



Lemminkäinen

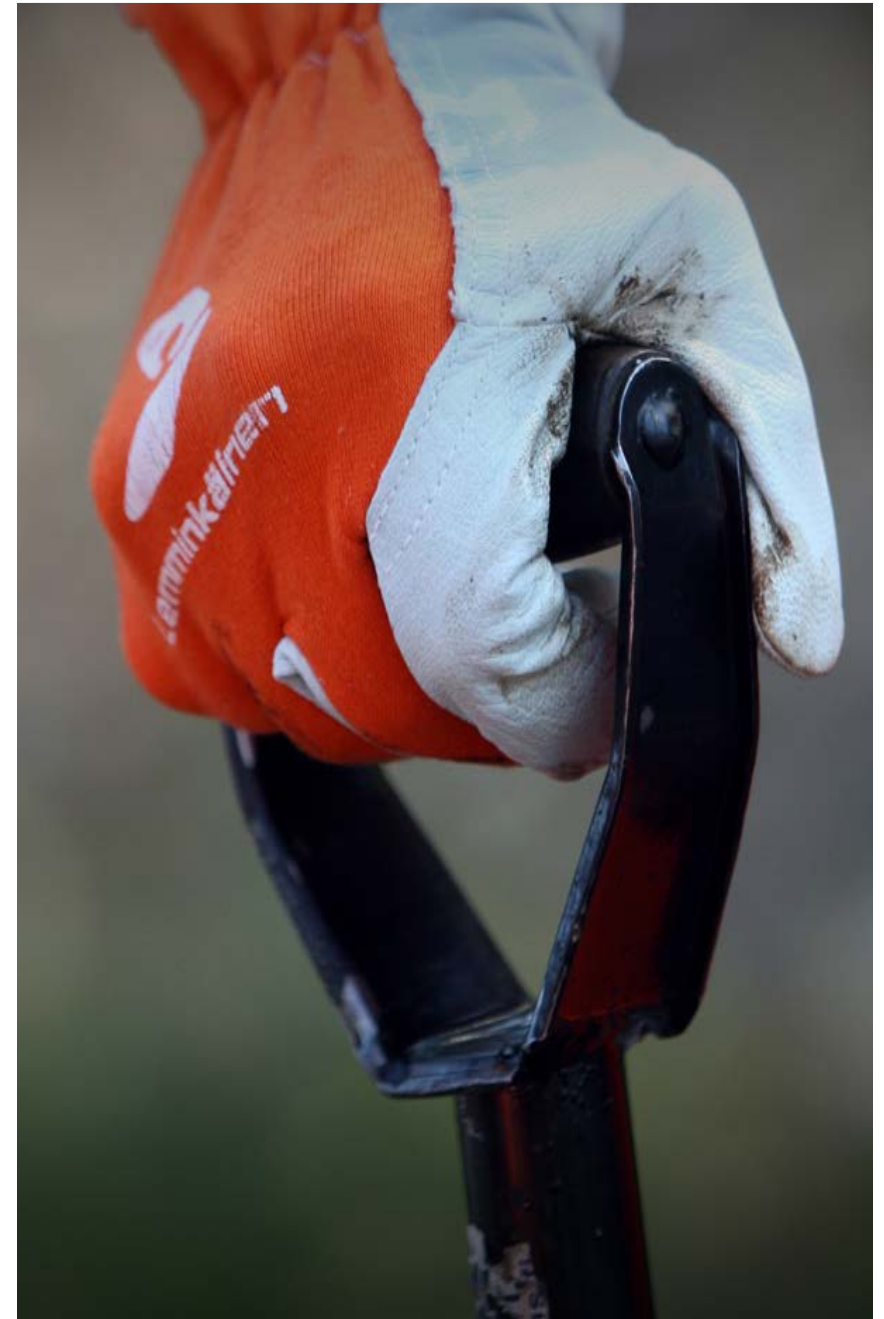
Financial statements bulletin 2013:

“Full year losses derived from non-recurring items and challenges
in international operations.”



Contents

- **Group performance**
- **Balance sheet, financing and cash flow**
- **Outlook and guidance**
- **Strategy**
- **Segment reviews**



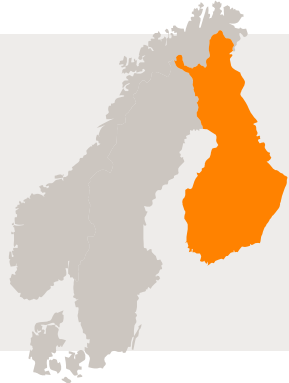


- **Group performance**
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Operating environment in 2013: High activity in growth centres, biggest potential still in Scandinavia and Russia

Finland



- Demand in construction strongly focused in growth centres
- Housing sales proceeded well, more trades with investors
- Demand in special infrastructure works at a good level

Scandinavia



- Strong infrastructure construction market in Sweden and Norway
- New players in the market intensified price competition
- Exceptional delays in the season start due to the harsh winter

Russia and the Baltics



- In St. Petersburg, the demand for comfort-class housing was still high
- Plenty of construction and repair work of major highways in Russia and the Baltics



Financial year 2013

- Operationally weak year
- High level of non-recurring items
- Good order book
- Residential construction picked up speed in Russia
- EUR 30 million efficiency improvement measures launched
- New strategy for 2014 – 2018





Losses due to non-recurring items and challenges in international operations

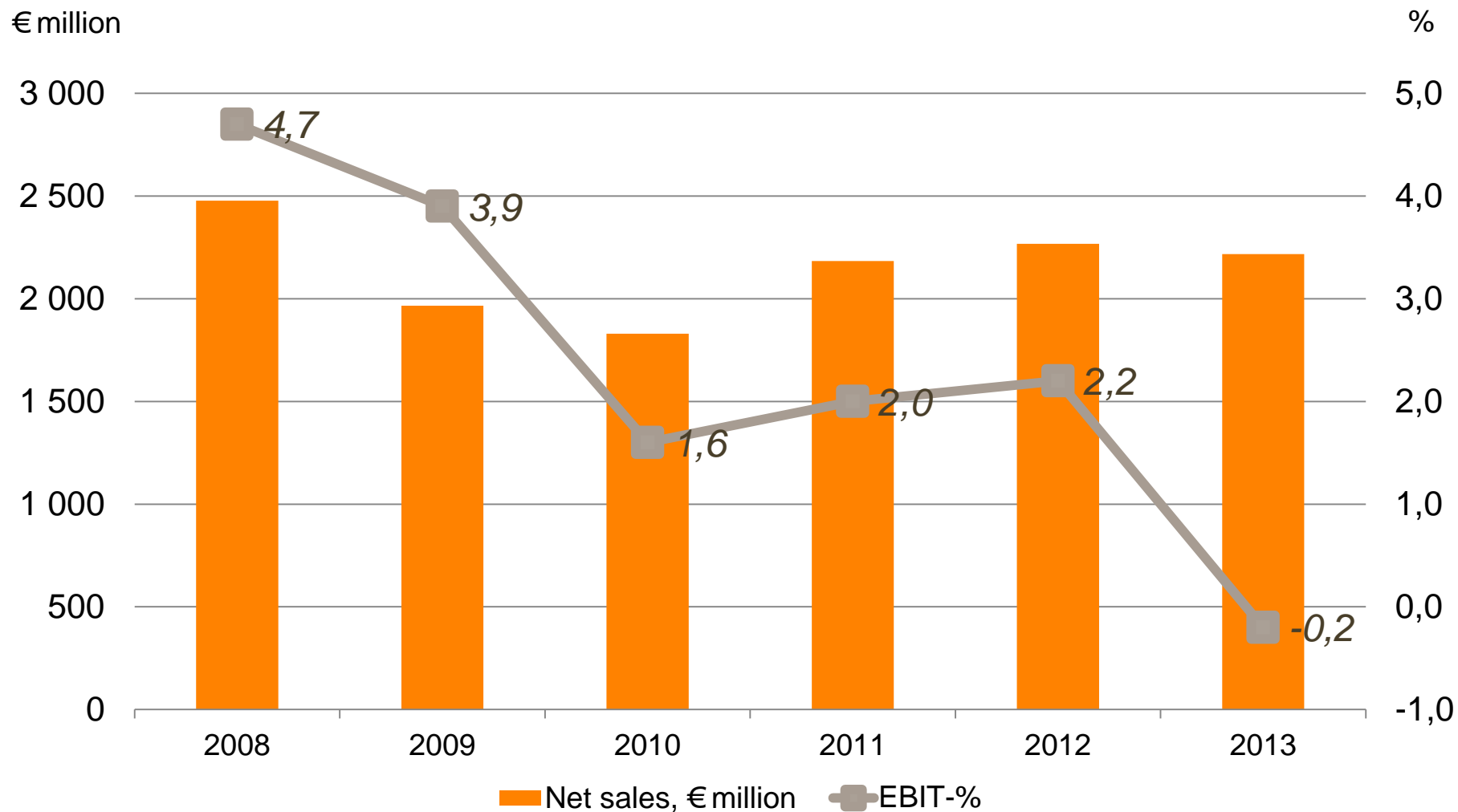
Key figures		Q4/ 2013	Q4/ 2012	Change	FY2013	FY2012	Change
Net sales	€ million	639.5	668.6	-29.1	2,218.2	2,267.6	-49.4
EBIT, excluding non-recurring items	€ million	-16.3	24.0	-40.3	-5.2	50.4	-55.6
% of net sales	%	-2.5	3.6	↓	-0.2	2.2	↓
EBIT	€ million	-102.0 ¹⁾	24.0	-126.0	-90.9 ¹⁾	50.4	-141.3
Profit for the period from continuing operations	€ million	-85.8 ¹⁾	9.1	-94.9	-93.5 ¹⁾	20.4	-113.9
EPS from continuing operations	€	-4.45 ²⁾	0.26	-4.71	-5.06 ²⁾	0.83	-5.89
EPS	€	-4.45 ²⁾	0.28	-4.73	-5.06 ²⁾	2.04	-7.10
Cash flow from operations	€ million	-22.0	19.0	-41.0	8.3	57.8	-49.5

1) Includes non-recurring items from the District Court's decision on damages related to the asphalt cartel (EUR 65.6 million) and write-downs mainly from commercial properties (EUR 20.1 million).

2) Includes expenses from the District Court's decision on damages related to the asphalt cartel (EUR -3.35/share) and write-downs mainly related to commercial properties (EUR -1.03/share).



Negative result in 2013



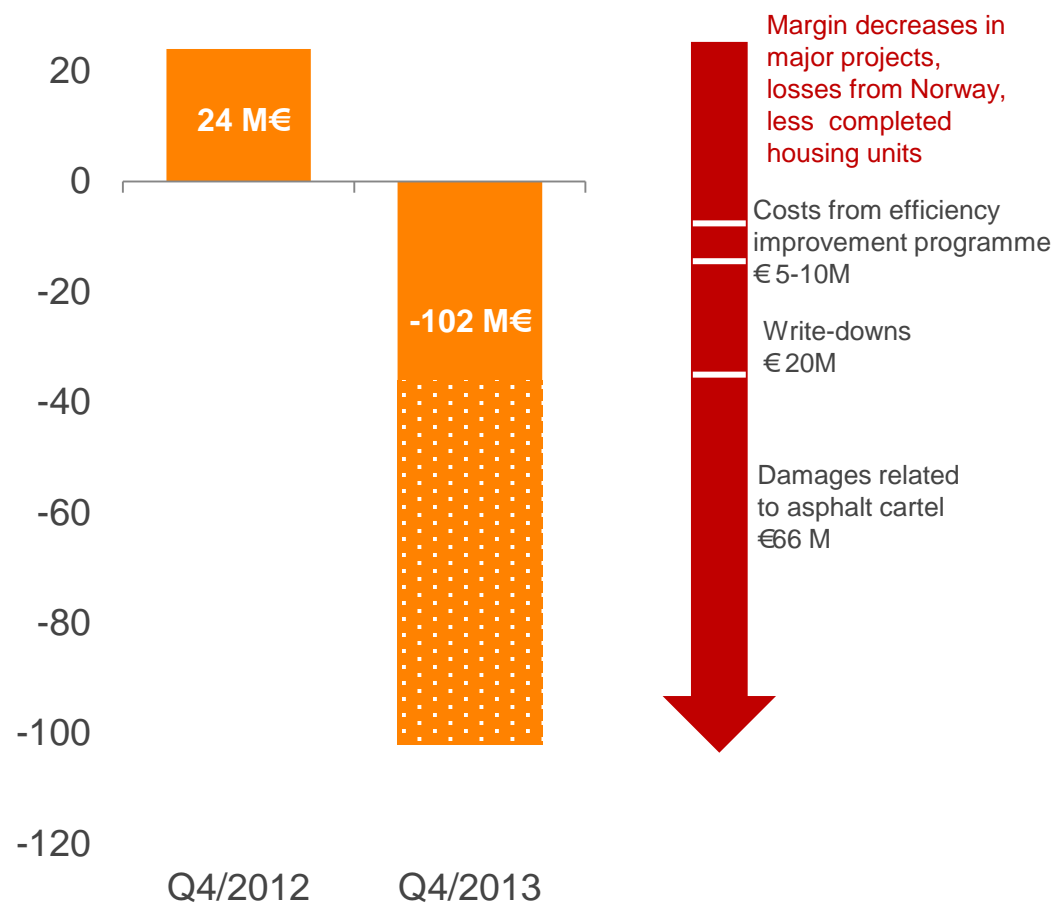
2009 does not include the infringement fine related to the asphalt cartel EUR 54 million

2013 does not include the expenses from the damages related to the asphalt cartel EUR 66 million nor the write-downs EUR 20 million

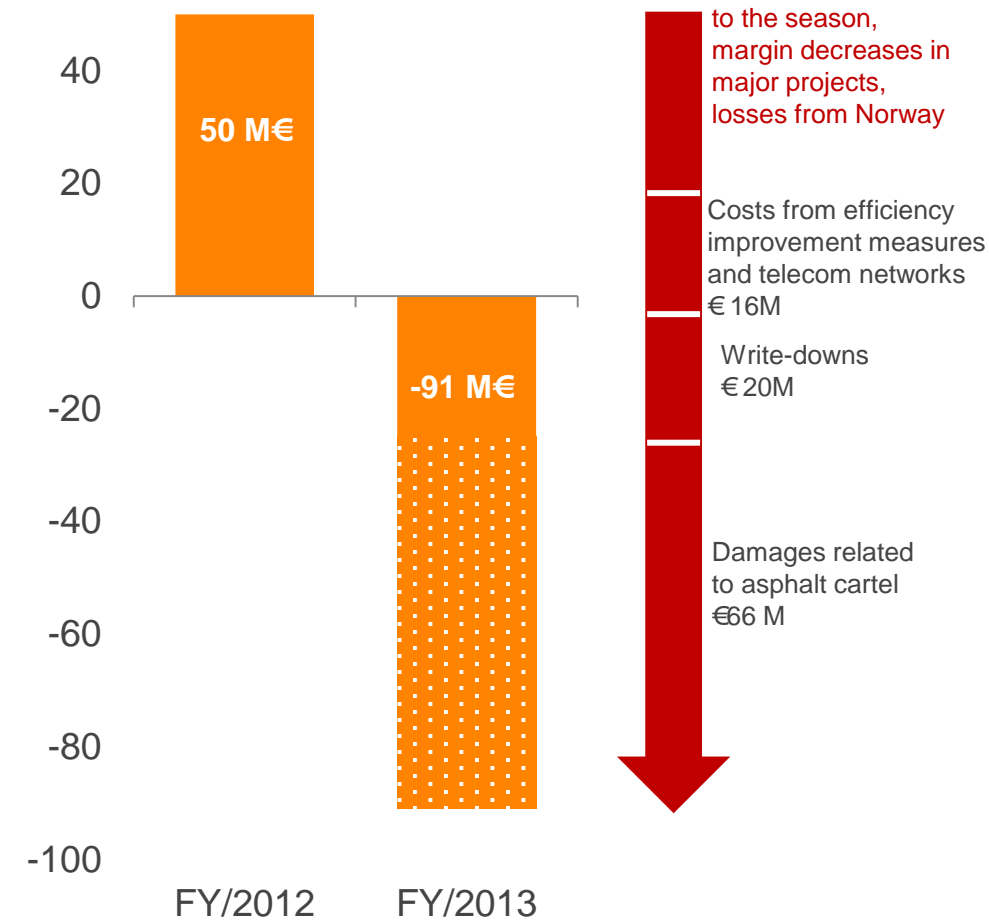


Operating profit clearly weaker both in Q4 and FY 2013

**Q4/2012 → Q4/2013:
-126 M€**



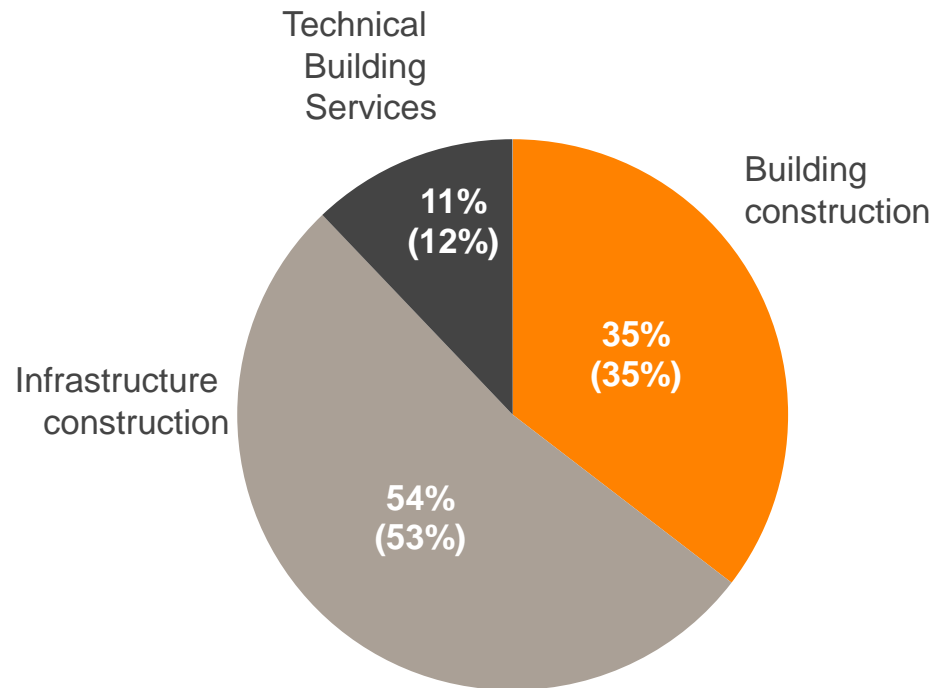
**FY/2012 → FY/2013:
-141 M€**



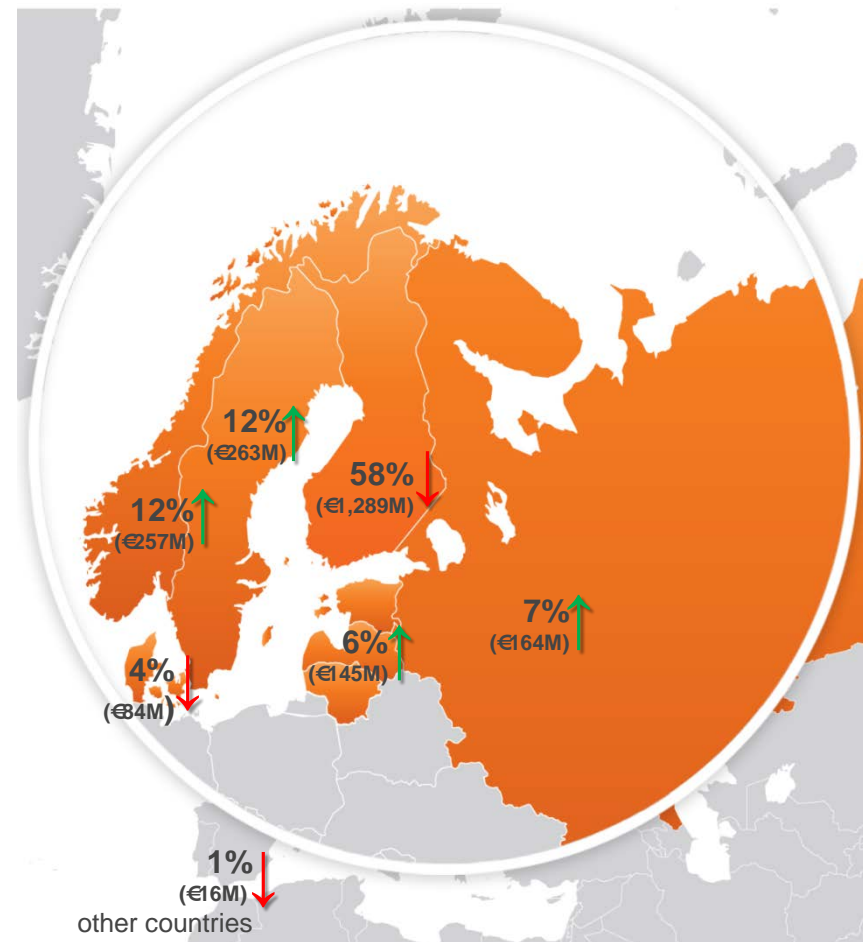


International operations account for 41% of Group's net sales

Net sales by business type in 2013 (2012)



Net sales by country in 2013





Segment overview in 2013

International operations



- Delayed paving season in all countries
- Operations in Norway unprofitable
- Margin decreases in major projects in SWE, NOR and RUS
- €10 M one-offs (incl. write-downs €3 M)
- Residential construction in RUS accelerated
- IC in Baltics and BC in Sweden performed well

EBIT (M€ 2012 → 2013)

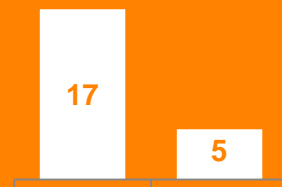


Building construction



- Housing sales progressed well, amount of completed unsold units down from last year, fewer completed units compared to 2012
- Margins in contracting still very low
- EUR 14 million write-downs of commercial properties

EBIT (M€ 2012 → 2013)



Infrastructure construction



- High activity in Q3 compensated the delayed start of the season
- Special infrastructure projects progressed well
- Volume declined in mineral aggregates and foundation engineering
- Individual loss-making projects in Q4
- EUR 3 million write-downs in mineral aggregate's stocks

EBIT (M€ 2012 → 2013)



- Slight improvement in profitability towards the year end
- Segment's result and volume burdened by delayed project start-ups: impacted especially in contracting
- Market situation weak due to the decline in building construction
- Demand for upkeep and maintenance services remained good.

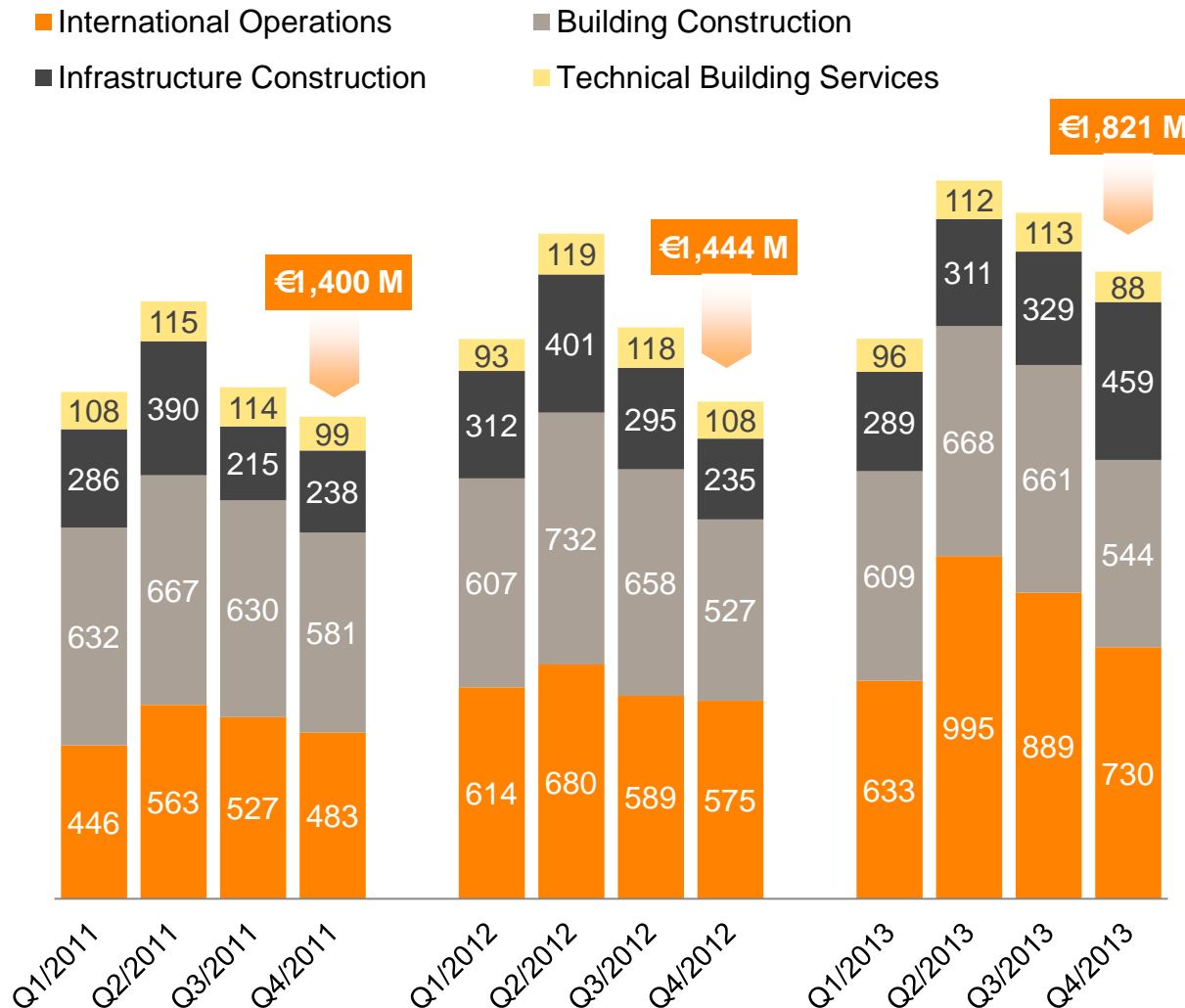
EBIT (M€ 2012 → 2013)



Costs from efficiency improvement measures affected the results in each segment



Order book grew the most in Building construction in Russia and Infrastructure construction in Finland



- ✓ Order inflow in Q4: €391 million
- ✓ Share of International Operations 40%
- ✓ Growth from Russian BC and Finnish IC



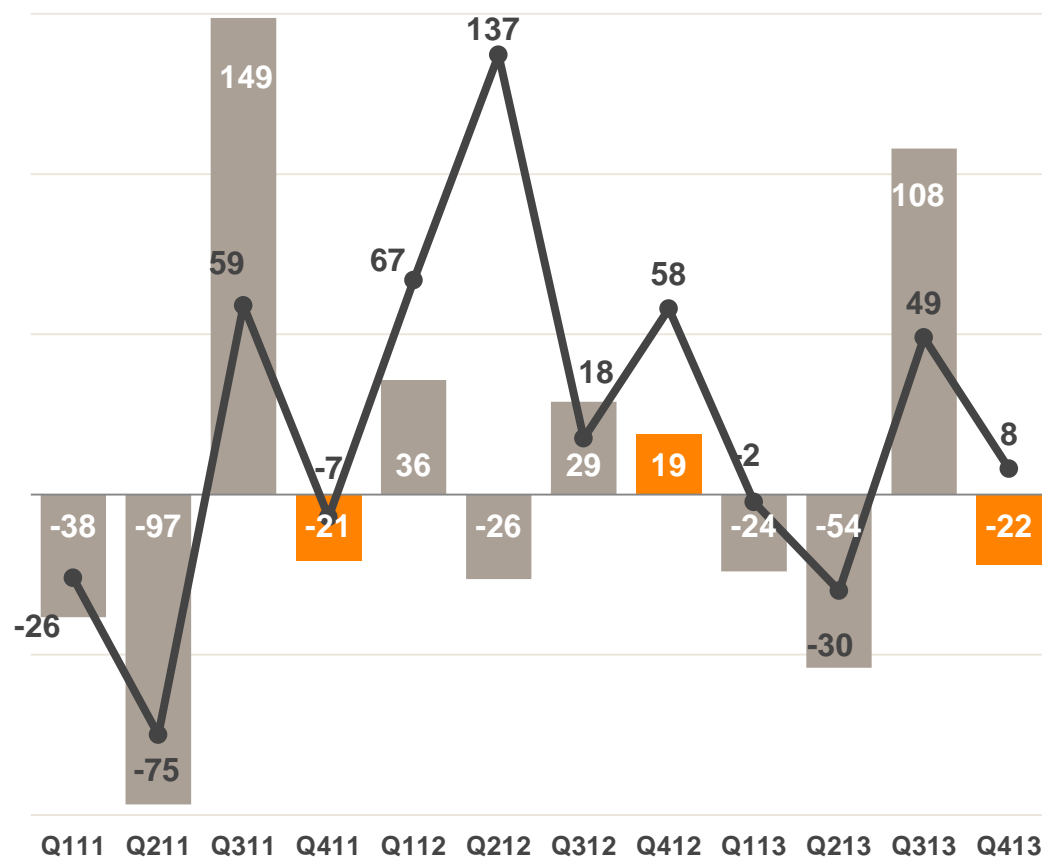
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FY cash flow positive despite the negative result

■ Cash flow from operations by quarter, € million

● Cash flow from operations, rolling 12 months, € million



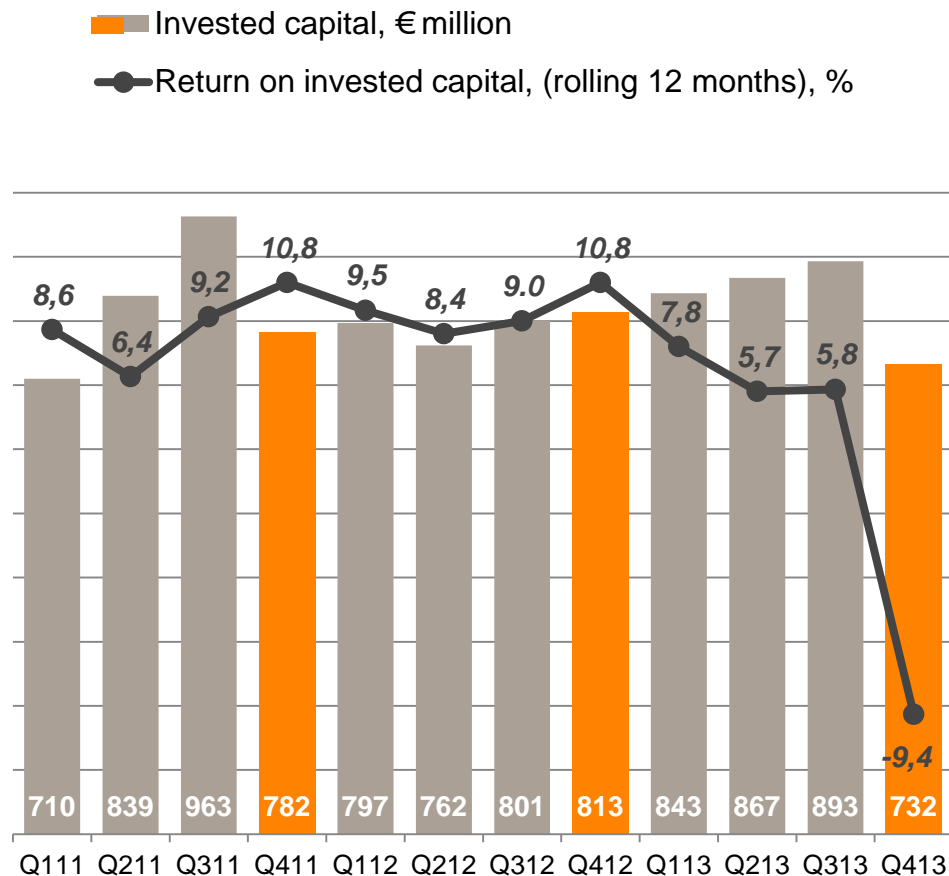
- Q4 cash flow declined by €41 M (Q4/13 vs. Q4/12)
- FY cash flow declined by €50 M (FY2013 vs. FY2012)

Changes due to:

- Clearly negative result
- + efficiency measures in working capital



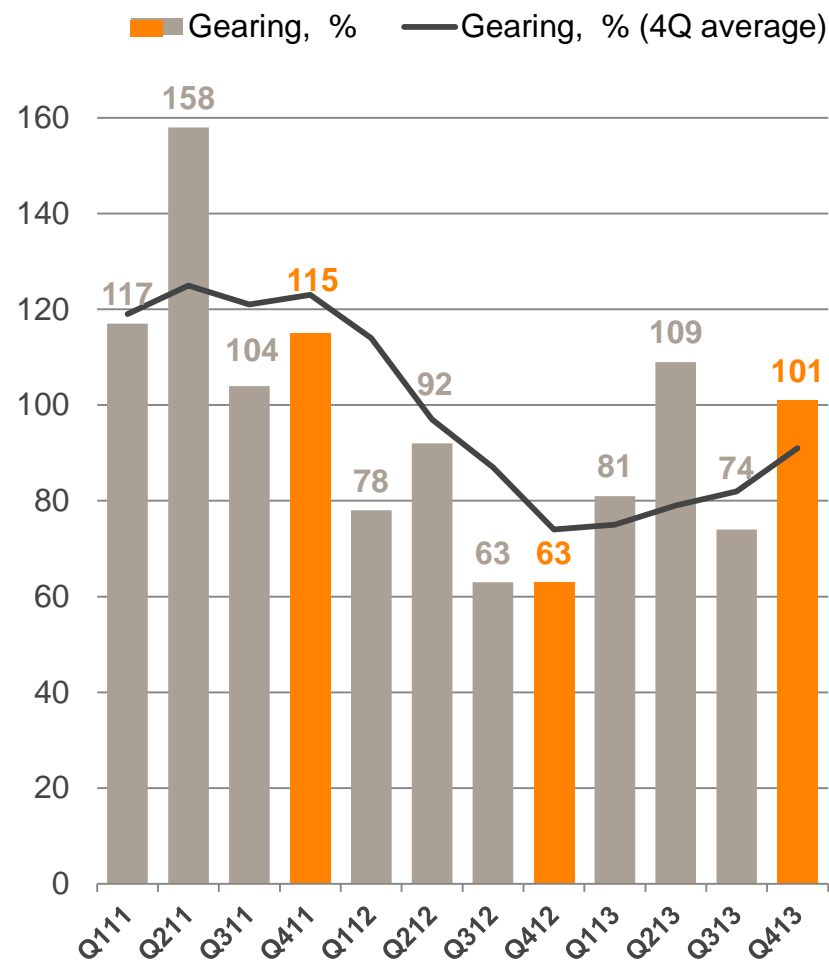
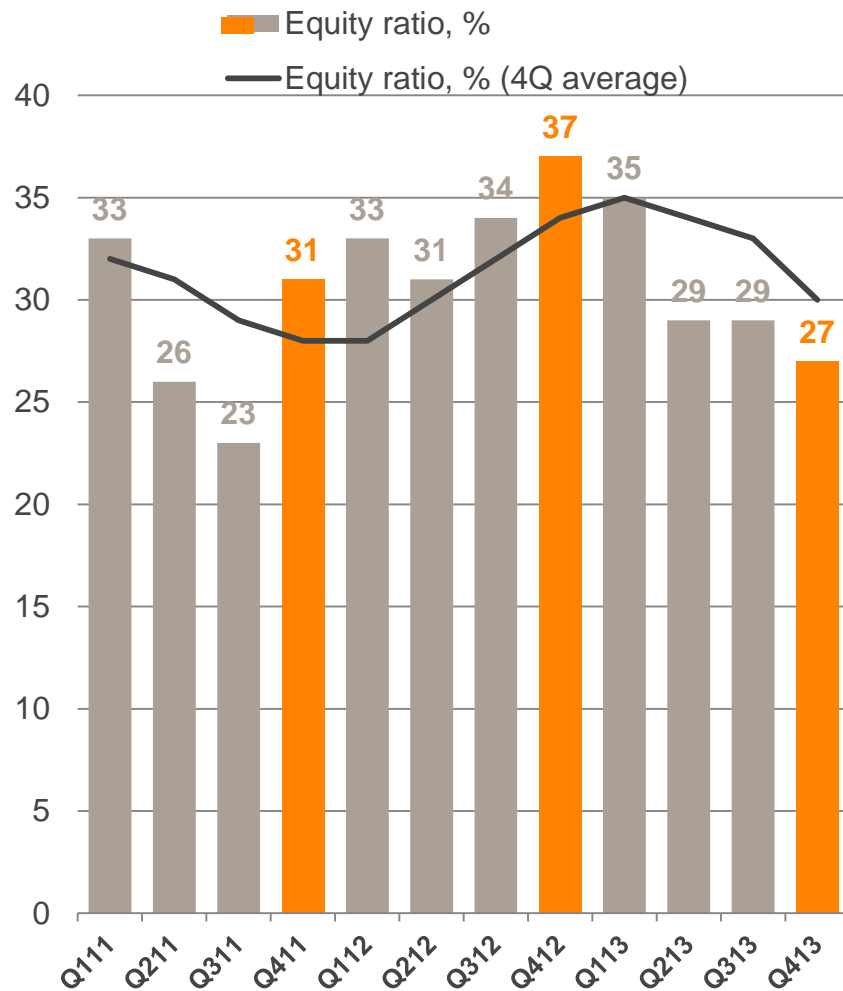
Clearly negative result impacted ROI-%



- Company's strategic ROI target of 18% requires an EBIT-margin of 5% with the present balance sheet structure
- Measures to streamline the invested capital:
 - Improving the capital turnover
 - Efficiency measures in working capital

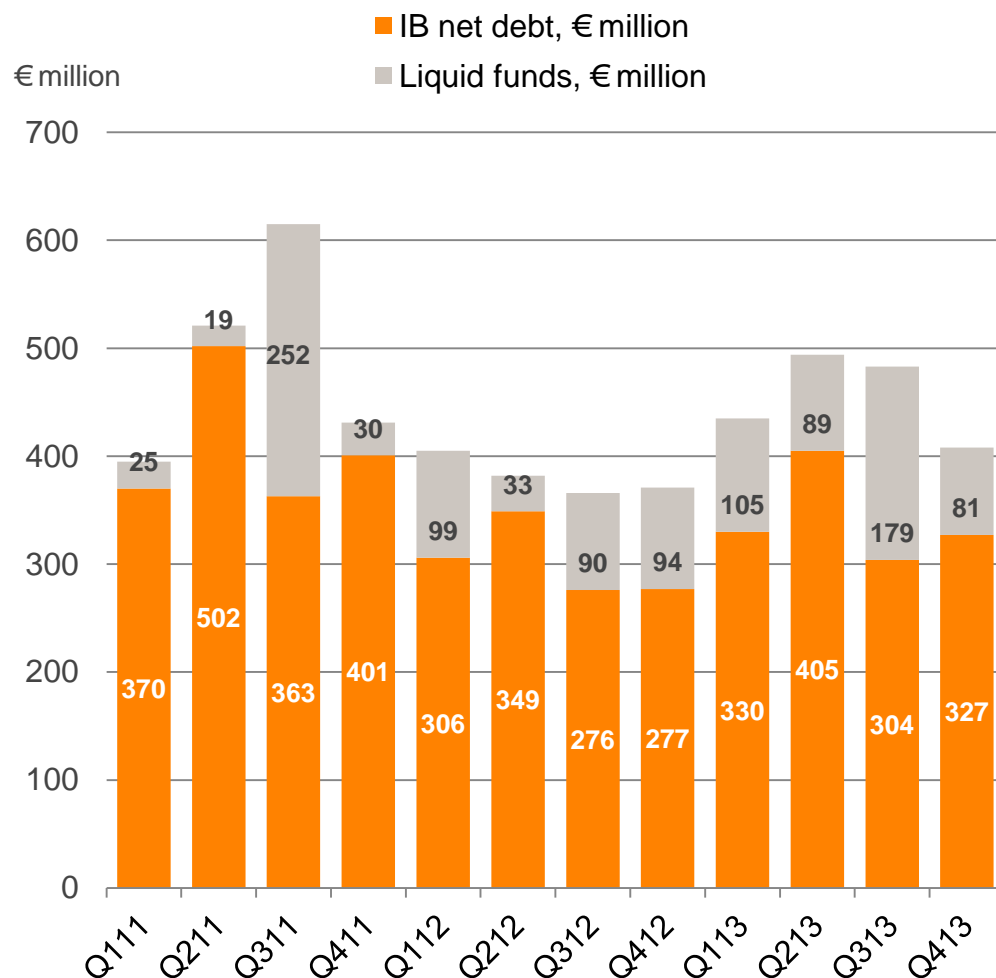


Equity ratio (%) and gearing (%)





IB debt and liquid funds grew year-on-year



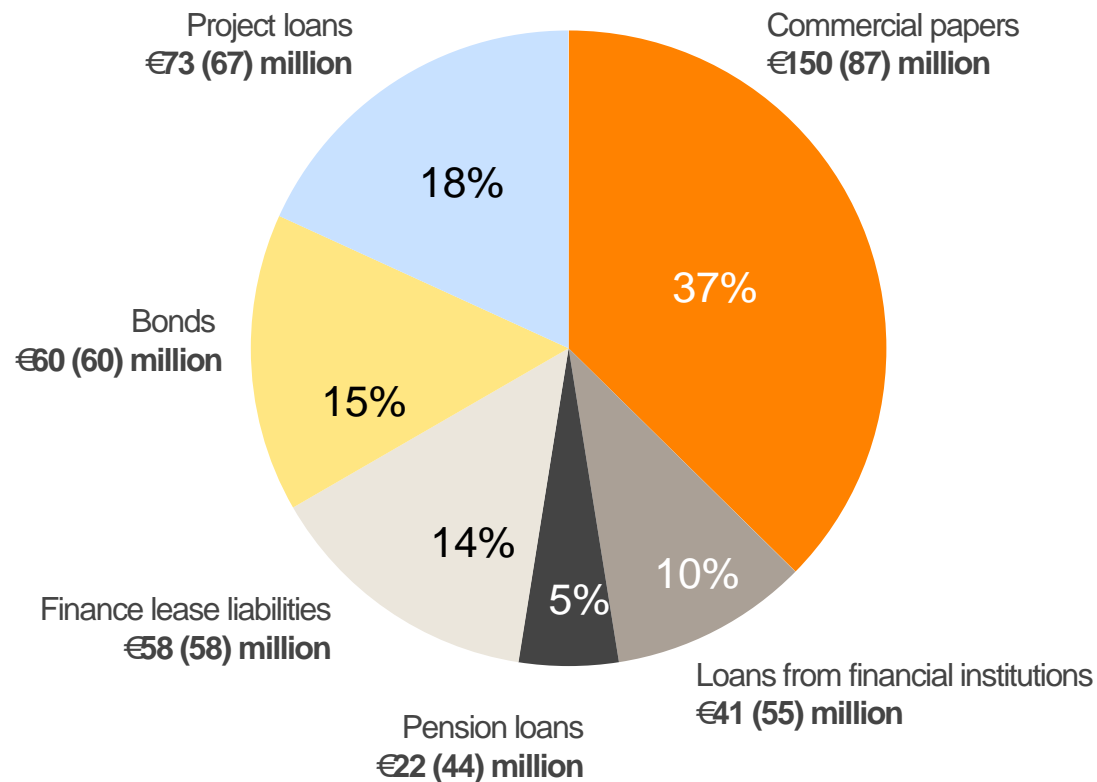
NOTE: Damages related to asphalt cartel not in IB debt

31/12/2013 vs. 31/12/2012:

- IB debt + €36 million
 - Liquid funds - €13 million
 - IB net debt + €50 million
- IB debt €408 million
 - €61 million (15%) long term
 - €346 million (85%) short term
 - Net finance costs in 2013: €27 million (€21 million)
 - renewed and increased financing limits
 - increasing currency hedging costs
 - increase in IB debt



Debt portfolio on 31 December 2013

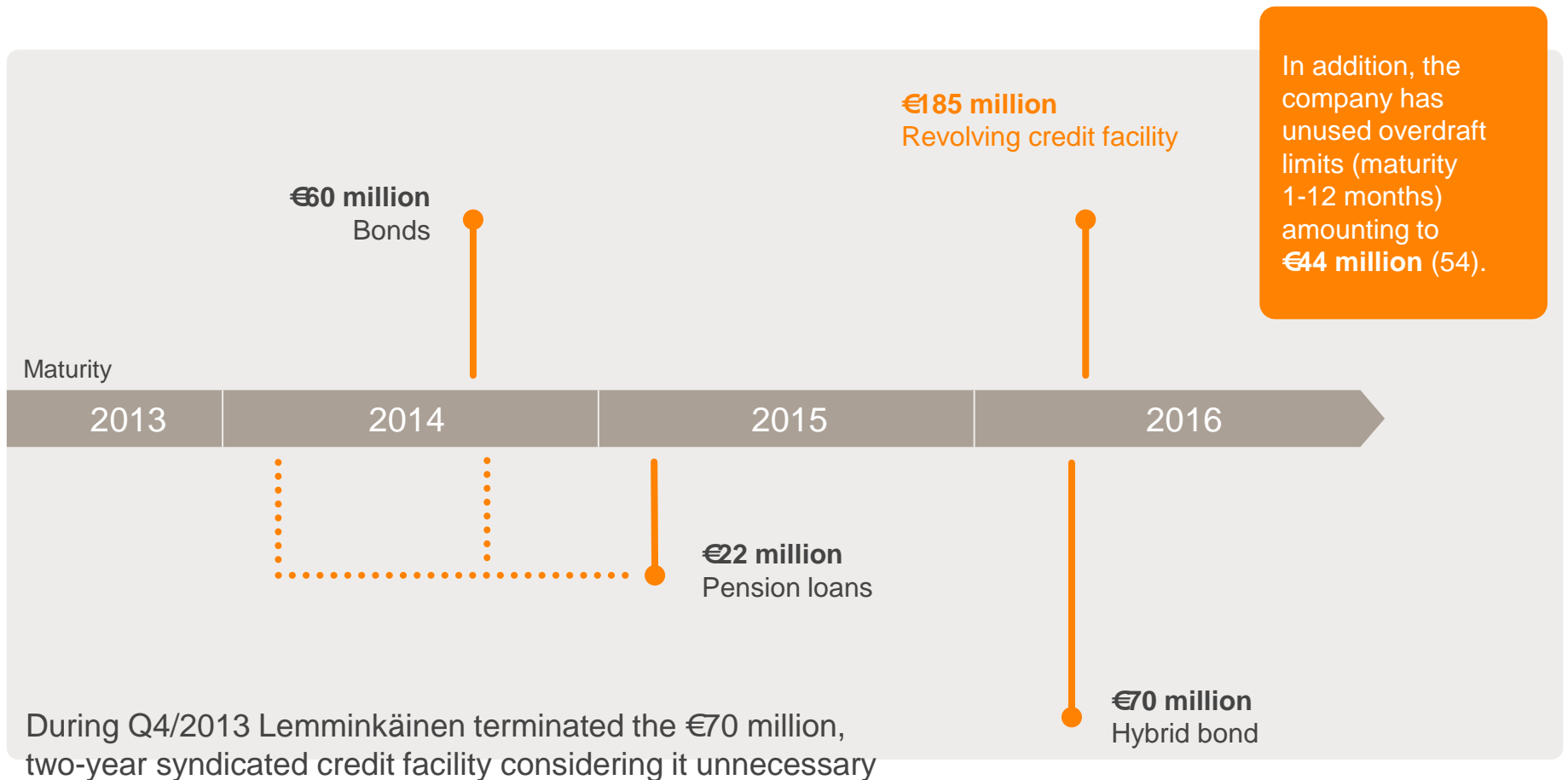


Year 2013

- The share of commercial papers grew in the debt portfolio
- Average duration of commercial papers was 3.4 months and average interest rate 1.06%
- Financing expenses, on average, were 2.9% (3.1)

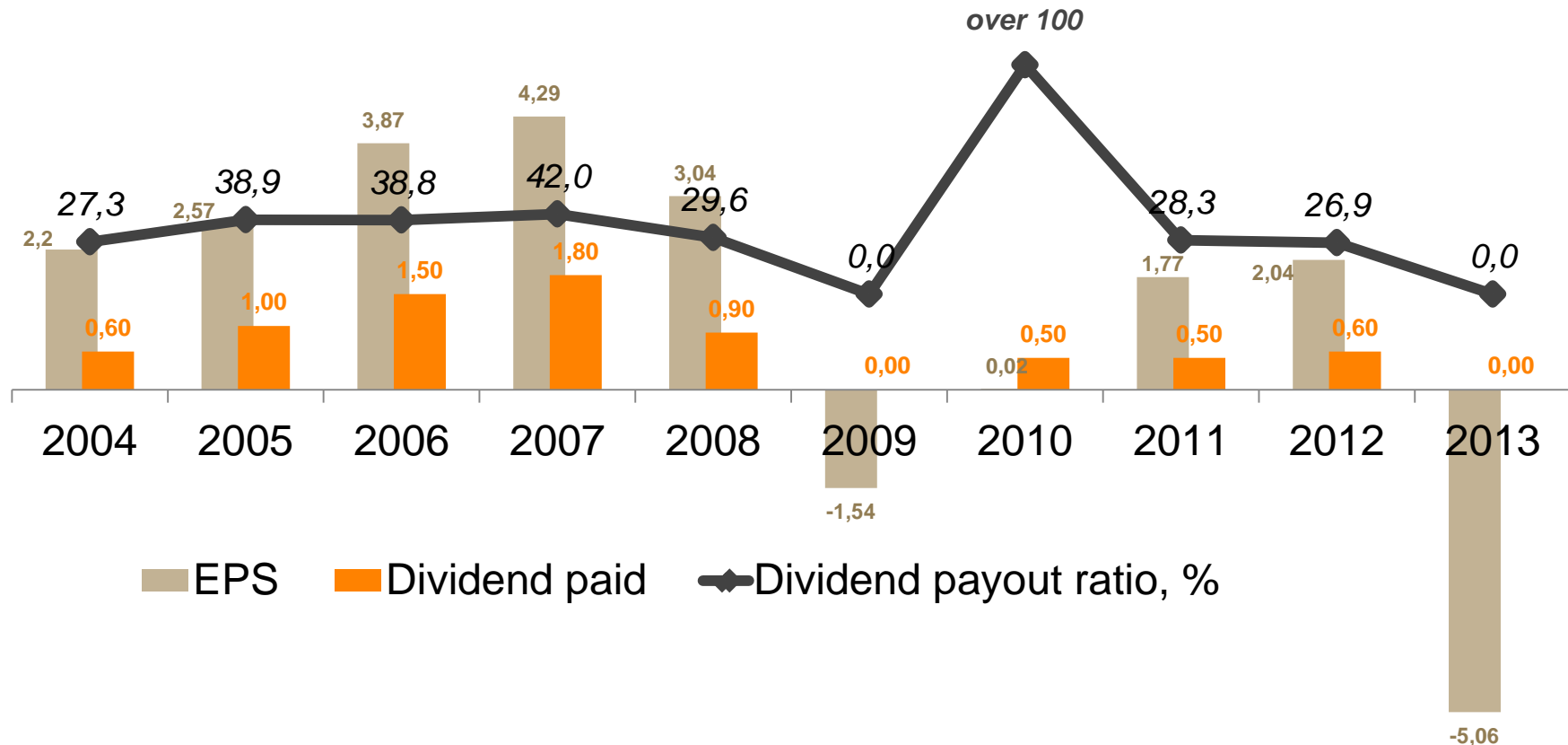


Financing maturity





The Board proposes no dividend to be paid for FY2013.





Damages related to the asphalt cartel

- Lemminkäinen recorded €66 million as expenses from the damages* in Q4/2013.
 - €49 million, Lemminkäinen's share
 - €10 million, other defendants' damages that are not able to pay their share
 - €6 million, provision for claims pending
- The damages as well as interest and legal expenses are tax-deductible.
- Lemminkäinen has paid €60 million on 2 January 2014.
- Deadline for possible appeals 31 March 2014.
- 14 claims are pending until the 39 decisions are legally valid.

* Including interest and legal expenses



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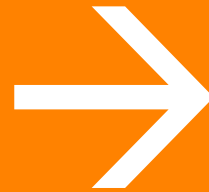


Outlook in the Lemminkäinen market area



Opportunities

- Infrastructure construction for traffic and energy industry in Scandinavia
- Construction in Russia
- New solutions in developing infrastructure in urban growth centres



Neutral outlook

- Building construction and traffic construction in Finland in selected urban growth centres
- Infrastructure construction in the Baltics

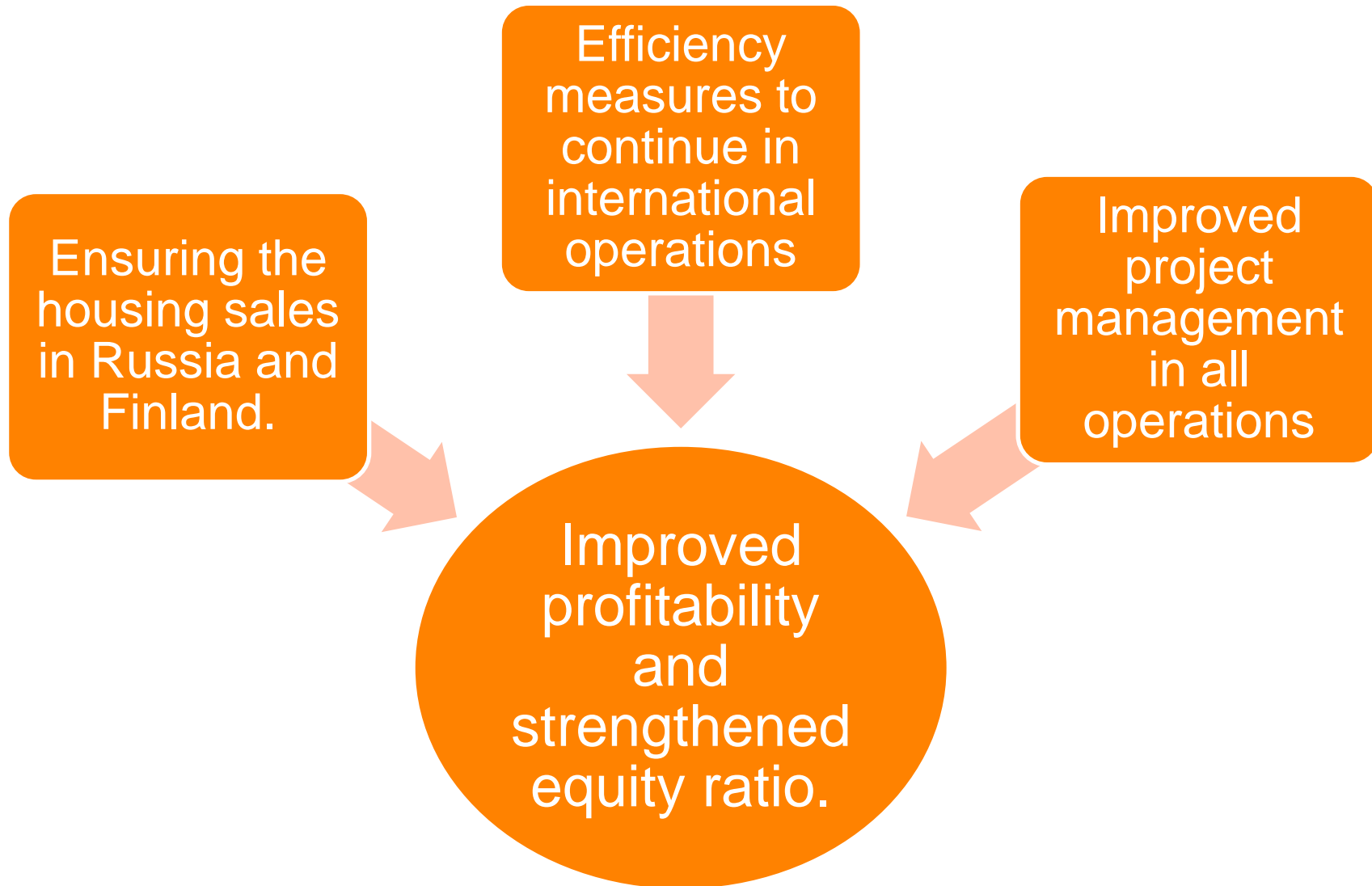


Challenges

- Construction in Finland outside the urban growth centres



Short-term priorities: Developing operational efficiency will improve profitability and strengthen the equity ratio.

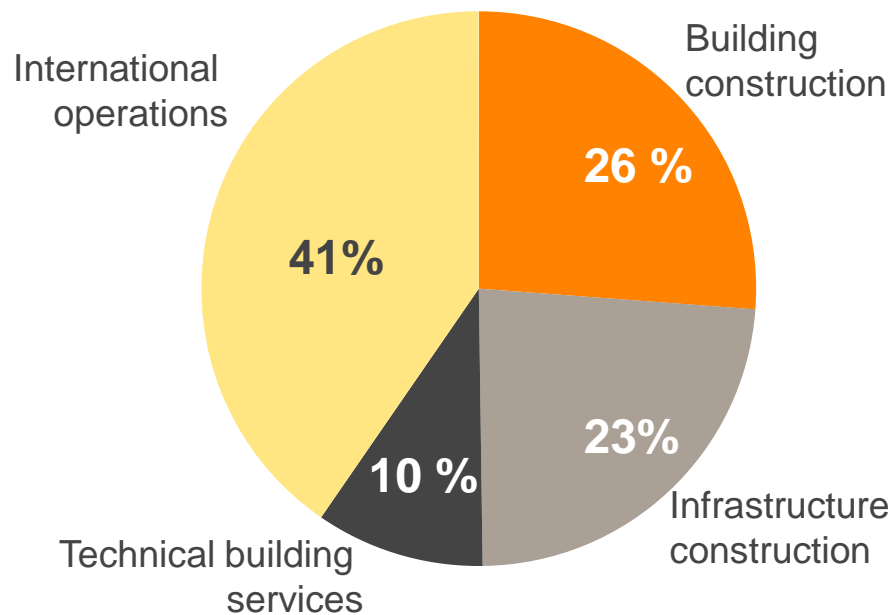




From 2014 onwards, Lemminkäinen's operations are organised into five business segments

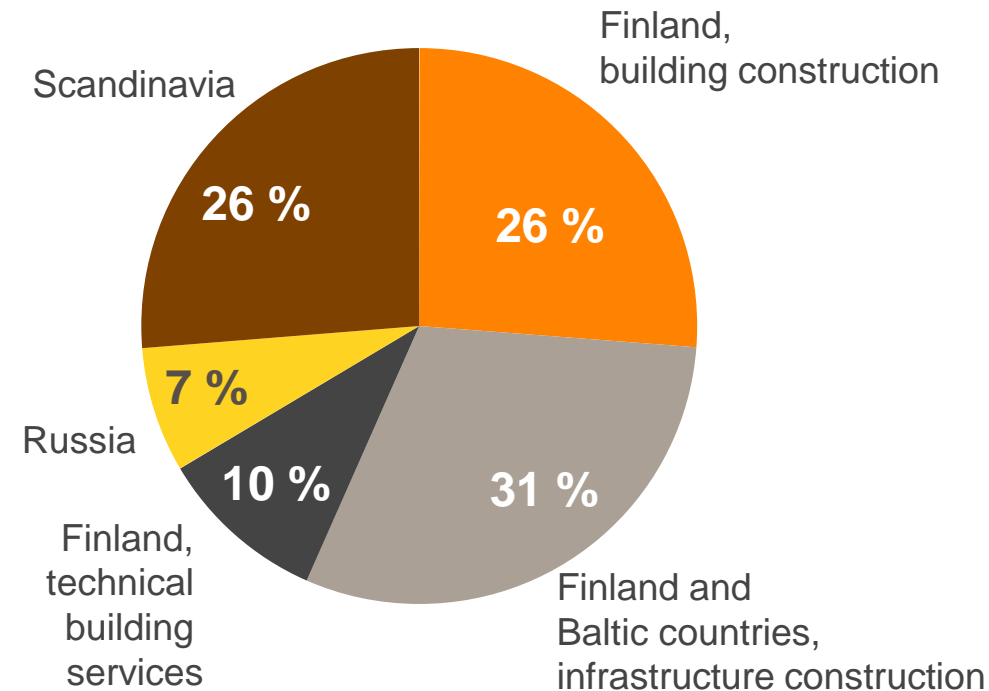
FY 2013

Business segments
(by net sales) old structure



FY 2013


Business segments
(by net sales)* new structure



* Official pro-forma figures will be published during Q1/2014



2014 Profit guidance



Lemminkäinen estimates that its 2014 net sales will be slightly lower than in 2013 but its operating profit will improve clearly on 2013.

In this case, damages related to the asphalt cartel (EUR 65.6 million) and write-downs (EUR 20.1 million) are not taken into account in the 2013 operating profit.



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Strategy for 2010–2013

Target	Target level	Actual 2013	Actual 2012	Actual 2011	Actual 2010
Net sales growth	average 10%	-2%	4%	19%	-7%
Return on investment	18%	-9%	11%	11%	7%
Equity ratio	over 35%	27%	37%	31%	35%
Dividend payout	40% of net profit	0% ¹⁾	27%	28%	over 100

1) Board of Directors' proposal



Strategy for 2014–2018

Infrastructure construction in the Nordics

- ✓ One of the leading providers of demanding infrastructure solutions
- ✓ Growth also through acquisitions

Construction in Russia

- ✓ Residential development and construction in selected urban growth centres
- ✓ Widening offering in infrastructure construction

- ✓ Improving operational and capital efficiency.
- ✓ Strategic options for Technical Building Services will be examined.



Financial target levels

Return on investment

18%

Equity ratio

35%

Dividend distribution policy:

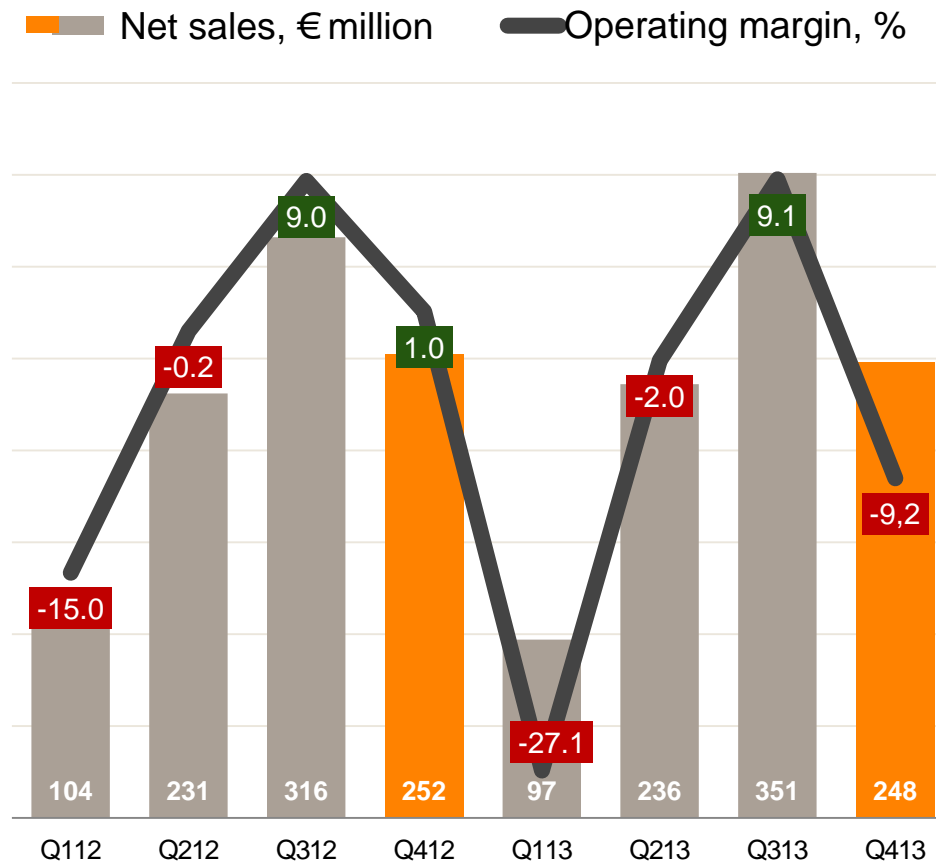
At least 40% of the profit for the financial year



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International Operations



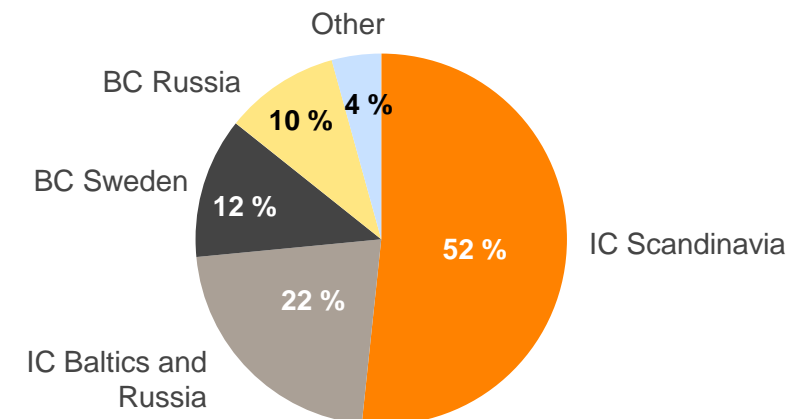
FY2013 (FY2012)

Net sales €31 (903) million
 Operating profit €-22 (15) million
 Operating margin -2.4 (1.7)%

Q4/2013

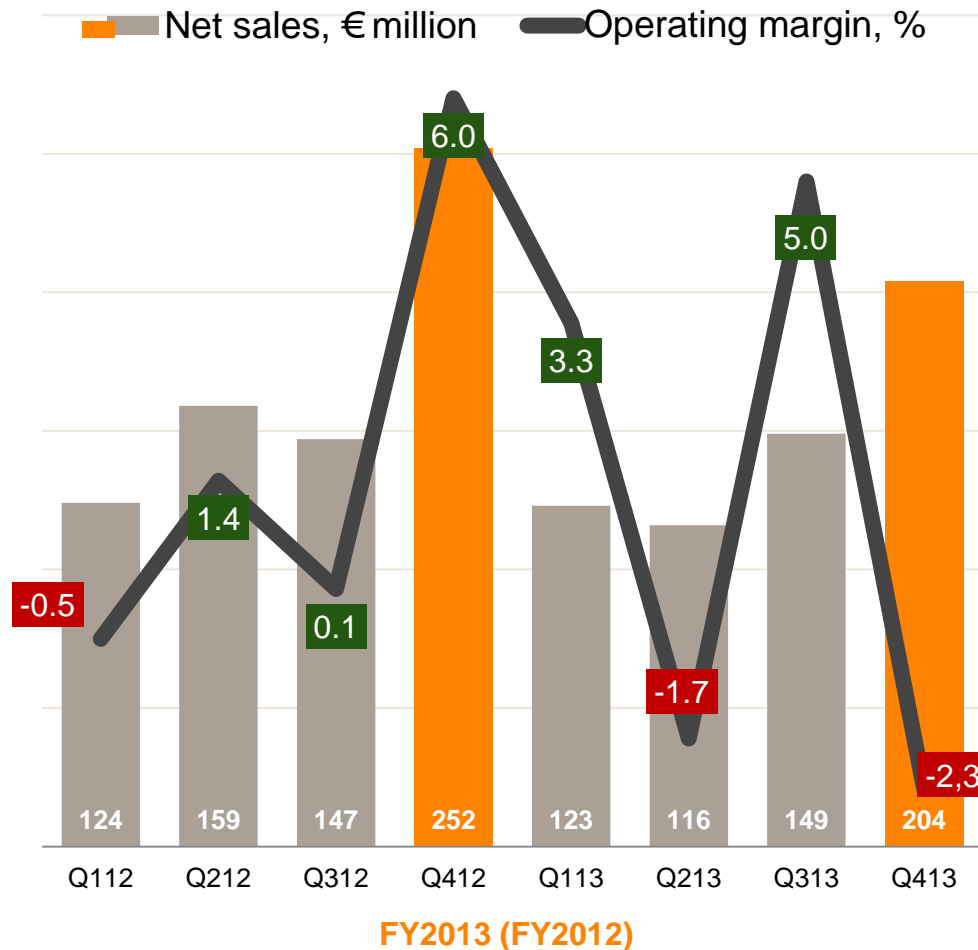
- Write-downs worth €2.7 million, related to operations in Norway.
- Profit impaired by margin decreases from major projects in Sweden, Norway, and Russia.
- In Russia, 222 residential units completed, 963 units for sale at 31 December 2013.
- Order book €730 million (575). Largest increase from building construction in Sweden and Russia.

Net sales break-down in 2013





Building Construction

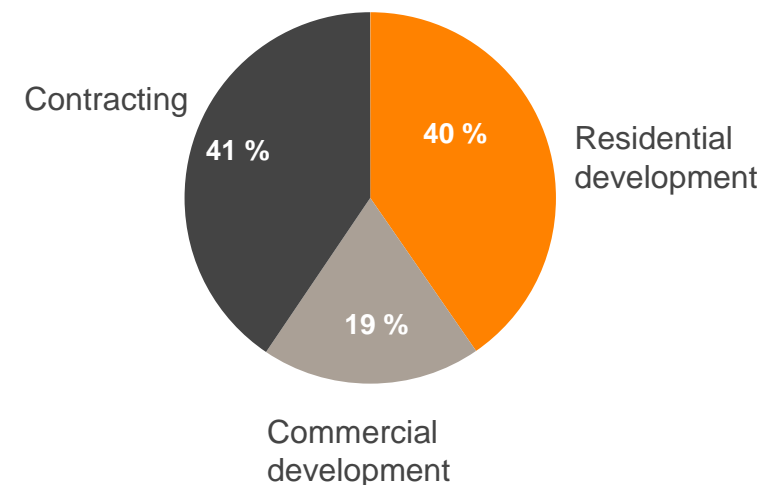


Net sales €593 (682) million
 Operating profit €5 (17) million
 Operating margin 0.8 (2.5)%

Q4/2013

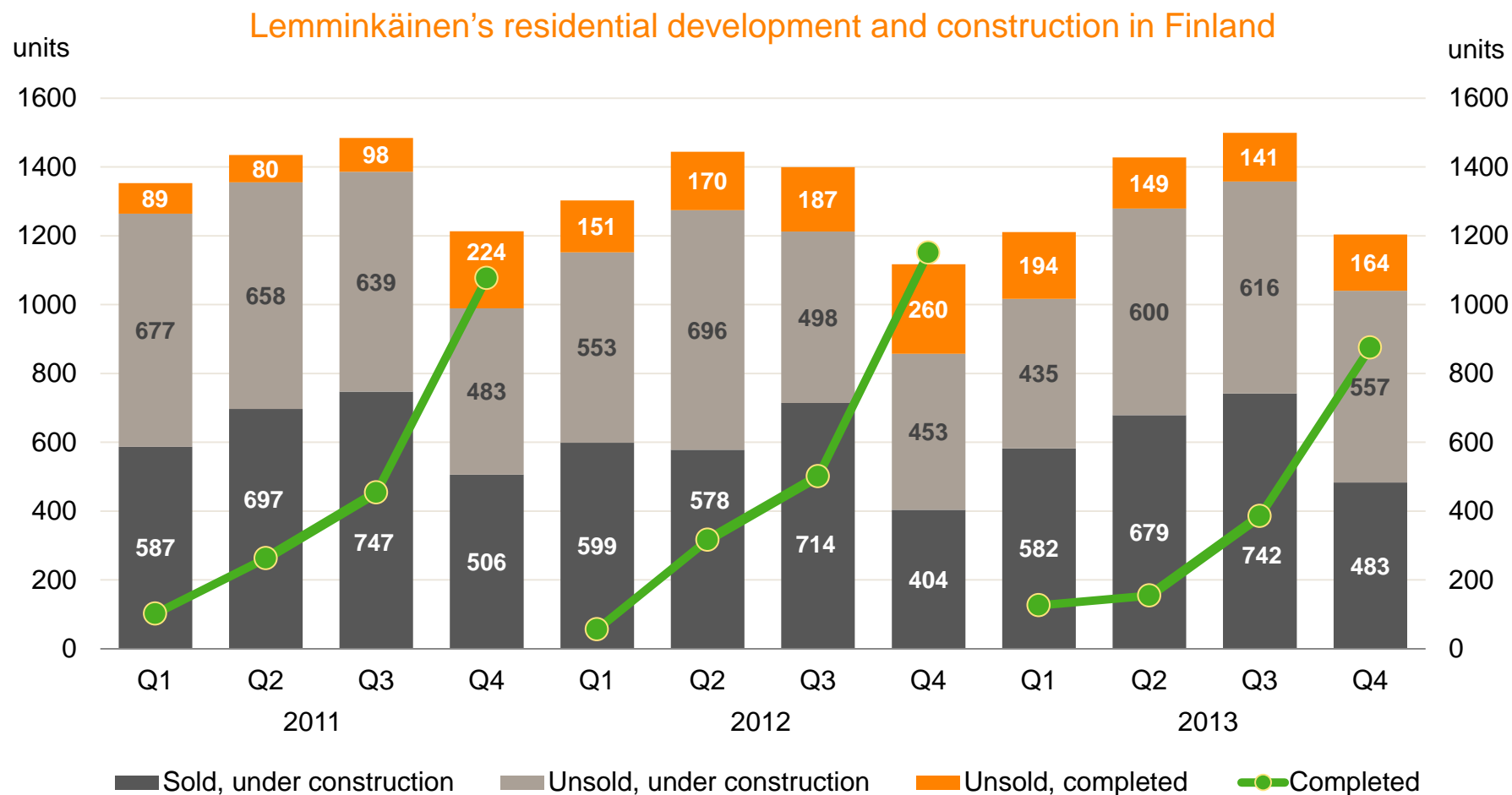
- Write-downs worth €14.1 mainly from commercial properties.
- In residential development and construction, the number of completed units decreased from 650 to 490.
- Result was impaired by unprofitable contracting projects. The company has deliberately reduced the volume of contracting.
- Order book at the end of the year €544 million (527)

Net sales break-down in 2013



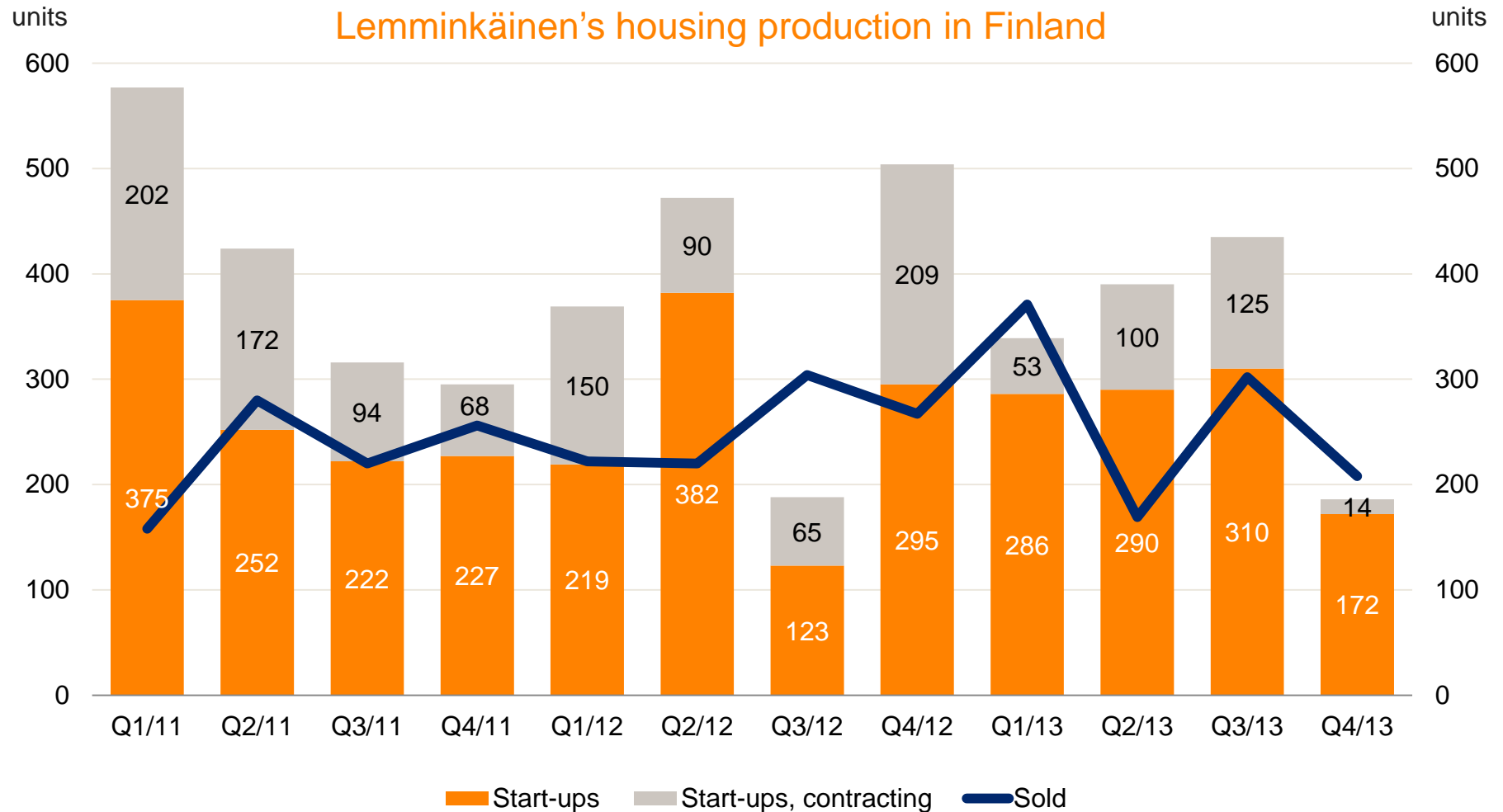


Less completed units compared to last year.





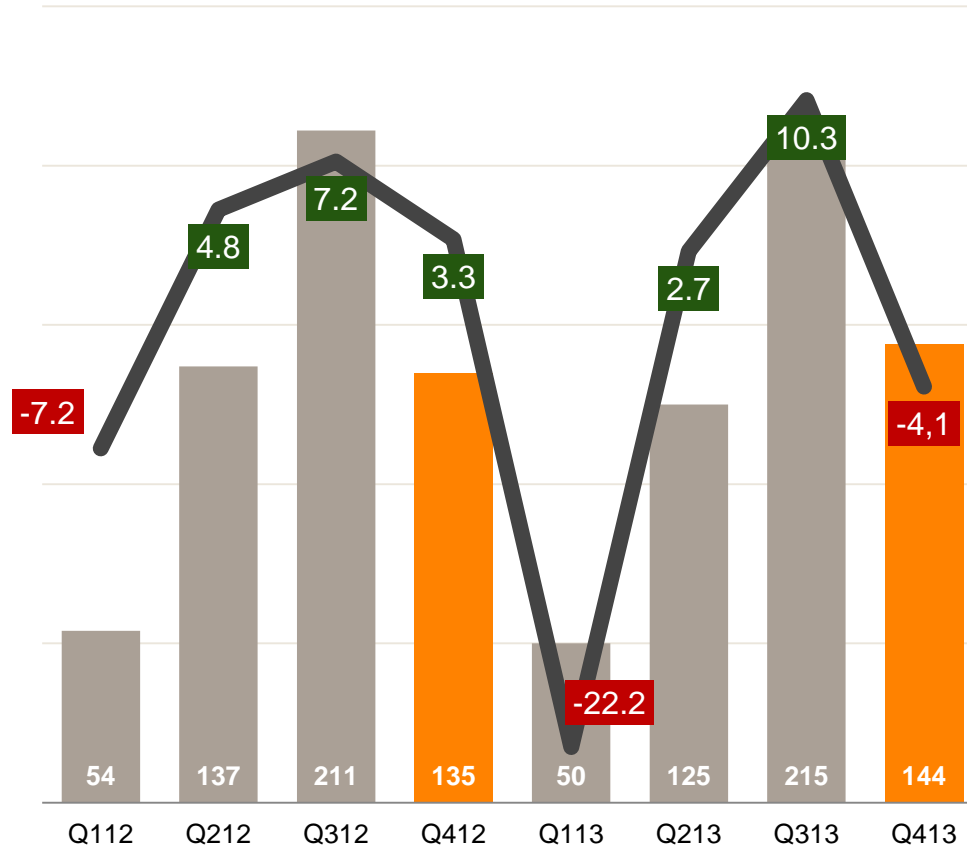
In 2013: 1,050 (1,013) units sold and 1,058 (1,019) start-ups





Infrastructure Construction

■ Net sales, € million — Operating margin, %



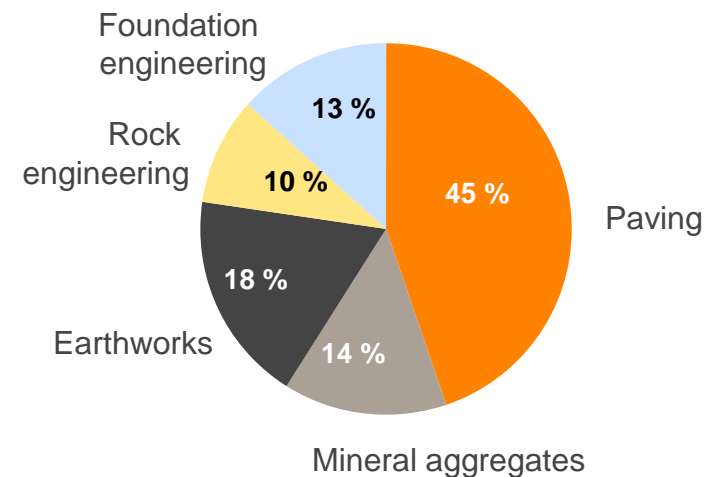
FY2013 (FY2012)

Net sales €33 (537) million
 Operating profit €9 (22) million
 Operating margin 1.6 (4.2)%

Q4/2013

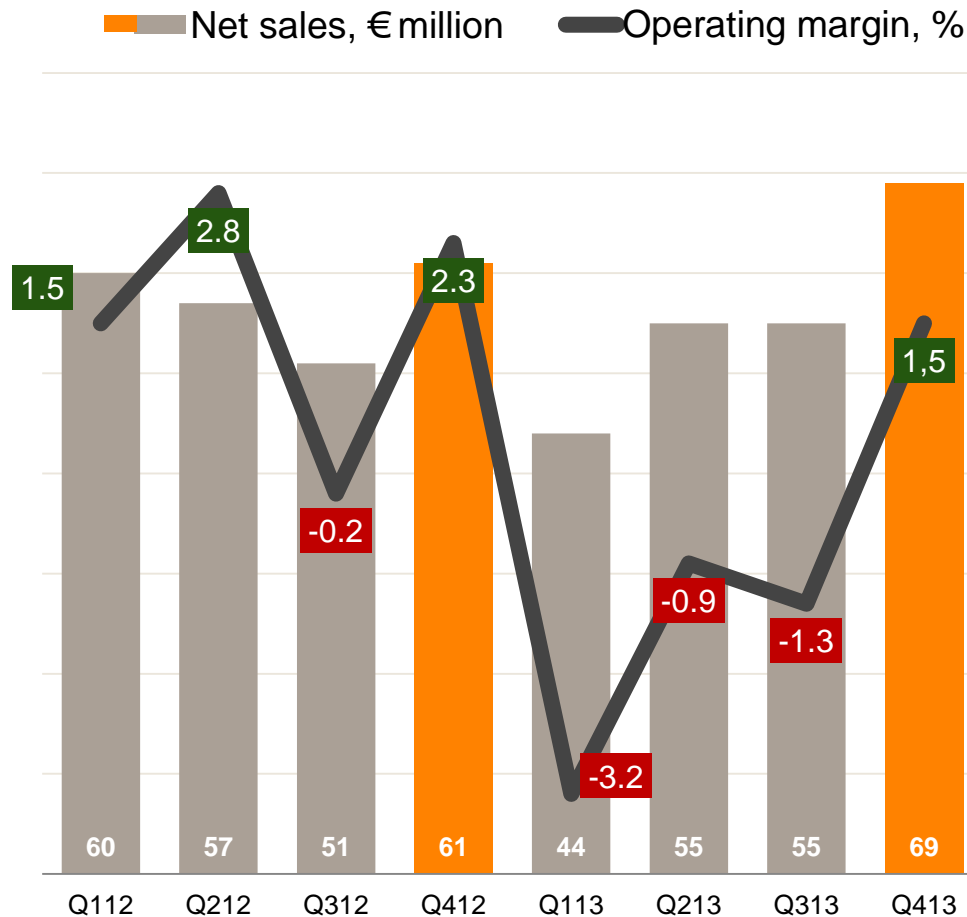
- Write-downs worth €3 mainly from mineral aggregates reserves.
- Result impaired by decreased margins in individual contracts related to earthworks and rock engineering
- Order book at the end of the year €459 million (235). Increase from specialised contracting.

Net sales break-down in 2013





Technical Building Services



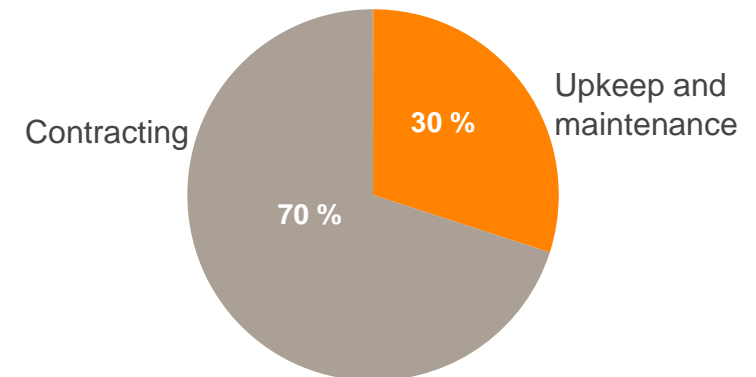
FY2013 (FY2012)

Net sales €222 (230) million
 Operating profit €1.6 (3.8) million
 Operating margin -0.7 (1.7)%

Q4/2013

- The impact of the efficiency measures to improve profitability started to show in the result
- Still with low margins in contracting, upkeep and maintenance performed better
- Order inflow decreased clearly from Q4/2012
- Order book at the end of the year €88 million (108)

Net sales break-down in 2013



Lemminkäinen

www.lemminkainen.com