

# CEO's review

Annual General Meeting 22 March 2016

Lemminkäinen



# **Year 2015 in brief**

Financial performance

Outlook and guidance



# Operating environment in 2015



## Finland

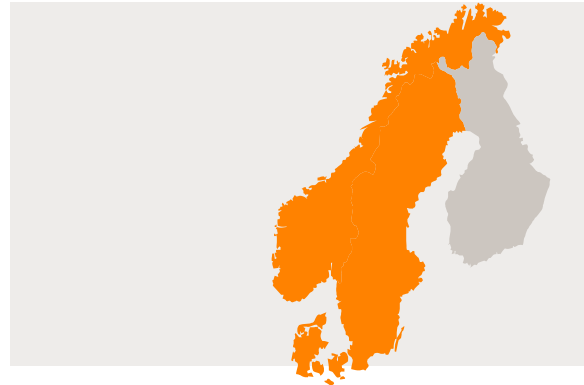
Large on-going projects in **infra**. Competition tightened.



Low oil price supported **paving**.

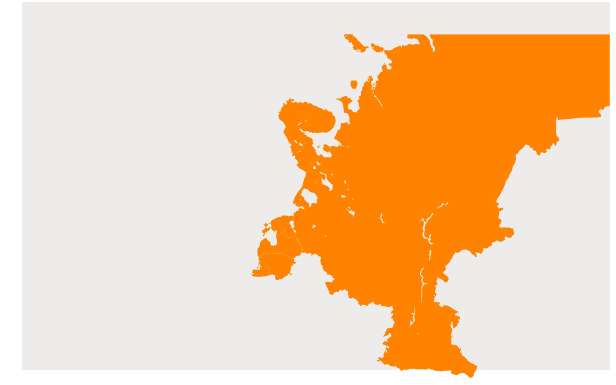


**Housing** market stable. Support from investor sales.



## Scandinavia

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



## Russia and Baltic countries

**Housing sales** slowed down in St. Petersburg.



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

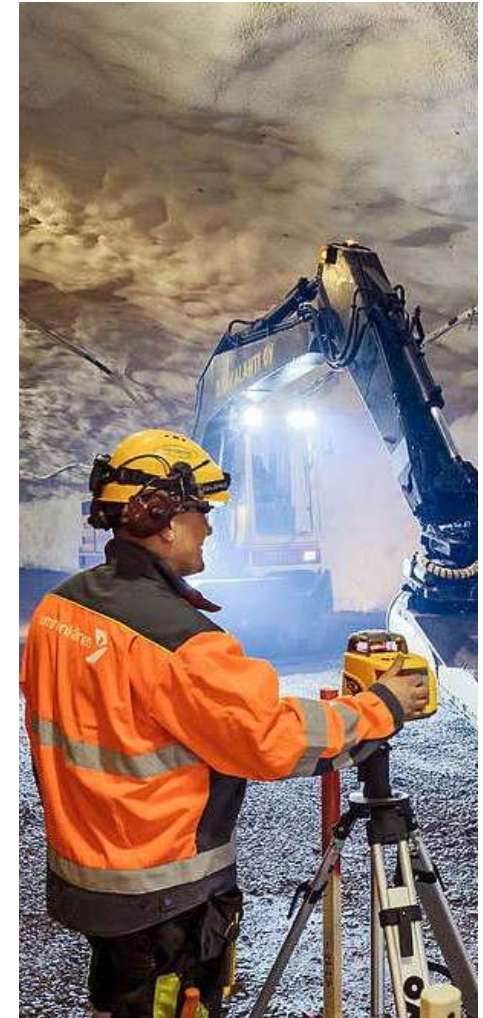






# Year 2015 in brief

- Improved financial position
  - Operating capital at year-end 475 M€ (590)
  - Interest-bearing net debt 127 M€ (214) despite the partial repurchase of the first hybrid bond (27 M€)
- Streamlined portfolio and moderate risk level
  - Divestment of building construction in Sweden and road maintenance businesses in Norway
  - Withdrawal from the Ilmatar project in Russia
  - Streamlining of the portfolio and lowered risk level have had a negative impact of more than 20M€ in the 2015 result
- Many operational successes: Paving operations in Finland and Denmark, infra projects in Finland, building construction in the Helsinki metropolitan area, completion of the Tapiola 2 project in Russia
- Cash flow from operating activities positive throughout the year





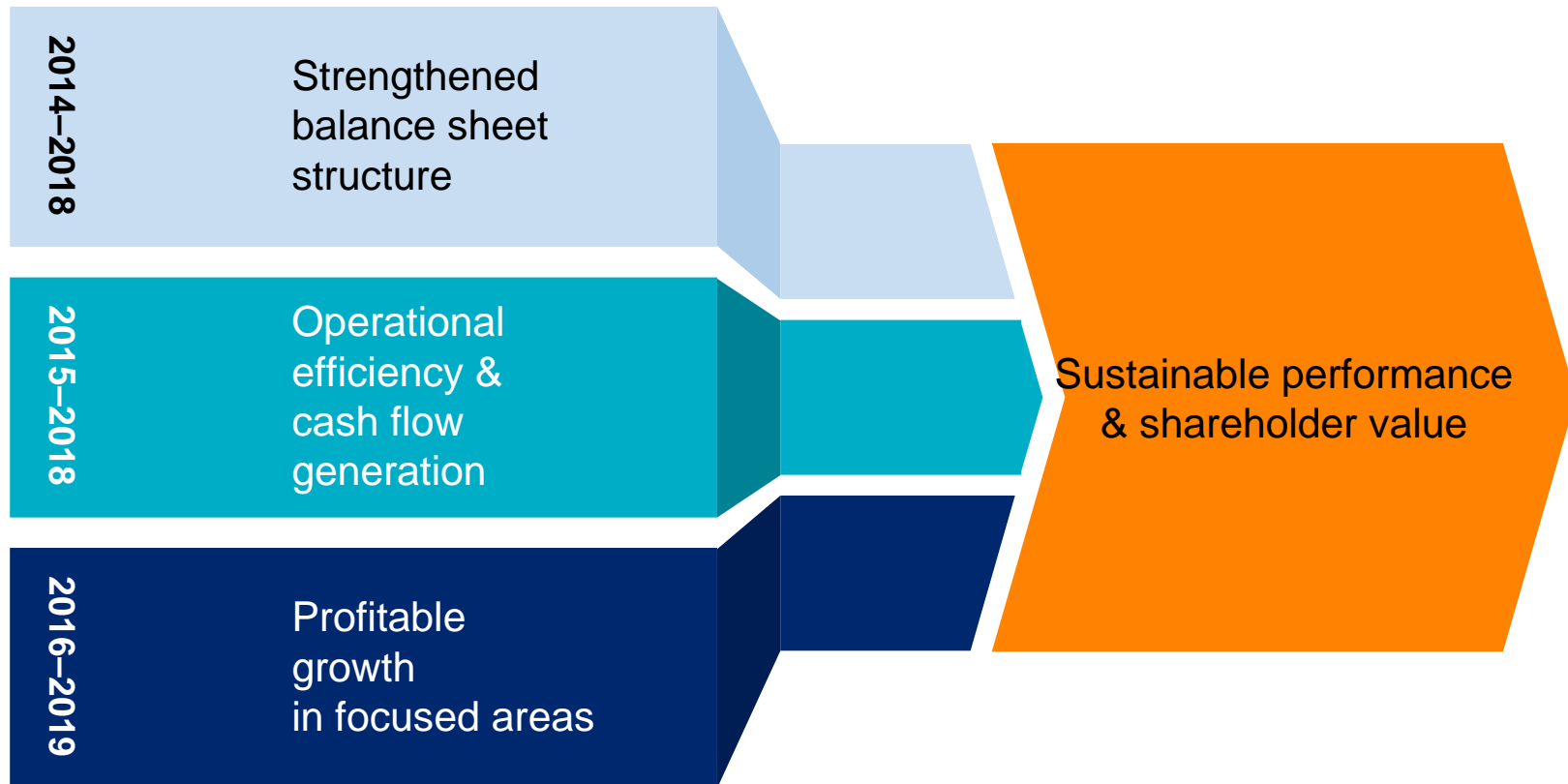
# Strategy 2016-2019: Focus shifting gradually towards operational efficiency and growth

## MISSION:

Together we build a sustainable society.

## VALUES:

We put people first.  
We respect and trust.  
We partner to succeed.





# Updated financial targets

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





# Updated segment structure as of 1 January 2016



## Paving

Paving and mineral aggregates operations in Finland, Scandinavia and the Baltic countries.



## Russian operations

Building construction and paving in Russia.



## Infra projects

Earthworks, civil and rock engineering in Finland, Sweden, Norway and the Baltic countries.



## Building construction, Finland

Residential and non-residential construction, renovation, property development in Finland.

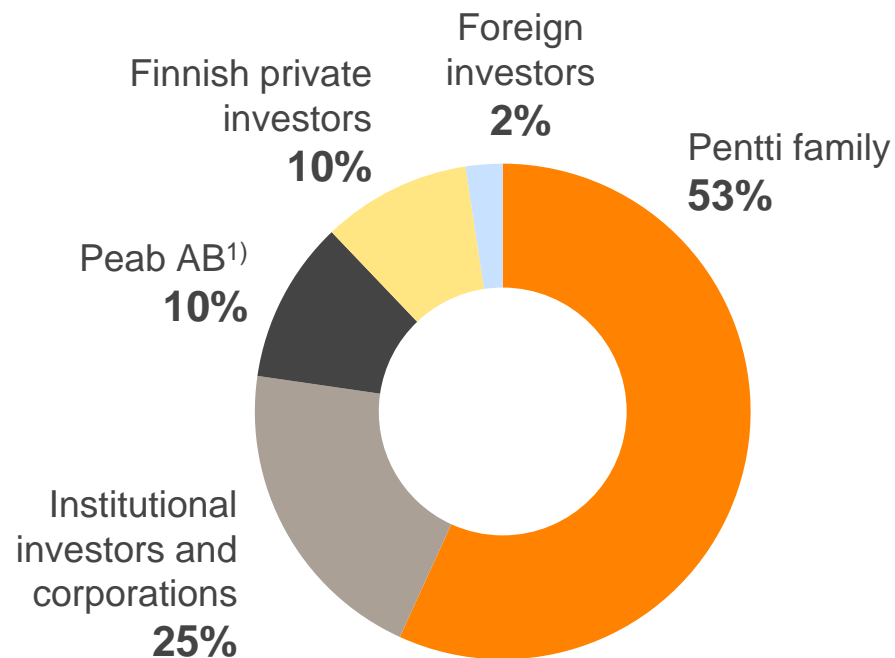
### Key figures 2015, Pro forma

		Paving	Infra projects	Building construction, Finland	Russian operations
Net sales	M€	796.2	341.4	537.8	136.7
Operating profit	M€	19.8	8.9	12.9	2.9
Operating margin	%	2.5	2.6	2.4	2.1
Order book	M€	180.3	232.5	760.6	7.0
Operating capital	M€	227.6	4.8	274.8	35.0



# Lemminkäinen's shareholders

## Shareholders 31 Dec 2015



1) Information is based on a flagging notification received on 2 April 2012.

Major shareholders 31 Dec 2015	Number of shares	% of share capital
Pnt Group Oy	4,341,948	18.70
Forstén Noora	2,297,441	9.89
Pentti Heikki Estate	2,253,698	9.71
Pentti Olavi Estate	1,161,635	5.00
Varma Mutual Pension Insurance Company	1,091,677	4.70
Vimpu Intressenter Ab	792,500	3.41
Pentti Timo	766,580	3.30
Pentti-Von Walzel Kristina	760,580	3.28
Pentti-Kortman Eva	751,234	3.24
Mandatum Life Unit-Linked	520,581	2.24
<b>10 largest, total</b>	<b>14,737,874</b>	<b>63.47</b>
Nominee registered, total	2,795,603	12.04
Other owners	5,686,423	24.49
<b>All shares, total</b>	<b>23,219,900</b>	<b>100.00</b>

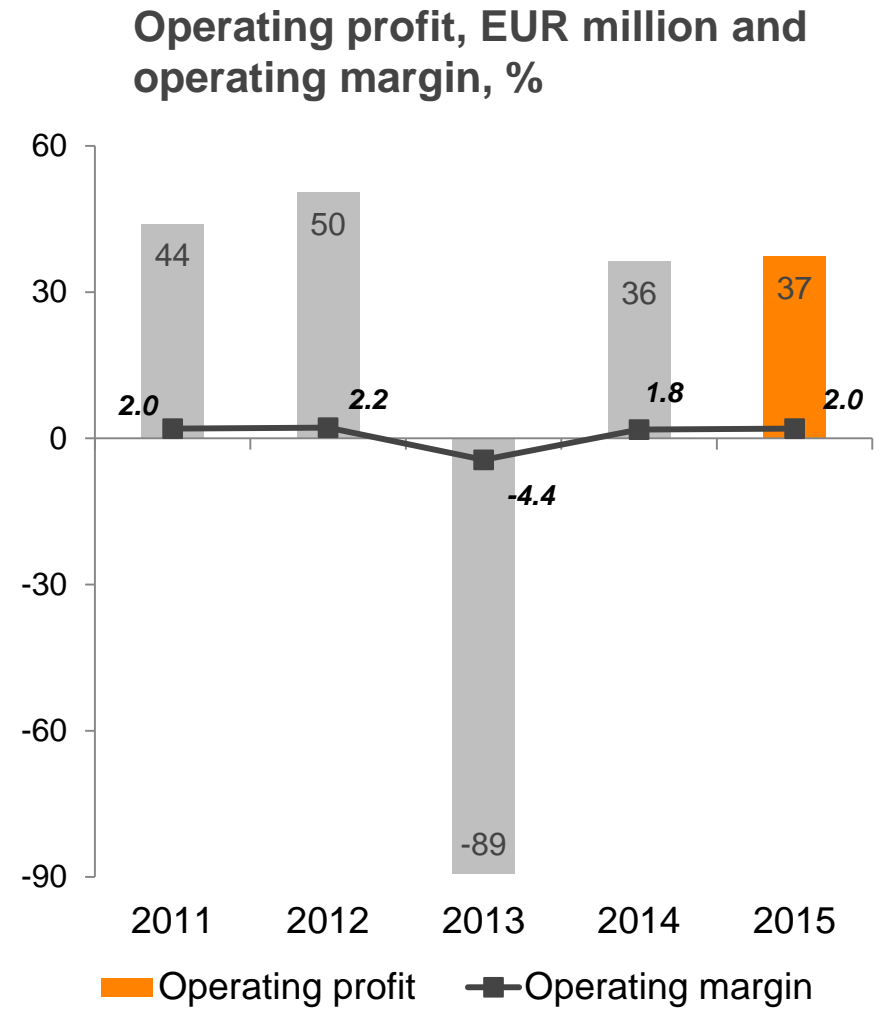
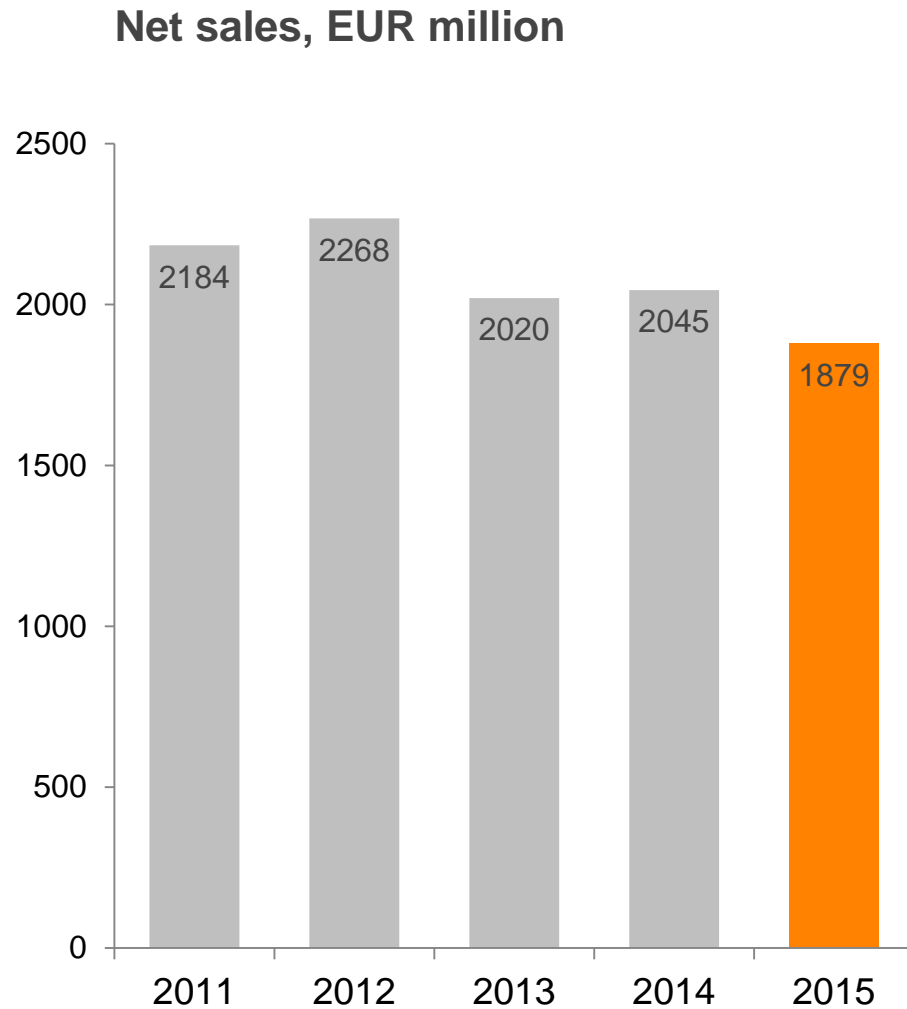




Year 2015 in brief  
**Financial performance**  
Outlook and guidance

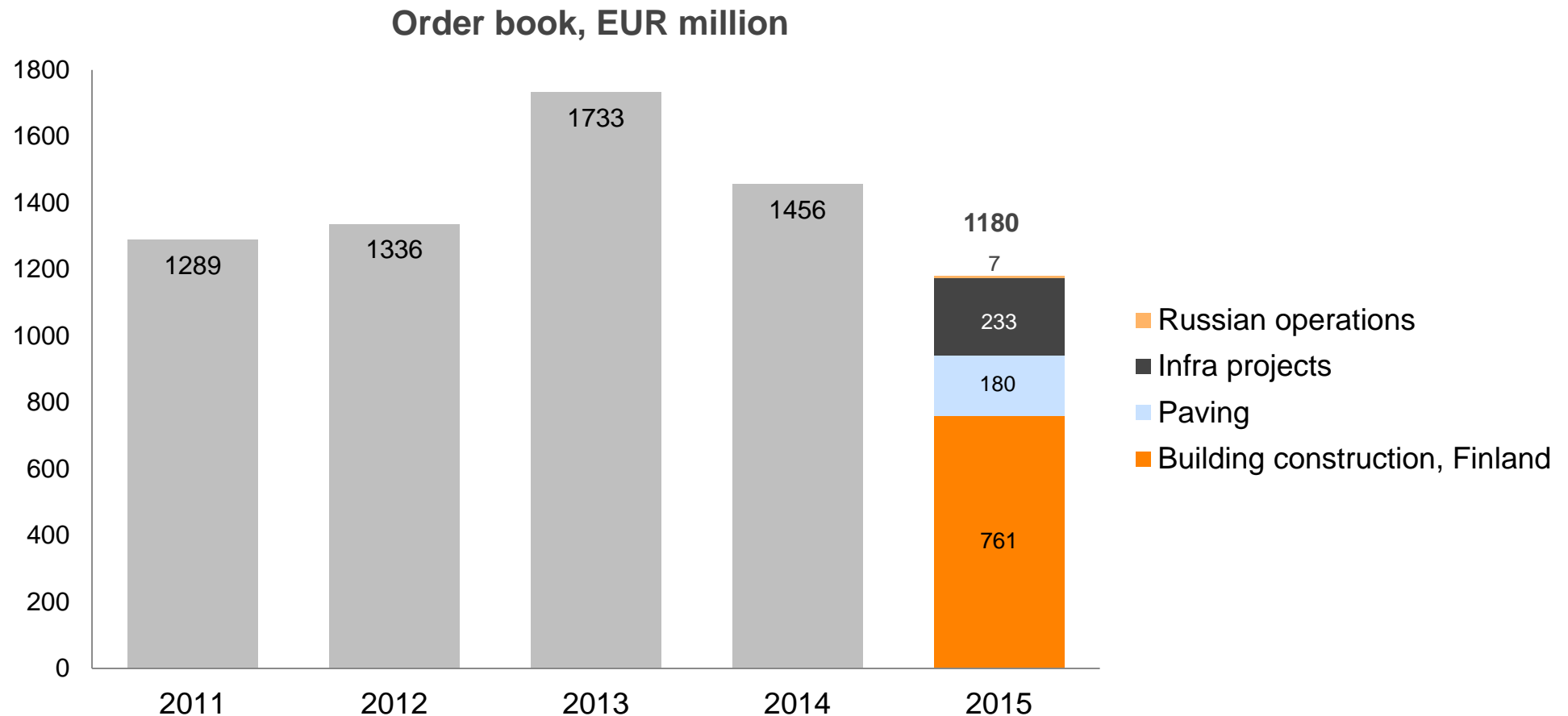


# Net sales did not grow, operating profit improved





# Strategic decisions weighted down the order book



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

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

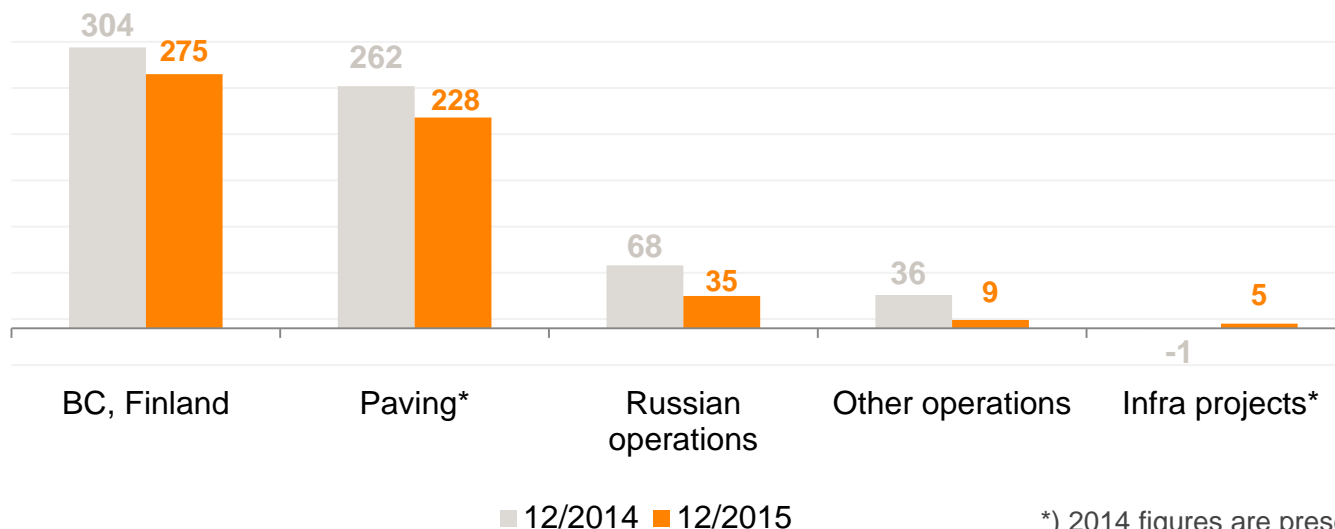


# Balance sheet 31 Dec 2015:

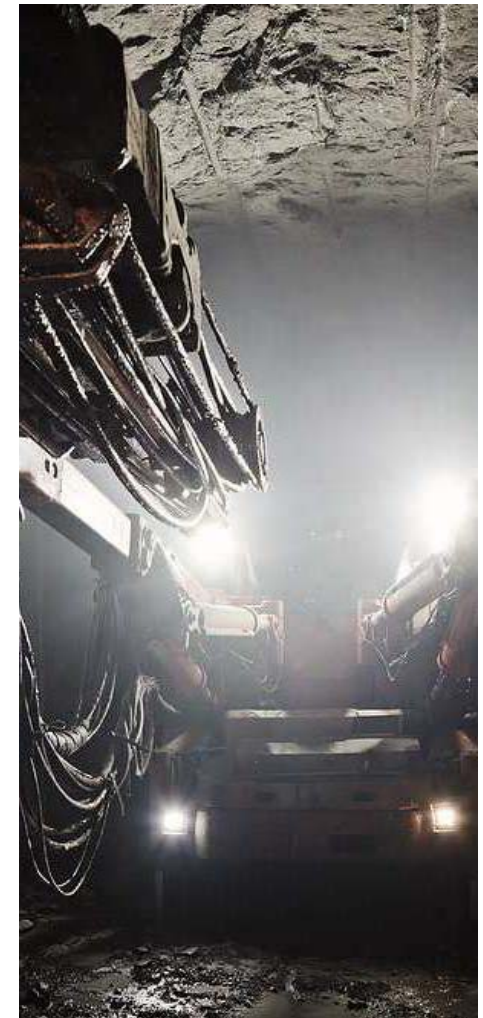
## Decreased investments and housing sales released the Group's operating capital

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

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



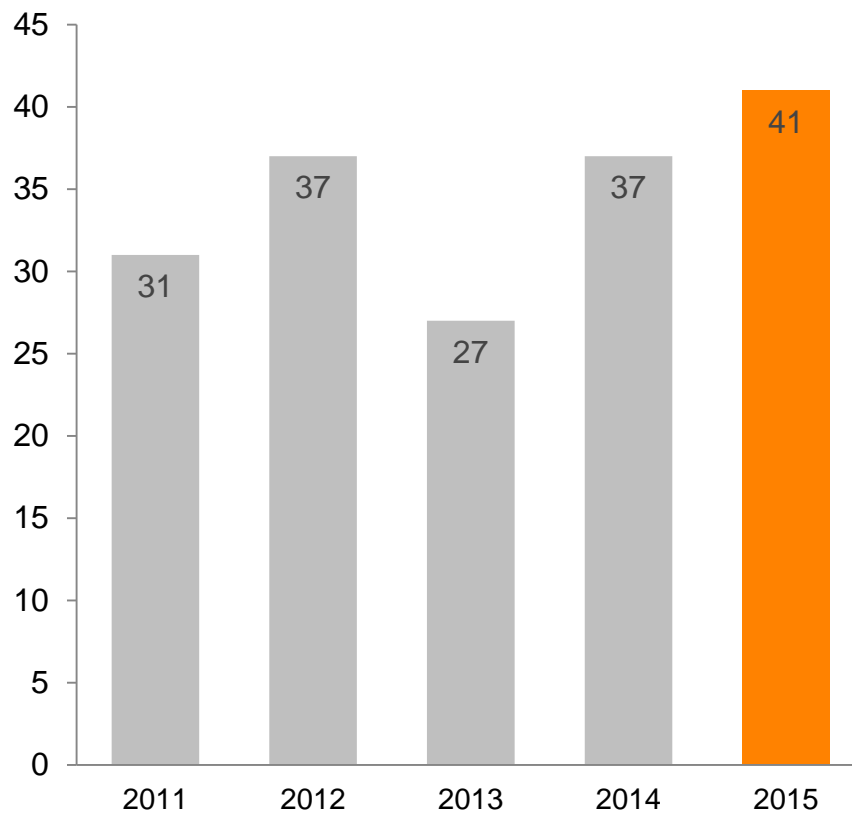
\*) 2014 figures are presented according to the previous segment structure



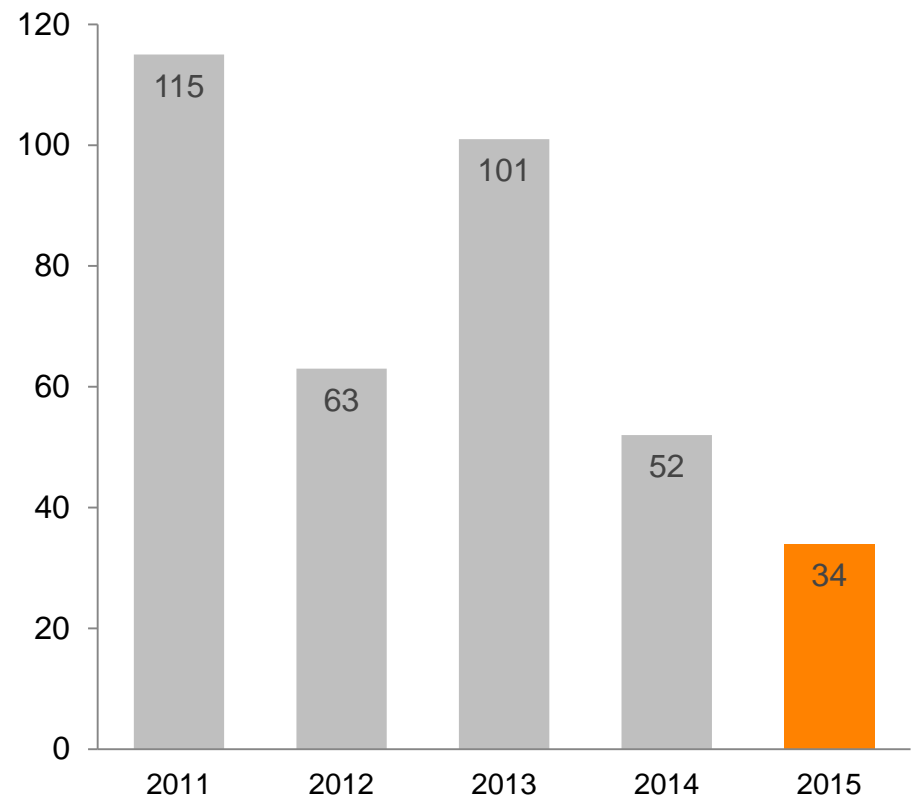


# Equity ratio and gearing

Equity ratio, %



Gearing, %

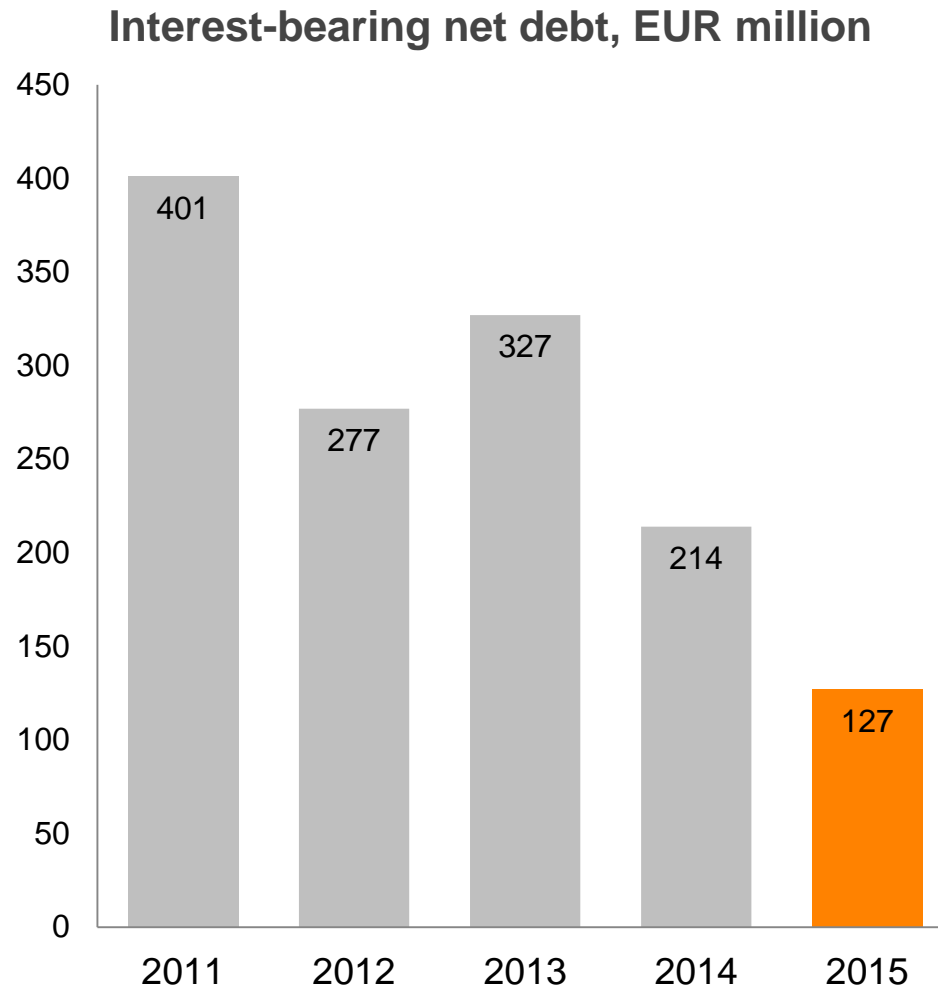


Note! If hybrid bonds were recognised as debt:  
Equity ratio in 12/15 would be 28.6% (12/14: 24.6%)  
Gearing in 12/15 would be 89.6% (12/14: 128.4%)





# Interest-bearing net debt down by 40% year-on-year

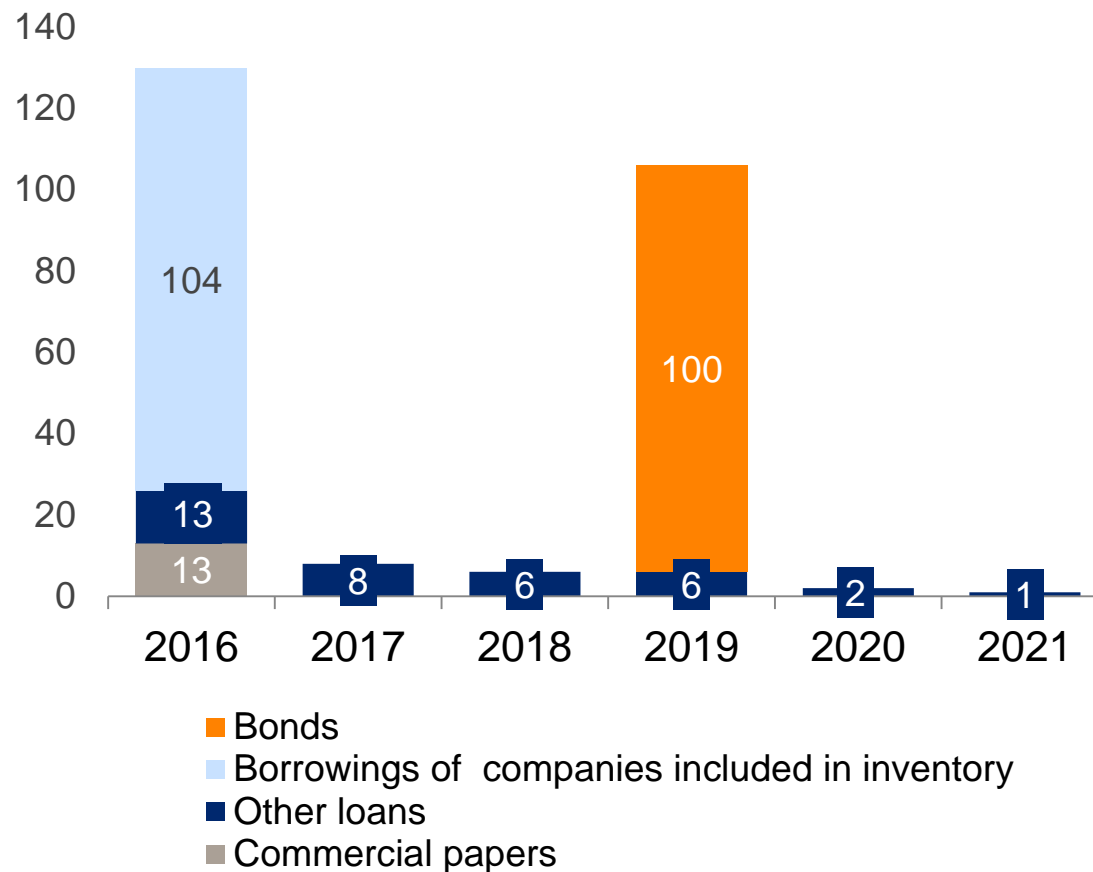


- The maturity of the debt portfolio has lengthened: 48% of interest-bearing debt is long-term (40).
- Net finance costs EUR 21 million (38)
  - Interest costs -12 M€
  - Currency hedging costs -4 M€
  - Other finance costs -5 M€



# Maturity in debt portfolio

Financing maturity 2016–2021, EUR million

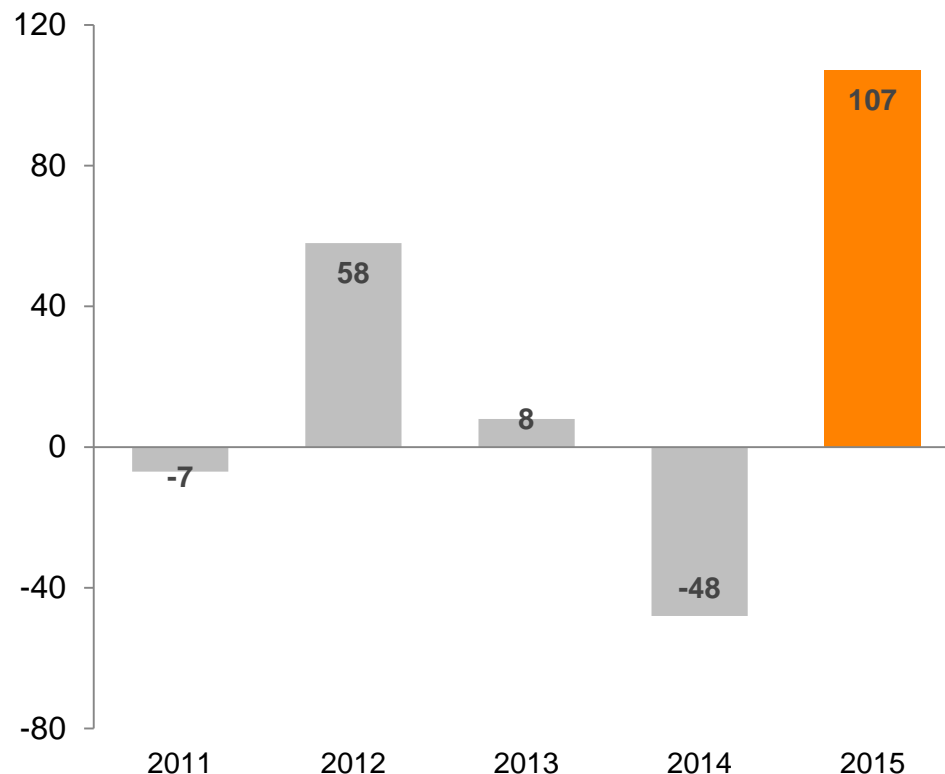


- The company has two hybrid bonds (112 M€) that are not included in interest-bearing debt. The company is entitled to redeem the bonds in 2016 (42 M€) and 2018 (70 M€).
- The company has announced that it will redeem the outstanding share of the first hybrid bond on 30 March 2016.
- The company has a committed revolving credit facility (185 M€) that was fully unused at the end of 31 December 2015.
- NOTE! Borrowings of companies included in inventory (104 M€) will be transferred to the buyers of the co-op shares when the units are handed over.



# Cash flow from operating activities positive throughout the year

Cash flow from operating activities, EUR million



- In 2015, changes in the operating capital strengthened the cash flow.
- The 2014 cash flow includes the payment of EUR 59.7 million in damages related to the asphalt cartel.
- Cash flow after capital expenditures, so called free cash flow was EUR 108.2 million (-4.1)
- The Board of Directors proposes to the AGM that for the financial year that ended on 31 December 2015, the company will distribute a per-share dividend of EUR 0.12.



# Damages related to the asphalt cartel

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

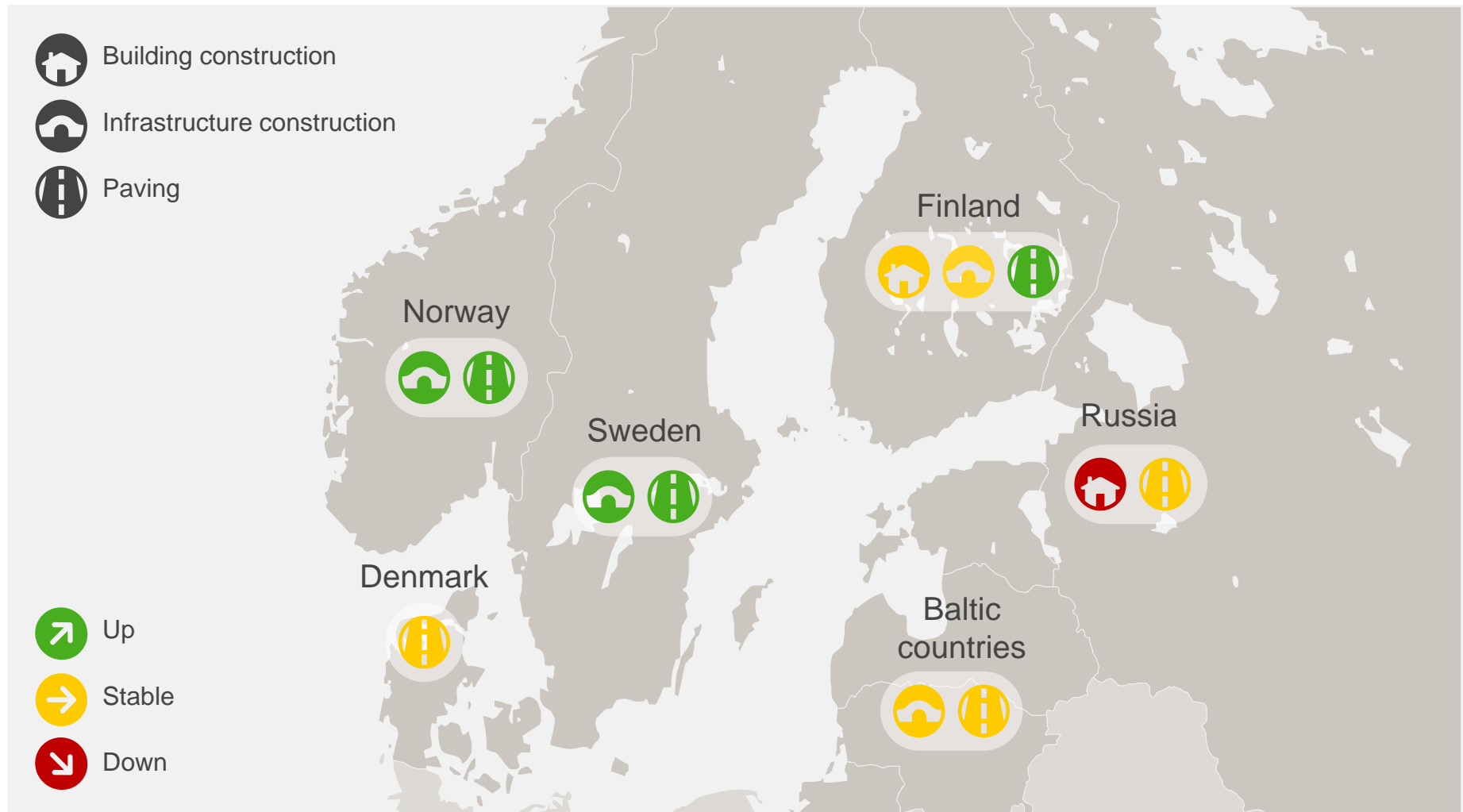


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# Market outlook for 2016



Sources: Euroconstruct, company's own estimate



# Focus areas in 2016

## Improving operational efficiency

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

## Strengthening financial position

- Continuing to improve working capital efficiency
- Continuing to divest of non-core assets

## Improving transparency and governance

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



# Profit guidance for 2016

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

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





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

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



# Lemminkäinen

[www.lemminkainen.com](http://www.lemminkainen.com)