Financial statements 2012

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Board of Directors' report 2012

OPERATING ENVIRONMENT IN 2012

Finland

Start-ups for residential construction decreased by about 10 per cent on the previous year. The demand for small and medium-sized apartments remained good in the Helsinki Metropolitan Area and other urban growth centres. Few commercial premises were built outside the Helsinki Metropolitan Area. A lot of projects were in the pipeline, but their launches were delayed or discontinued. However, demand for building renovations remained good, and the number of renovation projects continued the steady growth trend of the past few years.

The outlook in infrastructure construction weakened after the summer, and the total volume fell on the previous year. Difficulties in the public sector reflected in the infrastructure construction market and, for example, the demand for mineral aggregates weakened during the second half of the year. Underground construction in city centres and mining operations in Northern Finland were brisk.

Demand for the renovation of technical building systems focused on piping renovations in residential buildings and improving the energy-efficiency of buildings. Demand for upkeep and maintenance of technical building services rose, and a greater number of long-term repair and maintenance agreements were signed. The construction of commercial premises slowed significantly outside urban growth centres, which reduced demand for contracting services in technical building systems.

Other markets

The Swedish government's long-term investment plan to develop the country's infrastructure maintained a good level of activity in transport infrastructure construction. Growth in mining operations in Northern Sweden increased demand for rock engineering. Norway and Denmark's many ongoing road and railway projects, coupled with increased investments in energy production, encouraged new players to enter the market.

In the Baltic countries, construction has recovered alongside the rest of the economy. Several EU-funded road construction and renovation projects were started in 2011–2012.

Of Lemminkäinen's key market areas, Russia is experiencing the fastest growth in its total volume of construction. The delays in permit processing in St Petersburg slowed the launch of new residential construction projects. The prices of new housing units in St Petersburg rose by almost 10 per cent during 2012. The construction and repair of major inter-city highways boosted the demand for infrastructure construction.

STRATEGIC TARGETS AND THEIR REALISATION IN 2012

Lemminkäinen published its current strategy for the period 2010–2013 in November 2009. In October 2011, the company updated its strategy and confirmed its financial targets. The company's main objectives are to pursue profitable growth and to strengthen its solvency. The average growth rate target for the company's net sales is 10 per cent by the end of the 2010–2013 strategy period. The Group's other financial targets are: a return on investment of over 18 per cent and an equity ratio of at least 35 per cent. The company's dividend policy is to pay at least 40 per cent of the result for the financial period in annual dividends.

Both the strategy updates made in October 2011 and the efficiency programme, which was launched at the same time, primarily seek to improve the Group's competitiveness and profitability. In Finland, the selected focus areas are residential development and construction, and repair and maintenance services for technical building systems. In Building Construction, Lemminkäinen aims to increase the share of residential development and construction to over 50 per cent of the segment's net sales. In Technical Building Services, the goal is to increase service business to account for about 50 per cent of the segment's net sales. Lemminkäinen is seeking growth from its international operations in particular. The company aims to increase net sales from infrastructure construction in Norway, Denmark and Sweden by about EUR 100 million in 2012–2013. In Russia, Lemminkäinen's goal is to launch the construction of about 1,000 new housing units every year.

Strategy implementation 2012

Lemminkäinen's 2012 net sales remained at roughly the same level as in 2011. Since the beginning of the strategy period, Lemminkäinen's compound annual net sales growth rate (CAGR,%) has been an average of 6 per cent. Its return on investment remained at the same level as last year. Profitability is not yet in line with the company's targets.

The equity ratio rose to 38 per cent, exceeding the target for the strategy period. The improvement was due to the measures done to optimise working capital, the completed divestments, and the hybrid bond.

The proposed dividend for 2012 is EUR 0.60 per share, equalling 26.9 per cent of the company's result for the financial period.

In Finland, the share of residential development and construction accounted for about 32 per cent of Building Construction's net sales in 2012. The share of repair and maintenance services of Technical Building Services accounted for 33 per cent of the segment's net sales. Net sales from infrastructure construction in Norway, Denmark and Sweden rose by about EUR 50 million in 2012. The fastest growth was seen in Sweden.

In St Petersburg, Russia, the company's residential development and construction was at a standstill and no new projects were launched. At the end of the year, Lemminkäinen purchased a city-centre plot in St Petersburg. About 800 apartments will be built on this plot. With its current plot reserves, the company will be able to begin the development of about 3,200 housing units in central St Petersburg over the next few years.

Financial targets and achievements since the start of the strategic period

LEMMINKÄINEN'S FINANCIAL TARGETS	TARGET LEVEL	REALISED IN 2012	REALISED IN 2011	REALISED IN 2010
Net sales growth	average 10%[1]	**4%**	19%	–4%
Return on investment	18%[1]	**11%**	11%	7%
Equity ratio	over 35%	**38%**	31%	35%
Payment of dividend	40% of the result for the financial period	**27%[2]**	28%	over 100%

[1] By the end of the strategic period.

[2] Board of Directors' proposal on dividends.

Profit guidance realisation in 2012

On 9 February 2012, Lemminkäinen estimated that its 2012 net sales would remain at the same level as in 2011, and that the result before taxes would improve on 2011. This estimate was based on an improved order book and order book margin. Lemminkäinen's guidance remained unaltered throughout the year. In 2012, Lemminkäinen's net sales grew by 4 per cent and its result before taxes rose by 16 per cent.

EFFICIENCY PROGRAMME

The efficiency programme launched in autumn 2011 seeks cost savings of EUR 50 million per annum as of 2014. More efficient procurement is estimated to account for EUR 30 million of these savings, and an estimated EUR 20 million will results from improved operational efficiency.

Lemminkäinen has switched to a centralised procurement model in which all functions will use shared processes, performance indicators, and sourcing and purchase tools. This model enables Lemminkäinen to take full advantage of economies of scale, for example. The number of suppliers will be reduced and the supplier base will be more international. Company's operational efficiency has been enhanced by more efficient operating models. After the personnel negotiations in late 2011, the number of employees has been reduced by about 300.

By the end of 2012, the efficiency programme had yielded a total of about EUR 20 million in cost savings. The full impact of savings achieved through personnel reductions will be seen in the 2013 result. Savings in procurement will be reflected in project margins with revenue recognition.

BUSINESS OPERATIONS

NET SALES

NET SALES BY BUSINESS SEGMENT, EUR MILLION	1–12/2012	1–12/2011	CHANGE
International Operations	**934.3**	809.8	15%
Building Construction	**682.4**	720.9	–5%
Infrastructure Construction	**591.1**	596.2	–1%
Technical Building Services	**230.0**	239.9	–4%
Other operations and Group eliminations	**–84.3**	–59.4	
Business segments, total	**2,353.6**	2,307.4	2%
Reconciliation items	**–86.0**	–123.5	
Group, total (IFRS)	**2,267.6**	2,183.9	4%

"Other operations and Group eliminations" include items from Group administration units and shared services, as well as eliminations from inter-segment sales. "Reconciliation items" include adjustments for discontinued operations.

Lemminkäinen's net sales in 2012 remained at the same level as in 2011 and amounted to EUR 2,267.6 million (2,183.9). Net sales were boosted by infrastructure construction in Sweden, Russia and the Baltic countries in particular. In Sweden, growth came from rock engineering in mines in the north, and paving. Commercial and industrial construction was brisk in Russia. In Finland, Lemminkäinen imposed stricter margin requirements on competitive bidding contracts in building construction and technical building services, which reduced net sales. In Building Construction, commercial development declined outside the Helsinki Metropolitan Area.

Of Lemminkäinen's 2012 net sales, 61% (66) were generated in Finland, 25% (23) in other Nordic countries, 6% (5) in Russia, and 8% (6) in other countries.

OPERATING PROFIT

OPERATING PROFIT BY BUSINESS SEGMENT, EUR MILLION	1–12/2012	1–12/2011	CHANGE
International Operations	**16.6**	42.2 [3]	–61%
Building Construction	**19.6**	9.4	over 100
Infrastructure Construction	**43.5 [1]**	30.9 [2]	41%
Technical Building Services	**3.2**	2.8	14%
Other operations	**–8.3**	–16.6	50%
Business segments, total	**74.6 [1]**	68.8 [2), 3]	8%
Reconciliation items	**–24.5**	–24.8	
Group, total (IFRS)	**50.1**	44.0 [3]	14%

"Other operations" include items from Group administration units and shared services. "Reconciliation items" include capital gains from discontinued operations and profit accrued up to the date of divestment.

[1] This figure includes EUR 17.3 million in capital gains from the divestment of the concrete business.

[2] This figure includes EUR 17.1 million in capital gains from the divestment of the roofing business.

[3] This figure includes EUR 11.0 million in negative goodwill recognised from the acquisition of Mesta Industri AS.

OPERATING MARGIN BY BUSINESS SEGMENT, %	1–12/2012	1–12/2011
International Operations	**1.8**	5.2
Building Construction	**2.9**	1.3
Infrastructure Construction	**7.4**	5.2
Technical Building Services	**1.4**	1.2
Group, total (IFRS)	**2.2**	2.0

The non-recurring items referred to in the operating profit by business segment table are included in the operating margin figures.

The operating profit for 2012 totalled EUR 50.1 million (44.0) and the operating margin was 2.2% (2.0). The operating profit for the comparison year includes EUR 11.0 million in negative goodwill recognised from an acquisition.

In Finland, profitability improved in all of Lemminkäinen's business segments. The cost savings achieved by the Group's efficiency programme were most visible towards the end of the year. Profitability requirements for contracting were tightened in all business segments, project management was enhanced, and management structures were clarified. Good performance in housing sales and commercial construction in the Helsinki Metropolitan Area contributed to this positive profit development. A fall in the price of bitumen during the summer months and the increased use of recycled asphalt helped to improve profitability in Infrastructure Construction.

The operating profit of paving operations in Norway fell about EUR 10 million short of the previous year. Challenges in the integration of acquired businesses, tougher competition and a shorter than average paving season contributed to the weak earnings trend. The profitability of infrastructure operations in Sweden, the Baltic countries and Russia was better than in 2011. Although Lemminkäinen did not complete any housing units of its own development in Russia, brisk infrastructure and building construction made up the shortfall.

ORDER BOOK

ORDER BOOK BY BUSINESS SEGMENT, EUR MILLION	31.12.2012	31.12.2011	CHANGE
International Operations	**574.6**	482.5	19%
Building Construction	**526.9**	580.5	–9%
Infrastructure Construction	**234.7**	238.3	–2%
Technical Building Services	**107.7**	99.0	9%
Group, total	**1,443.9**	1,400.4	3%
- of which unsold	**176.7**	206.3	

At the end of 2012, Lemminkäinen's order book had increased slightly to EUR 1,443.9 million (1,400.4). The order book margin was also improved on 2011. 2013 projects account for about 75 per cent of the order book. In Finland, the order book was boosted by paving operations, special contracting in infrastructure construction, and the repair and maintenance of technical building services. In Building Construction, the order book has decreased as the company imposed stricter conditions for launching new residential development and construction projects. However, if the market situation allows, Lemminkäinen is prepared to start-up as many housing units as in 2012. In International Operations, order book growth was generated by building construction in Russia and Sweden, technical building services in Russia, and infrastructure construction in Norway.

Of the Group's order book, 60% (66) originated in Finland, 23% (20) in other Nordic countries, 11% (8) in Russia, and 6% (6) in other countries.

BALANCE SHEET, CASH FLOW AND FINANCING

On 31 December 2012, the balance sheet total was EUR 1,300.4 million (1,242.8), of which shareholders' equity accounted for EUR 450.8 million (350.4). In addition to the result, shareholders' equity was increased by the EUR 70 million hybrid bond issued by the company in spring 2012. The bond bearer does not possess any of the rights of a shareholder, and the bond does not dilute shareholders' holdings in the company. The bond has no maturity, but the company may exercise an early redemption option in 2016 at the earliest. At the end of 2012, Lemminkäinen's working capital amounted to EUR 865.8 million (861.4) and net working capital to EUR 427.5 million (435.7).

The equity ratio was in line with the financial target set for the strategy period, that is, 38.0 per cent (30.8). Gearing was 61.5 per cent (114.5). The equity ratio and gearing were improved by the measures done to optimise working capital, the divestments, and the hybrid bond.

Lemminkäinen's rolling 12-month return on investment remained at the same level as in the previous year, at 10.7 per cent (10.8). The target set for the strategy period 2010–2013 is 18 per cent.

At the end of the review period, the company's liquid assets, stood at EUR 93.9 million (30.4). Liquid assets were boosted by positive cash flow and divestments.

The amount of interest-bearing debt fell by 14 per cent, totalling EUR 371.2 million (431.6) at the end of the review period. The amount of long-term interest-bearing debt totalled EUR 138.8 million (194.6) and short-term interest-bearing debt EUR 232.4 million (237.0). Of all interest-bearing debt, 45 per cent (38) was with a fixed interest rate and the financing expenses of all interest-bearing debt was, on average, 3.12 per cent (3.44). Interest-bearing net debt fell by about a third to EUR 277.3 million (401.2).

Of the company's interest-bearing debt, 15% (17) comprises loans from financial institutions, 23% (28) commercial papers, 18% (12) project loans related to residential and commercial development, 12% (15) pension loans, 16% (14) finance lease liabilities, and 16% (14) bonds. At the end of the financial period, the company also had binding, unused credit limits to the sum of EUR 139.6 million (140.7), which fall due at the end of 2013.

Net finance costs during the review period amounted to EUR 21.1 million (19.0), representing 0.9 per cent (0.9) of net sales.

Cash flow from operations totalled EUR 57.8 million (–7.1) in 2012. This change was primarily due to higher efficiency achieved in the turnover rate of trade receivables and better payment terms on procurement agreements. Cash flow after investments was EUR 14.4 million (–24.3).

Business segments

INTERNATIONAL OPERATIONS

KEY FIGURES, EUR MILLION	2012	2011	CHANGE	1–3/2012	4–6/2012	7–9/2012	10–12/2012
Net sales	**934.3**	809.8	15%	104.0	239.0	323.5	267.8
Operating profit	**16.6**	42.2 [1]	–61%	–15.8	1.3	24.9	6.2
Operating margin,%	**1.8**	5.2		–15.2	0.5	7.7	2.3
Order book at end of period	**574.6**	482.5	19%	613.9	680.0	589.1	574.6

[1] This figure includes EUR 11.0 million in negative goodwill recognised from the acquisition of Mesta Industri AS.

International Operations' net sales rose significantly in 2012 to EUR 934.3 million (809.8). Net sales were boosted by commercial and industrial construction in Russia, as well as infrastructure construction in Sweden, Russia and the Baltic countries in particular. On the other hand, the volume of paving operations fell in both Norway and Denmark.

Of the segment's net sales, 28% were generated in Sweden, 27% in Norway, 16% in Russia, 14% in the Baltic countries, 9% in Denmark, and 6% in other countries. By types of business, 75% were generated by infrastructure construction, 18% by building construction and 7% by technical building services and project exports.

International Operations' operating profit amounted to only EUR 16.6 million (42.2). The operating profit for the comparison year includes EUR 11.0 million in negative goodwill recognised from the acquisition of Mesta Industri in Norway on 31 May 2011.

The weak earnings development was mainly due to challenges relating to the integration of acquired businesses, a shorter-than-average paving season in Norway and Denmark, and a halt in residential development in Russia. In order to improve the profitability of operations in Norway, Lemminkäinen has enhanced its management and control systems, further optimised asphalt production volumes per production site , and divested non-core business operations.

Compared to 2011, profitability was better in infrastructure operations in Sweden, the Baltic countries and Russia. In Russia, Lemminkäinen won three significant renovation contracts for major highways, and achieved its best-ever result in infrastructure construction. Brisk commercial and industrial construction compensated the shortfall of low volume of residential development and construction in Russia.

The order book strengthened in 2012, standing at EUR 574.6 million (482.5) at the end of the year. About 75 per cent of this amount will be recognised as income in 2013. Both building construction in Russia and infrastructure construction in Norway boosted the order book.

LEMMINKÄINEN'S RESIDENTIAL DEVELOPMENT AND CONSTRUCTION, RUSSIA	2012	2011	CHANGE
Units started	**0**	404	–404
Units sold	**141**	194	–53
Units completed	**0**	154	–154
Under construction at end of period	**425**	404	21
- of which unsold	**349**	404	–55
Completed and available for sale at end of period	**17**	82	–65

In Russia, Lemminkäinen's housing sales were boosted by investor sale during the last quarter. The construction of a 400-unit project got re-started in the end of the year. The first phase of this project is scheduled for completion in 2013. In October 2012, Lemminkäinen acquired a plot in central St Petersburg. About 800 residential units will be built on this plot. Construction is scheduled to begin in spring 2013.

The amount of capital tied up in Russia at the end of 2012 was EUR 61.9 million (46.8), of which plot reserves accounted for EUR 38.3 million. With its current plot reserves, the company will be able to begin the development and construction of about 3,200 housing units in central St Petersburg over the next few years.

BUILDING CONSTRUCTION

KEY FIGURES, EUR MILLION	2012	2011	CHANGE	1-3/2012	4–6/2012	7–9/2012	10–12/2012
Net sales	**682.4**	720.9	–5%	124.1	158.7	147.2	252.4
Operating profit	**19.6**	9.4	over 100	–1.0	2.6	1.8	16.2
Operating margin,%	**2.9**	1.3		–0.8	1.6	1.2	6.4
Order book at end of period	**526.9**	580.5	–9%	606.6	731.7	657.6	526.9

Building Construction's net sales fell slightly in 2012 and amounted to EUR 682.4 million (720.9). The number of competitive contracting projects declined after the company imposed stricter profitability margin requirements. Extremely few commercial construction projects were launched outside the Helsinki Metropolitan Area in 2012.

The segment's operating profit doubled in 2012, and totalled EUR 19.6 million (9.4). The 2011 result was burdened by weak profitability in competitive contracting, an issue which the company has addressed in 2012. Stricter profitability requirements were imposed on contracting, project monitoring practices were enhanced, and management structures were clarified. The impact of the cost savings from the efficiency programme launched just over a year ago can be seen in the fourth-quarter result. Building Construction's 2012 result was also improved by good performance in housing sales and commercial construction in the Helsinki Metropolitan Area. Input costs remained steady during the year, but the company is facing a growing shortage of work supervisors.

Building Construction's order book was down by a tenth on 2011, standing at EUR 526.9 million (580.5). About 75 per cent of this amount will be recognised as income in 2013.

LEMMINKÄINEN'S RESIDENTIAL DEVELOPMENT AND CONSTRUCTION, FINLAND	2012	2011	CHANGE
Units started	**1,019**	1,076	–57
Units started (contracting)	**514**	536	–22
Units sold	**1,013**	914	99
Units completed	**1,151**	1,077	74
Under construction at year-end	**857**	989	–132
- of which unsold	**453**	483	–30
Completed and available for sale at year-end	**260**	224	36

Lemminkäinen's housing sales had a good year in 2012, and more new housing units were sold than in 2011. Small, city-centre apartments were in the highest demand. Lemminkäinen was more cautious about starting new units and the number of completed and as yet unsold units has risen. If the market situation allows, Lemminkäinen is prepared to launch a comparable number of residential development units in 2013 as in the previous year. General economic uncertainty and planned changes in taxation during the first half of 2013 may, however, delay the start of new residential units.

At the end of the period, the company owned a total of 792,000 m² (792,000) of unused building rights in Finland, of which 320,000 m² (380,000) were residential building rights. About a quarter of these unused building rights were located in the Helsinki Metropolitan Area. The balance sheet value of the plots was EUR 117.7 million (104.6) at the end of the review period, of which about 35% were in the Helsinki Metropolitan Area.

INFRASTRUCTURE CONSTRUCTION

KEY FIGURES, EUR MILLION	2012	2011	CHANGE	1–3/2012	4–6/2012	7–9/2012	10–12/2012
Net sales	**591.1**	596.2	–1%	66.6	157.6	232.3	134.6
Operating profit	**43.5** [1)]	30.9 [2)]	41%	–3.9	10.9	37.2 [1)]	–0.7
Operating margin,%	**7.4**	5.2		–5.9	6.9	16.0	–0.5
Order book at end of period	**234.7**	238.3	–2%	312.2	401.1	294.5	234.7

Segment reporting includes capital gains on discontinued operations, as well as net sales and operating profit accrued up until the date of divestment. The concrete business accounted for EUR 53.9 million (84.5) in net sales and EUR 25.1 million (9.9) in operating profit in 2012 (2011). The roofing business' impact on 2011 was EUR 13.8 million in net sales and EUR 15.3 million in operating profit.

[1)] This figure includes EUR 17.3 million in capital gains from the divestment of the concrete business.

[2)] This figure includes EUR 17.1 million in capital gains from the divestment of the roofing business.

The segment's 2012 net sales remained at roughly the same level as in 2011. Earthworks, paving and specialised contracting all increased in volume. In rock engineering, the focus switched from Finland to Sweden.

Operating profit rose 41 per cent to EUR 43.5 million (30.9). Earnings developed favourably in all business areas of infrastructure construction in 2012. Thanks to the Group's efficiency programme, the profitability of paving, mineral aggregate and earthwork operations has risen notably. In paving, positive development was also influenced by a decline in the price of bitumen during the summer months and the increased use of recycled asphalt. The profitability of specialised contracting also improved. Demand for mineral aggregates took a downturn in the third quarter, supporting the general forecast of a decline in infrastructure and building construction in Finland during 2013.

The segment's order book remained at the same level as in 2011, standing at EUR 234.7 million (238.3). About 75 per cent of this amount is allocated to 2013.

TECHNICAL BUILDING SERVICES

KEY FIGURES, EUR MILLION	2012	2011	CHANGE	1–3/2012	4–6/2012	7–9/2012	10–12/2012
Net sales	**230.0**	239.9	-4%	60.5	56.9	51.2	61.4
Operating profit	**3.2**	2.8	14%	0.8	1.1	0.3	1.0
Operating margin,%	**1.4**	1.2		1.3	1.9	0.6	1.6
Order book at end of period	**107.7**	99.0	9%	92.7	118.5	117.8	107.7

Technical Building Services' full-year net sales fell, but profitability improved. In contracting the company has paid special attention to process management and control, as well as in procurement efficiency . In repair and maintenance, profitability has been improved by service design and by measures to boost the efficiency of sales and marketing.

Significantly more long-term repair and maintenance contracts were signed in 2012 than in 2011. Demand for maintenance services is expected to rise over the coming years. In November 2012, Lemminkäinen announced that the company would hire some 100 new professionals for the repair and maintenance of technical building systems. The company's goal is to increase service operations to account for about 50 per cent of this segment's net sales by the end of 2013. The figure for 2012 was 33 per cent.

At the end of the period, Technical Building Services' order book stood at EUR 107.7 million (99.0). In late 2012, Lemminkäinen signed a multi-year repair and maintenance contract for all of Citycon's major shopping centres and retail properties in Finland.

INVESTMENTS

Gross investments during the review period amounted to EUR 64.5 million (84.0), representing 2.8% (3.8) of the company's net sales. They were mainly replacement investments in infrastructure construction. The comparison period's gross investments include the acquisition of Mesta Industri AS.

PERSONNEL

During the review period, the Group employed an average of 8,180 people (8,421). Of these employees, 63% (69) worked in Finland, 17% (13) in other Nordic countries, 10% (9) in the Baltic countries, and 10% (9) in other countries.

AVERAGE NUMBER OF GROUP PERSONNEL	1–12/2012	1–12/2011	CHANGE
Salaried employees	3,007	2,932	3%
Hourly paid employees	5,173	5,489	–6%
Personnel, total	8,180	8,421	–3%
– of whom working outside Finland	3,026	2,590	17%
Personnel at end of period	7,370	7,929	–7%

PERSONNEL BY BUSINESS SEGMENT, AVERAGE	1–12/2012	1–12/2011	CHANGE
International Operations	3,057	2,636	16%
Building Construction	1,425	1,696	–16%
Infrastructure Construction	1,751	2,032	–14%
Technical Building Services	1,631	1,796	–9%
Parent company	316	261	21%
Group, total	8,180	8,421	–3%

The changes in the number of personnel in each business segment stem from growth in Lemminkäinen's international operations, personnel reductions resulting from co-determination negotiations in 2011, and the centralisation of support functions at the parent company's shared services centres.

Share-based incentive scheme

At the end of 2012, Lemminkäinen Corporation's Board of Directors decided to introduce a new share-based incentive scheme for key personnel. The scheme consists of both performance-based and conditional incentives. The conditional incentive seeks to encourage the Group's key personnel to increase their holding in the company.

Rewards paid on the basis of the incentive plan will correspond to the value of a maximum of 700,000 Lemminkäinen Corporation shares (including the proportion to be paid in cash). The value of the incentive will be determined by the market price of the reward shares on the payment date. The Lemminkäinen Corporation shares handed over as rewards will be bought from the stock market. The incentive plan will not therefore have a diluting effect on the value of the shares.

The system consists of three earning periods: the calendar years 2013, 2014 and 2015. The Board of Directors decides on the earning criteria for each period, as well as on the targets to be set at the beginning of each earning period. In the 2013 earning period, approximately 45 people will fall within the scope of the incentive plan. The performance-based incentive will be based on the Lemminkäinen Group's operating profit and return on investment. The proportion paid in cash will cover the taxes and tax-related costs arising from the reward. In addition to the performance-based incentive, the abovementioned key personnel will also have the opportunity to receive a conditional incentive. In order to receive this incentive, a key employee must either already own or acquire company shares. Key personnel will then be rewarded with one share for every share they own or acquire. The earning period for conditional incentives is the calendar years 2013–2015.

You can read more about Lemminkäinen's incentive plans both on our website and in the annual report on pages 76–77.

ENVIRONMENT

In its product, service and operations development, Lemminkäinen takes into account both their direct and indirect impact on society. The Group's Executive Board and EHSQ experts regularly monitor both the environmental impact of the Group's operations and the management of environmental issues. On Group-level, Lemminkäinen follows energy consumption figures and the environmental impact of its production facilities in Finland. Each business segment also monitors the individual indicators set for it. Lemminkäinen's environmental reporting is developed according to international GRI (Global Reporting Initiative) framework G3 guidelines. The 2011 report was verified by an external organisation and received level C+. In 2012, Lemminkäinen participated in the international Carbon Disclosure Project (CDP) survey for the second time. The CDP measures performance in climate-related issues. The Group continued to analyse the impact of climate change on the company's operations. Lemminkäinen is involved with several associations that promote environmental awareness and legislation in the construction industry.

More detailed information on Lemminkäinen's environmental issues can be found on the website and in the annual report on pages 46–49.

RESEARCH AND DEVELOPMENT

Research and development activities at Lemminkäinen focus on the utilisation of information technology in construction, environmental and energy efficiency, and service development. Lemminkäinen has also initiated a variety of developmental measures to improve operational efficiency. In 2012, the company continued to develop the utilisation of building information modelling in project planning. Lemminkäinen's Technical Building Services and Infrastructure Construction segments are cooperating with cities and companies in the Helsinki Metropolitan Area to develop electric vehicle systems in the region (a project funded by Tekes, the Finnish Funding Agency for Technology and Innovation). Products and services are developed in long-term collaboration with customers.

Lemminkäinen has been awarded patents for processes in building construction, such as a technology for raising apartment buildings and a frame for creating window and door openings in cast-in-site concrete walls. Through a corporate acquisition, the company obtained a control technology that utilises weather forecast information. This system will be included in the energy-saving offering in technical building services.

The Group's business segments are each responsible for their own research and development activities, which focus on, for example, quality assurance and ensuring the efficiency and viability of business activities. Lemminkäinen's Central Laboratory carries out infrastructure construction R&D. In 2012, the Group's expensed research and development expenditure accounted for 0.6 (0.7) per cent of net sales.

CHANGES IN ORGANISATIONAL STRUCTURE

On 1 January 2012, Lemminkäinen formed a new business segment consisting its international business operations. Lemminkäinen now has four business segments: Building Construction, Infrastructure Construction, Technical Building Services, and International Operations.

On 17 February 2012, Jouni Pekonen was appointed Executive Vice President, Procurement. Casimir Lindholm was appointed Executive Vice President, Building Construction as of 1 January 2013. Both men were also appointed as members of Lemminkäinen's Executive Board, and they report to President & CEO Timo Kohtamäki. Jukka Terhonen, the former Executive Vice President, Building Construction and a member of the Executive Board, retired in January 2013.

SHARES

The company has one share class. Each share carries one vote at a general meeting of shareholders and confers an equal right to a dividend. Lemminkäinen's share capital is EUR 34,042,500 and the total number of shares was 19,650,176 at the end of the report period.

Share trading on NASDAQ OMX Helsinki

At the end of 2012, the market capitalisation of Lemminkäinen's shares stood at EUR 280.6 million (367.8). The price of Lemminkäinen Corporation's share on NASDAQ OMX Helsinki was EUR 18.72 (26.00) at the beginning of the period and EUR 14.28 (18.72) at the end. Share turnover during the period totalled 991,952 (3,366,940) shares. The total value of share turnover was EUR 16.3 million (77.0). In addition to NASDAQ OMX Helsinki, Lemminkäinen's share is also traded on alternative markets. During 2012, alternative markets accounted for 6 per cent (8) of Lemminkäinen's total share turnover. Share turnover on alterative markets totalled 64,087 (293,502) shares with a turnover value of EUR 1.1 million (7.0). (Source: Fidessa Fragmentation Index, http://fragmentation.fidessa.com.)

Authorisations of the Board of Directors

At an Extraordinary General Meeting held on 12 November 2009, Lemminkäinen decided – in accordance with the proposal made by the Board of Directors – to authorise the Board of Directors to resolve on a share issue and/or an issue of special rights entitling their holders to shares, as referred to in Chapter 10, Section 1 of the Finnish Companies Act, in one or more instalments, either against payment or without consideration. The Board of Directors is still authorised to issue 1,576,486 shares and/or special rights entitling their holders to shares. The authorisation is valid for five (5) years after being granted.

Lemminkäinen Corporation's Annual General Meeting, which convened on 2 April 2012, resolved to authorise the Board of Directors to decide on the repurchase of a maximum of 1,000,000 of the Company's own shares in one or several instalments, using the unrestricted shareholders' equity of the Company, subject to the provisions of the Finnish Companies Act on the maximum amount of own shares in the possession of the company or its subsidiaries. The authorisation will remain in force for a period of 18 months from the resolution of the General Meeting. The authorisation had not been exercised by the end of the review period.

Own shares

Lemminkäinen owns 509 of its own shares, which have been returned to the company as part of its share-based incentive scheme. The shares were originally allocated to key personnel for the 2011 earning period of the shared-based incentive scheme of 2010–2012.

SHAREHOLDERS

At the end of the financial year, the company had 4,781 shareholders (4,548). Holders of nominee-registered shares and non-Finnish shareholders held 14 (15) per cent of all Lemminkäinen Corporation shares and voting rights. Company ownership and division by segment and scale, the major shareholders, and the share ownership of Executive Board members and the Board of Directors are available on the company's website, www.lemminkainen.com/Investors.

Shareholder agreements

The company is not aware of any agreements between shareholders that would have a significant bearing on the use of ownership rights or voting behaviour at general meetings of shareholders.

Flagging notifications

On 4 January 2012, Lemminkäinen received a flagging notification stating that Olavi Pentti had bestowed 1,964,480 Lemminkäinen shares on his daughter, Noora Forstén, in a deed of gift. As a result, Olavi Pentti's holding in Lemminkäinen Corporation fell from 3,673,953 shares, or approximately 18.7 per cent of all shares, to 1,709,473 shares, or approximately 8.7 per cent of all shares. Noora Forstén's holding in the company rose from 1,593 to 1,966,073 shares, which corresponds to 10 per cent of all shares and votes in Lemminkäinen Corporation.

On 3 April 2012, Lemminkäinen received a flagging notification according to which Peab Invest AS, a wholly owned subsidiary of Peab AB (publ), acquired 940,000 shares on 2 April 2012 through a completed forward contract. These shares represent 4.78 per cent of the shares and votes in Lemminkäinen Corporation. The shares were transferred to Peab AB (publ) immediately after the transaction. As a result of the forward contract completed on 2 April 2012, Peab AB (publ)'s holding rose to 2,080,225 shares, which represent 10.58 per cent of the shares and votes in Lemminkäinen Corporation.

LEGAL PROCEEDINGS

In 2009, the Supreme Administrative Court (SAC) ordered Finnish asphalt industry companies to pay an infringement fine for violations of the Act on Competition Restrictions.

Since 30 September 2012, 12 new municipalities have brought claims. Therefore, at the end of the year, there were a total of 52 claims for damages brought by municipalities and the Finnish state (Finnish Transport Agency) pending against Lemminkäinen and other asphalt industry companies in the District Court. The claimants contend that restrictions on competition have caused them damages. The new claims total about EUR 6.7 million, bringing the total amount of damages currently sought from Lemminkäinen up to EUR 129 million. The claims presented in the statements of claim differ from each other as regards their amounts and grounds.

As it stands, the ruling rendered by the SAC in 2009 does not mean that Lemminkäinen or the other asphalt industry companies actually caused any damages to their asphalt contract clients. The ruling does not concern the individual contracts that the claimants cited in support of their claims. Nor does the ruling concern the pricing of individual contracts. The SAC has not investigated the contention that inflated prices have been charged for the contracts.

Lemminkäinen's initial position is that the claims for damages are without foundation. The claims will be processed in the order and schedule set by the District Court. The main proceedings on the claims made by 38 municipalities and the Finnish Transport Agency began in September 2012, and they have initially been scheduled to run until April 2013. The damages presented in these 39 claims total about EUR 121 million. No commencement date has yet been set for the main proceedings for the other 14 claims. Neither has a decision date been announced.

In accordance with IFRS standards, no provisions have been made in respect of the claims of the municipalities and the Finnish Transport Agency that are currently pending in the District Court.

Lemminkäinen will provide information on the proceedings when necessary, either in its interim reports or in separate releases. More information can be found on the company's website
www.lemminkainen.com/Investors/Lemminkainen_as_an_investment.

RISKS AND UNCERTAINTIES

Risk management is an essential part of Lemminkäinen's business operations. Risk management seeks to ensure that strategic and operational targets are achieved, and shareholder value is increased.

Fluctuations in global economic trends cause uncertainty in Lemminkäinen's operating environment and make it more difficult to forecast future changes. New construction in Finland is sensitive to economic cycles and therefore poses a market risk. This risk is managed both structurally and operationally. The more stable demand for infrastructure construction balances out fluctuating volumes in new domestic construction, as does growth in maintenance, upkeep and renovation in technical building services.

The company's residential development and construction involves both sales and price risks. As unsold residential units tie up capital, the company only starts new housing construction if a sufficient number of the units have been reserved in advance. When undertaking commercial development, business premises are usually sold to real estate investors in the early stages of construction at the latest, thereby reducing sales risks.

Project-specific risks generally involve changes in input costs and the management of project implementation. These are controlled through systematic project management at both the tender and implementation stage. Weather conditions also pose a risk in the construction industry. Unusual or harsh weather can weaken the profitability of our operations by interrupting or delaying projects.

Lemminkäinen uses great amounts of oil-based products in asphalt production. The price of bitumen is tied to the global price of oil. Lemminkäinen manages the bitumen price risk with oil derivatives and contractual terms.

Claims filed at district court level by certain municipalities and the Finnish Transport Agency pose a risk.

More information about Lemminkäinen's risks, including a more detailed description of the company's risk management, is presented in the annual report on pages 82—83 and on the website. A more detailed account of the financial risks is also provided in the notes to the financial statements.

RESOLUTIONS OF THE ANNUAL GENERAL MEETING AND ADMINISTRATION

On 2 April 2012, Lemminkäinen Corporation's Annual General Meeting adopted the company's financial statements for 2011 and granted the members of the Board of Directors and the President & CEO discharge from liability. The General Meeting resolved, in accordance with the Board of Directors' proposal, to pay a dividend of EUR 0.50 per share to a total of EUR 9,824,833.50. The record date for payment of dividend was 5 April 2012 and the dividend was paid on 16 April 2012.

Berndt Brunow, Noora Forstén, Juhani Mäkinen, Mikael Mäkinen, Kristina Pentti-von Walzel and Heikki Räty were elected to the Board of Directors. PricewaterhouseCoopers Oy, a firm of authorised public accountants, was elected to serve as the company's auditors, with Kim Karhu, Authorised Public Accountant, as chief auditor.

In accordance with the Board of Directors' proposal, the General Meeting resolved to sell all shares in the joint book-entry account that have not been transferred to the book-entry securities system, a total of 10,570 shares, on behalf of their owners. The Board of Directors was authorised to carry out any measures required by the decision.

Lemminkäinen Corporation's Board of Directors held its organisation meeting on 2 April 2012. Berndt Brunow will continue as Chairman of the Board of Directors, and Juhani Mäkinen as Vice Chairman. The Board of Directors elected Heikki Räty as the Chairman of the Audit Committee, with Juhani Mäkinen and Kristina Pentti-von Walzel serving as members. Berndt Brunow was elected as Chairman of the Nomination Committee, with Noora Forstén and Kristina Pentti-von Walzel serving as members. Mikael Mäkinen was elected as Chairman of the Remuneration Committee, with Berndt Brunow and Noora Forstén serving as members.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The distributable shareholders' equity shown on the balance sheet of the parent company, Lemminkäinen Corporation, amounts to EUR 189,410,593.17, consisting of EUR 86,120,686.12 in retained earnings from previous years and EUR 41,980,990.17 in profit for the financial year.

The Board of Directors will propose to the AGM that, for the financial year ended 31 December 2012, the company will distribute a per-share dividend of EUR 0.60 to a total of EUR 11,789,800.20, after which retained earnings would stand at EUR 116,311,876.09.

OUTLOOK

Finland

Migration to urban growth centres and low interest rates support the housing demand in the near future. On the other hand, tax changes affecting consumers' purchasing power and increased difficulty in obtaining mortgages may weaken consumers' desire to purchase homes. The number of completed housing units on sale is growing, and it is likely that fewer new units will be started in 2013 than in 2012. However, if the market situation allows, Lemminkäinen is prepared to launch the construction of about 1,000 residential units in 2013.

The total volume of other new building construction is expected to contract further. Commercial construction outside urban growth centres is estimated to be very limited. Industrial construction will focus on energy production. The demand for renovation construction is estimated to continue its steady growth.

The total volume of infrastructure construction is not expected to grow in 2013. Growth is being hindered by, for example, slow economic growth and the challenges facing public sector finances. Demanding city-centre and underground urban construction will maintain moderate market demand for specialised contracting. Repair works in energy production will also increase demand for infrastructure construction.

The outlook for the repair and maintenance of technical building systems is forecasted to remain stable in the near future. New construction has slowed, leading to a fall in demand for contracting in technical building services, and no significant change is expected during the current year.

Other markets

Multi-year, national traffic infrastructure development plans are currently underway in Norway, Sweden and Denmark, and these three countries are also investing heavily in the development of energy production. Mining operations are increasing demand for infrastructure construction in Northern Sweden. Large-scale road projects are being planned around Sweden's growth centres.

In St Petersburg and Russia in general, growth in consumers' purchasing power, internal migration, and the increased availability of consumer mortgages are all supporting demand for residential construction. Measures to improve Russian infrastructure have been increasingly initiated, and, for example, numerous projects to expand and repair road networks are currently underway.

The growth in infrastructure construction in the Baltic countries will be determined by the availability of financing. However, ongoing road construction and renovation projects will maintain demand for infrastructure construction at a moderate level throughout 2013 at least.

Profit guidance for 2013

Lemminkäinen estimates that its 2013 net sales will remain at the same level as in 2012 and that its operating profit will improve on 2012. In 2012, Lemminkäinen's net sales totalled EUR 2,268 million and its operating profit amounted to EUR 50 million. This guidance is based on the company estimate that the efficiency programme proceeds as planned and that the construction market will not weaken significantly.

Helsinki, 6 February 2013

LEMMINKÄINEN CORPORATION

Board of Directors

Consolidated income statement (IFRS)

EUR 1,000	Note	1.1.–31.12.2012	1.1–31.12. 2011
Net sales	1, 2	**2,267,645**	2,183,946
Other operating income	6	**18,225**	20,739
Change in inventories of finished goods and work-in-progress		**16,118**	44,803
Production for own use		**1,920**	294
Use of materials and services		**1,482,620**	1,455,389
Employee benefit expenses	7	**450,309**	434,305
Depreciation	8	**40,983**	35,104
Impairment of goodwill	8		73
Other operating expenses	9	**280,946**	282,809
Share of the profit of associates and joint ventures	10	**1,064**	1,867
Operating profit		**50,114**	43,970
Finance income	11	**11,256**	11,388
Finance costs	11	**32,342**	30,343
Profit before income taxes		**29,028**	25,015
Income taxes	12	**–8,674**	–7,938
Profit from continuing operations		**20,354**	17,077
Profit from discontinued operations	4	**23,680**	18,494
Profit for the financial year		**44,034**	35,571
Profit for the financial year attributable to			
Equity holders of the parent company		**43,875**	34,720
Non-controlling interests		**158**	851
Basic earnings per share attributable to equity holders of the parent company (EUR)			
From continuing operations	13	**0.83**	0.83
From discontinued operations	13	**1.21**	0.94
From profit for the year	13	**2.04**	1.77
Diluted earnings per share attributable to equity holders of the parent company (EUR)			
From continuing operations	13	**0.82**	0.83
From discontinued operations	13	**1.20**	0.94
From profit for the year	13	**2.03**	1.77

Consolidated statement of comprehensive income (IFRS)

EUR 1,000	Note	1.1.–31.12.2012	1.1.–31.12.2011
Profit for the financial year		**44,034**	35,571
Translation difference		**3,148**	–811
Cash flow hedge	14, 24	**503**	570
Change in fair value of available-for-sale financial assets	14, 24	**15**	–12
Other comprehensive income, total		**3,666**	–253
Comprehensive income for the financial year		**47,700**	35,318
Comprehensive income for the financial year			
Equity holders of the parent company		**47,542**	34,467
Non-controlling interests		**158**	851

Consolidated statement of financial position (IFRS)

EUR 1,000	Note	31.12.2012	31.12.2011
ASSETS			
Non-current assets			
Property, plant and equipment	16	**200,466**	207,182
Goodwill	17	**77,043**	85,693
Other intangible assets	17	**26,671**	18,712
Holdings in associates and joint ventures	10	**9,706**	9,291
Available-for-sale financial assets	18	**5,971**	5,992
Deferred tax assets	12	**20,364**	19,356
Other non-current receivables	19	**456**	4,765
		340,678	350,991
Current assets			
Inventories	20	**494,388**	448,467
Trade and other receivables	21	**363,129**	407,287
Income tax receivables		**8,273**	5,616
Available-for-sale financial assets	22	**59,020**	
Cash and cash equivalents	23	**34,926**	30,395
		959,736	891,766
Total assets		**1,300,414**	1,242,757

EUR 1,000	Note	31.12.2012	31.12.2011
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	25	**34,043**	34,043
Share premium account	25	**5,675**	5,675
Hedging reserve	25	**–436**	–940
Fair value reserve	25	**15**	
Invested non-restricted equity fund	25	**63,607**	63,220
Hybrid bond	25	**69,095**	
Translation difference		**4,532**	1,385
Retained earnings		**229,994**	210,591
Profit for the financial year		**43,875**	34,720
		450,400	348,693
Non-controlling interests		**373**	1,708
Total equity		**450,772**	350,401
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	26	**138,842**	194,643
Deferred tax liabilities	12	**25,171**	21,727
Pension obligations	27	**1,171**	3,872
Provisions	29	**6,198**	6,224
Other non-current liabilities	30	**7,625**	3,226
		179,007	229,692
Current liabilities			
Interest-bearing liabilities	26	**232,361**	236,968
Provisions	29	**8,069**	7,495
Trade and other payables	30	**427,847**	416,383
Income tax liabilities		**2,358**	1,817
		670,634	662,664
Total liabilities		**849,641**	892,356
Total equity and liabilities		**1,300,414**	1,242,757

Consolidated cash flow statement (IFRS)

EUR 1,000	Note	1.1.–31.12.2012	1.1.–31.12.2011
Cash flows from operating activities			
Profit before taxes		**29,028**	25,015
Adjustments	33		
Depreciation and impairment		**40,983**	35,177
Share of the profit of associates and joint ventures		**–1,064**	–1,867
Finance income and costs		**21,086**	18,955
Other adjustments		**–3,985**	–2,666
Cash flow before change in working capital		**86,048**	74,614
Change in working capital			
Increase (–)/decrease (+) in trade and other receivables		**38,774**	–72,367
Increase (–)/decrease (+) in inventories		**–52,438**	–71,323
Increase (+)/decrease (–) in current liabilities		**8,843**	82,589
Cash flow from operations before financial items and taxes		**81,227**	13,513
Interest paid		**–18,414**	–16,470
Other finance costs paid		**–14,435**	–12,493
Dividends received		**694**	390
Interest received		**1,669**	2,576
Other finance income received		**9,668**	9,543
Income tax paid		**–2,657**	–4,167
Cash flows from operating activities		**57,751**	–7,108
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**–74,269**	–41,961
Proceeds from sale of property, plant and equipment and intangible assets		**36,271**	13,747
Investments in other assets		**–59,104**	–4
Proceeds from sale of other investments		**152**	1,450
Acquired subsidiary shares less cash and cash equivalents at time of purchase		**–1,928**	–18,532
Disposed subsidiary shares less cash and cash equivalents at time of sale	4	**55,356**	28,085
Purchases of shares in associates and joint ventures		**167**	
Cash flows from investing activities		**–43,355**	–17,215
Cash flows from financing activities			
Repayments of long-term loan receivables		**4,397**	2,349
Proceeds from short-term borrowings		**247,015**	257,009
Repayments of short-term borrowings		**–250,474**	–191,330
Proceeds from long-term borrowings		**235,097**	258,706
Repayments of long-term borrowings		**–291,726**	–276,168
Hybrid bond		**69,095**	
Repayments of finance lease liabilities		**–13,566**	–11,408
Dividends paid		**–10,003**	–10,791
Cash flows from financing activities		**–10,164**	28,367
Increase (+)/decrease (–) in cash and cash equivalents		**4,232**	4,045
Cash and cash equivalents at beginning of financial year	23	**30,395**	26,348
Translation difference of cash and cash equivalents		**298**	2
Cash and cash equivalents at end of financial year		**34,926**	30,395

Consolidated statement of changes in equity (IFRS)

EUR 1,000	Note	SHARE CAPITAL	SHARE PREMIUM ACCOUNT	HEDGING RESERVE	FAIR VALUE RESERVE	INVESTED NON-RESTRICTED EQUITY FUND	HYBRID BOND	TRANSLATION DIFFERENCE	RETAINED EARNINGS	PARENT COMPANY SHARE-HOLDERS' EQUITY	NON-CON-TROLLING INTEREST	TOTAL EQUITY
Equity 1.1.2011		34,043	5,750	–1,510	12	63,144		2,196	221,561	325,196	5,086	330,282
Profit for the financial year									34,720	34,720	851	35,571
Translation difference								–811		–811		–811
Cash flow hedge				570						570		570
Change in fair value of available-for-sale financial assets					–12					–12		–12
Comprehensive income for the financial year				570	–12			–811	34 720	34,467	851	35,318
Direct entries, acquisition of non-controlling interest									–1,147	–1,147		–1,147
Change in non-controlling interest											–3,256	–3,256
Dividends paid	15								–9,822	–9,822	–974	–10,796
Transfers between funds			–76			76						
Transactions with owners, total			–76			76			–10,969	–10,969	–4,230	–15,199
Equity 31.12.2011		34,043	5,675	–940		63,220		1,385	245,311	348,693	1,708	350,401
Equity 1.1.2012		**34,043**	**5,675**	**–940**		**63,220**		**1,385**	**245,311**	**348,693**	**1,708**	**350,401**
Profit for the financial year									**43,875**	**43,875**	**158**	**44,034**
Translation difference								**3,148**		**3,148**		**3,148**
Cash flow hedge				**503**						**503**		**503**
Change in fair value of available-for-sale financial assets					**15**					**15**		**15**
Comprehensive income for the financial year				**503**	**15**			**3,148**	**43,875**	**47,542**	**158**	**47,700**
Direct entries, acquisition of non-controlling interest									**–3,222**	**–3,222**		**–3,222**
Change in non-controlling interest											**–1,233**	**–1,233**
Share-based incentive schemes						**387**			**624**	**1,011**		**1,011**
Contingent shares returned to the company									**–251**	**–251**		**–251**
Dividend distribution	15								**–9,825**	**–9,825**	**–261**	**–10,085**
Hybrid bond interest									**–2,643**	**–2,643**		**–2,643**
Transactions with owners, total						**387**			**–15,317**	**–14,930**	**–1,493**	**–16,423**
Hybrid bond							**69,095**			**69,095**		**69,095**
Equity 31.12.2012		**34,043**	**5,675**	**–436**	**15**	**63,607**	**69,095**	**4,532**	**273,870**	**450,400**	**373**	**450,772**

Accounting principles applied in the IFRS consolidated financial statements, 31 December 2012

BASIC INFORMATION ON THE COMPANY

Lemminkäinen Corporation is a public limited company established under the laws of Finland and domiciled in Helsinki. The Company's registered address is Salmisaarenaukio 2, 00180, Helsinki, Finland. Lemminkäinen Corporation is the parent company of Lemminkäinen Group. The Group operates in several branches of the construction sector. The Group comprises the following operating segments: Building Construction, Infrastructure Construction, Technical Building Services and International Operations.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and the IAS and IFRS standards and SIC and IFRIC interpretations that were in force on 31 December 2012 have been observed in their preparation. The term 'International Financial Reporting Standards' refers to standards and their interpretations authorised for use in the European Union in accordance with the procedure prescribed in EU Regulation (EC) No. 1606/2002 as well as in the Finnish Accounting Act and the provisions laid down pursuant to the Act. The notes to the consolidated financial statements are also in accordance with Finnish accounting and community legislation supplemental to the IFRS regulations. The consolidated financial statements will be available on the Company's website at www.lemminkainen.com from week 12 of 2013 onwards. Printed copies of the consolidated financial statements can be ordered via e-mail info@lemminkainen.com or by telephone +358 20 715000, from week 14 onwards.

The figures in the financial statements are denominated in thousands of euros. Transactions are treated on the basis of original acquisition costs, with the exception of financial instruments. The Board of Directors approved the publication of the consolidated financial statements on 6 February 2013.

PRINCIPLES OF CONSOLIDATION

Subsidiaries

The consolidated financial statements include Lemminkäinen Corporation and those subsidiaries in which the parent company directly or indirectly controls over 50 per cent of the voting rights conferred by the shares or otherwise have the right to control the Company's financial or business principles. Intra-group shareholdings are eliminated by means of the acquisition method. The acquisition price comprises the consideration paid, the non-controlling interest in the acquiree, and the fair value of the previously held interest. The consideration paid is measured as the fair value of the assets given, liabilities assumed, and equity instruments issued by the Group. Any contingent consideration is measured at fair value at the time of acquisition and is included in the consideration paid. It is classified as either a liability or equity. Any contingent consideration classified as a liability is fair valued on the reporting date of each reporting period, and the resulting gains or losses are recognised through profit or loss. A contingent consideration classified as equity is not re-measured. Non-controlling interest in the acquiree is recognised on an acquisition-by-acquisition basis at either fair value or the amount corresponding to the share of the net assets of the acquiree held by non-controlling interests. The amount by which the sum of the consideration paid, the non-controlling interest in the acquiree, and the fair value of the previously held interest exceed the fair value of the acquired net assets is recognised as goodwill on the balance sheet. If the total amount of consideration, the non-controlling interest in the acquiree, and the previously held interest is smaller than the fair value of the net assets acquired by the subsidiary, the difference is recognised in the statement of comprehensive income.

Direct acquisition costs are recognised as other operating expenses in the income statement.

The treatment of transactions with non-controlling interests is the same as that of transactions with the Group's shareholders. When shares are acquired from non-controlling interests, the difference between the consideration paid and the carrying amount of the acquired net assets in the subsidiary is recognised in equity. Gains or losses from the sale of shares to non-controlling interests are also recognised in equity. When control or significant influence is lost, the remaining holding, if any, is measured at fair value and the change in the carrying amount is recognised through profit or loss. This fair value serves as the original carrying amount when the remaining holding is subsequently treated as an associate, a joint venture, or financial assets. In addition, the amounts concerning said company that were previously recognised in other comprehensive income are treated as if the Group had directly surrendered the related assets and liabilities. This means that amounts previously recognised in other comprehensive income items are recycled to profit or loss.

The goodwill included in the consolidated financial statements is recognised on the balance sheet in the currency of the acquiring company, and the goodwill arising from acquisitions is recognised in the functional currency of the foreign unit. Subsidiaries acquired during the accounting period are included in the consolidated financial statements from the moment of the Group gaining control, and divested subsidiaries up until the time that the control is lost.

Intra-group transactions; unrealised internal margins; and internal receivables, liabilities, and dividend payments are eliminated on consolidation. The distribution of profit for the financial year to the shareholders of the parent company and to the non-controlling interests is presented in the income statement. On the balance sheet, the non-controlling interest is included in the total equity of the Group.

Associates and joint ventures

Investments in associates (generally 20—50 per cent of the voting rights or otherwise significant influence over the company's affairs) and joint ventures (joint control with other parties) are included in the consolidated financial statements using the equity method. In such cases, the Group's share of the profit of the associate or joint venture corresponding to its ownership stake is included in the consolidated income statements. Correspondingly, the Group's share of the equity in the associate or joint venture, including the goodwill arising from its acquisition, is recorded as the value of the Group's holding in the Company on the consolidated balance sheet. If Lemminkäinen's share of the losses of an associate or joint venture exceeds the investment's carrying amount, the investment is assigned a value of zero on the balance sheet and the excess is disregarded, unless the Group has obligations related to the associate or joint venture.

Unrealised gains arising in connection with business and fixed asset transactions between the Group and associates or joint ventures are eliminated in proportion to the holding. The eliminated gain is recognised through profit or loss as it is realised.

Shares of the profits of associates and joint ventures are included in operating profit since they belong to the operations of reporting business segments.

OPERATING SEGMENTS

Reported segment information is based on internal segment reporting to the chief operating decision maker. Lemminkäinen Group's chief operating decision-maker is the President and CEO of Lemminkäinen Corporation. Internal segment reporting to the management covers net sales, depreciation, operating profit, and as assets fixed assets, inventories, and trade receivables. The figures reported to the management are accurate to the nearest EUR 1,000.

Reportable segment information is generally prepared according to the accounting principles applied for the consolidated financial statements. Imputed items are not considered in segment reporting. These items include, among others, depreciation of assets acquired by finance leasing, interest separated from payments, warranty provisions, and unrealised gains or losses on derivatives. In segment reporting to the management, finance leases are treated as operating leases, in deviation from the accounting principles of IFRS financial statements. Associates and joint ventures are combined in segment reporting in proportion to the holding using the line-by-line method. In IFRS financial statements, associates and joint ventures are combined in accordance with the equity method. In segment reporting, inter-segment sales are not allocated to segments, owing to their minimal magnitude, and are not reported to the management.

Intra-segment transactions are priced at market prices. The cost plus method, wherein the price of a product or service is determined by the addition of an appropriate profit mark-up to the costs incurred, is the main transfer pricing method applied.

PRESENTATION OF THE FINANCIAL STATEMENTS

The Group presents two separate income statements: the consolidated income statement and the consolidated statement of comprehensive income. The former includes the components of profit and loss, and the latter starts with the profit or loss and presents the equity changes that are unrelated to the shareholders. The consolidated statement of changes in equity itemises the transactions with shareholders.

FOREIGN CURRENCY ITEMS

The consolidated financial statements are presented in euros, which is also the functional and presentation currency of the Group's parent company. The figures relating to the profit and financial position of the Group companies are initially recognised in the functional currency of their operating environment. Every Group company's functional currency is the primary currency of the economic environment in which the entity/company operates. Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Receivables and liabilities denominated in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Exchange rate differences resulting from operating activities are recorded as adjustments to the corresponding items above the operating profit. Exchange rate gains and losses related to financing are recognised as finance income and costs.

Income statements of Group companies outside the euro area are translated into euros in line with the average exchange rates for the accounting period. All balance sheet items, with the exception of the profit or loss for the accounting period, are translated into euros at the exchange rates prevailing on the balance sheet date. The translation differences resulting from the translation of the income statement and balance sheet at different exchange rates and from the elimination of the acquisition cost of subsidiaries outside the euro area are recognised in equity and the changes presented in the statement of comprehensive income. When foreign subsidiaries are divested, the translation difference accrued in equity is recognised through profit and loss as part of gains or losses.

Goodwill arising from the acquisition of subsidiaries outside the euro area as well as fair value adjustments to the carrying amounts of the assets and liabilities of the foreign subsidiaries are treated as assets and liabilities of the foreign subsidiaries in question and are translated into euros at the exchange rates prevailing on the balance sheet date.

FINANCIAL ASSETS

Financial assets are recognised on the settlement date. The Group classifies financial assets on initial recognition into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables. The category is determined in accordance with the purpose for which the financial asset has been acquired. Financial assets are derecognised once the Group has lost the contractual right to their cash flows or when it has substantially transferred their risks and rewards to a party outside the Group.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include all derivative contracts that do not meet the hedge accounting criteria. These derivative contracts include interest rate, foreign exchange and commodity derivatives. Derivatives are carried at fair values based on market prices and generally accepted valuation models. Changes in the fair values are recognised according to the nature of the derivative, either in the Group's financial items or in other operating income or expenses.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets other than derivative contracts, that are specifically designated as such or that are not classified in any other category. The Group's available-for-sale financial assets include property, housing-company and other shares, as well as short-term money-market investments. Available-for-sale financial assets are measured at fair value. Changes in the fair values are recognised in equity and presented in other comprehensive income. If a fair value cannot be reliably measured, the asset is recognised at cost less impairment, if any. The dividends from equity instruments included in available-for-sale financial assets and the interest from fixed-income instruments are recognised under financial items.

When financial assets classified as available-for-sale are sold or impairment is recognised, accumulated fair value changes recognised in equity are reclassified in profit or loss either under other operating income or expenses if the asset is an equity instrument, or under financial items if the asset is other than an equity instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, and are not quoted in an active market. Loans and receivables of the Group also include trade and other receivables on the balance sheet. Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank-account balances and liquid money-market investments with original maturities of less than three months.

Impairment of financial assets

On every reporting date, the Group assesses whether there is any objective evidence of impairment of the value of a financial asset or a group of financial assets. If there is objective evidence of impairment, the amount recoverable from the financial asset, which is the fair value of the asset, is estimated and the impairment loss is recognised wherever the carrying amount exceeds the recoverable amount. Impairment losses are recognised in the income statement. For example, when a debtor is in significant financial difficulties, any probable bankruptcy, delinquent payments, or payments that are more than 90 days overdue constitute evidence of possible impairment of the receivables.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised on the settlement date at fair value less transaction costs. Subsequently, all financial liabilities are measured at amortised cost using the effective interest rate method. Fees paid on the establishment of loan facilities are capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. The Group has non-current and current financial liabilities, and they may be interest-bearing or non-interest-bearing. Financial liabilities are derecognised once the Group's obligations in relation to liability is discharged, cancelled or expired.

CAPITALISATION OF BORROWING COSTS

The company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Qualifying assets

A qualifying asset is one that takes a substantial period of time to complete for its intended purpose. A qualifying asset may be a fixed or movable asset, an inventory item or an intangible asset.

Costs of borrowing for the purpose of acquisition of an asset

When borrowings are made expressly for the purpose of financing a qualifying asset, the capitalised borrowing costs are the allocated financing expenses arising from the actual borrowings less the finance income received from the temporary investment of such borrowings. After an asset has been completed, the unpaid amount of the borrowings for the project is transferred to general borrowings.

General borrowings

The Group's borrowings are always considered the primary form of financing, even if the cash flow is sufficient to cover the cost of a qualifying asset. When general borrowings are used to finance a qualifying asset, the amount of the capitalised borrowing costs is determined through the application of a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of those borrowing costs applicable to the company's borrowings outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Prepayments

In calculating the amount of a project's borrowing costs, project-related prepayments received from the customer are included in the net position arising from the contract. If inclusion of the borrowing costs leads to a situation in which the net position of the project is positive for the entire construction period, the borrowing costs are not capitalised at all. If the net financing position of the project changes from positive to negative during the construction period, the borrowing costs are capitalised in respect of the periods during which the net position was negative.

Commencement and cessation of capitalisation

Capitalisation commences when the company first incurs expenditures for a qualifying asset giving rise to borrowing costs, and when it undertakes activities that are necessary for preparation of the asset for its intended use or for sale. Capitalisation is suspended when effective production is halted. Capitalisation ceases when all activities necessary to complete the asset for its intended use or sale have been carried out.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the balance sheet on the date a derivative contract is entered into and subsequently re-measured at their fair value on each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group applies cash flow hedge accounting for certain variable-rate loans. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risks management objectives and strategy. The effectiveness of the hedging relationship is assessed at inception and then at regular intervals at least on every reporting day. The gain or loss relating to the effective portion of the eligible derivatives are deferred in hedging reserve of equity and presented in other comprehensive income. The ineffective portion is recognised under financial items in the income statement. The cumulative change in fair value is transferred from equity and recognised in the income statement for the periods in which the hedged item affects the result.

When a hedging instrument expires or is sold, or the hedge no longer meets the criteria for hedge accounting, the hedge accounting is ceased. Any cumulative gain or loss from the hedging instrument remains in equity until the forecasted transaction is ultimately recognised in the income statement. If the forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within financial items.

Derivatives that are not eligible for hedge accounting are classified as current assets or liabilities. Changes in the fair value of these derivatives are recognised according to the nature of the derivative, either in the Group's financial items or in other operating income or expenses.

REVENUE RECOGNITION PRINCIPLES

Recognition of revenue from construction projects

Percentage of completion

When recognising revenue from construction projects, the company observes the percentage-of-completion method if the project in question possesses the characteristics of construction contract and the project's outcome can be estimated reliably. Construction contracts from which revenue is recognised with percentage-of-completion method are specifically negotiated contracts, in which the buyer can decide on the primary structural or functional characteristics of the project before or during construction. If the project's outcome cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and costs are expensed in the period in which they incur.

The percentage of completion of a project is calculated as the ratio of actually incurred costs to estimated total costs. If it is likely that the total costs needed for completion of a project on the order book will exceed the total revenue receivable from the project, the anticipated loss is recognised in its entirety as an expense.

When the costs incurred and recognised profits are greater than billing based on the project's progress, the difference is presented under the balance sheet item 'Trade and other receivables' as project income receivables. If the costs incurred and recognised profits are less than the billing based on the project's progress, the difference is presented in the balance sheet item 'Accounts payable and other current liabilities' as received advance payments or project expense liabilities.

In commercial building construction, the amount and probability of lease liability commitment is estimated as a project progresses. Provision is made, when there is a buyer for the property and the management estimates that it is probable that the company will have to fulfil lease liability commitments.

There are long-term construction projects from which revenue is recognised with percentage-of-completion method in all segments of the company.

Recognition on completion

Revenue from building construction projects, where the buyer does not have a contractual right to specify major structural elements of the building is recognised on completion in connection with delivery and in accordance with revenue recognition principles of the sale of manufactured goods. Projects from which revenue is recognised on completion are mostly Building Construction and International Operations segments' own housing and commercial building developments.

Recognition of revenue from services

Revenue recognition from services is based on the percentage-of-completion on the reporting date. The same rules are applied as for recognition of construction projects under the percentage-of-completion method. Service business exists in all segments of the company.

Recognition of revenue from the sale of manufactured goods

The company recognises revenue from the sale of manufactured goods at the time when the significant risks and rewards associated with product ownership are transferred to the buyer and the company no longer has any authority or control over the product. As a rule, this means the time when the product is handed over to the customer in accordance with the agreed terms and conditions of delivery. The fair value of revenue received, adjusted for indirect taxes, discounts given and exchange rate differences on foreign currency sales, is presented in the income statement as net sales. There are sales of manufactured goods mostly in infrastructure and international operations segments.

Recognition of life-cycle projects

In life-cycle projects, the operator – that is, the service provider – builds or improves the infrastructure used for service provision and provides operation services for said infrastructure. The Company recognises revenue from construction and improvement services as well as from operation services on the basis of the percentage of completion.

Recognition of interest and dividends

Interest income is recognised over the period of the borrowing using the effective interest rate method. Dividends are recognised when the right to receive payment is established.

NON-CURRENT ASSETS

Property, plant and equipment

Property, plant and equipment are recognised on the balance sheet at cost less depreciation and impairment. Property, plant and equipment are depreciated over their estimated useful economic lives. Land has indefinite useful economic life and is therefore not subject to depreciation. Estimated useful economic lives of property, plant and equipment are as follows:

- Buildings and structures 10–40 years
- Machinery and equipment 4–10 years
- Mineral aggregate deposits depreciation based on material depletion
- Other property, plant and equipment 10 years

An asset is subject to depreciation when it is available for use. Depreciation is charged over the period from the asset's introduction to use until the end of its useful economic life. The residual value and economic life of assets are reviewed in connection with the preparation of each set of annual financial statements and, if necessary, these are adjusted to reflect any changes that may have occurred in the economic benefit expected. When depreciation charges are made according to plan, the residual value of the asset is zero. Depreciation of property, plant and equipment ceases when it is classified as held for sale.

Normal maintenance and repair costs are expensed as incurred. Significant improvements or additional investments are capitalised and depreciated over the remaining useful economic life of the asset to which they pertain, provided that it is likely that the company will derive future economic benefit from the asset. Gains on the sale of property, plant and equipment are presented in 'Other operating income', and losses in 'Other operating expenses'. The Group expenses the interest costs of aquisition of property, plant and equipment, unless the project meets the requirements for capitalisation of borrowing costs, in which case they are capitalised as part of the acquisition cost.

Intangible assets

Amortisation of an asset is recorded from the moment the asset is available for use. Amortisations are recorded until the end of the asset's useful economic life. When all amortisations according to plan are made, the residual value of the asset is zero.

Goodwill

Goodwill is the amount by which the acquisition cost exceeds the Group's interest in the net fair value of its identifiable assets, liabilities and contingent liabilities at the time of acquisition. Possible non-controlling interest is measured either at fair value, or a value equal to the non-controlling owners' proportions of the identifiable net assets of the acquiree. The valuation principle is determined separately for each acquisition.

Goodwill is not amortised. Instead, it is regularly tested for impairment. In the impairment testing, goodwill is allocated to cash-generating units. Goodwill is recognised on the financial statement at cost less impairment, if any, which is expensed on the income statement.

Other intangible assets

Intangible assets also include IT software licence fees as well as other licence fees and patents, including their advance payments. Other intangible assets are recorded at cost in the balance sheet and are depreciated over their useful economic lives. The estimated useful lives of intangible assets are:

- IT software licence fees 5 years
- Other intangible assets 5–10 years

Other amortised costs

Intangible assets include amortised costs that are not related to property, plant and equipment and have economic effects lasting longer than one year. Other amortised costs create future economic benefits over their useful economic lives. The benefits can be either income or cost savings.

Research and development expenditure

Research expenditure is expensed as incurred. Development expenditure is recognised on the balance sheet when the intangible asset satisfies all the following criteria:

- research and development phases can be separated from each other
- it is technically feasible and it can be used or sold
- it will be completed and either used or sold
- it can be demonstrated that the asset will generate probable future economic benefit and that the company has the adequate resources to use or sell the intangible asset
- its development expenditure can be reliably measured

If the development expenditure does not satisfy all the above capitalisation criteria, it is expensed as incurred.

Grants received

Government grants received from the Finnish State or grants from some other public-sector source is recognised as income on the income statement at the same time that corresponding costs are expensed. Investment grants are deducted from the value of the asset in question.

Impairment

The carrying amount of an asset is assessed on each reporting date to determinate whether there are indications of impairment. If indications of impairment are found, the 'recoverable amount' for the asset in question is assessed. The recoverable amount for an asset is either its fair value less costs to sell or, if higher, its value in use. In the measurement of value in use, expected future cash flows are discounted from their present value with discount rates that reflect the country's average capital costs before taxes. Market risk and non-liquidity premiums are taken into consideration in the setting of the discount rates. If it is not possible to calculate the recoverable cash flows for an individual asset, the recoverable amount for the cash-generating unit to which the asset belongs is determined. An impairment loss is recognised on the income statement if the carrying amount exceeds the recoverable amount.

Goodwill is tested for impairment annually and whenever it may be concluded that there is a need to do so. Goodwill is allocated to cash-generating units in a consistent manner. In the impairment tests, the recoverable amount from the business of a cash-generating unit is derived from value-in-use calculations using forecast cash flows based on comprehensive profitability plans confirmed by the management for a specific period as well as other justifiable estimates of the future outlook for the cash-generating unit and its business sector.

Impairment losses related to assets other than goodwill are reversed if the estimates used for determination of the recoverable amount of the asset have changed. The biggest permitted reversal equals the carrying amount of the asset less depreciation if impairment was not recognised in earlier years.

LEASING AGREEMENTS WHEREIN THE GROUP IS THE LESSEE

Leasing agreements that pertain to property, plant and equipment in which a substantial proportion of the risks and rewards of ownership are transferred to the Group are classified as finance leases. Finance leases are recognised as assets on the balance sheet at a value equal to the fair value of the leased item on the date of the lease's commencement or, if lower, the present value of the minimum lease payments. Corresponding liability is recognised in current and non-current borrowings.

Assets leased under finance leases are depreciated over the useful economic life of the asset class or a shorter period as the life of the lease elapses, and impairment losses are recognised as required. Annual lease payments are divided into finance costs and debt amortisation instalments over the life of the lease so that the same interest rate is applied to the outstanding debt in every accounting period.

Leasing agreements in which the risks and rewards of ownership are retained by the lessor are treated as operating leases. Payments under operating leases are treated as lease expenses, and they are recognised on the income statement in equal instalments over the life of the lease.

INVENTORIES

Inventories are measured at the lower of acquisition cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of selling are not included in the valuation of inventories at cost. Finance costs are included in the valuation of inventories at cost only when the particular project meets the requirements set for capitalisation of borrowing costs. The cost of materials and supplies is assigned by using the FIFO (first-in, first-out) principle. Net realisable value is the estimated selling price in ordinary business operations less the estimated expenditure on product completion and sales. The carrying amounts of separate items in inventories are not decreased when the completed products in which the items belong to are expected to be sold at a price equalling or exceeding the combined acquisition costs of the separate items.

TREATMENT OF OWN BUILDING DEVELOPMENTS

Expenditure committed to own building developments is capitalised on the balance sheet as inventories. Liabilities and prepayments related to real estate companies under construction are included in current liabilities.

The share of loans obtained that corresponds to the unsold proportion of flats that are still under construction as well as the proportion of loans for completed but unsold flats is included in current interest-bearing liabilities.

EMPLOYEE BENEFITS

Pension obligations

The pension schemes of Group companies operating in different countries are generally defined contribution plans. Payments in respect of defined-contribution plans are expensed on the income statement for the accounting period to which they apply. The company has defined-benefit plans in Norway and Finland. In the case of a defined-benefit plan, a pension liability is recognised to the extent that the plan gives rise to a pension obligation. If a defined-benefit plan gives rise to a pension surplus, it is recognised in prepayments and accrued income on the balance sheet.

The pension costs of a defined-benefit plan are measured by the projected unit credit method. The amount of pension liability is calculated by deducting the fair value of the assets belonging to the pension scheme on the balance sheet date from the present value of the future pension obligations on the balance sheet date. The pension obligations are expensed on the basis of actuarial calculations for the duration of the employee service. The actuarial gains and losses arising from these pension obligations are recognised on the income statement over the expected average remaining length of service of the participating employees to the extent that they exceed 10% of the present value of the defined-benefit obligation or, if greater, the fair value of the plan's assets.

The Finnish group companies' pension liability is determined by calculating the present values of estimated future cash flows, using eurozone high investment grade companies' bond interest rates as discount rates. In Norway, where no deep markets for mentioned bonds exist, the discount rate is determined by Norwegian government bonds' market returns. The bonds used in determining the discount rates are in the same currency as pension benefits to be paid. The chosen discount rate reflects the estimated average moment of payment of the benefits. The discount rates used are based on proposals made by actuaries who calculate the schemes.

Management remuneration

The management remuneration consists of three elements: salary and fringe benefits, short-term remuneration and long-term remuneration. Short-term remuneration comprises annual performance related bonuses earned for exceeding predefined performance targets. Long-term remuneration consists of not only pension remuneration but also rewards in the form of shares. The performance targets for share-based rewards are always set one year in advance. Any performance related bonuses and share-based rewards are paid out in the following year, once the results have been confirmed.

Share-based rewards are expensed over their vesting and commitment periods. The expenses of other management remuneration are recognised on the income statement as personnel expenses as they arise.

PROVISIONS AND CONTINGENT LIABILITIES

A provision is made when the Group has a legal or constructive obligation based on some past event and it is likely that exemption from responsibility would either require a payment or would result in a loss, and that the amount of liability can be reliably measured. Provisions are mainly related to warranties, onerous contracts and landscaping and other environmental liabilities as well as lease liability commitments. They are generally realised within two years and their discounting to present value has no essential bearing on the correctness of the financial statements.

Warranty provisions cover after completion repair costs arising from warranty obligations. Warranty provisions are calculated on the basis of the level of warranty expenses actually incurred in earlier accounting periods and are recognised when income from a project is recognised on the income statement. If the Group will receive reimbursement from a subcontractor or material supplier on the basis of an agreement in respect of anticipated expenses, the future compensation is recognised when its receipt is, in practice, beyond doubt.

Provision is made for onerous contracts when the amount of expenditure required by the agreement to fulfil the obligations exceeds the benefits that may be derived from it. The provisions made for onerous contracts do not include the losses from construction contracts.

A landscaping provision is made in respect of those sites where landscaping is a contractual obligation. The amount of the provision is based on the use of ground materials.

Ten-year liabilities related to own building developments are included as a provision in the financial statements to the extent that their realisation is considered likely and the amount of the liability can be reliably measured.

Lease liability commitment arises, when the company has a contractual obligation to obtain tenants for premises not yet leased in a commercial real estate under construction. The amount and probability of lease liability commitment is estimated as the project progresses. Provision is made, when there is a buyer for the property and the management estimates that it is probable that the company will have to fulfil lease liability commitments.

The company recognises a provision for legal proceedings when it estimates that an outflow of financial resources is likely and the amount of the outflow can be reliably estimated.

Contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of an uncertain future event that is not wholly within the control of the Group. In addition, a present obligation whose settlement is not likely to require and outflow of financial resources and an obligation whose amount cannot be measured with sufficient reliability are deemed contingent liabilities. No provision is made for contingent liability and it is presented in the notes of the financial statement.

INCOME TAXES

Taxes calculated on the basis of the taxable profit or loss of Group companies for the accounting period, adjustments to taxes for earlier accounting periods, and change in the deferred tax liability and assets are recognised as taxes on the consolidated income statement. The tax effect associated with items recognised directly in equity is recognised correspondingly in equity.

The change in deferred tax is calculated from the temporary differences between taxation and accounting, with either the tax rate in force on the balance sheet date or a known tax rate that will come into force at a later date. However, a deferred tax liability is not recognised in respect of a temporary difference that arises from the initial recognition of an asset or liability (other than from a business combination) and affects neither accounting income nor taxable profit at the time of transaction. A deferred tax asset is recognised only to the extent that it is likely that there will be future taxable profit against which the temporary difference may be utilised. The most significant temporary differences arise from accelerated depreciations for tax purposes, the revenue recognition practice for construction projects, internal gains from sales of fixed assets, finance leases, provisions, unused tax losses, measurements of fair value made in connection with acquisitions, and pension obligations.

Carry-forward tax losses are treated as a tax asset to the extent that it is likely that the company will be able to utilise them in the near future. Deferred tax is not recognised in respect of non-tax-deductible goodwill. A deferred tax liability is only recognised in respect of the undistributed profits of subsidiaries if payment of the tax is expected to be realised in the foreseeable future.

DISTRIBUTION OF DIVIDENDS

The dividend payment proposed by the Board of Directors to a general meeting of shareholders is not recognised as a deduction from distributable equity until it has been approved by the general meeting.

HYBRID BOND

A hybrid bond is recognised in shareholders' equity after equity belonging to shareholders. The bond holders do not have any rights equivalent to ordinary shareholders, and the bond does not dilute shareholders' ownership in the company. The company has no contractual obligation to repay the loan capital or the interest on the loan. The hybrid bond is initially recognised at fair value less transaction cost and subsequently the bond is measured at cost. If interest is paid to the hybrid bond, it is recognised directly into retained earnings.

TREASURY SHARES

Where the company or any Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the company's equity holders until the shares are cancelled. Where such ordinary shares are subsequently sold or reissued, any consideration received is included in equity attributable to the company's equity holders. No gain or loss is recognised in the income statement from purchasing, selling, issuance or cancellation of company's equity instrument.

EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent company, less hybrid bond interest calculated on accrual basis and adjusted with tax effect, by the weighted average number of ordinary shares in issue during the year. Treasury shares held by the company and outstanding ordinary shares that are contingently returnable are excluded from the weighted average number of ordinary shares in issue. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume the conversion of all dilutive potential ordinary shares.

MANAGEMENT JUDGEMENT AND ESTIMATES

The use of judgement and estimates

When preparing the financial statements, the company's management have to make accounting estimates and assumptions about the future, as well as judgement-based decisions on the application of the accounting principles. These estimates and decisions affect the reported amounts of assets, liabilities, income and expenses for the accounting period as well as the recognition of contingent items. The estimates and judgements are based on experience-based and other justifiable assumptions that are believed to be reasonable under the prevailing circumstances. Information on key aspects of the financial statements for which management judgement and estimates have been necessary is presented below.

The company's management have had to make judgements when determining the economic lives of property, plant and equipment and intangible assets, and when classifying leases into finance and other leases. The estimates and forward-looking assumptions made on the balance sheet date mainly pertain to revenue recognition in accordance with the percentage-of-completion method, the recognition of provisions, the valuation of assets belonging to acquired companies and their realisability, the formulae used to calculate employee benefits, the forecasts and assumptions used in impairment tests, and the setting off of deferred tax assets against future taxable profit.

Economic lives of property, plant and equipment and intangible assets

The management makes estimates and judgements when considering and defining the useful economic lives and depreciation methods for productive goods. The factors considered in the estimation of useful economic lives include the purpose of a productive asset, the effects of wear, maintenance and repair stemming from use of the asset, the duration of the asset's technical usability, limitations or obligations arising from leasing or other agreements, and the magnitude of any residual value.

Leasing agreements where the Group is the lessee

The management have had to make judgements when classifying leasing agreements as either finance or operating leases. The classification of leasing agreements is made in accordance with generally accepted standards for the definition of finance leases, and it is based on the actual content of the agreement. According to the definition of a finance lease, essentially all of the economic risks and rewards of ownership are transferred to the lessee. The classification is always made at the lease's inception. The provisions of a leasing contract can be amended by agreement with the lessor, in which case the classification may have to be revised. A change that takes place in an estimation criterion — such as a change in the present value of minimum lease payments relative to the fair value of the leased asset — does not constitute grounds for reclassification.

Recognition of revenue from construction projects

When recognising revenue from construction projects, the company observes the percentage-of-completion method if the project in question possesses the characteristics of construction contract and the project's outcome can be estimated reliably. Construction contracts from which revenue is recognised with percentage-of-completion method are specifically negotiated contracts, in which the buyer can decide on the primary structural or functional characteristics of the project before or during construction. Costs actually incurred include only those costs that correspond to work already carried out. Management estimates are necessary for reliable determination of the total costs that will be incurred for completion of a project. All project costs are itemised and measured as accurately as possible to facilitate comparison with earlier values. If the management assess a project to be onerous (i.e. total costs exceed total income), the loss is immediately expensed. If the management are unable to make a reliable determination of the total revenue from a construction project, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and costs are expensed in the period in which they incur.

Recognition of provisions

On the basis of the historical evidence available, the management estimate whether it is likely that the settlement of a present obligation will result in an outflow of resources embodying economic benefits from the Group. If such a condition exists and a reliable estimate as to the amount and the timing of the obligation can be made, then it is recognised as a provision in the financial statements.

Acquisition cost

Valuation of an acquired subsidiary's shares at cost is based on the fair value of its identifiable assets and liabilities. When measuring fair value, the management use estimates based on their experience and, if necessary, the assistance of experts specialising in the balance sheet items in question. The estimates and assumptions made in accordance with the management's views are sufficiently accurate to ensure the correctness of cash flows associated with balance sheet items.

Employee benefits

In the calculation of obligations related to employee benefits, the factors requiring management estimates include the expected returns on the assets of defined-benefit pension plans, the discount rate used for calculation of pension liabilities and pension expenses for the accounting period, the future development of salary levels, the rising level of pensions, durations of employee service, and the trend of inflation.

The assumed outcome of the share-based incentive plan at the balance sheet date is based on management's estimates of the achievement of the earning criteria. The Board of Directors decides on the distribution of shares to key personnel.

Impairment testing

The carrying amounts of assets are tested for impairment, whenever deemed necessary. In addition, goodwill is tested for impairment annually. Goodwill is allocated to cash-generating units in a consistent manner. In impairment tests, the amount recoverable from a cash-generating unit's business is based on value-in-use calculations. The cash flow forecasts used for these calculations are based on profitability plans approved by the business's management for a certain period and on other justifiable estimates of the prospects for the business sector and the cash-generating unit. In connection with impairment tests, the management must estimate whether the fair value of an asset has decreased during the accounting period, whether significant adverse changes have occurred in the operating environment, whether it is necessary to change the discount rate applied in value-in-use calculations, and whether the carrying amount of a company's net assets is higher than its fair value. On the basis of these and possibly other indicators both within and outside the company, the management must continuously assess whether there is any need to perform additional impairment tests on asset items between the annual tests. A more detailed description of the estimates and assumptions concerning goodwill impairment testing is given in the Notes to the Financial Statements.

Taxes

Management estimate pertains to the principles for recognition of deferred tax assets. The most common tax-deductible temporary difference between accounting and taxation is a confirmed tax loss. The management must judge whether there will be sufficient taxable profit in the future for the purpose of making use of remaining tax losses. A deferred tax asset arising from unused tax losses is recognised only to the extent of the likelihood that there will be future taxable profit against which the unused tax losses may be utilised.

The estimates are based on the management's best judgement, but actual outcomes may differ from the estimates used in the financial statements.

NEW STANDARDS AND INTERPRETATIONS

New standards and interpretations applied by the Company in 2012

The following new interpretations and standards applied by the Company in 2012 have no essential impact on the consolidated financial statements: IFRS 7 (amendment).

Standards and interpretations applied by the Company after 2012

IAS 19 Employee Benefits was amended effective as of June 2011. As a result, the corridor method employed by the company is being phased out. According to the standard, all actuarial gains and losses are to be recognised through the statement of comprehensive income as changes in pension liabilities and prepayments and accrued income. Costs of past service are to be booked immediately in personnel expenses as part of pension expenses. Expected income will no longer be determined, and the company will shift over to using a discount rate in determining return on assets as well. The changes will have an effect on the company's shareholders' equity and the change in the pension obligations, as unrecognised actuarial gains and losses will be entered in pension obligations, and unrecognised costs of past service will be entered retroactively in the relevant item under shareholders' equity. As a consequence of these changes, the pension obligations in the company's opening balance sheet for 2012 will increase by EUR 4.4 million and shareholders' equity will decrease by EUR 3.2 million. The company will adopt the amended standard as of the beginning of the 2013 financial year.

The following new interpretations and standards applied by the company in 2013 have no essential impact on the consolidated financial statements: IAS 1 (amendment), IAS 12 (amendment), IFRS 7 (amendment), IFRS 9 (classification and valuation), IFRS 13 Fair Value Measurement and IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.

The company will examine the effects of the following standards effective in 2014 or later: IAS 27 (amendment), IAS 28 (amendment), IAS 32 (amendment), IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interests in Other Entities.

Notes to the consolidated financial statements (IFRS)

1 SEGMENT REPORTING

Lemminkäinen Group's main business sectors were reorganised starting 1.1.2012 to four business sectors: International Operations, Building Construction, Infrastructure Construction and Technical Building Services. Functions outside the business sectors are reported under unallocated items.

International Operations

Business segment contains all Lemminkäinen's business funtions outside Finland.

Building Construction

Business segment offers residential and non-residential construction, renovation, property development and life cycle projects.

Infrastructure Construction

Business segment provides paving and mineral affregates such as civil, foundation and rock engineering and road, street and rail network construction and maintenance.

Technical Building Services

Business segment provides istallation and maintenance services for technical building systems.

Unallocated items

Unallocated items of other operations on the consolidated income statement include expenses that are not allocated to the operating segments. Unallocated assets of other operations include mainly financial assets.

Operating segments

1.1.–31.12.2012 EUR 1,000	INTERNATIONAL OPERATIONS	BUILDING CONSTRUCTION	INFRASTRUCTURE CONSTRUCTION	TECHNICAL BUILDING SERVICES	OTHER OPERATIONS	ELIMINATIONS	SEGMENTS TOTAL	RECONCILING ITEMS	GROUP TOTAL, IFRS
Net sales	**934,323**	**682,397**	**591,140**	**230,028**	**37,834**	**–122,117**	**2,353,605**	**–85,960**	**2,267,645**
Depreciation and impairment	**18,737**	**381**	**20,994**	**731**	**4,361**		**45,204**	**–4,221**	**40,983**
Operating profit	**16,618**	**19,554**	**43,515**	**3,197**	**–8,289**		**74,595**	**–24,481**	**50,114**

The reconciling items for net sales comprise EUR –31.1 million from the equity share treatment of associates and joint ventures and EUR –54.8 million from discontinued operations.

The reconciling items for operating profit comprise EUR 0.2 million in personnel expenses, EUR 0.9 million from the IFRS treatment of finance leasing, EUR –0.7 million from the equity share treatment of associates and joint ventures, EUR –0.5 million in other closing entries and EUR –24.4 million from discontinued operations.

1.1.–31.12.2011 EUR 1,000	INTERNATIONAL OPERATIONS	BUILDING CONSTRUCTION	INFRASTRUCTURE CONSTRUCTION	TECHNICAL BUILDING SERVICES	OTHER OPERATIONS	ELIMINATIONS	SEGMENTS TOTAL	RECONCILING ITEMS	GROUP TOTAL, IFRS
Net sales	809,761	720,884	596,201	239,949	31,013	–90,434	2,307,374	–123,428	2,183,946
Depreciation and impairment	15,153	390	20,875	821	3,111		40,350	–5,173	35,177
Operating profit	42,249	9,400	30,938	2,843	–16,620		68,810	–24,840	43,970

The reconciling items for net sales comprise EUR –29.5 million from the equity share treatment of associates and joint ventures and EUR –94.0 million from discontinued operations.

The reconciling items for operating profit comprise EUR 0.7 million in personnel expenses, EUR 0.3 million from the IFRS treatment of finance leasing, EUR –1.0 million from the equity share treatment of associates and joint ventures and EUR –24.8 million from discontinued operations.

EUR 1,000	31.12.2012	31.12.2011
Assets by operating segment		
International Operations	**335,927**	304,024
Building Construction	**275,771**	418,086
Infrastructure Construction	**120,536**	158,807
Technical Building Services	**30,368**	35,204
Other operations	**39,873**	50,788
Segments, total	**802,475**	966,909
Assets not allocated to segments and group eliminations, total	**497,939**	275,848
Group total, IFRS	**1,300,414**	1,242,757

2 INFORMATION BY MARKET AREA

1.1.–31.12.2012 EUR 1,000	FINLAND	OTHER NORDIC COUNTRIES	EASTERN EUROPE AND THE BALTIC STATES	OTHER COUNTRIES	TOTAL
Net sales	**1,370,391**	**570,441**	**282,295**	**44,517**	**2,267,645**
Assets	**871,433**	**237,386**	**164,044**	**27,551**	**1,300,414**
Investments	**33,637**	**25,312**	**4,588**	**938**	**64,475**

1.1.–31.12.2011 EUR 1,000	FINLAND	OTHER NORDIC COUNTRIES	EASTERN EUROPE AND THE BALTIC STATES	OTHER COUNTRIES	TOTAL
Net sales	1,403,664	525,611	216,115	38,557	2,183,946
Assets	840,589	227,733	145,458	28,977	1,242,757
Investments	43,120	36,402	4,378	77	83,976

Income from market areas is determined by customer location and the carrying amount of assets based on their geographic location.

3 ACQUISITIONS

2012

On 5 April 2012 the entire share capital of Commercial Tower North Inc. was acquired. The company specializes in wireless communication related services. The goodwill recognized from this acquisition comprises of an expansion of market area as well as production cost savings.

On 2 July 2012 the entire share capital of Kivikkarit Oy was acquired. The company specializes in municipal infrastructure contracting. The acquisition of Kivinikkarit Oy strengthens Lemminkäinen's position in concrete and natural stone contracting in Southern Finland. The goodwill recognized from this acquisition comprises of increase in market share and cost savings in purchase, logistics and production functions. Kivinikkarit Oy was merged to Lemminkäinen Infra Oy on 30 November 2012.

On 31 July 2012 the entire share capital of Wisepro Oy was acquired. The company specializes in weather forecasting technologies for technical building services industry. Wisepro Oy was merged to Lemminkäinen Talotekniikka Oy on 31 December 2012.

On 31 August 2012 the entire share capital of Maanrakennusliike Helander Oy was acquired. The company specializes in earthwork construction. The goodwill recognized from the acquisition comprises of cost savings in purchase, logistics and production functions.

In the year 2012 the recognised fair values of the acquired business operations after merging are presented in the following table.

EUR 1,000	FAIR VALUES RECOGNISED AFTER MERGING 2012
Assets	
Property, plant and equipment	**1,102**
Intangible assets	**229**
Available-for-sale financial assets	**58**
Inventories	**91**
Current receivables	**653**
Cash and cash equivalents	**48**
Assets, total	**2,181**
Liabilities	
Deferred tax liabilities	**276**
Interest-bearing liabilities	**117**
Other liabilities	**1,164**
Liabilities, total	**1,557**
Net assets	**624**
Consideration paid in cash	**1,575**
Consideration recognised as liability	**347**
Total consideration	**1,922**
Goodwill recognised in balance sheet	**1,298**
Consideration paid in cash	**1,575**
Cash of acquired subsidiaries	**48**
Impact on cash flow	**1,527**
Expensed acquisition expenditure	**22**

On the consolidation of the acquired business operations, EUR 3.5 million has been recognised in net sales and EUR 0.2 million in operating profit. Full-year net sales of the acquired business operations in 2012 amounted to about EUR 5.0 million and operating profit to about EUR 0.3 million. If the acquirees had been consolidated as from the beginning of the year, consolidated net sales would have been EUR 2,269.1 million and operating profit EUR 50.2 million.

2011

On 1 January 2011 the entire share capital of Ylivieskan Putkiasennus Oy was acquired. The company is engaged in the installation of heating, piping and ventilation. Acquisition costs allocated to customer accounts and margins of the order book were booked in intangible assets in connection with the acquisition. The acquisition entails contingent consideration, owing to which the final acquisition price will be confirmed within four years of the time of acquisition. The current value of contingent consideration was recognised as a liability in the balance sheet.

On 26 May 2011 the entire share capital of Sotkamon Sora ja Sepeli Oy was acquired. The company is engaged in earthwork construction, crushing of mineral aggregates and concrete, selling mineral aggregates and public road maintenance contracting. The goodwill recognised on this acquisition comprises an increase in market share as well as cost-savings in procurement, logistics and production. The consideration will be settled in accordance with the agreed payment programme within three years of the time of the acquisition. The current value of the unpaid share was recognised as a liability in the balance sheet.

On 31 May 2011 the entire share capital of Mesta Industri AS was acquired. The company specialises in asphalt and mineral aggregates business. Acquisition costs allocated to customer accounts and margins of the order book were booked in intangible assets in connection with the acquisition. The acquisition generated negative goodwill due to assets and liabilities being measured at fair value. The negative goodwill was recognised in other income from business operations in the income statement.

In 2011 the recognised fair values of the acquired business operations after merging are presented in the table below.

EUR 1,000	FAIR VALUES RECOGNISED AFTER CONSOLIDATION 2011
Assets	
Property, plant and equipment	24,629
Intangible assets	1,886
Available-for-sale financial assets	1,023
Deffered tax assets	4,816
Inventories	7,294
Current receivables	12,665
Cash and cash equivalents	270
Assets, total	52,584
Liabilities	
Pension liabilities	2,831
Deferred tax liabilities	359
Provisions	4,740
Interest-bearing liabilities	396
Other liabilities	18,957
Liabilities, total	27,283
Net assets	25,301
Consideration paid in cash	14,361
Consideration recognised as liability	641
Total consideration	15,002
Goodwill	–10,298
Goodwill recognised in balance sheet	768
Negative goodwill recognised as income	–11,067
Consideration paid in cash	14,361
Cash of acquired subsidiaries	270
Impact on cash flow	14,092
Expensed acquisition expenditure	563

On the consolidation of the acquired business operations, EUR 105.0 million has been recognised in net sales and EUR 5.6 million in operating profit. Full-year net sales of the acquired business operations in 2011 amounted to about EUR 117.6 million and operating profit to about EUR –1.0 million. If the acquirees had been consolidated as from the beginning of the year, consolidated net sales would have been EUR 2,196.5 million and operating profit EUR 37.4 million.

4 DISCONTINUED OPERATIONS

2012

On 28 September 2012, Lemminkäinen sold all its shares in Lemminkäinen Rakennustuotteet Oy. The company specialised in concrete business. The transaction price was EUR 54.3 million, from which the company recognised a gain on sale of EUR 17.3 million before taxes in the second half of 2012. In addition, in April 2012, the Group sold its sports construction business, which was part of the Infrastructure Construction segment, as well as the technical building and property services business in the Uusikaupunki area, which was part of the Technical Building Services segment.

The Lemminkäinen Rakennustuotteet Oy transaction included a separate reacquisition agreement on an asset, which meant that the ownership of the asset was not transferred and gains on sale were not recognised for the asset. The asset was recognised at the original carrying amount, which was lower than the acquisition cost. The company recognised the difference between the carrying amount of the asset and its value in taxation as a deferred tax asset in profit and loss.

The effect of discontinued operations in 2012 was as follows:

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
The profit of the discontinued operations		
Income	**55,120**	90,219
Expenses	**47,793**	80,653
Profit before taxes	**7,327**	9,566
Taxes	**–1,623**	–2,362
Profit for the financial period	**5,704**	7,207
Pre-tax gain on sale from the sale of the concrete business	**17,122**	
Taxes	**854**	
Gain on sale after taxes	**17,976**	
Profit for the period from discontinued operations	**23,680**	7,207
Cash flows from discontinued operations		
Cash flow from business operations	**14,882**	
Cash flow from investments	**–1,732**	
Cash flow from financing	**–13,179**	
Cash flows, total	**–29**	

EUR 1,000	2012
The impact of the sales to groups' financial position	
Property, plant and equipment	**13,978**
Goodwill	**10,657**
Intangible assets	**648**
Available-for-sale financial assets	**9**
Deferred tax assets	**31**
Inventories	**9,179**
Receivables	**8,738**
Cash and cash equivalents	**34**
Deferred tax liabilities	**–1,141**
Accouts payable and other liabilities	**–10,086**
Assets and liabilities, total	**32,048**
Cash considerations received	**55,356**
Adjustment of re-acquired assets to initial book value	**4,411**
Transaction costs	**1,775**

2011

The Group sold its roofing business to Axcel in January 2011. The Group decided on sale in December 2010. Roofing business was categorised as discontinued operation in the interim report in 31 March 2011.

The effect of discontinued operations in 2011 was as follows:

EUR 1,000	1.1.–31.1.2011
The profit of the roofing business	
Income	3,787
Expenses	–5,642
Profit before taxes	–1,855
Taxes	482
Profit/loss for the financial period	–1,373
Pre-tax gain on sale from the sale of the roofing business	17,114
Taxes	–4,449
Gain on sale after taxes	12,664
Profit for the period from discontinued operations	11,291
Cash flows from roofing business	
Cash flow from business operations	–1,904
Cash flow from investments	–54
Cash flow from financing	1,958
Cash flows, total	0

EUR 1,000	31.1.2011
The impact of the sale of roofing business to groups' financial position	
Property, plant and equipment	1.986
Receivables	7.909
Inventories	5.245
Trade payables and other liabilities	–4.169
Assets and liabilities, total	10.971
Cash considerations received	28.085

5 INFORMATION ON CONSTRUCTION PROJECTS

The company adjusts the previously incorrectly presented percentage-of-completion method breakdown of the comparison year 2011. The adjustment concerns the amount of recognition of project income by the persentage-of-completion method which is reported to be EUR 1,833.3 million. The adjusted amount with the effect of discontinued operations is EUR 1,843.8 million. Also the gross project-related receivables from clients are presented incorrectly as EUR 92.5 million, whereas adjusted amount is EUR 40.3 million. The adjustments concern only the breakdown in this note and do not have any impact on items in income statement, balance sheet or on other notes.

Figures in table below do not include the effect of the discontinued operations.

EUR 1,000	31.12.2012	31.12.2011
Percentage-of-completion method		
Revenue recognised by the percentage-of-completion method	**1,940,288**	1,843,775
Incurred costs and recognised net profits (less booked losses) of work in progress projects	**924,809**	1,163,371
Payments received in advance (for work not yet done)	**13,176**	10,657
Gross project-related receivables from clients	**62,851**	55,490
Gross project-related liabilities to clients	**46,503**	40,292
Real estate contsruction projects recognised by the completed-contract method		
Income recognised as revenue	**240,189**	276,587
Inventories	**217,489**	170,421
Advance payments received	**35,596**	26,331

Service concession arrangements

Lemminkäinen currently has two major ongoing life-cycle projects, which are located in Kuopio and Oulu.

Kuopio

Lemminkäinen PPP Oy (the service provider), signed the agreement with Kiinteistö Oy Kuopion koulutilat (the financier) on 14 December 2009. The project comprises of new construction and renovation works for four schools and one day-care center. The service provider is responsible for building management and maintenance for a period of 25 years. The total value of the project is EUR 93.5 million.

The financier owns the current buildings and land. The service provider will renovate the properties and construct new buildings as set out in the turnkey agreement made with the financier. The City of Kuopio will gain possession of the buildings after handover. Lemmikäinen PPP Oy will manage the buildings for a period of around 25 years pursuant to the service agreement. Kuopio will serve as the contract agreement client for the sites it financed and as the representative of the financier. The contracts are fixed-price and are tied to the cost of construction index and reference rate. The financier will pay the contract prices in installments as set out in the contract agreements. The service provider shall not have the right to use any of the properties or to organise supplementary use.

The City of Kuopio shall have the right to terminate the agreement with a six-month period of notice, subject to certain additional terms and conditions. The City of Kuopio shall have the right to terminate the agreement after the 10th and 20th years of the agreement, that is, in 2021 and 2031. The service provider shall have the right to terminate the agreement with a six-month period of notice, if the financier or the City of Kuopio neglect their payment obligations for 90 days.

The construction phase is ready for the following buildings of the project: Martti Ahtisaari school, Puijonsarvi school, Rajala school and Puijonlaakso day care center. The operation services period for the two first mentioned began in the summer of 2011 and for the two last mentioned in the summer of 2012. Pohjantie school is still in the construction phase. All construction work must be completed by the autumn of 2013. The project is proceeding according to schedule, as well as quality and cost objectives.

Oulu

Lemminkäinen PPP Oy (the service provider), signed the agreement with the City of Oulu (the subscriber) on 1 June 2012. The project includes the new construction of Oulun Kastelli community center, dismantling of the Tenavalinna day care center and arranging temporary spaces. The service provider is responsible for building management and maintenance for a period of 25 years. The total value of the project is EUR 86 million.

The City of Oulu owns the current buildings and land. The service provider will construct the new buildings as set out in the turnkey agreement made with the subscriber. The City of Oulu will gain possession of the buildings after handover. Lemmikäinen PPP Oy will manage the buildings for a period of around 25 years pursuant to the service agreement. The city of Oulu itself will serve as the contract subscriber for the sites it also finances. The contracts are fixed-price and are tied to the cost of construction index and reference rate. The subscriber will pay the contract prices in installments as set out in the contract agreements.

The City of Kuopio shall have the right to terminate the agreement with a six-month period of notice, subject to certain additional terms and conditions. The service provider shall have the right to terminate the agreement with a six-month period of notice, if the City of Oulu neglect their payment obligations for 90 days.

The construction phase of the Kastelli community center began in the late spring of 2012. All construction work must be completed by the autumn of 2014, when the operation services period begins. The project is mostly proceeding according to schedule, as well as quality and cost objectives.

6 OTHER OPERATING INCOME

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Gains on sale of property, plant and equipment	**4,494**	6,354
Rental income	**1,012**	318
Gains from hedging purchases and sales [1)	**803**	1,736
Financial aid and compensation on damages received	**5,230**	661
Negative goodwill		11,014
Gains on sale of available-for-sale financial assets	**2,179**	20
Others	**4,506**	636
	18,225	20,739

[1) Gains from hedging purchases and sales includes realised gains and changes in fair values of commodity derivatives which are used for hedging bitumen purchases.

7 PERSONNEL AND EMPLOYEE BENEFIT EXPENSES

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Personnel expenses		
Wages and salaries	**373,063**	351,951
Share-based payments	**517**	400
Pension expenses, defined contribution plans	**47,214**	50,052
Pension expenses, defined benefit plans	**1,142**	1,859
Other personnel-related expenses	**28,373**	30,042
	450,309	434,305
The salaries and fees of Group Companies' managing directors and Board of directors	**3,683**	3,944

Defined benefit pension expenses are detailed in Note 27. Related party transactions and management remunerations schemes are detailed in Notes 28 and 37.

	1.1.–31.12.2012	1.1.–31.12.2011
Personnel on average		
Salaried staff	**3,007**	2,932
Hourly paid workers	**5,173**	5,489
	8,180	8,421
Personnel by business segment		
International Operations	**3,057**	2,636
Building Construction	**1,425**	1,696
Infrastructure Construction	**1,751**	2,032
Technical Building Services	**1,631**	1,796
Parent company	**316**	261
	8,180	8,421

Number of employees include the personnel of discontinued operations during their time in Lemminkäinen Group.

Pension commitments

From the beginning of 2010 the additional pension plan of the President and CEO and the members of Executive Board is based on cash basis and earning a paid-up policy. The amount of payment is defined as percentages of the annual salary. The president and CEO is entitled to retire at the age of 60. Other members of the Executive Board are, according to the old policy, entitled to retire at the age of 60 or according to the policy valid since 15.9.2011 at the age of 63.

8 DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Depreciation of property, plant and equipment		
Buildings and structures	**948**	851
Machinery and equipment	**21,303**	16,413
Leased assets	**12,071**	10,917
Other tangible assets	**1,286**	2,919
	35,609	31,100
Amortisation of intangible assets		
Intangible rights	**1,828**	654
Other capitalised expenditure	**3,546**	3,350
	5,375	4,004
Depreciation and amortisation total	**40,983**	35,104

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Impairment		
Goodwill		73

9 OTHER OPERATING EXPENSES

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Loss on the sale of property, plant and equipment and intangible assets	**94**	173
Voluntary personnel expenses	**12,411**	12,536
Rental expenses	**41,299**	41,495
Direct acquisition costs	**22**	563
Losses from hedging purchases and sales [1)]	**1,731**	
Other production expenses	**173,300**	169,679
Other fixed expenses	**52,089**	58,363
	280,946	282,809

[1)] Losses from hedging purchases and sales includes realised losses and changes in fair values of commodity derivatives which are used for hedging bitumen purchases.

10 ASSOCIATES AND JOINT VENTURES

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Share of the profits of associates and joint ventures		
Share of the profits	**1,170**	1,881
Share of the losses	**–106**	–13
	1,064	1,867

EUR 1,000	31.12.2012	31.12.2011
Shares in associates and joint ventures 1.1.	**9,291**	7,605
Translation difference	**426**	38
Increases	**1,081**	1,942
Decreases	**–1,092**	–294
Shares in associates and joint ventures 31.12.	**9,706**	9,291

Major associates and joint ventures (information presented in full)

EUR 1,000	GROUP'S OWNERSHIP, %	ASSETS	LIABILITIES	NET SALES	PROFIT FOR THE FINANCIAL YEAR
2012					
Associates					
Finavo Oy, Finland	**47,5**	**521**	**520**	**5,339**	**1**
Joint ventures					
Genvej A/S, Denmark	**50,0**	**719**	**118**	**722**	**140**
Martin Haraldstad AS, Norway	**50,0**	**9,674**	**2,499**	**7,811**	**1,063**
Nordasfalt AS, Norway	**50,0**	**20,123**	**12,317**	**45,022**	**1,284**
Ullensaker Asfalt ANS, Norway	**50,0**	**3,289**	**466**	**8,682**	**-288**
2011					
Associates					
Finavo Oy, Finland	47,5	2,289	1,179	453	
Joint ventures					
Genvej A/S, Denmark	50,0	607	158	247	55
Martin Haraldstad AS, Norway	50,0	9,297	3,921	7,745	1,035
Nordasfalt AS, Norway	50,0	17,647	10,717	36,529	2,157
Ullensaker Asfalt ANS, Norway	50,0	3,266	206	14,446	190

11 FINANCE INCOME AND COSTS

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Finance income		
Interest income from loans and receivables	**1,275**	2,238
Interest income from available-for-sale financial assets	**60**	53
Dividend income from available-for-sale financial assets	**245**	96
Gains on sale of available-for-sale financial assets		75
Foreign exchange rate gains	**9,658**	8,663
Other finance income	**17**	261
Total finance income	**11,256**	11,388
Finance costs		
Interest expenses for financial liabilities recognised at amortised cost	**18,127**	17,369
Foreign exchange rate losses	**11,585**	11,059
Losses on the change in fair value of interest rate derivatives	**196**	–343
Other finance costs	**2,434**	2,823
Total finance costs	**32,342**	30,908
Capitalisation of borrowing costs of qualifying assets		–565
Total finance costs	**32,342**	30,343
Finance income and costs, total	**–21,086**	–18,955

Exchange rate differences recognised in the income statement

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Exchange rate differences on sales	**726**	55
Exchange rate differences on purchases	**–741**	346
Exchange rate differences on financial items	**–1,927**	–2,395
Exchange rates differences, total	**–1,943**	–1,994

12 TAXES

Income taxes

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Income taxes on normal business operations	**–3,914**	–945
Income taxes in respect of previous years	**98**	–792
Deferred taxes	**–4,858**	–6,200
	–8,674	–7,938
Reconciliation of taxes on the income statement and taxes calculated at the Finnish tax rate		
Profit before taxes	**29,028**	25,015
Taxes calculated on the above at the Finnish tax rate	**–7,112**	–6,504
Differing tax rates of foreign subsidiaries	**500**	–1
Tax-exempt income in income statement	**1,031**	3,032
Non-deductible expenses in income statement	**–3,177**	–3,519
Deductible non-income statement items	**976**	334
Taxable non-income statement items	**–386**	–375
Use of unrecognised tax losses	**123**	
Tax losses for the financial year for which no deferred tax asset was recognised	**–723**	
Effect of change in the corporate tax rate		–52
Other items	**–4**	–62
Taxes for the previous financial year	**98**	–792
Taxes on the income statement, total	**–8,674**	–7,938

Deferred taxes

EUR 1,000	31.12.2012	31.12.2011
Deferred tax assets		
Internal margin on fixed assets	**588**	469
Landscaping provision	**610**	610
Carry-forward tax losses	**18,458**	15,124
Fair valuation	**137**	308
Other temporary differences	**572**	2,846
	20,364	19,356
Deferred tax liabilities		
Accelerated depreciations for tax purposes	**13,052**	12,587
Revaluations	**775**	775
Recognition of income from long-term projects	**5,166**	4,337
Other temporary differences	**6,177**	4,028
	25,171	21,727

According to Group strategy, it will be possible to utilise the deferred tax assets recognised from losses, EUR 18.5 million (EUR 15.1 mill.) in full from future taxable profit. In 2012, EUR 1.9 million (EUR 0.3 mill.) of deferred tax assets was left unrecognised from tax losses.

No deferred tax liability is recognised in respect of the undistributed profits of foreign subsidiaries because the funds are permanently invested in operations abroad.

13 EARNINGS PER SHARE

	1.1.–31.12.2012	1.1.–31.12.2011
Weighted average number of shares, shares	**19,649,386**	19,644,764
Contingent shares, shares	**–83,436**	
Treasury shares, shares	**–509**	
Weighted average number of shares in issue, shares	**19,565,441**	19,644,764
Dilution effect of the contingent shares, shares (shares that meet the terms of the arrangement)	**49,030**	
Dilution effect of the share-based incentive plan, shares	**46,505**	
Diluted weighted average number of shares, shares	**19,660,976**	19,644,764
Profit for the year attributable to the ordinary equity holders, EUR 1,000	**43,875**	34,720
Interest of the hybrid bond calculated on accrual basis less tax, EUR 1,000	**–4,000**	
Profit for the year for the purpose of calculating earnings per share, EUR 1,000	**39,875**	34,720
Basic earnings per share, EUR	**2.04**	1.77
Diluted earnings per share, EUR	**2.03**	1.77

14 OTHER COMPREHENSIVE INCOME ITEMS

EUR 1,000	BEFORE TAXES	TAXES	AFTER TAXES
2012			
Translation difference	**3,148**		**3,148**
Cash flow hedges	**666**	**–163**	**503**
Change in fair value of available-for-sale financial assets	**20**	**–5**	**15**
	3,835	**–168**	**3,666**
2011			
Translation difference	–811		–811
Cash flow hedges	771	–200	570
Change in fair value of available-for-sale financial assets	–17	4	–12
	–57	–196	–253

15 DIVIDENDS PAID AND PROPOSED

	1.1.–31.12.2012	1.1.–31.12.2011
Dividend paid during the financial year		
Per share for the previous year, EUR	**0.50**	0.50
In total for the previous year, EUR 1,000	**9,825**	9,822
Proposed for approval by the AGM		
Per share for the financial year, EUR	**0.60**	0.50
In total for the financial year, EUR 1,000	**11,790**	9,822

16 PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	LAND	BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND WORK IN PROGRESS	TOTAL
Acquisition cost, 1.1.2012	**13,604**	**49,631**	**350,912**	**44,051**	**5,817**	**464,014**
Translation difference	**57**	**241**	**3,572**	**704**	**–7**	**4,567**
Increases	**278**	**2,307**	**40,836**	**2,177**	**2,387**	**47,984**
Increases from acquired businesses			**974**	**124**		**1,098**
Disposals	**–472**	**–2,405**	**–29,564**	**–4,218**	**–837**	**–37,496**
Discontinued operations	**–553**	**–10,928**	**–30,666**	**–690**	**–122**	**–42,959**
Transfers between items	**–4**	**–1,593**	**3,759**	**523**	**–2,696**	**–12**
Acquisition cost, 31.12.2012	**12,908**	**37,254**	**339,822**	**42,671**	**4,542**	**437,197**
Accumulated depreciation, 1.1.2012		**–33,532**	**–202,555**	**–20,745**		**–256,832**
Translation difference		**–85**	**–1,753**	**–263**		**–2,101**
Accumulated depreciation on decreases		**660**	**26,923**	**2,460**		**30,043**
Accumulated depreciation on discontinued operations		**6,535**	**21,982**	**463**		**28,980**
Transfers between items		**1,538**	**–1,119**	**–419**		
Depreciation for the financial year from continuing operations		**–948**	**–33,374**	**–1,286**		**–35,609**
Depreciation for the financial year from discontinued operations		**–348**	**–848**	**–17**		**–1,213**
Accumulated depreciation, 31.12.2012		**–26,180**	**–190,743**	**–19,807**		**–236,730**
Carrying amount, 31.12.2012	**12,908**	**11,074**	**149,079**	**22,864**	**4,542**	**200,466**
Carrying amount,1.1.2012	**13,604**	**16,099**	**148,357**	**23,305**	**5,817**	**207,182**

EUR 1,000	LAND	BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND WORK IN PROGRESS	TOTAL
Acquisition cost, 1.1.2011	13,499	50,611	343,638	38,651	2,558	448,958
Translation difference	9	34	192	43	0	279
Increases	323	560	38,653	2,978	4,831	47,344
Increases from acquired businesses	2,085	475	18,163	5,577		26,300
Disposals	–2,041	–2,051	–50,932	–3,473	–367	–58,863
Transfers between items	–271		1,198	274	–1,205	–4
Acquisition cost, 31.12.2011	13,604	49,631	350,912	44,051	5,817	464,014
Accumulated depreciation, 1.1.2011		–33,809	–218,780	–21,110		–273,699
Translation difference		–45	–116	–35		–196
Accumulated depreciation on increases		–1	–87			–87
Accumulated depreciation on decreases		1,971	45,642	3,353		50,967
Depreciation for the financial year from continuing operations		–851	–27,330	–2,919		–31,100
Depreciation for the financial year from discontinued operations		–798	–1,885	–33		–2,716
Accumulated depreciation, 31.12.2011		–33,532	–202,555	–20,745		–256,832
Carrying amount, 31.12.2011	13,604	16,099	148,357	23,305	5,817	207,182
Carrying amount, 1.1.2011	13,499	16,802	124,858	17,541	2,558	175,259

The Group has no capitalised interest expenses in fixed assets.

EUR 1,000	31.12.2012	31.12.2011
Assets acquired under finance lease agreement are included in machinery and equipment as follows:		
Acquisition cost, 1.1.	**100,725**	119,243
Translation difference	**909**	135
Increases	**11,718**	15,822
Disposals	**–6,666**	–34,475
Acquisition cost, 31.12.	**106,685**	100,725
Accumulated depreciation, 31.12.	**–49,997**	–43,670
Carrying amount, 31.12.	**56,689**	57,055

17 INTANGIBLE ASSETS

EUR 1,000	GOODWILL	INTANGIBLE RIGHTS	OTHER CAPITALISED EXPENDITURE	ADVANCE PAYMENTS	TOTAL
Acquisition cost, 1.1.2012	**85,766**	**10,099**	**18,041**	**3,202**	**117,108**
Translation difference	**704**	**1**	**343**		**1,047**
Increases		**3,352**	**831**	**11,532**	**15,715**
Increases from acquired businesses	**1,304**	**229**			**1,532**
Disposals		**–2,949**	**–408**	**–1,974**	**–5,331**
Discontinued operations	**–10,657**	**–865**	**–805**		**–12,327**
Transfers between items		**1,786**	**51**	**–1,826**	**12**
Acquisition cost, 31.12.2012	**77,116**	**11,653**	**18,053**	**10,934**	**117,757**
Accumulated amortisation and impairment, 1.1.2012	**–73**	**–7,114**	**–5,516**		**–12,703**
Translation difference		**13**	**–121**		**–108**
Accumulated amortisation on increases		**–12**			**–12**
Accumulated amortisation on disposals		**2,825**	**408**		**3,233**
Accumulated amortisation on discontinued operations		**626**	**396**		**1,022**
Amortisation for the financial year from continuing operations		**–1,828**	**–3,546**		**–5,375**
Amortisation for the financial year from discontinued operations		**–46**	**–54**		**–100**
Accumulated amortisation and impairment, 31.12.2012	**–73**	**–5,536**	**–8,433**		**–14,043**
Carrying amount, 31.12.2012	**77,043**	**6,117**	**9,620**	**10,934**	**103,714**
Carrying amount, 1.1.2012	**85,693**	**2,985**	**12,526**	**3,202**	**104,405**

Advance payments includes capitalised computer software development costs of EUR 7.5 million

EUR 1,000	GOODWILL	INTANGIBLE RIGHTS	OTHER CAPITALISED EXPENDITURE	ADVANCE PAYMENTS	TOTAL
Acquisition cost, 1.1.2011	84,847	8,798	8,492	5,978	108,116
Translation difference	150	–1	27		176
Increases	32	1,103	955	5,507	7,598
Increases from acquired businesses	736	8	1,880		2,624
Disposals		–579	–5	–827	–1,411
Transfers between items		770	6,691	–7,457	4
Acquisition cost, 31.12.2011	85,766	10,099	18,041	3,202	117,108
Accumulated amortisation and impairment, 1.1.2011		–6,707	–2,155		–8,861
Translation difference		1	–11		–11
Accumulated amortisation on disposals		424			424
Amortisation for the financial year from continuing operations		–654	–3,350		–4,004
Amortisation for the financial year from discontinued operations		–178			–178
Impairments	–73				–73
Accumulated amortisation and impairment, 31.12.2011	–73	–7,114	–5,516		–12,703
Carrying amount, 31.12.2011	85,693	2,985	12,526	3,202	104,405
Carrying amount, 1.1.2011	84,847	2,092	6,338	5,978	99,255

Goodwill

Goodwill is tested for impairment annually and whenever there are indications of possible impairment. The tests are carried out as value-in-use calculations of individual businesses in accordance with the smallest cash-generating unit principle.

Goodwill is allocated to the following operating segments:

EUR 1,000	FINLAND	OTHER NORDIC COUNTRIES	EASTERN EUROPE AND THE BALTIC STATES	OTHER CONTRIES	MARKET AREAS, TOTAL	COMMON TO SEGMENT [1]	TOTAL
31.12.2012							
International Operations		**16,349**	**2,309**	**501**	**19,159**	**24,270**	**43,429**
Building Construction	**6,084**				**6,084**		**6,084**
Infrastructure Construction	**2,366**				**2,366**		**2,366**
Technical Building Services	**25,164**				**25,164**		**25,164**
	33,614	**16,349**	**2,309**	**501**	**52,773**	**24,270**	**77,043**

EUR 1,000	FINLAND	OTHER NORDIC COUNTRIES	EASTERN EUROPE AND THE BALTIC STATES	OTHER CONTRIES	MARKET AREAS, TOTAL	COMMON TO SEGMENT [1]	TOTAL
31.12.2011							
International Operations		16,338	1,909	16	18,263	23,986	42,249
Building Construction	5,840				5,840		5,840
Infrastructure Construction	12,069				12,069		12,069
Technical Building Services	25,535				25,535		25,535
	43,444	16,338	1,909	16	61,707	23,986	85,693

[1] The goodwill reported in the "Common to segment" column has arisen from the asphalt business acquisitions in Denmark and Norway. It is allocated to the International Operations' Baltic Rim region paving and mineral aggregates cash generating unit because it is Lemminkäinen's strategy to operate broadly in countries of the Baltic Rim region. This goodwill has been tested for impairment at the level of the whole International Operations' Baltic Rim region paving and mineral aggregates cash generating unit. In addition, the goodwill allocated to each business area has been tested separately for each country.

In impairment testing the discounted present value of the recoverable cash flows of each cash-generating unit is compared with the carrying amount of the unit in question. If the present value is lower than the carrying amount, the difference is recognised through profit or loss as an expense in the current year.

Cash flow calculations of the cash generating units are prepared for a planning period covering the next 5 years in accordance with the management's estimates. These estimates are based on past experience. Cash flow forecasts beyond that planning period are based on the cautious assumption of 1 percent annual growth. This was lower than European Central Bank's inflation rate forecast over the medium term, in effect at the time of impairment testing.

The Weighted Average Cost of Capital (WACC), calculated for each individual unit, is used as the discount factor. WACC takes into account the risk-free interest rate, the liquidity premium, the expected market rate of return, the industry's beta value, and the debt interest rate, including the interest rate margin. These components are weighted according to the fixed, average target capital structure of the sector. Pre-tax WACC is determined unit-specifically in testing. In impairment testing made in 2012, the long-term risk free interest rates were at a low level in Lemminkäinen's operating areas as investors seek for the safety of the bonds of the good investment grade countries.

In the table below are presented the sector-specific weighted averages of the key assumptions used in the value-in-use calculations. [1)]

	INTERNATIONAL OPERATIONS	BUILDING CONSTRUCTION	INFRASTRUCTURE CONSTRUCTION	TECHNICAL BUILDING SERVICES
2012				
Discount rate, % (before taxes)	**7.1**	**6.9**	**7.4**	**6.7**
Average growth rate of net sales, %	**4.1**	**0.4**	**1.9**	**3.0**
Long-term average growth rate, %	**1.0**	**1.0**	**1.0**	**1.0**
2011 [2)]				
Discount rate, % (before taxes)	7.1	7.4	7.8	7.5
Average growth rate of net sales, %	8.5	9.9	3.2	4.5
Long-term average growth rate, %	1.0	1.0	1.0	1.0

[1)] The figures should not be regarded as forecasts for the entire business sector since the averages are calculated for only the cash-generating unit to which the goodwill has been allocated. The differences in the size of the cash-generating units are taken into account by weighting the figures according to the net sales of units when calculating the average.

[2)] The figures for the comparative period adjusted according to the new segment structure in effect from 2012.

In 2012 the impairment tests were executed during the third quarter of the year. The tests showed that the current values of the future cash flows exceed the book values in all business units. Therefore, there was no need for impairment of goodwill in 2012 (less than EUR 0,1 mill. impairment in 2011). Infrastructure construction segment's goodwill has decreased significantly during 2012 due to the sale of Lemminkäinen Rakennustuotteet Oy to Rudus Oy.

In connection with the impairment tests, sensitivity analyses are made to determine how possible changes in key assumptions of the unit-specific impairment tests would affect the results of those tests. The key assumptions affecting the present value of cash flows are the development of market and competitive conditions, the scope and profitability of the tested business, and the discount factor. In the sensitivity analyses the calculation variables affecting these assumptions are varied and the effects of the changes on the margin between the carrying value and present value of the cash flows are examined.

Sensitivity analysis showed that reasonable and ordinary variation to key counting assumptions common to Lemminkäinen's business areas would not cause a need for a significant impairment. Most of The Group's recognised goodwill belongs to the International Operations segment arising from the acquisitions of the Nordic paving units and to the Technical Building Services segment. Margins between the current values of cash flows and the book values are wide in the Baltic Sea area paving and mineral affregates as well as the Technical Building Services. Even fierce changes in the future expectations would not cause a need for impairment in these business areas. Of the tested cash generating units, most sensitive for changes is the Infrastructure segment's mineral affregates unit. There is risk for an impairment of goodwill less than EUR 0.9 million for this unit. Additional tests for impairment are carried out if the sensitivity tests or possible changes in the future expectations merit them. Long term predictability of the Lemminkäinen's business units is reasonably good and the risk for the impairment of goodwill is small.

Figures describing the goodwill impairment risk of units subject to impairment testing by business sector

EUR 1,000	INTERNATIONAL OPERATIONS	BUILDING CONSTRUCTION	INFRASTRUCTURE CONSTRUCTION	TECHNICAL BUILDING SERVICES
2012				
Goodwill allocated to the business sector, total	**43,429**	**6,084**	**2,366**	**25,164**
Ratio of present value to carrying amount [1]	**3.40**	**1.89**	**1.56**	**4.27**
Goodwill impairment if annual growth over the				
long term were 1 percentage point lower	**0**	**0**	**879**	**0**
long term were 2 percentage points lower	**0**	**0**	**879**	**0**
Goodwill impairment if discount rate				
were half a percentage point higher	**0**	**0**	**879**	**0**
were one percentage point higher	**0**	**0**	**879**	**0**

EUR 1,000	INTERNATIONAL OPERATIONS	BUILDING CONSTRUCTION	INFRASTRUCTURE CONSTRUCTION	TECHNICAL BUILDING SERVICES
2011 [2]				
Goodwill allocated to the business sector, total	42,249	5,840	12,069	25,535
Ratio of present value to carrying amount [1]	7.27	2.13	2.84	3.60
Goodwill impairment if annual growth over the				
long term were 1 percentage point lower	0	0	0	0
long term were 2 percentage points lower	996	0	0	0
Goodwill impairment if discount rate				
were half a percentage point higher	0	0	0	0
were one percentage point higher	202	0	0	0

[1] Net-sales-weighted average of the business sector's cash-generating units subject to impairment testing. Ratio less than 1 would lead to impairment.

[2] The figures for the comparative period adjusted according to the new segment structure in effect from 2012.

18 NON-CURRENT AVAILABLE-FOR-SALE FINANCIAL ASSETS

EUR 1,000	31.12.2012	31.12.2011
Balance sheet value, 1.1.	**5,992**	6,410
Translation difference	**0**	0
Additions	**131**	961
Disposals	**–152**	–1,378
Balance sheet value, 31.12.	**5,971**	5,992

Available-for-sale financial assets include several unquoted shares. The value of one single investment is not significant in relation to all other investments. The fair value of unquoted shares cannot be reliably determined, thus they are presented at cost less impairment.

19 NON-CURRENT RECEIVABLES

EUR 1,000	31.12.2012	31.12.2011
Non-current receivables		
Interest-bearing		
Loan receivables	**19**	4,264
Non-interest-bearing		
Trade receivables	**436**	501
Non-current receivables, total	**456**	4,765

20 INVENTORIES

EUR 1,000	31.12.2012	31.12.2011
Materials and supplies	**46,099**	42,774
Building plots and real estate	**159,949**	123,441
Housing under construction	**90,645**	90,779
Commercial property under construction	**46,780**	39,428
Other work in progress	**21,387**	28,157
Advance payments	**5,170**	9,083
Completed housing companies	**81,276**	65,667
Completed commercial property	**6,075**	6,256
Products and goods	**37,005**	42,883
	494,388	448,467

Collateral notes for uncompleted properties included in inventories are used as collateral security for the debts of companies included in inventories to the value of EUR 73.1 million (EUR 82.0 mill.).

21 CURRENT RECEIVABLES

EUR 1,000	31.12.2012	31.12.2011
Interest-bearing		
Loan receivables	**22**	202
Non-interest-bearing		
Trade receivables	**193,708**	264,640
Project income receivables	**90,725**	73,486
Accrued interest	**60**	355
Personnel expenses	**3,881**	2,311
Other prepayments and accrued income	**20,127**	34,568
Derivative assets	**499**	264
Receivables from real estate companies under construction	**11,449**	1,364
Other receivables	**42,657**	30,095
	363,107	407,085
Current receivables, total	**363,129**	407,287

The carrying value of current interest-bearing loan receivables correspond to their fair values. Trade receivables of EUR 2.8 million (EUR 0.2 mill.) were impaired and recognised as credit losses during the financial year.

22 CURRENT AVAILABLE-FOR-SALE FINANCIAL ASSETS

EUR 1,000	31.12.2012	31.12.2011
Balance sheet value, 1.1.		
Additions	**59,020**	
Balance sheet value, 31.12.	**59,020**	

Available-for-sale financial assets include short term investments in bank deposits.

23 CASH AND CASH EQUIVALENTS

EUR 1,000	31.12.2012	31.12.2011
Cash in hand and at banks	**34,926**	30,395

Cash and cash equivalents includes cash in hand and liquid deposits with solvent banks with original maturities of three months or less.

24 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR 1,000	FINANCIAL ASSETS / LIABILITIES RECOGNISED AT FAIR VALUE THROUGH PROFIT AND LOSS	LOANS AND OTHER RECEIVABLES	AVAILABLE-FOR-SALE FINANCIAL ASSETS	FINANCIAL LIABILITIES RECOGNISED AT AMORTISED COST	DERIVATIVES SUBJECT TO HEDGE ACCOUNTING	CARRYING AMOUNT	FAIR VALUE
31.12.2012							
Non-current financial assets							
Available-for-sale financial assets			**5,971**			**5,971**	**5,971**
Other non-current receivables		**456**				**456**	**456**
Current financial assets							
Trade and other receivables		**362,630**				**362,630**	**362,630**
Derivative assets	**499**					**499**	**499**
Available-for-sale financial assets			**59,020**			**59,020**	**59,020**
Cash and cash equivalents		**34,926**				**34,926**	**34,926**
Financial assets total	**499**	**398,011**	**64,991**			**463,501**	**463,501**
Non-current financial liabilities							
Interest-bearing liabilities				**138,842**		**138,842**	**138,545**
Other non-current liabilities				**7,625**		**7,625**	**7,625**
Current financial liabilities							
Interest-bearing liabilities				**232,361**		**232,361**	**232,361**
Trade payables and other financial liabilities [1]				**295,917**		**295,917**	**295,917**
Derivative liabilities	**1,804**				**578**	**2,382**	**2,382**
Financial liabilities total	**1,804**			**674,745**	**578**	**677,127**	**676,830**

EUR 1,000	FINANCIAL ASSETS / LIABILITIES RECOGNISED AT FAIR VALUE THROUGH PROFIT AND LOSS	LOANS AND OTHER RECEIVABLES	AVAILABLE-FOR-SALE FINANCIAL ASSETS	FINANCIAL LIABILITIES RECOGNISED AT AMORTISED COST	DERIVATIVES SUBJECT TO HEDGE ACCOUNTING	CARRYING AMOUNT	FAIR VALUE
31.12.2011							
Non-current financial assets							
Available-for-sale financial assets			5,992			5,992	5,992
Other non-current receivables		4,765				4,765	4,765
Current financial assets							
Trade and other receivables		407,023				407,023	407,023
Derivative assets	264					264	264
Cash and cash equivalents		30,395				30,395	30,395
Financial assets total	264	442,183	5,992			448,439	448,439
Non-current financial liabilities							
Interest-bearing liabilities				194,643		194,643	190,698
Other non-current liabilities				3,226		3,226	3,226
Current financial liabilities							
Interest-bearing liabilities				236,968		236,968	236,968
Trade payables and other financial liabilities [1]				279,209		279,209	279,209
Derivative liabilities	1,192				1,244	2,436	2,436
Financial liabilities total	1,192			714,047	1,244	716,483	712,538

[1] Trade payables and other financial liabilities do not include statutory obligations or prepayments received, as these are not classified as financial liabilities under IFRS.

Fair value measurement

Other non-current receivables include mainly interest-free trade receivables and the carrying amount of those receivables is equal to their fair value. The carrying amount of current trade and other receivables is equal to their fair value due to their short maturity.

The fair value of the bond included in non-current interest-bearing liabilities is based on the market price, and the fair value of other non-current liabilities is based on future cash flows discounted using a market yield plus appropriate credit spread for the Group at the reporting date. The used discount rates vary between 2.1 and 2.5 per cent (2.5–4.5%). The carrying value of current financial liabilities is assumed to be close to their fair value.

Fair value hierachy of financial assets and liabilities recognised at fair value

The Group has categorised financial instruments recognised at fair value by using a three-level fair value hierarchy. Financial instruments within Level 1 of the hierarchy are traded in active markets hence prices are obtained directly from the efficient markets. Fair values of instruments within Level 2 are based on observable market inputs and generally accepted valuation methods. Fair values within Level 3 are not based on observable market data but on quotations provided by brokers and market valuation reports.

EUR 1,000	LEVEL 2	LEVEL 3	TOTAL
31.12.2012			
Assets			
Available-for-sale financial assets	**59,020**	**5,971**	**64,991**
Derivative assets	**230**	**270**	**499**
Liabilities			
Derivative liabilities	**1,550**	**832**	**2,382**

EUR 1,000	LEVEL 2	LEVEL 3	TOTAL
31.12.2011			
Assets			
Available-for-sale financial assets		5,992	5,992
Derivative assets	105	159	264
Liabilities			
Derivative liabilities	2,436		2,436

Level 3 reconciliation statement

The table below presents the changes in Level 3 financial instruments for the financial year.

EUR 1,000	FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
Opening balance 1.1.2012	**159**	**5,992**
Additions		**131**
Disposals		**–152**
Gains and losses recognised in profit or loss, total	**–722**	
Fair values 31.12.2012	**–563**	**5,971**

EUR 1,000	FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
Opening balance 1.1.2011	–487	4,342
Additions		122
Disposals		–513
Transfers from Level 3 [1)]	607	2,040
Gains and losses recognised in profit or loss, total	40	
Fair values 31.12.2011	159	5,992

[1)] Transfers from Level 3 include interest rate derivatives which are transferred from level 3 to level 2 due to improvements in valuation method.

25 SHAREHOLDERS' EQUITY

Shares and share capital

Lemminkäinen Corporation has one share class. On 31 December 2012, the Company had 19,650,176 shares. All issued shares are fully paid up. In the beginning of 2012, 10,806 own shares returned to the Company through an arrangement, in which the Company acquired minority interests with share exchange. In addition, the Company issued 5,412 shares in directed free share issue. The Company gave out 15,709 shares due to the share incentive arrangement's earnings period 2011. The Company holds 509 treasury shares.

The Board of Directors was authorised to decide on an issue of 1,576,486 shares on 31 December 2012. The authorisation is valid for five years after the conclusion of the general meeting held on 12 November 2009, at which the original authorisation was granted.

Lemminkäinen Corporation's Annual General Meeting, which convened on 2 April 2012, resolved to authorise the Board of Directors to decide on the repurchase of a maximum of 1,000,000 of the company's own shares in one or several instalments, using the unrestricted shareholders' equity of the company, subject to the provisions of the Finnish Companies Act on the maximum amount of own shares in the possession of the company or its subsidiaries. The authorisation will remain in force for a period of 18 months from the resolution of the General Meeting. The authorisation had not been employed by 31 December 2012.

EUR 1,000	SHARE CAPITAL	SHARE PREMIUM ACCOUNT	INVESTED UNRESTRICTED EQUITY RESERVE	TOTAL
1.1.2011	34,043	5,750	63,144	102,937
Share issue to investors for cash consideration		-76	76	
31.12.2011	34,043	5,675	63,220	102,937
Directed free share issue			387	387
31.12.2012	**34,043**	**5,675**	**63,607**	**103,324**

Share premium account

Share premiums are recognised in the share premium account.

Invested non-restricted equity fund

The invested non-restricted equity fund includes the subscription prices of shares to the extent that they are not entered into share capital on the basis of a separate decision.

Hybrid bond eligible for equity classification

Shareholders' equity includes EUR 70 million Hybrid bond issued during the reporting period. The bond has no maturity date but the company has the right to redeem it after four years of the issue date. The bond is unsecured and in a lower priority than the company's other debt obligations. A holder of Hybrid bond notes does not possess any of the rights of a shareholder, and the bond does not dilute shareholders' holdings in the company. Bond's annual coupon rate is 10%.

Translation differences

The translation differences include the differences arising from the translation of the financial statements of foreign entities. During the past years the Group has hedged the net investment in foreign entities and hedging gains and losses from hedge instruments are also included in the translation differences, provided they qualified for hedge accounting. Group has not applied the hedge accounting for hedging the net investment in foreing entities during the reporting period.

Revaluation reserve

Revaluation reserve includes fair value changes of available-for-sale financial assets.

Hedging reserve

The hedging reserve includes the effective portion of the fair value changes of interest rate derivatives designated for hedge accounting. Cash flow hedging is applied for hedging interest rate risk. During the period a fair value change of interest rate derivatives EUR 0.7 milllion (EUR 0.8 mill.) before deferred taxes has been recognised in other comprehensive income. An amount of EUR –0.9 million (EUR –1.1 mill.) arising from cash flow hedging has been recognised in interest expenses during the financial year.

26 INTEREST-BEARING LIABILITIES

EUR 1,000	31.12.2012	31.12.2011
Non-current		
Borrowings from financial institutions	**13,620**	44,213
Pension loans	**21,503**	44,116
Finance lease liabilities	**43,809**	46,257
Bonds	**59,836**	59,763
Other non-current liabilities	**73**	295
	138,842	194,643
Current		
Borrowings from financial institutions	**35,726**	20,246
Pension loans	**22,759**	22,759
Finance lease liabilities	**13,940**	12,897
Chequing accounts	**5,663**	7,171
Commercial papers	**86,847**	119,910
Liabilities of housing companies under construction	**67,310**	53,939
Other current liabilities	**117**	46
	232,361	236,968

Most of the liabilities are denominated in the debtors functional currency. Borrowings from financial institutions include Norwegian krone denominated loans drawn down by the parent company, corresponding to EUR 20.4 million.

Finance lease liabilities

EUR 1,000	31.12.2012	31.12.2011
Finance lease liabilities and interest on them is due as follows		
In one year or earlier	**15,673**	14,787
Over one year, but less than five years	**39,613**	40,239
Over five years	**7,801**	10,479
	63,087	65,505
Maturity of present value of minimum leases		
In one year or earlier	**13,940**	12,897
Over one year, but less than five years	**36,402**	36,343
Over five years	**7,408**	9,914
	57,749	59,154
Accumulated future finance costs from finance lease liabilities	**5,338**	6,351

27 PENSION OBLIGATIONS

EUR 1,000	31.12.2012	31.12.2011
Changes in the present value of defined benefit obligations		
Beginning of year	**21,674**	21,776
Translation difference	**987**	78
Current service cost	**1,337**	1,133
Interest cost	**618**	751
Actuarial gains and losses	**–2,058**	–2,378
Curtailment	**–240**	–6,627
Benefits paid	**–532**	–795
Business combinations	**–2,755**	7,736
End of year	**19,032**	21,674
Changes in the fair value of the plan assets		
Beginning of year	**13,376**	15,961
Translation difference	**702**	57
Expected return on plan assets	**473**	586
Actuarial gains and losses	**–302**	–2,131
Curtailment		–5,179
Employer contributions	**1,775**	2,399
Benefits paid	**–366**	–790
Business combinations	**–1,842**	2,472
End of year	**13,816**	13,376
Present value of funded obligations	**19,032**	21,674
Fair value of funds	**–13,816**	–13,376
	5,216	8,298
Unrecognised actuarial gains and losses	**–4,024**	–2,581
Unrecognised past service cost	**–21**	–1,845
Defined benefit pension plan obligation (+) / asset (-)	**1,171**	3,872
Pension plan obligations on the balance sheet	**1,171**	3,872
Recognised expenses relating to defined benefit pension plans		
Current service cost	**1,337**	1,133
Interest cost	**618**	751
Return on plan assets	**–473**	–312
Actuarial gains and losses	**163**	–379
Costs based on past service	**15**	
Losses/gains from curtailment	**–240**	
Losses/gains from settlements	**–14**	
Losses/gains from business combinations	**–264**	
	1,142	1,192

Expenses from defined benefit pension plans are recognised in income statement's employee benefit expenses.

EUR 1,000	2012	2011	2010	2009	2008
Assets and liabilities related to the plans over five years					
Defined benefit obligation	**19,032**	21,674	21,776	15,941	12,419
Fair value of plan assets	**–13,816**	–13,376	–15,961	–12,553	–10,164
	5,216	8,298	5,815	3,388	2,254

Defined benefit plans' assets consist entirely of approved insurance contracts and are fair valued on the accounting date. These assets do not include investments to Lemminkäinen or to real estate or other assets used by the company. The expected return on the assets is an estimate of life insurance company's future long term total rebate. In 2012, the actual return on the plans' assets was EUR 0.2 million.

Estimated amount of defined benefit plan payments in Lemminkäinen Group during 2013 is EUR 1.8 million. The presented reduction in Business combinations in 2012 is caused by pension benefit cuts that were carried out in Norway during acquisition in 2011. The numbers presented in the row in question in comparison year 2011 form from the increase caused by the same acquisition.

EUR 1,000	31.12.2012 FINLAND	31.12.2012 NORWAY	31.12.2011 FINLAND	31.12.2011 NORWAY
The most important actuarial assumptions				
Discount rate, %	**3.5**	**3.3**	4.5	3.3
Expected return on plan assets, %	**3.5**	**4.6**	5.8	4.6
Future salary increase, %	**3.5**	**3.8**	3.5	3.8
Future pension increase, %	**2.1**	**0.5**	2.1	0.9

28 SHARE-BASED PAYMENTS

Lemminkäinen has a share-based incentive plan comprising three one-year vesting periods: the calendar years 2010, 2011 and 2012. The Board of Directors decides on the earning criteria for each period as well as on the targets to be established at the beginning of each vesting period. Reward will be paid in company shares and cash. The proportion to be paid in cash will cover the taxes and tax-related costs arising from the reward. The shares may not be transferred during the commitment period which ends two years after the vesting period ends. The Board of Directors decides on the distribution of shares to key personnel.

Information concerning share-based incentive plan is presented below:

	2012	2011
Grant date	**9.2.2012**	10.1.2011
Vesting period start date	**1.1.2012**	1.1.2011
Vesting period end date	**31.12.2012**	31.12.2011
Commitment period end date	**31.12.2014**	31.12.2013
Share price at grant date, EUR	**20.20**	25.35
Fair value of share at grant date, EUR [1]	**19.70**	24.65
Amount of granted shares during period, maximum	**75,076**	53,176
Changes in maximum number of granted shares	**2,433**	6,244
Number of granted shares at the end of period, maximum	**77,509**	59,420
Number of shares earned at the end of period [2]	**46,505**	15,709
Number of plan participants at end of period	**47**	40
Assumed fulfilment of vesting criteria, %	**60.0**	15.0
Estimated number of shares returned prior to the end of commitment period, %	**10.0**	10.0
Expenses booked to income statement from incentive plan at the accounting period, EUR 1,000	**517**	400

[1] The fair value of share at grant date is the share's grant date value less estimated dividend payments during the vesting period.

[2] Number of shares earned at the end of period in 2012 is an estimate.

The liability recognised in the balance sheet in respect of share-based incentive plan at the end of 2012 was EUR 0.8 millon. The booked expenses in the accounting periods of 2013 and 2014 are valued to be EUR about 1.2 million. Actual amount might differ from the valued amount.

29 PROVISIONS

EUR 1,000	WARRANTY PROVISIONS	LANDSCAPING PROVISIONS	LEASE COMMITMENT PROVISIONS	OTHER PROVISIONS	**TOTAL 31.12.2012**	TOTAL 31.12.2011
Provisions, 1.1.	8,105	2,180	2,980	454	**13,719**	8,720
Translation differences	133	322		–1	**454**	5
Increases in provisions	7,998	2,021	240	12	**10,272**	4,707
Expensed provisions	–6,924	–1,672	–1,267	–316	**–10,179**	–4,439
Reversals of unused provisions						–17
Purchases and sales of subsidiaries						4,743
Provisions, 31.12.2012	9,312	2,852	1,953	150	**14,266**	
Provisions, 31.12.2011	8,105	2,180	2,980	454		13,719

EUR 1,000					**31.12.2012**	31.12.2011
Provisions categorised as						
Long-term	1,251	2,852	1,953	142	**6,198**	6,224
Short-term	8,061			8	**8,069**	7,495
					14,266	13,719

Warranty provisions cover after completion repair costs arising from warranty obligations. Provisions related to housing construction are expected to be used within one year after the provision is made. Warranty provisions related to other construction projects are mainly used in 1–2 years after the provision is made.

Landscaping provisions are related to a site's landscaping obligations. The expected time for using landscaping provisions depends on the use of the site, because in most cases the landscaping work starts after the use of the site ceases.

Lease liability commitment arises, when the company has a contractual obligation to obtain tenants for premises not yet leased in a commercial real estate under construction. Provisions for lease commitments are expected to be used in 1–3 years after the provision is made.

30 TRADE AND OTHER PAYABLES

EUR 1,000	**31.12.2012**	31.12.2011
Non-current		
Other non-current liabilities	**7,625**	3,226
Trade payables and other current liabilities		
Advance payments received	**102,782**	99,406
Liabilities to owners of housing under construction	**12,947**	7,226
Trade payables	**110,931**	101,127
Project expense liabilities	**32,963**	36,644
VAT	**26,765**	35,331
Accrued interest	**1,334**	1,616
Accrued personnel expenses	**88,314**	85,913
Other accrued liabilities	**18,282**	27,610
Derivative liabilities	**2,382**	2,436
Other current liabilities	**31,147**	19,074
	427,847	416,383
Non-current and current trade payables and other liabilities, total	**435,472**	419,609

31 FINANCIAL RISK MANAGEMENT

In its business operations, Lemminkäinen Group is exposed to financial risks, mainly interest rate, foreign exchange rate, funding, liquidity and credit risks. The aim of the Group's financial risk management is to reduce uncertainty concerning the possible impacts that changes in fair values on the financial markets could have on the Group's result, cash flow and value. The management of financial risks is based on principles approved by the Board of Directors. The treasury policy defines the principles and division of responsibilities with regard to financial activities and the management of financial risk. The policy is reviewed and if necessary updated at least annually.

Execution of the treasury policy is the responsibility of the Group Treasury, which is mainly responsible for the management of financial risks and handles the Group's treasury activities on a centralised basis. The Group's treasury policy defines the division of responsibilities between the Group Treasury and business units in each subarea. The Group companies are responsible for providing the Group Treasury with up-to-date and accurate information on treasury-related matters concerning their business operations. The Group Treasury serves as an internal bank and co-ordinates, directs and supports the Group companies in treasury matters such that the Group's financial needs are met and its financial risks are managed effectively in line with the treasury policy.

Interest rate risk

The aim of Lemminkäinen Group's interest rate risk management is to minimise changes affecting the result, cash flows and value of the Group due to interest rate fluctuations. The Group Treasury manages and monitors the interest rate position. The Group's interest rate risk primarily comprises fixed-rate and variable-rate loan and leasing agreements, interest-bearing financial receivables and interest rate derivatives. Interest rate changes affect items in the income statement and balance sheet.

The interest rate risk is decreased by setting the Group's average period of interest rate fixation to the same as the interest rate sensitivity of its business. The interest rate sensitivity position of the Group's business is estimated to be about 15 months. The treasury policy thus defines the Group's average period of interest rate fixation as 12–18 months. The Group aims to keep 40–65 per cent of its liabilities per currency hedged.

The Group can have both variable- and fixed-rate long-term borrowings. The ratio of fixed- and variable-rate borrowings can be changed by using interest rate derivatives. In 2012, the Group has used interest rate swaps for managing interest rate risks. Part of the interest rate swaps are used for hedge accounting and a hedging result of those derivatives will have impact on interest expenses until the year 2014. There was no ineffectiveness to be recorded from hedge accounting during the financial year.

Interest rate fluctuations in 2012 did not have any unusual effect on the Group's business, but a significant rise in the level of interest rates may have a detrimental effect on the demand for housing.

Sensitivity analysis of interest rate risk

The following assumptions are made when calculating the sensitivity caused by a change in the level of interest rates:

– the interest rate change is assumed to be 1 percentage point
– the position includes variable-rate financial liabilities, variable-rate financial receivables and interest rate derivatives
– all factors other than the change in interest rates remain constant
– taxes have not been taken into account when calculating sensitivity

EUR 1,000	INTEREST RATE RISK POSITION	IMPACT ON PROFIT OR LOSS (+1%)	IMPACT ON PROFIT OR LOSS (–1%)	IMPACT ON OTHER COMPREHENSIVE INCOME (+1%)	IMPACT ON OTHER COMPREHENSIVE INCOME (–1%)
31.12.2012					
Variable-rate liabilities	**–180,210**	**–1,802**	**1,802**		
Variable-rate receivables	**34,926**	**349**	**–349**		
Interest rate derivatives	**61,460**	**2,051**	**–2,189**	**116**	**–119**
	–83,825	**598**	**–736**	**116**	**–119**

EUR 1,000	INTEREST RATE RISK POSITION	IMPACT ON PROFIT OR LOSS (+1%)	IMPACT ON PROFIT OR LOSS (–1%)	IMPACT ON OTHER COMPREHENSIVE INCOME (+1%)	IMPACT ON OTHER COMPREHENSIVE INCOME (–1%)
31.12.2011					
Variable-rate liabilities	–303,849	–3,038	3,038		
Variable-rate receivables	30,395	304	–304		
Interest rate derivatives	35,740	72	–74	334	–344
	–237,713	–2,663	2,661	334	–344

Foreign exchange rate risk

The aim of foreign exchange rate risk management is to reduce uncertainty concerning the possible impacts that changes in exchange rates could have on the future values of cash flows, business receivables and liabilities, and other balance sheet items. Exchange rate risk mainly consists of transaction risk and translation risk.

Translation risk consists of foreign exchange rate differences arising from the translation of the income statements and balance sheets of foreign group companies into the Group's functional currency. In practice, the Group's reportable translation risk is caused by equity investments in foreign entities and their retained earnings, the effects of which are recorded under translation differences in shareholders' equity. Lemminkäinen Group has foreign net investments in several currencies. In accordance with the treasury policy, Lemminkäinen Group protects itself from translation risks primarily by keeping equity investments in foreign entities at an appropriately low level, and thus does not use financial instruments to hedge the translation risks.

Transaction risk consists of cash flows in foreign currencies from operational and financial activities. The Group seeks to hedge business currency risks primarily by operative means. The remaining transaction risk is hedged by using instruments such as foreign currency loans and foreign currency derivatives. The group companies are responsible for identifying, reporting, forecasting and hedging their transaction risk positions internally. The Group Treasury is responsible for hedging the Group's risk positions as external transactions in accordance with the treasury policy. The general rule is that the major net positions forecasted for the 12 months following the review date are hedged, with a hedging ratio ranging from 25–100 per cent and emphasising the first six months.

The key currencies in which the Group was exposed to transaction risk in 2012 were US-dollar and russian rouble. These transaction risk positions were mainly due to sales, procurement, receivables and liabilities. In 2012 the Group did not apply hedge accounting to transaction risk hedging.

Sensitivity analysis of transaction risk

The following assumptions have been made when calculating the sensitivity caused by changes in the euro/dollar and euro/rouble exchange rates:

- the exchange rate change is assumed to be +/–10%
- the position includes financial assets and liabilities denominated in roubles and dollars
- the position does not include forecasted future cash flows
- taxes are excluded in sensitivity analysis

EUR 1,000	TRANSACTION POSITION	+/– 10% IMPACT ON PROFIT OR LOSS
31.12.2012		
EUR/USD	**6,160**	**–560 / +684**
EUR/RUB	**22,813**	**–2,074 / +2,535**

EUR 1,000	TRANSACTION POSITION	+/– 10% IMPACT ON PROFIT OR LOSS
31.12.2011		
EUR/USD	**1,561**	–142 / +173
EUR/RUB	**5,822**	–529 / +647

Funding and liquidity risk

The Group seeks to optimise the use of liquid assets in funding its business operations and to minimise interest and other financial expenses. The Group Treasury is responsible for managing the Group's overall liquidity and ensuring that adequate credit lines and a sufficient number of funding sources are available. It also ensures that the maturity profile of the Group's loans and credit facilities is spread sufficiently evenly over coming years as set out in the treasury policy. The Group's liquidity management is based on monthly forecasts of funding requirements and daily cash flow forecasting. The Group's excess liquidity is managed by means of internal deposits and cash pools.

According to the treasury policy, the Group's liquidity reserve shall at all times match the Group's total liquidity requirement, and it must be accessible within five banking days without any additional charges being incurred. The Group's total liquidity requirement consists of the liquidity requirement of day-to-day operations, risk premium needs and the strategic liquidity requirement.

Due to the nature of the Group's business operations, the importance of seasonal borrowing is great. The effect of seasonal variation on short-term liquidity is controlled by using a commercial paper programme, committed credit limits and bank overdraft facilities. The total amount of the Group's commercial paper programme is EUR 300 million (EUR 300 mill.), of which EUR 86.8 million (EUR 119.9 mill.) was in use at 31 December 2012. At that time, the Group had unused committed credit facilities totalling EUR 139.6 million (EUR 140.7 mill.). The amount of liquid assets at 31 December 2012 was EUR 93.9 million (EUR 30.4 mill.).

Contractual cash flows of financial liabilities and derivative instruments

EUR 1,000	2013	2014	2015	2016	2017	2018–	TOTAL
31.12.2012							
Interest-bearing liabilities	**239,393**	**107,025**	**13,160**	**11,027**	**6,673**	**8,022**	**385,300**
Interest rate derivatives	**915**	**374**	**274**	**275**	**274**	**141**	**2,252**
Forward foreign exchange contracts							
Cash flows payable	**93,428**						**93,428**
Cash flows receivable	**–92,930**						**–92,930**
Commodity derivatives							
Cash flows payable	**421**	**161**	**162**	**134**			**878**
Cash flows receivable	**–272**						**–272**
Other financial liabilities	**183,653**	**6,245**	**1,380**				**191,278**
Trade payables	**110,931**						**110,931**
Financial guarantees given	**11,190**					**254**	**11,444**
	546,729	**113,805**	**14,975**	**11,437**	**6,948**	**8,416**	**702,309**

EUR 1,000	2012	2013	2014	2015	2016	2017–	TOTAL
31.12.2011							
Interest-bearing liabilities	246,178	74,382	101,147	11,032	8,903	11,261	452,903
Interest rate derivatives	891	460	70				1,421
Forward foreign exchange contracts							
Cash flows payable	71,076						71,076
Cash flows receivable	–69,928						–69,928
Commodity derivatives							
Cash flows payable							
Cash flows receivable	–159						–159
Other financial liabilities	176,071	2,011	341	524			178,948
Trade payables	101,127						101,127
Financial guarantees given	5,533	11,190				254	16,977
	530,789	88,044	101,558	11,556	8,903	11,515	752,365

Credit risk

Credit risks arise when a counterparty is unable to meet its contractual obligations, casusing the other party to suffer a financial loss. Lemminkäinen has defined a credit policy for customer receivables that aims to boost profitable sales by identifying credit risks in advance and controlling them. Most of the Group's business is based on established and trustworthy customer relationships and on contractual terms generally observed in the industry. The credit policy sets the minimum requirements concerning trade credit and collections for Lemminkäinen Group. The Group's credit control function defines credit risks and the business units are responsible for managing them. In the prevailing economic situation, the importance of credit control is underlined, and the Company's credit control processes have been enhanced for example by renewing the credit policy.

The Group is exposed to credit risk through the Group's trade receivables and receivables associated with deposits and receivables. The maximum amount of credit risk is the combined total of the balance sheet values of the aforementioned items. The amounts and due dates of the Group's trade receivables are presented in the table below. The Group does not have any significant credit risk concentrations as trade receivables are distributed among many different customers in a number of market areas. The business unit that made the contract actively monitors the receivables situation. If the business units renegotiate the terms of the receivables, they must do so in accordance with the requirements of the Group's credit policy. The risk of credit losses can be reduced by means of guarantees, mainly bank guarantees and bank deposits. Lemminkäinen's credit losses have been minimal in relation to the scale of its operations. The main risks are associated with business in Russia. As a general rule, construction projects in Russia are only undertaken against receipt of advance payments. If, in exceptional situations, a credit risk is taken, the amount permitted is always proportional to the expected margin on the project in question. Receiveables transferred for legally enforceable collection are recognised as credit losses.

The Group Treasury is responsible for the management of the Group's counterparty and credit risks related to cash, financial investments and financial transactions. The Group is exposed to counterparty risk when investing liquid assets and using derivative instruments. Liquid assets are invested in short-term bank deposits, certificates of deposit issued by solvent partner banks, and commercial papers issued by corporations with a good credit rating. The treasury policy specifies the approved counterparties and their criteria. At the end of 2012, the counterparty risk was considered to be low.

Ageing analysis of trade receivables

1.000 euroa	31.12.2012	31.12.2011
Not due	**155,374**	218,297
Past due 1–30 days	**25,260**	26,923
Past due 31–60 days	**4,203**	7,347
Past due 61–90 days	**2,071**	4,033
Past due over 90 days	**7,236**	8,541
	194,144	265,141

Commodity price risk

The Group's paving operations are exposed to bitumen price risk. The price of bitumen is determined by the world market price of oil. The Group protects itself against the bitumen price risk with fixed purchase prices, price clauses in sales agreements and derivatives for which hedge accounting is not applied. By the closing date, the group companies had used bitumen derivatives to hedge, in total, 40,000 Mt (7,600 Mt) of bitumen purchases.

Management of capital and the capital structure

Capital means the equity and interest-bearing liabilities shown on Lemminkäinen's consolidated balance sheet.

Lemminkäinen Group's capital management ensures cost-effectively that all of the Group's business sectors maintain their business viability at a competitive level in all cyclical conditions, that risk-carrying capacity is adequate, for example, in construction contracts, and that the Company is able to pay a good dividend and service its borrowings.

The amount of the Group's interest-bearing liabilities is affected by factors such as scale of operations, seasonal changes in production, acquisitions, and investments in or the sale of production equipment, buildings and land. The Company continuously monitors the amount of debt, the ratio of net debt to EBITDA, and the equity ratio.

Some of the Group's financial arrangements include two financial covenants which are monitored quarterly and calculated as an average of four previous quarter: the ratio of net debt to EBITDA and the equity ratio. The terms of the covenants were met during the financial year.

Lemminkäinen strengthened it's financial position during the financial year by issuing EUR 70 million Hybrid bond. The Hybrid bond is classified as equity instrument but the bond holders do not have any rights of a shareholders, and the bond does not dilute shareholders' ownership in the company. The Hybrid bond is unsecured and junior to all other borrowings of the company. The bond has no maturity date but company has the right to redeem it at it's own discretion after four years of the issuance date.

The Company also follows the development of equity by means of the return on investment. A long-term average in excess of 18 per cent is regarded as a good return. The return on investment in 2012 was 10.7 per cent (10.8%).

EUR 1,000	31.12.2012	31.12.2011
Interest-bearing liabilities	**371,203**	431,611
Liquid assets	**93,946**	30,395
Interest-bearing net debt	**277,257**	401,216
Equity, total	**450,772**	350,401
Equity ratio, %	**38.0**	30.8
Gearing, %	**61.5**	114.5
Return on investment, %	**10.7**	10.8

32 DERIVATIVE FINANCIAL INSTRUMENTS

EUR 1,000	NOMINAL VALUE	FAIR VALUE POSITIVE	FAIR VALUE NEGATIVE	FAIR VALUE NET
31.12.2012				
Foreign exchange derivatives	**93,698**	**105**	**–387**	**–282**
Interest rate derivatives	**61,460**		**–1,126**	**–1,126**
Commodity derivatives	**17,230**	**270**	**–832**	**–563**

EUR 1,000	NOMINAL VALUE	FAIR VALUE POSITIVE	FAIR VALUE NEGATIVE	FAIR VALUE NET
31.12.2011				
Foreign exchange derivatives	70,977	105	–928	–823
Interest rate derivatives	35,740		–1,508	–1,508
Commodity derivatives	3,493	159		159

The fair value of derivative instruments is the gain or loss arising from the settlement of the contract at the market price prevailing on the reporting date.

Hedge accounting has not been applied to all derivative instruments. Nevertheless, these derivative instruments have been utilised for hedging purposes. The derivatives are used in order to reduce business risks and to hedge balance-sheet items denominated in foreign currencies. Changes in the fair value of non-hedge accounted derivatives are recognised through profit or loss in accordance with their nature either in financial items or as other operating income and expenses.

33 ADJUSTMENTS TO CASH FLOWS

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Depreciation and impairment of goodwill	**40,983**	35,177
Share of the profits of associates and joint ventures	**–1,064**	–1,867
Finance income and costs recognised on accrual basis	**21,086**	18,955
Change in provisions	**93**	258
Change in pension obligations	**–2,895**	3,031
Credit losses on trade receivables	**2,752**	174
Gains and losses on the sale of property, plant and equipment as well as other non-payment income and expenses	**–4,606**	–5,479
Translation differences	**671**	–649
	57,020	49,599

34 OPERATING LEASE COMMITMENTS

EUR 1,000	31.12.2012	31.12.2011
Minimum leases of irrevocable lease contracts within		
One year or less	**14,951**	12,983
Over one year, but less than five years	**30,388**	30,796
Over five years	**16,955**	13,397
	62,294	57,175
Operating lease commitments include the following lease liabilities due within		
One year or less	**8,722**	6,465
Over one year, but less than five years	**11,320**	10,936
Over five years	**7,677**	357
	27,719	17,758

Irrevocable lease commitments include mainly leases of real estates and machineries.

35 GUARANTEES AND COMMITMENTS

EUR 1,000	31.12.2012	31.12.2011
Pledges for own commitments		
Pledged deposits	**19**	17
Pledges on behalf of others		
Pledged securities		90
Pledges, total	**19**	107
Guarantees		
On behalf of associates and joint ventures	**17,887**	20,337
On behalf of consortiums and real estate companies	**13,331**	18,863
	31,217	39,200
Investment commitments	**5,346**	7,154

36 CONTINGENT LIABILITIES

In 2009, the Supreme Administrative Court (SAC) ordered Finnish asphalt industry companies to pay an infringement fine for violations of the Act on Competition Restrictions.

Since 30 September 2012, 12 new municipalities have brought claims. Therefore, at the end of the year, there were a total of 52 claims for damages brought by municipalities and the Finnish state (Finnish Transport Agency) pending against Lemminkäinen and other asphalt industry companies in the District Court. The claimants contend that restrictions on competition have caused them damages. The new claims total about EUR 6.7 million, bringing the total amount of damages currently sought from Lemminkäinen up to EUR 129 million. The claims presented in the statements of claim differ from each other as regards their amounts and grounds.

As it stands, the ruling rendered by the SAC in 2009 does not mean that Lemminkäinen or the other asphalt industry companies actually caused any damages to their asphalt contract clients. The ruling does not concern the individual contracts that the claimants cited in support of their claims. Nor does the ruling concern the pricing of individual contracts. The SAC has not investigated the contention that inflated prices have been charged for the contracts.

Lemminkäinen's initial position is that the claims for damages are without foundation. The claims will be processed in the order and schedule set by the District Court. The main proceedings on the claims made by 38 municipalities and the Finnish Transport Agency began in September 2012, and they have initially been scheduled to run until April 2013. The damages presented in these 39 claims total about EUR 121 million. No commencement date has yet been set for the main proceedings for the other 14 claims. Neither has a decision date been announced.

37 RELATED-PARTY TRANSACTIONS

Lemminkäinen Group's related parties comprise associates and joint ventures as well as members of the key management personnel including close members of their families. Members of the key management personnel comprise the Board of Directors, the President and CEO, Executive Board and the internal audit manager.

Transactions with related parties

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Sales of goods and services		
To associates and joint ventures	3,903	635
To a company under the influence of a key management person's family member	200	
	4,103	635
Purchases of goods and services		
From associates and joint ventures	14,429	13,565

EUR 1,000	31.12.2012	31.12.2011
Balance of purchases/sales of goods and services		
Trade receivables		
From associates and joint ventures	2,200	1
From a company under the influence of a key management person's family member	200	
	2,400	1
Trade payables		
To associates and joint ventures	218	611

On 31 December 2012, the Group had no loan receivables from associates or joint ventures (EUR 0.1 mill.). Related-party transactions with associates and joint ventures are mainly asphalt contracts and mineral aggregate deliveries. Related-party transaction with a company under the influence of a family member of a member of the key management personnel is a market-based sale of construction service. A list of investments in subsidiaries and associate and joint ventures can be found in Note 38 and additional information on associates and joint ventures in Note 10.

Remuneration of key management personnel

The company adjusts previously incorrectly presented information on remuneration of key management personnel of the year 2011. The adjustment concerns recognised cost in the period from short-term employee benefits, which was previously presented to be EUR 2.1 million in 2011. The adjusted amount is EUR 2.4 million. The adjustment concern only the breakdown in this note and does not have any impact on items in income statement or balance sheet or on other notes.

In 2012, The Company booked social security costs of EUR 0.7 million (EUR 0.4 mill.) from key management personnel's salaries, fees and other short-term employee benefits. The costs are not included in the figures presented in the table below. The table's figures are on accrual basis.

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Short-term employee benefits [1]	2,793	2,422
Post-employment benefits	752	839
Share-based payments	250	225
	3,794	3,485

[1] The 2012 amount includes valuation based performance-related rewards.

Remuneration of the Board of Directors

Lemminkäinen Corporation's General Meeting elects each year the members to serve on the Company's Board of Directors and decides their fees. The fees are paid fully in cash. The term of office of the board members lasts until the end of the first Annual General Meeting held after their election.

The members of Lemminkäinen's Board of Directors do not belong to the share-based incentive plan, and they are not employees of Lemminkäinen.

The 2012 Annual General Meeting decided that the Chairman would be paid a fee of EUR 10,000 per month (EUR 10,000) and the board members would each receive a fee of EUR 3,000 per month (EUR 3,000). The board members also receive an attendance fee of EUR 500 per meeting (EUR 500).

The chairman of the Audit Committee is paid an attendance fee of EUR 1,000 (EUR 1,000) and the members of the Audit Committee EUR 500 (EUR 500) for each meeting of the Committee.

Management remuneration

On the basis of a proposal submitted by the Remuneration Committee, Lemminkäinen's Board of Directors decides on the basic salary and fringe benefits as well as on both short-term and long-term remuneration of the President and CEO and of the Executive Board.

The Board of directors decides annually both short and long-term indicators for Management remuneration and the target values for the indicators which are designed to support achievement of the strategic goals. On the basis of the President and CEO's proposal, The Board decides on the amount of fees and whether the indicator-based goals have been reached.

According to management remuneration policy approved by the Board of Directors, the remuneration of the President and CEO, members of the Group's Executive Board, and other management personnel consists of a fixed basic salary, fringe benefits, other benefits, annual short-term incentives (performance-based pay) as well as long-term share based incentive plans and pension plans.

Short-term employee benefits

A fixed basic salary refers to a person's monthly salary, which is determined by the requirements of the position as well as the performance and experience of the person holding the position. In addition to the use of a company car and mobile phone and a meal benefit, management personnel have extended insurance cover for accidents and travel in their leisure time. The total salary covers fixed basic salary and fringe benefits.

Performance-related rewarding

Short-term rewarding is based on the possibility of receiving an annual performance-related reward. Performance-related reward is earned by exceeding financial and operational profit targets specified at the beginning of the year. The Executive Board is divided into four performance-related reward groups which define the maximum performance-related reward percentage for each person. Defining a person's reward group is based on organization level as well as the requirements and operational influence of the position.

In 2012 the level of performance-related reward of the Management was based on the profit before taxes and reaching other growth and development targets such as efficiency improvement of working capital. The performance-related rewards of the Presidents of business segments, who are members of the Group's Executive Board, are also based on the gross profits of each segment. Achieving performance-related reward targets were assessed semi-annually. The maximum performance-related reward payable to Lemminkäinen's President and CEO was 80 per cent of his annual cash salary. The corresponding percentage for the other members of the Group's Executive Board was 60 per cent of their annual cash salary.

Post-employment benefits

From the beginning of 2010 the additional pension plan of the President and CEO and the members of Executive Board is based on cash basis and earning a paid-up policy. The amount of payment is defined as percentages of the annual salary. The president and CEO is entitled to retire at the age of 60. Other members of the Executive Board are, according to the old policy, entitled to retire at the age of 60 or according to the policy valid since 15.9.2011 at the age of 63.

Other long term benefits

In 2012 and 2011, no expenses were booked from other long term benefits.

Termination benefits

The term of notice for the Lemminkäinen's President and CEO agreement is six months. If the company dismissed the agreement, the president and CEO is entitled to absolute severance pay eaqual to 18 months cash salary at the time of the agreement's termination. In 2012 and 2011, no termination benefits were booked.

Share-based payments

Lemminkäinen's long-term reward scheme is a share-based incentive plan comprising three earning periods: calendar years 2010, 2011, and 2012. Reward's commitment period is two years. The Lemminkäinen Group's Board of Directors decides on the earning criteria for each earning period and the targets set for them at the beginning of each period. The earning criteria for the 2012 long-term rewards were the Group's return on investment and equity ratio. The Board of Directors also decides on the distribution of shares to key personnel.

38 SHARES AND HOLDINGS

COMPANY	CONSOLIDATED SHAREHOLDING, %	PARENT COMPANY SHAREHOLDING, %	PARENT COMPANY SHAREHOLDING, SHARES	PARENT COMPANY SHAREHOLDING, BOOK VALUE FINNISH GAAP, EUR 1,000	SHAREHOLDING OF OTHER GROUP UNDERTAKINGS, BOOK VALUE FINNISH GAAP, EUR 1,000
31.12.2012					
Group undertakings					
Lemminkäinen Talo Oy, Helsinki	100.0	100.0	2,183,663	73,992	
Lemminkäinen Infra Oy, Helsinki	100.0	100.0	1,338	36,711	
Lemminkäinen Talotekniikka Oy, Espoo	100.0	100.0	2,138,147	43,018	
Lemcon Networks Oy, Helsinki	100.0	100.0	392,000	2,383	
UAB Lemcon Vilnius, Lithuania	100.0	100.0			
UAB Lemminkainen Lietuva, Lithuania	99.9	99.9	3,747,989	3,529	
ZAO Lemruf, Russia	100.0	100.0	12	3	
Asfalt Remix AS, Norway	75.0				5,614
Commencial Tower North Inc., United States	100.0				412
ICM International Construction Management, Hungary	100.0				684
ICS "Lemminkainen Infra Oy" SRL, Moldova	100.0				
Lembet Oy, Helsinki	100.0				5
Lemcon (Philippines) Inc, Philippines	100.0				222
Lemcon (Thailand) Ltd, Thailand	100.0				51
Lemcon Argentina S.R.L, Argentina	100.0				5
LEMCON Baumanagement GmbH, Germany	100.0				26
Lemcon Canada Ltd, Canada	100.0				1
Lemcon Chile Ltda, Chile	100.0				15
Lemcon Columbia Ltda, Columbia	100.0				3
Lemcon do Brasil Ltda, Brasil	100.0				22
LEMCON ECUADOR SA, Ecuador	100.0				1
Lemcon Építöipari Kft, Hungary	100.0				28
Lemcon HR Oy, Helsinki	100.0				60
Lemcon Network Services Ltd, UK	100.0				19
Lemcon Networks Mexico S.de R.L.De C.V. Mexico	100.0				
Lemcon Norge As, Norway	100.0				12
Lemcon Pte Ltd, Singapore	100.0				7
Lemcon Servicos de Planejamento de Engenharia Ltda, Brasil	100.0				20
Lemcon USA Corporation, United States	100.0				1
Lemcon Venezuela C.A., Venezuela	100.0				8
Lemminkäinen Co. Ltd., China	100.0				72
Lemminkäinen A/S, Denmark	100.0				18,972
Lemminkäinen Anlegg AS, Norway	90.1				4,169
Lemminkäinen Construction (India) Private Limited, India	100.0				853
Lemminkäinen Eesti AS, Estonia	91.7				5,391
Lemminkäinen Ehitus As, Estonia	100.0				3
Lemminkäinen Industri AS, Norway	100.0				269
Lemminkäinen Norge AS, Norway	100.0				11,799

COMPANY	CONSOLIDATED SHAREHOLDING, %	PARENT COMPANY SHAREHOLDING,%	PARENT COMPANY SHAREHOLDING, SHARES	PARENT COMPANY SHAREHOLDING, BOOK VALUE FINNISH GAAP, EUR 1,000	SHAREHOLDING OF OTHER GROUP UNDERTAKINGS, BOOK VALUE FINNISH GAAP, EUR 1,000
Lemminkäinen Polska, Sp. Z.O.O, Poland	100.0				1,576
Lemminkäinen PPP Oy, Kuopio	100.0				3
Lemminkäinen Sverige Ab, Sweden	100.0				12
Lemminkäinen International Oy, Helsinki	100.0				5
Lemminkäinen Russia Oy, Helsinki	100.0				155
Lohketööd Oy, Salo	91.7				3
Maanrakennusliike Helander Oy, Loviisa	100.0				255
OOO Lemminkäinen Invest , Russia	100.0				2,284
OOO Lemminkäinen Service, Russia	100.0				13
OOO Lemminkäinen Stroy, Russia	100.0				864
Oü Järva Paas, Estonia	47.7				3
Pasila Telecom Oy, Helsinki	100.0				8
PT Lemcon Networks, Indonesia	100.0				75
Rekab Entreprenad Ab, Sweden	80.0				243
SIA Lemminkainen Latvija, Latvia	100.0				1,835
Tekmanni RusService Oy, Espoo	100.0				3
Tekmen SPB, Russia	100.0				287
Tolarock Oy, Kajaani	100.0				3,048
ZAO Lemminkäinen Dor Stroi, Russia	100.0				544
ZAO Lemminkäinen Rus, Russia	100.0				20,829
Total				159,565	80,787
Joint venture undertakings					
Genvej A/S, Denmark	50.0				201
Lemcon Likusasa Africa Pty, South-Africa	50.0				
Martin Haraldstad AS, Norway	50.0				837
Nordasfalt AS, Norway	50.0				646
Ullensaker Asfalt ANS, Norway	50.0				612
Total					2,297
Associate undertakings					
Finavo Oy, Helsinki	47.5				1
NHK Rakennus Oy, Helsinki	35.0				622
Vuokatin Betoni Oy, Sotkamo	33.1				13
Total					637
Other shares and holdings					
Housing shares				327	209
Property shares				793	3,066
Other shares and holdings				556	1,020
Total				1,676	4,294

Parent company income statement (FAS)

EUR 1,000	Note	1.1.–31.12.2012	1.1.–31.12.2011
Net Sales	1	**38,337**	32,307
Production for own use		**1,757**	290
Other operating income	2	**38,179**	4,216
Materials and services	3	**–76**	320
Personnel expenses	4	**21,981**	20,048
Depreciation	5	**4,421**	3,112
Other operating expenses		**24,184**	25,718
Operating profit/loss		**27,764**	–12,385
Finance income and costs	6	**–3,727**	3,990
Profit before extraordinary items		**24,036**	–8,395
Extraordinary items	7	**19,400**	22,900
Profit before taxes		**43,436**	14,505
Direct taxes	8	**–1,455**	–1,321
Profit for the financial year		**41,981**	13,184

Parent company balance sheet (FAS)

EUR 1,000	Note	31.12.2012	31.12.2011
ASSETS			
Non-current assets	9		
Intangible assets		**16,953**	9,057
Tangible assets		**15,920**	12,317
Holdings in Group companies		**159,565**	165,999
Other investments		**1,676**	1,766
		194,115	189,139
Current assets	10		
Non-current receivables		**1,700**	4,264
Deferred tax asset			1,755
Current receivables		**320,951**	351,908
Financial securities		**59,020**	
Cash in hand and at banks		**8,299**	1,073
		389,971	359,000
		584,086	548,140
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	11		
Share capital		**34,043**	34,043
Share premium account		**5,675**	5,675
Invested non-restricted equity fund		**61,309**	60,997
Fair value reserve		**–421**	–940
Retained earnings		**86,121**	82,970
Profit for the financial year		**41,981**	13,184
		228,707	195,929
Liabilities	12		
Deferred tax liability		**1,215**	1,358
Non-current liabilities		**176,598**	140,398
Current liabilities		**177,566**	210,456
		355,379	352,211
		584,086	548,140

Parent company cash flow statement (FAS)

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Cash flow from business operations		
Profit/loss before extraordinary items	**24,036**	–8,395
Adjustments		
Depreciation according to plan	**4,421**	3,112
Finance income and costs	**3,727**	–3,990
Other adjustments	**–38,921**	18,586
Cash flow before change in working capital	**–6,737**	9,313
Change in working capital		
Increase (–)/decrease (+) in current interest-free business receivables	**8,233**	–14,227
Increase (+)/decrease (–) in current interest-free liabilities	**626**	2,934
Cash flow from operations before financial items and taxes	**2,123**	–1,980
Interest and other finance costs paid	**–24,562**	–20,208
Dividends received	**241**	5,761
Interest and other finance income received	**19,610**	17,481
Direct taxes paid	**70**	–105
Cash flow from business operations	**–2,518**	949
Cash flow from investments		
Investments in tangible and intangible assets	**–16,829**	–6,421
Proceeds from sale of tangible and intangible assets	**1,244**	51
Investments in other assets		–4
Proceeds from the sale of other investments		178
Acquired subsidiary shares	**–5**	–5,842
Disposed subsidiary shares	**42,633**	
Cash flow from investments	**27,042**	–12,037
Cash flow from financing		
Increase (–)/decrease (+) in non-current receivables	**235**	348
Group contributions received	**22,900**	14,000
Change in Group receivables/liabilities	**22,712**	–20,475
Short-term loans drawn	**215,744**	214,266
Repayments of short-term loans	**–246,249**	–175,532
Long-term loans drawn	**300,916**	258,706
Repayments of long-term loans	**–264,715**	–273,937
Dividends paid	**–9,820**	–9,822
Cash flow from financing	**41,723**	7,553
Increase (+)/decrease (–) in cash and cash equivalents	**66,247**	–3,535
Cash and cash equivalents at begining of financial year	**1,073**	4,586
Corporate restructuring		22
Cash and cash equivalents at end of financial year	**67,320**	1,073

Parent company's accounting principles, 31 Dec. 2012

Lemminkäinen Corporation's financial statements are prepared in accordance with Finnish accounting standards (FAS).

FOREIGN CURRENCY ITEMS

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Receivables and liabilities are translated at the exchange rates prevailing on the balance sheet date.

FINANCIAL SECURITIES

Financial securities are measured at fair value and the changes in fair values are recognised in fair value reserve in equity. Fair values are calculated by discounting future cash flows to present value. When financial securities are sold, accumulated fair value changes are transferred from fair value reserve to financial items in the income statement.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The derivatives are used in order to reduce business risks and to hedge balance sheet items denominated in foreign currencies. Derivative financial instruments are measured at fair value.

Foreign exchange derivatives are used to hedge against changes in forecasted foreign currency-denominated cash flows and changes in value of receivables and liabilities in foreign currencies. The company has used foreign exchange forward contracts which are measured at the balance sheet date by using the foreign exchange forward rates prevailing on the balance sheet date.

Interest rate derivatives are used to hedge against changes affecting the result, balance sheet and cash flows due to interest rate fluctuations. The company has used interest rate swaps which are measured by discounting the contractual future cash flows to the present value.

The Company has applied cash flow hedge accounting to some variable-rate loans. The change in fair value of the interest rate swap agreements used as hedging instrument is recognised in the fair value reserve in equity as the hedging relationship is effective. The ineffective portion of the change in fair value is recognised in financial items in the income statement. Changes in fair value accumulated in equity are transferred from equity and recognised in financial items for the accounting period in which the hedged item affects the result.

Fair value changes from derivative financial instruments which are not used for hedge accounting are recognised in financial items in the income statement. Fair value changes are presented on section 6 of the notes to the financial statements.

VALUATION AND DEPRECIATION OF FIXED ASSETS

Fixed assets are shown on the balance sheet at their original acquisition costs less planned depreciation over their expected economic lifetimes. In addition, the values of some land, buildings and shareholdings include revaluations, against which no depreciation is charged. The depreciation periods are as follows:

- Buildings and structures 10–40 years
- Machinery and equipment 4–10 years
- Other fixed assets 4–10 years

PENSION LIABILITY

The pension security of employees, inclusive of additional benefits, is covered by policies taken out from a pension insurance company.

DIRECT TAXES

Taxes calculated on the basis of the profit for the financial year, adjustments to the taxes of earlier financial years, and the change in the deferred tax liability and asset are recorded as direct taxes on the income statement.

Notes to the parent company financial statements (FAS)

1 NET SALES BY MARKET AREA

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Finland	**38,337**	32,288
Nordic countries		19
East Europe and Baltic countries		0
	38,337	32,307

2 OTHER OPERATING INCOME

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Gain on sale of fixed assets	**38,158**	43
Gain on merger		4,158
Others	**21**	15
	38,179	4,216

3 MATERIALS AND SERVICES

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
External services	**–76**	320

4 NOTES CONCERNING PERSONNEL, MANAGEMENT AND BOARD MEMBERS

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Personnel expenses		
Salaries, wages and emoluments	**17,383**	15,365
Pension expenses	**3,941**	4,159
Other staff costs	**656**	524
	21,981	20,048
Management salaries and emoluments		
Board Members and the President and CEO	**926**	932
Average number of employees		
Salaried employees	**316**	261
Pension commitments concerning Board Members and the President and CEO		
The retirement age of the President and CEO of Lemminkäinen Corporation is 60 years.		

5 DEPRECIATION

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Intangible rights	**1,409**	349
Other capitalised expenditure	**2,419**	2,242
Buildings	**436**	343
Machinery and equipment	**95**	117
Other tangible assets	**62**	62
	4,421	3,112

6 FINANCE INCOME AND COSTS

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Dividend income		
From Group companies		5,760
From others	**242**	1
	242	5,761
Other interest and finance income		
From Group companies	**14,441**	14,501
From others	**6,823**	4,137
	21,264	18,638
Interest expenses and other finance costs		
To Group companies	**–1,452**	–1,658
To others	**–23,781**	–18,751
	–25,233	–20,409
Net finance income/costs	**–3,727**	3,990
Finance income and costs include:		
Exchange gains and losses (net)	**–2,145**	–1,426
Change in fair value of currency derivatives (net)	**452**	330
Change in fair value of interest rate derivatives (net)	**–357**	153
Gains and losses from hedge accounting (net)	**–858**	–1 069

7 EXTRAORDINARY ITEMS

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Extraordinary incomes, Group contributions	**19,400**	22,900

8 DIRECT TAXES

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Income taxes in respect of previous years	**–97**	–105
Change in the deferred tax liability	**–1,358**	–1,215
	–1,455	–1,321

9 NON-CURRENT ASSETS

EUR 1,000	31.12.2012	31.12.2011
Intangible assets		
Intangible rights	**4,718**	1,684
Other capitalised expenditure	**2,978**	4,848
Advance payments	**9,258**	2,526
	16,953	9,057
Tangible assets		
Land and water	**6,034**	6,261
Buildings	**9,354**	5,345
Machinery and equipment	**197**	310
Other intangible assets	**335**	397
Advance payments and work in progress		5
	15,920	12,317
Investments		
Holdings in Group companies	**159,565**	165,999
Other shares and holdings	**1,676**	1,766
	161,241	167,765
Intangible assets		
Intangible rights		
Acquisition cost 1.1.	**3,663**	2,014
Increases	**4,444**	1,683
Decreases	**–195**	–33
Acquisition cost 31.12.	**7,912**	3,663
Accumulated depreciation 31.12.	**–3,194**	–1,980
Book value 31.12.	**4,718**	1,684
Other capitalised expenditure		
Acquisition cost 1.1.	**7,212**	327
Increases	**549**	6,886
Decreases	**–49**	
Acquisition cost 31.12.	**7,713**	7,212
Accumulated depreciation 31.12.	**–4,735**	–2,364
Book value 31.12.	**2,978**	4,848
Advance payments		
Acquisition cost 1.1.	**2,526**	4,759
Increases	**8,903**	5,378
Decreases	**–2,171**	–7,611
Acquisition cost 31.12.	**9,258**	2,526

EUR 1,000	31.12.2012	31.12.2011
Tangible assets		
Land and water		
Acquisition cost 1.1.	**3,173**	3,191
Decreases	**–227**	–18
Acquisition cost 31.12.	**2,947**	3,173
Revaluations	**3,087**	3,087
Book value 31.12.	**6,034**	6,261
Buildings		
Acquisition cost 1.1.	**14,351**	14,672
Increases	**4,461**	
Decreases	**–204**	–320
Acquisition cost 31.12.	**18,608**	14,351
Accumulated depreciation 31.12.	**–11,632**	–11,384
Revaluations	**2,378**	2,378
Book value 31.12.	**9,354**	5,345
Machinery and equipment		
Acquisition cost 1.1.	**1,008**	1,052
Increases		81
Decreases	**–51**	–125
Acquisition cost 31.12.	**957**	1,008
Accumulated depreciation 31.12.	**–760**	–698
Book value 31.12.	**197**	310
Other tangible assets		
Acquisition cost 1.1.	**1,358**	1,364
Decreases	**–35**	–5
Acquisition cost 31.12.	**1,323**	1,358
Accumulated depreciation 31.12.	**–989**	–961
Book value 31.12.	**335**	397
Advance payments and construction in progress		
Acquisition cost 1.1.	**5**	
Increases	**298**	5
Decreases	**–303**	
Acquisition cost 31.12.		5
Investments		
Holdings in Group companies		
Acquisition cost 1.1.	**165,999**	161,680
Increases	**6**	5,842
Decreases from mergers		–1,524
Decreases	**–6,439**	
Acquisition cost 31.12.	**159,565**	165,999

Merger difference has been allocated to acquisition cost of received subsidiary shares and to other operating income.

EUR 1,000	31.12.2012	31.12.2011
Other shares		
Acquisition cost 1.1.	**1,690**	1,986
Decreases	**–90**	–296
Acquisition cost 31.12.	**1,600**	1,690
Revaluations	**76**	76
Book value 31.12.	**1,676**	1,766
Revaluations		
Land		
Value 1.1.	**3,087**	3,087
Value 31.12.	**3,087**	3,087
Buildings		
Value 1.1.	**2,378**	2,378
Value 31.12.	**2,378**	2,378
Shares		
Value 1.1.	**76**	76
Value 31.12.	**76**	76

10 CURRENT ASSETS

EUR 1,000	31.12.2012	31.12.2011
Non-current receivables		
Loan receivables from Group companies	**1,700**	
Loan receivables from parties outside the Group		4,264
Deferred tax asset		1,755
	1,700	6,019
Current receivables		
Receivables from parties outside the Group		
Trade receivables	**357**	220
Other receivables	**7,944**	189
Accrued receivables	**1,396**	669
	9,697	1,079
Receivables from Group companies		
Trade receivables	**6**	9,902
Other receivables	**309,007**	339,141
Accrued receivables	**2,242**	1,787
	311,255	350,830
Current receivables, total	**320,951**	351,908

EUR 1,000	31.12.2012	31.12.2011
Items included in accrued receivables		
Accured interest	**60**	249
Taxes	**3**	
Deferred personnel expenses	**375**	63
Deferred finance costs	**124**	309
Others	**834**	48
	1,396	669

11 SHAREHOLDERS' EQUITY

EUR 1,000	31.12.2012	31.12.2011
Share capital 1.1.	**34,043**	34,043
Share capital 31.12.	**34,043**	34,043
Share premium account 1.1.	**5,675**	5,675
Share premium account 31.12.	**5,675**	5,675
Invested non-restricted equity fund 1.1.	**60,997**	60,997
Increases	**312**	
Invested non-restricted equity fund 31.12.	**61,309**	60,997
Fair value reserve 1.1.	**–940**	–1,510
Change in fair value of hedging instruments	**666**	796
Change in fair value of financial securities	**20**	
Transfer to deferred tax liability	**–168**	–226
Fair value reserve 31.12.	**–421**	–940
Retained earnings 1.1.	**96,154**	92,792
Dividends paid	**–9,825**	–9,822
Transfer from revaluations reserve	**–209**	
Retained earnings 31.12.	**86,121**	82,970
Profit for the financial year	**41,981**	13,184
Shareholders' equity, total	**228,707**	195,929
Distributable funds 31.12.	**189,411**	157,151

12 LIABILITIES

EUR 1,000	31.12.2012	31.12.2011
Deferred tax liability		
From revaluations	**1,358**	1,441
Other temporary differences	**–143**	
Change in tax rate		–83
	1,215	1,358
Non-current liabilities		
Loans from financial institutions	**26,164**	36,519
Pension loans	**21,503**	44,116
Bonds	**59,836**	59,763
Hybrid bond	**69,095**	
	176,598	140,398
Current liabilities		
Loans from credit institutions	**15,267**	12,696
Pension loans	**22,759**	22,759
Commercial papers	**86,847**	119,910
Trade payables	**1,448**	1,847
Trade payables to Group companies		325
Accrued liabilities to Group companies	**307**	
Other liabilities to Group companies	**38,543**	42,525
Other liabilities	**3,051**	3,195
Accrued liabilities	**9,343**	7,200
	177,566	210,456
Items included in accrued liabilities		
Accrued interest	**3,100**	1,543
Accrued personnel expenses	**5,111**	5,477
Others	**1,132**	180
	9,343	7,200

13 GUARANTEES AND COMMITMENTS

EUR 1,000	31.12.2012	31.12.2011
Pledges on behalf of others		
Pledged securities		90
		90
Guarantees		
On behalf of Group companies	**371,118**	334,574
On behalf of associates and joint ventures	**17,887**	20,337
On behalf of consortiums and real estate companies	**13,331**	18,863
	402,335	373,774
Lease liabilities		
Payable next year	**7,181**	6,938
Payable in subsequent years	**21,820**	26,354
	29,001	33,292
Derivative contracts		
Forward foreign exchange contracts		
Nominal value	**110,470**	81,577
Fair value	**–372**	–283
Interest rate swap contracts		
Nominal value	**57,174**	28,597
Fair value	**–1,023**	–1,313

Financial indicators (IFRS)

EUR MILL.	2012	2011	2010 [1]	2009	2008
Net sales	**2,267.6**	2,183.9	1,829.6	1,965.5	2,477.4
Operations outside Finland	**897.3**	780.3	543.5	527.6	676.7
% of net sales	**39.6**	35.7	29.7	26.8	27.3
Operating profit	**50.1**	44.0	29.6	23.2	117.6
% of net sales	**2.2**	2.0	1.6	1.2	4.7
Profit before taxes	**29.0**	25.0	7.6	–10.2	85.4
% of net sales	**1.3**	1.1	0.4	–0.5	3.4
Profit for the financial year attributable to the equity holders of the parent company	**43.9**	34.7	0.3	–26.2	51.7
% of net sales	**1.9**	1.6	0.0	–1.3	2.1
Non-current assets	**340.7**	351.0	315.1	301.6	290.1
Inventories	**494.4**	448.5	376.0	374.7	398.2
Financial assets	**465.3**	443.3	370.9	375.2	722.1
Equity	**450.4**	348.7	325.2	267.4	309.9
Non-controlling interest	**0.4**	1.7	5.1	23.2	27.8
Interest-bearing liabilities	**371.2**	431.6	375.5	399.1	586.5
Interest-free liabilities	**478.4**	460.7	356.2	361.7	486.2
Balance sheet total	**1,300.4**	1,242.8	1,062.0	1,051.5	1,410.4
Return on equity, %	**11.0**	10.5	0.4	–7.6	18.1
Return on investment, %	**10.7**	10.8	7.0	5.5	17.0
Equity ratio, %	**38.0**	30.8	35.0	30.7	26.0
Gearing, %	**61.5**	114.5	105.7	111.7	99.6
Interest-bearing net debt	**277.3**	401.2	349.2	324.7	336.4
Gross investments	**64.5**	84.0	59.6	41.5	60.2
% of net sales	**2.8**	3.8	3.3	2.1	2.4
Order book 31.12.	**1,443.9**	1,400.4	1,226.4	1,064.5	1,064.5
Personnel on average	**8,180**	8,421	8,314	8,626	9,776

As from 1 January 2010, Lemminkäinen observes the interpretation IFRIC 15 – Agreements for the Construction of Real Estate in its Reporting. The comparative figures for 2009 have also been calculated in accordance with the interpretation.
Discontinued operations have been adjusted from the income statement items for the accounting period in which they are classified as discontinued operations, as well as for the preceding accounting period.

[1] The figures include the assests held for sale and related liablities.

Share-related financial indicators (IFRS)

	2012	2011	2010	2009	2008
Basic earnings per share (EPS), EUR	**2.04**	1.77	0.02	–1.54	3.04
Diluted earnings per share (EPS), EUR	**2.03**	1.77	0.02	–1.54	3.04
Equity per share, EUR	**23.02**	17.75	16.55	15.71	18.21
Dividend per share, EUR	**0.6** [1]	0.50	0.50	0.00	0.90
Dividend per earnings, %	**26.9**	28.3	over hundred	0.0	29.6
Effective dividend yield, %	**4.2**	2.7	1.9	0.0	6.9
Price per earnings (P/E)	**7.0**	10.6	1,664.4	–15.7	4.3
Share price, EUR					
average	**16.48**	22.86	24.73	21.38	27.40
lowest	**13.95**	17.08	21.21	13.30	12.53
highest	**20.50**	27.37	30.00	30.30	37.55
at end of financial year	**14.28**	18.72	26.00	24.20	13.05
Market capitalisation at year end, EUR mill.	**280.6**	367.8	510.8	411.9	222.1
Share trading, 1,000 shares	**992**	3,367	4,172	1,918	3,185
% of shares issued	**5.1**	17.1	21.8	11.3	18.7
Weighted average number of shares, 1,000	**19,565**	19,645	19,124	17,021	17,021
Number of shares at end of period, 1,000	**19,650**	19,645	19,645	17,021	17,021
Number of treasury shares	**509**				

As from 1 January 2010 Lemminkäinen observes the interpretation IFRIC 15 – Agreements for the Construction of Real Estate in its Reporting. The comparative figures for 2009 have also been calculated in accordance with the interpretation.

[1] Board of Directors' proposal to the AGM

Calculation of key ratios

RETURN ON INVESTMENT, %

$$\frac{\text{Profit before income taxes + finance costs}}{\text{Total equity (average) + interest-bearing liabilities (average)}} \times 100$$

RETURN ON EQUITY, %

$$\frac{\text{Profit for the financial period}}{\text{Total equity (average)}} \times 100$$

EQUITY RATIO, %

$$\frac{\text{Total equity}}{\text{Balance sheet total – advances received}} \times 100$$

GEARING,%

$$\frac{\text{Interest-bearing liabilities – cash and other liquid assets}}{\text{Total equity}} \times 100$$

INTEREST-BEARING NET DEBT

Interest-bearing debt – cash and other liquid assets

PERSONNEL ON AVERAGE

$$\frac{\text{Total number of personnel at the end of each month}}{\text{Number of months}}$$

BASIC EARNINGS PER SHARE

$$\frac{\text{Profit for the financial year attributable to owners of the parent – accrual basis interest of the hybrid bond adjusted with tax effect}}{\text{Weighted average number of ordinary shares in issue}}$$

DILUTED EARNINGS PER SHARE

$$\frac{\text{Profit for the financial year attributable to owners of the parent – accrual basis interest of the hybrid bond adjusted with tax effect}}{\text{Weighted average number of ordinary shares in issue + dilutive potential ordinary shares}}$$

EQUITY PER SHARE

$$\frac{\text{Equity attributable to owners of the parent company}}{\text{Weighted average number of ordinary shares in issue}}$$

DIVIDEND PER SHARE

$$\frac{\text{Dividend for the financial period}}{\text{Total number of shares – treasury shares}}$$

DIVIDEND PER EARNINGS, %

$$\frac{\text{Dividend for the financial period}}{\text{Profit for the financial year attributable to owners of the parent}} \times 100$$

EFFECTIVE DIVIDEND YIELD, %

$$\frac{\text{Dividend per share}}{\text{Share price at the end of the period}} \times 100$$

PRICE PER EARNINGS (P/E)

$$\frac{\text{Share price at the end of the period}}{\text{Basic earnings per share}}$$

ADJUSTED AVERAGE SHARE PRICE

$$\frac{\text{Total turnover of shares in euros}}{\text{Adjusted number of shares traded during the period}}$$

MARKET CAPITALISATION

Number of shares in issue x share price at the end of period

Board of Directors' proposal for the distribution of profit

Distributable shareholders' equity shown on the parent company balance sheet at 31 December 2012 amounts to EUR 189,410,593.17 consisting of retained earnings EUR 86,120,686.12 and the profit for the financial year EUR 41,980,990.17. The Board of Directors will propose to the AMG that, for the financial year ended 31 December 2012, the company a per-share dividend of EUR 0.60 to a total of EUR 11,789,800.20 after which retained earnings would stand at EUR 116,311,876.09.

Helsinki, 6 February 2013

Berndt Brunow

Juhani Mäkinen

Noora Forstén

Mikael Mäkinen

Kristina Pentti-von Walzel

Heikki Räty

Timo Kohtamäki
Managing Director

Auditor's report

TO THE ANNUAL GENERAL MEETING OF LEMMINKÄINEN OYJ

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Lemminkäinen Oyj for the year ended 31 December, 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 22 February 2013

PricewaterhouseCoopers Oy
Authorised Public Accountants

Kim Karhu
Authorised Public Accountant

Shares and shareholders

LEMMINKÄINEN'S SHARE AND SHARE CAPITAL

Lemminkäinen Corporation's share (LEM1S) is listed on NASDAQ OMX Helsinki. The Company has one series of shares. Each share carries one vote at a general meeting of shareholders and confers an equal right to a dividend. On 31 December 2012, the Company had 19,650,176 shares. The Company's share capital is EUR 34,042,500.

SHARE PRICE AND TURNOVER

The price of Lemminkäinen Corporation's share on NASDAQ OMX Helsinki was EUR 18.72 (26.00) at the beginning of the period and EUR 14.28 (18.72) at the end. The highest share price quoted was EUR 20.50 in February and the lowest EUR 13.95 in November. The average price in 2012 was EUR 16.48 (22.86). At the end of 2012, the market capitalisation of Lemminkäinen's shares stood at EUR 280.6 million (367.8).

Share turnover during the period totalled 991,952 (3,366,940) shares. The total value of share turnover was EUR 16.3 million (77.0). In addition to NASDAQ OMX Helsinki, Lemminkäinen's share is also traded on alternative markets. During 2012, alternative markets accounted for 6 per cent (8) of Lemminkäinen's total share turnover. Share turnover on alterative markets totalled 64,087 (293,502) shares with a turnover value of EUR 1.1 million (7.0). (Source: Fidessa Fragmentation Index, http://fragmentation.fidessa.com.)

Lemminkäinen has a Liquidity Providing (LP) agreement with Nordea Bank Finland Plc. According to the agreement, Nordea Bank Finland Plc must quote both bid and offer prices for Lemminkäinen Corporation's share such that the prices do not deviate from each other by more than 4 per cent, calculated on the bid price.

SHAREHOLDERS

At the end of the financial year, the company had 4,781 shareholders (4,548). Holders of nominee-registered shares and non-Finnish shareholders held 14 (15) per cent of all Lemminkäinen Corporation shares and voting rights.

FLAGGING NOTIFICATIONS

On 4 January 2012, Lemminkäinen received a flagging notification stating that Olavi Pentti had bestowed 1,964,480 Lemminkäinen shares on his daughter, Noora Forstén, in a deed of gift. As a result, Olavi Pentti's holding in Lemminkäinen Corporation fell from 18.7 per cent of all shares to 8.7 per cent of all shares. Noora Forstén's holding in the company rose to 1,966,073 shares, which corresponds to 10 per cent of all shares and votes in Lemminkäinen Corporation.

On 3 April 2012, Lemminkäinen received a flagging notification according to which Peab Invest AS, a wholly owned subsidiary of Peab AB (publ), acquired 940,000 shares on 2 April 2012 through a completed forward contract. The shares were transferred to Peab AB (publ) immediately after the transaction. As a result of the forward contract completed on 2 April 2012, Peab AB (publ)'s holding rose to 2,080,225 shares, which represent 10.58 per cent of the shares and votes in Lemminkäinen Corporation.

TREASURY SHARES

Lemminkäinen owns 509 of its own shares, which have been returned to the company as part of its share-based incentive scheme. The shares were originally allocated to key personnel for the 2011 earning period of the shared-based incentive scheme of 2010–2012.

More information of shares and shareholdings in the Board of Directors' report 2012 on page 92.

LARGEST SHAREHOLDERS AS PER 31 DEC 2012

NAME OF THE SHAREHOLDER	NUMBER OF SHARES	% OF ALL SHARES
Pnt Group Oy	3,673,956	18.7%
Noora Forstén	1,966,073	10.0%
Heikki Pentti Estate	1,906,976	9.7%
Olavi Pentti	1,709,473	8.7%
Varma	823,727	4.2%
Kristina Pentti-von Walzel	635,660	3.2%
Eva Pentti-Kortman	635,660	3.2%
Timo Pentti	635,660	3.2%
Ilmarinen	345,869	1.8%
Mandatum Life	283,636	1.4%
Alfred Berg funds	265,762	1.4%
Maa- ja vesitekniikan tuki ry	250,000	1.3%
Etera	211,007	1.0%
Nordea funds	199,700	1.0%
Mikko Laakkonen	160,601	0.8%
15 largest total	13,703,760	69.7%
Nominee registered total	2,623,785	13.4%
Other owners	3, 322,631	16.9%
All shares total	19,650,176	100.0%

LEMMINKÄINEN'S SHARE (LEM1S)

Listing:	NASDAQ OMX Helsinki
Listing date:	1 June, 1995
Trading currency:	EUR
Segment:	Mid cap
Sector:	Industrials
Trading code:	LEM1S
ISIN code:	FI0009900336
Reuters ID:	LEM1S.HE
Bloomberg ID:	LEM1S FH

SHAREHOLDERS BY NUMBER OF SHARES 31.12.2012

	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
1–100	2,032	43	111,599	1
101–500	1,911	40	489,243	3
501–1,000	423	9	337,165	2
1,001–10,000	349	7	975,356	5
10,001–100,000	48	1	1,572,060	8
100,001–500,000	9	0.2	2,086,773	11
500,001–	9	0.2	14,067,410	70
Common accounts		0	10,570	
Total	4,781	100.0	19,650,176	100.0

SHAREHOLDERS BY SECTOR 31.12.2012

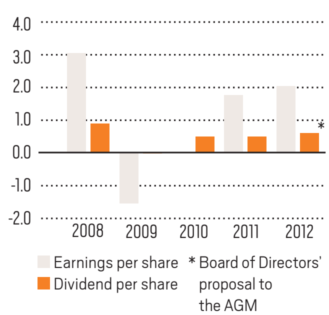
	NUMBER OF SHARES	% OF SHAREHOLDERS	NUMBER OF SHAHOLDERS	% OF SHAREHOLDERS
Foreign and nominee registered owners	2,699,790	14	22	1
Finnish private investors	9,594,187	49	4,358	91
Public sector institutions	1,479,118	49	8	0,22
Financial and insurance institutions	930,505	5	20	0,44
Corporations	4,318,113	22	304	6
Non-profit institutions	617,893	3	69	2
Common accounts	10,570		0	0
Total	19,650,176	100.0	4,781	100.0

MANAGEMENT AND BOARD OF DIRECTORS' SHAREHOLDINGS

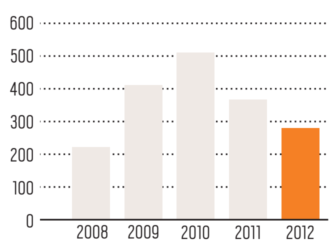
	SHARES 31.12.2012	SHARES 31.12.2011
Board of Directors	**2,616,533**	652,743
The President & CEO	**8,754**	5,039
Group management excluding the President & CEO	**98,438**	91,176
Management and Board of Directors' shareholdings, total	**2,723,725**	749,958
% of all shares	**14%**	4%

More information of share-based incentive scheme for key personnel in the Board of Directors' report 2012 on page 91.

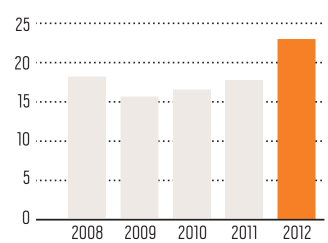
EARNINGS PER SHARE, DIVIDEND PER SHARE, EUR



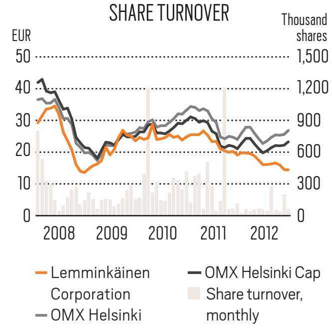
MARKET CAPITALISATION, EUR million



EQUITY PER SHARE, EUR



SHARE PRICE DEVELOPMENT AND SHARE TURNOVER



Information for shareholders and investors

2013 AGM

Lemminkäinen Corporation's 2013 Annual General Meeting will be held at 3 p.m on Tuesday, 9 April 2013, at the Finlandia Hall, Mannerheimintie 13, Helsinki, Finland. Each shareholder who is recorded on 26 March 2013 in the Company's shareholder register (maintained by Euroclear Finland Ltd) has the right to participate in the General Meeting. A shareholder whose shares are registered in his/her personal Finnish bookentry account is registered in the Company's shareholder register.

REGISTRATION

Shareholders must register for the AGM no later than 4.00 p.m. on 4 April 2013 either:

- online at www.lemminkainen.com
- by email to pirjo.favorin@lemminkainen.com
- by phone +358 2071 53378
- by mail to Lemminkäinen Corporation, Pirjo Favorin, P.O. Box 169, 00181 Helsinki, Finland

When registering, shareholders should provide their name, personal identification number, address and telephone number, as well as the name and personal identification number of any assistant. Notices of intention to attend must be received before the registration deadline. Any instruments of proxy must also be submitted with the registration. The Notification of Annual General Meeting can be read in full on the Company's website at www.lemminkainen.com.

DIVIDEND POLICY

In accordance with Lemminkäinen's dividend policy, the company seeks to pay its shareholders a dividend of at least 40 per cent of the profit for the financial year.

DIVIDEND FOR THE YEAR 2012

Lemminkäinen's Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for the 2012 financial year. Dividends will be paid to shareholders who are recorded in the shareholder register maintained by Euroclear Ltd on the record date, 12 April 2013. The dividend payout date proposed by the Board of Directors is 19 April 2013.

FINANCIAL REPORTING 2013

7 Feb 2013	2012 Financial statements bulletin
week 12	Annual Report 2012 (pdf online)
8 May 2013	Interim Report, 1 Jan–31 Mar 2013
8 Aug 2013	Interim Report, 1 Jan–30 Jun 2013
7 Nov 2013	Interim Report, 1 Jan–30 Sep 2013

PUBLICATION ORDERS

The Company publishes its financial reports, stock exchange releases and press releases in both Finnish and English. All releases can be ordered directly to email at Lemminkäinen's website, www.lemminkainen.com/investors. Printed copy of the annual report can be ordered at Lemminkäinen's website or by emailing info@lemminkainen.com.

INVESTOR RELATIONS

Lemminkäinen's investor relations seek to support the correct valuation of the Company's share by providing capital markets with current information on the Company's business, strategy and financial position. The information must be objective and simultaneously disclosed to all market participants. The Company answers questions from analysts and investors by phone and email, as well as by holding meetings with investors. Lemminkäinen refrains from contact with representatives during the three-week period prior to the publication of the financial statements and interim reports.

INVESTMENT RESEARCH

According to the information available to the Company, analysts in the service of at least the following banks and brokerage firms have made investment analyses of Lemminkäinen in 2012: Carnegie Securities, Evli Bank, FIM Bank, Inderes Oy, Pareto Securities, Pohjola Bank, SEB Enskilda and Swedbank. Contact information for these analysts is provided on Lemminkäinen's website at www.lemminkainen.com/investors.

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LEMMINKÄINEN'S FIRST ONLINE ANNUAL REPORT WILL BE PUBLISHED IN SPRING 2014.

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