

Financial Statement Bulletin 2011

# Lemminkäinen Corporation

9 February 2012  
CEO Timo Kohtamäki

# 2011 Highlights:

- Stronger competitiveness: Improved profitability and order book growth
- Growth fuelled by infrastructure construction, particularly operations in Norway and Denmark
- Profitable growth sought for with efficiency programme and international operations



# Operating environment for construction in 2011

## Finland

- Rising input costs impacted also the construction sector
- The housing market was steady throughout the year
- Non-residential construction grew moderately
- Infrastructure construction saw healthy demand for rock engineering, mineral aggregates and concrete products
- Market for technical building services picked up

## Other markets

- Strong market for paving in Norway and Denmark
- Demand for special contracting in infrastructure construction in Sweden
- Increased demand for construction in the Baltic countries
- Need for new residential units in Russia; new apartment prices up by 8% in 2011

# Results improved markedly in 2011

EUR million (IFRS)	Q4/2011	Q4/2010 <sup>2)</sup>		2011 <sup>1)</sup>	2010 <sup>2)</sup>	
Net sales	659	504	↑	2,274	1,830	↑
EBIT	9.2	5.3	↑	53.5	29.6	↑
EBIT-%	1.4	1.1	↑	2.4	1.6	↑
Pre-tax profit	3.0	0.1	↑	34.6	7.6	↑
Earnings from discontinued operations		-0.5		11.3	-0.6	
Net profit	-0.1	-1.9	↑	35.6	1.2	↑
Earnings per share, EUR	-0.03	-0.14	↑	1.77	0.02	↑
Cash flow from operations	-20.8	45.1	↓	-7.1	-37.2	↑
Order book (at end of period)				1,400	1,226	↑
Personnel (average)				8,421	8,314	↑

<sup>1)</sup> 2011:

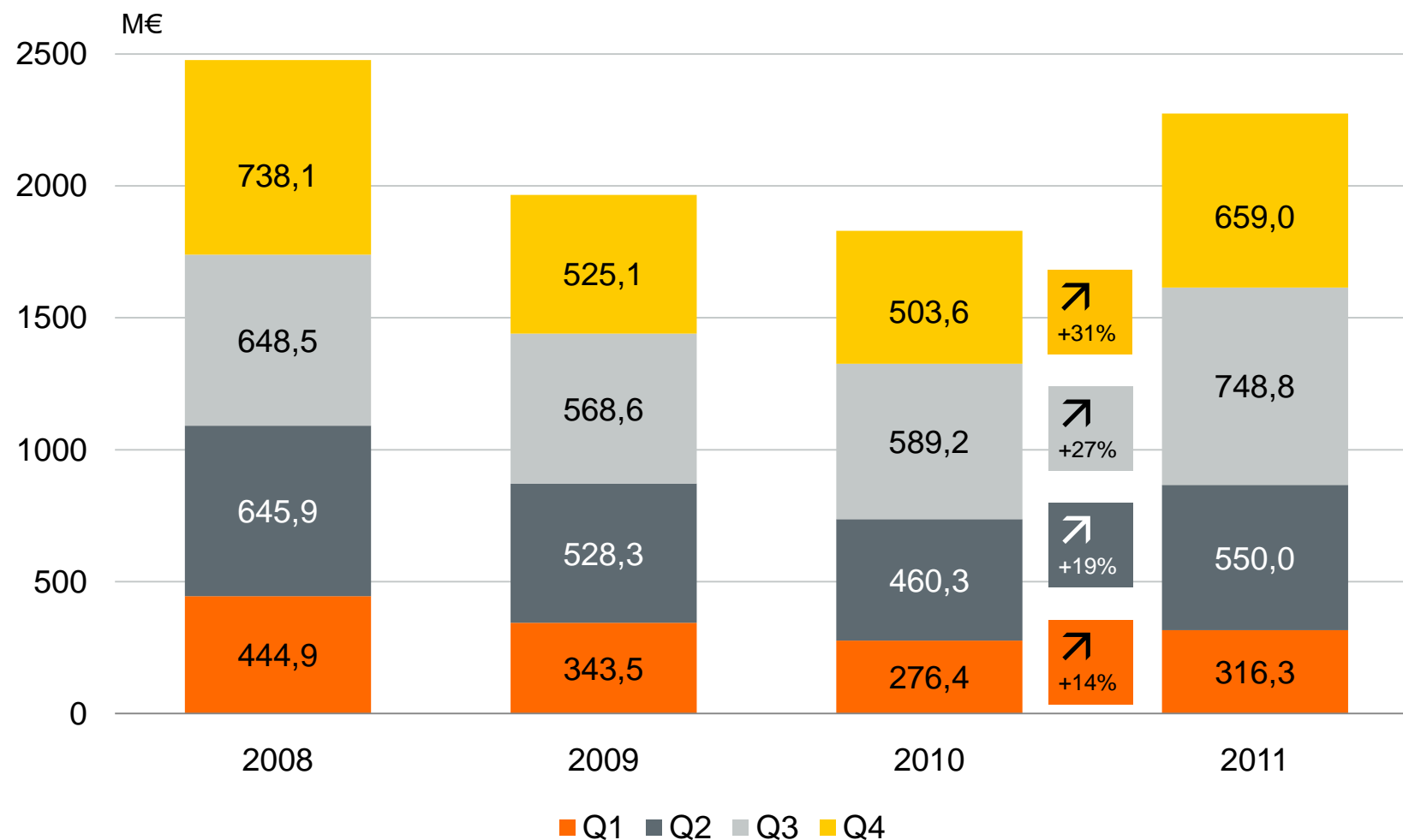
Earnings are improved by recognition of EUR 11 million in goodwill

<sup>2)</sup> Q4/2010 and 2010

Neither EBIT nor pre-tax profit include capital gains from the sale of the roofing business (EUR 15.3 million)

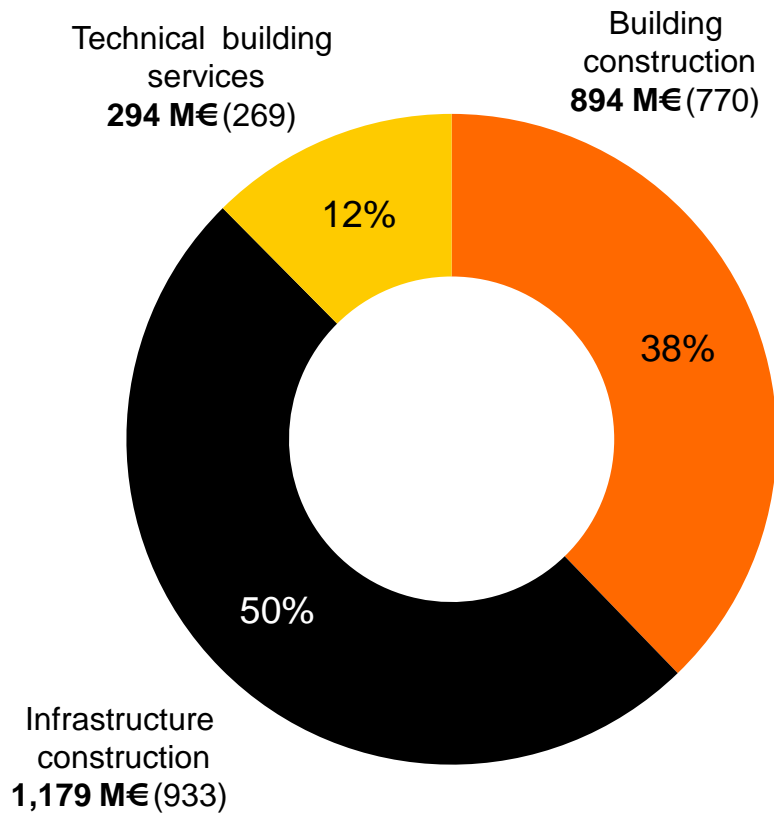
Earnings include profits from outsourcing vehicles and machinery

# Net sales in 2011 grew in every quarter

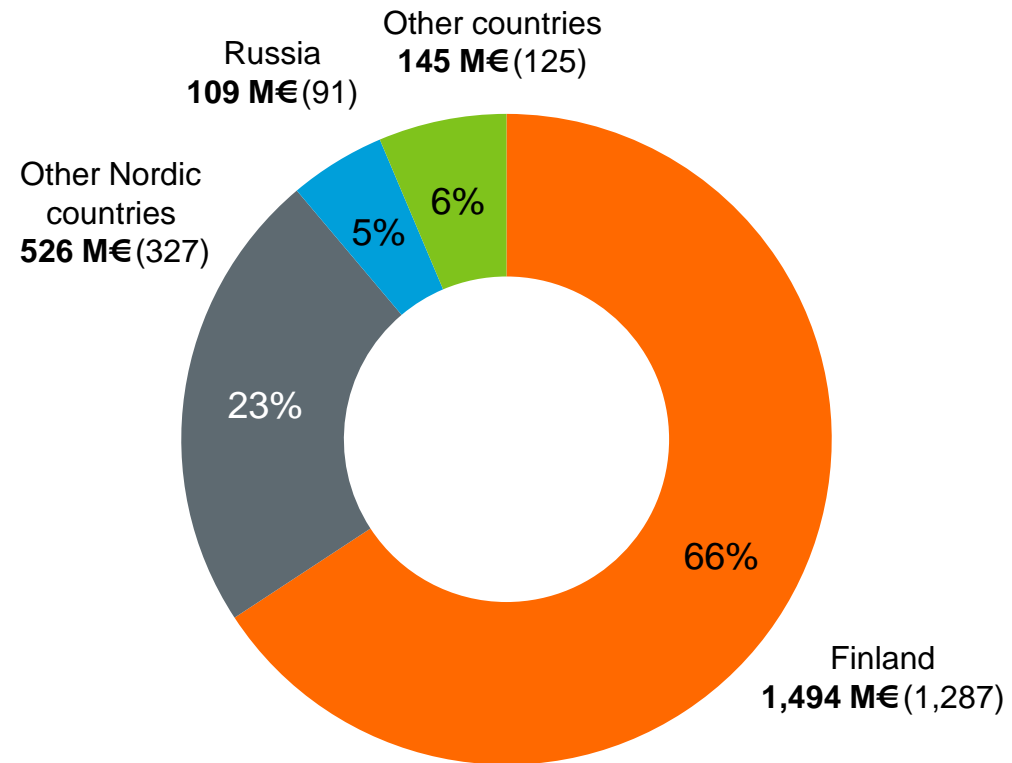


# Half of net sales from infrastructure construction, international operations account for 34%

**Net sales by business sector  
1-12/2011**

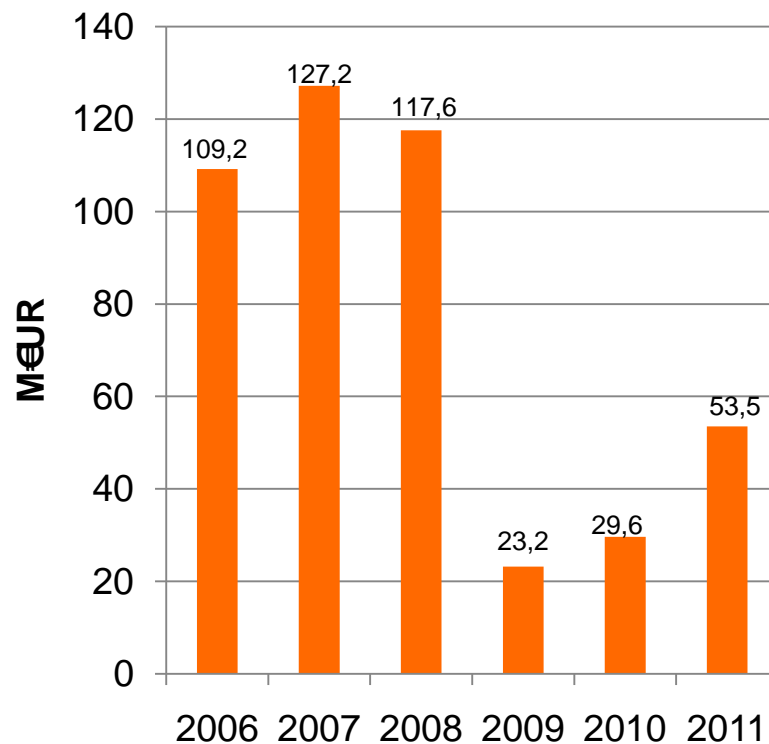


**Net sales by country  
1-12/2011**

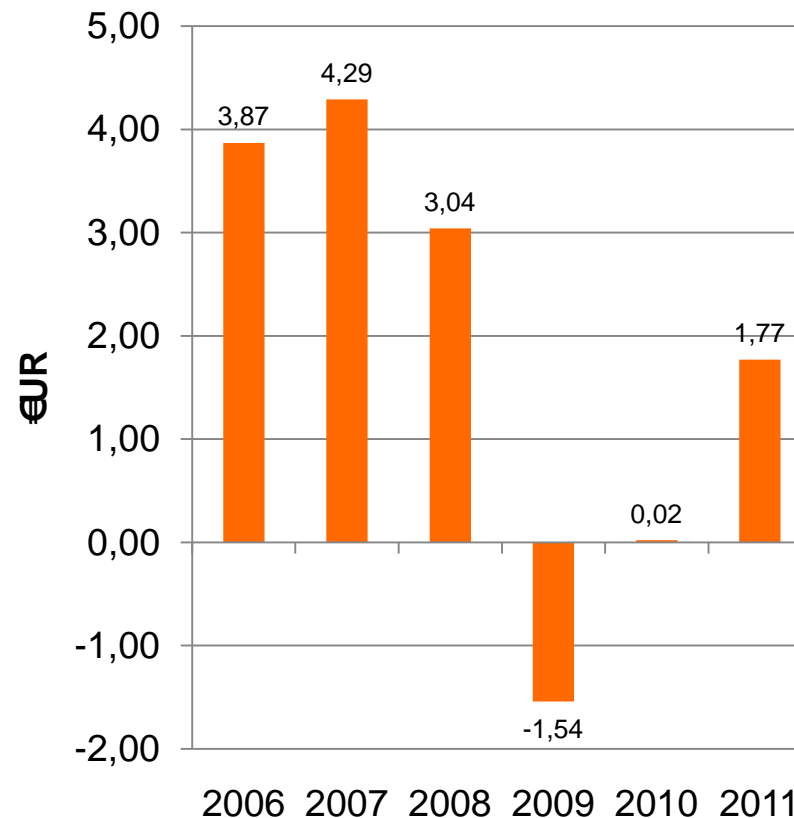


# Profitability moves in the right direction

## EBIT 2006-2011

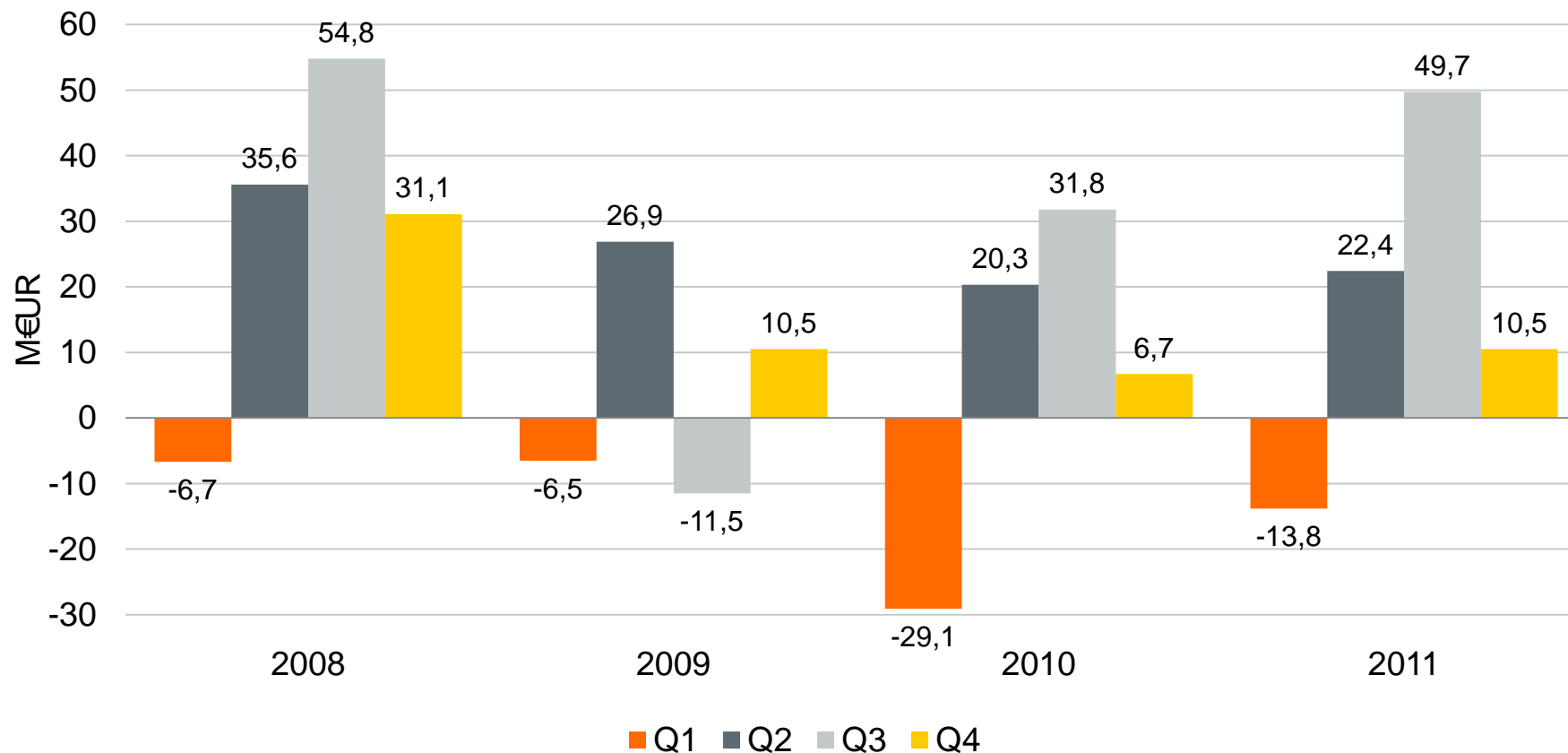


## Earnings per share 2006-2011



2009 earnings were weakened by EUR 54 million infringement fine imposed by the SAC  
2011 EBIT does not account for the sale of the roofing business, impact is seen on earnings per share

# Operating profit for business sectors in 2011 improved in every quarter



Q3/2009: Earnings were weakened by EUR 54 million infringement fine imposed by the SAC  
 Q1-Q3/2011: Earnings were improved by recognition of EUR 11.0 million in goodwill and EUR 15.3 million in capital gains from the sale of the roofing business



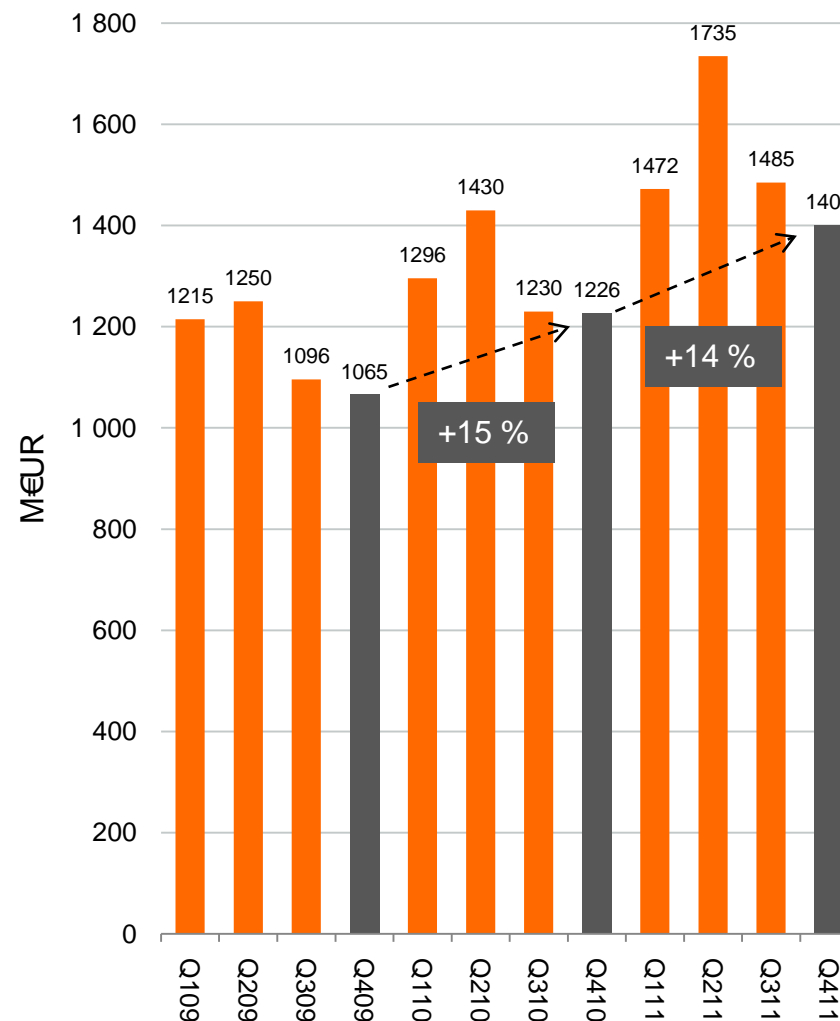
# The strengthening of Lemminkäinen's competitiveness was evident in the order book

**Group order book was EUR 1.4 billion**

- Finland: EUR 918 million (-2%)
- Other countries: EUR 483 million (+64%)

The Finnish order book boosted mainly because of special contracting in infrastructure construction

Growth of the international order book was due to residential development in Russia and paving operations in Norway and Estonia



# In 2011, a total of 1,612 residential start-ups in Finland; in St. Petersburg, a project for 400 apartments kicked off

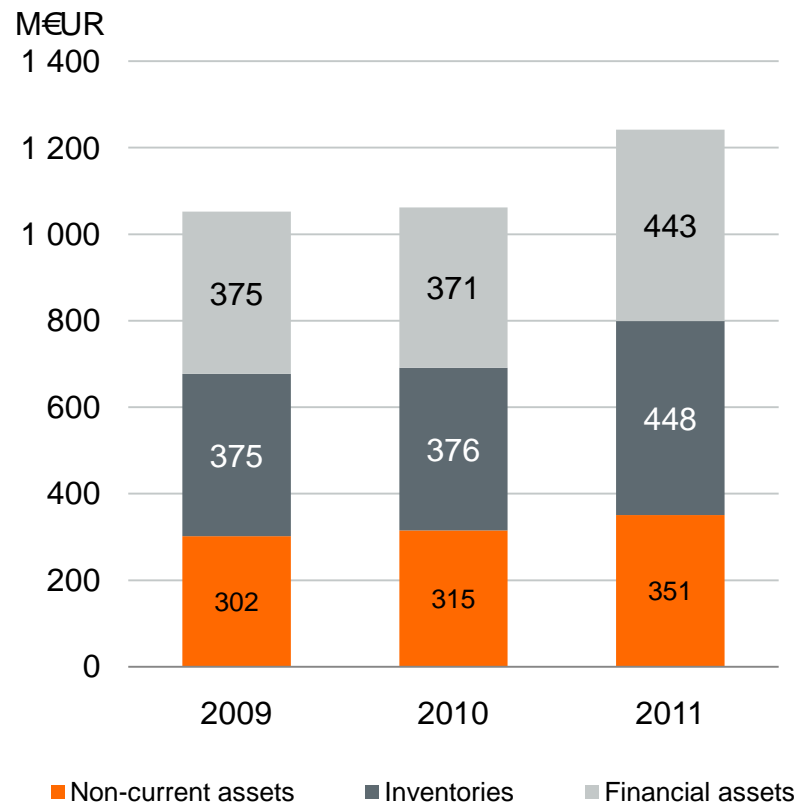
- Two thirds of the residential start-ups in Finland were own development (2010: 45%, 2009: 24%)
- A project for 150 residential units was completed in St. Petersburg where a new, 400 unit site also kicked off
- Lemminkäinen estimates that it will start up the construction of about 1,000 units in its own residential development in Finland in 2012

	FINLAND				RUSSIA (St. Petersburg)		
	2011	2010	2009		2011	2010	2009
Housing start-ups (own development)	1 076	1 004	351		404	154	0
Housing starts (contracted units)	536	1 248	1 090				
Housing units sold	914	911	771		194	276	133
Completed	1 077	418	533		154	498	104
Under construction at end of period,	989	991	405		404	154	479
-of which unsold	483	439	193		404	154	367
Completed and available for sale	224	110	263		82	122	22

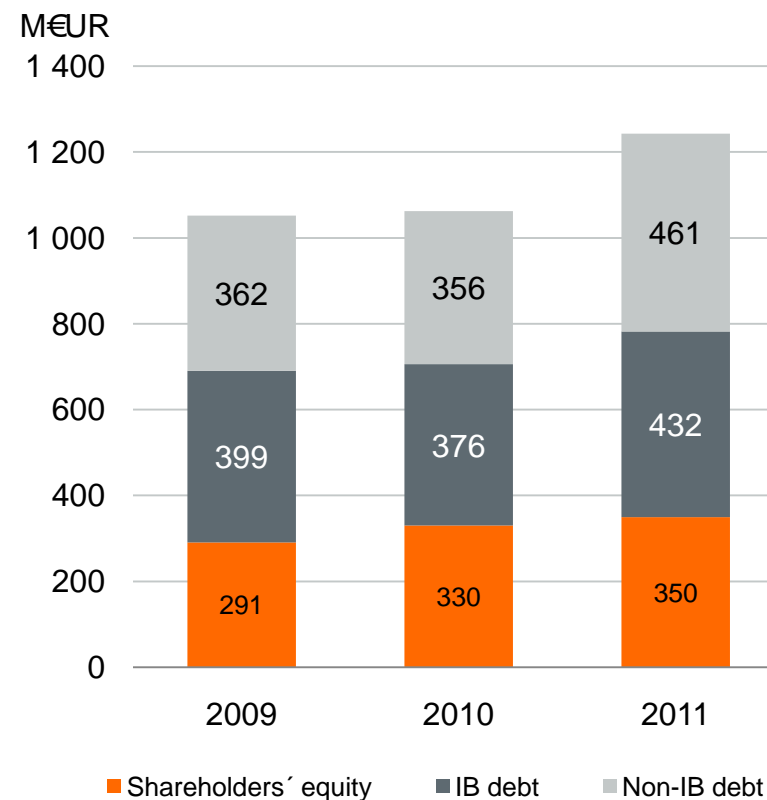
Housing units sold, completed, under construction and available for sale are all own development

# Balance sheet grew due to increased operational volumes and capital invested in own residential development

## Assets



## Debt and shareholders' equity

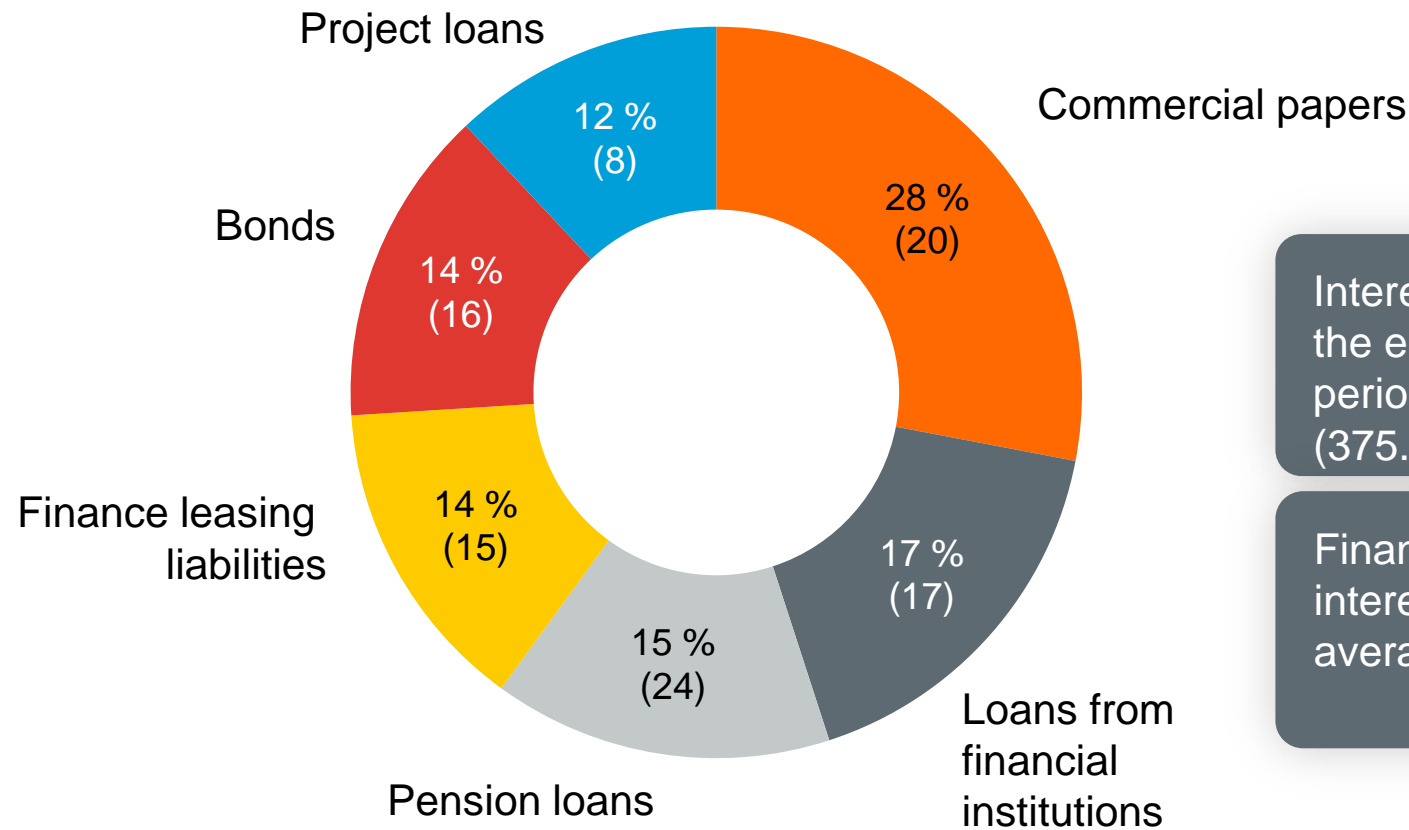


# Balance sheet indicators

Balance sheet indicators	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009
Balance sheet total, EUR million	1,242.8	1,062.0	1,051.5
Net working capital, EUR million	435.7	388.6	337.7
Liquid funds, EUR million	30.4	26.3	74.4
Interest-bearing net debt, EUR million	401.2	349.2	324.7
Return on investment, %	10.8	7.0	5.5
Equity ratio, %	30.8	35.0	30.7
Gearing, %	114.5	105.7	111.7

# Lemminkäinen's loan portfolio

## Loan distribution as of 31 December 2011 (31 Dec. 2010)

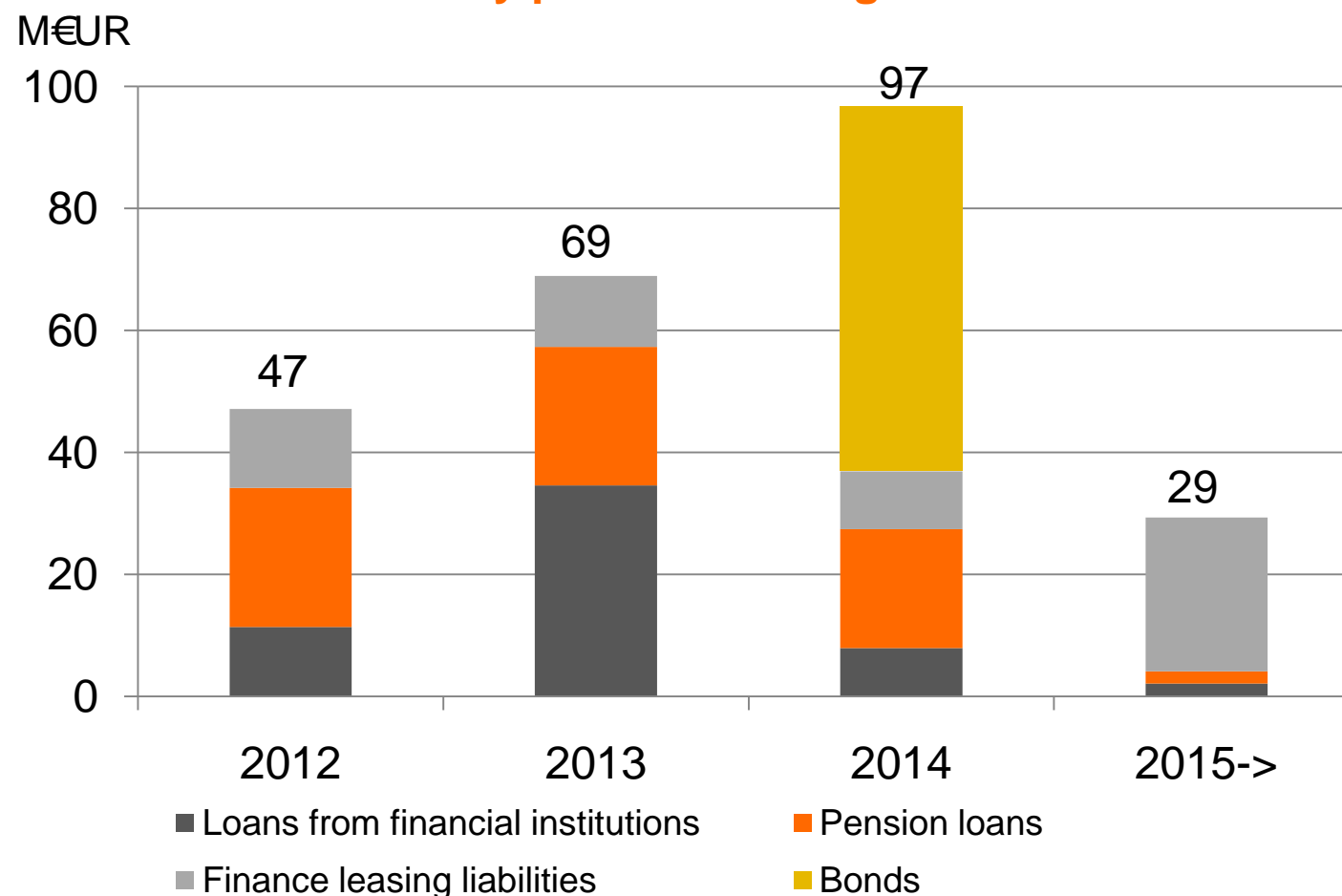


Interest-bearing debt at the end of the review period: EUR 431.6 million (375.5)

Financing expenses for all interest-bearing debt, on average: 3,4%.

# Debt maturity profile

## Maturity profiles for long-term debt<sup>\*)</sup>



<sup>\*)</sup> debt with maturity of one year or more at the time the loan was drawn

In addition, a total of EUR 190 million in short-term debt (project loans, commercial papers and loans from financial institutions) matures in 2012.

On 31 December 2011, the company had unused binding credit limits in the amount of EUR140 million

# Lemminkäinen's strategy

Strategy implementation in 2011 and  
measures to boost efficiency

# Strategy implementation in 2011

## Strategy period 2010 - 2013

Financial target	Target level	Realised in 2011	Realised in 2010
Return on investment	over 18% at period end	10.8%	7.0%
Equity ratio	at least 35%	30.8%	35.0%
Increase in net sales	average of 10% by period end	24%	-4%
Dividend pay-out	a minimum of 40 % of the result for the financial year	28%	over 100%



# Strategy updates in 2011

- Focus of business operations to segments with better profitability
- Growth, particularly in international operations

## Finland:

Main focus in improving profitability and competitiveness

Share of own residential development > **50%**  
(2011: **approximately 30%**)

Share of services in Technical Building Services operations **50%**  
(2011: **approximately 30%**)

## International operations: Source of growth

1,000 residential unit start-ups in St. Petersburg annually

Infrastructure operations in Norway, Denmark and Sweden + EUR 100 million

# EUR 50 million savings with the efficiency programme after 2013

Annual cost savings of **EUR 50 million**

**EUR 20 million**

Development of own operations, streamlining management and administrative structures

**EUR 30 million**

Increasing the efficiency of procurement

# Market outlook and guidance for 2012

# Market outlook

## Finland

- New building construction decreases, start-ups are restrained by economic uncertainty and the growth of completed sales inventory.
- Demand for commercial construction is weakened by the cautiousness of tenants.
- Growing need for piping renovations and repairs that improve energy efficiency increase the demand for renovation and technical building services.
- In infrastructure construction, paving volumes are expected to remain at previous levels; the market situation for rock engineering is good; and new road and rail projects are about to be launched.



# Market outlook

## Other countries

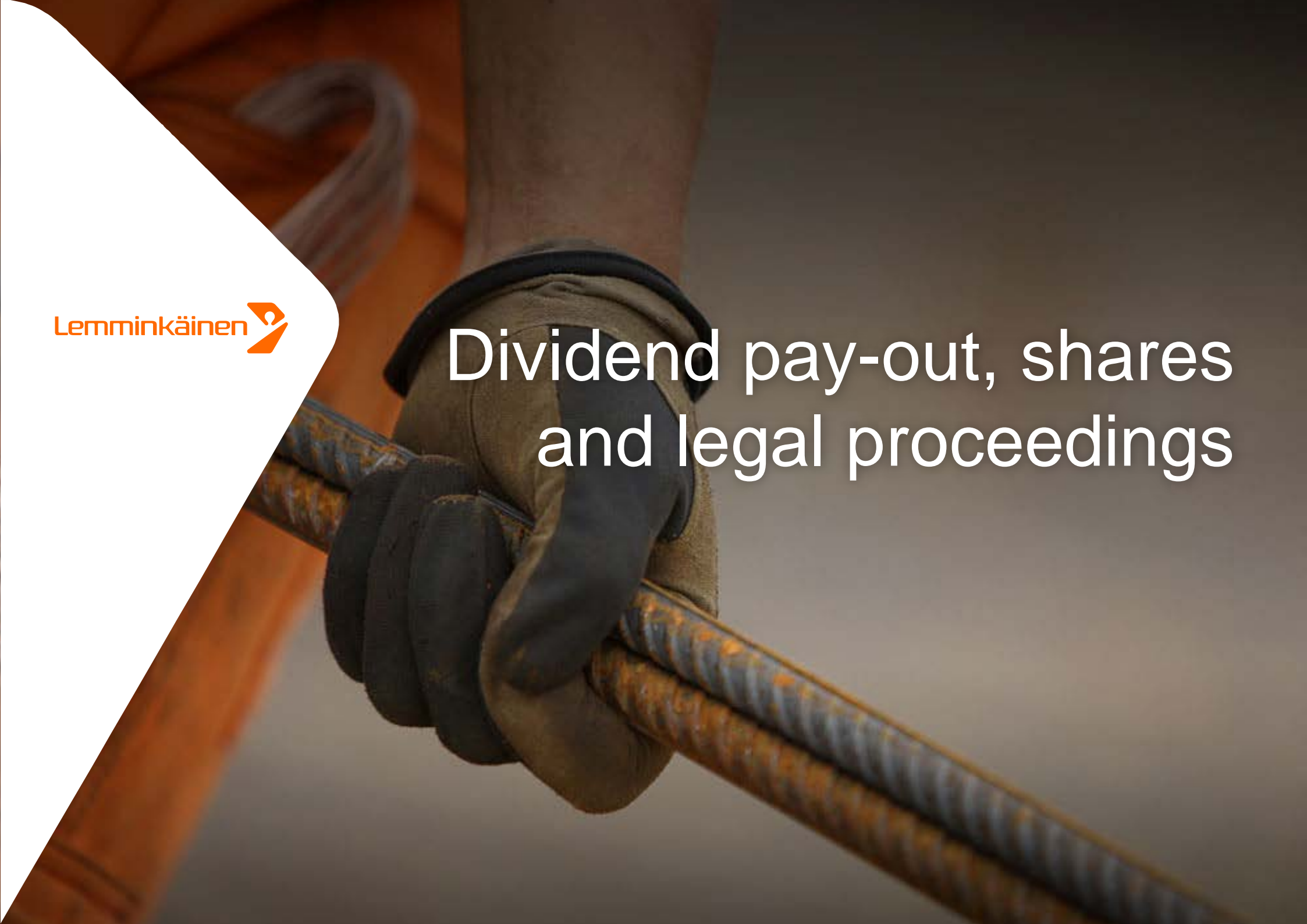
- Infrastructure construction volumes in Sweden, Norway and Denmark grow clearly faster than in Finland. In Norway and Denmark, increased road construction maintains the demand for paving.
- In Russia (St. Petersburg) residential construction is expected to remain at least on the level of the previous year. Demand is maintained, for example, by improved consumer purchasing power, consumer mortgage availability, and internal population shifts.
- The construction market of the Baltic countries is reviving gradually.





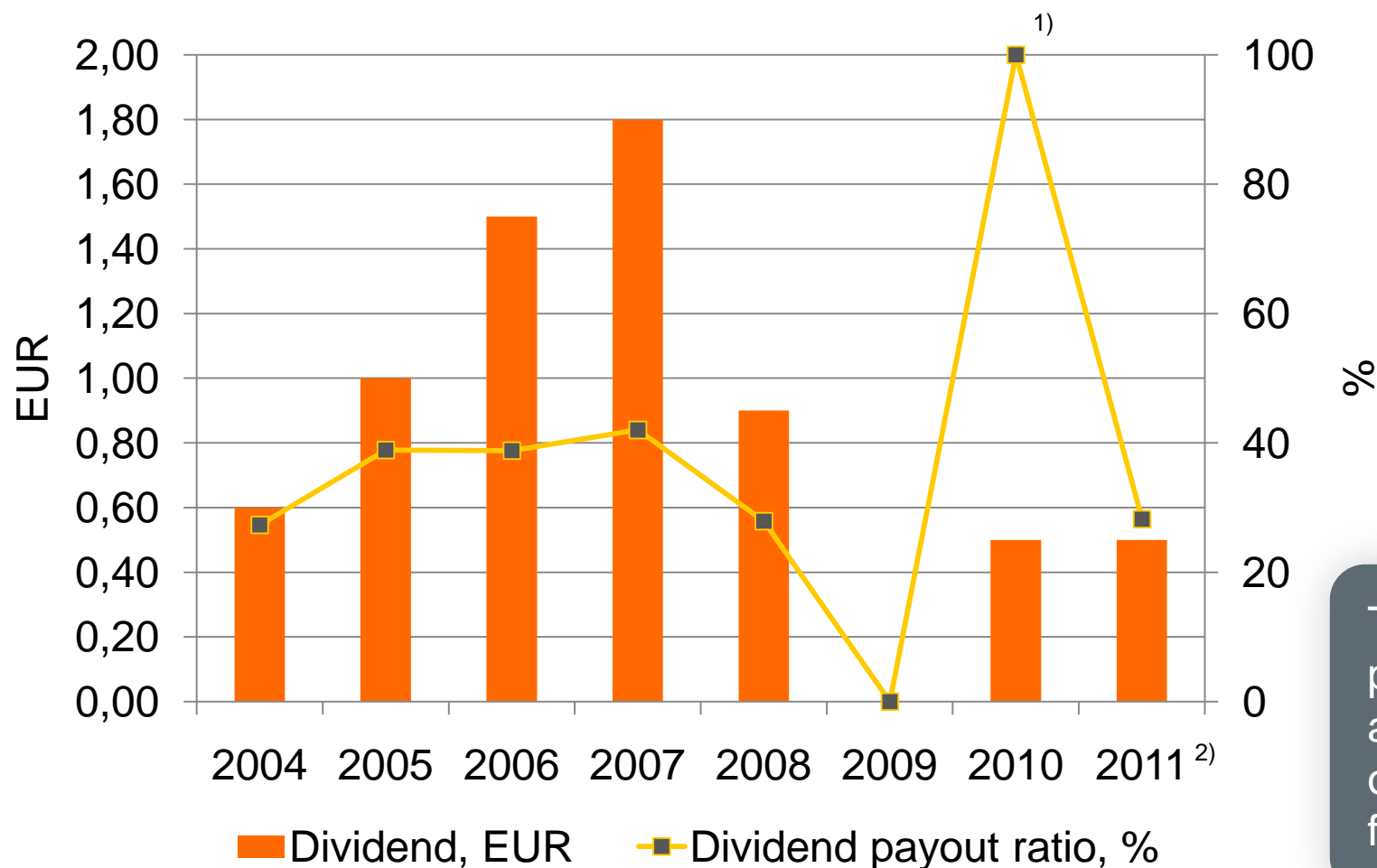
# Profit guidance for 2012

Net sales in 2012 will remain on the same level as in 2011, and pre-tax profit will improve on 2011.

The background of the slide is a close-up photograph of a person's hand wearing a brown and black work glove, firmly gripping a thick, rusty metal rebar. The lighting is dramatic, with strong highlights and shadows, emphasizing the texture of the glove and the metal.

# Dividend pay-out, shares and legal proceedings

# The Board of Directors proposes a dividend of EUR 0.50 per share



The company aims to pay dividend in the amount of at least 40% of the result for the financial year.

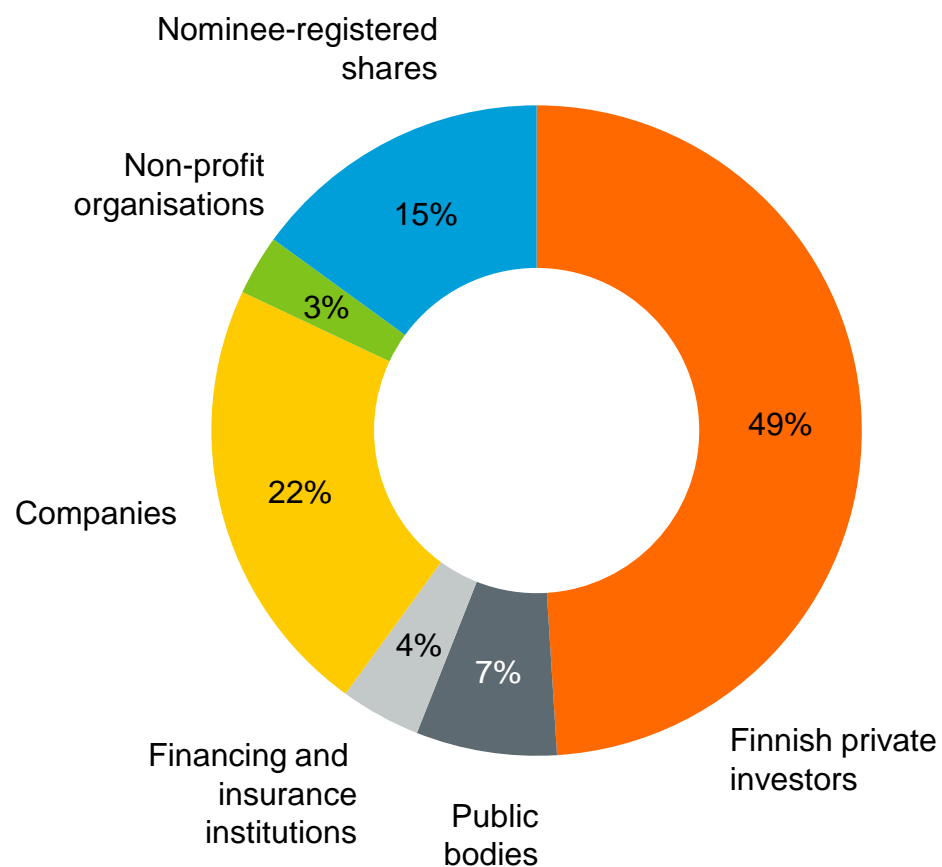
1) In 2010 EPS was EUR 0,02 and dividend/earnings –ratio was over 100%

2) Dividend for 2011, proposal of the Board of Directors



# Major shareholders (31 January 2012)

## Distribution of ownership



## Largest shareholders

	number of shares	% of all shares
Pnt Group Oy	3,673,956	18.7%
Forsten Noora	1,964,480	10.0%
Pentti Heikki death estate	1,906,976	9.7%
Pentti Olavi	1,709,473	8.7%
Varma	723,727	3.7%
Pentti-von Walzel Kristina	635,660	3.2%
Pentti-Kortman Eva	635,660	3.2%
Pentti Timo	635,660	3.2%
Ilmarinen	400,000	2.0%
Mandatum Life	283,711	1.4%
Maa- ja vesitekniiikan tuki ry.	250,000	1.3%
Nordea funds	219,269	1.1%
Etera	204,310	1.0%
Alfred Berg funds	189,415	0.9%
50 largest owners, total	14,862,857	75.7%
Nominee-registered shares, total	2,667,829	13.6%
Other owners	2,114,078	10.8%

# Legal proceedings

## Claims for damages brought against Lemminkäinen and other companies of the asphalt industry

- Claims brought by 40 municipalities and the Finnish state (Finnish Transport Agency) are pending
- The total amount of damages sought from Lemminkäinen is EUR 117 million (The Finnish Transport Agency changed its claim by + EUR 15 million in January 2012)

# Summary

- In 2011, Lemminkäinen strengthened its competitive edge and improved its profitability
- Growth fuelled by infrastructure construction
- Measures continue to promote the strategy for profitable growth and strengthening competitiveness

# Business sector reviews



# Building Construction

## The year 2011

### FINLAND

- Residential unit sales remained steady throughout the year
- The sector's result was burdened by the weak profitability of competitive contracting and the rise in construction material costs
- Several business and commercial premise project start-ups
- Bustling activity in renovation
- At the end of the year, order book was EUR 581 million (595)

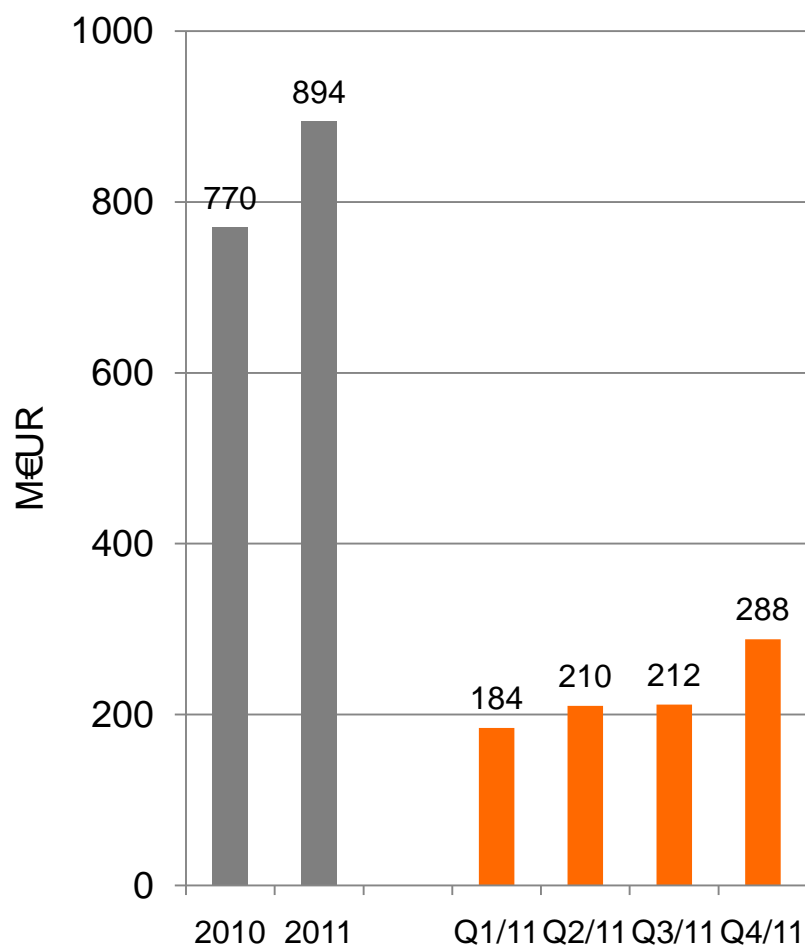
### OTHER COUNTRIES

- Sizeable plot acquisition in St. Petersburg, Russia
- A project of 150 residential units was completed in St. Petersburg, and a new project for approximately 400 units was launched
- In Sweden, building construction operations were doing well
- At year end, order book was EUR 188 million (89)

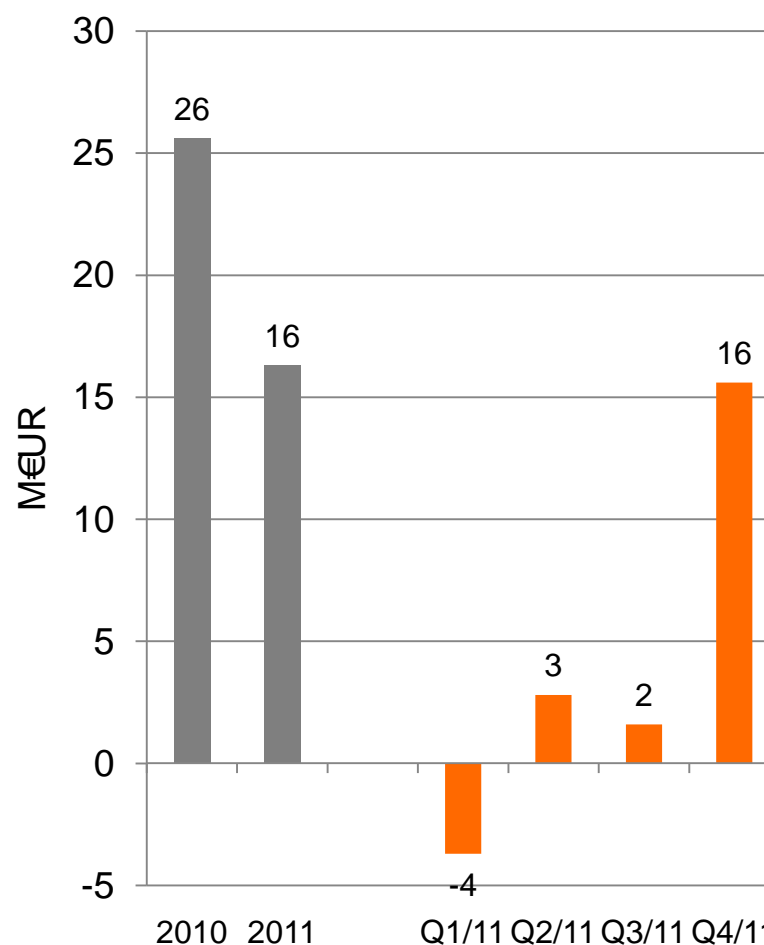


# Building construction

## Net sales



## Operating profit



Result for 2010 includes capital gains from equipment sales

# Infrastructure construction

## The year 2011

### FINLAND

- Good demand for infrastructure special contracting, mineral aggregate operations and the concrete business
- Lemminkäinen had sizeable projects ongoing in, for example, the Western Metro project, mines in northern Finland, and various underground parking facilities
- The paving sector did well in spite of the weakened market situation
- At year end, order book was EUR 237 million (224)

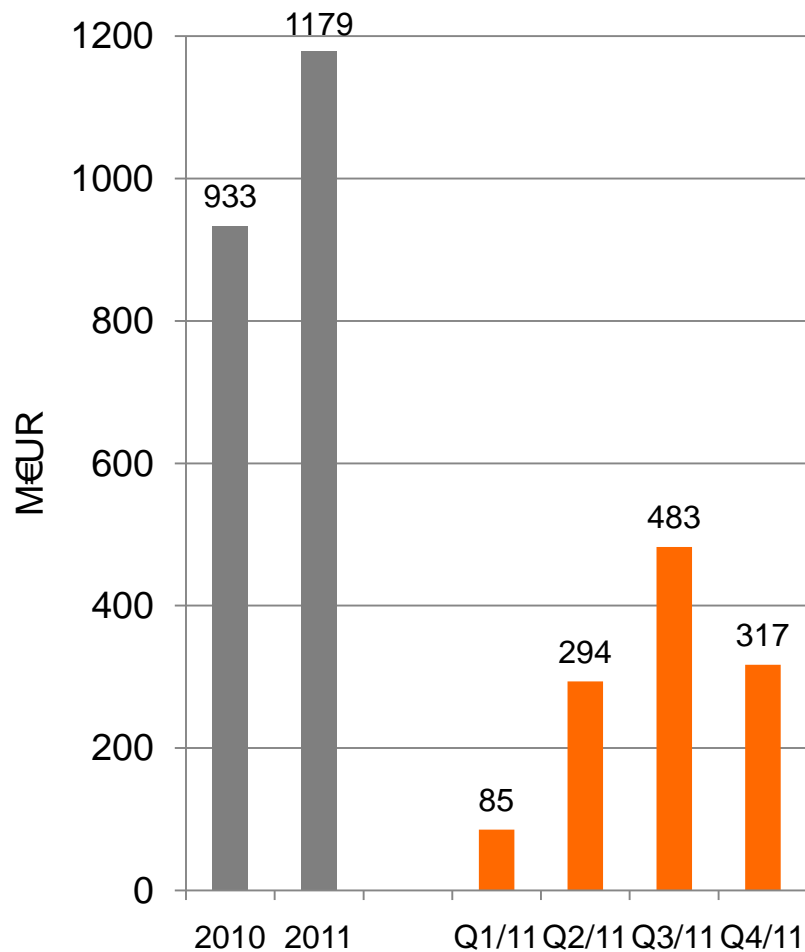
### OTHER COUNTRIES

- The year was exceptionally strong for paving in Norway and Denmark
- Market situation in the Baltic countries has revived slightly
- At year end, order book was EUR 286 million (193)

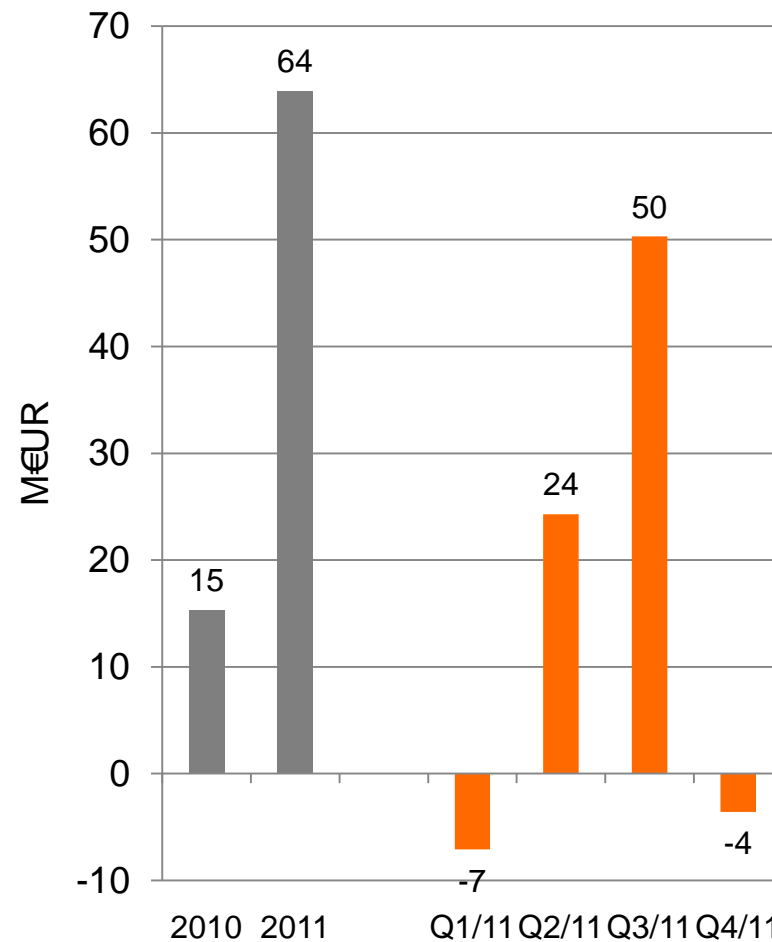


# Infrastructure construction

## Net sales



## Operating profit





# Technical Building Services

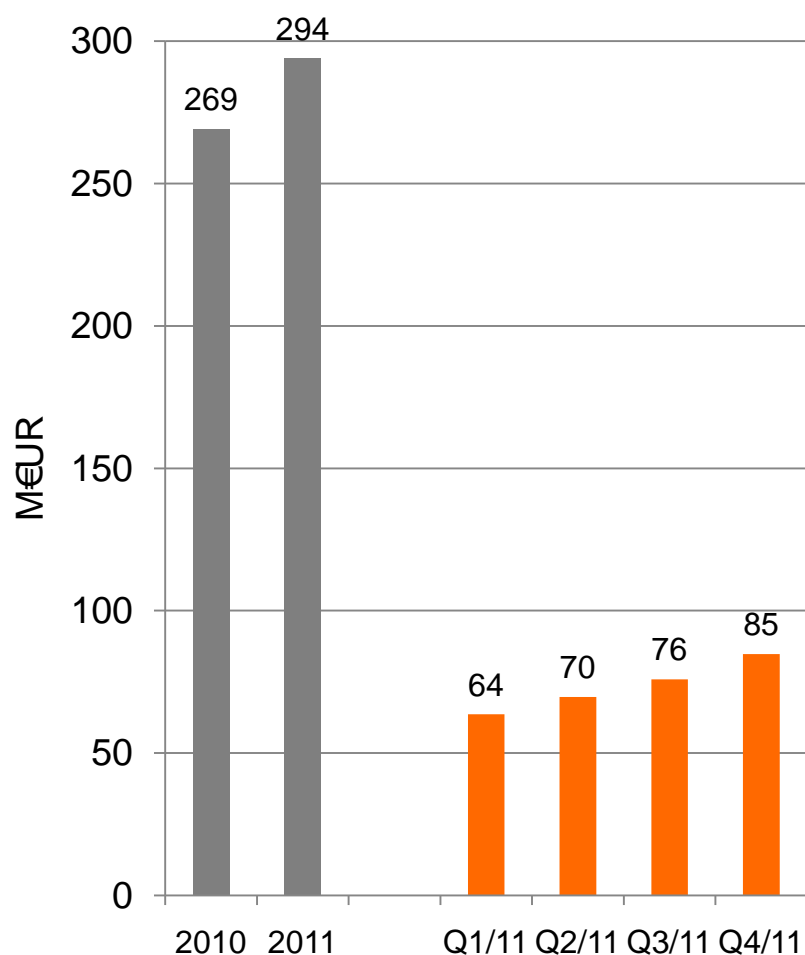
## The year 2011

- Various efficiency measures aiming at improved profitability were implemented in the sector
- Profitability improved especially during the second half of the year
- Demand is maintained by higher requirements for energy efficiency in new building construction, and deteriorating HVAC systems
- At year end, the order book was EUR 110 million (126)

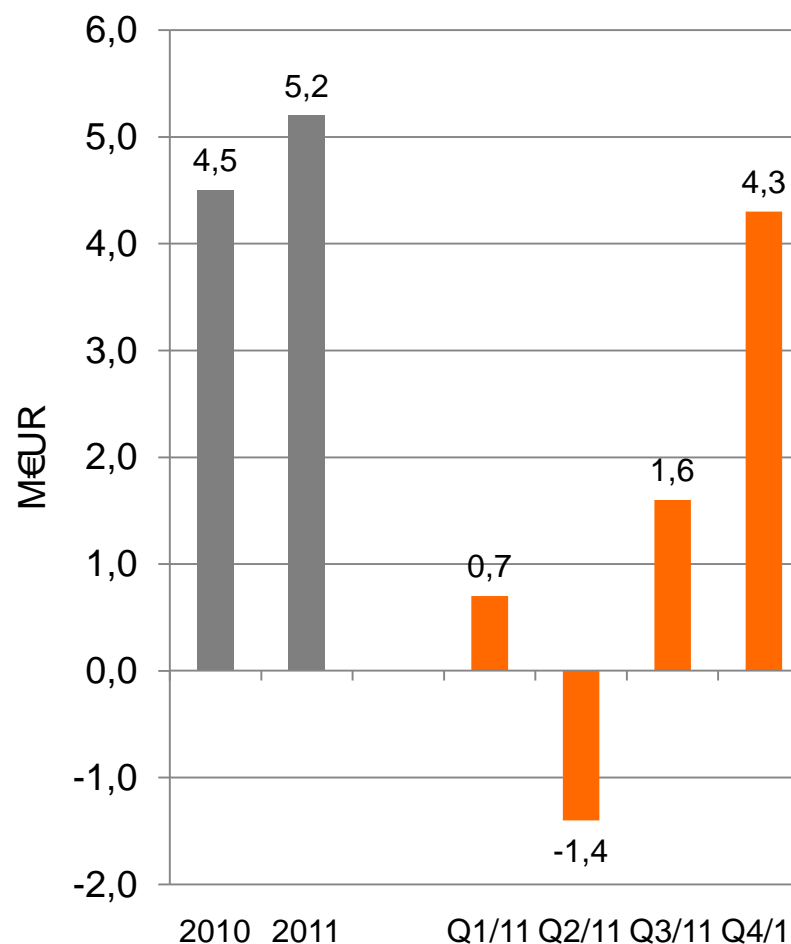


# Technical Building Services

## Net sales



## Operating profit



Lemminkäinen

The best way to build

