



# **Interim Report**

## **1 January–30 September 2012**

The company strengthened its solvency and financial position

**Lemminkäinen**

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Interim Report 1 January – 30 September 2012

# Result for the period



# 1-9/2012 Highlights

- Operating profit for the period on par with 2011, Q3 slightly weaker
  - Finnish infrastructure construction going strong
  - Profit in Building Construction weighted towards the end of the year
  - Result in Norway a disappointment
  - Divestment of the concrete business confirmed
- Efficiency programme has progressed as planned
- Order book volumes and margins are at a good level
- Improved solvency and financial position





# Earnings (excl. NRI:s) for the review period improved

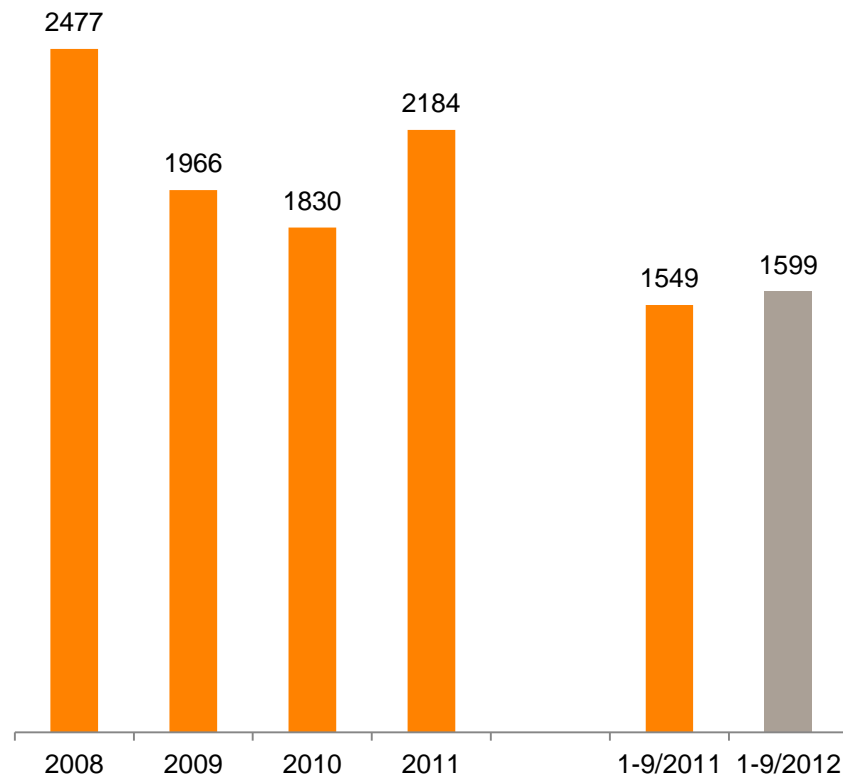
Key figures, EUR million	1-9/2012	1-9/2011		Q3/2012	Q3/2011	
Net sales	1,599.0	1,548.7	↑	716.6	722.1	↓
Operating profit	26.4	25.3	↑	40.4	44.9	↓
<i>Operating margin</i>	1.7%	1.6%	↑	5.6%	6.2%	↓
Pre-tax profit	14.4	12.6	↑	36.6	38.8	↓
Earnings per share, EUR	1.76	1.24	↑	2.67	1.61	↑
Cash flow from business operations	38.7	13.7	↑	29.5	148.7	↓
Order book (at end of period)	1,659.1	1,485.4	↑			
Personnel	8,370	8,436				

These figures do not include negative goodwill recognised from an acquisition in 2011 (Q2/2011: EUR 8.1 million and Q3/2011: EUR 2.9 million). Earnings per share includes capital gains and profit from discontinued operations.

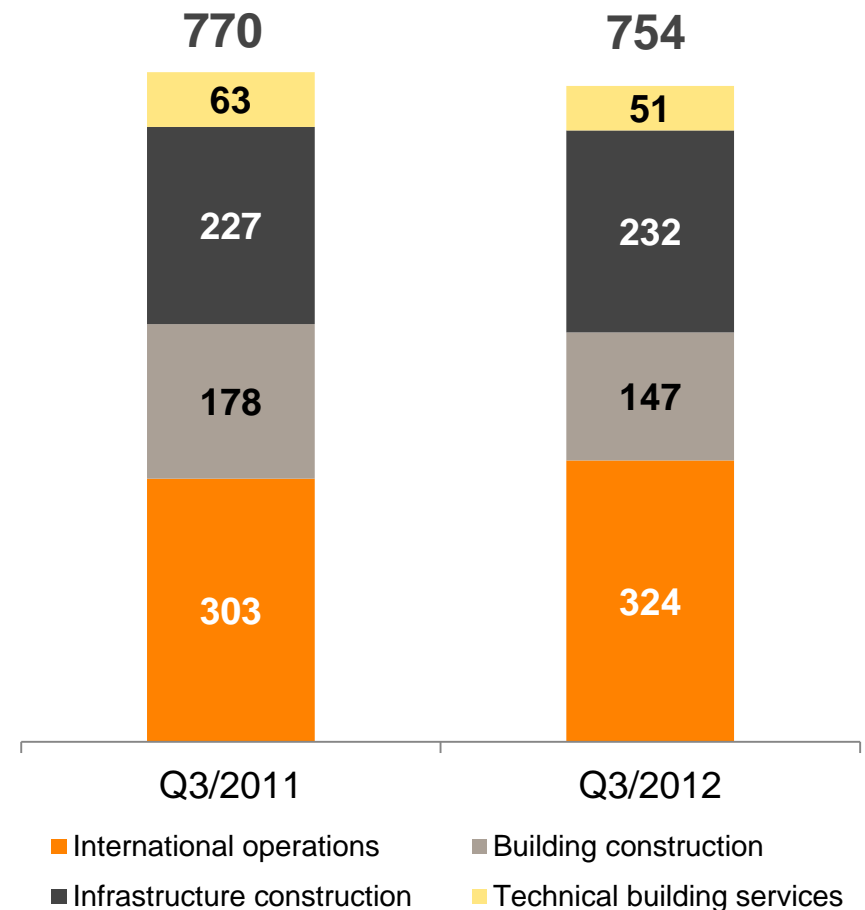


# Net sales at last year's level

Net sales by year and review period,  
EUR million



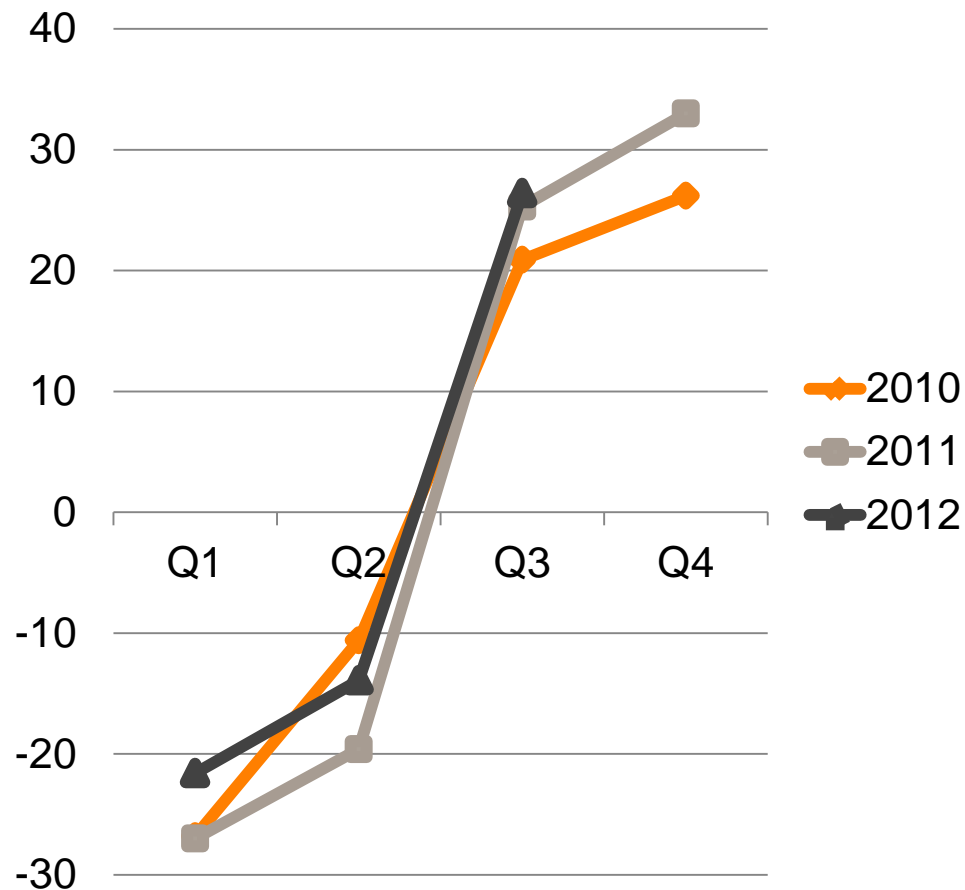
Net sales by business segment,  
Q3/2011 vs Q3/2012, EUR million



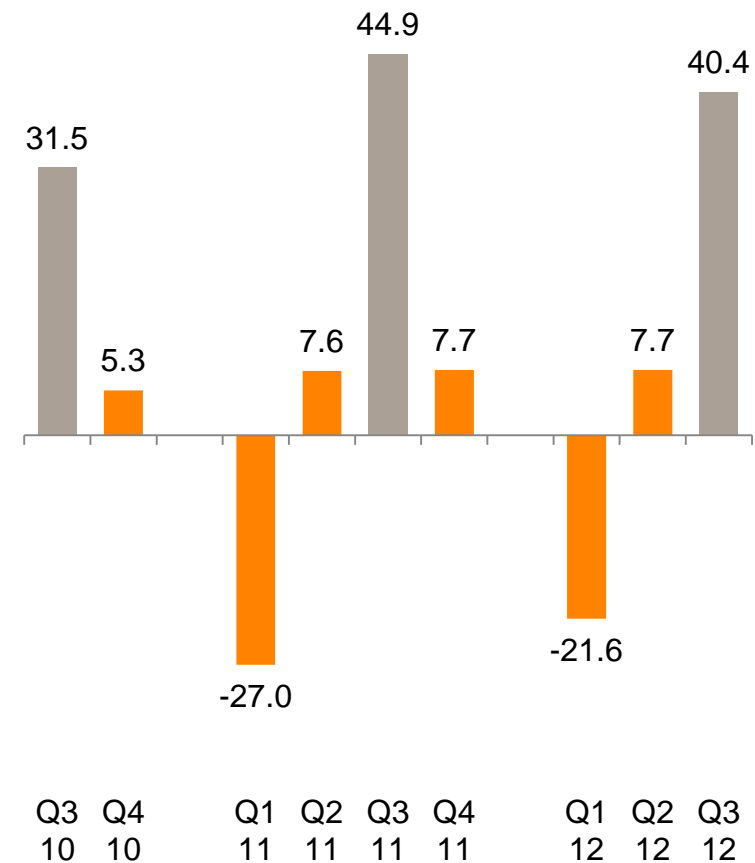


# Operating profit, cumulative and by quarter

Group's operating profit\*, cumulative, EUR million



Group's operating profit\*, by quarter, EUR million

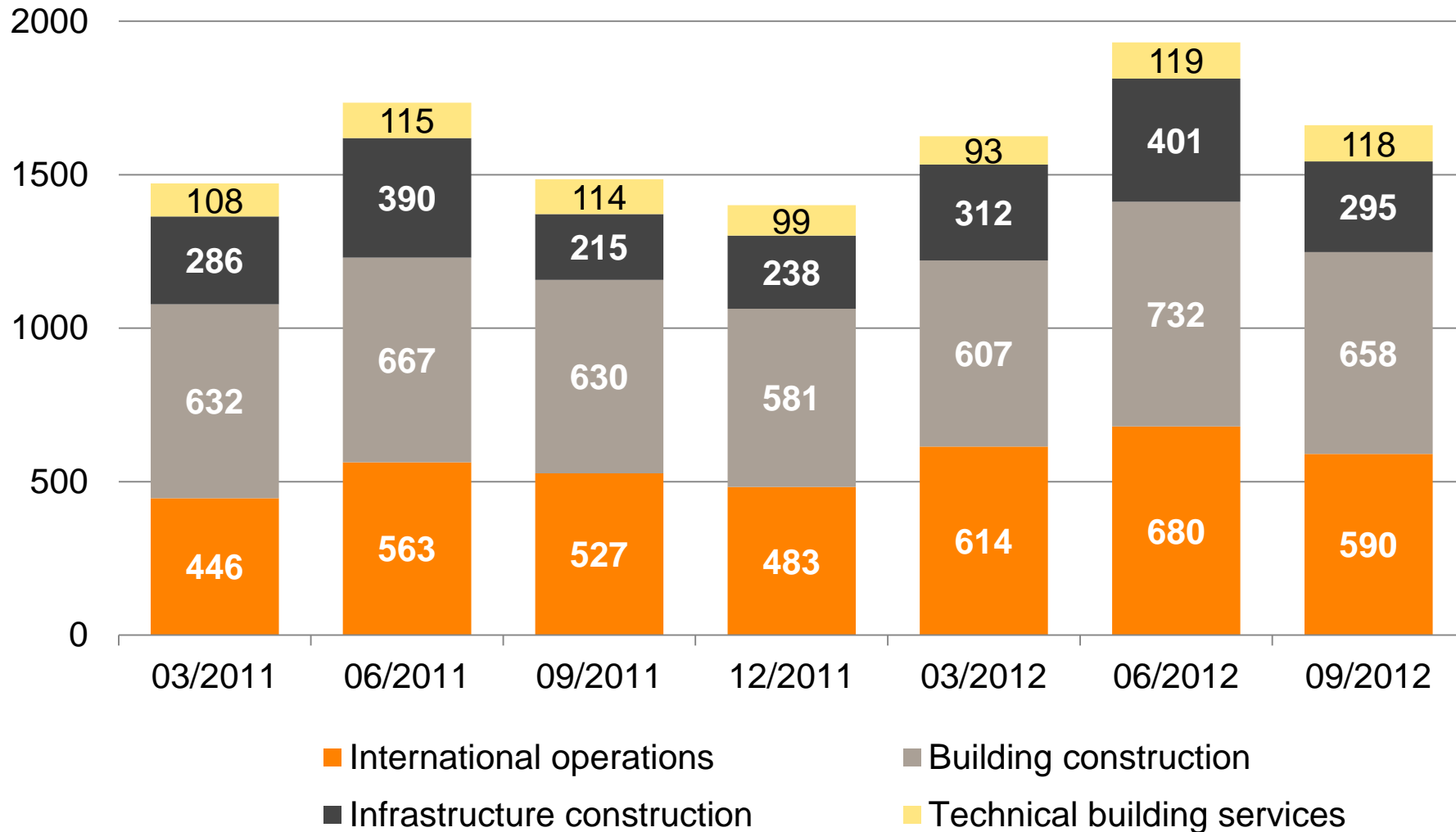


\*) Excluding the negative goodwill recognised in 2011





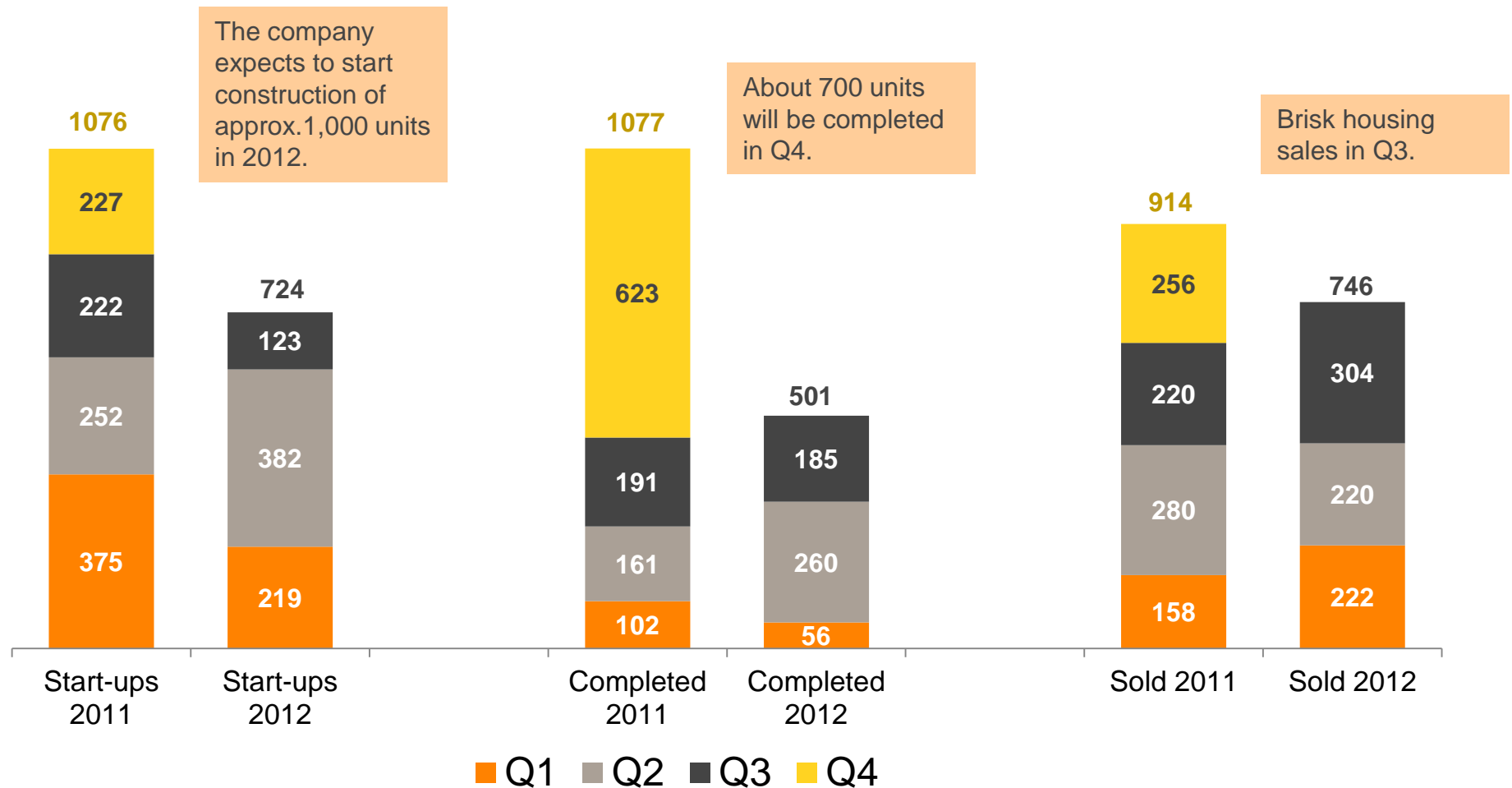
# Order book remained strong: 12% Year-on-year growth







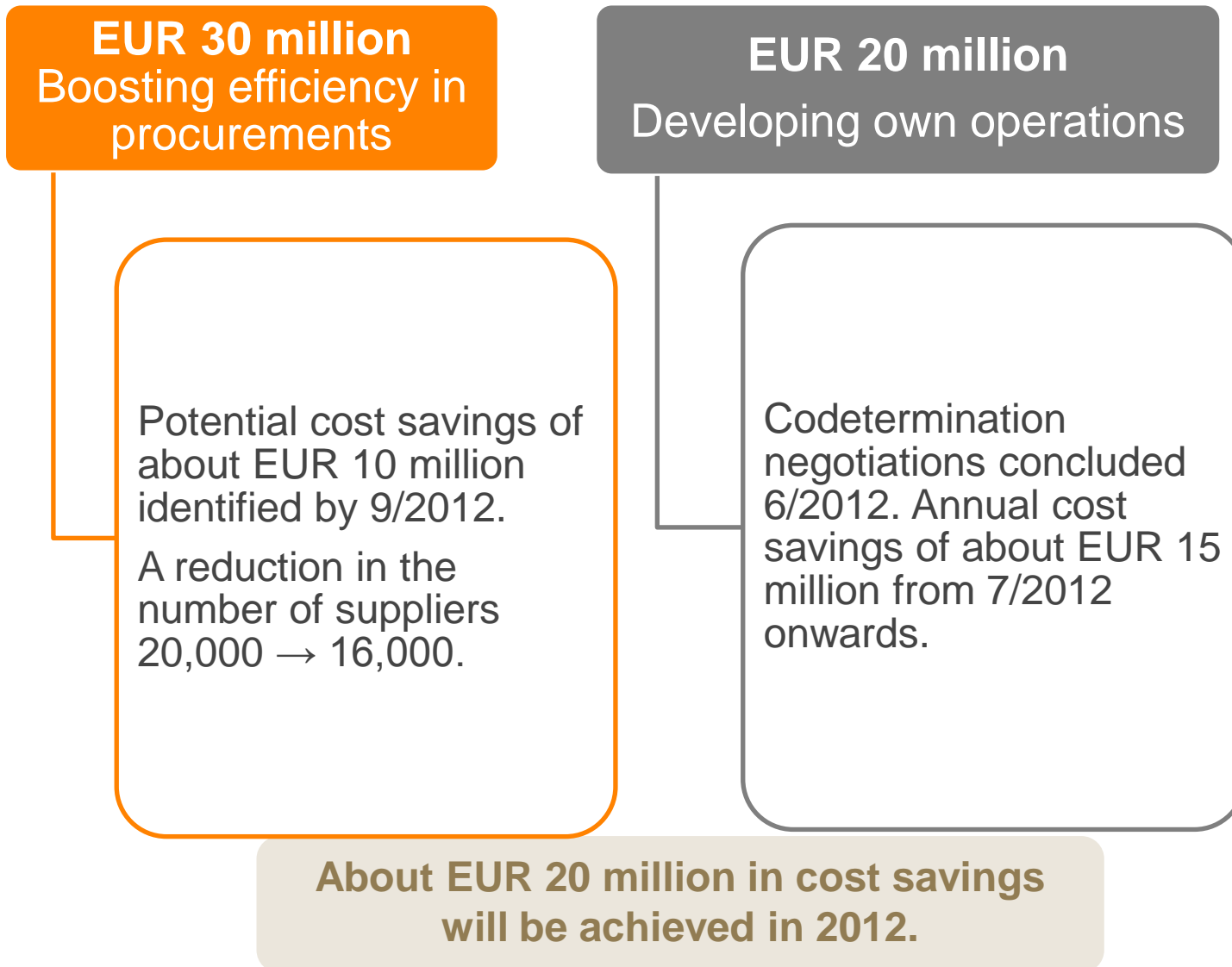
# Residential development and construction in Finland: Profit weighted towards the end of the year





# Efficiency programme

## Targets and achievements



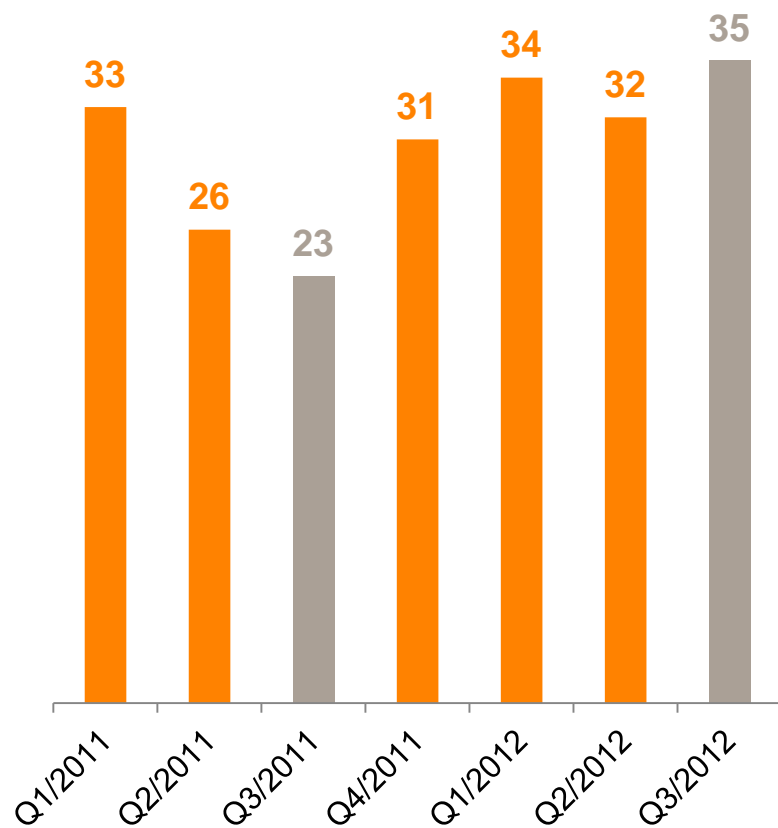


# Solvency and financial position

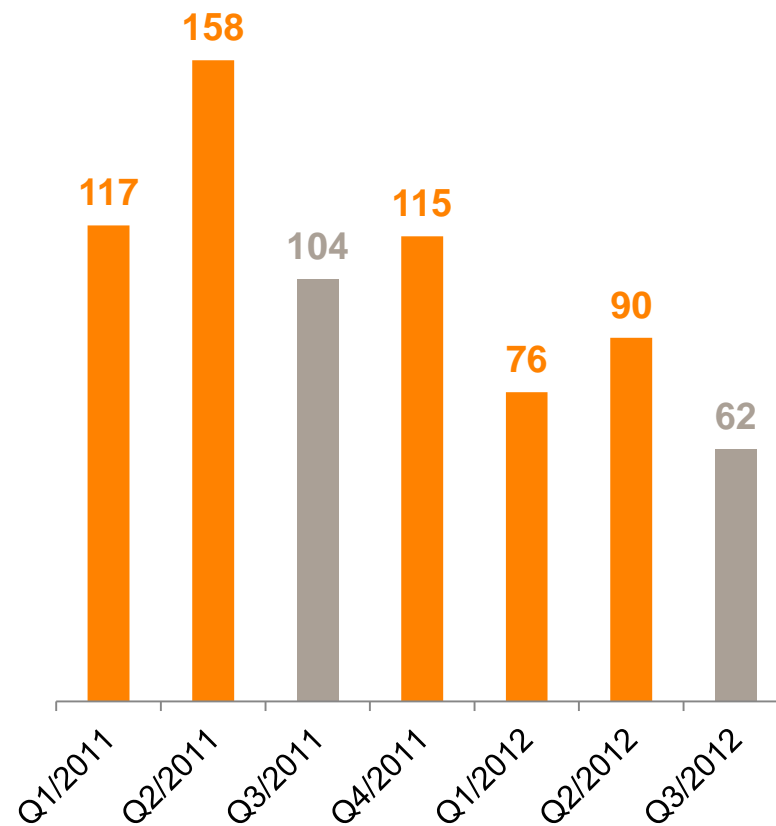


# A clear improvement in Lemminkäinen's solvency

Equity ratio, %

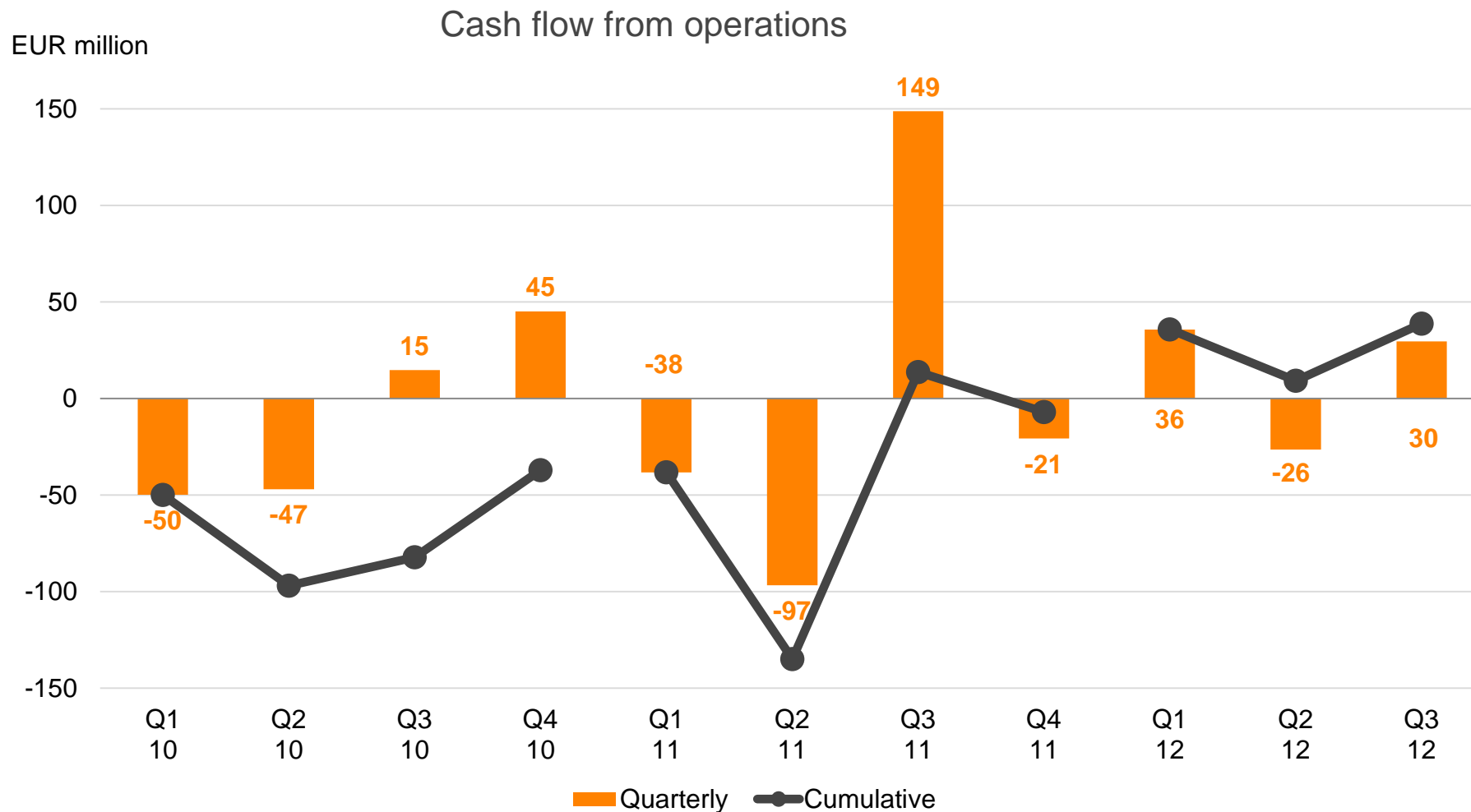


Gearing, %





# Efficiency improvements in working capital generate more cash flow



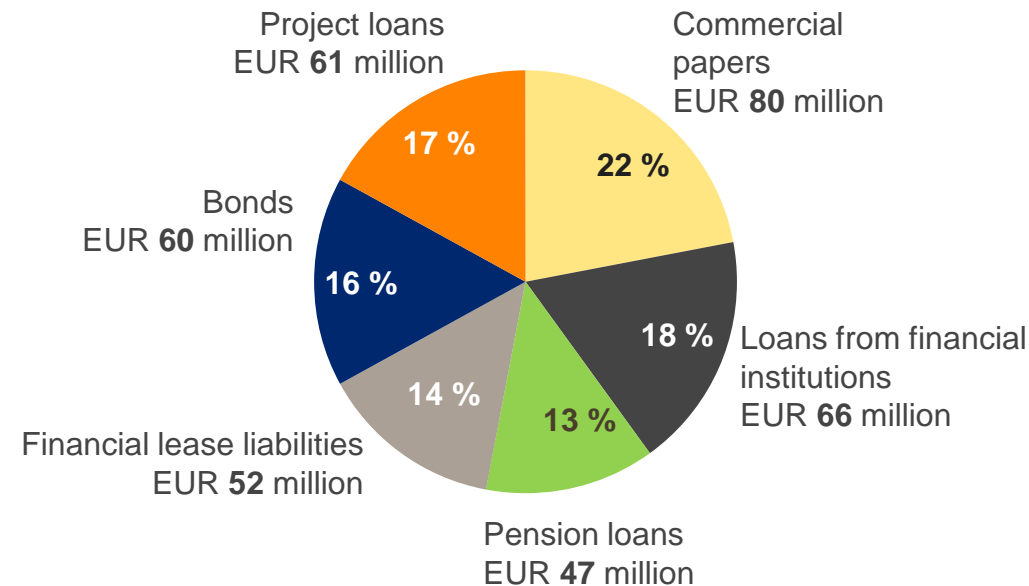


# Interest-bearing debt reduced by 40%; A diversified loan portfolio

Interest-bearing debt,  
30 September 2012 (30 Sep 2011)

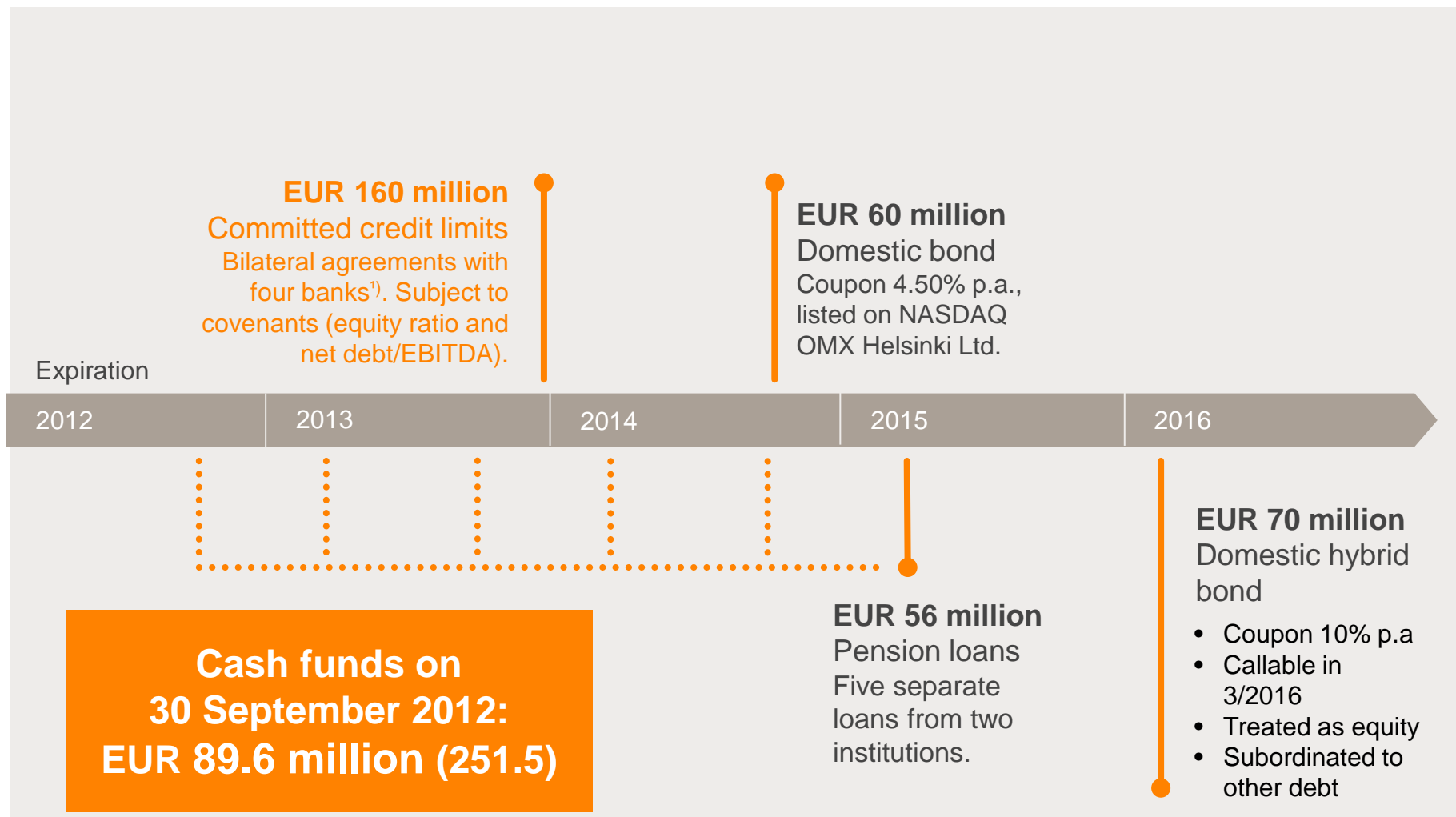
- Interest-bearing debt totals EUR 366 million (615)
  - Short-term EUR 201 million (272)
  - Long-term EUR 165 million (342)
- 37% of interest-bearing debt is tied to a fixed interest rate.
- Average financing cost 3.17%.

Loan portfolio breakdown,  
30 September 2012





# Financing maturity



1) Nordea Bank, Pohjola Bank, Sampo Bank and Svenska Handelsbanken



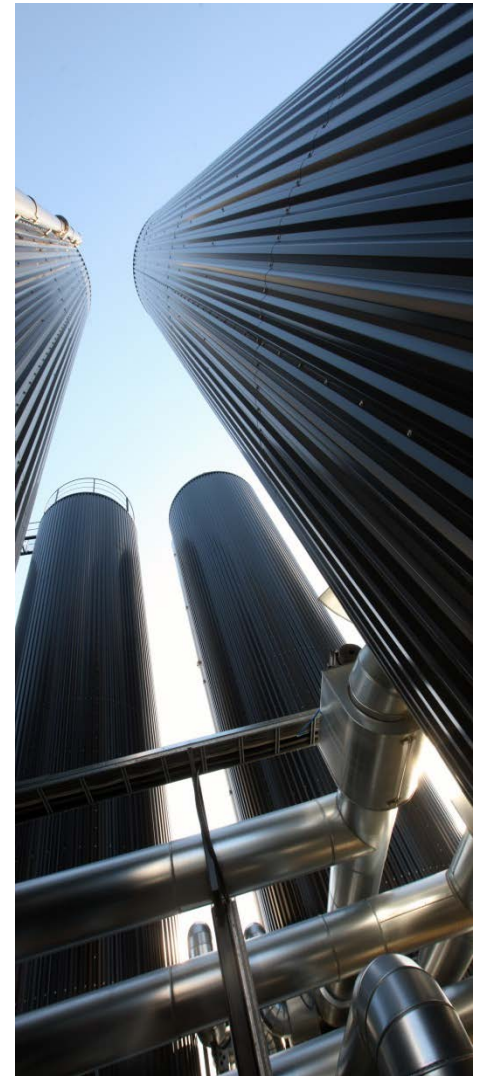


# Outlook



# Market outlook: Finland

- The volume of new construction is estimated to fall
- Willingness to buy residences
  - Supported by: low interest rates, changes in taxation (at year end)?
  - Weakened by: general uncertainty, an increase in redundancies, changes in taxation?
- Few commercial premises being built, especially outside the Helsinki Metropolitan area.
- Growth in infrastructure construction prevented by slow economic growth and the finance challenges in the public-sector.
- Good market situation for specialised contracting in infrastructure construction\*.
- Technical Building Services has satisfactory demand for renovations and upkeep and maintenance services.

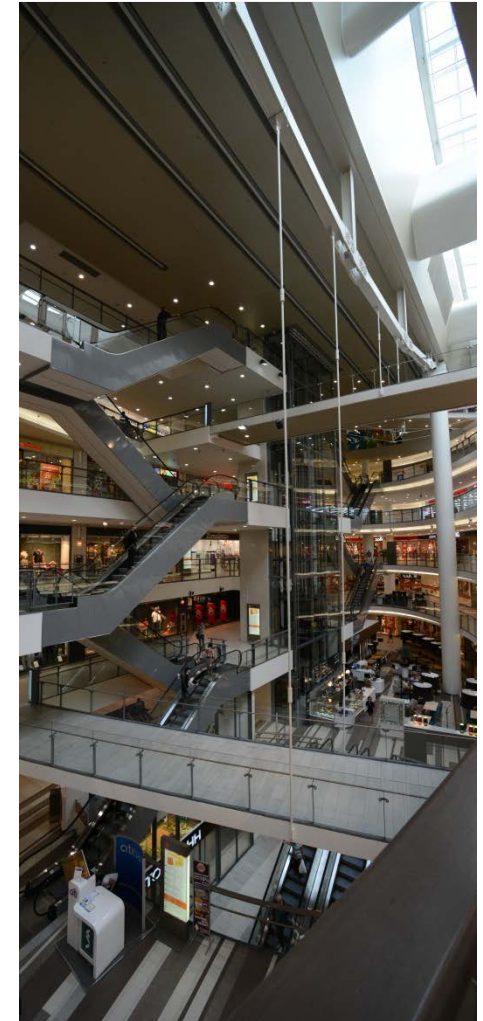


\*) ie. demanding city-centre projects, underground urban construction, new mining projects



# Market outlook: Other countries

- Multi-year transport infrastructure development plans and investments in energy production in Norway, Sweden and Denmark.
- Good demand for rock engineering in Sweden.
  - Mining in Northern Sweden, large-scale road projects in growth centres
- Demand for residential construction in St Petersburg supported by growth in consumer purchasing power, the better availability of consumer mortgages, and domestic population migration.
- Western industrial investments in Russia have increased.
- In the Baltic countries, the availability of financing will determine growth trends in infrastructure construction.







# Profit Guidance for 2012

**Lemminkäinen estimates that its 2012 net sales will remain at the same level as in 2011, and its pre-tax profit will improve on 2011.**

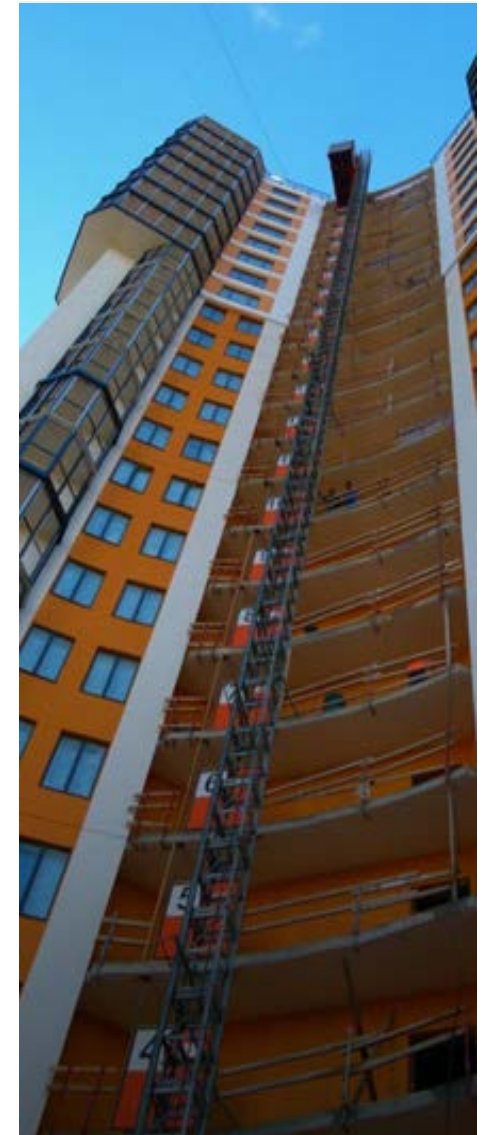
This estimate is based on the cost savings achieved by the efficiency programme as well as the completion of 700 residential units built as development projects in Q4/2012.





# Summary

- Comparable profit for the review period at last year's level
  - A visible improvement in infrastructure operations in Finland
  - Profit in Building Construction weighted towards the end of the year
  - Result in Norway weaker than expected
- Efficiency programme has improved cost competitiveness and sharpened the operating models in Finnish units
- Group solvency has improved, financial position is stronger
  - Optimisation of working capital, strategic divestments, financial arrangements



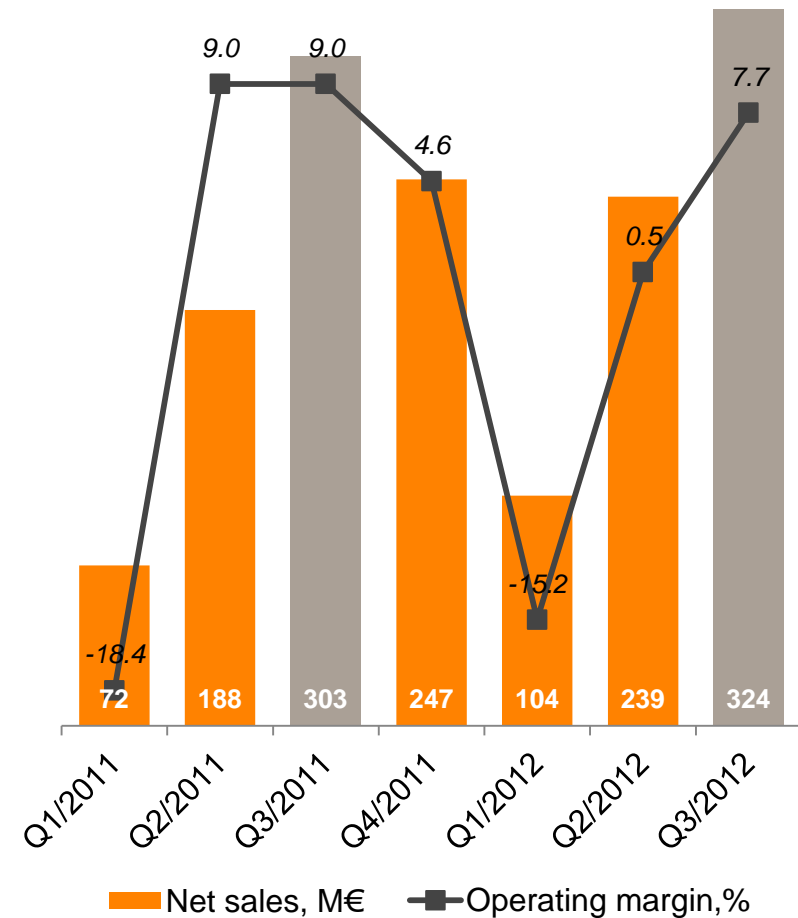


# Business segments



# International operations

- Result in Norway was a disappointment
  - Challenges in integration
  - Late start to the paving season
- Profitability good in infrastructure construction in Sweden, the Baltic countries and Russia
- In Russia, brisk contracting in building construction compensated the lack of residential construction
- Current plot reserves enables the construction of 3,200 residential units in St Petersburg over the coming years

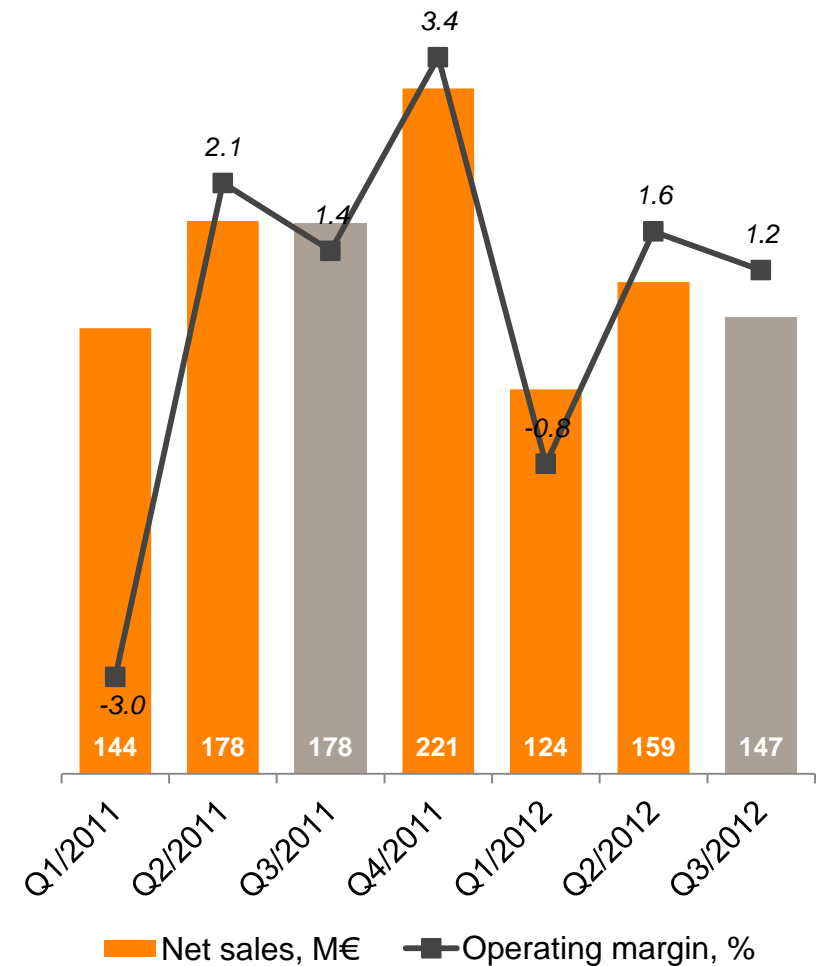






# Building construction

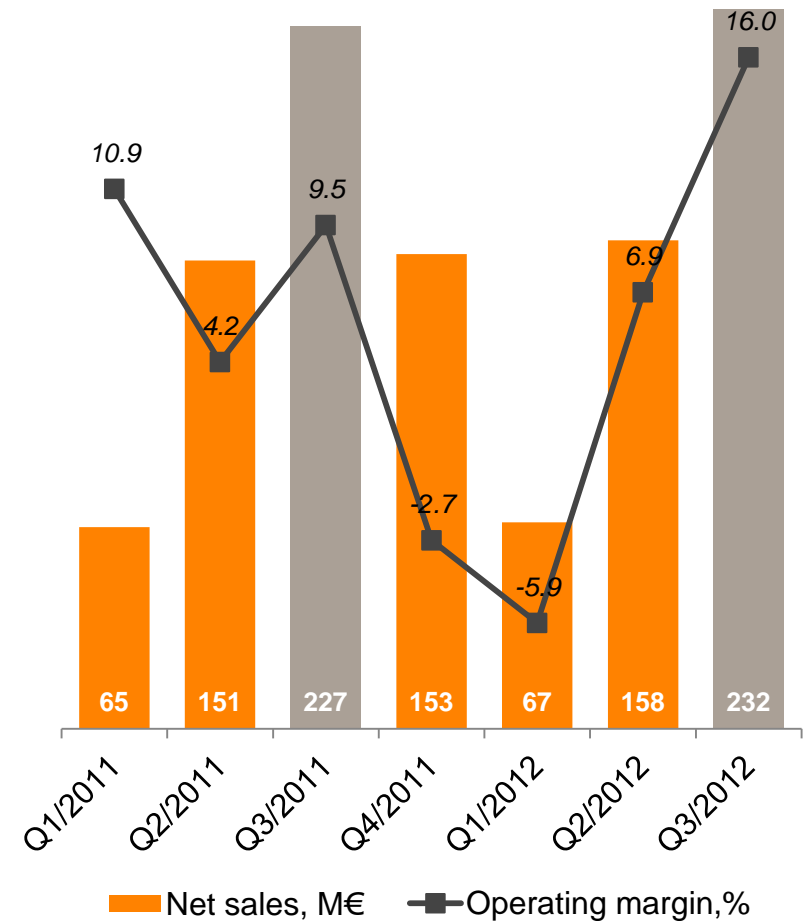
- Housing sales good during the Q3, construction of commercial premises going strong in the Helsinki Metropolitan Area
- Competitive contracting volumes have declined (stricter margin requirements), fewer commercial premises are being built outside growth centres
- Certain failures in residential construction projects
- Increased efforts to sell completed units (e.g. to investors)
- Input costs stable, a growing shortage of work supervisors





# Infrastructure construction

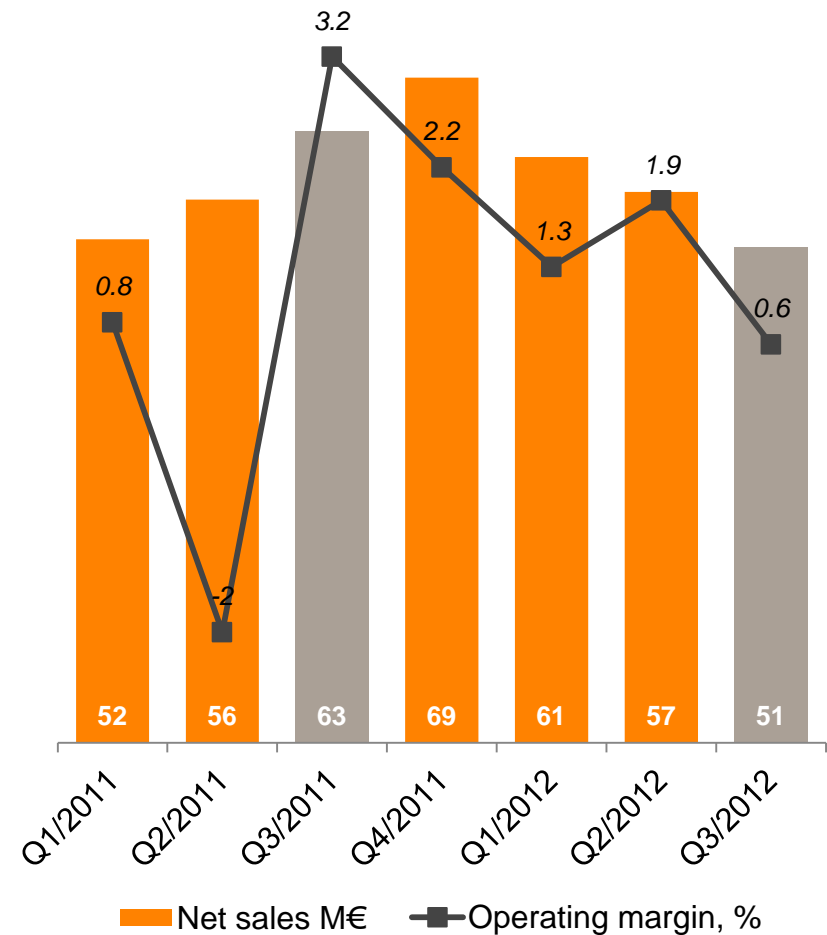
- Clear improvement in profitability
  - the efficiency programme
  - continual improvements in own operations
- In paving, the result was also improved by the decreased price of bitumen and the increased use of recycled asphalt
- Underground premises as well as excavation and interior construction contracts for parking facilities maintained good demand for specialised contracting
- Rock engineering continued in mines in Northern Finland
- Divestment of the concrete business was confirmed





# Technical building services

- Due to the implementation of efficiency measures, Technical Building Services' profitability have improved during the review period
- Q3 net sales and profit were weakened by delayed starts for certain projects
- Demand for upkeep and maintenance services remained good



Lemminkäinen