

# Interim report

1 January – 31 March 2017



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



# Operating environment during Q1/2017



## Finland

- **Infra projects** were supported by large-scale projects in urban growth centres.
- State's investments in **paving** remained stable.
- **Residential construction** continued to be brisk, still focusing in urban growth centres. Investors activity has declined, but consumer sales have picked up.



## Scandinavia

- Several major **infra projects** ongoing or planned.
- In Sweden **paving** market was solid. In Norway state investments increased. In Denmark, price competition remained intense.



## Russia and Baltic countries

- In negotiated contracting in **building construction**, reliability of the builder remained a competitive advantage.
- Construction on major roads maintained demand for **paving** in Russia.
- Stable market in **infrastructure** construction in the Baltic countries.



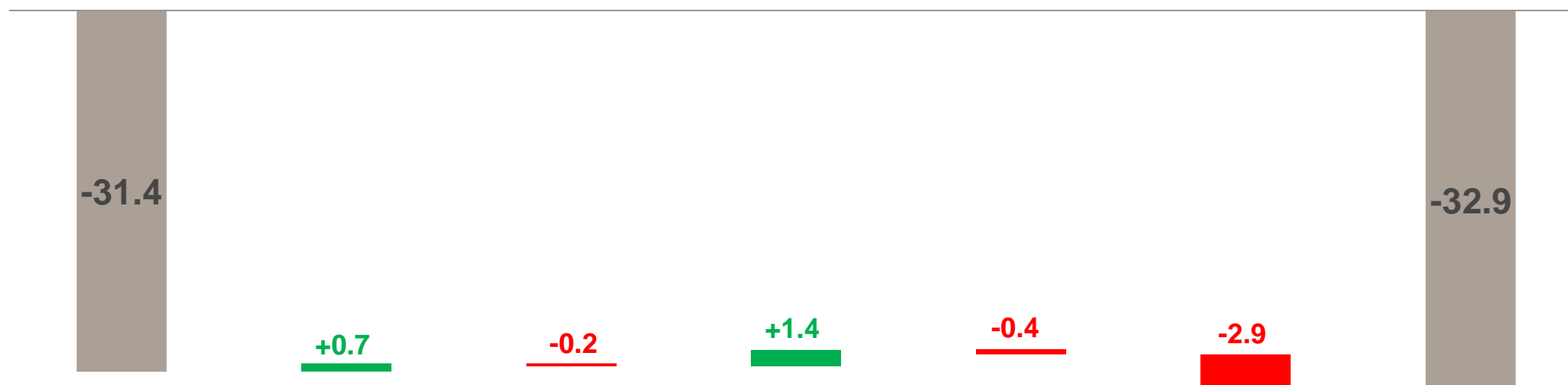
# Q1/2017 in brief

- Net sales 240 M€ (217)
- Operating profit -32.9 M€ (-31.4)
  - Includes a EUR 3.4 million compensation related to the Helsinki Court of Appeal's decision regarding breach of the Finnish environmental protection law.
- Financial position strengthened year-on-year
  - Operating capital 393 M€ (450)
  - Interest-bearing net debt 138 M€ (187)
- Cash flow from operating activities -49 M€ (-18)
- Order book grew and stood at 1,567 M€ (1,449) at the end of the period



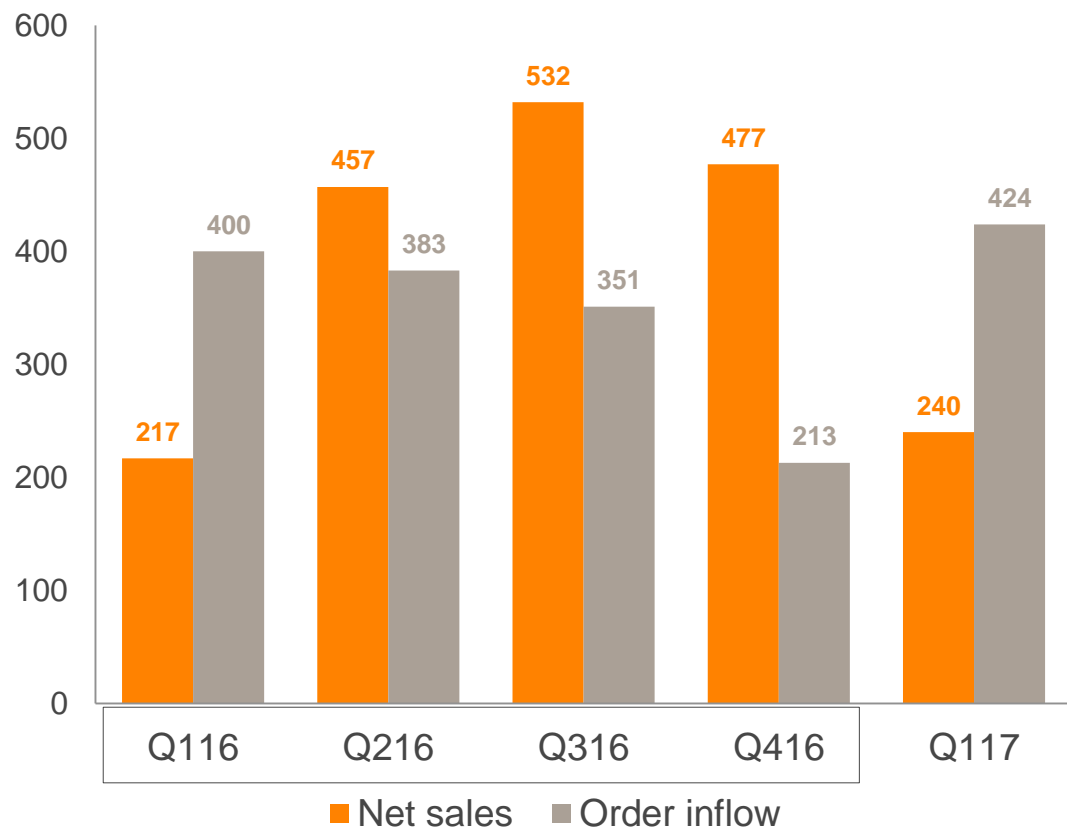
# Group EBIT bridge Q1/2017 vs Q1/2016

Group Q1/2016	Paving Q1/2017 (Q1/16)	Infra projects Q1/2017 (Q1/16)	BC Finland Q1/2017 (Q1/16)	Russia Q1/2017 (Q1/16)	Others Q1/2017 (Q1/16)	Group Q1/2017
-31.4	-24.7 (-25.4)	-3.6 (-3.4)	0.6 (-0.8)	-1.0 (-0.6)	-4.1 (-1.2)	-32.9

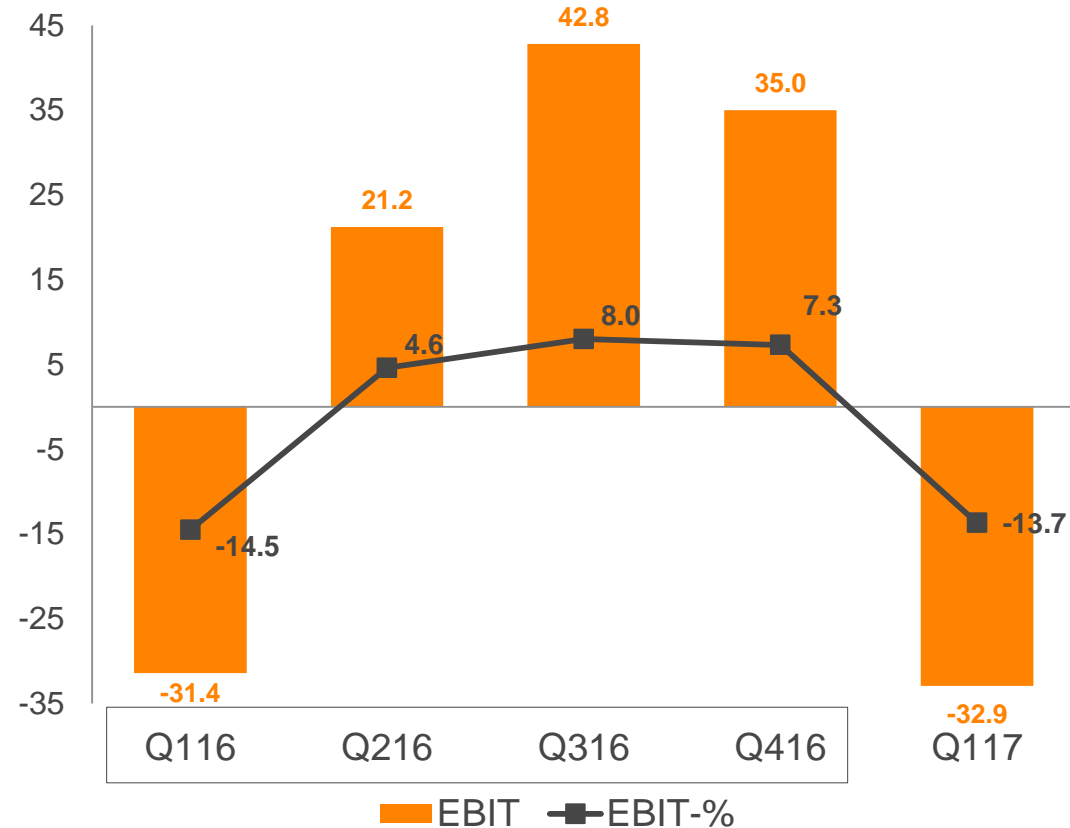


## Q1/2017: Net sales and order inflow improved. EBIT burdened by a EUR 3.4 million compensation

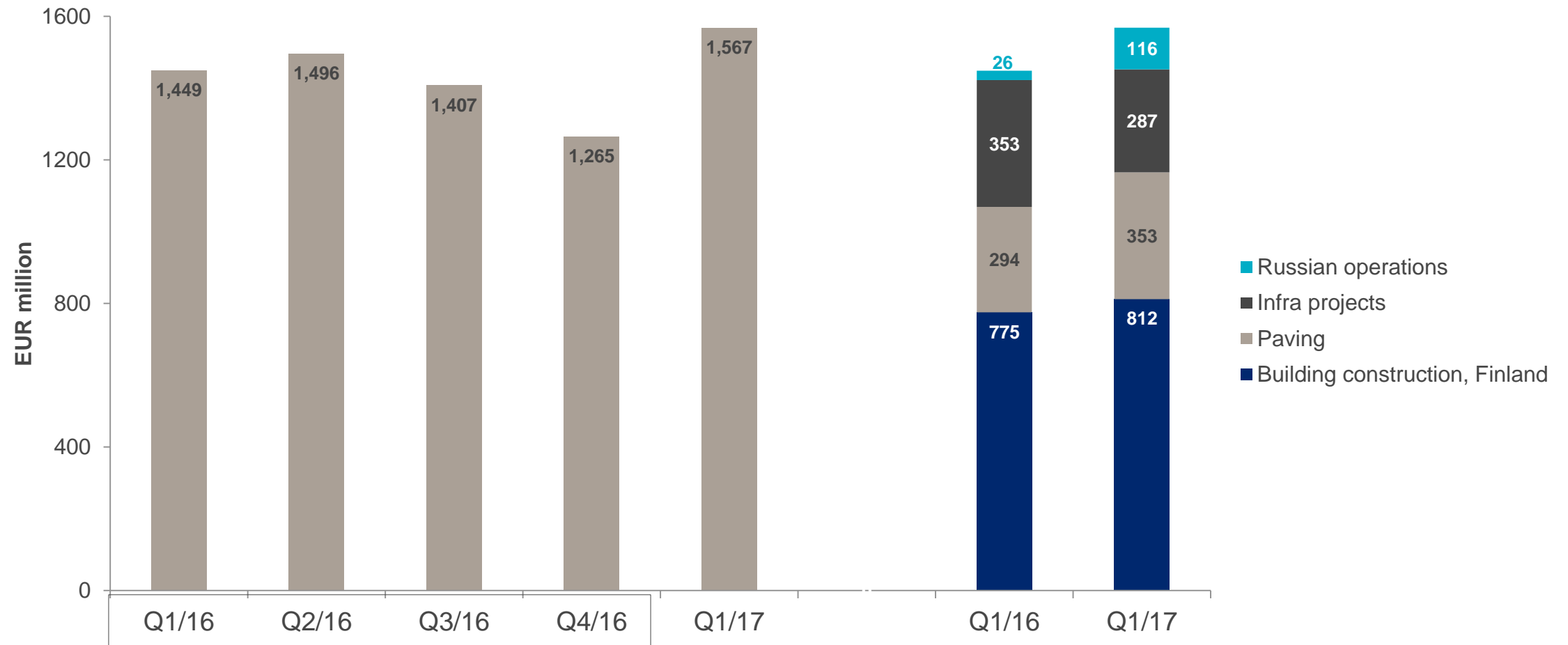
Quarterly net sales and order inflow, M€



Quarterly EBIT, M€ and EBIT-%

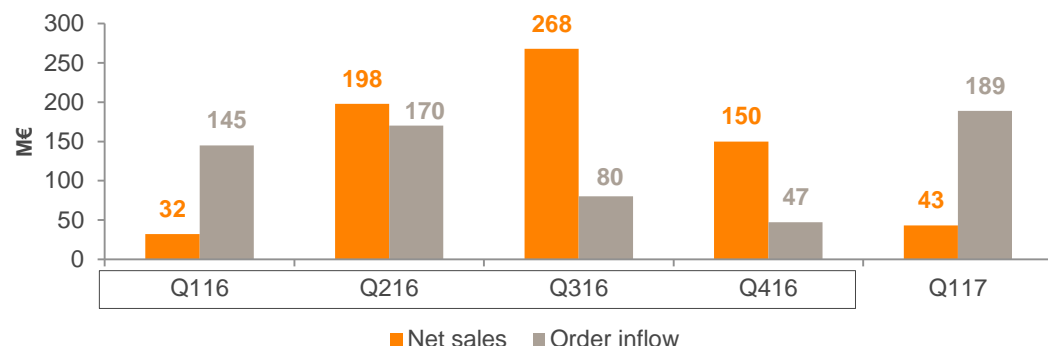


# Order book improved year-on-year

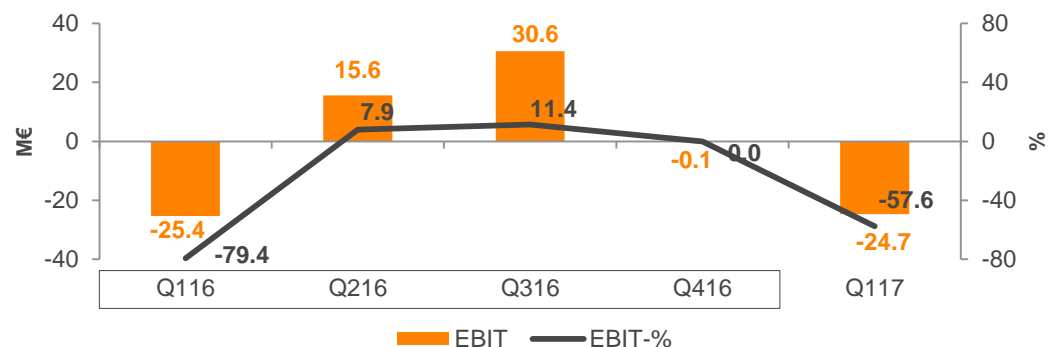


# Paving Q1/2017: Performance improved in Finland and Norway

Net sales and order inflow quarterly



EBIT and EBIT margin quarterly



## Net sales and EBIT

- Net sales grew due to higher volumes in the paving operations in Scandinavia and in the mineral aggregates business.
- Operating profit improved in Finland and Norway where the measures to improve operational efficiency are proceeding as planned.
- Challenges in Sweden continued. New management for paving operations in Sweden was appointed during Q1.

## Order inflow and order book

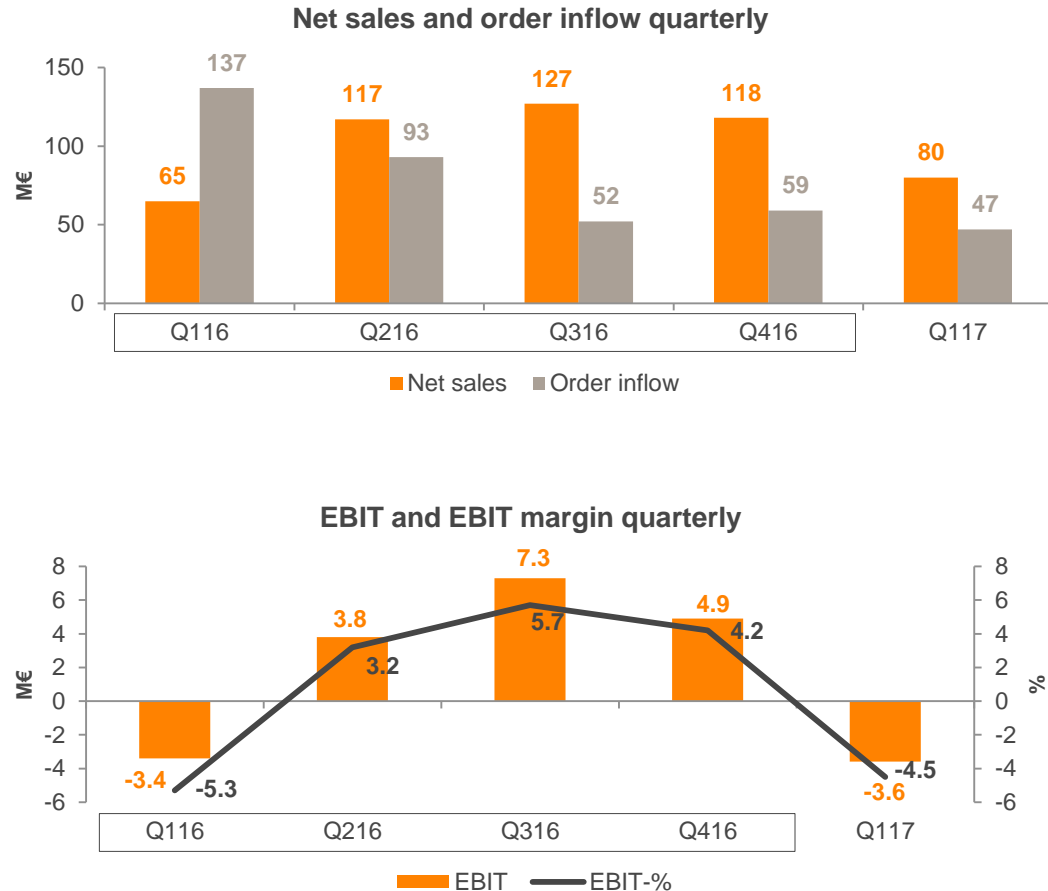
- Order book stood at 353 M€ (294).

## Balance sheet

- Operating capital at the end of the period was 190 M€ (199).



# Infra projects Q1/2017: EBIT on par with the comparison period



## Net sales and EBIT

- Net sales increased year-on-year due to higher volumes especially in Sweden.
- Operating profit was on par with the comparison period.

## Order inflow and order book

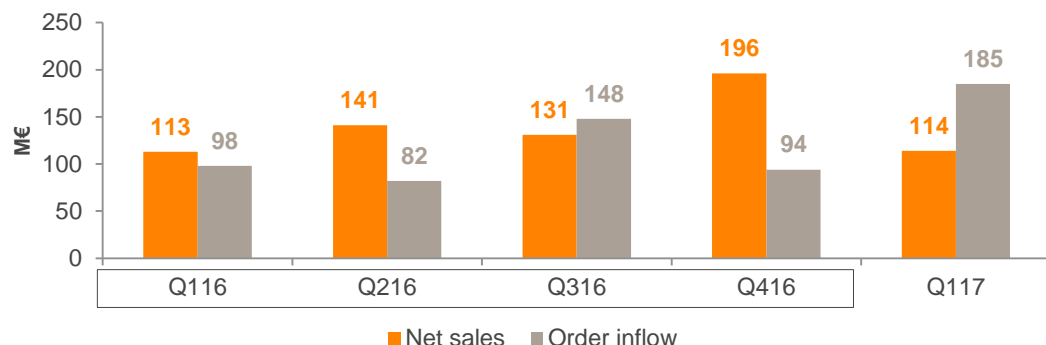
- Order book stood at 287 M€ (353).
- New orders include the construction and foundation reinforcement of the Vermontie south road in Finland.

## Balance sheet

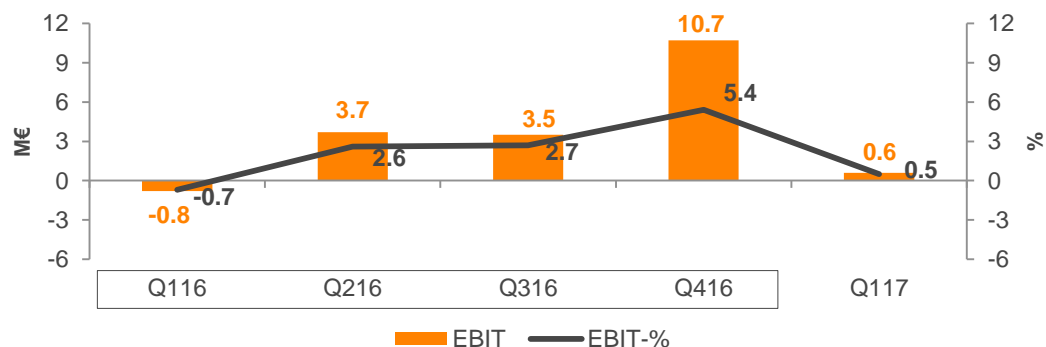
- Operating capital at the end of the period was 36 M€ (21).

# Building construction, Finland Q1/2017: Higher volumes in non-residential construction increased EBIT

Net sales and order inflow quarterly



EBIT and EBIT margin quarterly



## Net sales and EBIT

- Net sales were on par with the comparison period.
- Operating profit improved in the Helsinki metropolitan area due to higher year-on-year volumes in non-residential construction.
- One residential development project was completed during Q1, totalling 65 units (96).

## Order inflow and order book

- Order book stood at 812 M€ (775).
- Order inflow includes the start-ups of four new residential development projects, the construction of a school campus in Parkano using the PPP model as well as the third partial contract of the Finavia's terminal project.

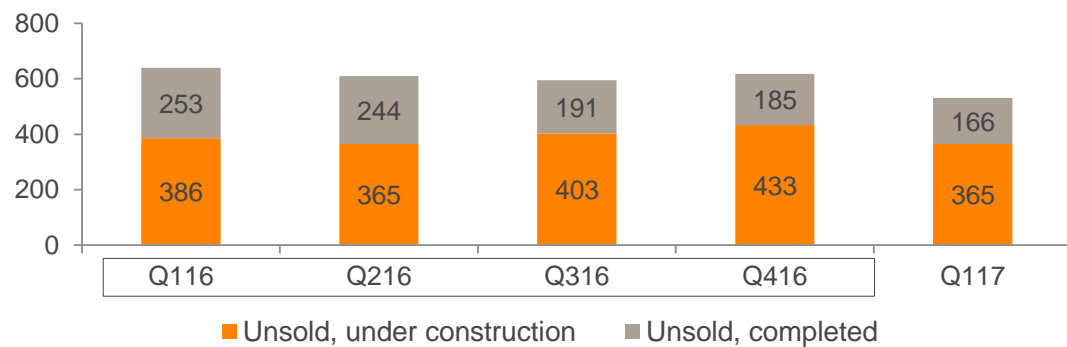
## Balance sheet

- Operating capital at the end of the period was 215 M€ (255).

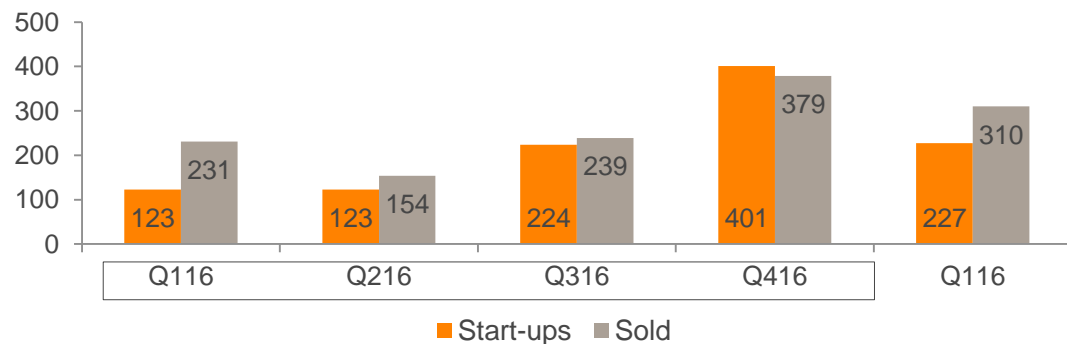
# Residential development in Finland:

## In 2017, the number of completed units will be higher than last year.

Unsold apartments, at the end of the quarter



Start-ups and sold apartments, during the quarter



### 31 March 2017

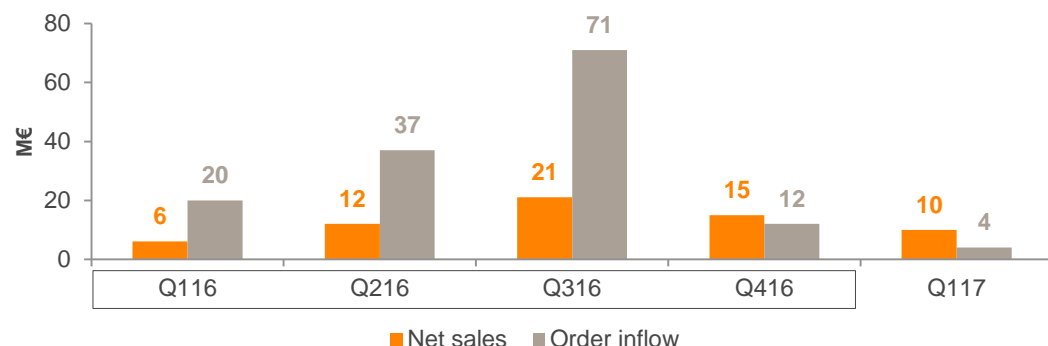
- Number of unsold completed units decreased to 166 (253).
- Number of unsold units under construction decreased to 365 (386).

### Q1/2017

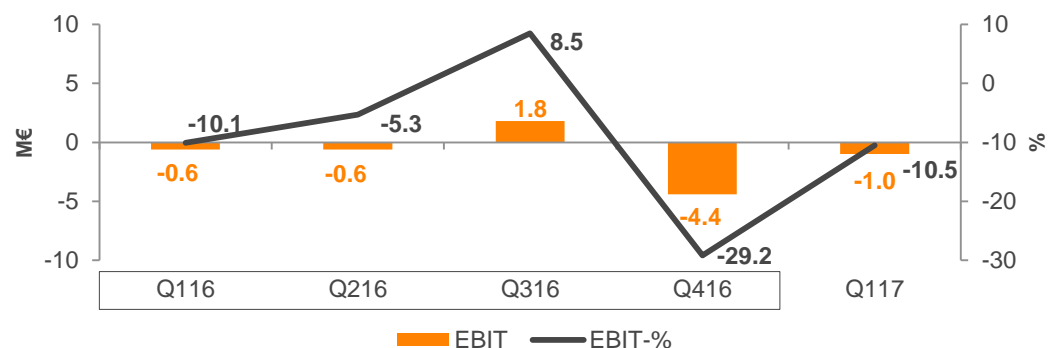
- Four new development projects started, totalling 227 units (123).
- Number of sold development units 310 (231).
- Share of investor sales during Q1:40% (39).

# Russian operations Q1/2017: Number of unsold completed units was 1 on 31 March. Focus on negotiated contracting.

Net sales and order inflow quarterly



EBIT and EBIT margin quarterly



## Net sales and EBIT

- Volumes grew both in building construction and paving.
- Operating profit declined in due to a lower year-on-year number of sold development units. 1 (37) unit was sold during Q1.
- The number of unsold completed units on 31 March 2017 was 1 (14).
- The impact of currency exchange rates Q1/2017:
  - Net sales +2.4 M€
  - Operating profit -0.2 M€

## Order inflow and order book

- Order book stood at 116 M€ (26).

## Balance sheet

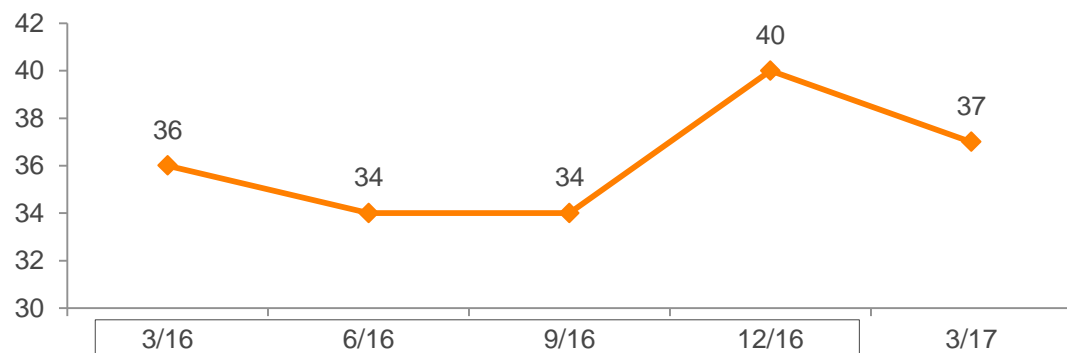
- Operating capital at the end of the period was 34 M€ (31).

Group performance  
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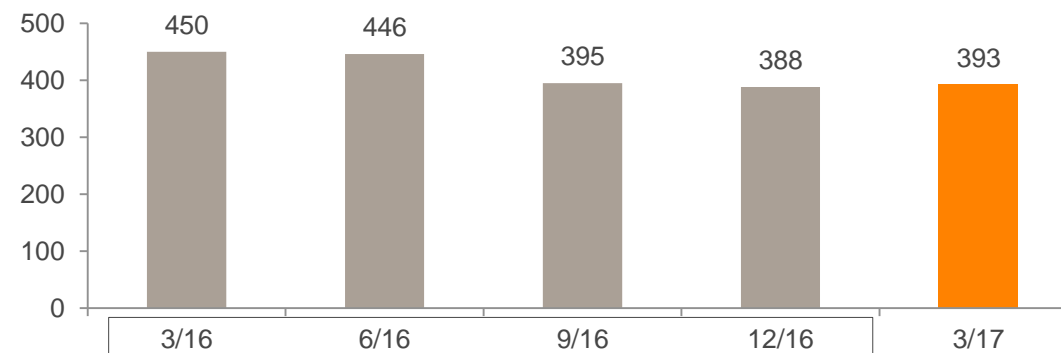
# Borrowings and financial position

Equity ratio, %

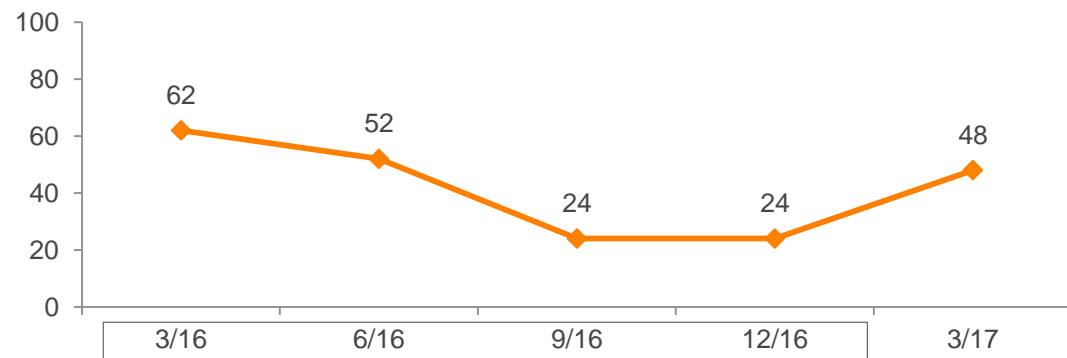


Note! If the hybrid bonds were recognised as debt: Equity ratio 3/17 would be 33% (3/16: 28%)

Operating capital, EUR million

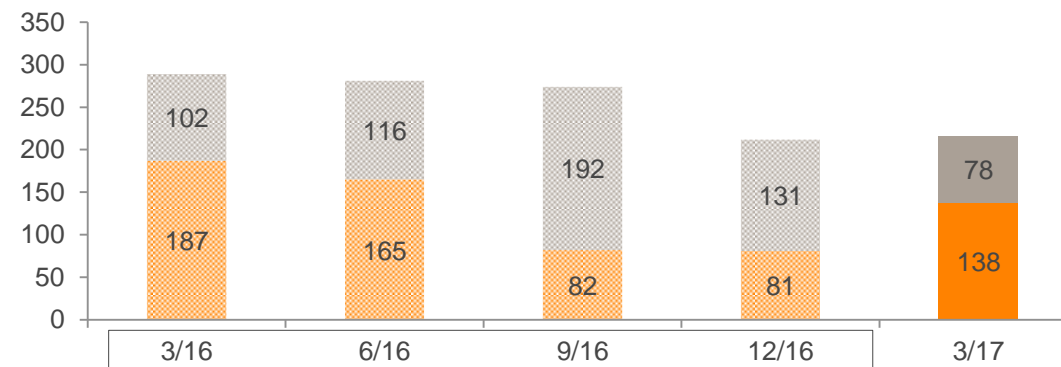


Gearing, %



Note! If the hybrid bonds were recognised as debt: Gearing 3/17 would be 68% (3/16: 110%)

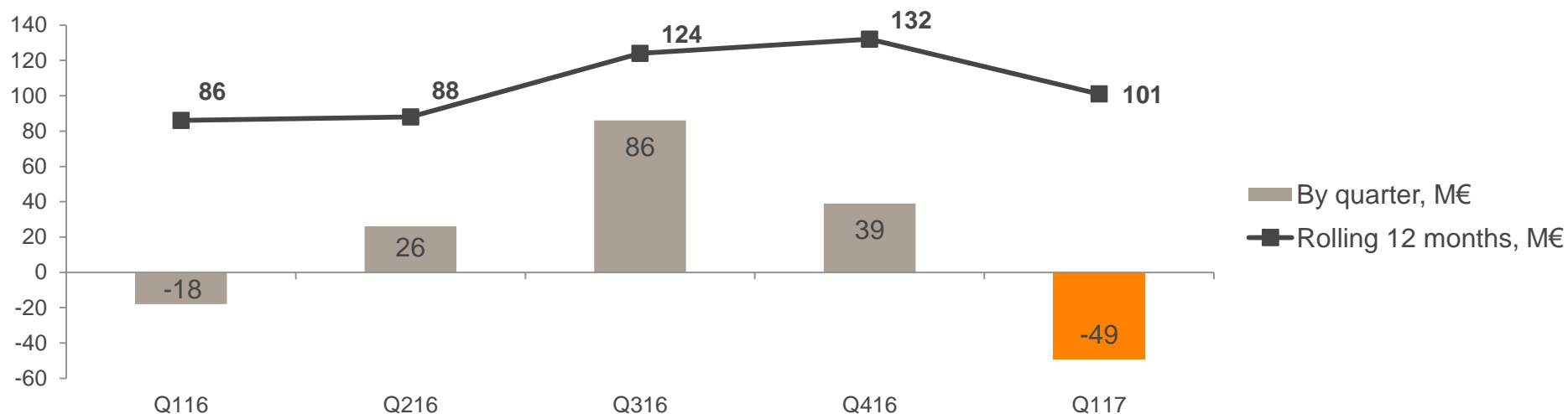
Interest-bearing debt, EUR million



IB net debt, M€    Liquid funds, M€



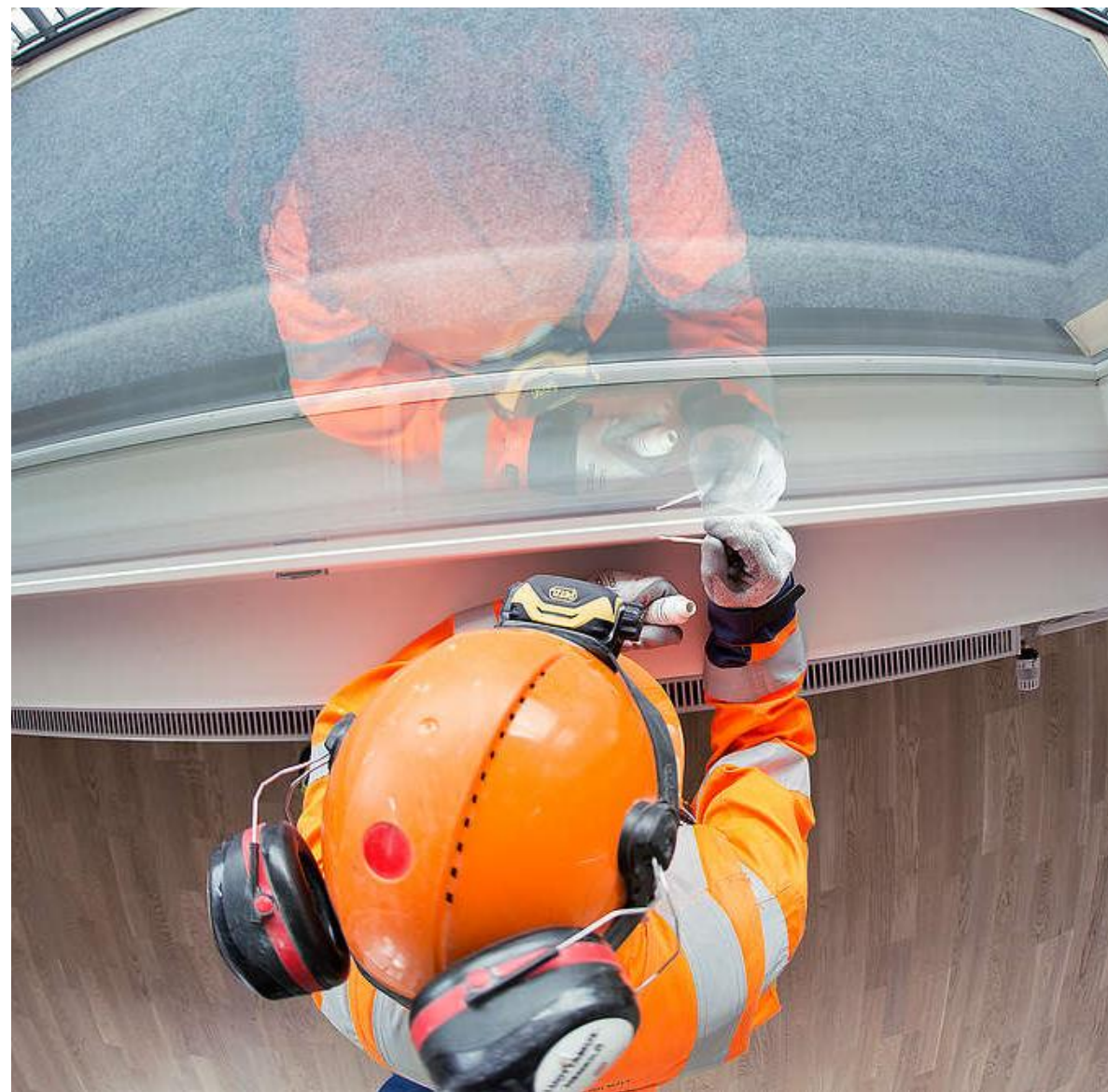
# Cash flow from operating activities






Cash flow from operating activities and free cash flow, EUR million	Q1/2017	Q1/2016	1-12/2016
EBIT (excl. share of the profit of associates and joint ventures)	-32.2	-30.5	66.1
Depreciation and impairment	4.1	4.2	34.5
Provisions and other non-cash items	1.3	-1.2	-9.0
Cash flow from financing items and taxes	-8.4	-12.1	-32.7
Change in working capital	-13.8	21.2	72.8
<b>Cash flow from operating activities</b>	<b>-48.9</b>	<b>-18.4</b>	<b>131.7</b>
Cash flow from investing activities <sup>1)</sup>	-4.2	-0.7	1.3
<b>Free cash flow</b>	<b>-53.1</b>	<b>-19.1</b>	<b>133.0</b>

<sup>1)</sup> excluding the effect of investments in available-for-sale financial assets

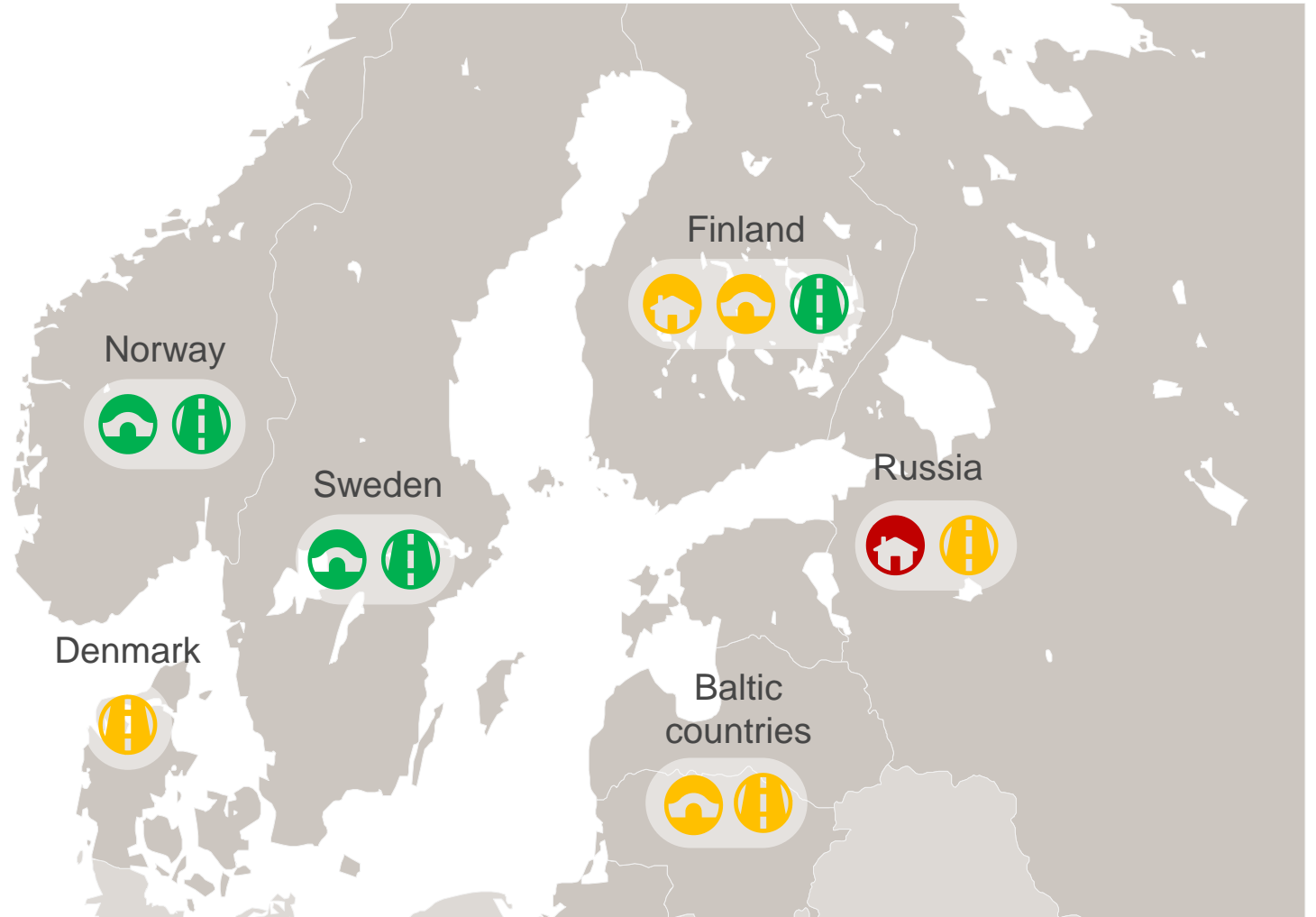
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# Market outlook for 2017

-  Building construction
-  Infrastructure construction
-  Paving

-  Up
-  Stable
-  Down



Sources: Euroconstruct, company's own estimate

# The profit guidance for 2017 remains intact

Lemminkäinen estimates that its net sales in 2017 will grow from 2016 (EUR 1,682.7 million). Operating profit (IFRS) in 2017 is expected to improve from EUR 45.1 million which reflects the operational performance in 2016.





# Summary: Market outlook remains positive, focus on operational efficiency

- Operational performance improved
  - Q1 operating profit burdened by a EUR 3.4 million compensation
- Financial position strengthened year-on-year
  - Operating capital 393 M€ (450)
  - Interest-bearing net debt 138 M€ (187)
- Order book grew year-on-year
- Market outlook remains positive
- Focus on improving operational efficiency in all operations





# Lemminkäinen

[www.lemminkainen.com](http://www.lemminkainen.com)



# Appendixes

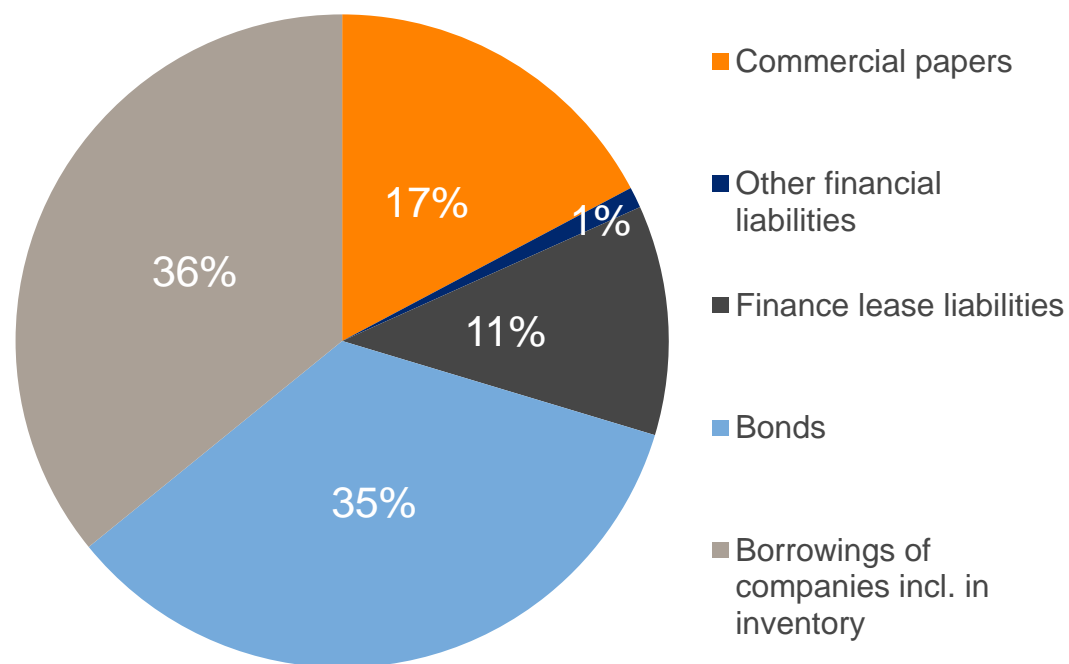
# Key figures

		Q1/2017	Q1/2016	Change	FY 2016
Order inflow	M€	424.3	400.5	23.8	1,347.2
Net sales	M€	240.3	216.8	23.5	1,682.7
EBIT	M€	-32.9	-31.4	-1.5	67.6
EBIT%	%	-13.7	-14.5		4.0
EPS, basic	€	-1.34	-1.31	-0.03	1.27
EPS, diluted	€	-1.34	-1.31	-0.03	1.26
Interest-bearing net debt <sup>1)</sup>	M€	137.6	186.6	-49.0	81.1
Operating capital <sup>1)</sup>	M€	392.9	450.4	-57.5	388.2
Cash flow from operating activities	M€	-48.9	-18.4	-30.5	131.7

<sup>1)</sup> at the end of the period

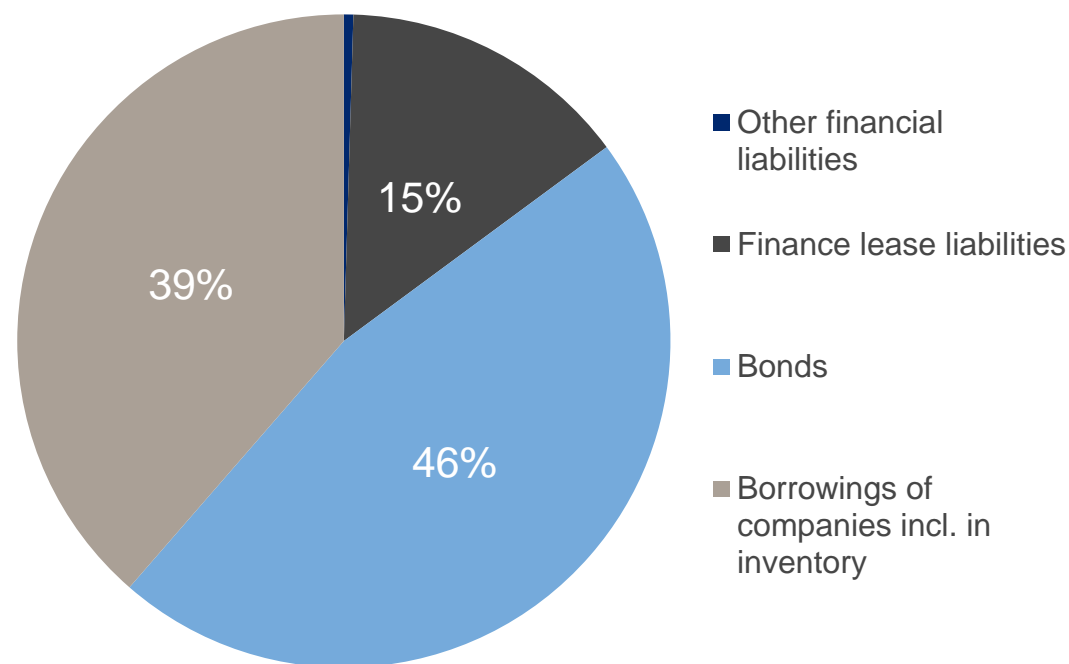
# Debt portfolio 31 March 2017

31 March 2016: 289 M€



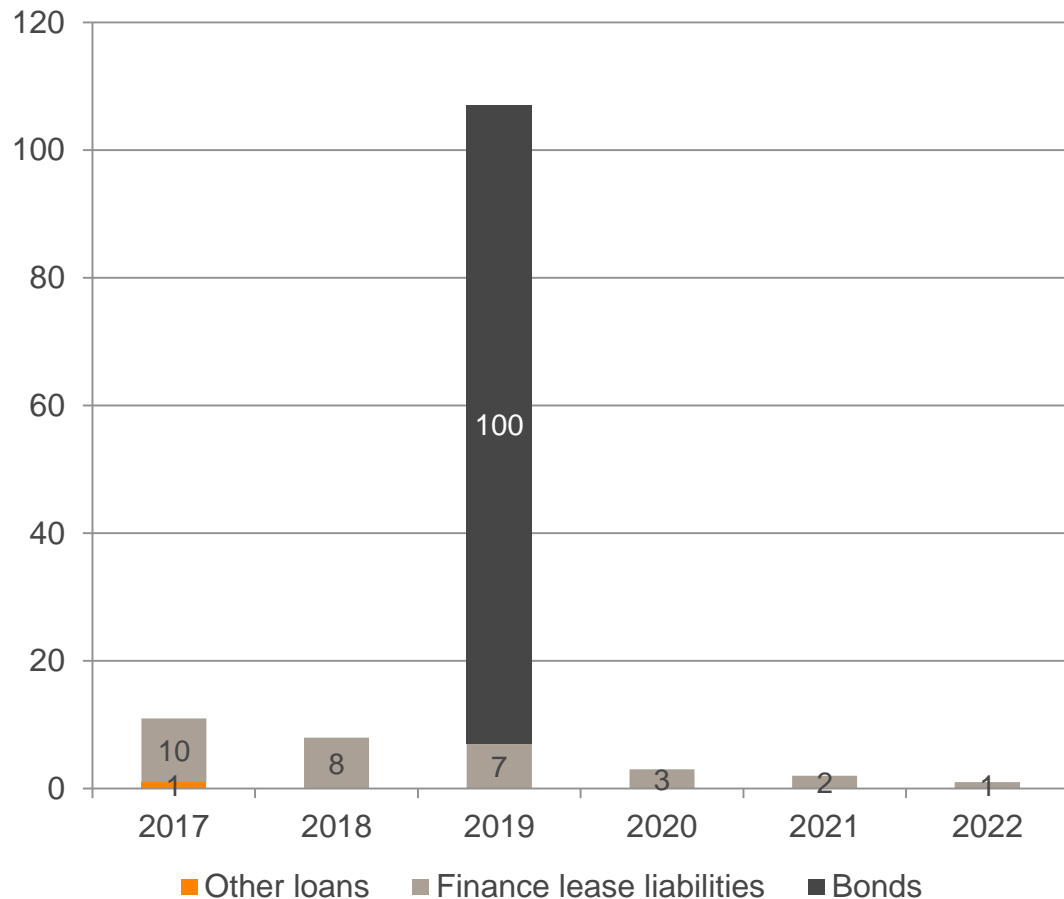
42% long-term  
58% short-term

31 March 2017: 215 M€



56% long-term  
44% short-term

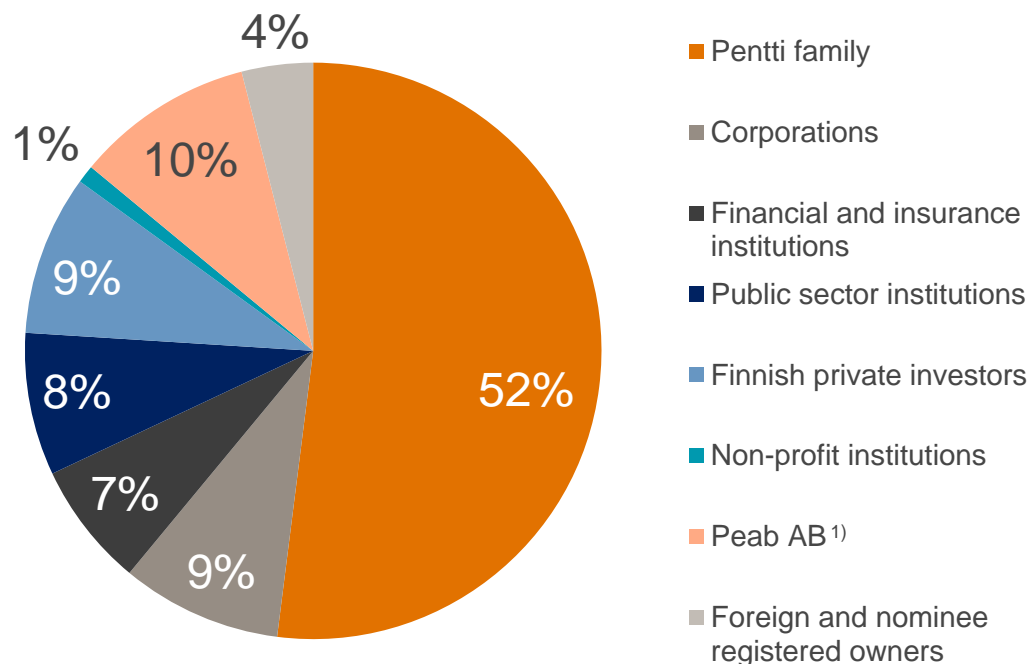
# Financing maturity 2017-2022



- The company's shareholders' equity includes EUR 34.8 million hybrid bond. Lemminkäinen is entitled to redeem the remaining nominal amount of EUR 35.2 million hybrid bond earliest in March 2018.
- The company also has borrowings of companies included in inventory 83 M€, which are recorded in interest-bearing liabilities. These liabilities will be transferred to the buyers of the co-op shares when the units are handed over.
- In addition, the company had available committed credit facilities worth EUR 200 million at the end of the period.

# Major shareholders 31 March 2017

## Shareholder distribution



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

Major shareholders 31 March 2017	Number of shares	% of share capital
Pnt Group Oy	4,231,948	18.2
Pentti Heikki Oskari Estate	2,253,698	9.7
Forstén Noora	1,415,241	6.1
Pentti Lauri	1,161,635	5.0
Varma Mutual Pension Insurance Company	1,091,677	4.7
Fideles Oy	882,200	3.8
Vimpu Intressenter Ab	789,000	3.4
Pentti-Von Walzel Kristina	760,580	3.3
Pentti-Kortman Eva	751,234	3.2
Pentti Kristian	715,280	3.1
Mariatorp Oy	650,000	2.8
Wipunen varainhallinta Oy	650,000	2.8
Mandatum Life Unit-Linked	509,105	2.2
Etera Mutual Pension Insurance Company	437,435	1.9
Fennia Life Insurance Company Ltd	325,123	1.4
<b>15 major shareholders, total</b>	<b>16,624,156</b>	<b>71.6</b>
Other owners	3,402,080	14.6
Nominee-registered shareholders	3,193,664	13.8
<b>Total</b>	<b>23,219,900</b>	<b>100.0</b>