Lemminkäinen

FINANCIAL STATEMENTS 2013

Lemminkäinen

ANNUAL REPORT 2013

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OPERATING ENVIRONMENT IN 2013

In **Finland**, the general market situation in construction remained weak. Construction costs increased moderately, and the availability of subcontractor services increased, particularly in building construction in the Helsinki metropolitan area. Housing sales to investors and housing funds increased. Commercial construction remained at a low level and was concentrated in the Helsinki metropolitan area. Infrastructure construction activity was brisk during the second half of the year, as the long winter delayed the start of the season. Demand for specialised contracting in infrastructure construction was good, while the declining market in the paving business intensified competition.

In the **Scandinavian countries**, the market situation for infrastructure construction remained good. In Sweden and Norway, road traffic projects and the public sector´s investments in road maintenance increased demand for paving. Increasing investments in the energy supply sector also boosted the demand for specialised contracting in infrastructure construction.

In **Russia**, changes in the country's economic growth forecasts did not affect housing sales. In St Petersburg, price development of apartments was moderate and interest rates for loans remained stable. More mortgages were drawn compared to the previous year. The construction and repair of major inter-city highways boosted the demand for infrastructure construction in Russia.

In the **Baltic countries**, the demand for infrastructure construction remained good in Latvia and Lithuania, while in Estonia the market situation slightly weakened.

GROUP KEY FIGURES

	Jan–Dec 2013	Jan–Dec 2012	Change
Net sales, € million	2,218.2	2,267.6	-49.4
Operating profit, excluding non-recurring items, € million	-5.2	50.4	-55.6
Operating margin, %	-0.2	2.2	
Operating profit, € million	-90.9 **	50.4	141.3
Profit for the period from continuing operations, € million	-93.5 **	20.4	-113.9
Profit for the period *, € million	-93.5 **	44.1	-137.6
Earnings per share from continuing operations, €	-5.06 ***	0.83	-5.89
Earnings per share *, €	-5.06 ***	2.04	-7.10
Cash flow from operations, € million	8.3	57.8	-49.5
Order book, € million	1,821.3	1,443.9	377.4
Balance sheet total, € million	1,342.7	1,303.5	39.2
Interest-bearing net debt, € million	326.5	277.3	49.2
Equity ratio, %	27.3	37.2	
Gearing, %	100.8	62.8	
Return on investment, rolling 12 months, %	-9.4	10.8	

* Includes discontinued operations.

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

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

GROUP STRATEGY

STRATEGY FOR 2010–2013

The main targets of Lemminkäinen's strategy for 2010–2013 were profitable growth and improved solvency. Halfway through the strategy period, the strategic focus of the Finnish operations was specified to increasing the share of residential development and construction to over 50% of the Building construction segment's net sales, and increasing the share of service business to 50% of the Technical building services segment's net sales. In infrastructure construction in Scandinavia, the goal was to increase net sales by a total of approximately EUR 100 million in 2012–2013. In Russia, Lemminkäinen's goal was to launch the construction of about 1,000 new housing units every year.

In 2013, the share of net sales of residential development and construction in the Building construction segment was approximately 40%, and the share of service business of the Technical building services segment's net sales was approximately 30%. Net sales from infrastructure business in Sweden, Norway and Denmark grew by EUR 43 million in 2012–2013. In Russia, Lemminkäinen launched the construction of approximately 800 new housing units in 2013.

Financial targets and actual performance in the strategy for 2010–2013

Financial target	Target level	Actual performance 2013	Actual performance 2012	Actual performance 2011	Actual performance 2010
Net sales growth	average 10%	-2%	4%	19%	-7%
Return on investment	18%	-9%	11%	11%	7%
Equity ratio	over 35%	27%	37%	31%	35%
Payment of dividend	40% of net profit	0%*	27%	28%	over 100%

* The Board of Directors' proposal to the AGM

STRATEGY FOR 2014–2018

Lemminkäinen's 2014–2018 strategy focuses on insightful infrastructure solutions as well as residential construction in urban growth centres, especially in Russia. Lemminkäinen aims to grow into one of the leading providers of demanding infrastructure solutions in Northern Europe. In Russia, the residential development and construction business will be extended from St Petersburg to other selected urban growth centres. In paving and mineral aggregates, Finnish building construction, and technical building services, Lemminkäinen will continue to focus on improving operational and capital efficiency. Strategic options for technical building services will be examined. The financial targets for the strategy period are a return on investment of 18% over the cycle and an equity ratio of at least 35%.

EFFICIENCY PROGRAMME AND MEASURES

The efficiency programme that was launched in autumn 2011 sought cost savings of EUR 50 million as of 2014, mainly in the business operations in Finland. The efficiency programme sought to improve procurement efficiency, lighten administrative structures and develop operational efficiency. The number of employees was reduced by 300. By the end of 2013, the efficiency programme had identified the cost savings pursued. However, the procurement gains were not fully realised in the company's result due to intensified competition.

In August 2013, Lemminkäinen announced a new efficiency programme, the goal of which is to cut the cost structure by EUR 30 million. In order to decrease the impact of seasonality, Lemminkäinen will increase the use of subcontracting and outsourcing. The company will also conclude measures to reduce the number of regional units in Finland and Norway. As part of the efficiency improvement measures, the company started personnel negotiations to cut approximately 500 man-years.

The full impact of the efficiency improvement measures is expected to materialise by the end of 2014. By the end of 2013, the personnel had been reduced by approximately 360 man-years and 24 regional units or sites had been closed.

FINANCIAL PERFORMANCE

NET SALES

Net sales from continuing operations

	Jan–Dec 2013	Jan–Dec 2012	Change
International operations, € million	930.9	903.2	27.7
Building construction, € million	592.9	682.4	-89.5
Infrastructure construction, € million	533.4	536.6	-3.2
Technical building services, € million	221.9	229.7	-7.8
Other operations and Group eliminations, € million	-61.0	-84.3	
Group, total, € million	2,218.2	2,267.6	-49.4

The Group's net sales in 2013 were roughly at the same level as in the previous year. The net sales of building construction in Finland decreased clearly from 2012. The decline in the volume is due to Lemminkäinen's decision to decrease the volume of contracting, in which profitability has been weak in recent years. Net sales in Russia were boosted by residential development and construction, and in Sweden by contracting in commercial construction.

Net sales by country in 2013 were 58% (61) from Finland, 27% (25) from Scandinavia, 7% (6) from Russia, 7% (6) from the Baltic countries and 1% (2) from other countries. Net sales by business type were 35% (35) from building construction, 54% (53) from infrastructure construction and 11% (12) from technical building services.

OPERATING PROFIT

Operating profit from continuing operations

	Jan–Dec 2013 *	Jan–Dec 2012	Change
International operations, € million	-22.0	15.0	-37.0
Building construction, € million	5.0	16.9	-11.9
Infrastructure construction, € million	8.5	22.3	-13.8
Technical building services, € million	-1.6	3.8	-5.4
Business segments, total, € million	-10.1	58.0	-68.1
Corporate functions, € million	-80.8 **	-7.7	-73.1
Group, total, € million	-90.9 **	50.4	-141.3

* Includes EUR 20.1 million write-downs, of which EUR 14.1 million from Building construction, EUR 3.0 million from Infrastructure construction, EUR 2.7 million from International operations and EUR 0.3 million from Technical building services.

** Includes EUR 65.6 million as expenses from the District Court´s decision on damages related to the asphalt cartel.

Lemminkäinen's 2013 result was clearly negative. The long winter delayed the start of the paving season and increased costs in all operating countries. The operating profit was also impaired by margin decreases from major projects in Norway, Sweden and Russia. In addition, the company expensed non-recurring items from the District Court's decision on damages related to the asphalt cartel, EUR 65.6 million, and write-downs mainly related to commercial properties, EUR 20.1 million. Also, the full year result was affected by costs related efficiency measures, approximately EUR 10 million, and costs related to the divestment of parts of telecommunications network business, approximately EUR 6 million.

In Finland, the result in building construction was supported by moderate housing unit sales as well as commercial construction in the Helsinki metropolitan area. The specialised contracting in infrastructure construction progressed well in the declining infrastructure market. The declining building construction market reduced the demand for mineral aggregates, foundation engineering and contracting in technical building services, and impaired profitability.

Operating margin from continuing operations	Jan–Dec 2013	Jan–Dec 2012
International operations, %	-2.4	1.7
Building construction, %	0.8	2.5
Infrastructure construction, %	1.6	4.2
Technical building services, %	-0.7	1.7
Group, total, %	-4.1	2.2

ORDER BOOK

Order book at end of period, € million	31 Dec 2013	31 Dec 2012	Change
International operations	729.9	574.6	155.3
Building construction	544.3	526.9	17.4
Infrastructure construction	459.0	234.7	224.3
Technical building services	88.1	107.7	-19.6
Group, total	1 821,3	1 443,9	377.4
- of which unsold	346.5	176.7	

In 2013, the order book grew by one fourth and stood at EUR 1,821.3 million (1,443.9). The largest increase took place in infrastructure construction in Finland and in building construction in Russia. Significant new projects in 2013 were the contract for a 46-house residential area in Moscow (EUR 100 million), the first phase of S Group's logistics centre (EUR 49 million) near Helsinki, two stations on the West Metro line (EUR 81 million) in Espoo, and the alliance contract for the Rantaväylä tunnel in Tampere (EUR 180 million).

Of the order book, 60% (60) originated in Finland, 20% (23) in Scandinavia, 18% (11) in Russia, and 2% (6) in other countries.

BALANCE SHEET, CASH FLOW AND FINANCING

On 31 December 2013, the balance sheet total was EUR 1,342.7 million (1,303.5), of which equity accounted for EUR 324.0 million (441.8). Lemminkäinen's net working capital was EUR 325.1 million (426.5). Lemminkäinen's working capital optimisation pays particular attention to the timeliness of invoicing and the optimisation of the turnover of trade receivables and trade payables.

At the end of the financial period, Lemminkäinen's equity ratio was 27.3% (37.2) and gearing was 100.8% (62.8). As a four-quarter average, the equity ratio was 30.3% and gearing was 91.1%. Lemminkäinen's return on investment was -9.4% (10.8). The clearly negative result and the decreasing shareholders' equity impaired key figures.

Interest-bearing debt increased by 10 per cent, totalling EUR 407.6 million (371.2) at the end of the review period. Long-term interest-bearing debt totalled EUR 61.3 million (138.8) and short-term interest-bearing debt EUR 346.3 million (232.4). Of all interest-bearing debt, 32 per cent (45) was at a fixed interest rate. At the end of the review period, the Group's liquid funds stood at EUR 81.1 million (93.9) and interest-bearing net debt totalled EUR 326.5 million (277.3).

Of the company's interest-bearing debt, 10% (15) comprises loans from financial institutions, 37% (23) commercial papers, 18% (18) project loans related to residential and commercial development, 5% (12) pension loans, 14% (16) finance lease liabilities, and 15% (16) bonds. At the end of the financial period, the company had binding, unused credit limits amounting to EUR 175.0 million (139.6) and overdraft limits amounting to EUR 44.0 million (54.1). In the fourth quarter of the year, Lemminkäinen terminated the EUR 70 million, two-year syndicated credit facility agreed in March 2013, considering it unnecessary. In 2013, the financing expenses, on average, were 2.9% (3.1).

Some of Lemminkäinen's financial agreements include two financial covenants, which are monitored quarterly: the ratio of net debt to EBITDA and the equity ratio. In March 2013, in connection with limit-related negotiations, Lemminkäinen and its creditors agreed that potential damages will be ignored in the calculation model. Furthermore, before the end of the financial period, an agreement was reached on changes in the covenant terms for Q4/2013 and Q1/2014.

In 2013, net finance costs amounted to EUR 26.7 million (21.4), representing 1.2 per cent (0.9) of net sales.

The increase in finance costs were due to the increase in interest-bearing debt, financing limits renewed during the first months of the year and increasing currency hedging costs.

Cash flow from operations totalled EUR 8.3 million (57.8). The difference from the comparison period was mainly due to the clearly negative result.

FINANCIAL PERFORMANCE BY BUSINESS SEGMENT

INTERNATIONAL OPERATIONS

Key figures from continuing operations, International operations	Jan–Dec 2013	Jan–Dec 2012	Change
Net sales, € million	930.9	903.2	27.7
Operating profit, € million	-22.0 *	15.0	-37.0
Operating margin, %	-2.4	1.7	
Order book at end of period, € million	729.9	574.6	155.3

* Includes write-downs worth EUR 2.7 million

The net sales grew in building construction in Russia and Sweden and in infrastructure construction in Latvia and Lithuania. Of the net sales, 28% were generated in Sweden, 28% in Norway, 18% in Russia, 16% in the Baltic countries, 9% in Denmark, and 1% in other countries. By business operation, 73% were generated by infrastructure construction, 23% by building construction, and 4% by technical building services and project exports.

The operating profit of International operations was clearly negative, EUR -22.0 million (15.0). The long winter delayed the start of the paving season and increased costs in all operating countries. The result was also impaired by margin decreases from major projects in Norway, Sweden and Russia as well as costs related to the divestment of parts of telecommunications network business and efficiency improvement measures in Norway. In Norway, Lemminkäinen reduced its site network and closed 11 unprofitable sites or business units. The Norwegian management structure and model were also changed.

In Russia, Lemminkäinen's residential development and construction picked up speed in 2013. In the summer, the company started the construction of a 757-apartment residential project in the centre of St Petersburg, estimated to be completed in phases by the end of 2015. The first phase (approximately 222 apartments) of another, approximately 450-apartment residential project, was completed. At the moment, Lemminkäinen has 946 residential units for sale in the centre of St Petersburg. In Q3 Lemminkäinen launched the planning and construction (contracting) of a 46-house residential area in the city of Istra in the Moscow region. The value of the contract is around EUR 100 million.

The amount of capital tied up in building construction in Russia at the end of the financial period was EUR 79.4 million (61.9).

The segment's order book at the end of 2013 was clearly larger than in the previous year, amounting to EUR 729.9 million (574.6). The largest increase took place in building construction in Sweden and Russia.

Lemminkäinen's residential development and construction, Russia	Jan–Dec 2013	Jan–Dec 2012	Change
Units started	757	0	757
Units sold	165	141	24
Units completed	222	0	222
Under construction at end of period	963	425	538
- of which unsold	812	349	463
Completed and available for sale	134	17	117

BUILDING CONSTRUCTION

Key figures from continuing operations, Building construction	Jan–Dec 2013	Jan–Dec 2012	Change
Net sales, € million	592.9	682.4	-89.5
Operating profit, € million	5.0 *	16.9	-11.9
Operating margin, %	0.8	2.5	
Order book at end of period, € million	544.3	526.9	17.4

* Includes write-downs worth EUR 14.1 million.

Building construction's net sales fell by 13%, and the operating profit was EUR 5.0 million (16.9). The operating profit includes write-downs worth EUR 14.1 million mainly related to commercial properties. Excluding the write-downs, the operating profit improved and was EUR 19.1 million (16.9). During the first half of the year, housing sales were boosted by changes in taxation. Housing sales remained active during the second half of the year, too, especially in urban growth centres, and new units were started at the same pace as in the previous year. Due to the uncertain market situation, Lemminkäinen increased the reservation levels required for starting the construction of new units and improved the sales efficiency of completed units. The number of completed housing units for sale at the end of the year decreased from last year´s level. In competitive contracting the company has deliberately reduced the volume due to unsatisfactory margin levels.

At the end of the financial period, Building construction's order book was EUR 544.3 million (526.9). The order book increased in Lemminkäinen's residential development and construction, whereas the order book in contracting was smaller than before.

Lemminkäinen's residential development and construction, Russia	Jan–Dec 2013	Jan–Dec 2012	Change
Units started	757	0	757
Units sold	165	141	24
Units completed	222	0	222
Under construction at end of period	963	425	538
- of which unsold	812	349	463
Completed and available for sale	134	17	117

INFRASTRUCTURE CONSTRUCTION

Key figures from continuing operations, Infrastructure construction	Jan–Dec 2013	Jan–Dec 2012	Change
Net sales, € million	533.4	536.6	536.6
Operating profit, € million	8.5 *	22.3	22.3
Operating margin, %	1.6	4.2	
Order book at end of period, € million	459.0	234.7	234.7

* Includes write-downs worth EUR 3.0 million.

In Infrastructure construction, net sales remained on par with last year but operating profit declined. The operating profit includes write-downs worth EUR 3 million related to mineral aggregates reserves. Losses caused by the delayed paving season could not be fully offset, despite the active late autumn. The demand for mineral aggregates weakened as building construction activity declined. In earthworks and rock engineering, too, the result was slightly weaker than in the previous year. The efficiency measures in Infrastructure construction sought to decrease the impact of seasonality and optimise resources.

At the end of the year, the order book was all-time-high, EUR 459.0 million (234.7). The order book was increased by the demanding specialised infrastructure construction work.

TECHNICAL BUILDING SERVICES

Key figures from continuing operations, Technical building services	Jan–Dec 2013	Jan–Dec 2012	Change
Net sales, € million	221.9	229.7	-7.8
Operating profit, € million	-1.6 *	3.8	-5.4
Operating margin, %	-0.7	1.7	
Order book at end of period, € million	88.1	107.7	-19.6

* Includes write-downs worth EUR 0.3 million.

In Technical building services, 2013 was a challenging year. The segment's result and volume of business was burdened by delayed and cancelled project start-ups and the clearly weakened market situation. The decline in building construction had a significant impact on technical building services contracting where the overall profitability was still weak. In addition, the costs related to efficiency improvement measures affected the segments' full year result. Demand for upkeep and maintenance services remained good.

The number of new orders received in 2013 declined, especially towards the end of the year. The order book in Technical building services was clearly below the previous year at EUR 88.1 million (107.7).

Financials › Board of Directors' report › Investments

INVESTMENTS

Gross investments in 2013 amounted to EUR 71.2 million (64.5), representing 3.2% (2.8) of the company's net sales. They were mainly replacement investments in infrastructure construction. Small complementary corporate acquisitions increased investments during early 2013. As part of its efficiency programme, Lemminkäinen has imposed more systematic criteria for investments as well as effective monitoring processes.

Financials › Board of Directors' report › Personnel

PERSONNEL

At the end of 2013, the Group employed 7,049 people (7,370), a decrease of 321 people from previous year. Of these, 2,784 (3,009) were salaried employees and 4,265 (4,361) were hourly paid employees. During the year, the number of salaried employees decreased by 225 people (-7%) and hourly paid employees by 96 people (-2%).

Lemminkäinen has carried out two rounds of personnel reduction-related negotiations in Finland in 2011–2013. In 2012, personnel were reduced by 300 man-years, and as a result of the negotiations concluded in October 2013, Lemminkäinen cut 265 man-years from its Finnish operations.

Negotiations on the reduction of personnel are still being carried out in the operating countries outside Finland. In Norway, the company negotiated on the reduction of more than 60 man-years, in addition to which the new working time bank system, agreed on with employees, will generate savings for the company in the 2014–2015 winter season. In all operating countries, the number of seasonal employees will be further increased in relation to permanent employees.

Personnel by business segment, employees	31 Dec 2013	31 Dec 2012	Change
International operations	2,831	3,013	-182
Building construction	1 224	1,420	-196
Infrastructure construction	1,190	1,092	98
Technical building services	1,523	1,537	-14
Parent company	281	308	-27
Group total	7,049	7,370	-321

Personnel by country, employees	31 Dec 2013	31 Dec 2012	Change
Finland	4,249	4,396	-147
Scandinavia	1,256	1,232	24
Baltic countries	738	702	36
Russia	755	741	14
Other countries	51	299	-248
Group total	7,049	7,370	-321

Financials › Board of Directors' report › Changes in organisational structure

CHANGES IN ORGANISATIONAL STRUCTURE

As of 1 January 2013, Mr. Casimir Lindholm was appointed Executive Vice President, Building Construction and a member of Lemminkäinen's Executive Board. Mr. Jukka Terhonen, the former Executive Vice President, Building Construction and a member of the Executive Board, retired in January 2013.

From 8 August 2013 onwards, Lemminkäinen re-allocated the management responsibilities for its International Operations business segment. Ms. Maaret Heiskari was appointed Executive Vice President, Russia and a member of the Executive Board. Mr. Timo Vikström was appointed Executive Vice President, Scandinavia and a member of the Executive Board.

The responsibilities of Mr. Harri Kailasalo, Executive Vice President, Infrastructure Construction in Finland, were extended to the Baltic countries and the project business in other areas. Executive Vice President, International Operations, Mr. Henrik Eklund was appointed to the position of Senior Vice President, Sweden, and will no longer be a member of the Executive Board.

Financials › Board of Directors' report › Occupational safety and environment

OCCUPATIONAL SAFETY AND ENVIRONMENT

The goal of Lemminkäinen's occupational safety measures is to create a safe working environment for all employees. Lemminkäinen is committed to the shared occupational safety principles of the Confederation of Finnish Construction Industries RT, which aims to accelerate the construction industry's progress towards the zero-accident target.

The theme for 2013 was occupational safety, and during the year Lemminkäinen introduced obligatory weekly meetings at construction sites, among other measures. Particular attention was also paid to the use of protective equipment.

Lemminkäinen seeks to minimise any environmental impact of its operations by using natural resources sparingly and by generating as little waste as possible. The company also offers its customers products and services that enable them to reduce their own environmental footprint.

At the Group level, Lemminkäinen measures energy consumption figures and the environmental impact of its production facilities in Finland. Each business segment monitors the indicators relevant to their industry.

More detailed information on Lemminkäinen's occupational safety and environmental issues are presented in the company's Annual Report and on its website.

Financials › Board of Directors' report › Research and development

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 2013, the company continued to develop the utilisation of building information modelling in project planning. Lemminkäinen participated in the PRE (Process Re-Engineering) development project that fine-tunes the latest achievements in data modelling, as well as in the BIMforLEAN development project by Aalto University that combines data modelling and Lean production.

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 2013, the Group's research and development expenditure accounted for 0.6 (0.6) per cent of net sales.

Financials › Board of Directors' report › Shares

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 review period.

At the end of review period, Lemminkäinen terminated the liquidity providing (LP) agreement it had with Nordea Bank Finland Plc. The agreement meets the requirements set for liquidity providing at NASDAQ OMX Helsinki Ltd.

At the end of the review period, the market capitalisation of Lemminkäinen's shares stood at EUR 298.2 million (280.6). The price of Lemminkäinen Corporation's share on the NASDAQ OMX Helsinki was EUR 14.28 (18.72) at the beginning of the period and EUR 15.20 (14.28) at the end. In addition to the NASDAQ OMX Helsinki, Lemminkäinen's share is also traded on alternative markets. A total of 2,076,080 shares (1,056,039) were traded during the review period. During the review period, alternative markets accounted for 15% (6%) of Lemminkäinen's total share turnover. (Source: Fidessa Fragmentation Index)

AUTHORISATIONS OF THE BOARD OF DIRECTORS

On 9 April 2013, the General Meeting resolved, in accordance with the Board of Directors' proposal, to authorise the Board of Directors to resolve on a share issue and/or an issue of special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act in one or several instalments, either against payment or without payment. The number of shares to be issued, including the shares to be received based on special rights, shall not exceed 3,900,000 shares. The maximum number corresponds to approximately 20 per cent of all the current shares of the company. The Board of Directors may decide to issue either new shares or own shares possibly held by the company.

The authorisation entitles the Board of Directors to resolve on all terms and conditions of the share issue and the issue of special rights entitling to shares, including the right to derogate from the pre-emptive right of the shareholders. The authorisation may be used for the financing or execution of any acquisitions or other business arrangements, to strengthen the balance sheet and financial position of the company or for other purposes as determined by the Board of Directors. The authorisation is 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.

TREASURY SHARES

Lemminkäinen owns 34,915 of its own shares. 34,406 contingent shares were returned to the company in early 2013.

Financials › Board of Directors' report › Shareholders

SHAREHOLDERS

On 31 December 2013, the company had 4,705 shareholders (4,781). Holders of nominee-registered shares and non-Finnish shareholders held 13 (14) per cent of all Lemminkäinen Corporation shares and voting rights. Information on company ownership and division by segment and scale, major shareholders, and share ownership of Executive Board members and the Board of Directors is 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

The company did not receive any flagging notifications during the review period.

RESOLUTIONS OF THE AGM AND ADMINISTRATION

On 9 April 2013, Lemminkäinen Corporation's Annual General Meeting adopted the company's financial statements for 2012 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 0.60 per share for a total of EUR 11,769,156. The record date for payment of the dividend was 12 April 2013, and the dividend was paid on 19 April 2013.

The General Meeting confirmed that the Board of Directors will have six members. Berndt Brunow, Noora Forstén, Finn Johnsson, Juhani 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.

Lemminkäinen Corporation's Board of Directors held its organisation meeting on 9 April 2013. 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. Berndt Brunow was elected as Chairman of the HR Committee, with Noora Forstén and Kristina Pentti-von Walzel serving as members.

LEGAL PROCEEDINGS

On 28 November 2013, the District Court of Helsinki gave its decisions in the legal proceedings concerning damages related to the asphalt cartel. For Lemminkäinen, the decisions given concerned the claims of 38 municipalities and the Finnish state. According to the District Court, Lemminkäinen's share of the damages is approximately EUR 48 million (damages of approximately EUR 26 million as well as interest and legal expenses of approximately EUR 22 million). Lemminkäinen's share consists of damages ordered only to Lemminkäinen, Lemminkäinen's share of the damages ordered to it and other asphalt industry companies to be paid jointly and severally, as well as interest and legal expenses related to the damages.

Lemminkäinen estimates that some of the other defendants, who were ordered to pay damages jointly and severally by the District Court, will not be able to pay their shares. Therefore Lemminkäinen will pay approximately EUR 10 million worth damages and costs related to the damages that were ruled against other defendants.

In addition to the claims that the District Court decided on, 14 claims against Lemminkäinen and other asphalt companies for damages are pending. Lemminkäinen has made a provision worth EUR 6 million for these. The amount also includes interest and legal expenses related to the damages.

Lemminkäinen has deemed the claims for damages to be without foundation. Lemminkäinen will carefully study the decisions of the District Court. After this, the company will decide whether there are qualified grounds for submitting an appeal of the decisions with the Court of Appeals. Lemminkäinen and other parties have until 31 March 2014 to submit possible appeals to the Court of Appeals. The company will announce its decision separately once it has been made.

More information on the asphalt cartel and damages related to it can be found on the company's website at www.lemminkainen.com/investors.

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 business operations are secured in a changing environment.

Fluctuations in economic trends cause uncertainty in Lemminkäinen's operating environment and make it more difficult to forecast future changes. New construction is sensitive to economic cycles and therefore poses a risk. This risk is managed both structurally and operationally.

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. The number of unsold residential units will be kept as low as possible. When undertaking commercial development, business premises are usually sold to property investors in the early stages of construction at the latest, thereby reducing sales risks.

Lemminkäinen's residential development and construction in Russia involves the risk related to the development of the exchange rate of the rouble, oil price development and economic growth in Russia. A downward trend in these factors may influence the purchasing power of consumers and consequently the demand for new apartments. The risk is managed by continuously monitoring and analysing the operating environment. In addition, the company aims at acquiring plots in central locations in the centre of St Petersburg where the value of apartments is more resistant to economic fluctuations.

Project-specific risks generally involve the management of costs and project implementation. Lemminkäinen is continually developing its contractual expertise and project management practices during the tender and implementation stage. Project monitoring systems and steering models have been renewed and more attention has been paid to competence development of the personnel.

Climate change and unusual weather phenomena also pose a risk in the construction industry. Unusual or harsh weather can weaken the profitability of our operations by interrupting or delaying projects. The company seeks to improve the management of the impact of seasonality by increasing the flexibility of the personnel structure, by increasing outsourcing and by optimising fleet maintenance schedules.

Lemminkäinen uses large 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. The company uses over 300,000 tonnes of bitumen annually, of which more than a half is hedged using the above-mentioned methods.

Lemminkäinen seeks to protect itself from currency exchange risks primarily through operative means and, if necessary, with the aid of foreign currency loans and currency derivatives. In 2013, about 67% of Lemminkäinen's net sales derived from countries whose functional currency is the Euro. Other major currencies are the Swedish, Norwegian and Danish Crowns and the Russian Rouble.

Another risk is posed by the above-mentioned legal proceedings concerning damages related to the asphalt cartel, should the parties decide to file an appeal of the District Court decisions with the Court of Appeals.

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

OUTLOOK

In **Finland**, the increase in the total volume of construction is estimated to be delayed until 2015. Domestic migration to urban growth centres and low interest rates will maintain demand for housing. At the same time, increased difficulty in obtaining mortgages and even longer sales times of old apartments will weaken the demand. The focus of demand is on small apartments in city centres. Commercial construction projects also concentrate on urban growth centres – and even there the occupancy rates of commercial premises have declined.

The total volume of infrastructure construction is restricted by the slow economic growth, the insufficient availability of state and municipal funding for infrastructure construction and the decline in new building construction. However, there is a reasonable amount of specialised contracting projects available in infrastructure construction, and the construction of underground city-centre premises continues.

The demand for contracting in technical building services is impaired by the decreasing building construction. Project start-ups will be delayed and, as competition intensifies, the margin level of contracting will be lower than before. The market situation for the upkeep and maintenance of technical building systems is expected to remain stable.

In **Norway, Sweden and Denmark**, multi-year, state-funded traffic infrastructure development plans are currently underway, and these three countries are also investing heavily in the development of energy production. The private sector's investments in infrastructure construction are also estimated to continue increasing. Large-scale road projects are being planned around urban growth centres, which will increase demand for specialised contracting in infrastructure construction in different parts of Scandinavia.

In **Russia**, domestic migration, the growing middle class and the increased availability of consumer mortgages are still supporting demand for comfort-class apartments.

Efforts to develop infrastructure in Russia are also increasing, and, for example, numerous projects to expand and repair road networks are currently underway.

In the **Baltic countries**, growth trends in infrastructure construction over the next few years will be determined by the availability of financing. Ongoing road construction and basic improvement projects will keep demand for infrastructure construction at a reasonable level this year, at least in Latvia and Lithuania. The launch of the Rail Baltica traffic project would boost the infrastructure construction market situation in all of the Baltic countries.

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 109,260,176.77, consisting of EUR 116,339,972.89 in retained earnings from previous years and EUR -68,388,713.00 in profit for the financial year.

The Board of Directors will propose to the AGM that the company will not pay a dividend for the financial year ended 31 December 2013, and thus retained earnings would stand at EUR 47,951,259.89.

PROFIT GUIDANCE FOR 2014

Lemminkäinen estimates that its 2014 net sales will be slightly lower than in 2013 but its operating profit will improve clearly on 2013 (excluding non-recurring items). In 2013 the net sales were EUR 2,218 million and operating profit excluding non-recurring items was EUR -5 million.

Helsinki, 7 February 2014

LEMMINKÄINEN CORPORATION

Board of Directors

CONSOLIDATED INCOME STATEMENT (IFRS)

EUR 1,000	Note	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Net sales	1 2	2,218,162	2,267,645
Other operating income	7	16,374	18,225
Change in inventories of finished goods and work in progress		50,063	16,118
Production for own use		1,526	1,920
Use of materials and services		1,633,525	1,482,620
Employee benefit expenses	8	448,985	449,986
Depreciation	9	45,329	40,983
Other operating expenses	10	249,700	280,946
Share of the profit of associates and joint ventures	11	562	1,064
Operating profit		-90,852	50,437
Finance income	12	18,346	11,256
Finance costs	12	45,015	32,619
Profit before income taxes		-117,521	29,073
Income taxes	13	24,023	-8,682
Profit from continuing operations		-93,498	20,392
Profit from discontinued operations	5		23,680
Profit for the financial year		-93,498	44,072
Profit for the financial year attributable to			
Equity holders of the parent company		-93,723	43,914
Non-controlling interests		225	158
Basic earnings per share attributable to equity holders of the parent company			
From continuing operations	14	-5.06	0.83
From discontinued operations	14		1.21
From profit for the year	14	-5.06	2.04
Diluted earnings per share attributable to equity holders of the parent company			
From continuing operations	14	-5.06	0.83
From discontinued operations	14		1.20
From profit for the year	14	-5.06	2.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR 1,000	Note	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Profit for the financial year		-93,498	44,072
Items that will not be reclassified to profit or loss			
Defined benefit pension obligations	15 26	2,404	254
Items that may be reclassified subsequently to profit or loss			
Translation difference		-7,675	3,148
Cash flow hedge	15 26	378	503
Change in fair value of available-for-sale financial assets	15 26	-15	15
Other comprehensive income, total		-4,909	3,921
Comprehensive income for the financial year		-98,407	47,992
Comprehensive income for the financial year			
Equity holders of the parent company		-98,632	47,834
Non-controlling interests		225	158

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

EUR 1,000	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non-current assets			
Property, plant and equipment	17	201,111	200,466
Goodwill	18	80,100	77,043
Other intangible assets	18	29,234	26,671
Holdings in associates and joint ventures	11	8,831	9,706
Available-for-sale financial assets	19	3,764	5,971
Deferred tax assets	13	38,540	23,475
Other non-current receivables	20	904	456
		362,484	343,789
Current assets			
Inventories	21	504,385	494,388
Trade and other receivables	22	391,174	363,129
Income tax receivables		3,529	8,273
Available-for-sale financial assets	23	30,010	59,020
Cash and cash equivalents	24	51,072	34,926
		980,170	959,736
TOTAL ASSETS		1,342,654	1,303,525
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	26	34,043	34,043
Share premium account	26	5,675	5,675
Hedging reserve	26	-59	-436
Fair value reserve	26		15
Invested non-restricted equity fund	26	63,763	63,607
Hybrid bond	26	69,095	69,095
Translation difference		-3,143	4,532
Retained earnings		247,807	220,948
Profit for the financial year		-93,723	43,914
		323,457	441,391
Non-controlling interests		582	373
Total equity		324,038	441,764
Non-current liabilities			
Interest-bearing liabilities	27	61,348	138,842
Deferred tax liabilities	13	13,168	25,171
Pension obligations	28	867	5,216
Provisions	30	19,935	13,238
Other non-current liabilities	31	3,033	7,625
		98,351	190,091
Current liabilities			
Interest-bearing liabilities	27	346,277	232,361
Provisions	30	7,229	9,104
Trade and other payables	31	564,851	427,847
Income tax liabilities		1,906	2,358
		920,264	671,669
Total liabilities		1,018,615	861,761
TOTAL EQUITY AND LIABILITIES		1,342,654	1,303,525

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

EUR 1,000	Note	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Cash flows from operating activities			
Profit before taxes		-117,521	29,073
Adjustments	34		
Depreciation and impairment		45,329	40,983
Share of the profit of associates and joint ventures		-562	-1,064
Finance income and costs		26,669	21,363
Other adjustments		-10,042	-4,308
Cash flow before change in working capital		-56,127	86,048
Change in working capital			
Increase (-)/decrease(+) in trade and other receivables		-54,459	38,774
Increase (-)/decrease(+) in inventories		-18,589	-52,438
Increase (+)/decrease(-) in current liabilities		156,225	8,843
Cash flow from operations before financial items and taxes		27,050	81,227
Interest paid		-18,177	-18,414
Other finance costs paid		-18,346	-14,435
Dividends received		361	694
Interest received		1,285	1,669
Other finance income received		16,304	9,668
Income tax paid		-202	-2,657
Cash flows from operating activities		8,275	57,751
Cash flows from investing activities			
Purchases of property, plant and equipment		-26,025	-61,450
Proceeds from sale of property, plant and equipment		15,814	35,500
Purchases of intangible assets		-15,563	-12,819
Proceeds from sale of intangible assets		569	771
Investments in other assets		-92,010	-59,104
Proceeds from sale of other investments		124,587	152
Acquired subsidiary shares less cash and cash equivalents at time of purchase		-11,849	-1,928
Disposed subsidiary shares less cash and cash equivalents at time of sale		-2,265	55,356
Purchases of shares in associates and joint ventures			167
Cash flows from investing activities		-6,742	-43,355
Cash flows from financing activities			
Increase (-)/decrease(+) of long-term loan receivables		-185	4,397
Proceeds from short-term borrowings		490,682	247,015
Repayments of short-term borrowings		-456,614	-250,474
Proceeds from long-term borrowings		301,271	235,097
Repayments of long-term borrowings		-291,437	-291,726
Hybrid bond			69,095
Repayments of finance lease liabilities		-14,678	-13,566
Dividends paid		-11,744	-10,003
Cash flows from financing activities		17,296	-10,164
Increse (+) / decrease (–) in cash and cash equivalents		18,829	4,232
Cash and cash equivalents at beginning of financial year	24	34,926	30,395
Translation difference of cash and cash equivalents		-2,683	298
Cash and cash equivalents at end of financial year		51,072	34,926

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 shareholders' equity	Non-controlling interest	Total equity
Equity 1 Jan 2012		34,043	5,675	-940		63,220		1,385	245,311	348,693	1,708	350,401
Change in IAS 19-standard									-3,204	-3,204		-3,204
Change in 10-year liability provision									-6,097	-6,097		-6,097
Adjusted shareholders' equity 1 Jan 2012		34,043	5,675	-940		63,220		1,385	236,011	339,393	1,708	341,100
Profit for the financial year									43,914	43,914	158	44,072
Items that will not be reclassified to profit or loss												
Pension obligations									254	254		254
Items that may be reclassified subsequently to profit or loss												
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	44,168	47,834	158	47,992
Recognition of share-based payments						387			624	1,011		1,011
Contingent shares returned to the company									-251	-251		-251
Direct entries, acquisition of non-controlling interest									-3,222	-3,222		-3,222
Change in non-controlling interest											-1,233	-1,233
Hybrid bond interest									-2,643	-2,643		-2,643
Dividends paid	16								-9,825	-9,825	-261	-10,085
Transactions with owners, total						387			-15,317	-14,930	-1,493	-16,423
Hybrid bond							69,095			69,095		69,095
Equity 31 Dec 2012		34,043	5,675	-436	15	63,607	69,095	4,532	264,861	441,391	373	441,764

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 shareholders' equity	Non-controlling interest	Total equity
Equity 1 Jan 2013		34,043	5,675	-436	15	63,607	69,095	4,532	264,861	441,391	373	441,764
Profit for the financial year									-93,723	-93,723	225	-93,498
Items that will not be reclassified to profit or loss												
Pension obligations									2,404	2,404		2,404
Items that may be reclassified subsequently to profit or loss												
Translation difference								-7,675		-7,675		-7,675
Cash flow hedge				378						378		378
Change in fair value of available-for-sale financial assets					-15					-15		-15
Comprehensive income for the financial year				378	-15			-7 675	-91,319	-98,632	225	-98,407
Share-based incentive schemes						156			-808	-651		-651
Contingent shares returned to the company									-800	-800		-800
Direct entries, acquisition of non-controlling interest									-270	-270		-270
Change in non-controlling interest											-16	-16
Option to redeem shares from non-controlling interest									-535	-535		-535
Hybrid bond interest									-5,285	-5,285		-5,285
Dividend distribution	16								-11,762	-11,762		-11,762
Transactions with owners, total						156			-19,459	-19,303	-16	-19,318
Equity 31 Dec 2013		34,043	5,675	-59		63,763	69,095	-3,143	154,084	323,457	582	324,038

ACCOUNTING PRINCIPLES APPLIED IN THE IFRS CONSOLIDATED FINANCIAL STATEMENTS, 31 DECEMBER 2013

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 the Group and together with its subsidiaries comprises the Lemminkäinen Group (later "the Group" or "the Company"). The Group produces building and infrastructure construction services as well technical building services mainly in Finland and other Nordic countries as well as in Russia and the Baltics.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and the IAS and IFRS standards as well as the SIC and IFRIC interpretations that were in force on 31 December 2013 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 financial statements have been prepared in euros and are presented in thousands of euros in the annual report. 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 2014. Copies of the Lemminkäinen Corporation's and the consolidated financial statements will be available on the Company's website at www.lemminkainen.com from week 11 of 2014 onwards. Printed copies of the consolidated financial statements can be ordered via e-mail info@lemminkainen.com, from week 12/2014 onwards.

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 acquired subsidiary's net assets, 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

The Group comprises the following operating segments: Building Construction, Infrastructure Construction, Technical Building Services and International Operations.

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 prepared according to the accounting principles applied for the consolidated financial statements with the exception of discontinued operations, which are not specified in the segment information.

Intra-group 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 for the financial period 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 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 added with 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 three months or less.

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 except derivative instruments are measured at amortised cost using the effective interest rate method.

Financial liabilities 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.

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 interest bearing 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 is 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 other operating income and expenses or in the financial items.

REVENUE RECOGNITION

Recognition of revenue from construction projects

Percentage of completion

When recognising revenue from construction projects, the Company applies 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 for the construction of an asset or a combination of assets. In the case of real estate construction, the buyer must also be able to decide on the primary structural or functional characteristics of the project before or during construction, in order for the real estate construction project to be recognised using the percentage-of-completion method. 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 immediately 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.

Completed contract method

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 revenue recognition principles 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 annual financial statements and, if necessary, these are adjusted to reflect any changes that may have occurred I n the economic benefit expected. When all depreciation charges according to plan have been made, 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 the acquisitions 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 intangible 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 statements at cost less impairment, if any, which is expensed on the income statement.

Other intangible assets

Other intangible assets 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 a public-sector source are 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 amounts of assets are 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 to their present value with discount rates that reflect the country's average capital costs before taxes. The Weighted Average Cost of Capital (WACC) 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, country risk 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. 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 cash flow forecasts 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 presented as assets in 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 presented 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. Possible impairment losses are recognised as reductions of the asset in question. 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. If the lease agreement is not expected to yield future benefits, the minimum lease payments under the contract are immediately recognised as costs.

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 estates 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 Lemminkäinen's Group companies are generally defined contribution plans. Defined contribution plan related payments are made to pension insurance companies, after which the Group has no other payment obligations. Payments in respect of defined contribution plans are expensed on the income statement in the accounting period in which they accrue. Other pension plans than defined contribution plans are defined benefit plans. 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 from the present value of the future pension obligations. The defined benefit pension costs consist of employee service based expenses and are booked to employee benefit expenses for the duration of the employee service. Net interests from defined benefit plans are booked to finance income or costs. The actuarial gains and losses are recognised through the statement of comprehensive income as a change in pension obligation or asset.

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.

Market values are primarily used for defining the fair value of plan assets. If a market value is not available, the fair value is estimated by discounting the expected future cash flows using the same discount rate that is used for defining the pension liability.

Remuneration schemes

Share-based rewards are expensed over their vesting and commitment periods. Matching shares are expensed over their commitment periods. The expenses of other management remuneration are recognised in 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 have not been discounted because of the minor effect of the discounting.

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.

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.

10-year liability provision arising from residential and commercial construction is determined by considering the class of 10-year liabilities as a whole. In this case, the likelihood of future economic loss for one project may be small, although the entire class of these obligations is considered to cause an outflow of resources from the company.

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 income 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 proposed dividend by the Board of Directors to the annual general meeting is not recognised as a deduction of distributable equity until it has been approved by the annual 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 parent company of the group or any Group company purchases the parent 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 the 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 assumptions are based on historical knowledge and other justifiable assumptions which are considered to be reasonable at the time of preparing the financial statements. It is possible that actuals differ from the estimates used in the financial statements.

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. Information on key aspects of the financial statements for which management judgement and estimates have been necessary is presented below.

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 assets. 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.

Capitalisation of borrowing costs

The Company's management makes estimates when assessing whether a project fulfils the criteria of a qualifying asset.

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. 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

The management estimates, based on its best knowledge, 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 are tax losses. 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 that future taxable profit, against which the unused tax losses may be utilised, is expected to be generated.

NEW STANDARDS AND INTERPRETATIONS

New standards and interpretations applied by the Company in 2013

The change of IAS 19 Employee Benefits –standard removed the "corridor approach" used by the company. According to standard all actuarial gains and losses are recognised though comprehensive income as a change of pension liabilities and deferred income. Retrospective service cost is recognised immediately in personnel expenses as a part of pension expense. Defining the expected return was abandoned, and started to use discount rate also in determining the return of assets. The changes will affect the company's own capital and the amount of the pension obligation because unrecognized actuarial gains and losses are recognized in pension obligations and unrecognized past service costs are recognized retroactively to the relevant equity item. Impacts of the change are presented in note 1 of the consolidated financial statements.

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 13 Fair Value Measurements and IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.

Standards and interpretations applied by the company after 2013

The following new interpretations and standards applied by the company in 2014 have no essential impact on the consolidated financial statements: IAS 27 (amendment), IAS 28 (amendment), IAS 32 (amendment), IAS 36 (amendment), IAS 39 (amendment, not yet endorsed by the EU), IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interests in Other Entities, IFRIC 21 Levies (not yet endorsed by the EU).

The following new interpretations and standards applied by the company in 2015 or later have no essential impact on the consolidated financial statements: IAS 19 (amendment, not yet endorsed by the EU), IFRS 9 (classification and valuation, not yet endorsed by the EU).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

1 ADJUSTMENTS CONCERNING EARLIER FINANCIAL YEARS

As a consequence of the changes in IAS 19 -standard, the pension obligations in the company's opening balance sheet for 2012 increased by EUR 4.4 million and shareholders' equity decreased by EUR 3.2 million.

As a consequence of the change in the accounting principle concerning 10-year liability provisions, non-current provisions incresed by EUR 7.0 million, current provisions increased by EUR 1.0 million and shareholders' equity decreased by EUR 6.1 million in the 2012 opening balance.

Impact of the adjustments on comparison year's income statement and balance sheet items

1 Jan–31 Dec 2012 EUR 1,000	Income statement before adjustments	Adjustments	Adjusted income statement
Operating profit	50,114	323	50,437
Profit before income tax	29,028	46	29,073
Profit for the financial year	44,034	38	44,072

31 Dec 2012 EUR 1,000	Balance sheet before adjustments	Adjustments	Adjusted balance sheet
Deferred tax asset	20,364	3,111	23,475
Total assets	1,300,414	3,111	1,303,525
Retained earnings	229,994	-9,046	220,948
Profit for the financial year	43,875	38	43,914
Total equity	450,772	-9,008	441,764
Pension obligations	1,171	4,045	5,216
Non-current provisions	6,198	7,040	13,238
Non-current liabilities	179,007	11,085	190,091
Current provisions	8,069	1,035	9,104
Current liabilities	670,634	1,035	671,669
Total equity and liabilities	1,300,414	3,111	1,303,525

Impact of the changes in accounting principles on comparison year's segment reporting figures

Lemminkäinen has changed its accounting principles concerning operating segments from the beginning of 2013. From now on, income statement items in the Company's segment reporting comply with the consolidated financial statement's accounting principles with the exception of the impact of the items classified as discontinued operations. The comparison periods' figures have been adjusted to comply with the new accounting principle.

1 Jan–31 Dec 2012 EUR 1,000	International Operations	Building Construction	Infrastructure Construction	Technical Building Services	Other operations	Eliminations	Segments total
Net sales before adjustment	934,323	682,397	591,140	230,028	37,834	-122,117	2,353,605
Adjustment	-31,118						-31,118
Adjusted net sales	903,205	682,397	591,140	230,028	37,834	-122,117	2,322,487
Depreciation and impairment before adjustment	18,737	381	20,994	731	4,361		45,204
Adjustment	-880	72	-1,700	100	-500		-2,908
Adjusted depreciation and impairment	17,857	453	19,294	831	3,861		42,296
Operating profit before adjustment	16,618	19,554	43,515	3,197	-8,289		74,595
Adjustment	-1,600	-2,661	3,730	150	630		249
Adjusted operating profit	15,018	16,893	47,245	3,347	-7,659		74,844

2 OPERATING SEGMENTS

Lemminkäinen Group's businesss is organised into four operating segments: International Operations, Building Construction, Infrastructure Construction and Technical Building Services. Income statement items in segment reporting comply with the consolidated financial statement's accounting principles with the exception of the impact of the items classified as discontinued operations. Segments' assets include fixed assets, inventories as well as trade and other receivables.

International Operations

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

Building Construction

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

Infrastructure Construction

The business segment offers paving and mineral aggregates; civil, foundation and rock engineering; as well as road, street and rail network construction and maintenance.

Technical Building Services

The 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 Jan–31 Dec 2013 EUR 1,000	International Operations	Building Construction	Infrastructure Construction	Technical Building Services	Other operations	Eliminations	Segments total	Reconciling items	Group total, IFRS
Net sales	930,946	592,903	533,384	221,910	35,875	-96,856	2,218,162		2,218,162
Depreciation and impairment	18,929	348	19,658	743	5,651		45,329		45,329
Operating profit	-22,031	5,003	8,532	-1,557	-80,799		-90,852		-90,852

1 Jan–31 Dec 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	903,205	682,397	591,140	230,028	37,834	-122 117	2,322,487	-54,842	2,267,645
Depreciation and impairment	17,857	453	19,294	831	3,861		42,296	-1,313	40,983
Operating profit	15,018	16,893	47,245	3,347	-7,659		74,844	-24,407	50,437

EUR 1,000	31 Dec 2013	31 Dec 2012
Assets by operating segment		
International Operations	494,330	335,927
Building Construction	454,619	275,771
Infrastructure Construction	191,745	120,536
Technical Building Services	61,766	30,368
Other operations	47,835	39,878
Segments total	1,250,295	802,480
Assets not allocated to segments and group eliminations, total	92,359	501,045
Group total, IFRS	1,342,654	1,303,525

3 INFORMATION BY MARKET AREA

1 Jan–31 Dec 2013 EUR 1,000	Finland	Scandinavia	Russia	Baltic States	Other countries	Total
Net sales	1,289,184	603,982	164,399	145,340	15,258	2,218,162
Assets	863,982	261,493	159,617	52,931	4,630	1,342,654
Investments	41,892	22,668	2,374	4,151	158	71,243

1 Jan–31 Dec 2012 EUR 1,000	Finland	Scandinavia	Russia	Baltic States	Other countries	Total
Net sales	1,370,391	570,441	145,759	135,052	46,001	2,267,645
Assets	874,544	237,386	117,007	46,668	27,920	1,303,525
Investments	33,637	25,312	1,703	2,841	981	64,475

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

4 ACQUISITIONS

2013

The company acquired the city of Tampere's asphalt paving business on 2 January 2013. The goodwill recognised from the acquisition comprises of a strengthening the market position in the Pirkanmaa area.

The company acquired the entire share capital of Biomaa Oy on 2 January 2013. Biomaa Oy specialises in mass stabilisation and the treatment of contaminated soil. The goodwill recognized from the acquisition comprises of special expertise in contaminated soil treatment. The acquisition involves a contingent consideration. Biomaa Oy was merged to Lemminkäinen Infra Oy on 1 May 2013.

The company acquired on 2 January 2013, with a single deed, the entire share capitals of three companies: Maanrakennus Katupojat Oy, Bergqvist Oy and Kuljetus Oy Wilkman. The acquirees engage in earthwork contracting, regional development, energy network construction and transport as well as the winter and summer maintenance of roads in Southern Finland. A negative goodwill of EUR 0.1 million was recognized from the acquisition. The acquired companies were merged to Lemminkäinen Infra Oy on 1 May 2013.

The company acquired 80 per cent of the share capital of a Danish company FD-Entreprise ApS on 2 May 2013. FD-Entreprise specialises in the milling of asphalt and concrete road surfaces and operates primarily in eastern Denmark. The goodwill recognized from the acquisition comprises of expanding the company's market area. The acquisition doubles Lemminkäinen's market share in road milling in Denmark and expand the company's market area to cover the entire country. The acquisition involves an option to redeem shares from non-controlling shareholders which is recognised as a liability in the balance sheet.

The company acquired 75 per cent of the share capital of Swedish Landvetterkrossen AB (former Vest Kross AB) on 12 July 2013. Landvetterkrossen AB is a supplier of mineral aggregates. The acquisition involves an option to redeem shares from non-controlling shareholders which has not been recognised as a liability in the balance sheet.

The company acquired the entire share capital of LEC Consultancy JLT on 24 July 2013. The company is domiciled in the United Arab Emirates. The goodwill recognized from the acquisition comprises of special expertise of the company's personnel.

In the year 2013 the recognised fair values of the acquired business operations after merging are presented in the table below.

EUR 1,000	Fair values recognised after merging 2013
Assets	
Property, plant and equipment	9,081
Intangible assets	2,867
Available-for-sale financial assets	559
Inventories	885
Current receivables	5,394
Cash and cash equivalents	2,252
Assets, total	21,038
Liabilities	
Deferred tax liabilities	153
Interest-bearing liabilities	5,860
Other liabilities	5,304
Liabilities, total	11,317
Non-controlling interests	-16
Net assets	9,737
Consideration paid in cash	10,116
Consideration recognised as liability	4,873
Total consideration	14,989
Goodwill	5,252
Goodwill recognised in balance sheet	5,396
Negative goodwill recognized during the accounting period	-144
Consideration paid in cash	-8,384
Cash of acquired subsidiaries	2,247
Impact on cash flow	-6,137
Expensed acquisition expenditure	287

On the consolidation of the acquired business operations, EUR 13.8 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 2013 amounted to about EUR 15.1 million and operating profit to about EUR -0.5 million. If the acquirees had been consolidated as from the beginning of the year, consolidated net sales would have been EUR 2,219.5 million and operating profit EUR -91.5 million.

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 Kivinikkarit 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 table below.

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 50.5 million.

5 DISCONTINUED OPERATIONS

2013

At the end of 2013 the company did not have any discontinued operations or assets classified as held-for-sale.

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 Jan–31 Dec 2012
The profit of the discontinued operations	
Income	55,120
Expenses	47,793
Profit before taxes	7,327
Taxes	-1,623
Profit for the financial period	5,704
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
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 Group's financial position at the moment of the sale	
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

6 INFORMATION ON CONSTRUCTION PROJECTS

EUR 1,000	31 Dec 2013	31 Dec 2012
Percentage-of-completion method		
Revenue recognised by the percentage-of-completion method	1,903,636	1,940,288
Incurred costs and recognised net profits (less booked losses) of work in progress projects	1,250,393	924,809
Gross project-related receivables from clients	67,165	62,851
Gross project-related liabilities to clients	61,192	46,503

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 contract agreements 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 concerning the service provider. 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 all of the buildings belonging to the project. The investment phase warranty periods for the two first sites to be completed (Martti Ahtisaari school and Puijonsarvi School) have already expired and the warranty period guarantees have been returned. The warranty periods for Rajala school and Puijonlaakso day-care center will continue until 2014 and for Pohjantie school until 2015. The investment phase of the project has proceeded according schedule, as well as cost and quality objectives.

The building maintanance and upkeep period (the service period) is in progress for all of the sites. The services have been provided according to plan and no service or usability deductions have been made.

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 contract 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 service provider has the right to arrange supplementary use of the properties according to terms pre-agreed terms as well as the right to charge fees for the supplementary use. The company has not recognised an intangible asset for the right for supplementary use because of the uncertainty related to its usability.

The City of Oulu 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 service period begins. The project has mostly proceeded according to schedule, as well as quality and cost objectives. However, the accumulated costs for the construction work have exceeded the target level and the calculated profit margin for the investment phase must have been cut down.

Financials › Notes to the consolidated financial statements (IFRS) › 7 Other operating income

7 OTHER OPERATING INCOME

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Gains on sale of property, plant and equipment	5,278	4,494
Rental income	1,363	1,012
Gains from hedging purchases and sales *	1,552	803
Grants and compensation on damages received	235	5,230
Negative goodwill	144	
Gains on sale of available-for-sale financial assets	1,356	2,179
Gain on settlement of defined benefit plans	1,933	
Others	4,514	4,506
	16,374	18,225

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

Financials › Notes to the consolidated financial statements (IFRS) › 8 Personnel and employee benefit expenses

8 PERSONNEL AND EMPLOYEE BENEFIT EXPENSES

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Personnel expenses		
Wages and salaries	371,877	373,063
Share-based payments	950	517
Pension expenses, defined contribution plans	48,376	47,214
Pension expenses, defined benefit plans	1,383	819
Other personnel-related expenses	26,399	28,373
	448,985	449,986
The salaries and fees of the Group Companies' managing directors and Board of Directors	3,626	3,683

Defined benefit pension expenses are explained in more detail in the note 28 and share-based payments in the note 29 and related party transactions in the note 38.

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Personnel on average		
Salaried staff	2,953	3,007
Hourly paid workers	4,870	5,173
	7,823	8,180
Personnel by business segment		
International Operations	2,953	3,057
Building Construction	1,391	1,425
Infrastructure Construction	1,518	1,751
Technical Building Services	1,658	1,631
Parent company	303	316
	7,823	8,180

Number of employees includes the personnel of discontinued operations for the time they were employees of Lemminkäinen Group.

Financials › Notes to the consolidated financial statements (IFRS) › 9 Depreciation, amortisation and impairment

9 DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Depreciation of property, plant and equipment		
Buildings and structures	1,011	948
Machinery and equipment	22,051	21,303
Leased assets	12,738	12,071
Other tangible assets	2,000	1,286
	37,800	35,609
Amortisation of intangible assets		
Intangible rights	3,986	1,828
Other capitalised expenditure	3,543	3,546
	7,529	5,375
Depreciation and amortisation total	45,329	40,983

Financials › Notes to the consolidated financial statements (IFRS) › 10 Other operating expenses

10 OTHER OPERATING EXPENSES

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Loss on the sale of property, plant and equipment and intangible assets	341	94
Voluntary personnel expenses	13,431	12,411
Rental expenses	35,514	41,299
Direct acquisition costs	287	22
Losses from hedging purchases and sales *	2,520	1,731
Damages-related legal proceedings **	65,587	
Other expenses	132,020	225,388
	249,700	280,946

* Losses from hedging purchases and sales includes realised losses and changes in fair values of commodity derivatives which are used for hedging bitumen purchases and currency derivatives which are used for hedging purchases and sales.

** Damages-related legal proceedings include EUR 49.3 million of compensation for damages which, in its decisions on 28 November 2013, the District Court ordered Lemminkäinen to pay. The amount consists of damages ordered to only Lemminkäinen, Lemminkäinen's share of the damages ordered to be paid jointly and severally as well as expenses related to the damages. As, according to the Company's estimate, some of the other defendants that have been ordered to pay damages jointly and severally will not be able pay the shares ordered to them by the District Court, Lemminkäinen will pay shares of damages and related expenses ordered to these defendants in the amount of approximately EUR 10.4 million which is also included in the damages-related legal proceedings item. In addition, the item includes a EUR 5.9 million provision related to the claims for damages pending a main proceeding, with 14 municipalities as plaintiffs.

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Rewards paid in Finland to the audit firm nominated by the AGM		
Audit fees	206	260
Tax councelling	14	13
Other consulting	171	311
	390	584

11 ASSOCIATES AND JOINT VENTURES

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Share of the profits of associates and joint ventures		
Share of the profits	839	1,170
Share of the losses	-277	-106
	562	1,064

EUR 1,000	31 Dec 2013	31 Dec 2012
Shares in associates and joint ventures 1 Jan	9,706	9,291
Translation difference	-1,100	426
Increases	524	1,081
Decreases	-299	-1,092
Shares in associates and joint ventures 31 Dec	8,831	9,706

The main associates and joint ventures (information presented in full)

EUR 1,000	Group's ownership, %	Assets	Liabilities	Net sales	Profit for the financial year
2013					
Associates					
Finavo Oy, Finland	47.5	842	823	4,981	-2
Joint ventures					
Genvej A/S, Denmark	50.0	626	73	428	15
Martin Haraldstad AS, Norway	50.0	8,067	1,584	7,153	648
Nordasfalt AS, Norway	50.0	18,694	11,595	36,920	842
Ullensaker Asfalt ANS, Norway	50.0	2,593	524	7,957	-439
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

12 FINANCE INCOME AND COSTS

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Finance income		
Interest income from loans and receivables	1,177	1,275
Interest income from available-for-sale financial assets	147	60
Dividend income from available-for-sale financial assets	62	245
Foreign exchange rate gains	16,285	9,658
Gains on the change in fair value of interest rate derivatives	575	
Other finance income	101	17
Total finance income	18,346	11,256
Finance costs		
Interest expenses for financial liabilities recognised at amortised cost	18,024	18,404
Foreign exchange rate losses	21,654	11,585
Losses on the change in fair value of interest rate derivatives	63	196
Other finance costs	5,275	2,434
Total finance costs	45,015	32,619
Finance income and costs, total	-26,669	-21,363

Exchange rate differences recognised in the income statement

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Exchange rate differences on sales	1,271	726
Exchange rate differences on purchases	-3,306	-741
Exchange rate differences on hedging purchases and sales	-273	
Exchange rate differences on financial items	-5,369	-1,927
Exchange rates differences, total	-7,677	-1,943

Financials › Notes to the consolidated financial statements (IFRS) › 13 Taxes

13 TAXES

Income taxes

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Income taxes on normal business operations	-2,826	-3,914
Income taxes in respect of previous years	-1,338	98
Deferred taxes	28,187	-4,866
	24,023	-8,682
Reconciliation of taxes on the income statement and taxes calculated at the Finnish tax rate		
Profit before taxes	-117,521	29,073
Taxes calculated on the above at the Finnish tax rate	28,793	-7,123
Differing tax rates of foreign subsidiaries	1,631	504
Tax-exempt income in income statement	1,275	1,031
Non-deductible expenses in income statement	-2,570	-3,177
Deductible non-income statement items	200	976
Taxable non-income statement items	-2	-386
Use of unrecognised tax losses	77	123
Tax losses for the financial year for which no deferred tax asset was recognised	-7	-723
Effect of change in the corporate tax rate	-4,460	
Other items	423	-4
Taxes for the previous financial year	-1,338	98
Taxes on the income statement, total	24,023	-8,682

Deferred taxes

EUR 1,000	1 Jan 2013	Translation difference	Recognised in income statement	Recognised in other comprehensive income	Transactions with owners of the parent company	Acquisitions, divestments and mergers	31 Dec 2013
Deferred tax asset							
Tax losses	19,350	-1,914	20,280			0	37,715
Pension benefits	1,447	-164	-22	-913			348
Provisions	3,350	-275	3,192				6,267
Financial instruments	142		-1,715	-127	1,715		15
Property, plant and equipment	1,776	0	27				1,803
Intangible assets	22						22
Temporary difference from revenue recognition of projects	1,755	-496	4,615				5,874
Other temporary differences	734	13	842			-653	936
Deferred tax asset, gross	28,576	-2,836	27,219	-1,040	1,715	-653	52,981
Offsetting	-5,100	950	-10,417	127			-14,440
Deferred tax asset, net	23,475	-1,886	16,802	-913	1,715	-653	38,540

EUR 1,000	1 Jan 2013	Translation difference	Recognised in income statement	Recognised in other comprehensive income	Transactions with owners of the parent company	Acquisitions, divestments and mergers	31 Dec 2013
Deferred tax liabilities							
Property, plant and equipment and intangible assets	4,288	-258	-647			642	4,025
Available-for-sale financial assets	5			-5			
Financial instruments	441						441
Accelerated depreciations	13,560	-207	-2,397				10,956
Temporary difference from revenue recognition of projects	8,806	-1,003	1,923				9,727
Other temporary differences	3,172	-312	154			-552	2,461
Deferred tax liabilities, gross	30,271	-1,780	-967	-5		90	27,609
Offsetting	-5,100	950	-10,417	127			-14,440
Deferred tax liabilities, net	25,171	-830	-11,384	122		90	13,168

EUR 1,000	1 Jan 2012	Translation difference	Recognised in income statement *	Recognised in other comprehensive income	Transactions with owners of the parent company	Acquisitions, divestments and mergers	31 Dec 2012
Deferred tax asset							
Tax losses	17,698	448	1,209			-5	19,350
Pension benefits	2,133	37	-723				1,447
Provisions	3,928	133	-711				3,350
Financial instruments	305			-163			142
Property, plant and equipment	805	0	971				1,776
Intangible assets	7		16				22
Temporary difference from revenue recognition of projects	888	10	856				1,755
Other temporary differences	1,254	-70	-423			-26	734
Deferred tax asset, gross	27,017	558	1,195	-163		-31	28,576
Offsetting	-4,422	-112	-566				-5,100
Deferred tax asset, net	22,595	446	629	-163		-31	23,475

EUR 1,000	1 Jan 2012	Translation difference	Recognised in income statement *	Recognised in other comprehensive income	Transactions with owners of the parent company	Acquisitions, divestments and mergers	31 Dec 2012
Deferred tax liabilities							
Property, plant and equipment and intangible assets	4,210	364	-529			243	4,288
Available-for-sale financial assets				5			5
Financial instruments			1,298		-858		441
Accelerated depreciations	12,488	177	1,618			-724	13,560
Temporary difference from revenue recognition of projects	8,363	194	249				8,806
Other temporary differences	1,088	-176	2,451			-191	3,172
Deferred tax liabilities, gross	26,149	560	5,087	5	-858	-672	30,271
Offsetting	-4,422	-112	-566				-5,100
Deferred tax liabilities, net	21,727	448	4,521	5	-858	-672	25,171

* Includes the changes in deferred tax of discountined operations booked to income taxes.

The company has recorded the deferred tax asset from tax losses to the amount it considers, based on its profit forecasts, to be utilizable in the future. The amount of tax losses has increased especially due to non-recurring items, which are not expected to reoccur in the future. In 2013, the amount of tax losses in Finland was increased by the damages that the District Court ordered Lemminkäinen to pay related to the asphalt cartel. At the end of 2013, tax losses in the group's Finnish companies totaled EUR 19.5 million (EUR 5.5 mill) and they can be carried forward for 10 years. The amount of tax losses in the group's Norwegian companies at the end of 2013 stood at EUR 14.6 million (EUR 9.3 mill.), and they can be carried forward indefinitely.

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

14 EARNINGS PER SHARE

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Weighted average number of shares, shares	19,650,176	19,649,386
Contingent shares, shares	-35,869	-83,436
Treasury shares, shares	-34,915	-509
Weighted average number of shares in issue, shares	19,579,392	19,565,441
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	19,579,392	19,660,976
Profit for the year attributable to the ordinary equity holders, EUR 1,000	-93,723	43,914
Interest of the hybrid bond calculated on accrual basis less tax, EUR 1,000	-5,285	-4,000
Profit for the year for the purpose of calculating earnings per share, EUR 1,000	-99,008	39,913
Basic earnings per share, EUR	-5.06	2.04
Diluted earnings per share, EUR	-5.06	2.03

Financials › Notes to the consolidated financial statements (IFRS) › 15 Other comprehensive income items

15 OTHER COMPREHENSIVE INCOME ITEMS

EUR 1,000	Before taxes	Taxes	After taxes
2013			
Translation difference	-7,675		-7,675
Cash flow hedges	504	-127	378
Change in fair value of available-for-sale financial assets	-20	5	-15
Defined benefit pension obligations	3,318	-913	2,404
	-3,874	-1,035	-4,909
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
Defined benefit pension obligations	256	-2	254
	4,091	-170	3,921

Financials › Notes to the consolidated financial statements (IFRS) › 16 Dividends paid and proposed

16 DIVIDENDS PAID AND PROPOSED

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Dividend paid during the financial year		
Per share for the previous year, EUR	0.60	0.50
In total for the previous year, EUR 1,000	11,762	9,825
Proposed for approval by the AGM		
Per share for the financial year, EUR	0.00	0.60
In total for the financial year, EUR 1,000	0	11,790

17 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 Jan 2013	12,908	37,254	339,822	42,671	4,542	437,197
Translation difference	-156	-428	-10,813	-1,486	1	-12,883
Increases	1,099	782	35,185	2,909	6,256	46,231
Increases from acquired businesses	1	20	9,212	3		9,236
Disposals	-82	-247	-24,620	-2,448		-27,397
Transfers between items	-71	1,803	3,953	366	-6,051	
Acquisition cost, 31 Dec 2013	13,698	39,182	352,739	42,016	4,748	452,383
Accumulated depreciation, 1 Jan 2013		-26,180	-190 743	-19,807		-236,730
Translation difference		233	5,978	685		6,896
Accumulated depreciation on increases			-177			-177
Accumulated depreciation on decreases		245	15,045	1,248		16,539
Transfers between items		-1,554	1,922	-368		
Depreciation for the financial year		-1,011	-34,789	-2,000		-37,800
Accumulated depreciation, 31 Dec 2013		-28,266	-202,764	-20,242		-251,272
Carrying amount, 31 Dec 2013	13,698	10,916	149,975	21,773	4,748	201,111
Carrying amount, 1 Jan 2013	12,908	11,074	149,079	22,864	4,542	200,466

EUR 1,000	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost, 1 Jan 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 Dec 2012	12,908	37,254	339,822	42,671	4,542	437,197
Accumulated depreciation, 1 Jan 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 deprociation on discontinued operations		6,535	21,982	463		28,980
Accumulated depreciation on decreases		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 Dec 2012		-26,180	-190,743	-19,807		-236,730
Carrying amount, 31 Dec 2012	12,908	11,074	149,079	22,864	4,542	200,466
Carrying amount, 1 Jan 2012	13,604	16,099	148,357	23,305	5,817	207,182

The Group has no capitalised interest expenses in fixed assets.

EUR 1,000	31 Dec 2013	31 Dec 2012
Assets acquired under finance lease agreement are included in machinery and equipment as follows:		
Acquisition cost, 1 Jan	106,685	100,725
Translation difference	-3,387	909
Increases	16,492	11,718
Disposals	-10,031	-6,666
Acquisition cost, 31 Dec	109,759	106,685
Accumulated depreciation, 31 Dec	-52,320	-49,997
Carrying amount, 31 Dec	57,439	56,689

18 INTANGIBLE ASSETS

EUR 1,000	Goodwill	Intangible rights	Other capitalised expenditure	Advance payments	Total
Acquisition cost, 1 Jan 2013	77,116	11,653	18,053	10,934	117,757
Translation difference	-2,006	-18	-795		-2,819
Increases		660	425	7,810	8,895
Increases from acquired businesses	5,396	2,173	678		8,247
Disposals	-526	-378		-1,144	-2,048
Transfers between items		9,689		-9,689	
Acquisition cost, 31 Dec 2013	79,980	23,779	18,362	7,911	130,033
Accumulated amortisation and impairment, 1 Jan 2013	-73	-5,536	-8,433		-14,043
Translation difference	193	6	399		598
Accumulated amortisation on increases			-50		-50
Accumulated amortisation on disposals		324			324
Amortisation for the financial year from continuing operations		-3,986	-3,543		-7,529
Accumulated amortisation and impairment, 31 Dec 2013	120	-9,192	-11,627		-20,699
Carrying amount 31 Dec 2013	80,100	14,588	6,735	7,911	109,334
Carrying amount 1 Jan 2013	77,043	6,117	9,620	10,934	103,714

EUR 1,000	Goodwill	Intangible rights	Other capitalised expenditure	Advance payments	Total
Acquisition cost, 1 Jan 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 Dec 2012	77,116	11,653	18,053	10,934	117,757
Accumulated amortisation and impairment, 1 Jan 2012	-73	-7,114	-5,516		-12,703
Translation difference		13	-121		-108
Accumulated depreciation 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 Dec 2012	-73	-5,536	-8,433		-14,043
Carrying amount 31 Dec 2012	77,043	6,117	9,620	10,934	103,714
Carrying amount 1 Jan 2012	85,693	2,985	12,526	3,202	104,405

At the end of 2013, other capitalised expenditure included EUR 9.2 million (EUR 0.0 mill.) and advance payments EUR 5.5 million (EUR 7.5 mill.) of capitalised computer software development costs.

Goodwill

At the date of acquisition goodwill is allocated to cash-generating units, or groups of cash-generating units, that is expected to benefit from synergies arising from the business combination.

Goodwill by segment

EUR 1,000	Finland	Other Nordic countries	Eastern Europe and the Baltic states	Other countries	Market areas, total	Common to segment *	Total
31 Dec 2013							
International Operations		17,066	1,909	139	19,114	23,469	42,583
Building Construction	6,196				6,196		6,196
Infrastructure Construction	6,158				6,158		6,158
Technical Building Services	25,164				25,164		25,164
	37,518	17,066	1,909	139	56,632	23,469	80,100

EUR 1,000	Finland	Other Nordic countries	Eastern Europe and the Baltic states	Other countries	Market areas, total	Common to segment *	Total
31 Dec 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

* 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. 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.

Goodwill impairment tests

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. 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.

In 2013, the impairment tests were carried out 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 2013.

Forecasts and key assumptions used in goodwill impairment testing

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, country risk 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 seperately for each tested unit.

The business segment specific weighted averages of the key assumptions used in the value-in-use calculations are presented in the table below *

EUR 1,000	International Operations	Building Construction	Infrastructure Construction	Technical Building Services
2013				
Discount rate, % (before taxes)	8.3	6.7	7.1	7.1
Average growth rate of net sales, % **	13.4	5.1	2.2	3.5
Long-term average growth rate, %	1.0	1.0	1.0	1.0
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

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

** The change in the International Operation's average growth rate of net sales is mainly due to building construction business in Russia.

Sensitivity analysis

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. 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 segment are presented below.

	International Operations	Building Construction	Infrastructure Construction	Technical Building Services
2013				
Goodwill allocated to the business sector, total	42,583	6,196	6,158	25,164
Ratio of present value to carrying amount *	3.79	1.50	3.81	1.96
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 the dicount rate				
were half a percentage point higher	0	0	879	0
were one percentage point higher	0	0	879	0

	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 *	3.40	1.90	1.60	4.30
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 the dicount rate				
were half a percentage point higher	0	0	879	0
were one percentage point higher	0	0	879	0

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

Financials › Notes to the consolidated financial statements (IFRS) › 19 Non-current available-for-sale financial assets

19 NON-CURRENT AVAILABLE-FOR-SALE FINANCIAL ASSETS

EUR 1,000	31 Dec 2013	31 Dec 2012
Balance sheet value, 1 Jan	5,971	5,992
Translation difference	0	0
Additions	4	131
Disposals	-2,211	-152
Balance sheet value, 31 Dec	3,764	5,971

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.

Financials › Notes to the consolidated financial statements (IFRS) › 20 Non-current receivables

20 NON-CURRENT RECEIVABLES

EUR 1,000	31 Dec 2013	31 Dec 2012
Non-current receivables		
Interest-bearing		
Loan receivables	19	19
Non-interest-bearing		
Trade receivables	259	436
Other receivables	625	
	884	436
Non-current receivables, total	904	456

21 INVENTORIES

EUR 1,000	31 Dec 2013	31 Dec 2012
Materials and supplies	38,304	46,099
Building plots and real estate	126,362	159,949
Housing under construction	171,350	90,645
Commercial property under construction	11,072	46,780
Other work in progress	33,496	21,387
Advance payments	13,985	5,170
Completed apartments	55,393	81,276
Completed commercial property	21,588	6,075
Products and goods	32,834	37,005
	504,385	494,388

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 119.3 million (EUR 73.1 mill.).

In 2013, the company recognised inventory impairment losses of EUR 19.3 million, of which EUR 14.7 million was related to the company's Building Construction segment's commercial buildings. The impairments of commercial buildings in the inventory are a result of the slowdown in commercial markets outside the Helsinki metropolitan area.

22 CURRENT RECEIVABLES

EUR 1,000	31 Dec 2013	31 Dec 2012
Interest-bearing		
Loan receivables	1,279	22
Non-interest-bearing		
Trade receivables	214,893	193,708
Project income receivables	98,611	90,725
Accrued interest	99	60
Personnel expenses	2,947	3,881
Other prepayments and accrued income	35,597	20,127
Derivative assets	1,881	499
Receivables from real estate companies under construction	7,506	11,449
Other receivables	28,361	42,657
	389,894	363,107
Current receivables, total	391,174	363,129

A total of EUR 5.3 million (EUR 2.8 mill.) of trade receivables were impaired and recognised as credit losses in 2013.

23 CURRENT AVAILABLE-FOR-SALE FINANCIAL ASSETS

EUR 1,000	31 Dec 2013	31 Dec 2012
Balance sheet value, 1 Jan	59,020	
Additions		59,020
Decreases	-29,011	
Balance sheet value, 31 Dec	30,010	59,020

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

24 CASH AND CASH EQUIVALENTS

EUR 1,000	31 Dec 2013	31 Dec 2012
Cash in hand and at banks	51,072	34,926

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

25 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 Dec 2013							
Non-current financial assets							
Available-for-sale financial assets			3,764			3,764	3,764
Other non-current receivables		904				904	857
Current financial assets							
Trade and other receivables		389,293				389,293	389,293
Derivative assets	1,881					1,881	1,881
Available-for-sale financial assets			30,010			30,010	30,010
Cash and cash equivalents		51,072				51,072	51,072
Financial assets total	1,881	441,268	33,774			476,923	476,876
Non-current financial liabilities							
Interest-bearing liabilities				61,348		61,348	61,305
Other non-current liabilities				3,033		3,033	3,033
Current financial liabilities							
Interest-bearing liabilities				346 277		346 277	347,115
Trade payables and other financial liabilities *				386,608		386,608	386,608
Derivative liabilities	2,006				74	2,079	2,079
Financial liabilities total	2,006			797,267	74	799,346	800,140

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 Dec 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 *				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

* 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 includes trade receivables and other interest-free receivables. Fair values are based on future cash flows discounted using risk free market yields plus appropriate credit spreads. The used discount rates vary between 0.6 and 4.8 per cent. The carrying amount of current trade and other receivables is equal to their fair value due to their short maturity.

The fair value of 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 2.3 and 3.2 per cent (2.1–2.5%). The fair value of the bond included in interest-bearing current liabilities is based on the market price, and the fair value of other current liabilities is assumed to be close to their fair value due to their short maturity.

A fair value hierarchy 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 Dec 2013			
Available-for-sale financial assets			
Equity instruments		3,764	3,764
Money market investments	30,010		30,010
Derivative instruments			
Derivative assets	1,858	23	1,881
Derivative liabilities	862	1,217	2,079

EUR 1,000	Level 2	Level 3	Total
31 Dec 2012			
Available-for-sale financial assets			
Equity instruments		5,971	5,971
Money market investments	59,020		59,020
Derivative instruments			
Derivative assets	230	270	499
Derivative liabilities	1,550	832	2,382

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 Jan 2013	-563	5,971
Additions		4
Disposals		-2,211
Gains and losses recognised in profit or loss, total	-631	
Fair values 31 Dec 2013	-1,194	3,764
Gains and losses on level 3 financial instruments held at the end of the accounting period		
In other operating income and expenses	-1,194	

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 Jan 2012	159	5,992
Additions		131
Disposals		-152
Gains and losses recognised in profit or loss, total	-722	
Fair values 31 Dec 2012	-563	5,971

Financials › Notes to the consolidated financial statements (IFRS) › 26 Shareholders' equity

26 SHAREHOLDERS' EQUITY

Shares and share capital

Lemminkäinen Corporation has one share class. On 31 December 2013, the Company had a total of 19,650,176 shares. All issued shares are fully paid up. The Company held 34,915 treasury shares.

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 2012. 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

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 0.5 milllion (EUR 0.7 mill.) before deferred taxes has been recognised in other comprehensive income. An amount of EUR -0.5 million (EUR -0.9 mill.) has been recognised in interest expences in profit and loss during the financial year arising from cash flow hedging.

27 INTEREST-BEARING LIABILITIES

EUR 1,000	31 Dec 2013	31 Dec 2012
Non-current		
Borrowings from financial institutions	15,136	13,620
Pension loans	1,956	21,503
Finance lease liabilities	43,542	43,809
Bonds		59,836
Other non-current liabilities	715	73
	61,348	138,842
Current		
Borrowings from financial institutions	9,016	35,726
Pension loans	19,555	22,759
Finance lease liabilities	14,254	13,940
Bonds	59,931	
Chequing accounts	17,261	5,663
Commercial papers	150,205	86,847
Liabilities of housing companies under construction	73,115	67,310
Other current liabilities	2,939	117
	346,277	232,361

Most of the liabilities are denominated in the debtors functional currency. The 2012 borrowings from financial institutions include Norwegian krone denominated loans drawn down by the parent company, corresponding to EUR 20.4 milloin.

Finance lease liabilities

EUR 1,000	31 Dec 2013	31 Dec 2012
Finance lease liabilities and interest on them is due as follows		
In one year or earlier	15,958	15,673
Over one year, but less than five years	39,028	39,613
Over five years	7,462	7,801
	62,448	63,087
Maturity of present value of minimum leases		
In one year or earlier	14,254	13,940
Over one year, but less than five years	36,283	36,402
Over five years	7,259	7,408
	57,796	57,749
Accumulated future finance costs from finance lease liabilities	4,652	5,338

28 PENSION OBLIGATIONS

The company has in its operating countries several defined contribution pension plans which are subject to local regulation and practices. The company's one most significant pension plan is the Finnish Emplyees Pensions Act (TyEL), in which the benefits are determined directly on the basis of the level of the beneficiary's earnings level. TyEL pension plan is mainly arranged through pension insurance companies and it is treated as a defined contribution plan.

At the end of 2013, the company had defined benefit pension plans in Finland and Norway. All plans at the year-end 2013 were final salary defined benefit plans, and they supplement the statutory pensions or enable retirement before the statutory retirement age. In Norway, some of the company's defined benefit plans were converted to defined contribution plans during 2013 and all of the plans' obligations, EUR 12.4 million, were settled. In addition, the company recognised a curtailment gain of EUR 1.9 million, which was booked to other operating income. Three persons left the Finnish plan, which was treated as a partial settlement of the obligation, and it had no effect on the company's income statement.

EUR 1,000	31 Dec 2013 (forecast)	31 Dec 2013	31 Dec 2012
Recognised in the balance sheet			
Present value of funded obligations	595	969	19,032
Fair value of plan assets	-109	-102	-13,816
Total amount recognised in the balance sheet	486	867	5,216
of which in Finland	429	490	384
of which in Norway	57	376	4,832

Estimated amount of defined benefit plan payments in Lemminkäinen Group during 2014 is EUR 0.1 million. Estimates and forecasts may vary from actual figures.

EUR 1,000	Present value of obligation	Fair value of plan assets	Total
1 Jan 2013	19,032	-13,816	5,216
Current service cost	1,383		1,383
Net interest	393	-226	167
Settlements	-12,434	12,434	
Curtailments	-1,933		-1,933
	-12,591	12,208	-383
Remeasurements			
Return on plan assets		27	27
Change in demographic assumptions	1,101		1,101
Gain/loss from change in financial assumptions	-4,479	586	-3,892
Experience gains/losses	-554		-554
	-3,931	614	-3,318
Exchange differences	-1,158	824	-334
Employer contributions		-314	-314
Benefit payments	-382	382	
31 Dec 2013	969	-102	867

EUR 1,000	Present value of obligation	Fair value of plan assets	Total
1 Jan 2012	19,694	-13,528	6,165
Current service cost	1,337		1,337
Net interest	618		618
Settlements	-951	951	
Curtailments	-240		-240
	764	951	1,715
Remeasurements			
Return on plan assets		-473	-473
Gain/loss from change in financial assumptions	-77	293	216
	-77	-179	-256
Exchange differences	1,029	-704	325
Employer contributions		-1,804	-1,804
Benefit payments	-541	541	
Business combinations and disposals	-1,836	906	-929
31 Dec 2012	19,032	-13,816	5,216

The company's defined benefit pension obligations do not include minimum funding requirements.

	31 Dec 2013 Finland	31 Dec 2013 Norway	31 Dec 2012 Finland	31 Dec 2012 Norway
Actuarial assumptions				
Discount rate, %	3.3	4.1	3.5	3.3
Inflation rate, %	2.0	1.8	2.0	1.8
Expected rate of salary increases, %	1,0	3.3	3.5	3.8
Future pension increases, %	2.1	0.6	2.1	0.5

	Finland	Norway
Life expectancy of plan members in 2013		
Male age 65 (current life expectancy), years	19.0	20.6
Female age 65 (current life expectancy), years	24.7	23.5
Male age 45 (at age 65), years	20.6	22.8
Female age 45 (at age 65), years	26.4	26.0

Defined benefit plans' assets consist entirely of qualifying insurance policies 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 plan assets is an estimate of a life insurance company's future long term total rebate.

Plan participants at the end of period	31 Dec 2013	31 Dec 2012
Active	12	583
Inactive not in pay status / Deferred	9	15
Inactive in pay status / Pensioners	95	178
Total number of participants	116	776

The effect of a 0.5 percentage point change in the most significant actuarial assumptions to the amount of defined benefit pension obligations is presented in the tables below.

	31 Dec 2013 Finland	31 Dec 2013 Norway
0.5% increase in the principal assumption will impact the liability as follows		
Discount rate	-4,49%	-3,32%
Inflation rate	4,98%	-
Expected rate of salary increases	0,17%	0,01%
0.5% decrease in the principal assumption will impact the liability as follows		
Discount rate	4,30%	3,32%
Inflation rate	-4,74%	-
Expected rate of salary increases	-0,17%	-0,01%

The above analyses are based on a 0.5 percentage point change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit pension obligation the same method has been applied as when measuring the defined benefit pension obligation recognized in the balance sheet.

	2013	2012	2011	2010	2009
Plan assets and liabilities for the past five years					
Defined benefit obligation	969	19,032	21,674	21,776	15,941
Fair value of plan assets	-102	-13,816	-13,376	-15,961	-12,553
	867	5,216	8,298	5,815	3,388

Financials › Notes to the consolidated financial statements (IFRS) › 29 Share-based payments

29 SHARE-BASED PAYMENTS

Performance-based reward

Years 2010–2012

Lemminkäinen had a share-based incentive plan comprising three one-year earning periods: the calendar years 2010, 2011 and 2012. The Board of Directors decided on the earning criteria for each period as well as on the targets to be established at the beginning of each earning period. In 2012, the earning criteria for long-term incentives were the targets set for the Group's equity ratio and return on investment. The reward was paid partly in company shares and partly in cash. The proportion paid in cash covered 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 earning period ends.

Years 2013–2015

At the end of 2012, the Board of Directors of Lemminkäinen Corporation decided on a new share-based incentive plan for the Group's key personnel. The plan includes three one-year earning periods, calendar years 2013, 2014 and 2015. The company's Board of Directors will decide on the earning criteria and the targets to be set at the beginning of each earning period. The potential performance-based reward for an earning period will be paid out 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 of approximately two years. If a key person's employment or service contract ends during the commitment period, they will generally have to return any reward shares to the company without compensation.

Conditional reward

As part of the plan the above mentioned key personnel has the opportunity to receive conditional reward, ie matching shares, on the basis of their share ownership and continued employment or service contract. In order to receive the conditional reward, a key person must already own or acquire a specified number of company shares, or a percentage thereof, by 30.6.2013. The number and date are set by the Board of Directors. In this case, the key person will be granted, as a reward, one share for each share acquired, as long as their employment or service contract remains valid and they retain ownership of these shares until the conditional reward is paid. The earning period for the conditional reward is the calendar years 2013—2015. The conditional reward will be paid by the end of April 2016, partly in shares and partly in cash.

Information concerning share-based incentive plan is presented below:

		Performance-based reward		
	Conditional reward	Earning period 2013	Earning period 2012	Earning period 2011
Grant date	6 Feb 2013	7 Feb 2013	9 Feb 2012	10 Jan 2011
Earning period start date	1 Jan 2013	1 Jan 2013	1 Jan 2012	1 Jan 2011
Earning period end date	31 Dec 2015	31 Dec 2013	31 Dec 2012	31 Dec 2011
Commitment period end date	30 Apr 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Remaining contractual life, years	2.3	2.0	1.0	0.0
Vesting conditions	share ownership requirement	EBIT, ROI	equity ratio, ROI	equity ratio, ROI
Payment method	cash & equity	cash & equity	cash & equity	cash & equity
Share price at grant date, EUR	15.80	15.85	20.20	25.35
Fair value of share at grant date, EUR *	15.03	15.26	19.70	24.65
Amount of granted shares during period, maximum		205,591	75,076	53,176
Changes in number of granted shares, maximum		-3,449	2,433	6,244
Number of granted shares at the end of period, maximum		202,142	77,509	59,420
Number of shares earned at the end of period **	16,036	0	42,630	15,709
Number of plan participants at end of period	15	43	40	29
Assumed fulfilment of earning criteria, %		0.0	60.0	15.0
Estimated number of shares returned prior to the end of commitment period, %	10.0	10.0	10.0	10.0

* The fair value of share at grant date is the share's grant date value less estimated dividend payments during the earning period.

** Number of shares earned in 2013 is an estimate.

According to management estimates no shares were earned, and therefore no expenses were recognised in earning period 2013. The accured expenses from the share based incentive plans recognised in the income statement in 2013 were a total of EUR 1.0 million (EUR 0.5 million). The liability recognised in the balance sheet in respect of share-based incentive plan at the end of 2013 was EUR 0.9 million (EUR 0.8 mill.). The company estimates that expenses to be recognised in 2014 from incentive plans realised before 2014 will be approximately EUR 0.5 million. Actual amount may differ from the estimated amount.

30 PROVISIONS

EUR 1,000	Warranty provisions	10 year liability provisions	Landscaping provisions	Lease commit-ment provisions	Litigation provisions	Other provisions	Total 31 Dec 2013	Total 31 Dec 2012
Provisions, 1 Jan	9,312	8,075	2,852	1,953		150	22,341	21,794
Translation differences	-228		-263			-1	-492	454
Increases in provisions	4,069	1,782	710	1,917	5,900	705	15,083	10,272
Expensed provisions	-6,067	-1,200	-104	-2,394			-9,764	-10,179
Purchases and sales of subsidiaries	3					-6	-4	
Provisions 31 Dec 2013	7,089	8,657	3,196	1,476	5,900	847	27,164	
Provisions 31 Dec 2012	9,312	8,075	2,852	1,953		150		22,341

EUR 1,000	Warranty provisions	10 year liability provisions	Landscaping provisions	Lease commit-ment provisions	Litigation provisions	Other provisions	Total 31 Dec 2013	Total 31 Dec 2012
Provisions categorised as								
Long-term	1,547	7,316	3,196	1,476	5,900	500	19,935	13,238
Short-term	5,541	1,341				347	7,229	9,104
	7,089	8,657	3,196	1,476	5,900	847	27,164	22,341

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.

10 year liability provision related to housing and commercial contruction is determined as a whole for all the projects including such liabilities.

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.

Litigation provision is recognised for the asphalt cartel related claims for damages pending in the District Court of Helsinki, with 14 municipalities as plaintiffs. The court proceedings of these actions are expected to start in the District Court during 2014 at the earliest, and are expected to last 1—3 years. The amount of provision is estimated on the basis of the decisions given by Helsinki district court on 28th November 2013.

31 TRADE AND OTHER PAYABLES

EUR 1,000	31 Dec 2013	31 Dec 2012
Non-current		
Other non-current liabilities	3,033	7,625
Trade payables and other current liabilities		
Advance payments received	140,989	102,782
Liabilities to owners of housing under construction	13,427	12,947
Trade payables	139,780	110,931
Project expense liabilities	42,659	32,963
VAT	35,175	26,765
Accrued interest	1,180	1,334
Accrued personnel expenses	83,121	88,314
Other accrued liabilities	16,927	18,282
Derivative liabilities	2,079	2,382
Other current liabilities *	89,515	31,147
	564,851	427,847
Non-current and current trade payables and other liabilities, total	567,884	435,472

* Other current liabilities at the end of 2013 include EUR 59.7 million of payables associated with the asphal cartel related legal proceedings.

32 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 2013, 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 2013 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 Dec 2013					
Variable-rate liabilities	-172,028	-1,720	1,720		
Variable-rate receivables	81,845	818	-818		
Interest rate derivatives	47,180	1,606	-1,699	9	-9
	-43,003	704	-798	9	-9

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 Dec 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

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 2013 were Swedish krona and Russian rouble (in 2012 US-dollar and Russian rouble). These transaction risk positions were mainly due to sales, procurements, receivables and liabilities. In 2013 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 exchange rates:
– the exchange rate change is assumed to be +/–10%
– the position includes financial assets and liabilities denominated in roubles and kronas (in 2012 denominated in dollars and roubles)
– 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 Dec 2013		
EUR/SEK	-2,432	+221 / -270
EUR/RUB	-6,432	+585 / -715

EUR 1,000	Transaction position	+/- 10% impact on profit or loss
31 Dec 2012		
EUR/USD	6,160	-560 / +684
EUR/RUB	22,813	-2,074 / +2,535

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 finance costs. The Group Treasury is responsible for managing the Group's overall liquidity and ensuring that adequate credit lines and a sufficient number of different 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. At the end of the accounting period, the maturity schedule of the Group's interest-bearing liabilities was front-loaded. The primary reasons for this are the EUR 60 million bond that matures in October 2014, and the maturing pension loans with instalment plans. Current interest-bearing liabilities also include borrowings of housing companies under construction, totalling EUR 73.1 million. These borrowings will be transferred to the buyers of the co-op shares when the units are handed over. Regarding unsold housing units, the Group will bear the liability by paying financial consideration for the units in question. The Group's available financing sources and liquid assets are sufficient to cover the obligations arising from current interest-bearing liabilities.

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. 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 transactions and cash pools.

Due to the nature of the Group's business operations, seasonal borrowing is of great importance. 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 150.2 million (EUR 86.8 mill.) was in use at 31 December 2013. In March 2013, Lemminkäinen agreed on financial arrangements totalling EUR 255 million. Arrangements comprised a EUR 185 million, three-year syndicated revolving credit facility and a EUR 70 million, two year syndicated term facility. The credit facilities are binding and unsecured. Arrangements replaced EUR 160 million bilateral credit facilities which were originally set to mature in December 2013. In December, Lemminkäinen terminated the EUR 70 million credit facility mentioned above. At the end of the year, the Group had unused committed credit facilities amounting to EUR 175.0 million (EUR 139.6 mill.) and overdraft limits amounting to EUR 44.0 million (54.1). The amount of liquid assets at 31 December 2013 was EUR 81.1 million (EUR 93.9 mill.).

Contractual cash flows of financial liabilities and derivative instruments

EUR 1,000	2014	2015	2016	2017	2018	2019-	Total
31 Dec 2013							
Interest-bearing liabilities	352,436	18,912	23,433	8,972	5,656	7,535	416,945
Interest rate derivatives	346	247	248	247	118		1,206
Forward foreign exchange contracts							
Cash flows payable	106,015						106,015
Cash flows receivable	-106,552						-106,552
Commodity derivatives							
Cash flows payable	593	97	321				1,011
Cash flows receivable	-14	-9					-23
Other financial liabilities	245,861	2,279	535				248,675
Trade payables	139,568						139,568
Financial guarantees given	17,413		1,519			254	19,186
	755,664	21,526	26,056	9,219	5,774	7,790	826,029

EUR 1,000	2013	2014	2015	2016	2017	2018-	Total
31 Dec 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

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.

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 2013, the counterparty risk was considered to be low.

Ageing analysis of trade receivables

EUR 1,000	31 Dec 2013	31 Dec 2012
Not due	171,464	155,374
Past due 1–30 days	19,698	25,260
Past due 31–60 days	8,023	4,203
Past due 61–90 days	7,070	2,071
Past due over 90 days	10,516	7,236
	216,771	194,144

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, 58,933 MT (40,000 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 especially 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, the ratio of net debt to EBITDA and the equity ratio, which are monitored quarterly and calculated as an average of four previous quarters. In March 2013, Lemminkäinen and the other contracting parties agreed that potential damages related to the claimed asphalt cartel will be ignored in the calculation model of financial covenants. Furthermore, before the end of the financial period, the company reached an agreement with other parties on changes in the net debt to EBITDA covenant terms for Q4/2013 and Q1/2014.

The Group's equity includes a EUR 70 million Hybrid bond which was issued in 2012. 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 2013 was -9.4 per cent (10.8%).

EUR 1,000	31 Dec 2013	31 Dec 2012
Interest-bearing liabilities	407,626	371,203
Liquid assets	81,081	93,946
Interest-bearing net debt	326,544	277,257
Equity, total	324,038	441,764
Equity ratio, %	27.3	37.2
Gearing, %	100.8	62.8
Return on investment, %	-9.4	10.8

33 DERIVATIVE FINANCIAL INSTRUMENTS

EUR 1,000	Nominal value	Fair value positive	Fair value negative	Fair value net
31 Dec 2013				
Foreign exchange derivatives	106,009	1,640	-726	914
Interest rate derivatives	47,180	216	-180	36
Commodity derivatives	24,407	23	-1,217	-1,194
	177,597	1,879	-2,123	-244

EUR 1,000	Nominal value	Fair value positive	Fair value negative	Fair value net
31 Dec 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
	172,388	375	-2,346	-1,971

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.

Financial derivatives are subject to master netting- or similar arrangements which are enforceable in some circumstances. According to these arrangements above mentioned derivative assets and derivative liabilities could be settled on a net basis. Netting arrangements are enforceable according to typical negligence events or other events of default as the general terms for derivative transactions applies. These items are recognised on gross basis in the balance sheet. Net figures would have been EUR 0.8 million (EUR 0.2 mill.) smaller than the figures presented in the table.

34 ADJUSTMENTS TO CASH FLOWS

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Depreciation and impairment of goodwill	45,329	40,983
Share of the profits of associates and joint ventures	-562	-1,064
Finance income and costs recognised on accrual basis	26,669	21,363
Change in provisions	5,315	93
Change in pension obligations	-3,763	-3,218
Credit losses on trade receivables	5,331	2,752
Gains and losses on the sale of property, plant and equipment as well as other non-payment income and expenses	-17,724	-4,606
Translation differences	800	671
	61,394	56,974

35 OPERATING LEASE COMMITMENTS

The company corrects previously presented comparison period figure for minimum lease payments. As a consequence, the amount of the minimum leases of irrevocable lease contracts as well as the operating lease liabilities of the year 2012 decreased by EUR 13.2 million.

EUR 1,000	31 Dec 2013	31 Dec 2012
Minimum leases of irrevocable lease contracts within		
One year or less	12,337	11,884
Over one year, but less than five years	26,116	27,228
Over five years	6,005	10,027
	44,458	49,139
Minimum leases of irrevocable lease contracts include operating lease commitments due within		
One year or less	5,144	5,655
Over one year, but less than five years	5,978	8,160
Over five years	562	748
	11,684	14,564

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

36 GUARANTEES AND COMMITMENTS

EUR 1,000	31 Dec 2013	31 Dec 2012
Pledged deposits		
For own commitments	17	19
Guarantees		
On behalf of associates and joint ventures	17,356	17,887
On behalf of consortiums and real estate companies	1,831	13,331
	19,186	31,217
Investment commitments	7,738	5,346

37 CONTINGENT LIABILITIES

In its decisions on 28 November 2013, the District Court of Helsinki ordered Lemminkäinen and other asphalt industry companies to pay damages related to the asphalt cartel to 35 plaintiffs. Lemminkäinen's share of the damages is EUR 49.3 million, which consists of damages ordered to only Lemminkäinen, Lemminkäinen's share of the damages ordered to be paid jointly and severally as well as expenses related to the damages. As, according to Lemminkäinen's estimate, some of the other defendants that have been ordered to pay damages jointly and severally will not be able pay the shares ordered to them by the District Court, Lemminkäinen will pay shares of damages and related expenses ordered to these defendants in the amount of approximately EUR 10.4 million.With regard to the court decisions, the company recorded EUR 59.7 million in expenses under its result in the 2013 financial statements. Most of the parties have applied for an extension to the appeal period, after which the appeal must be submitted by 31 March 2014.

In addition, the company has several other individual legal proceedings related to business operations, the outcome of which is uncertain. The company estimates that these legal proceedings will not have a material impact on the company's financial position.

38 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 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Sales of goods and services		
To associates and joint ventures	2,948	3,903
To a company under the influence of a key management person's family member	125	200
	3,074	4,103
Purchases of goods and services		
From associates and joint ventures	11,275	14,429

EUR 1,000	31 Dec 2013	31 Dec 2012
Balance of purchases/sales of goods and services		
Trade receivables		
From associates and joint ventures	28	2,200
From a company under the influence of a key management person's family member	125	200
	153	2,400
Trade payables		
To associates and joint ventures	212	218

Related-party transactions with associates and joint ventures are mainly asphalt works 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 associates and joint ventures is in note 39 and additional information on associates and joint ventures in note 11.

Remuneration of key management personnel

On the basis of a proposal submitted by the Remuneration Committee, the company'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.

In 2013, The Company booked social security costs of EUR 0.8 million (EUR 0.7 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 calculated on accrual basis and the performance and share-based rewards included in the figures are based on a year-end estimate.

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Short-term employee benefits	2,622	2,793
Post-employment benefits	835	752
Share-based payments	428	250
Other long term benefits	6	
	3,891	3,794

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.

The amount of the management's 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 2013 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.

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 2013 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. Board members living outside Finland receive an extra EUR 1,000 to their attendance fees.

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.

In 2013, the company incurred accrual based costs of EUR 88 thousand (EUR 99 thousand) from statutory pensions and EUR 249 thousand (EUR 196 thousand) from voluntary pensions of the CEO & President Timo Kohtamäki. The amount of the President & CEO's defined contribution pension benefit equals 40 per cent of his annual fixed salary. The company incurred no statutory or voluntary pension costs from the board members during the accounting or comparison period.

Other long term benefits

In 2013, EUR 6 thousand was recognised as expense in other long term benefits. These expenses arose from service year awards and anniversary gifts to related-party personnel. The awards and gifts comply with the group's HR practices. In 2012, no expenses were recognised in 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 2013 and 2012, no termination benefits were booked.

Share-based payments

The share-based incentive plan for the Group's key personnel comprises of performance-based and conditional rewards.

Performance based reward comprises of three earning periods, which are calendar years 2013, 2014 and 2015. The company's Board of Directors decides on the earning criteria and the targets to be set at the beginning of each period. Performance based compensation targets for 2013 were not met, and therefore no reward is paid.

In addition to the performance-based reward, the key personnel also have the opportunity to receive a conditional reward based on share ownership and a continuation of their employment or service contract. The conditional reward seeks to encourage the Group's key personnel to increase their holding in the company. The earning period for the conditional reward is the calendar years 2013–2015.

Share-based payments are described in more detail in the note 29.

39 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 Dec 2013					
Group undertakings					
Lemminkäinen Talo Oy, Helsinki	100.0	100.0	2,183,663	73,922	
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		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				4,932
FD-Entreprise ApS, Denmark	80.0				1,523
ICM International Construction Management, Hungary	100.0				684
Landvetterkrossen AB, Sweden	75.0				1,693
LEC Consultancy JLT,United Arab Emirates	100.0				62
Lemcon Argentina S.R.L, Argentina	100.0				5
LEMCON Baumanagement GmbH, Germany	100.0				26
Lemcon HR Oy, Helsinki	100.0				60
Lemcon Network Services Ltd, UK	100.0				19
Lemcon Norge As, Norway	100.0				12
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				3,663
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				236
Lemminkäinen International Oy, Helsinki	100.0				5
Lemminkäinen Norge AS, Norway	100.0				11,799
Lemminkäinen Polska Sp. Z.O.O, Poland	100.0				1,576
Lemminkäinen PPP Oy, Kuopio	100.0				3
Lemminkäinen Russia Oy, Helsinki	100.0				163
Lemminkäinen Sverige Ab, Sweden	100.0				12
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
Rekab Entreprenad Ab, Sweden	100.0				4,343
SIA Lemminkainen Latvija, Latvia	100.0				1,835
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				29,923
Total				159,565	94,925

Joint venture undertakings			
Genvej A/S, Denmark	50.0		201
Martin Haraldstad AS, Norway	50.0		735
Nordasfalt AS, Norway	50.0		568
Ullensaker Asfalt ANS, Norway	50.0		538
Total			2,042
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	
Property shares		793	1,065
Other shares and holdings		556	1,022
Total		1,676	2,087

PARENT COMPANY INCOME STATEMENT (FAS)

EUR 1,000	Note	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Net sales	1	42,487	38,337
Production for own use		904	1,757
Other operating income	2	67	38,179
Materials and services	3	234	-76
Personnel expenses	4	21,721	21,981
Depreciation	5	6,845	4,421
Other operating expenses		27,611	24,184
Operating profit/loss		-12,953	27,764
Finance income and costs	6	-8,516	-3,727
Profit/loss before extraordinary items		-21,468	24,036
Extraordinary items	7	-64,381	19,400
Profit/loss before taxes		-85,849	43,436
Direct taxes	8	17,461	-1,455
Profit for the financial year		-68,389	41,981

PARENT COMPANY BALANCE SHEET (FAS)

EUR 1,000	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non-current assets	9		
Intangible assets		19,312	16,953
Tangible assets		15,337	15,920
Holdings in Group companies		159,565	159,565
Other investments		1,676	1,676
		195,891	194,115
Current assets	10		
Non-current receivables		1,700	1,700
Deferred tax asset		16,125	
Current receivables		327,405	320,951
Financial securities		30,010	59,020
Cash in hand and at banks		28,358	8,299
		403,598	389,971
		599,489	584,086
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	11		
Share capital		34,043	34,043
Share premium account		5,675	5,675
Fair value reserve		-59	-421
Invested non-restricted equity fund		61,309	61,309
Retained earnings		116,340	86,121
Profit for the financial year		-68,389	41,981
		148,919	228,707
Provisions	12		
Other provisions		5,900	
Liabilities	13		
Deferred tax liabilities	10		1,215
Non-current liabilities		81,050	176,598
Current liabilities		363,620	177,566
		444,670	355,379
		599,489	584,086

PARENT COMPANY CASH FLOW STATEMENT (FAS)

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Cash flow from business operations		
Profit/loss before extraordinary items	-21,468	24,036
Adjustments		
Depreciation according to plan	6,845	4,421
Finance income and costs	8,516	3,727
Other adjustments	-39	-38,921
Cash flow before change in working capital	-6,146	-6,737
Change in working capital		
Increase(-)/decrease(+) in current interest-free business receivables	-22,818	8,233
Increase(+)/decrease(-) in current interest-free liabilities	-2,148	626
Cash flow from operations before financial items and taxes	-31,112	2,123
Interest and other finance costs paid	-31,648	-24,562
Dividends received	55	241
Interest and other finance income received	26,345	19,610
Direct taxes paid	-8	70
Cash flow from business operations	-36,367	-2,518
Cash flow from investments		
Investments in tangible and intangible assets	-8,672	-16,829
Proceeds from sale of tangible and intangible assets	77	1,244
Acquired subsidiary shares		-5
Disposed subsidiary shares		42,633
Cash flow from investments	-8,594	27,042
Cash flow from financing		
Increase(-)/decrease(+) in non-current receivables		235
Group contributions received	19,400	22,900
Change in Group receivables/liabilities	-5,281	22,712
Short-term loans drawn	270,621	215,744
Repayments of short-term loans	-246,975	-246,249
Long-term loans drawn	300,000	300,916
Repayments of long-term loans	-290,000	-264,715
Dividends paid	-11,755	-9,820
Cash flow from financing	36,010	41,723
Increase(+)/decrease(-) in cash and cash equivalents	-8,951	66,247
Cash and cash equivalents at begining of financial year	67,320	1,073
Cash and cash equivalents at the end of financial year	58,368	67,320

PARENT COMPANY'S ACCOUNTING PRINCIPLES, 31 DEC 2013

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 re-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 re-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.

RESEARCH AND DEVELOPMENT EXPENSES

R&D expenditure is expensed in the year during which it occurs.

DIRECT TAXES

Taxes calculated on the basis of the result 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 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Finland	42,419	38,337
Nordic countries	68	
	42,487	38,337

2 OTHER OPERATING INCOME

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Gain on sale of fixed assets	55	38,158
Others	12	21
	67	38,179

3 MATERIALS AND SERVICES

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Materials and supplies	196	
External services	38	-76
	234	-76

4 PERSONNEL, MANAGEMENT AND BOARD MEMBERS

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Personnel expenses		
Salaries, wages and emoluments	16,956	17,383
Pension expenses	3,920	3,941
Other staff costs	845	656
	21,721	21,981
Management salaries and emoluments		
Board members and the President and CEO	844	926
Average number of employees		
Salaried employees	303	316
Pension commitments concerning Board members and the President and CEO		
The retirement age of the President and CEO of Lemminkäinen Corporation is 60 years.		

Financials › Notes to the parent company financial statements (FAS) › 5 Depreciation

5 DEPRECIATION

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Intangible rights	3,502	1,409
Other capitalised expenditure	2,445	2,419
Buildings	770	436
Machinery and equipment	67	95
Other tangible assets	62	62
	6,845	4,421

Financials › Notes to the parent company financial statements (FAS) › 6 Finance income and costs

6 FINANCE INCOME AND COSTS

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Dividend income		
From others	55	242
Other interest and finance income		
From Group companies	15,524	14,441
From others	16,952	6,823
	32,477	21,264
Interest expenses and other finance costs		
To Group companies	-1,378	-1,452
To others	-39,669	-23,781
	-41,047	-25,233
Net finance income/costs	-8,516	-3,727
Finance income and costs include:		
Exchange gains and losses (net)	-6,105	-2,145
Change in fair value of currency derivatives (net)	1,197	452
Change in fair value of interest rate derivatives (net)	517	-357
Gains and losses from hedge accounting (net)	-503	-858

Financials › Notes to the parent company financial statements (FAS) › 7 Extraordinary items

7 EXTRAORDINARY ITEMS

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Extraordinary incomes, Group contributions	1,206	19,400
Extraordinary expenses, damages relate to legal proceedings	-65,587	
	-64,381	19,400

Financials › Notes to the parent company financial statements (FAS) › 8 Direct taxes

8 DIRECT TAXES

EUR 1,000	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Income taxes in respect of previous years	-1	-97
Change in the deferred tax liability	17,461	-1,358
	17,461	-1,455

9 NON-CURRENT ASSETS

EUR 1,000	31 Dec 2013	31 Dec 2012
Intangible assets		
Intangible rights	11,400	4,718
Other capitalised expenditure	532	2,978
Advance payments	7,380	9,258
	19,312	16,953
Tangible assets		
Land and water	6,034	6,034
Buildings	8,539	9,354
Machinery and equipment	130	197
Other intangible assets	273	335
Advance payments and work in progress	361	
	15,337	15,920
Investments		
Holdings in Group companies	159,565	159,565
Other shares and holdings	1,676	1,676
	161,241	161,241
Intangible assets		
Intangible rights		
Acquisition cost 1 Jan	7,912	3,663
Increases	10,189	4,444
Decreases	-81	-195
Acquisition cost 31 Dec	18,019	7,912
Accumulated depreciation 31 Dec	-6,619	-3,194
Book value 31 Dec	11,400	4,718
Other capitalised expenditure		
Acquisition cost 1 Jan	7,713	7,212
Increases		549
Decreases		-49
Acquisition cost 31 Dec	7,713	7,713
Accumulated depreciation 31 Dec	-7,180	-4,735
Book value 31 Dec	532	2,978
Advance payments		
Acquisition cost 1 Jan	9,258	2,526
Increases	7,810	8,903
Decreases	-9,689	-2,171
Acquisition cost 31 Dec	7,380	9,258
Tangible assets		
Land and water		
Acquisition cost 1 Jan	2,947	3,173
Decreases		-227
Acquisition cost 31 Dec	2,947	2,947
Revaluations	3,087	3,087
Book value 31 Dec	6,034	6,034

Buildings		
Acquisition cost 1 Jan	18,608	14,351
Increases		4,461
Decreases	-42	-204
Acquisition cost 31 Dec	18,566	18,608
Accumulated depreciation 31 Dec	-12,360	-11,632
Revaluations	2,333	2,378
Book value 31 Dec	8,539	9,354
Machinery and equipment		
Acquisition cost 1 Jan	957	1,008
Decreases	-9	-51
Acquisition cost 31 Dec	947	957
Accumulated depreciation 31 Dec	-817	-760
Book value 31 Dec	130	197
Other tangible assets		
Acquisition cost 1 Jan	1,323	1,358
Decreases		-35
Acquisition cost 31 Dec	1,323	1,323
Accumulated depreciation 31 Dec	-1,050	-989
Book value 31 Dec	273	335
Advance payments and construction in progress		
Acquisition cost 1 Jan		5
Increases	361	298
Decreases		-303
Acquisition cost 31 Dec	361	
Investments		
Holdings in Group companies		
Acquisition cost 1 Jan	159,565	165,999
Increaes		6
Decreases		-6,439
Acquisition cost 31 Dec	159,565	159,565
Other shares		
Acquisition cost 1 Jan	1,600	1,690
Decreases		-90
Acquisition cost 31 Dec	1,600	1,600
Revaluations	76	76
Book value 31 Dec	1,676	1,676
Revaluations		
Land		
Value 1 Jan	3,087	3,087
Value 31 Dec	3,087	3,087
Buildings		
Value 1 Jan	2,378	2,378
Decreases	-45	
Value 31 Dec	2,333	2,378

Shares		
Value 1 Jan	76	76
Value 31 Dec	76	76

10 CURRENT ASSETS

EUR 1,000	31 Dec 2013	31 Dec 2012
Non-current receivables		
Loan receivables from Group companies	1,700	1,700
Deferred tax asset		
From accruals and temporary differences	21,099	
Impact of change in tax rate	-3,875	
	17,224	
Deferred tax liability		
From revaluations	1,347	1,358
Other temporary differences		-143
Change in tax rate	-247	
	1,099	1,215
Deferred tax asset (+) and liability (-), total	16,125	-1,215
Current receivables		
Receivables from parties outside the Group		
Trade receivables	258	357
Loan receivables	413	
Other receivables	3,444	7,944
Accrued receivables	1,577	1,396
	5,692	9,697
Receivables from Group companies		
Trade receivables	4,350	6
Trade receivables	302,932	309,007
Accrued receivables	14,431	2,242
	321,713	311,255
Current receivables, total	327,405	320,951
Items included in accrued receivables		
Accrued interest	11	60
Taxes	5	3
Deferred personnel expenses	344	375
Others	1,218	958
	1,577	1,396

11 SHAREHOLDERS' EQUITY

EUR 1,000	31 Dec 2013	31 Dec 2012
Share capital 1 Jan	34,043	34,043
Share capital 31 Dec	34,043	34,043
Share premium account 1 Jan	5,675	5,675
Share premium account 31 Dec	5,675	5,675
Invested non-restricted equity fund 1 Jan	61,309	60,997
Increases		312
Invested non-restricted equity fund 31 Dec	61,309	61,309
Fair value reserve 1 Jan	-421	-940
Change in fair value of hedging instruments	504	666
Change in fair value of financial securities	-20	20
Transfer to deferred tax liability	-122	-168
Fair value reserve 31 Dec	-59	-421
Retained earnings 1 Jan	128,102	96,154
Dividends paid	-11,762	-9,825
Transfer from revaluations reserve		-209
Retained earnings 31 Dec	116,340	86,121
Profit for the financial year	-68,389	41,981
Shareholders' equity, total	148,919	228,707
Distributable funds 31 dec	109,260	189,411

12 PROVISIONS

EUR 1,000	31 Dec 2013	31 Dec 2012
Litigation provision	5,900	

Financials › Notes to the parent company financial statements (FAS) › 13 Liabilities

13 LIABILITIES

EUR 1,000	31 Dec 2013	31 Dec 2012
Non-current liabilities		
Loans from financial institutions	10,000	26,164
Pension loans	1,956	21,503
Bonds		59,836
Hybrid bond	69,095	69,095
	81,050	176,598
Current liabilities		
Loans from credit institutions	5,751	15,267
Pension loans	19,555	22,759
Bonds	59,931	
Commercial papers	150,205	86,847
Trade payables	1,530	1,448
Trade payables to Group companies	184	
Accrued liabilities to Group companies	165	307
Other liabilities to Group companies	52,980	38,543
Other liabilities	66,755	3,051
Accrued liabilities	6,563	9,343
	363,620	177,566
Items included in accrued liabilities		
Accrued interests	2,925	3,100
Accrued personnel expenses	3,013	5,111
Others	625	1,132
	6,563	9,343

Financials › Notes to the parent company financial statements (FAS) › 14 Guarantees and commitments

14 GUARANTEES AND COMMITMENTS

EUR 1,000	31 Dec 2013	31 Dec 2012
Guarantees		
On behalf of Group companies	438,185	371,118
On behalf of associates and joint ventures	17,356	17,887
On behalf of consortiums and real estate companies	1,831	13,331
	457,371	402,335
In addition, Lemminkäinen Corporation has set one guarantee without maximum amount on behalf of its subsidiary.		
Lease liabilities		
Payable next year	7,906	7,181
Payable in subsequent years	19,127	21,820
	27,034	29,001
Derivative contracts		
Forward foreign exchange contracts		
Nominal value	113,435	110,470
Fair value	852	-372
Interest rate swap contracts		
Nominal value	45,751	57,174
Fair value	41	-1,023

FINANCIAL INDICATORS (IFRS)

EUR million	2013	2012	2011	2010 *	2009
Net sales	2,218.2	2,267.6	2,183.9	1,829.6	1,965.5
Operations outside Finland	929.0	897.3	780.3	543.5	527.6
% of net sales	41.9	39.6	35.7	29.7	26.8
Operating profit	-90.9	50.4	44.0	29.6	23.2
% of net sales	-4.1	2.2	2.0	1.6	1.2
Profit before taxes	-117.5	29.1	25.0	7.6	-10.2
% of net sales	-5.3	1.3	1.1	0.4	-0.5
Profit for the financial year attributable to the equity holders of the parent company	-93.7	43.9	34.7	0.3	-26.2
% of net sales	-4.2	1.9	1.6	0.0	-1.3
Non-current assets	362.5	343.8	351.0	315.1	301.6
Inventories	504.4	494.4	448.5	376.0	374.7
Financial assets	475.8	465.3	443.3	370.9	375.2
Equity	324.0	441.8	348.7	325.2	267.4
Non-controlling interest	0.6	0.4	1.7	5.1	23.2
Interest-bearing liabilities	407.6	371.2	431.6	375.5	399.1
Interest-free liabilities	611.0	490.6	460.7	356.2	361.7
Balance sheet total	1,342.7	1,303.5	1,242.8	1,062.0	1,051.5
Return on equity, %	-24.4	11.1	10.5	0.4	-7.6
Return on investment, %	-9.4	10.8	10.8	7.0	5.5
Equity ratio, %	27.3	37.2	30.8	35.0	30.7
Gearing, %	100.8	62.8	114.5	105.7	111.7
Interest-bearing net liabilities	326.5	277.3	401.2	349.2	324.7
Gross investments	71.2	64.5	84.0	59.6	41.5
% of net sales	3.2	2.8	3.8	3.3	2.1
Order book Dec 12.	1,821.3	1,443.9	1,400.4	1,226.4	1,064.5
Personnel on average	7,823	8,180	8,421	8,314	8,626

The effects of changes in accounting principles to the financial indicators have been adjusted for the period when the new accounting principle became applicable as well as for the preceding accounting period. Correspondingly, 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.

* The figures include the assets held for sale and related liabilities.

SHARE-RELATED FINANCIAL INDICATORS (IFRS)

	2013	2012	2011	2010	2009
Basic earnings per share (EPS), EUR	-5.06	2.04	1.77	0.02	-1.54
Diluted earnings per share (EPS), EUR	-5.06	2.03	1.77	0.02	-1.54
Equity per share, EUR	16.52	22.56	17.75	16.55	15.71
Dividend per share, EUR	0.00 *	0.60	0.50	0.50	0.00
Dividend per earnings, %	0.0	26.9	28.3	over hundred	0.0
Effective dividend yield, %	0.0	4.2	2.7	1.9	0.0
Price per earnings (P/E)	-3.0	7.0	10.6	1,664.4	-15.7
Share price, EUR					
average	15.57	16.48	22.86	24.73	21.38
lowest	13.74	13.95	17.08	21.21	13.30
highest	16.97	20.50	27.37	30.00	30.30
at end of financial year	15.20	14.28	18.72	26.00	24.20
Market capitalisation at year end, EUR mill.	298.2	280.6	367.8	510.8	411.9
Share trading (NASDAQ OMX Helsinki), 1,000 shares	1,758	992	3,367	4,172	1,918
% of shares issued	9.0	5.1	17.1	21.8	11.3
Weighted average number of shares, 1,000	19,579	19,565	19,645	19,124	17,021
Number of shares at end of period, 1,000	19,650	19,650	19,645	19,645	17,021
Number of treasury shares	34,915	509			

The effects of changes in accounting principles to the financial indicators have been adjusted for the period when the new accounting principle became applicable as well as for the preceding accounting period. Correspondingly, 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.

* 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 the period

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 109,260,176.77, consisting of EUR 116,339,972.89 in retained earnings from previous years and EUR -68,388,713.00 in profit for the financial year.

The Board of Directors will propose to the AGM that the company will not pay a dividend for the financial year ended 31 December 2013, and thus retained earnings would stand at EUR 47,951,259.89.

Helsinki, 6 February 2014

Berndt Brunow	Juhani Mäkinen	Noora Forstén
Finn Johnsson	Kristina Pentti-von Walzel	Heikki Räty
		Timo Kohtamäki President & CEO

AUDITOR'S REPORT

(Translation from the Finnish Original)

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, 2013. 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, 21 February 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Kim Karhu
Authorised Public Accountant