



# Lemminkäinen Corporation Investor presentation

March 2012

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# Lemminkäinen in brief and its markets

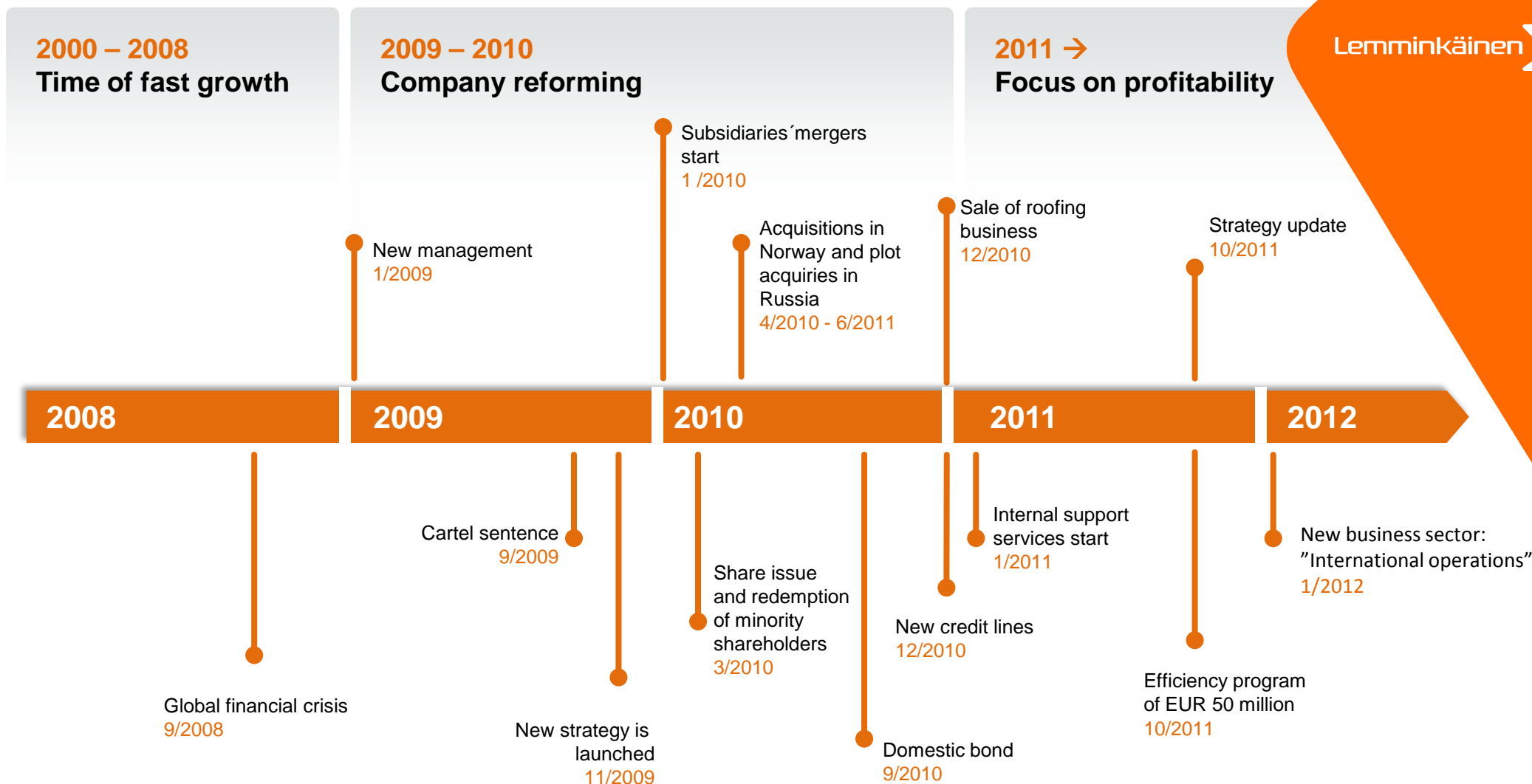
# Lemminkäinen in brief

Figures in 2011	
Net sales	€ 2,274.1 million
EBIT	€ 53.5 million
EBIT-%	2.4%
Pre-tax profit	€ 34.6 million
Earnings per share	1.77 €
Dividend per share	0.50 € <sup>*)</sup>
Personnel on average	8,421
Return on investment	10.8%
Equity ratio	30.8%
Gearing	114.5%
Interest bearing net debt (31.12.2011)	€ 401.2 million
Order book (31.12.2011)	€ 1,400.4 million
Market cap (22.2.2012)	€ 387 million

<sup>\*)</sup> Board of Directors' proposal to AGM



# Towards one unified Lemminkäinen



# Lemminkäinen's three business sectors –

## New business sector in 2012: International operations



### Building construction

**OPERATIONS:**

- residential construction
- non-residential construction
- renovation
- property development

**STRATEGIC ROLE:**

Investing capital in own development generates profit in a favourable economic climate

**STRENGTHS:**

Local presence, life-cycle models, building information modelling (BIM), reputation for reliability and good quality in St. Petersburg



### Infrastructure construction

**OPERATIONS:**

- paving and mineral aggregates
- special contracting
- road and railway construction
- maintenance
- concrete products and construction

**STRATEGIC ROLE:**

Steady result in all economic climates

**STRENGTHS:**

An expert in infrastructure construction, that can also handle major projects



### Technical Building Services

**OPERATIONS:**

- Installation and maintenance of technical building and property systems, telecom network construction

**STRATEGIC ROLE:**

Maintenance and upkeep services generate uninterrupted cash flow

**STRENGTHS:**

Wide business portfolio, life-cycle expertise and energy-efficient solutions, nationwide coverage, experience in implementing demanding projects

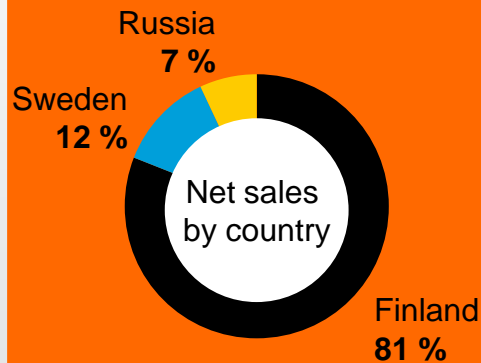


# Lemminkäinen's three business sectors –

## New business sector in 2012: International operations

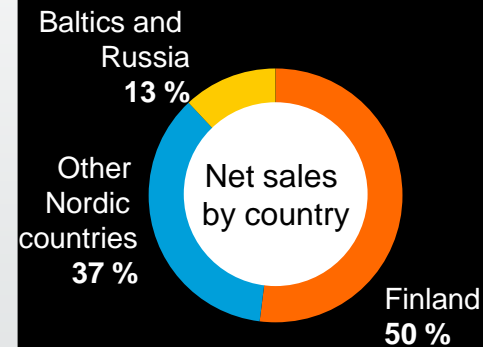


### Building construction



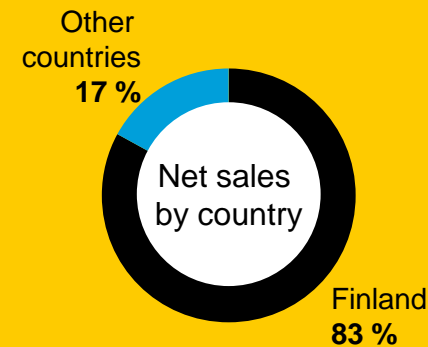
Net sales EUR 894 mill. (38%)  
EBIT EUR 16 mill. (19%)

### Infrastructure construction



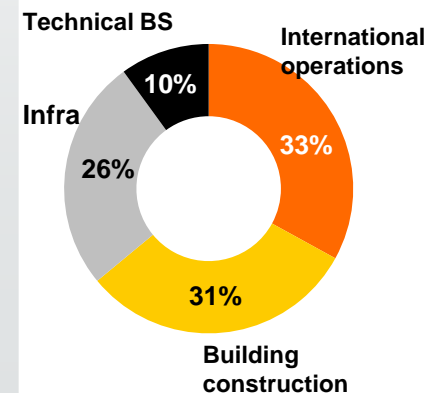
Net sales EUR 1,179 mill. (50%)  
EBIT EUR 64 mill. (75%)

### Technical building services

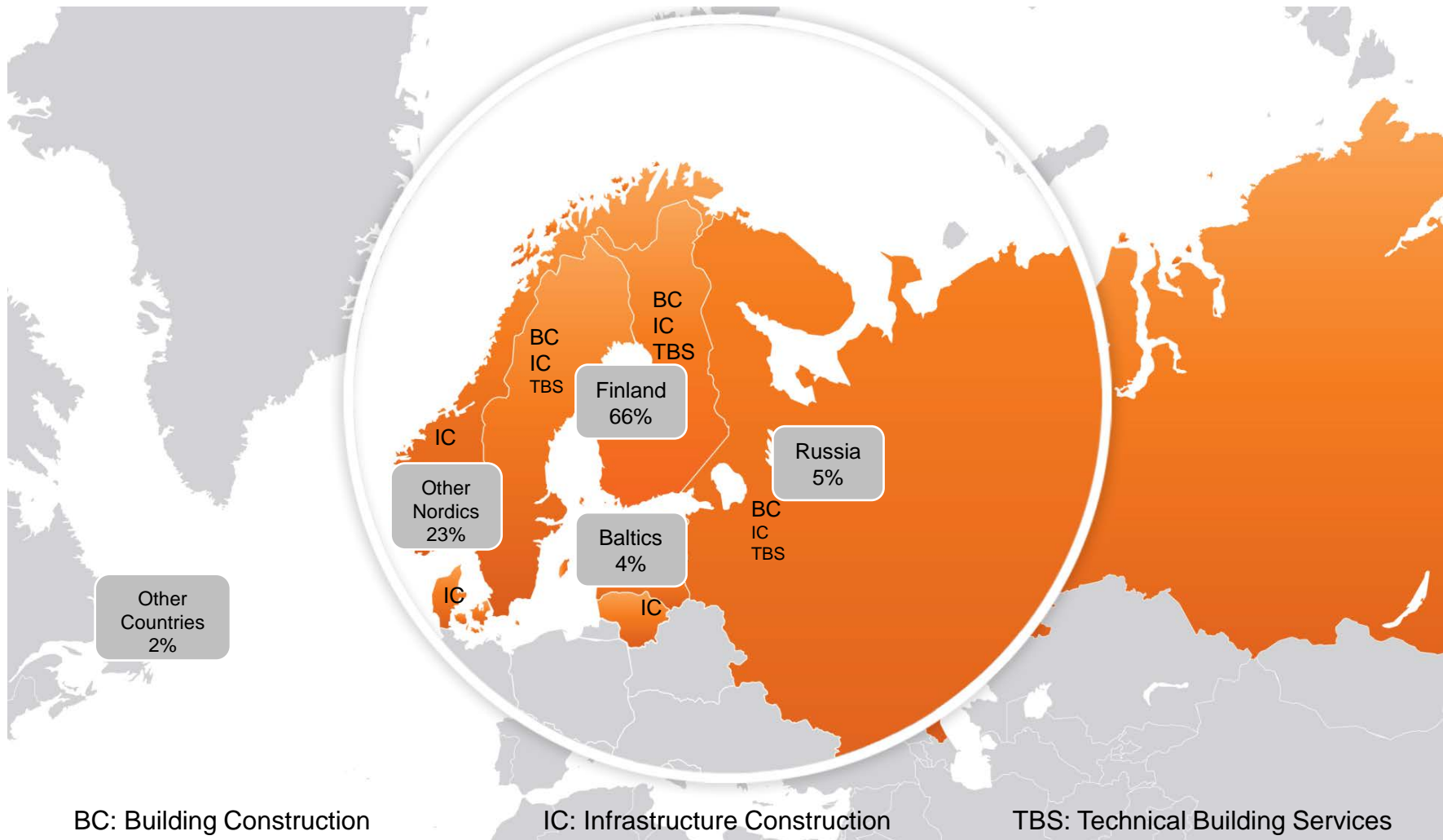


Net sales EUR 294 mill. (12%)  
EBIT EUR 5 mill. (6%)

New segment division as beginning of January 2012\*):



# Lemminkäinen's key market areas are Nordic countries, Russia and Baltic countries





# Lemminkäinen's markets

Business area	Country/Region	MKT SIZE, €million	Lemminkäinen's share, %	Main competitors
Residential construction, new	Finland	6 100	10%	YIT, Skanska, NCC, SRV, Peab
	St. Petersburg	3 000	1%	Russian local companies, YIT, NCC
Non-residential construction, new	Finland	6 406	5%	YIT, SRV, Skanska, NCC
Building construction Renovation	Finland	10 015	2%	YIT, NCC, Skanska
Infrastructure construction	Finland	5 300	10-15%	NCC, YIT, Skanska, Destia, Peab, Kalliorakennus-yhtiöt
	All Nordic countries <sup>*)</sup>	30 200	3-5%	See above + Veidekke, Strabag
Paving	All Nordic countries	23,6 asphalt tons	20-25%	NCC, Veidekke, Skanska, Peab
	All Baltic countries	4,3 asphalt tons	15%	Several local companies
Technical Building Services	Finland	4 300	5-7%	YIT, ARE, several small companies

Source: Euroconstruct December 2011, Company's own estimation

<sup>\*)</sup> Finland, Sweden, Norway and Denmark

# Lemminkäinen's strategy

Strategy period 2010 – 2013

Strategy updates 10/2011

# Lemminkäinen's strategy

## Focus areas for strategy period 2010 - 2013

### Improvement of financial position

- Strategy update on October 2011
- Efficiency programme
- Net working capital project

### Developing business areas

- Nordic infrastructure construction
- Russian residential construction
- Renovation and technical building services in building construction

### One unified Lemminkäinen

- One Lemminkäinen brand
- Internal support functions centralization

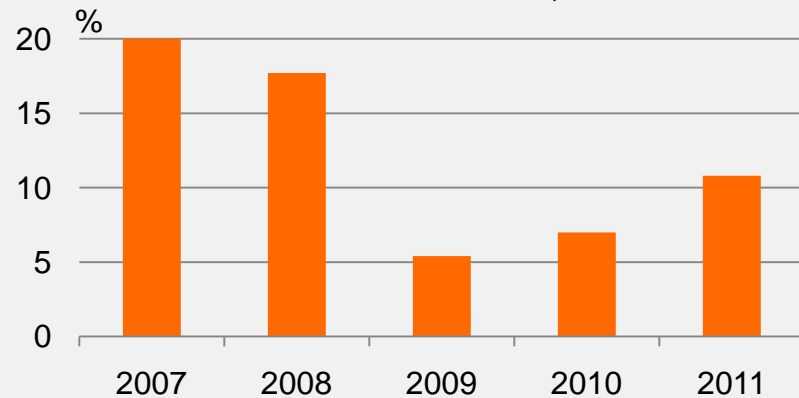


# Long term financial targets

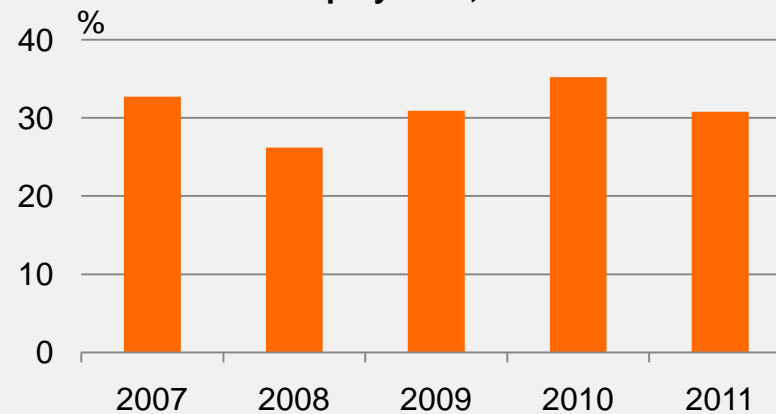
- Return on investment > 18%
- Annual Net sales growth > 10 %

- Equity ratio at least 35%
- Dividend/EPS –ratio at least 40 %

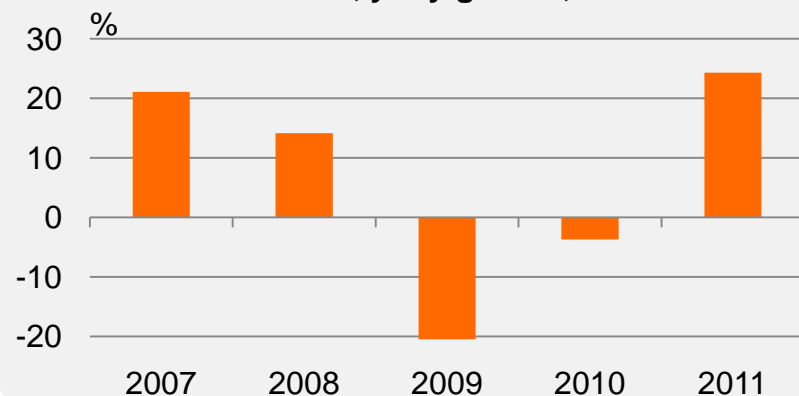
Return on investment, %



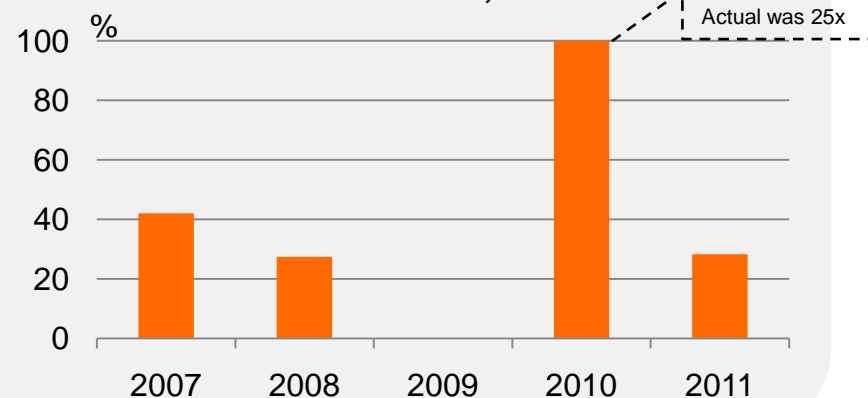
Equity ratio, %



Net sales, y-o-y growth, %



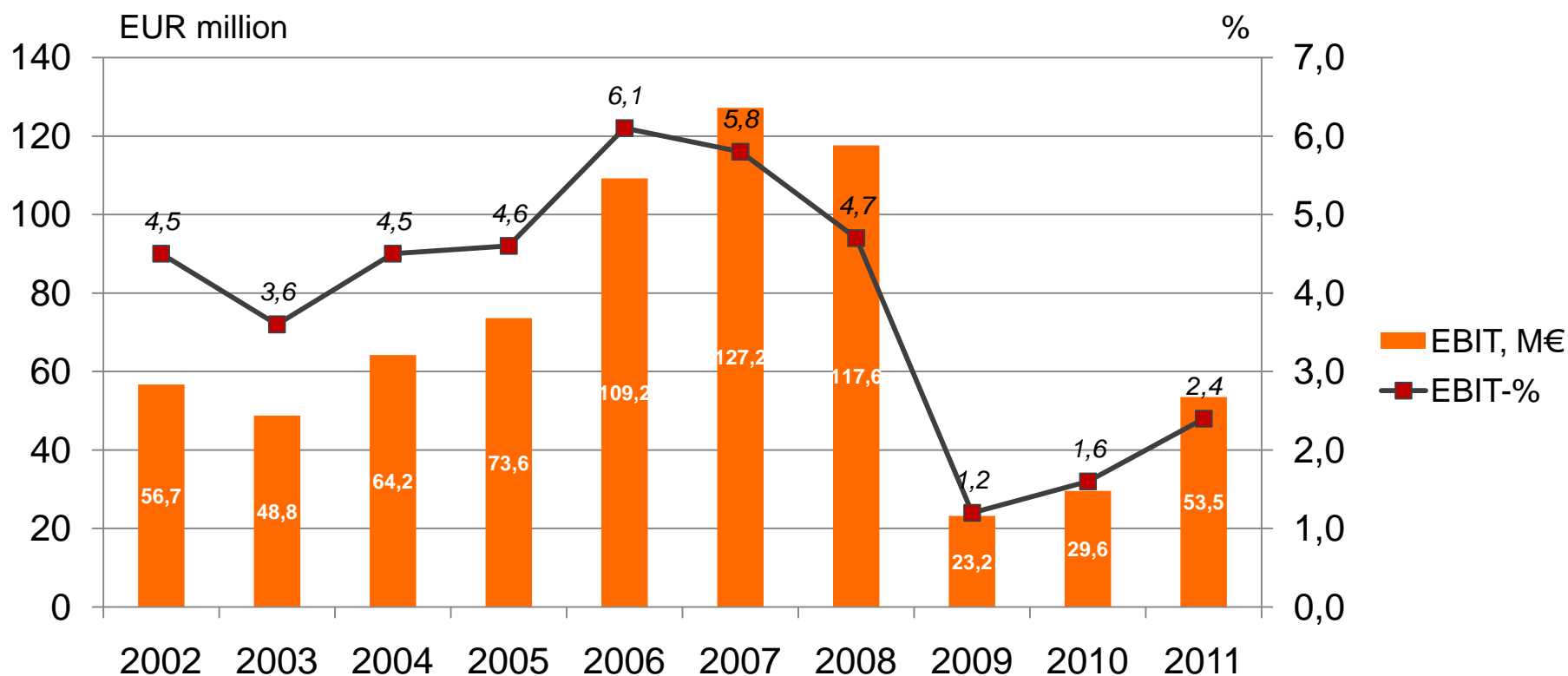
Dividend/EPS, %



# #1 Priority: Improvement of financial position

## Key focus areas:

- Efficiency programme → EUR 50 million cost savings
- Optimization of capital efficiency
- Focus from project management to own development



# EUR 50 million savings with the efficiency programme after 2013

Annual cost savings of **EUR 50 million**

**EUR 20 million**

Development of own operations, streamlining management and administrative structures

**EUR 30 million**

Increasing the procurement efficiency

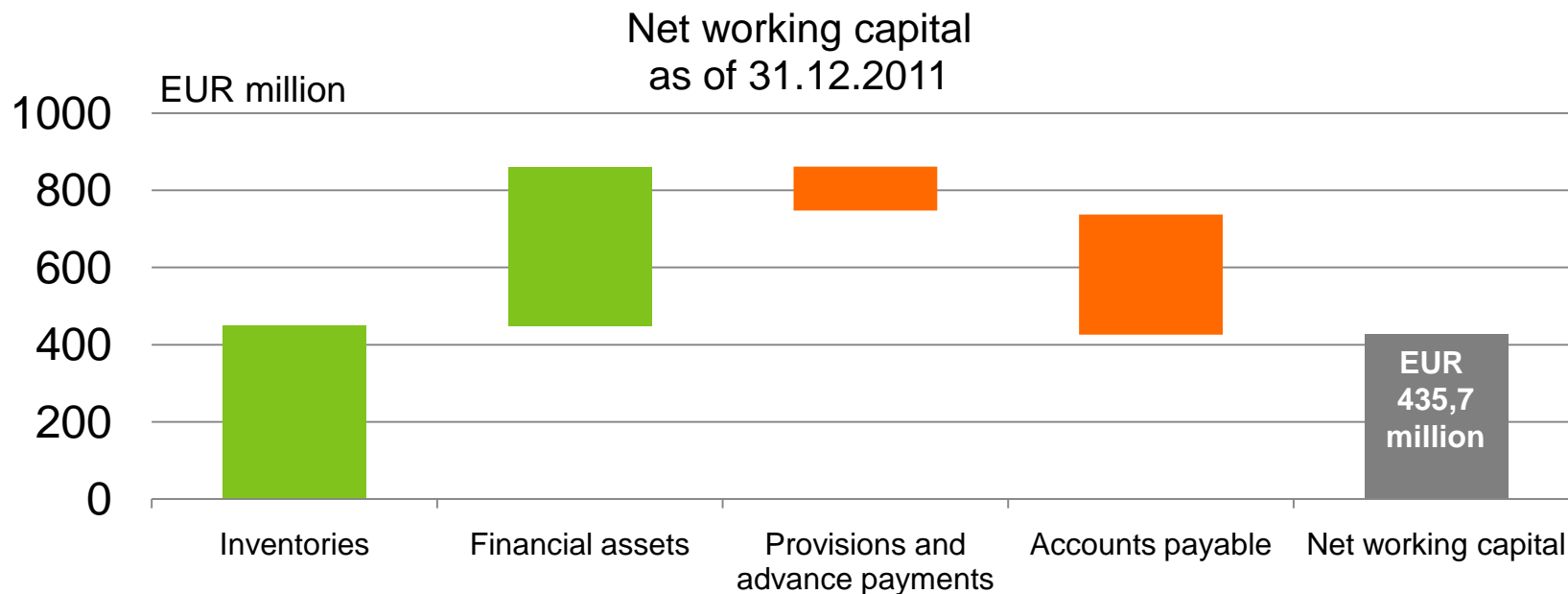


# Optimization of capital efficiency

**Target is to reduce net working capital by approximately EUR 100 million by the end of the 2013**

## Areas of improvement:

- Increasing the efficiency of procurement
- Cycle time optimization of accounts payable and accounts receivable
- Enhanced land acquisition
- Effective cash management etc.



# Strategy updates in 2011

- Focus of business operations to segments with better profitability
- Growth, particularly in international operations

## Finland:

Main focus in improving profitability and competitiveness

Share of own residential development > **50%**  
(2011: **approximately 30%**)

Share of services in Technical Building Services operations **50%**  
(2011: **approximately 30%**)

## International operations: Source of growth

1,000 residential unit start-ups in St. Petersburg annually

Infrastructure operations in Norway, Denmark and Sweden + EUR 100 million

The background is a close-up photograph of a red fire hose with a metal coupling. The hose is coiled, and the coupling is a silver-colored metal with a knurled section. The image is dark and moody, with the red of the hose standing out.

# Lemminkäinen Full Year Result 2011



# 2011 Highlights:

- Stronger competitiveness: Improved profitability and order book growth
- Growth fuelled by infrastructure construction, particularly operations in Norway and Denmark
- Profitable growth sought for with efficiency programme and international operations



# Operating environment for construction in 2011

## Finland

- Rising input costs impacted also the construction sector
- The housing market was steady throughout the year
- Non-residential construction grew moderately
- Infrastructure construction saw healthy demand for rock engineering, mineral aggregates and concrete products
- Market for technical building services picked up

## Other markets

- Strong market for paving in Norway and Denmark
- Demand for special contracting in infrastructure construction in Sweden
- Increased demand for construction in the Baltic countries
- Need for new residential units in Russia; new apartment prices up by 8% in 2011

# Results improved markedly in 2011

EUR million (IFRS)	Q4/2011	Q4/2010 <sup>2)</sup>		2011 <sup>1)</sup>	2010 <sup>2)</sup>	
Net sales	659	504	↑	2,274	1,830	↑
EBIT	9.2	5.3	↑	53.5	29.6	↑
EBIT-%	1.4	1.1	↑	2.4	1.6	↑
Pre-tax profit	3.0	0.1	↑	34.6	7.6	↑
Earnings from discontinued operations		-0.5		11.3	-0.6	
Net profit	-0.1	-1.9	↑	35.6	1.2	↑
Earnings per share, EUR	-0.03	-0.14	↑	1.77	0.02	↑
Cash flow from operations	-20.8	45.1	↓	-7.1	-37.2	↑
Order book (at end of period)				1,400	1,226	↑
Personnel (average)				8,421	8,314	↑

<sup>1)</sup> 2011:

Earnings improved by recognition of EUR 11 million in goodwill

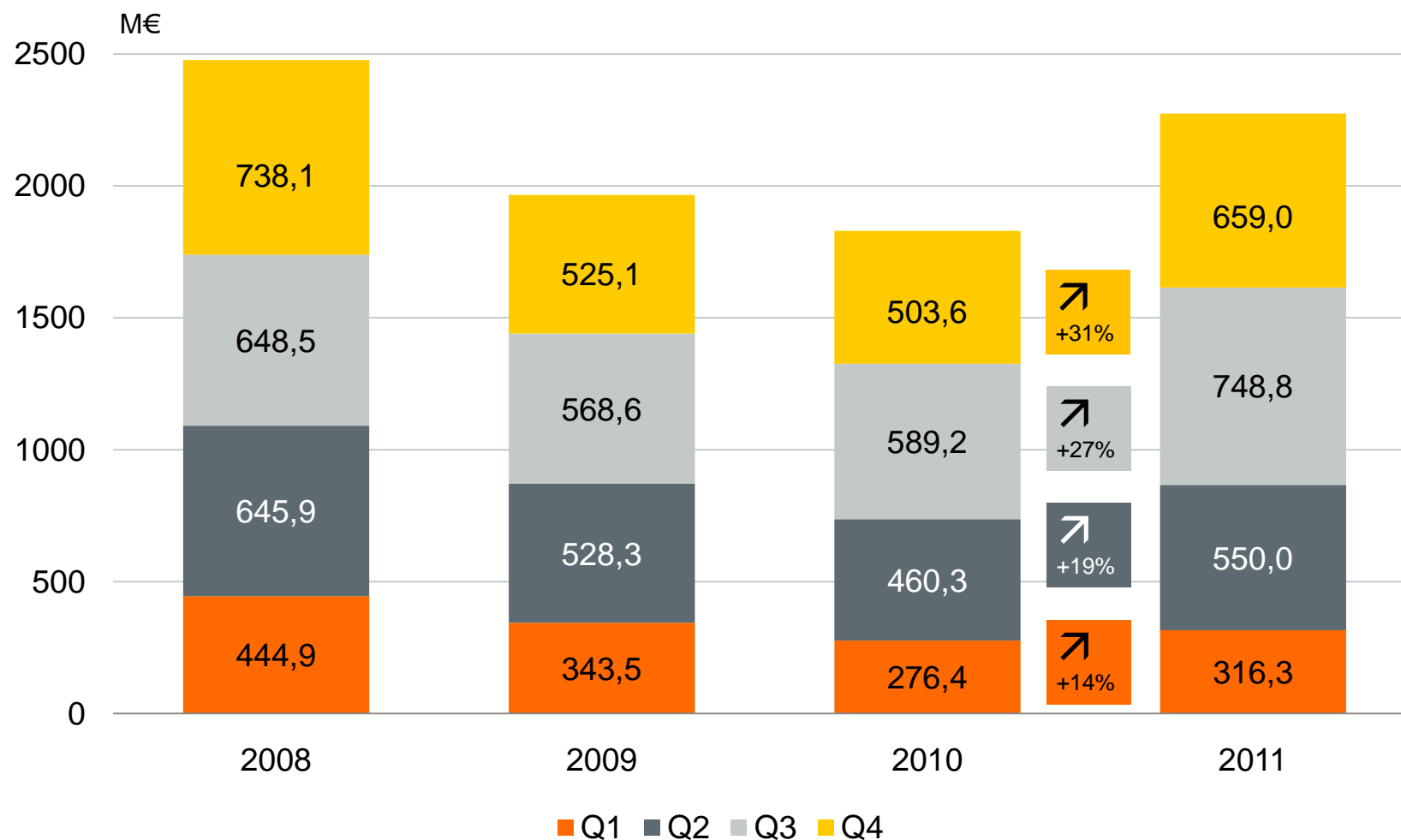
<sup>2)</sup> Q4/2010 and 2010

Neither EBIT nor pre-tax profit include capital gains from the sale of the roofing business (EUR 15.3 million)

Earnings include profits from outsourcing vehicles and machinery

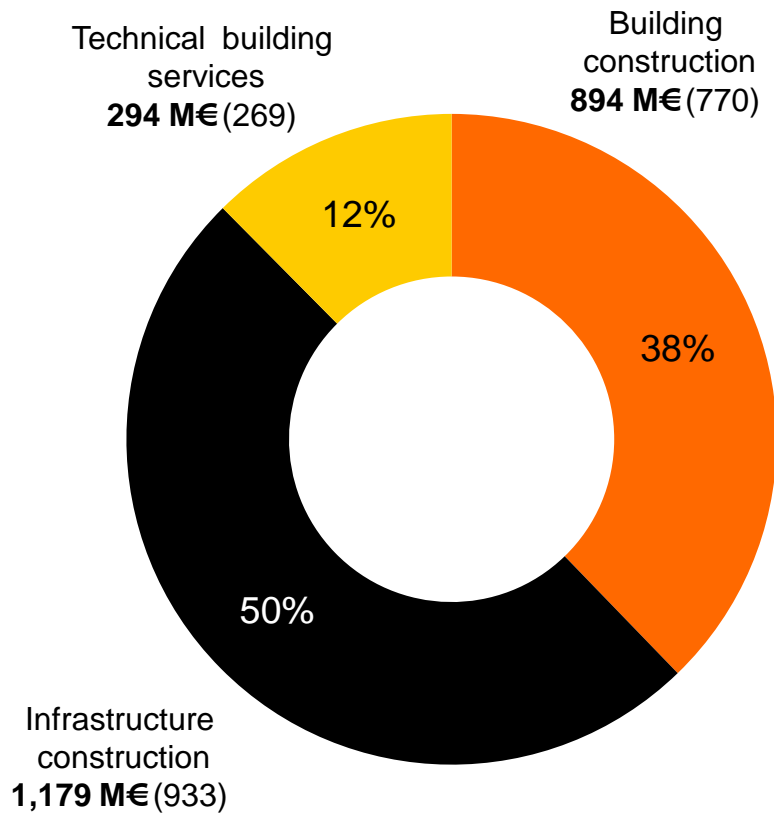


# Net sales in 2011 grew in every quarter

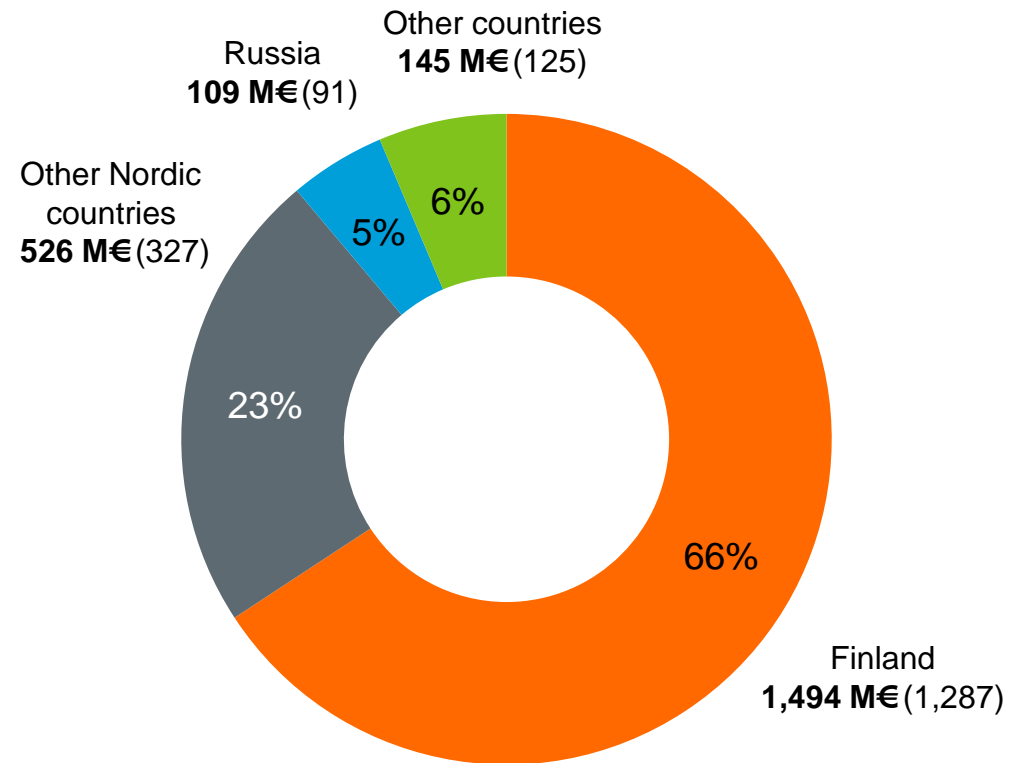


# Half of net sales from infrastructure construction, international operations account for 34%

**Net sales by business sector  
1-12/2011**



**Net sales by country  
1-12/2011**



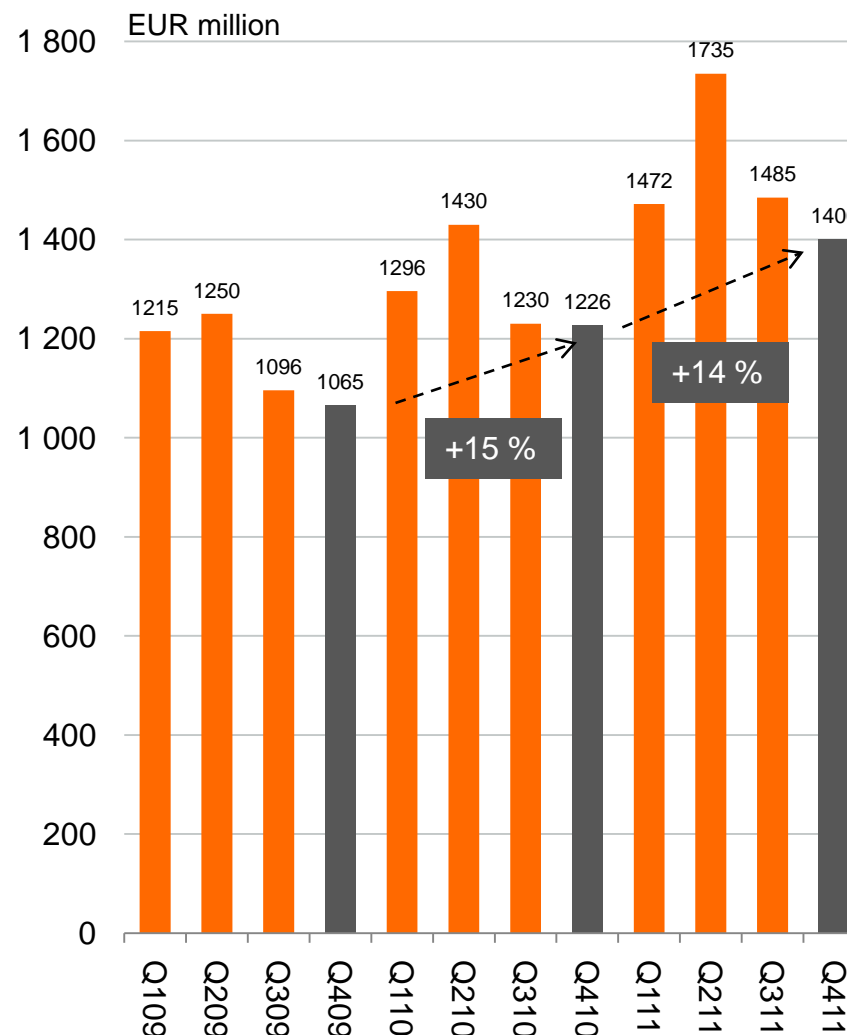
# The strengthening of Lemminkäinen's competitiveness was evident in the order book

**Group order book was EUR 1.4 billion**

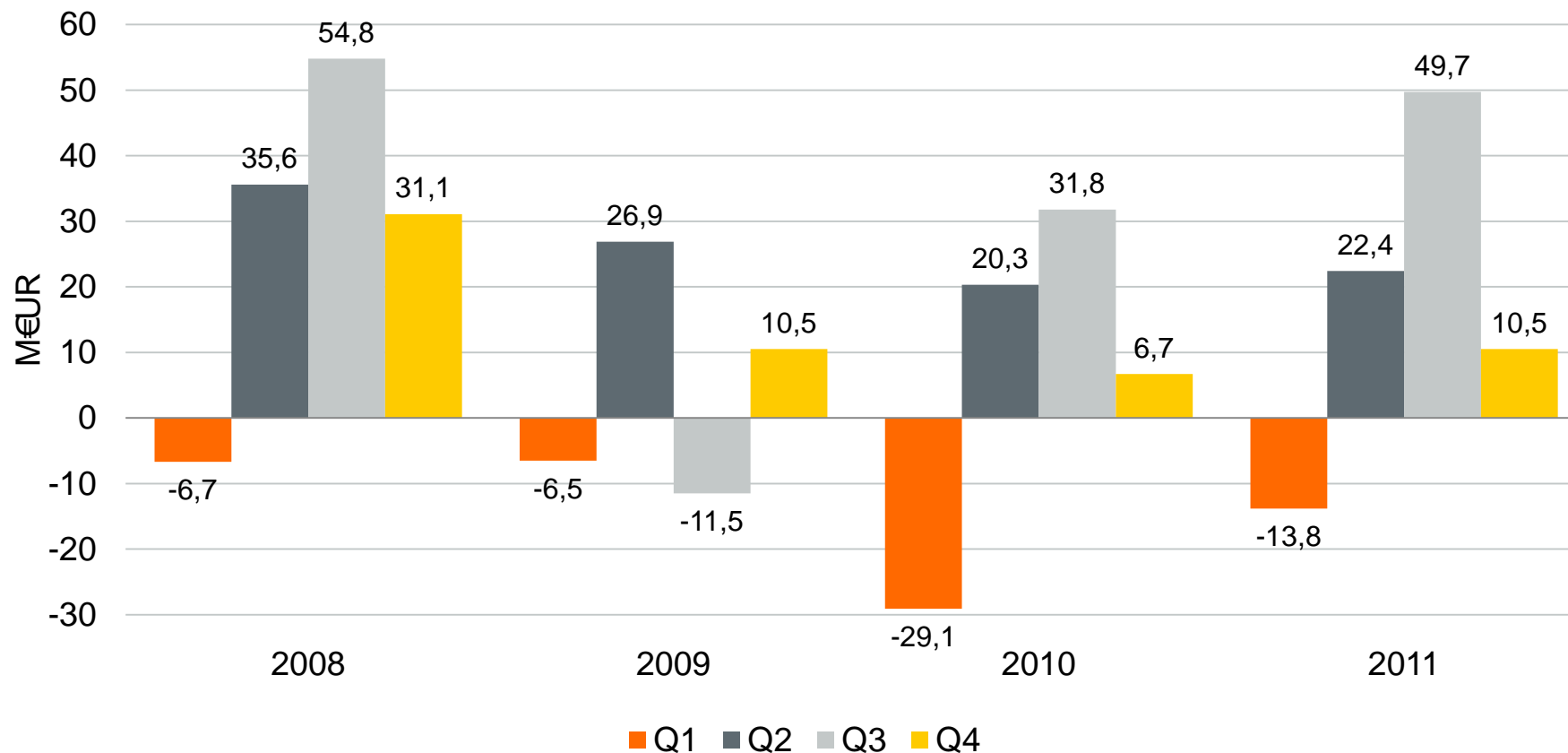
- Finland: EUR 918 million
- Other countries: EUR 483 million

The Finnish order book boosted mainly because of special contracting in infrastructure construction

Growth of the international order book was due to residential development in Russia and paving operations in Norway and Estonia



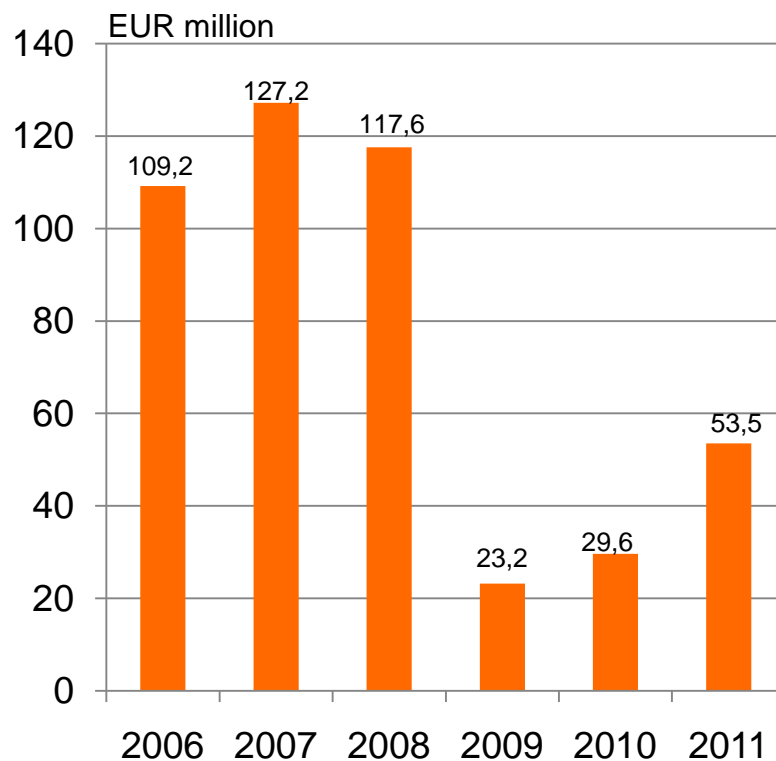
# Operating profit for business sectors in 2011 improved in every quarter



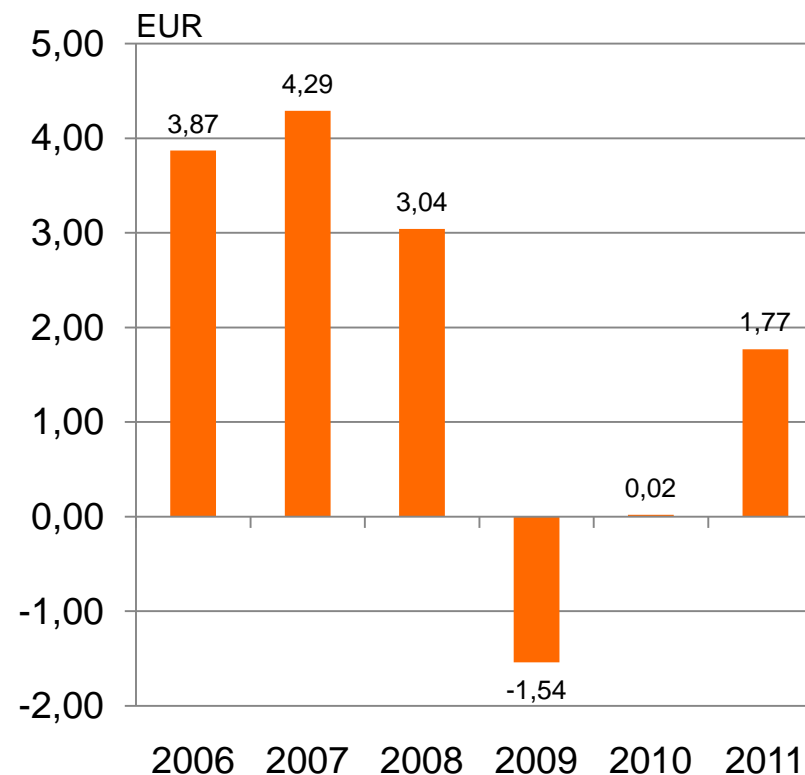
Q3/2009: Earnings were weakened by EUR 54 million infringement fine imposed by the SAC  
 Q1-Q3/2011: Earnings were improved by recognition of EUR 11.0 million in goodwill and EUR 15.3 million in capital gains from the sale of the roofing business

# Profitability moves in the right direction

## EBIT 2006-2011



## Earnings per share 2006-2011



2009 earnings were weakened by EUR 54 million infringement fine imposed by the SAC  
2011 EBIT does not account for the sale of the roofing business, impact is seen on earnings per share



# In 2011, a total of 1,612 residential start-ups in Finland; in St. Petersburg, a project for 400 apartments kicked off

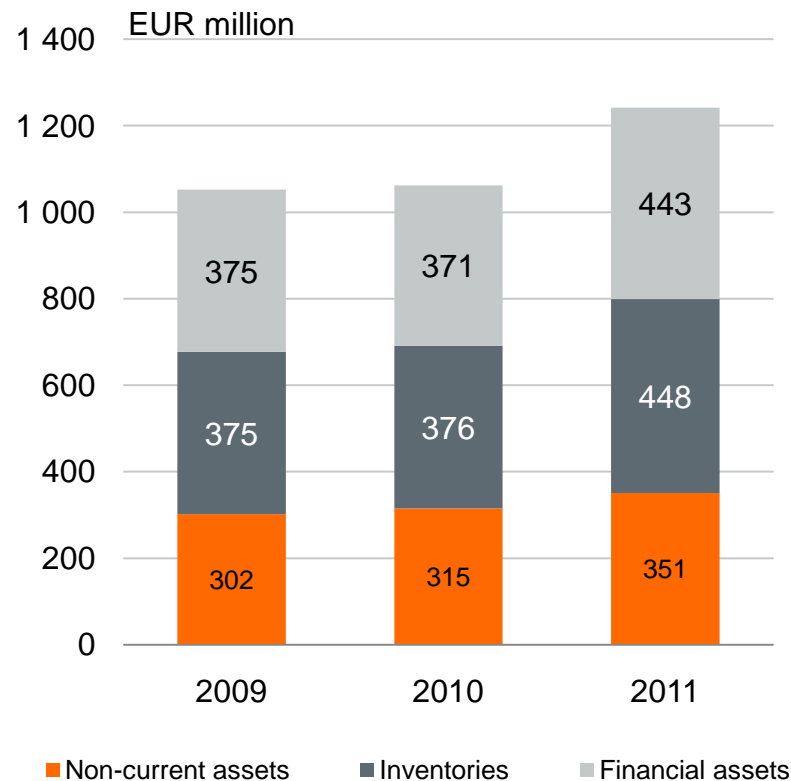
- Two thirds of the residential start-ups in Finland were own development (2010: 45%, 2009: 24%)
- A project for 150 residential units was completed in St. Petersburg where a new, 400 unit site also kicked off
- Lemminkäinen estimates that it will start up the construction of about 1,000 units in its own residential development in Finland in 2012

	FINLAND				RUSSIA (St. Petersburg)		
	2011	2010	2009		2011	2010	2009
Housing start-ups (own development)	1 076	1 004	351		404	154	0
Housing starts (contracted units)	536	1 248	1 090				
Housing units sold	914	911	771		194	276	133
Completed	1 077	418	533		154	498	104
Under construction at end of period,	989	991	405		404	154	479
-of which unsold	483	439	193		404	154	367
Completed and available for sale	224	110	263		82	122	22

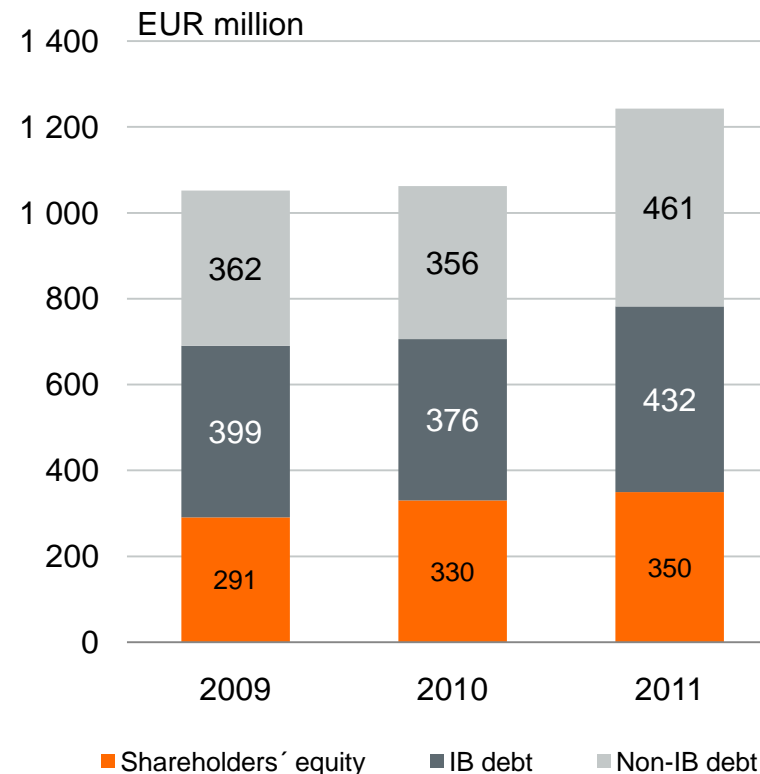
Housing units sold, completed, under construction and available for sale are all own development

# Balance sheet grew due to increased operational volumes and capital invested in own residential development

## Assets



## Debt and shareholders' equity

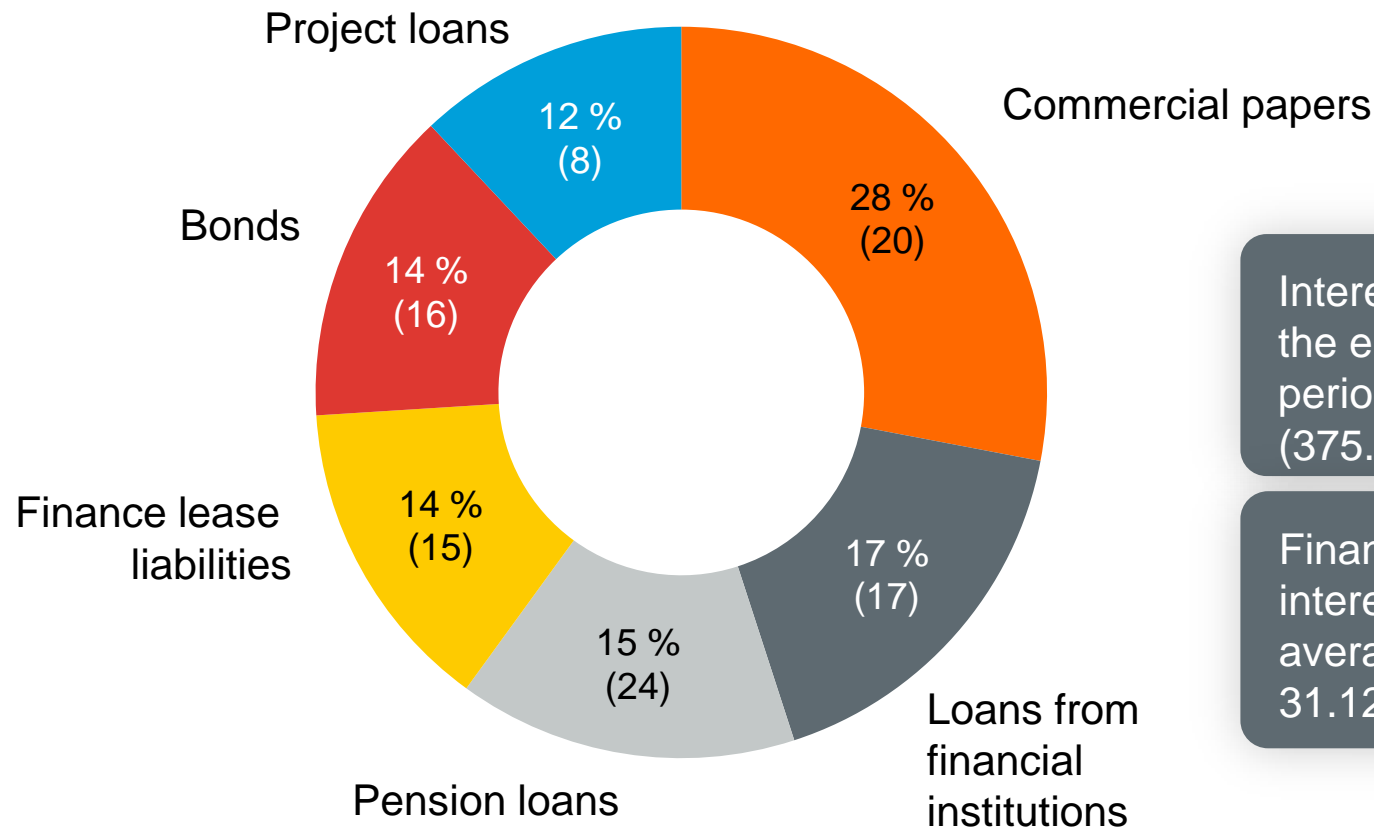


# Balance sheet indicators

Balance sheet indicators	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009
Balance sheet total, EUR million	1,242.8	1,062.0	1,051.5
Net working capital, EUR million	435.7	388.6	337.7
Cash funds, EUR million	30.4	26.3	74.4
Interest-bearing net debt, EUR million	401.2	349.2	324.7
Return on investment, %	10.8	7.0	5.5
Equity ratio, %	30.8	35.0	30.7
Gearing, %	114.5	105.7	111.7

# Lemminkäinen's loan portfolio

## Loan distribution as of 31 December 2011 (31 Dec. 2010)

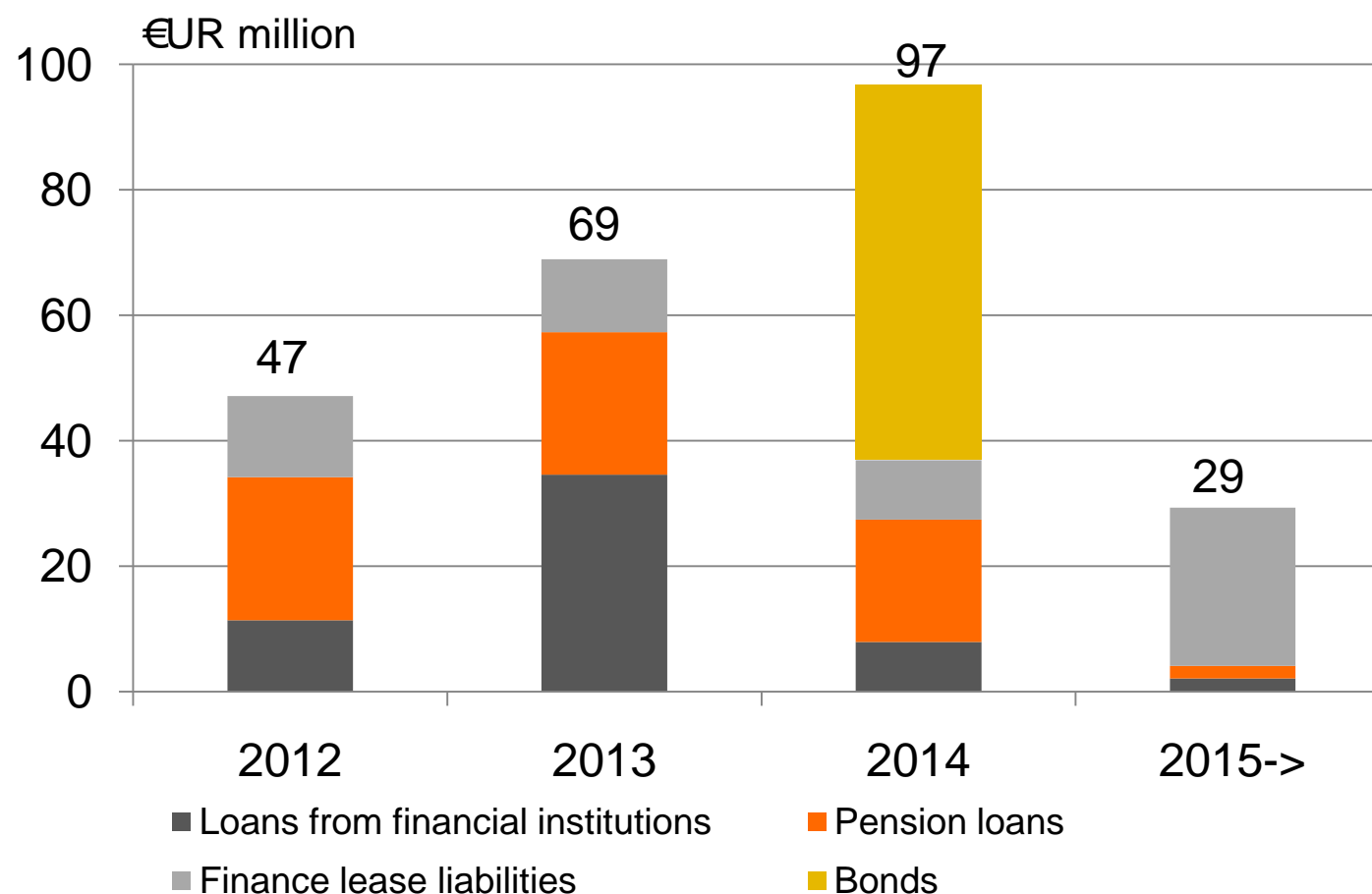


Interest-bearing debt at the end of the review period: EUR 431.6 million (375.5)

Financial expenses for all interest-bearing debt, on average: 3,4% as per 31.12.2011.

# Debt maturity profile

## Maturity profiles for long-term debt<sup>\*)</sup>



<sup>\*)</sup> debt with maturity of one year or more at the time the loan was drawn

In addition, a total of EUR 190 million in short-term debt (project loans, commercial papers and loans from financial institutions) matures in 2012.

On 31 December 2011, the company had unused committed credit limits in the amount of EUR140 million



# Market outlook

## Finland

- New building construction decreases, start-ups are restrained by economic uncertainty and the growth of completed sales inventory.
- Demand for commercial construction is weakened by the cautiousness of tenants.
- Growing need for piping renovations and repairs which improve energy efficiency increase the demand for renovation and technical building services.
- In infrastructure construction, paving volumes are expected to remain at previous levels; the market situation for rock engineering is good; and new road and rail projects are about to be launched.



# Market outlook

## Other countries

- Infrastructure construction volumes in Sweden, Norway and Denmark grow clearly faster than in Finland. In Norway and Denmark, increased road construction maintains the demand for paving.
- In Russia (St. Petersburg) residential construction is expected to remain at least on the level of the previous year. Demand is maintained, for example, by improved consumer purchasing power, consumer mortgage availability, and internal population shifts.
- The construction market of the Baltic countries is reviving gradually.



# Profit guidance for 2012

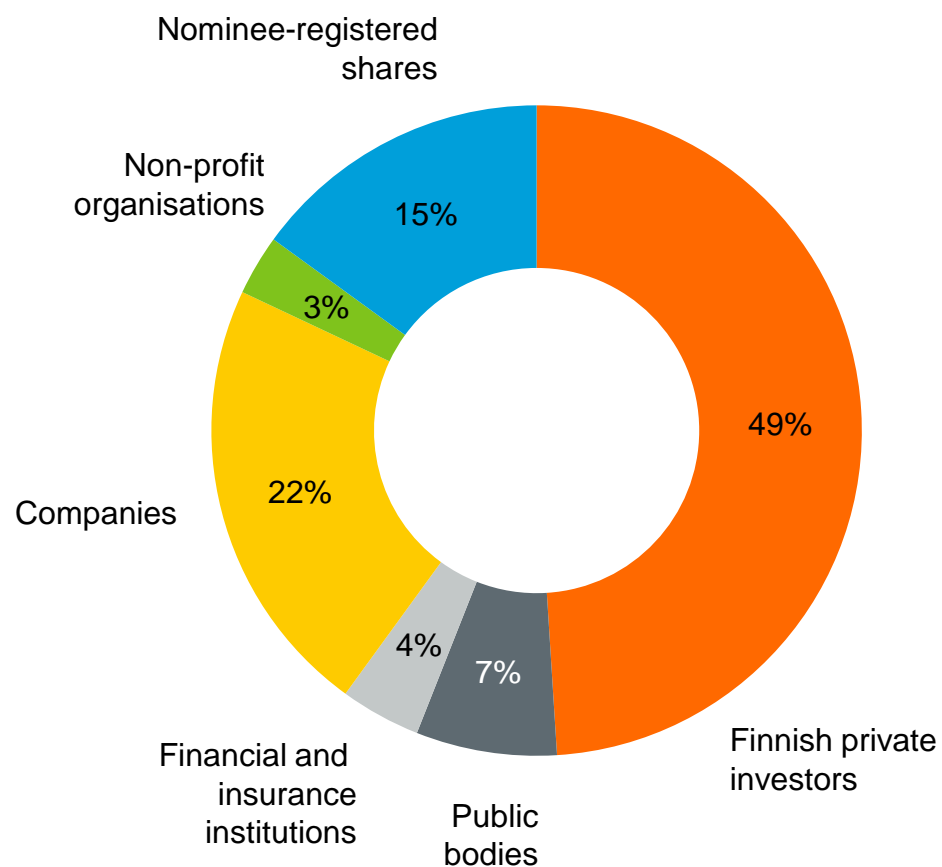
Net sales in 2012 will remain at the same level as in 2011, and pre-tax profit will improve on 2011.

# Shareholders, dividends and legal proceedings

# Major shareholders

(29 February 2012)

## Distribution of ownership

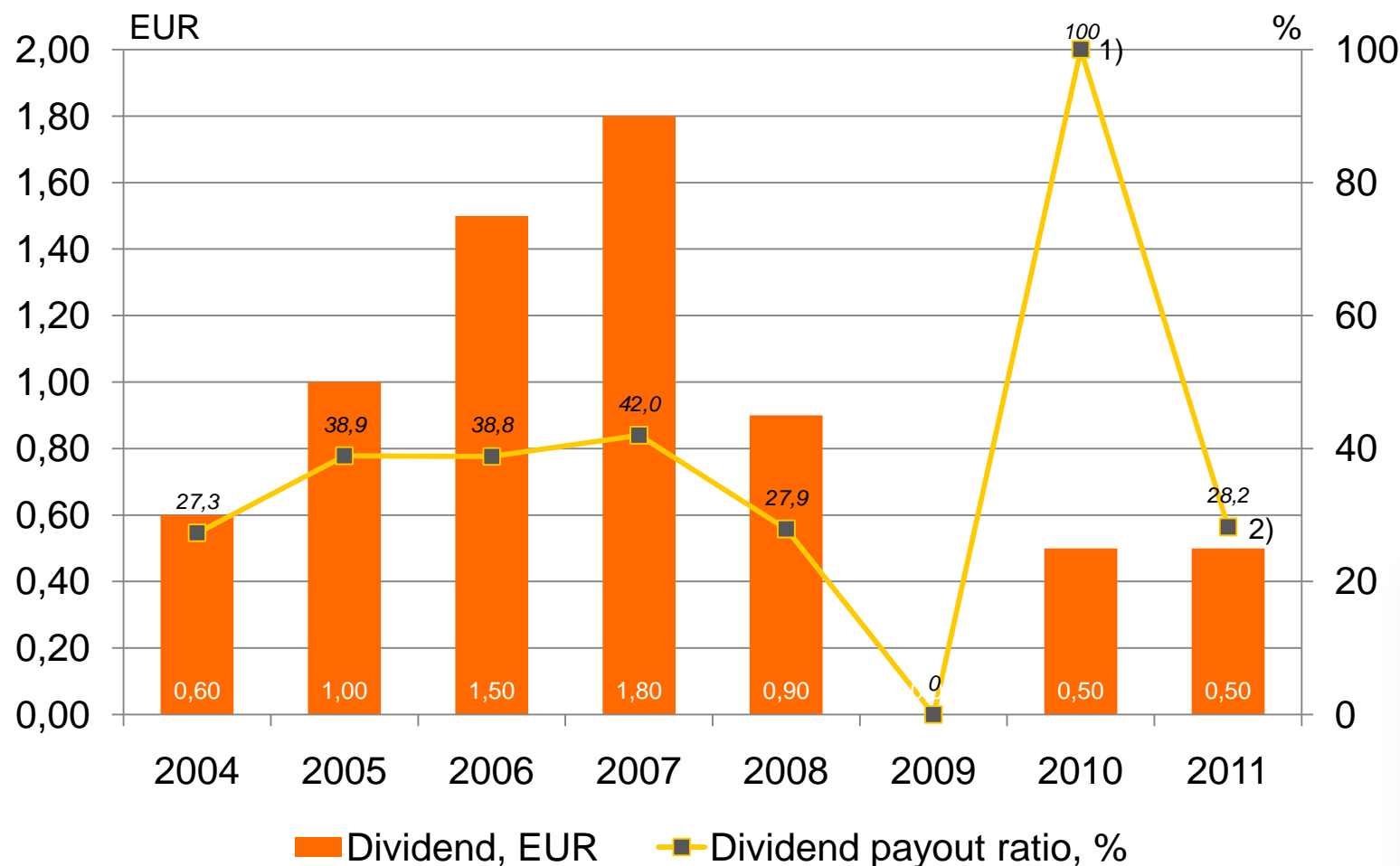


## Largest shareholders

	number of shares	% of all shares
PNT Group Oy	3,673,956	18.7%
Forsten Noora	1,964,480	10.0%
Estate of Pentti Heikki	1,906,976	9.7%
Pentti Olavi	1,709,473	8.7%
Varma	723,727	3.7%
Pentti-von Walzel Kristina	635,660	3.2%
Pentti-Kortman Eva	635,660	3.2%
Pentti Timo	635,660	3.2%
Ilmarinen	400,000	2.0%
Mandatum Life	283,711	1.4%
Maa- ja vesitekniiikan tuki ry.	250,000	1.3%
Nordea funds	222,200	1.1%
Etera	206,800	1.1%
Alfred Berg funds	189,415	0.9%
50 largest owners, total	14,885,241	75.8%
Nominee-registered shares, total	2,663,016	13.6%
Other owners	2,101,919	10.7%



# The Board of Directors proposes a dividend of EUR 0.50 per share



1) In 2010 EPS was EUR 0,02 and dividend/earnings –ratio was over 100%

2) Board of Directors' proposal to AGM

The company aims to pay dividend in the amount of at least 40% of the result for the financial year.

# Legal proceedings

## Claims for damages brought against Lemminkäinen and other companies of the asphalt industry

As of 9 February 2012:

- Claims brought by 40 municipalities and the Finnish state (Finnish Transport Agency) are pending
- The claims presented in the statements of claim differ from each other as regards their amounts and grounds
- The total amount of damages sought from Lemminkäinen is EUR 117 million (The Finnish Transport Agency changed its claim by + EUR 15 million in January 2012)

A close-up photograph of a worker's hand wearing a tan and black work glove, firmly gripping a thick, rusty steel rebar. The background is a blurred construction site.

# Appendix: Business sector reviews

# Infrastructure construction

## The year 2011

### FINLAND

- Good demand for infrastructure special contracting, mineral aggregate operations and the concrete business
- Lemminkäinen had sizeable projects ongoing in, for example, the Western Metro project, mines in northern Finland, and various underground parking facilities
- The paving sector did well in spite of the weakened market situation
- At year end, order book was EUR 237 million (224)

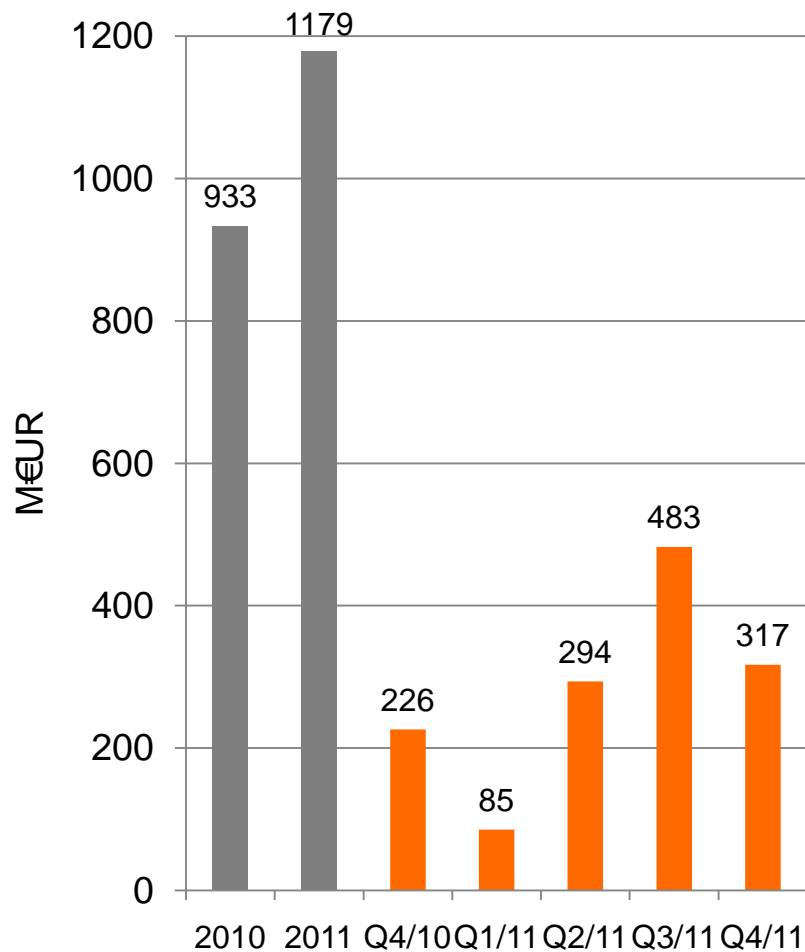
### OTHER COUNTRIES

- The year was exceptionally strong for paving in Norway and Denmark
- Market situation in the Baltic countries has revived slightly
- At year end, order book was EUR 286 million (193)

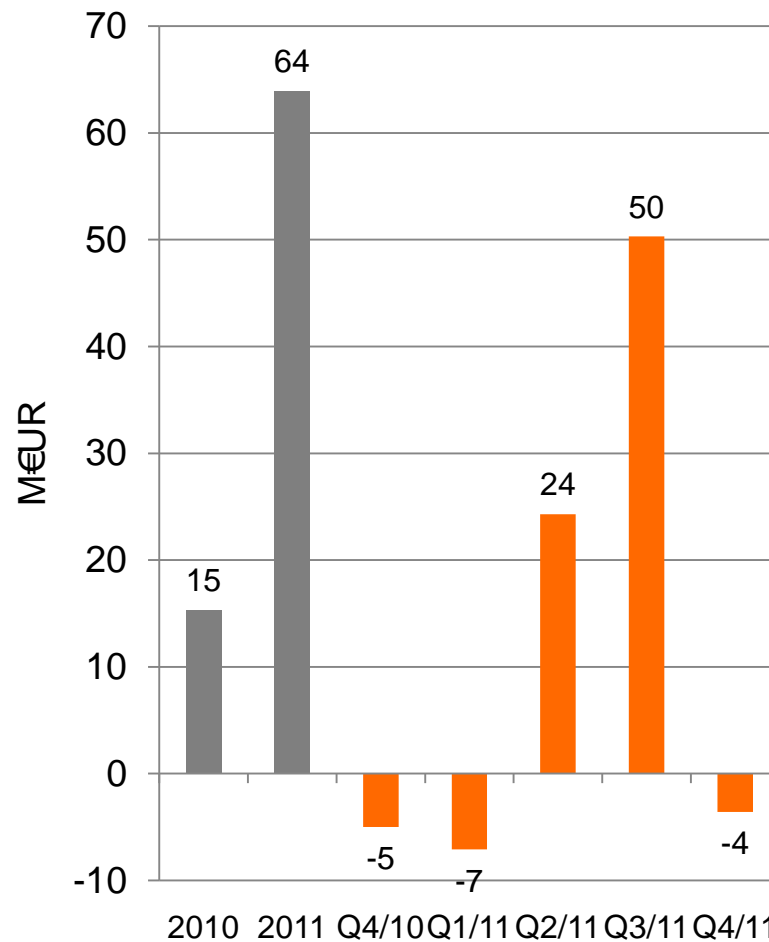


# Infrastructure construction

## Net sales



## Operating profit





# Building Construction

## The year 2011

### FINLAND

- Residential unit sales remained steady throughout the year
- The sector's result was burdened by the weak profitability of competitive contracting and the rise in construction material costs
- Several business and commercial premise project start-ups
- Bustling activity in renovation
- At the end of the year, order book was EUR 581 million (595)

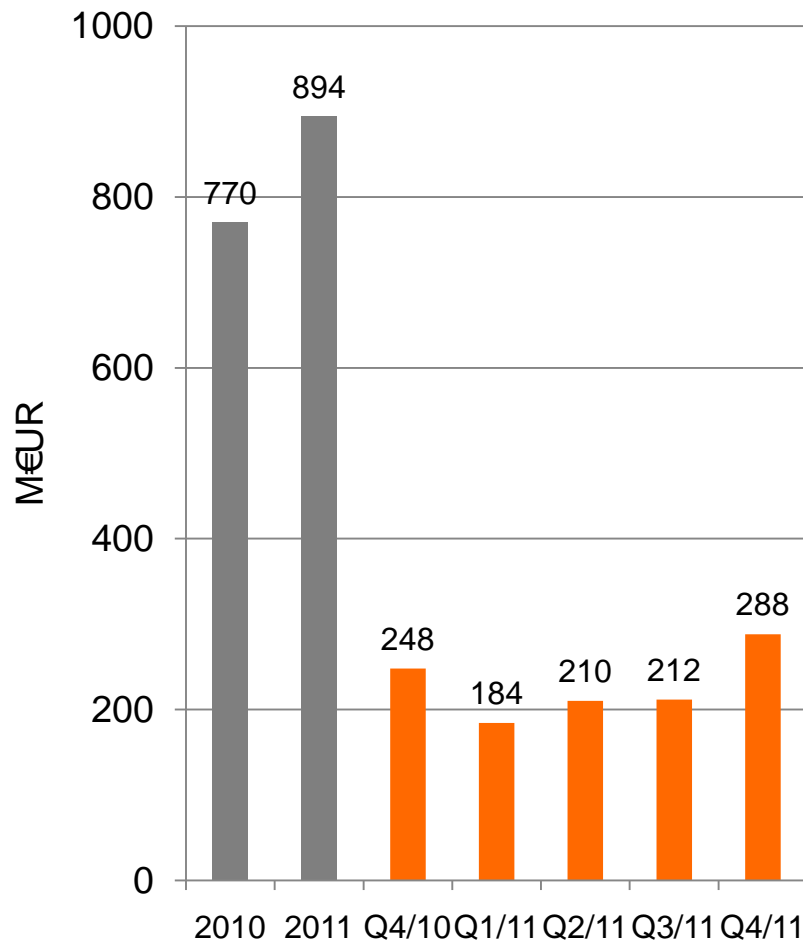
### OTHER COUNTRIES

- Sizeable plot acquisition in St. Petersburg, Russia
- A project of 150 residential units was completed in St. Petersburg, and a new project for approximately 400 units was launched
- In Sweden, building construction operations were doing well
- At year end, order book was EUR 188 million (89)

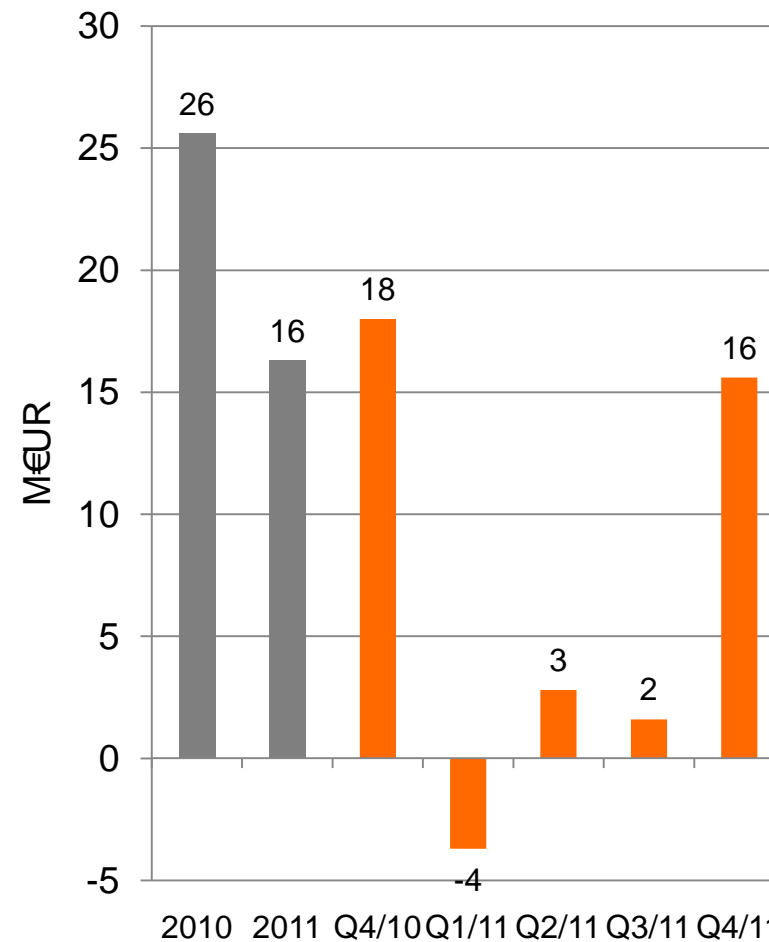


# Building construction

## Net sales



## Operating profit



Result for 2010 includes capital gains from equipment sales

# Technical Building Services

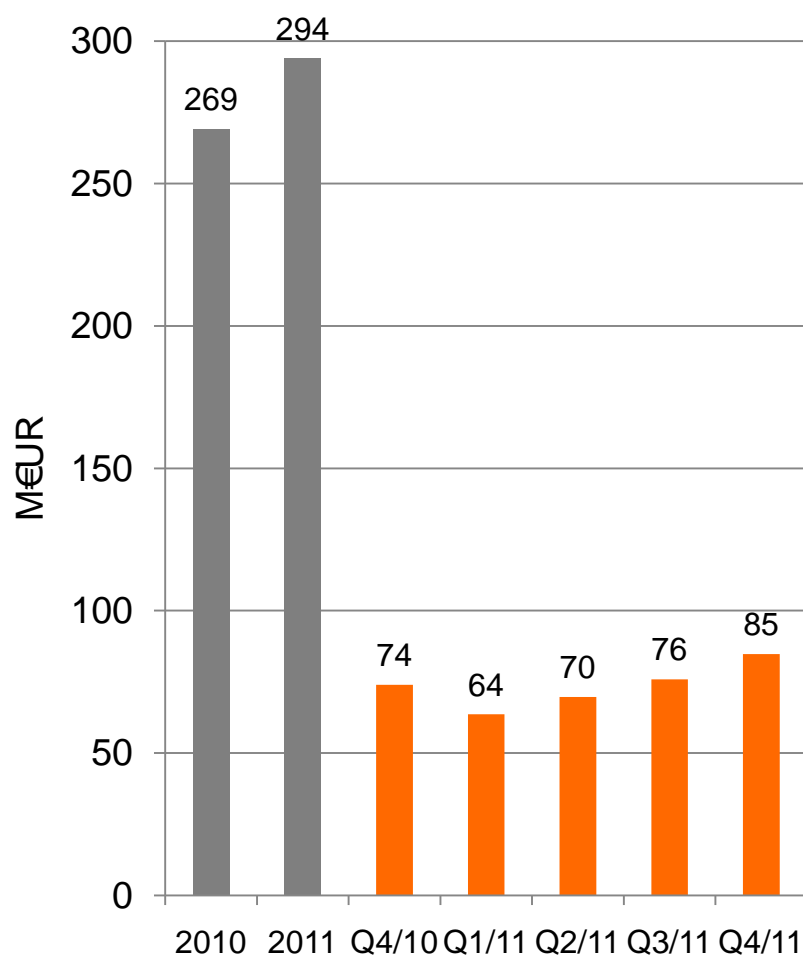
## The year 2011

- Various efficiency measures aiming at improved profitability were implemented in the sector
- Profitability improved especially during the second half of the year
- Demand is maintained by higher requirements for energy efficiency in new building construction, and deteriorating HVAC systems
- At year end, the order book was EUR 110 million (126)

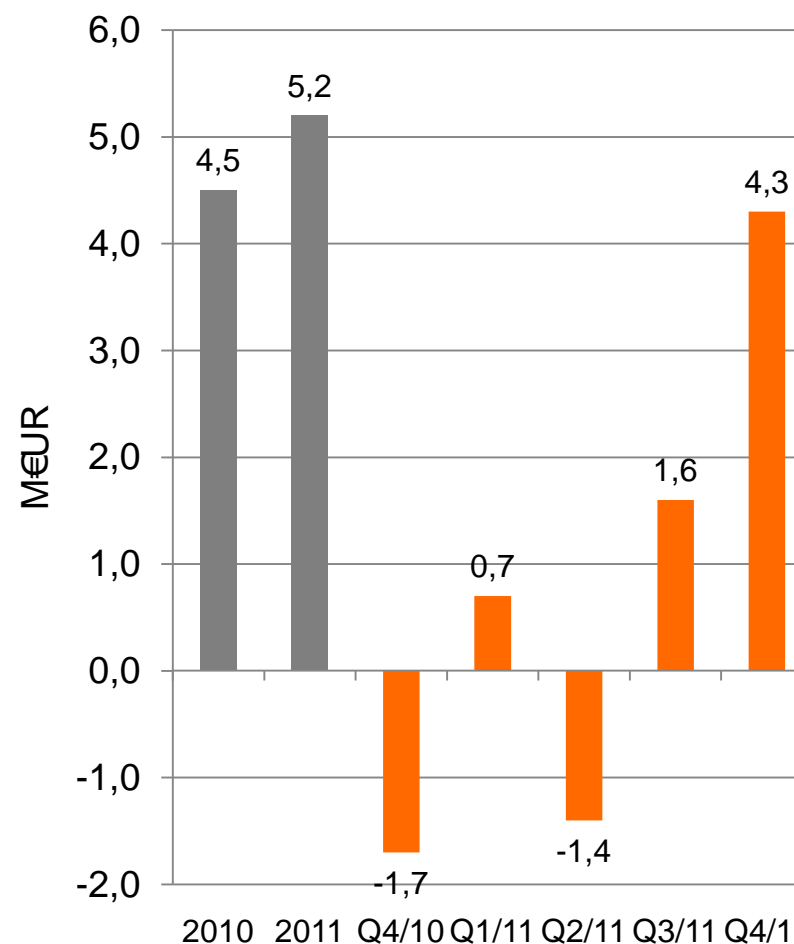


# Technical Building Services

## Net sales



## Operating profit



Lemminkäinen

The best way to build

