

Financial Statements Bulletin 2015

Lemminkäinen



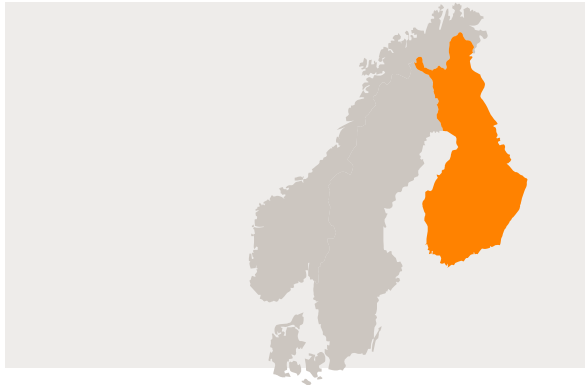
Group performance

Balance sheet, financing and cash flow

Outlook and guidance



Operating environment in 2015



Finland

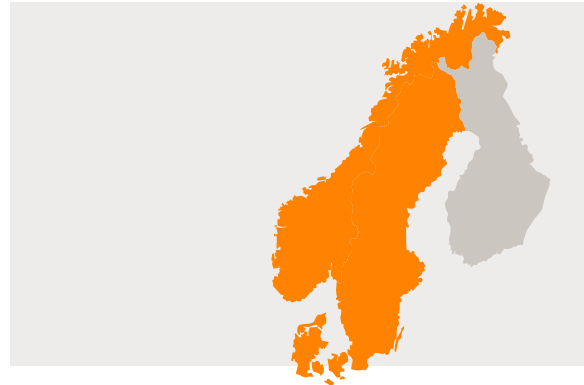
Large on-going projects in **infra**. Competition tightened.



Low oil price supported **paving**.



Housing market stable. Support from investor sales.



Scandinavia

Good demand in **infra projects** and **paving**. Intense competition.



Russia and Baltic countries

Housing sales slowed down in St. Petersburg.



Stable demand in **infra** in Baltic countries and in Russia.





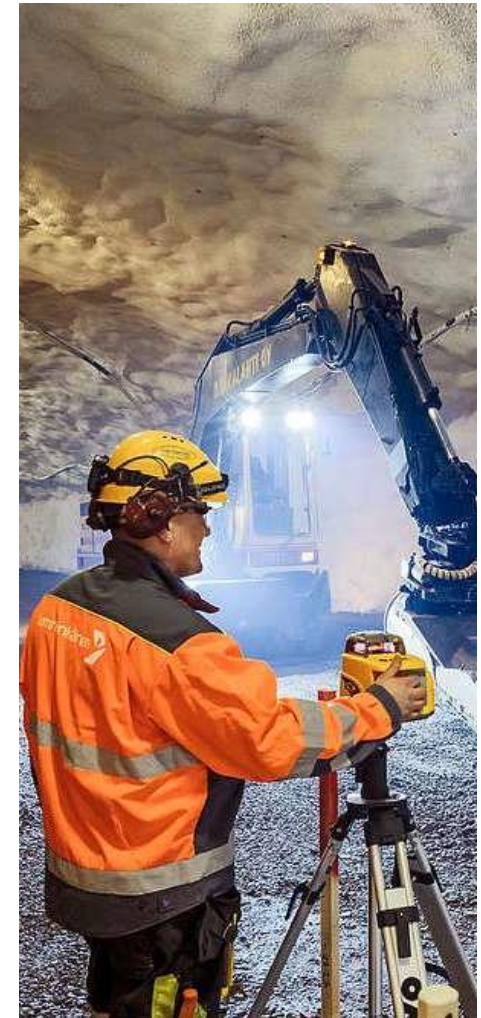
Q4 and 1-12/2015 in brief

Q4 highlights

- Net sales 528 M€ (608)
- EBIT 18.9 M€ (0.1)
 - Completion of the Tapiola 2 project in Russia

1-12/2015 highlights

- Net sales 1,879 M€ (2,044)
- EBIT 37.3 M€ (36.3)
 - Many operational successes: Paving operations in Finland and Denmark, Infra projects in Finland, building construction in the Helsinki metropolitan area
 - Streamlining of the portfolio and lowered risk level have had a negative impact of more than 20M€ in the 2015 result
- Improved financial position
 - Operating capital 475 M€ (590)
 - Interest-bearing net debt 127 M€ (214) despite the partial repurchase of the first hybrid bond (27 M€)
- Strong cash flow from operating activities 107 M€ (-48)
- The Board of Directors proposes to the AGM that for the financial year that ended 31 Dec 2015 the company will distribute a per-share dividend of EUR 0.12

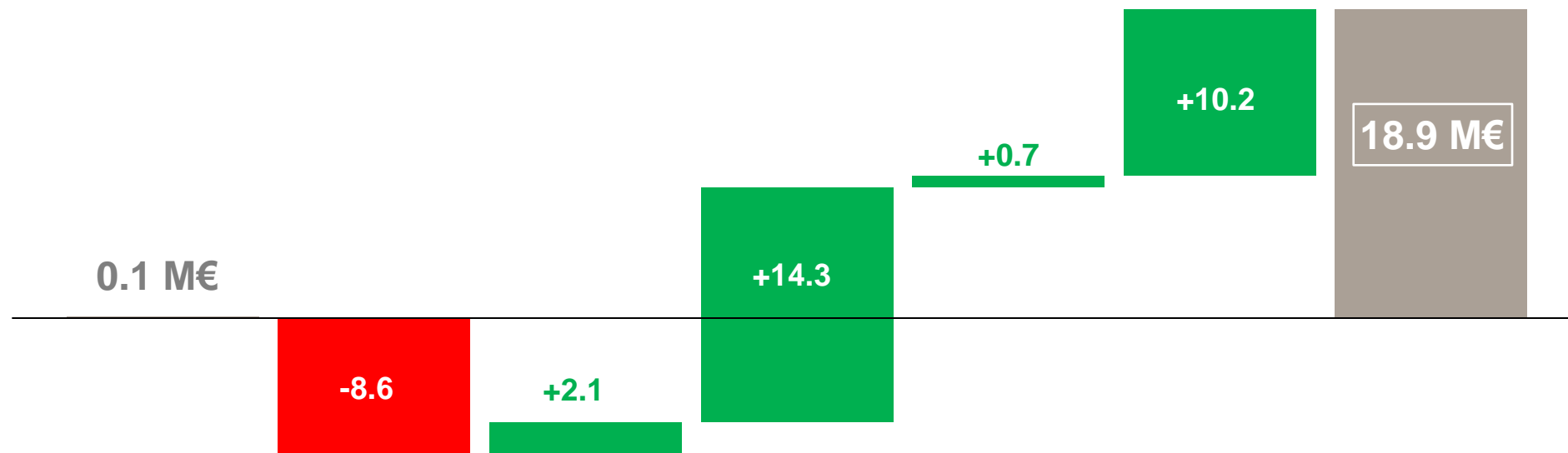




Group EBIT bridge Q4/2014 vs. Q4/2015

Q4/2014
vs.
Q4/2015

Group Q4/2014	Paving Q4/2015 (Q4/14)	Infra projects Q4/2015 (Q4/14)	BC Finland Q4/2015 (Q4/14)	Russia Q4/2015 (Q4/14)	Others Q4/2015 (Q4/14)	Group Q4/2015
0.1	-3.4 (5.2)	3.6 (1.5)	11.4 (-2.9)	10.9 (10.2)	-3.7 (-13.9)	18.9





Key financials

Key figures, IFRS		Q4/ 2015	Q4/ 2014	Change	1-12/ 2015	1-12/ 2014	Change
Order inflow	M€	296.0	128.6	167.4	1,417.4	1,527.4	-110.0
Net sales	M€	528.5	608.3	-79.8	1,879.0	2,044.5	-165.5
EBIT	M€	18.9	0.1	18.8	37.3	36.3	1.0
EBIT%	%	3.6	0.0		2.0	1.8	
EPS, continuing operations	€	0.33	-0.41	0.74	-0.15	-0.68	0.53
Interest-bearing net debt ¹⁾	M€	126.8	213.6	-86.8	126.8	213.6	-86.8
Operating capital ¹⁾	M€	474.8	590.4	-115.6	474.8	590.4	-115.6
Cash flow from operating activities	M€	30.5	-1.1	31.6	106.6	-48.4 ²⁾	155.0

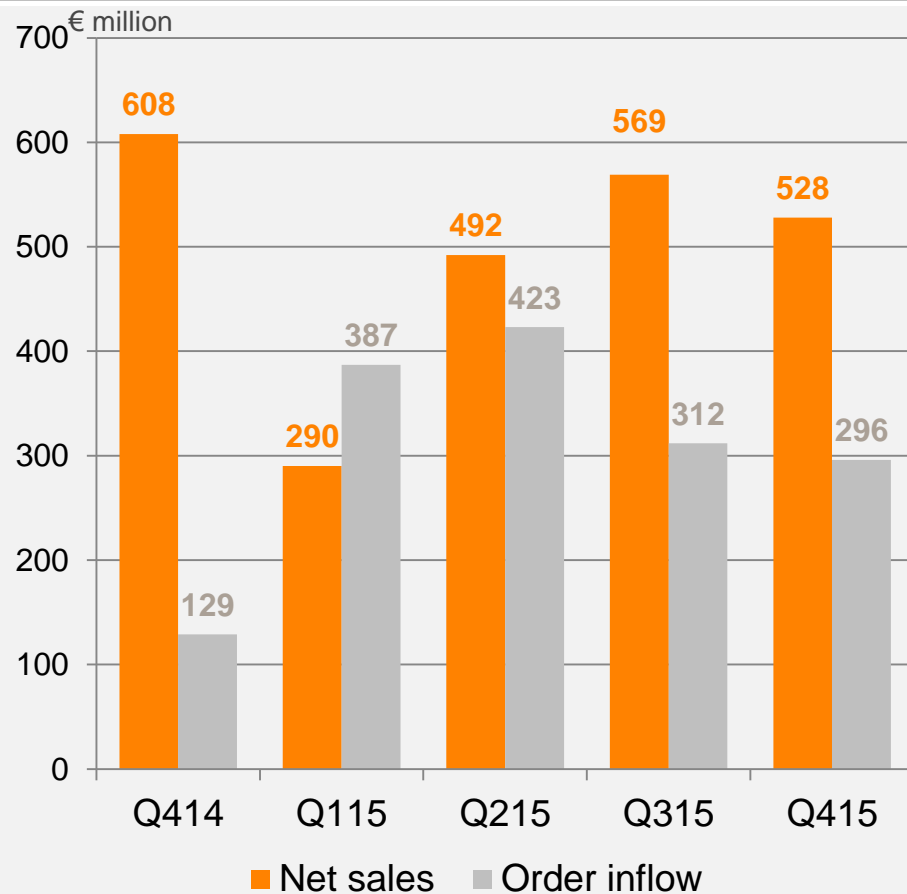
1) At the end of period.

2) Includes EUR 59.7 million of damages paid related to the asphalt cartel.

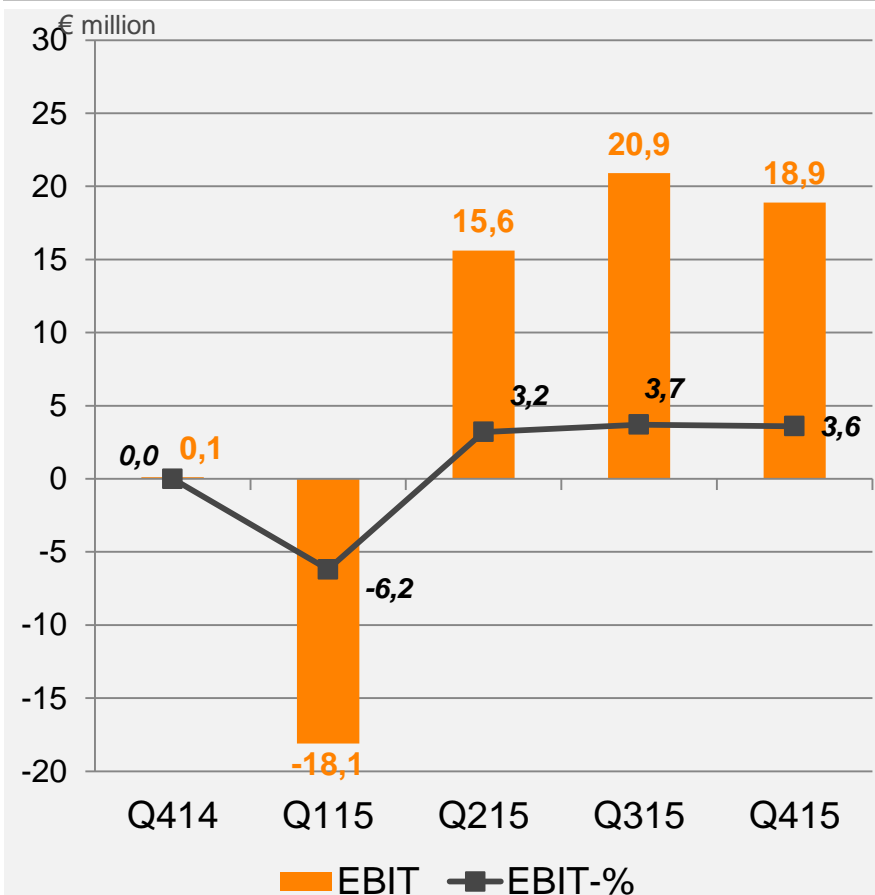


Q4: Group net sales decreased, EBIT improved clearly year-on-year

Quarterly net sales and order inflow



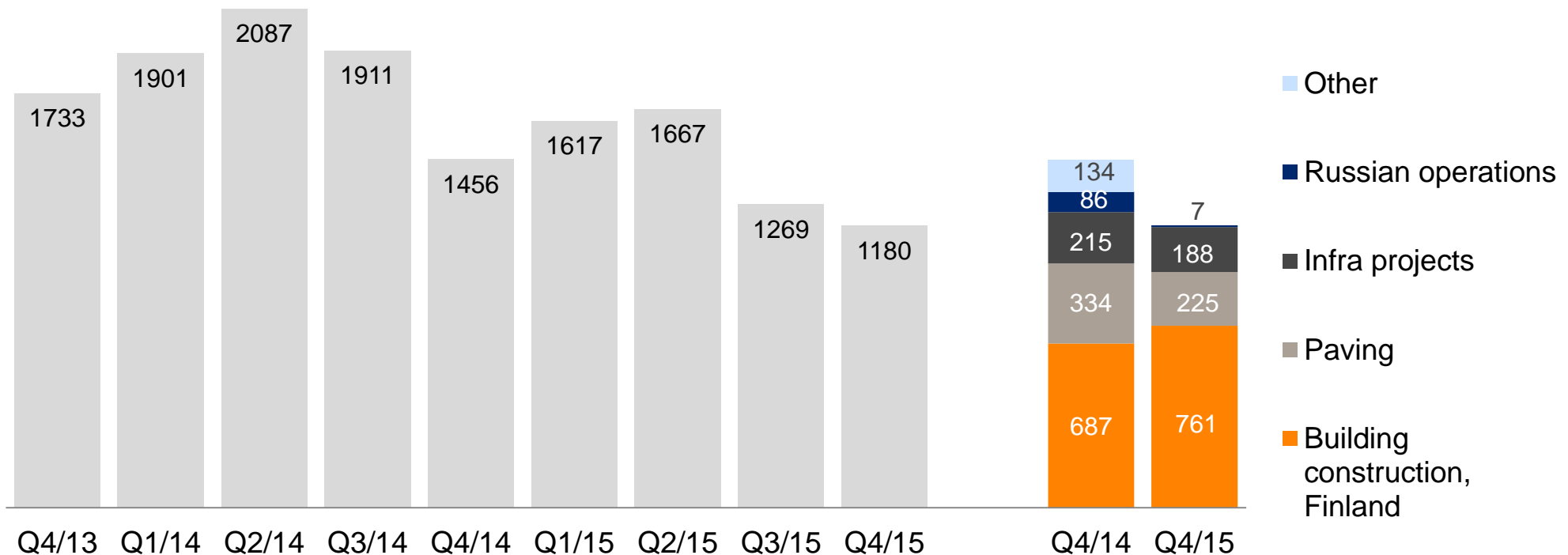
Quarterly EBIT and EBIT-%





Strategic decisions weighted down the order book

€million



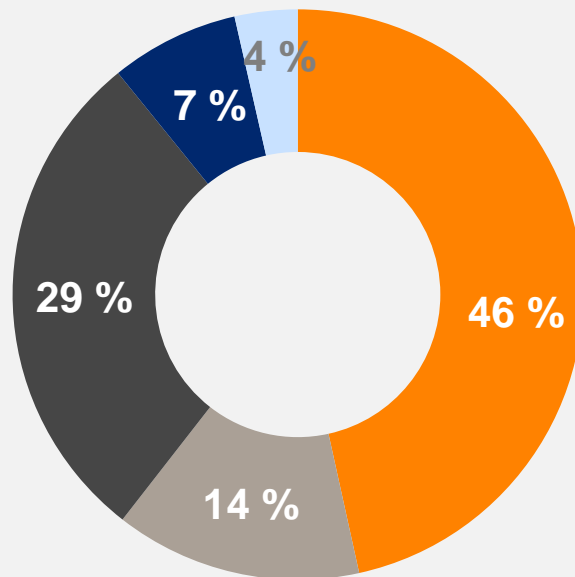
Note! If building construction in Sweden, road maintenance business in Norway and residential development in Russia were excluded from the 2014 order book, the 2014 order book would be 1,146 M€ (change +34 M€).

From the Finavia contract (BC FIN) only 37 M€ is recorded in the 2015 order book (total value 170 M€).



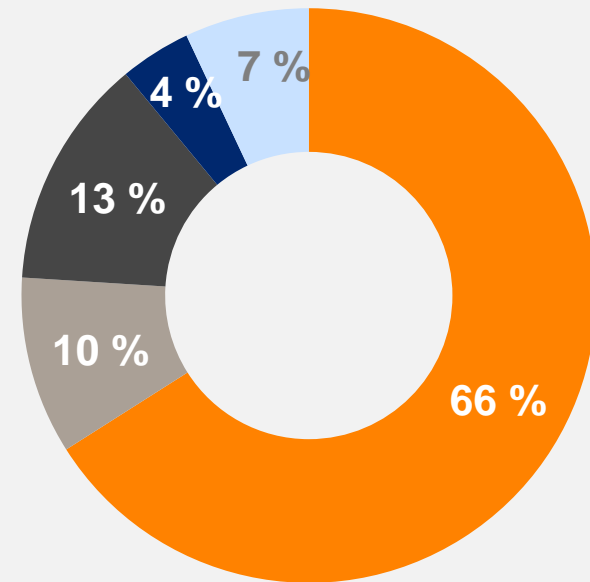
1-12/2015: Paving generated nearly half of net sales

Net sales by segment



- Paving
- Infra projects
- BC Finland
- Russian operations
- Others

Net sales by currency

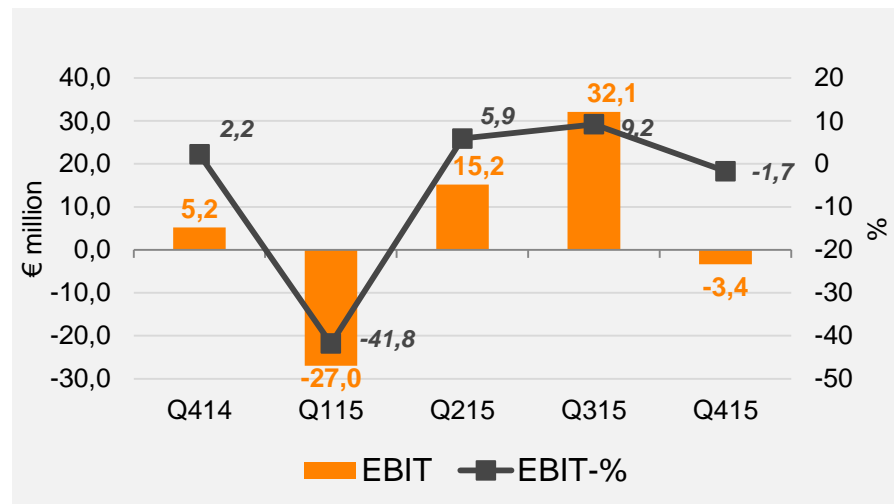
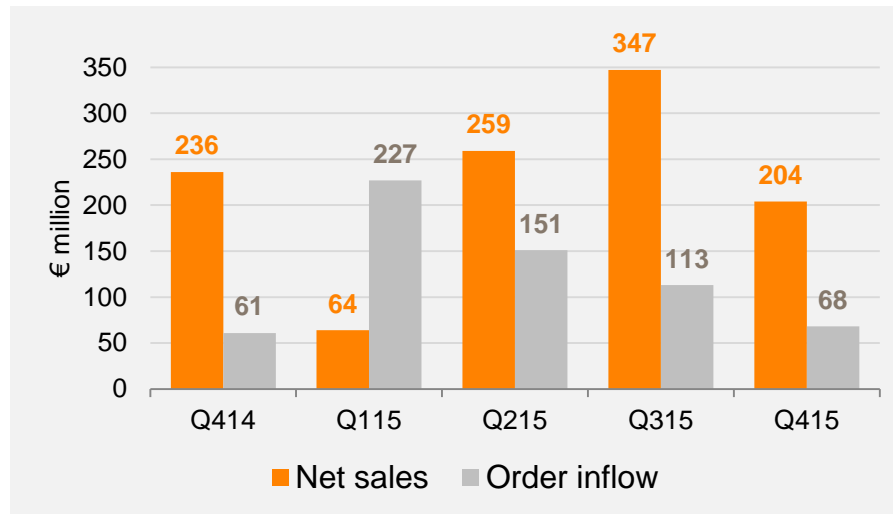


- EUR
- SEK
- NOK
- DKK
- RUB



Paving in 2015:

Net sales and EBIT decreased year-on-year.



Net sales and EBIT:

- Net sales was impacted by lower unit prices in paving mainly due to the decreased bitumen price.
- Operating profit was burdened by the weaker year-on-year result in Norway, the divestment of road maintenance business in Norway and declining margins in individual projects especially in earthworks in Finland.

Order inflow and order book

- Order book stood at €225.0 million (334.3).
- The segment's order book for the comparison period includes the divested road maintenance business in Norway, which explains the change.

Balance sheet

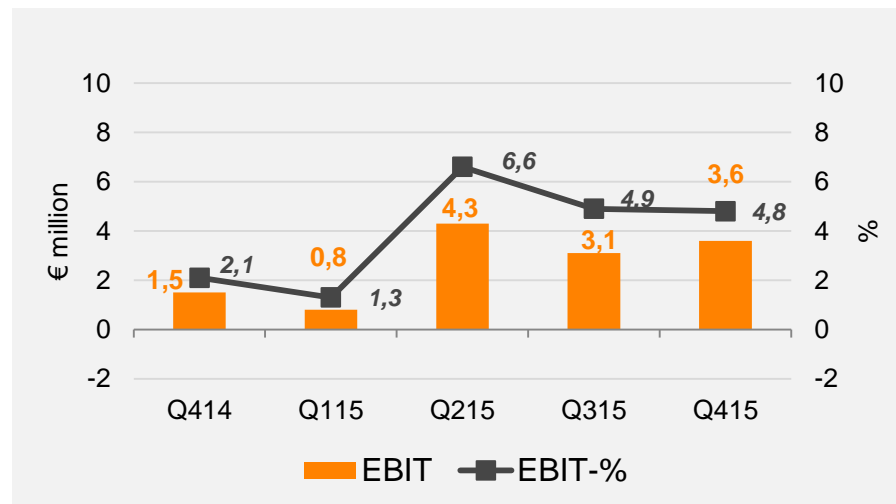
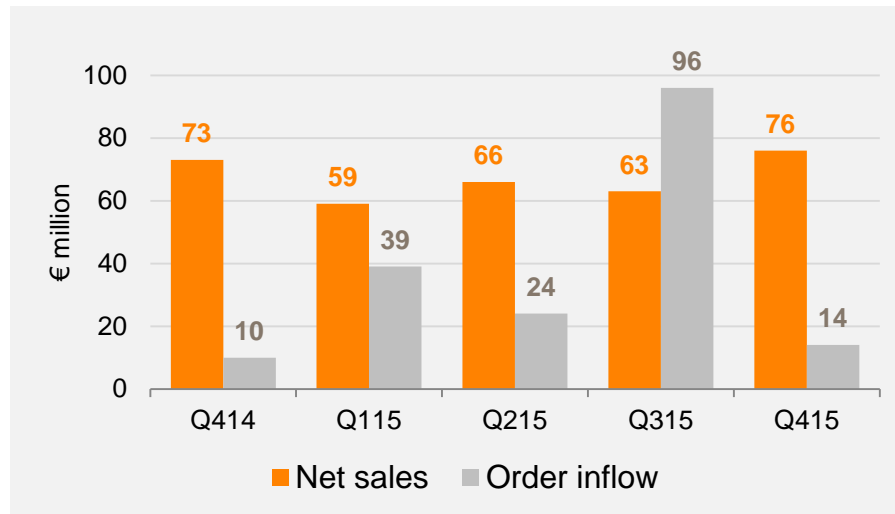
- Operating capital at the end of period was €231.2 million (262.1).

FY2015 figures (2014)

Net sales: 874 M€ (908)
 Operating profit: 16.9 M€ (32.2)
 Operating margin: 1.9% (3.5)



Infra projects in 2015: Solid performance throughout the year.



Net sales and EBIT:

- Operating profit improved due to good project management of major projects in Finland.
- Profitability improved in all operating countries, excluding Sweden where low volumes decreased the result.
- Q4/2014 included a write-down of EUR 3 million related to a customer's bankruptcy.

Order inflow and order book

- 1-12/2015 order inflow increased and was 173.8 M€ (99.2).
- Order book stood at €187.8 million (214.5).

Balance sheet

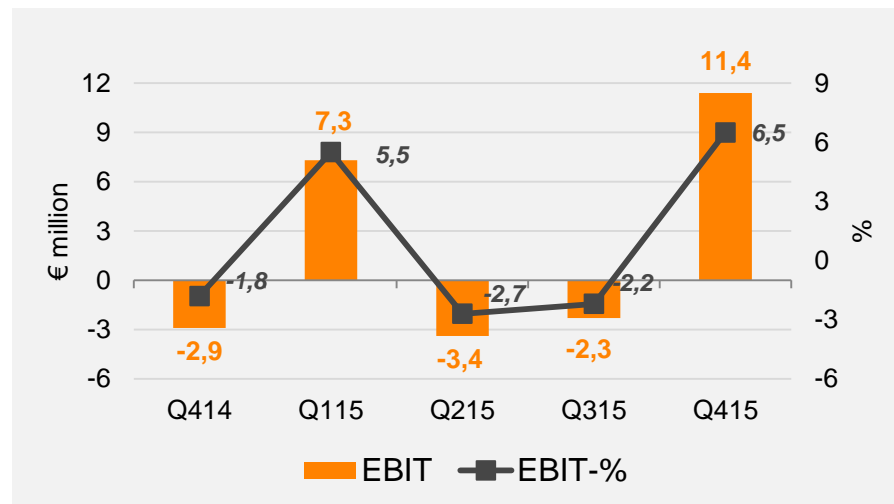
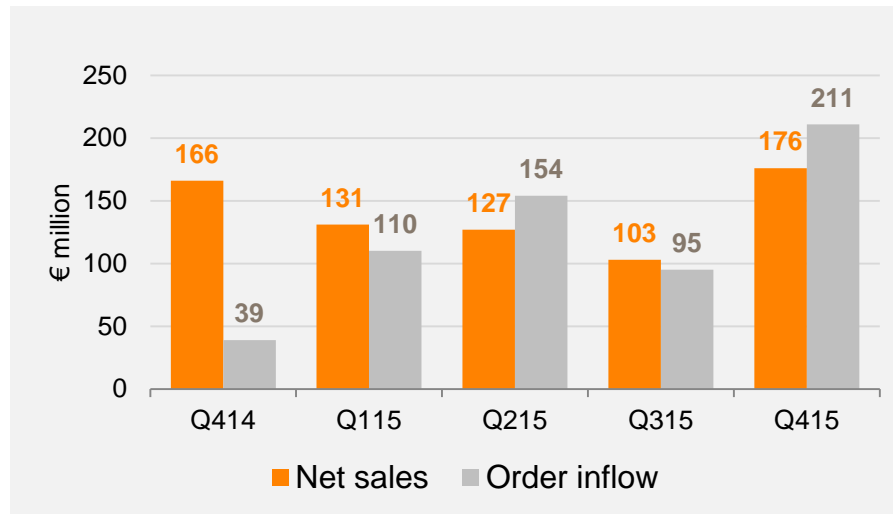
- Operating capital at the end of period was €1.2 million (-0.9).

FY2015 figures (2014)

Net sales: 263 M€ (286)
Operating profit: 11.8 M€ (7.2)
Operating margin: 4.5% (2.5)



Building construction, Finland in 2015: Strong Q4 operating profit.



Net sales and EBIT

- The completion of residential development projects and solid housing sales boosted the Q4 result.
- Strong full-year result in the Helsinki metropolitan area and improved profitability in other regions.
- Number of sold apartments during 2015: 1,377 (1,280).

Order inflow and order book

- Order inflow includes new PPP projects in Porvoo, value over 60M€.
- Order book stood at €760.6 million (687.1).

Balance sheet

- Operating capital at the end of period decreased and was €274.8 million (303.7).

FY2015 figures (2014)

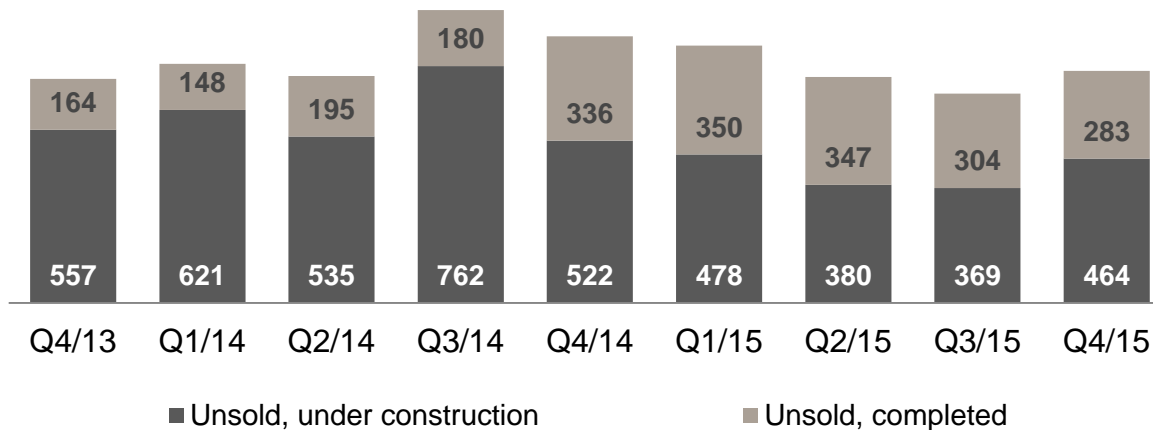
Net sales: 538 M€ (539)
Operating profit: 12.9 M€ (9.3)
Operating margin: 2.4% (1.7)



Residential development in Finland:

Housing production decreased 30% from last year.

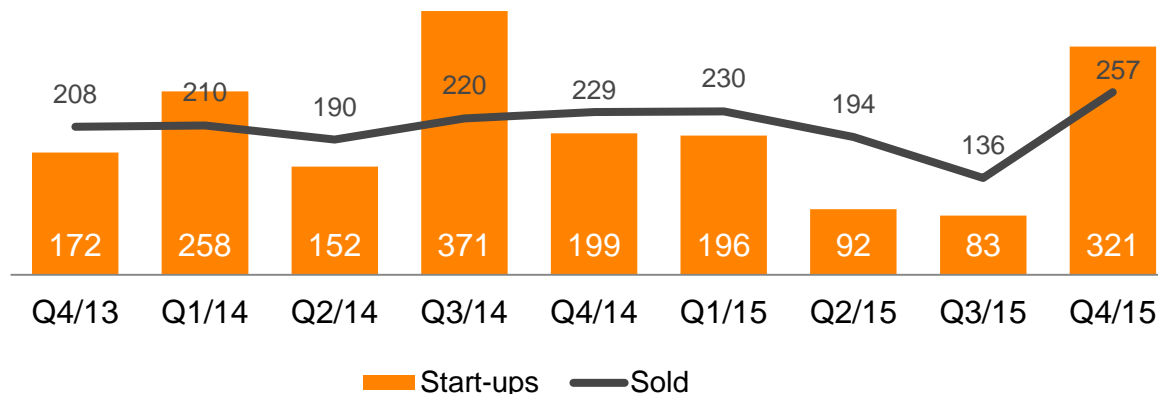
Unsold apartments, at the end of the quarter



31 December 2015

- Number of unsold completed units decreased to 283 (336).
- Number of unsold units under construction decreased to 464 (522).

Start-ups and sold apartments, during the quarter

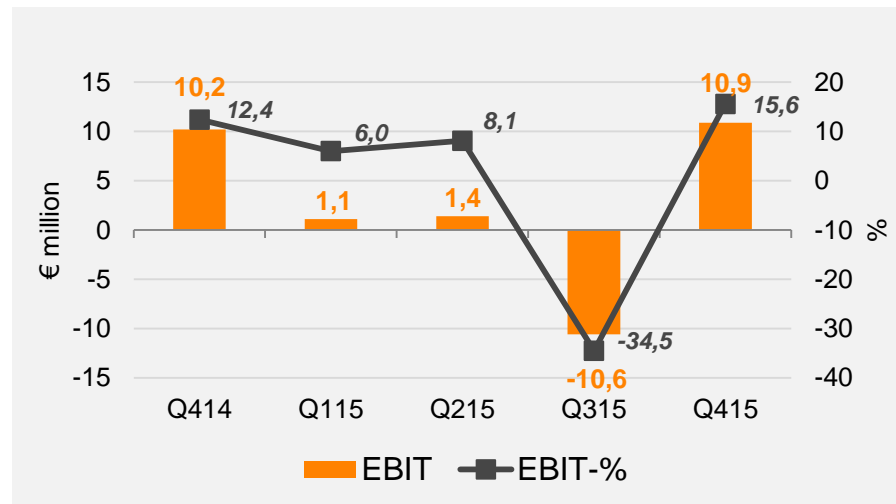
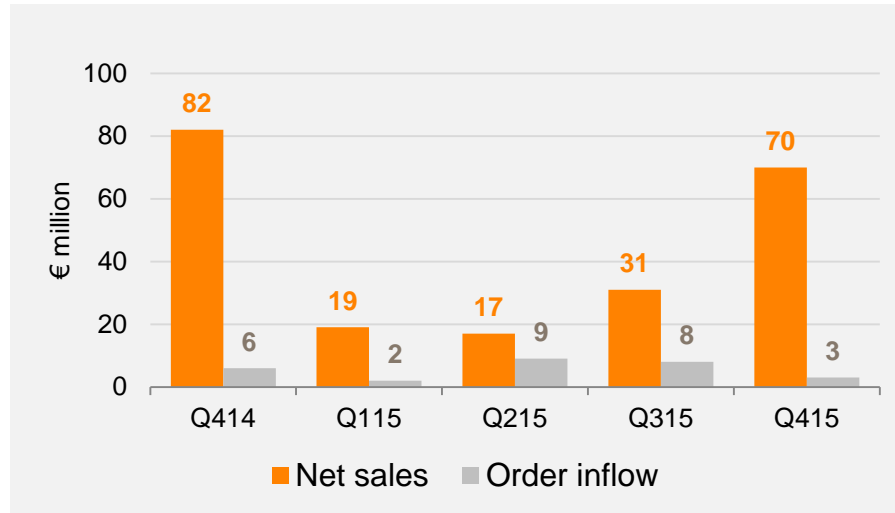


Q4/2015

- Most of the year's start-ups started during the last quarter.
- Number of sold units 257 (229).



Russian operations in 2015: Tapiola 2 project completed during Q4.



Net sales and EBIT

- Q4 included the completion of the Tapiola 2 residential development project.
- Number of unsold apartments at the end of the period was 51 (139).
- Result was weakened by a EUR 12.9 million write-down related to the withdrawal from the Ilmatar project during Q3.
- The impact of currency exchange rates 1-12/2015
 - Net sales € -45.6 million
 - Operating profit € -1.0 million

Order inflow and order book

- Order book stood at €7.0 million (86.4).
- No new residential projects started.

Balance sheet

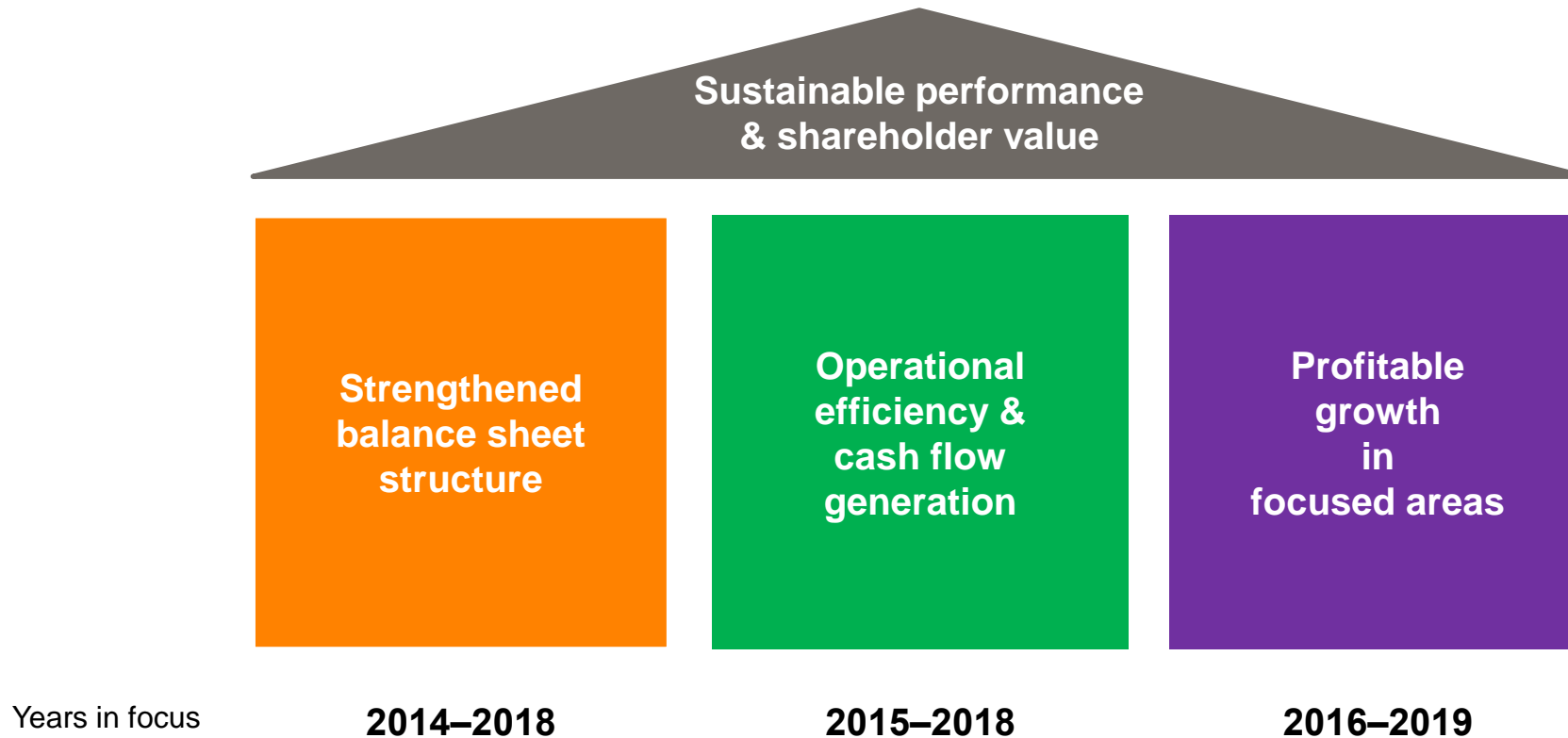
- Operating capital at the end of period was €35.0 million (68.4).

FY2015 figures (2014)

Net sales: 137 M€ (196)
Operating profit: 2.9 M€ (19.7)
Operating margin: 2.1% (10.1)



Strategy updated after Q3: Focus shifting gradually towards operational efficiency and growth





Updated financial targets

- ROCE above 15% in 2019
- EBIT margin above 4% in 2019
- Equity ratio above 35% during 2016-2019
- We are aiming for a stable distribution of dividends, with at least 40% of the profit for the financial year distributed to shareholders.
- We will maintain a moderate risk level during the strategy period to reach our financial targets.





Targets and actions

Improved financial position

Actions done ✓

- Partial repurchase of the first hybrid bond (27M€)
- Reduced fixed cost level
- Reduced investments

Actions proceeding

- Improving working capital efficiency
- Divestment of non-core assets

Streamlined portfolio and moderate risk level

Actions done ✓

- Divestment of building construction in Sweden and road maintenance businesses in Norway
- Withdrawal from the Ilmatar project in Russia
- No new residential development projects planned in Russia at the moment

Improved transparency and governance

Actions done ✓

- Implementation of new internal processes and procedures regarding risk management and investments

Actions proceeding

- Clarifying roles and responsibilities (Group, segments, countries, companies)

Improved operational efficiency

Actions proceeding

- Design and implementation of new operating models in all business segments
- Development of internal processes and procedures

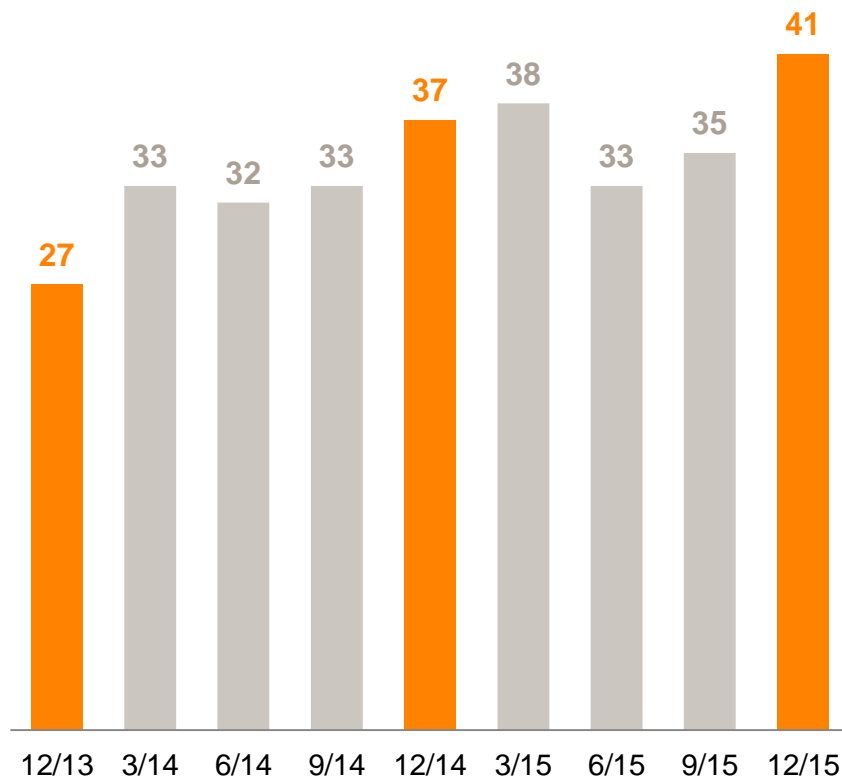


Group performance
Balance sheet, financing
Outlook and guidance

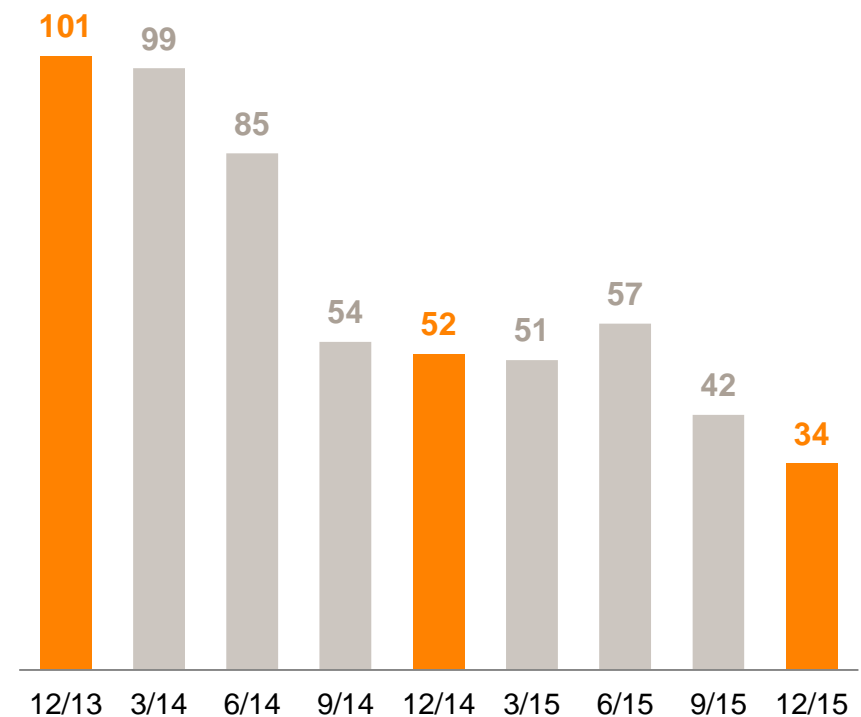


Equity ratio and gearing

Equity ratio, %



Gearing, %



Note! If hybrid bonds were recognised as debt:
Equity ratio in 12/15 would be 28.6% (12/14: 24.6%)
Gearing in 12/15 would be 89.6% (12/14: 128.4%)

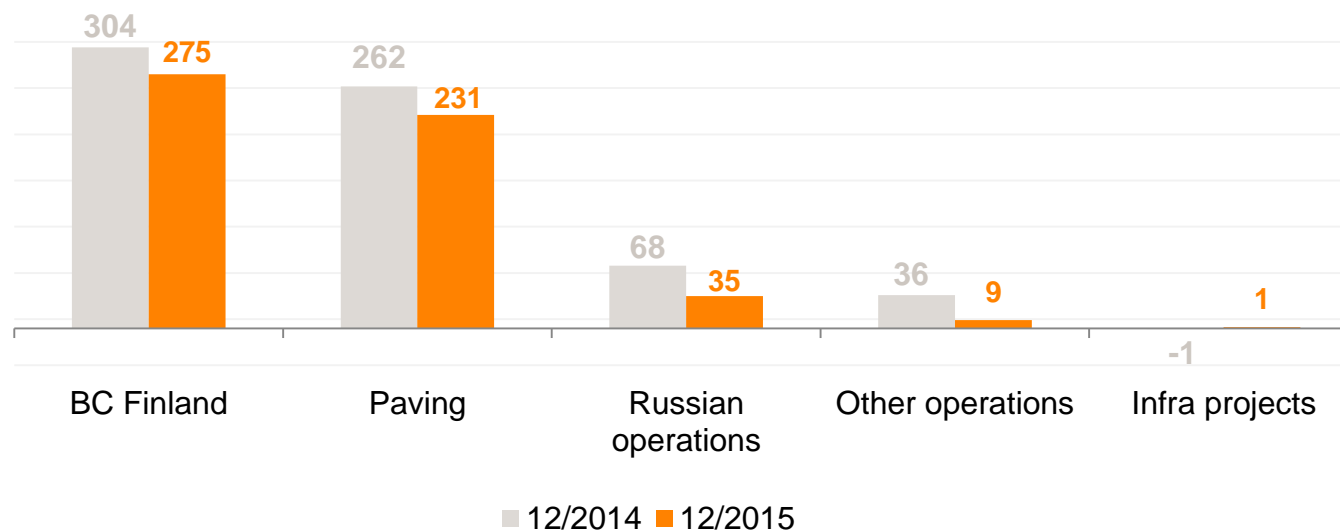


Balance sheet 12/2015:

Decreased investments and housing sales released the Group's operating capital

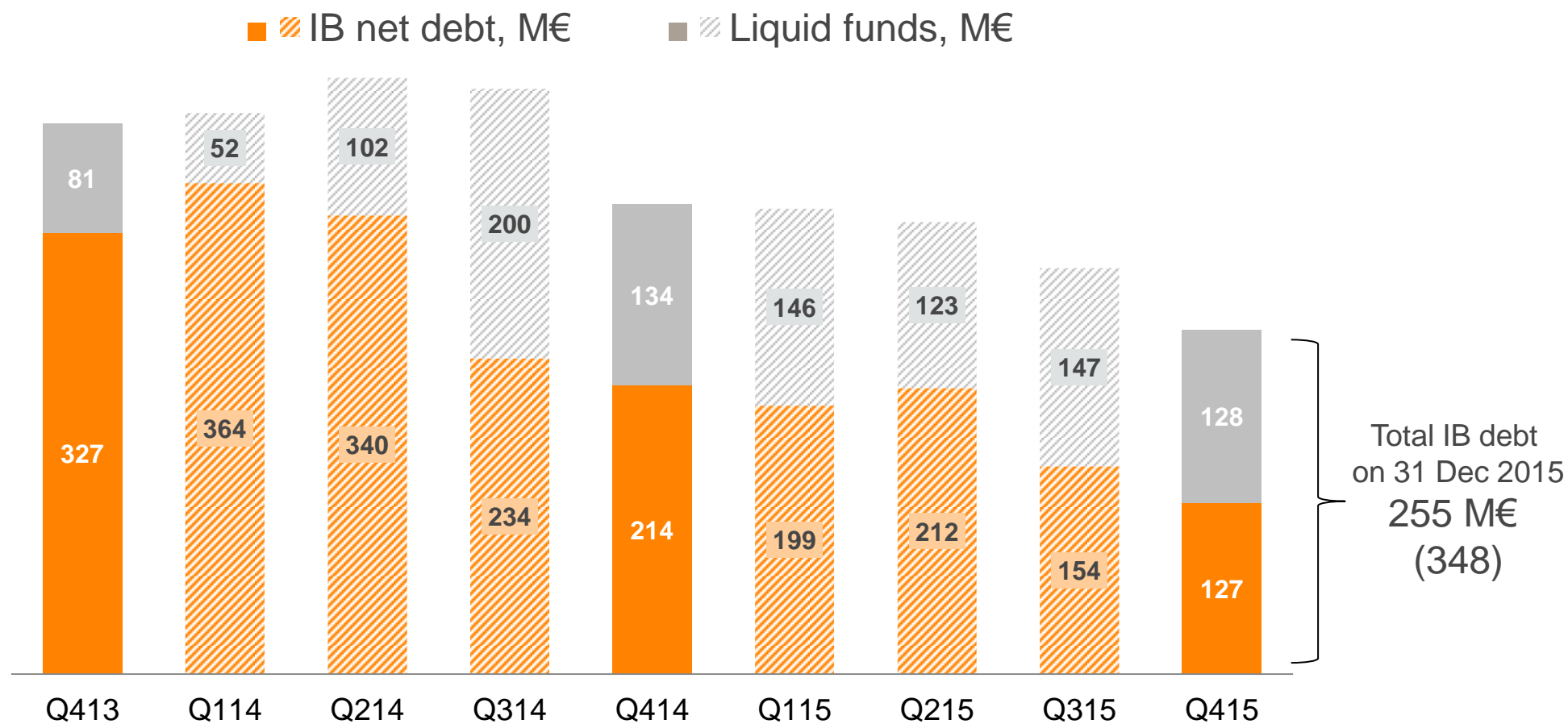
Operating capital		31 Dec 2015	31 Dec 2014	Change
Property, plant and equipment	€ million	149.1	181.2	-32.1
Goodwill and other intangible assets	€ million	67.1	74.0	-6.9
Net working capital	€ million	258.7	335.1	-76.4
TOTAL	€ million	474.8	590.4	-115.6

Operating capital by segment 12/2014 vs 12/2015, € million





Interest-bearing net debt down



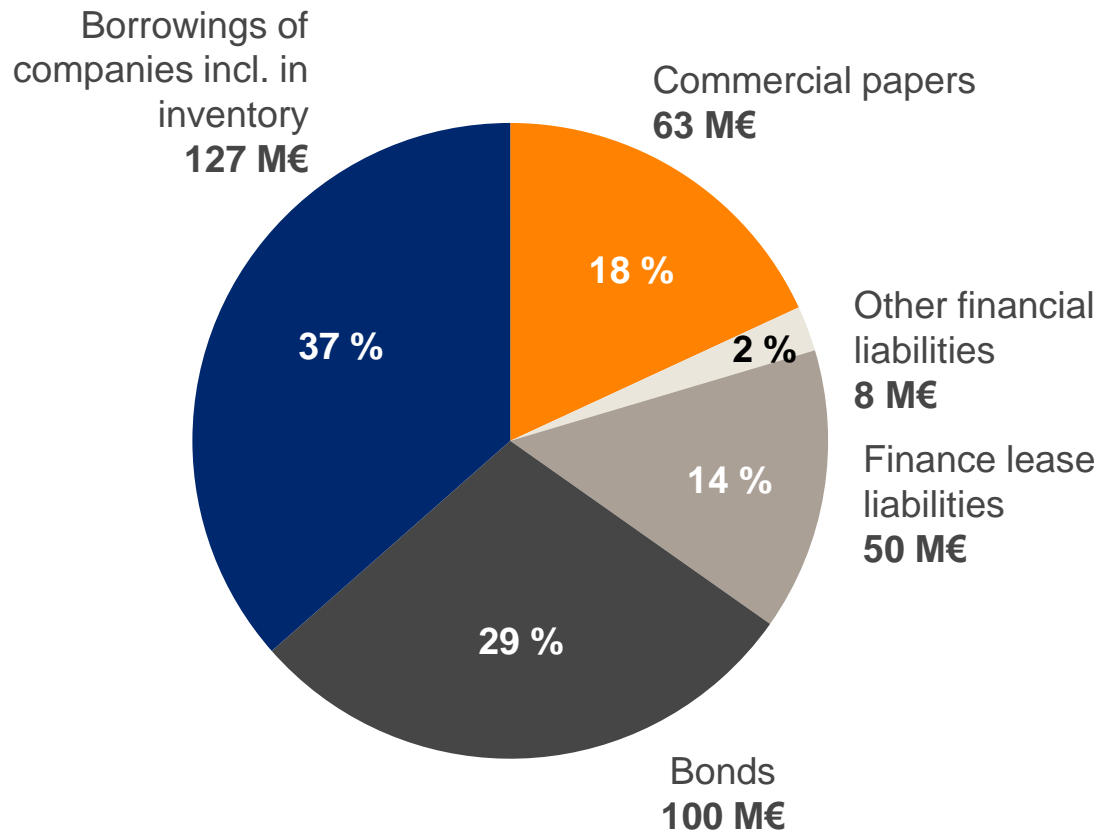


Debt portfolio on 31 December 2015

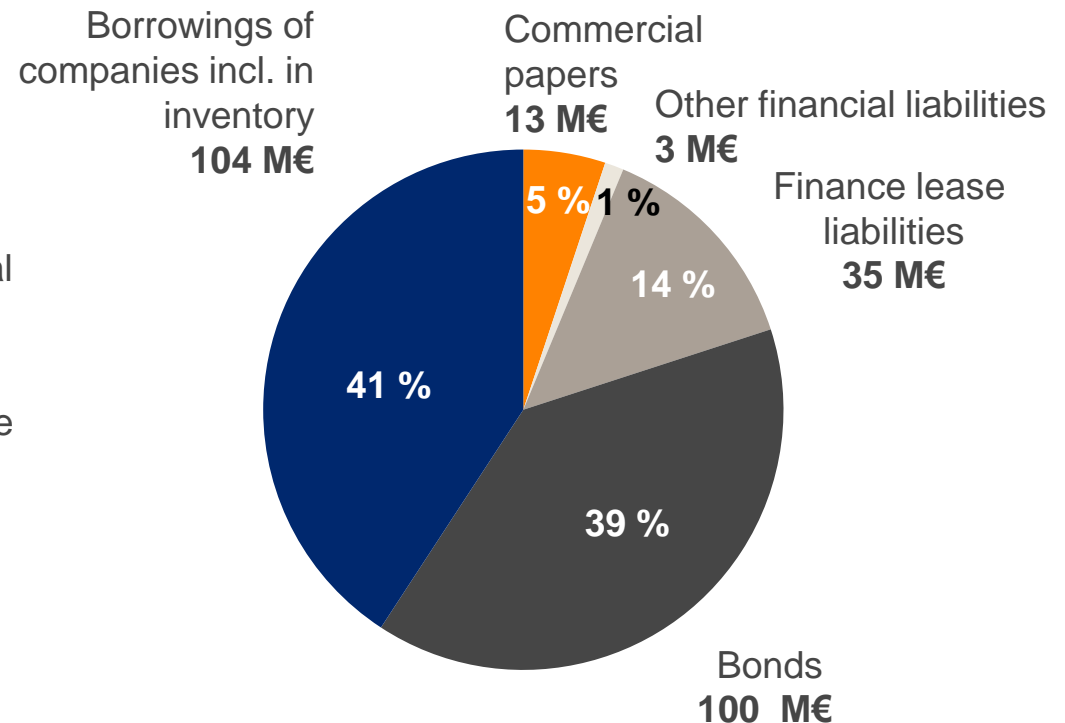
12/2014:
348 M€



12/2015:
255 M€



40% long-term
60% short-term

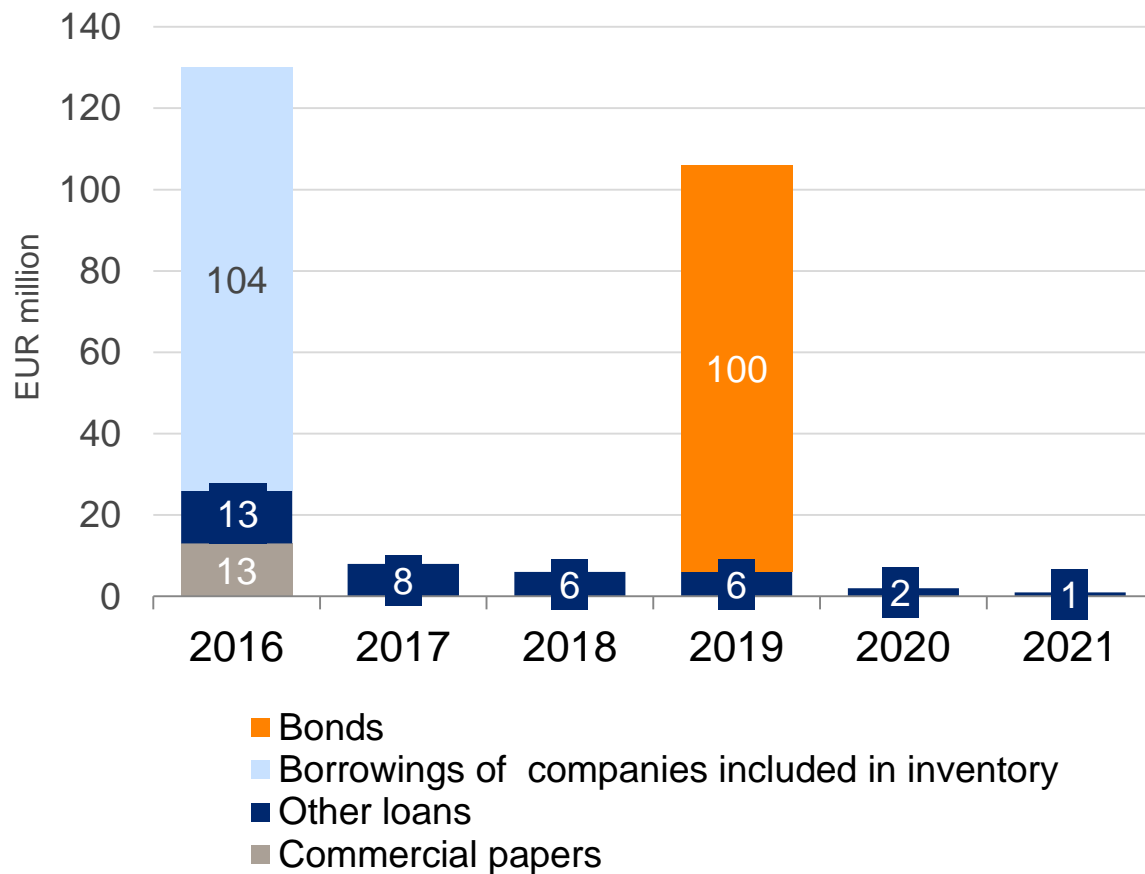


48% long-term
52% short-term



Maturity in debt portfolio

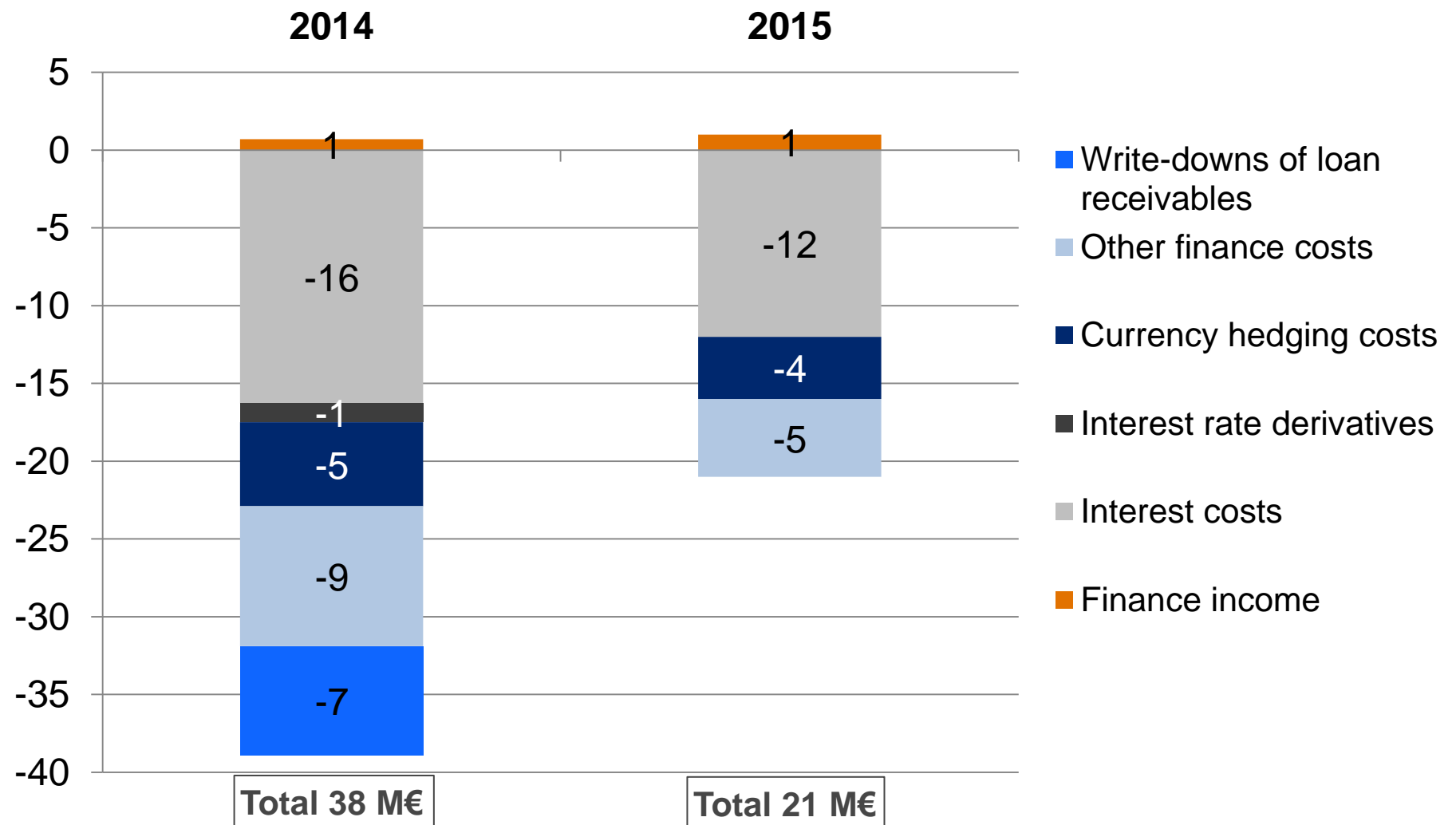
Financing maturity 2016–2021



- The company has two hybrid bonds (112 M€) that are not included in interest-bearing debt. The company is entitled to redeem the bonds in 2016 (42 M€) and 2018 (70 M€).
- The company has a committed revolving credit facility (185 M€) that was fully unused at the end of 31 December 2015.
- NOTE! Borrowings of companies included in inventory (104 M€) will be transferred to the buyers of the co-op shares when the units are handed over.

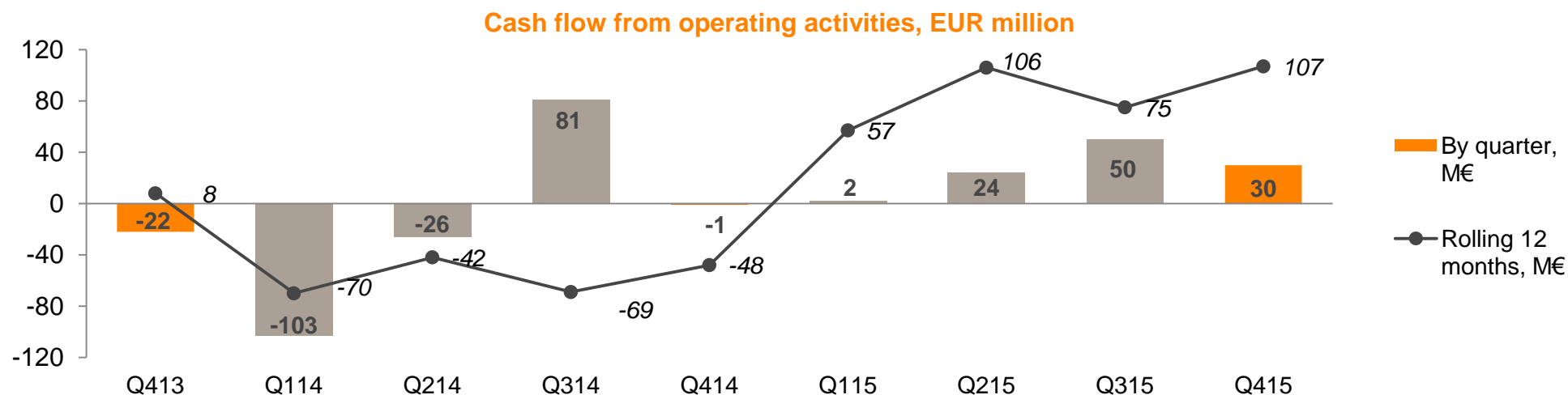


Net finance costs decreased significantly





Cash flow from operating activities positive throughout the year



Cash flow from operating activities and free cash flow, EUR million

	Q4/2015	Q4/2014	1-12/2015	1-12/2014 ¹⁾
EBIT (incl. Discontinued operations, excl. share of the profit of associates and joint ventures)	18.2	-0.4	35.8	59.0
Depreciation and impairment	9.6	11.2	38.4	44.7
Provisions and other non-cash items	6.2	1.5	29.2	-22.9
Cash flow from financing items and taxes	-2.9	-5.5	-38.2	-36.4
Change in WC	-0.6	-7.9	41.5	-92.8
Cash flow from operating activities	30.5	-1.1	106.6	-48.4
Cash flow from investing activities ²⁾	2.9	0.6	1.5	44.3
Free cash flow	33.4	-0.5	108.2	-4.1

1) includes the payment of EUR 59.7 million in damages related to the asphalt cartel.

2) excluding the effect of investments in available-for-sale financial assets



Damages related to the asphalt cartel

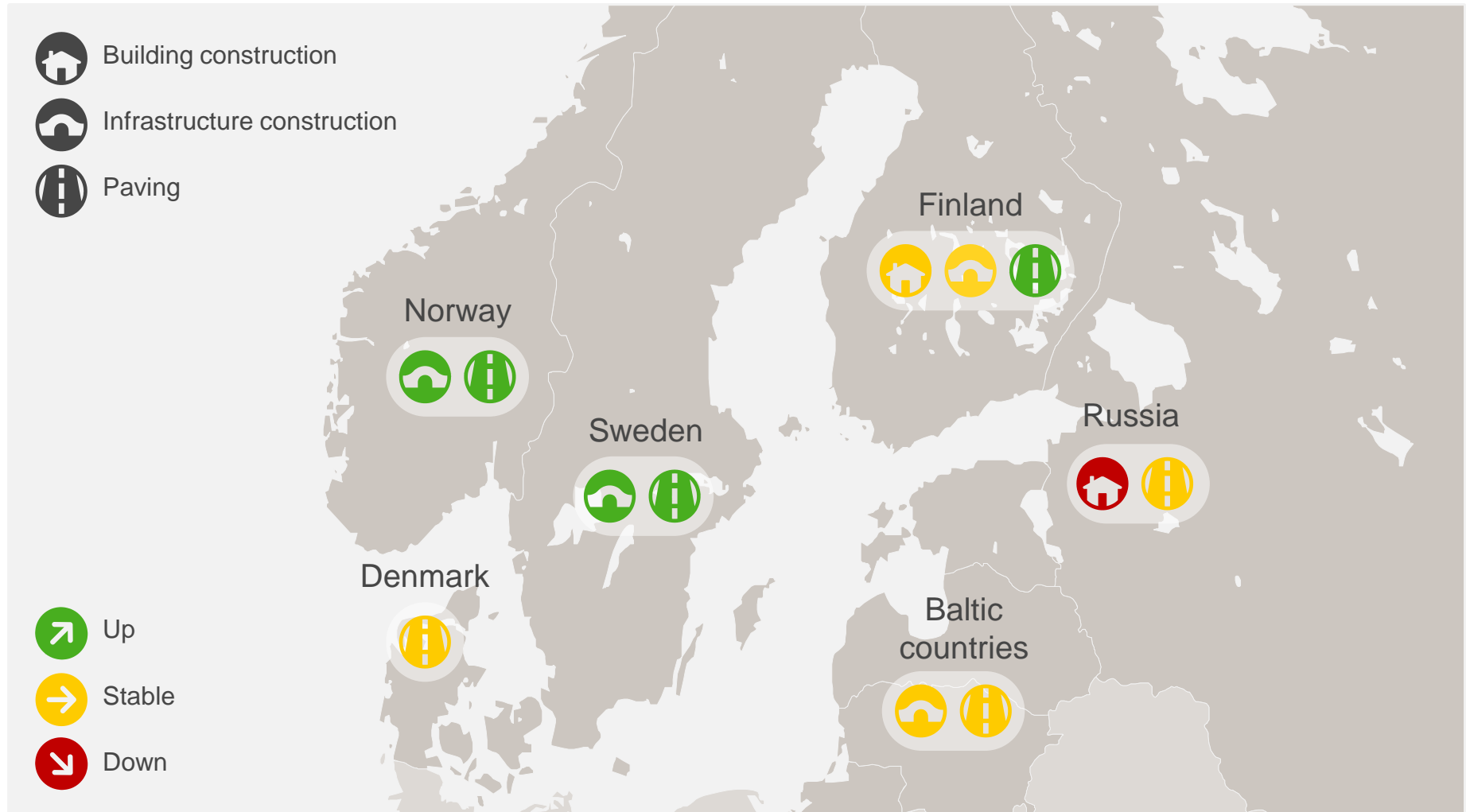
- The oral hearing at the Helsinki Court of Appeal started in March 2015 and ended in October 2015.
- The Court has not yet confirmed when the verdict will be given. According to a preliminary statement it will be given during 2016.
- In addition, Lemminkäinen has been served summons regarding 21 claims against Lemminkäinen and other asphalt companies for damages. The capital amount of these claims is approximately EUR 26 million. For these claims, Lemminkäinen has made a provision worth EUR 13 million.



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



Market outlook for 2016



Sources: Eurconstruct, company's own estimate



Profit guidance for 2016

Lemminkäinen estimates that its net sales in 2016 will be on the level of EUR 1.8 billion.

Operating profit (IFRS) in 2016 is expected to improve as compared to 2015 (EUR 37.3 million).





Summary: A more financially stable company with focus on improving competitiveness

- Financial position clearly improved
 - Decreased operating capital and interest-bearing net debt
 - Partial repurchase of the first hybrid bond in Q2/2015
 - Solid cash flow from operating activities
 - Lower net finance costs
- Strong Q4 result and improved full year operating profit
 - Streamlining of the portfolio and lowered risk level have had a negative impact of more than 20M€ on the 2015 result
- Overall, the company is proceeding as planned
- Focus continues to be on improving the operational result and competitiveness in all operations while maintaining a moderate risk level.
- Growth especially from infra projects in Sweden and Norway where ongoing and planned infrastructure development programmes extend over governmental election cycles.



Lemminkäinen

www.lemminkainen.com