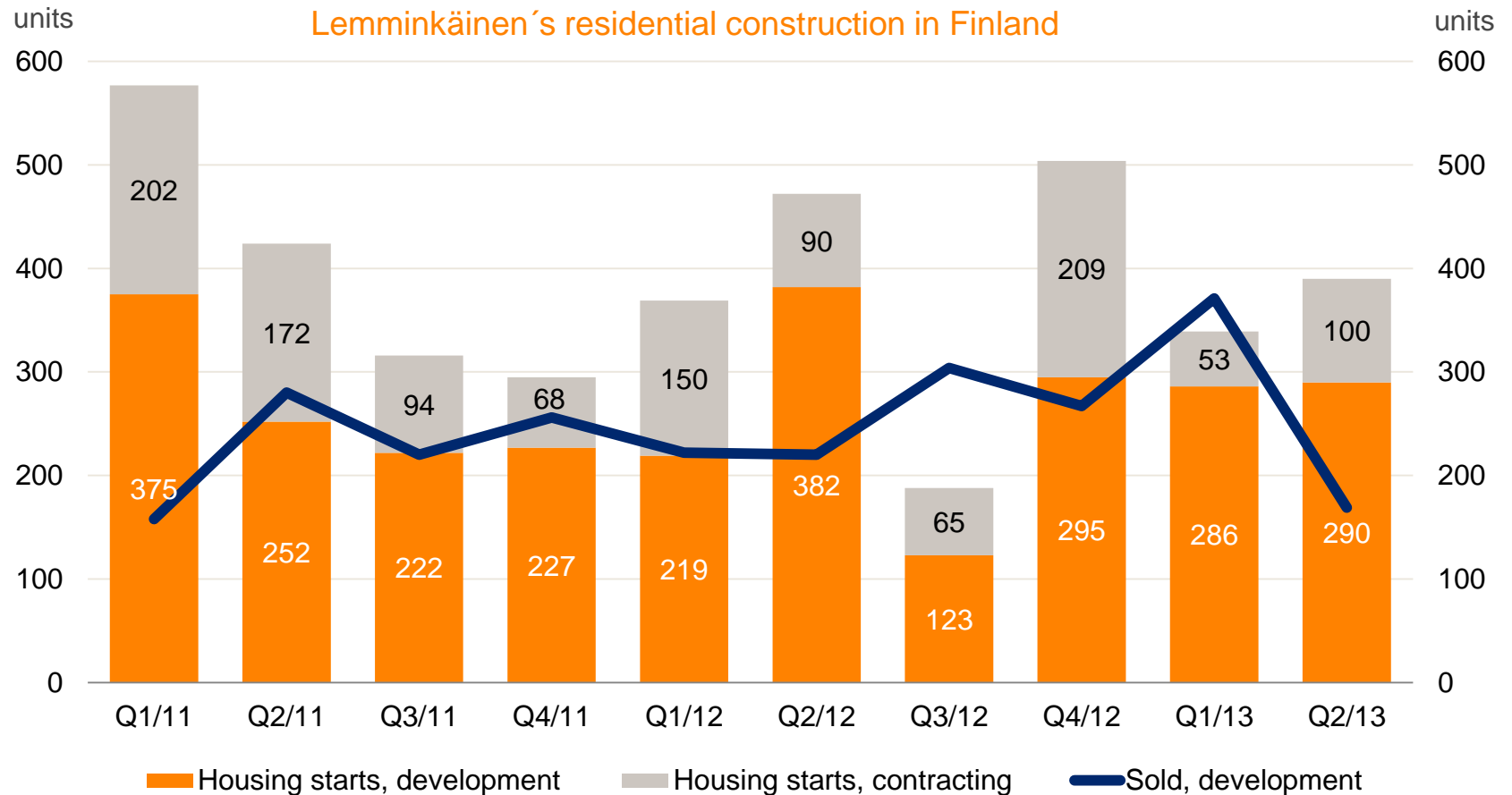
Q2/2013

- Q2/2013 operating profit was EUR -2.0 million (2.2).
- Only 28 units (260) of residential development and construction projects were completed; In addition, brisk commercial construction in the Helsinki metropolitan area improved the result for the comparison period.
- As expected, housing sales slowed down after the asset transfer tax change in March.
- Profitability in contracting remained weak.
- Order book declined and stood at EUR 668 million (732).





As expected, housing sales slowed down in the second quarter



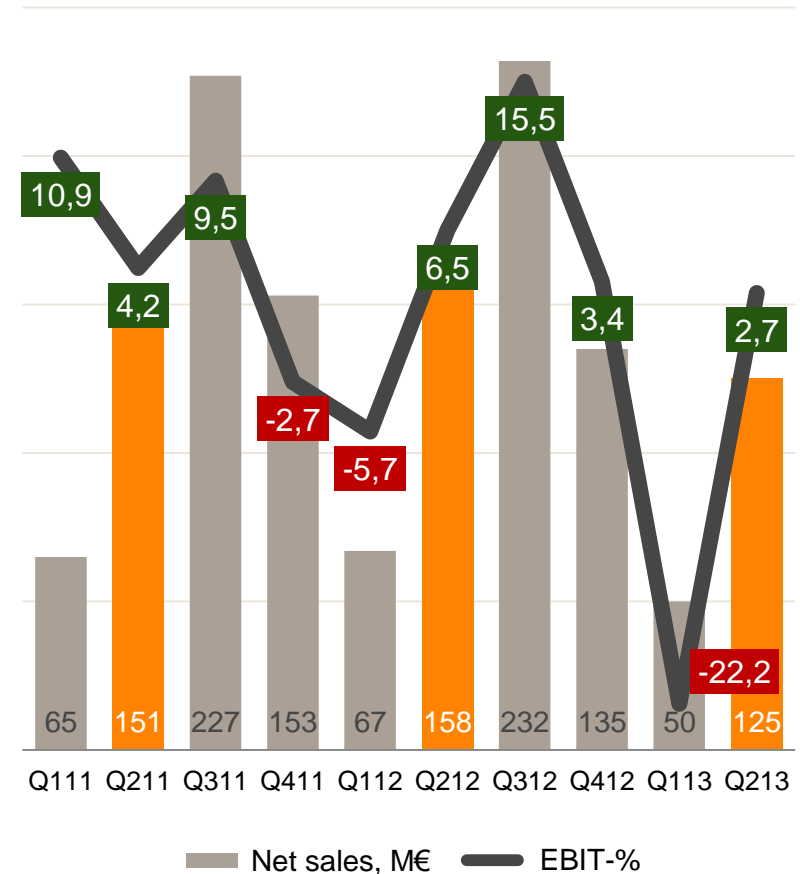


Infrastructure Construction

Q2/2013

- Comparable* operating profit for Q2/2013 stood at EUR 3.4 million (6.6).
- Result weakened due to delayed start of the paving season and decreased demand for mineral aggregates.
- Orders from the public sector decreased clearly.
- The price of bitumen remained stable or even fell a little.
- Comparable* order book was EUR 311 million (388)

*) does not include the impact of divested concrete business

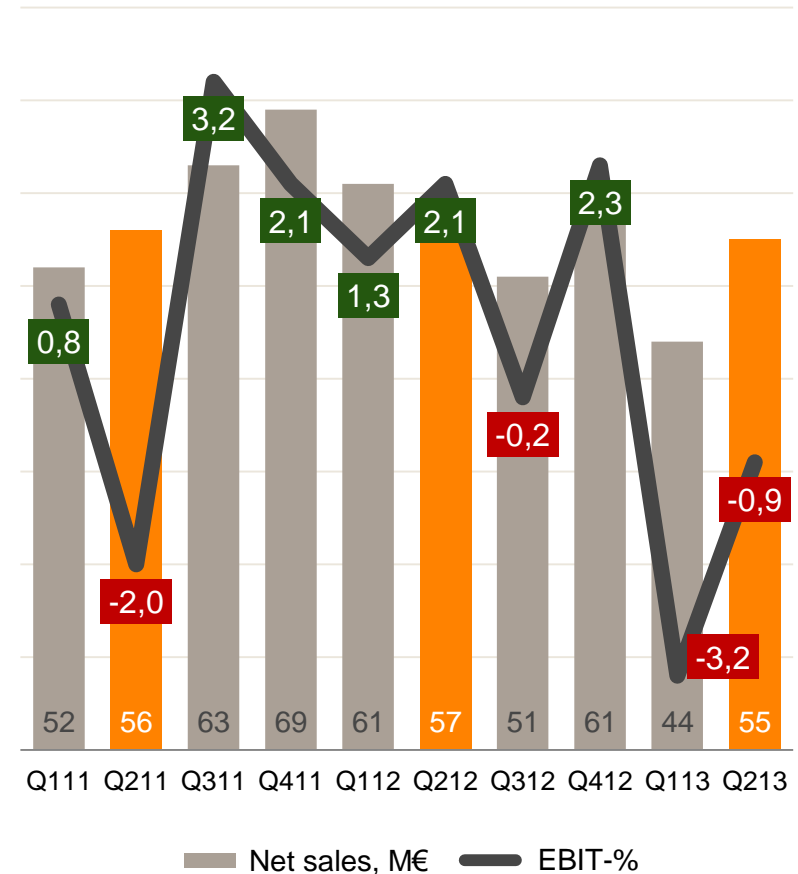




Technical Building Services

Q2/2013

- Operating profit stood at EUR -0.5 million (1.2).
- Result of the second quarter was burdened by delayed project start-ups.
- The amount of new work in contracting declined and the average size of contracts was smaller.
- Demand for upkeep and maintenance services remained good.
- At the end of the period, order book stood at EUR 112 million (119).



Lemminkäinen

www.lemminkainen.com