**Lemminkäinen Corporation's Financial Statements 2015**

Notice to Lemminkäinen Shareholders in the United States

The YIT shares to be issued in connection with the merger have not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and are being issued in reliance on the exemption from registration set forth in Rule 802 under the Securities Act.

YIT and Lemminkäinen are Finnish companies and the issuance of YIT shares will be subject to procedural and disclosure requirements in Finland that may be different from those of the United States. Any financial statements or other financial information included in this document may have been prepared in accordance with non-U.S. accounting standards that may not be comparable to the financial statements of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

It may be difficult for U.S. shareholders of Lemminkäinen to enforce their rights and any claims they may have arising under U.S. federal securities laws in connection with the merger, since YIT and Lemminkäinen are located in non-U.S. jurisdictions, and some or all of YIT’s and Lemminkäinen’s officers and directors may be residents of countries other than the United States. As a result, U.S. shareholders of Lemminkäinen may not be able to sue YIT or Lemminkäinen or their respective officers and directors in a court in Finland for violations of U.S. federal securities laws. Further, it may be difficult to compel YIT or Lemminkäinen to subject themselves to the jurisdiction or judgment of a U.S. court.

Lemminkäinen’s shareholders should be aware that YIT may purchase Lemminkäinen’s shares otherwise than under the merger, such as in open market or privately negotiated purchases, at any time during the pendency of the proposed merger.

# FINANCIAL STATEMENTS 2015

Lemminkäinen

# Contents

# Board of Directors' report

## Group key figures

| Key figures, IFRS | Jan–Dec 2015 | Jan–Dec 2014 | Change |
|---|---|---|---|
| Net sales, EUR million | 1,879.0 | 2,044.5 | -165.5 |
| Paving | 874.5 | 907.5 | -33.0 |
| Infra projects | 263.1 | 286.0 | -22.9 |
| Building construction, Finland | 537.8 | 539.0 | -1.2 |
| Russian operations | 136.7 | 196.1 | -59.4 |
| Other operations and Group eliminations | 66.8 | 115.9 | -49.1 |
| Operating profit, EUR million | 37.3 | 36.3 | 1.0 |
| Paving | 16.9 | 32.2 | -15.3 |
| Infra projects | 11.8 | 7.2 | 4.6 |
| Building construction, Finland | 12.9 | 9.3 | 3.6 |
| Russian operations | 2.9 | 19.7 | -16.8 |
| Other operations | -7.2 | -32.2 | 25.0 |
| Operating margin, % | 2.0 | 1.8 | |
| Paving | 1.9 | 3.5 | |
| Infra projects | 4.5 | 2.5 | |
| Building construction, Finland | 2.4 | 1.7 | |
| Russian operations | 2.1 | 10.1 | |
| Pre-tax profit, EUR million | 16.7 | -1.7 | 18.4 |
| Profit from continuing operations, EUR million | 7.2 | -5.0 | 12.2 |
| Profit for the period, EUR million | 7.2 | 18.1 | -10.9 |
| Earnings per share, continuing operations, EUR | -0.15 | -0.68 | 0.53 |
| Earnings per share for the period, EUR | -0.15 | 0.40 | -0.55 |
| Cash flow from operating activities, EUR million | 106.6 | -48,4* | 155.0 |

* Cash flow from operating activities includes EUR 59.7 million of damages paid in Q1/2014 related to asphalt cartel.

| Key figures, IFRS | 31 Dec 2015 | 31 Dec 2014 | Change |
|---|---|---|---|
| Order book, EUR million | 1,180.3 | 1,456.1 | -275.8 |
| Operating capital, EUR million | 474.8 | 590.4 | -115.6 |
| Balance sheet total, EUR million | 1,035.5 | 1,257.8 | -222.3 |
| Interest-bearing net debt, EUR million | 126.8 | 213.6 | -86.8 |
| Equity ratio, % * | 40.6 | 37.1 | |
| Gearing, % ** | 33.6 | 51.8 | |
| Return on investment, rolling 12 months, % *** | 10.2 | 13.5 | |
| Return on capital employed, rolling 12 months, % **** | 5.3 | 4.5 | |

* Equity ratio, if hybrid bonds were treated as debt: 12/2015: 28.6% and 12/2014: 24.6%.

** Gearing, if hybrid bonds were treated as debt: 12/2015: 89.6% and 12/2014: 128.4%.

*** Includes the effect of discontinued operations

**** Calculation: Operating profit, rolling 12 months / (Total equity (quarterly average) + interest-bearing liabilities (quarterly average)) x 100

Financials › Board of Directors' report › Strategy

# Strategy

## Strategy for 2016–2019

In October 2015, Lemminkäinen reviewed its strategy for 2016–2019. The company seeks to continuously improve its performance and increase shareholder value through focus on the balance sheet, more competitive operating models and profitable growth in Infra projects in northern Europe.

The company estimates that the outlook for Infra projects is good especially in Norway and Sweden where there are long-term government programmes extending over election cycles. In Paving, the target is to improve competitiveness in all markets through a more streamlined operating model and more efficient processes. In Building construction, Finland, the company continues to focus its operations to urban growth centres. In Russia, the economic situation remains unstable. In order to maintain its moderate risk level, Lemminkäinen has decided not to start new residential development projects for the time being in Russia, but will continue negotiated contracting in building construction. In paving, the company seeks growth particularly in special works in Russia.

Lemminkäinen also made adjustments to its financial targets. At the end of 2019, the company aims at a ROCE above 15%, which is equivalent to the earlier target ROI of 18%. In addition, an EBIT margin above 4% at the end of 2019 is a new target. The equity ratio target above 35% remains unchanged.

| Financial target | Target | Actual 2015 | Actual 2014 | Actual 2013 |
|---|---|---|---|---|
| Previous: Return on investment*, % | 18% over cycle (15% at the end of 2016) | 10.2 | 13.5 | -9.4 |
| New: Return on capital employed**, % | 15% at the end of 2019 | 5.3 | 4.5 | -10.8 |
| New: EBIT margin, % | More than 4% at the end of 2019 | 2.0 | 1.8 | -4.4 |
| Equity ratio***, % | At least 35% | 40.6 | 37.1 | 27.3 |
| Dividend policy, % | At least 40% of the profit for the financial year | 38.5**** | 0 | 0 |

* Includes the effect of discontinued operations

** Calculation: Operating profit, rolling 12 months / (Total equity (quarterly average) + interest-bearing liabilities (quarterly average)) x 100

*** Equity ratio, if hybrid bonds were treated as debt: 12/2015: 28.6% and 12/2014: 24.6%.

**** Board of Directors' proposal for the AGM.

Financials › Board of Directors' report › Group performance

# Group performance

## Net sales

| Net sales by segment | Jan–Dec 2015 | Jan–Dec 2014 | Change |
|---|---|---|---|
| Paving, EUR million | 874.5 | 907.5 | -33.0 |
| Infra projects, EUR million | 263.1 | 286.0 | -22.9 |
| Building construction, Finland, EUR million | 537.8 | 539.0 | -1.2 |
| Russian operations, EUR million | 136.7 | 196.1 | -59.4 |
| Other operations and Group eliminations, EUR million | 66.8 | 115.9 | -49.1 |
| Group, total, EUR million | 1,879.0 | 2,044.5 | -165.5 |

The Group's net sales in 2015 declined year-on-year and were EUR 1,879.0 million (2,044.5). Net sales decreased in all business segments. The most significant decline took place in Russian operations where in 2015 one residential development project was completed compared to two projects in 2014. In addition, building construction contracting was reduced in Russia from the previous year. The decrease in the net sales of other operations is due to the divestment of the building construction business in Sweden in the third quarter. Changes in currency exchange rates had a negative impact of EUR -67.2 million compared to the corresponding period in 2014. Net sales by country were 60% (52) from Finland, 27% (32) from Scandinavia, 7% (10) from Russia and 6% (6) from other countries.

## Operating profit

| Operating profit by segment | Jan–Dec 2015 | Jan–Dec 2014 | Change |
|---|---|---|---|
| Paving, EUR million | 16.9 | 32.2 | -15.3 |
| Infra projects, EUR million | 11.8 | 7.2 | 4.6 |
| Building construction, Finland, EUR million | 12.9 | 9.3 | 3.6 |
| Russian operations, EUR million | 2.9 | 19.7 | -16.8 |
| Business segments, total, EUR million | 44.5 | 68.5 | -24.0 |
| Other operations, EUR million | -7.2 | -32.2 | 25.0 |
| Group, total, EUR million | 37.3 | 36.3 | 1.0 |

| Operating margin (%) by segment | Jan–Dec 2015 | Jan–Dec 2014 |
|---|---|---|
| Paving, % | 1.9 | 3.5 |
| Infra projects, % | 4.5 | 2.5 |
| Building construction, Finland, % | 2.4 | 1.7 |
| Russian operations, % | 2.1 | 10.1 |
| Group, total, % | 2.0 | 1.8 |

The Group's operating profit in 2015 was EUR 37.3 million (36.3). The operating margin was 2.0% (1.8). Changes in currency exchange rates had a negative impact of EUR -0.5 million compared to the corresponding period in 2014.

The operating profit improved in Infra projects and Building construction, Finland, but declined in Paving and Russian operations. In Infra projects, profitability developed favourably in all operating countries, except in Sweden, where lower year-on-year volumes weakened the result. The Infra projects segment's comparison period included a write-down of EUR 3 million related to a customer's bankruptcy. In Building construction, Finland, the result was boosted by the good performance in the Helsinki metropolitan area and the profitability improvement in other regions.

In Paving, the decline of the operating profit was mainly due to a weaker year-on-year result in Norway, the divestment of the road maintenance business in Norway as well as declining margins in individual earthworks projects in Finland. The operating profit for Russian operations declined year-on-year. In 2015, one residential development project was completed compared to two projects in 2014. The full-year operating profit was also decreased by a write-down related to the company's decision to withdraw from the planned Ilmatar project. At the end of the review period, the impact of the write-down in euros was EUR 12.9 million. The result for other operations was mostly improved by lowered fixed costs.

## Order book

| Order book and order inflow | Order book 31 Dec 2015 | Order book 31 Dec 2014 | Change | Order inflow 1-12/2015 | Order inflow 1-12/2014 | Change |
|---|---|---|---|---|---|---|
| Paving, EUR million | 225.0 | 334.3 | -109.3 | 558.3 | 685.2 | -126.9 |
| Infra projects, EUR million | 187.8 | 214.5 | -26.7 | 173.8 | 99.2 | 74.6 |
| Building construction, Finland, EUR million | 760.6 | 687.1 | 73.5 | 569.2 | 599.0 | -29.8 |
| Russian operations, EUR million | 7.0 | 86.4 | -79.4 | 22.8 | 54.9 | -32.1 |
| Other operations, EUR million | | 133.8 | -133.8 | 93.3 | 89.0 | 4.3 |
| Group, total, EUR million | 1,180.3 | 1,456.1 | -275.8 | 1,417.4 | 1,527.4 | -110.0 |
| - of which unsold, EUR million | 156.1 | 188.7 | -32.6 | | | |

At the end of the period, the Group's order book stood at EUR 1,180.3 million (1,456.1). The order inflow amounted to EUR 1,417.4 million (1,527.4) in January–December.

Paving segment's order book for the comparison period includes the divested road maintenance business in Norway, which explains the change. In Infra projects, the order book decreased year-on-year. In Building construction, Finland, the order book grew. In line with the company's strategy, no new development projects were started in building construction in Russia in 2015. The change of the order book in other operations is due to the divestment of the building construction business in Sweden.

# Balance sheet, cash flow and and financing

| Balance sheet and financing | 31 Dec 2015 | 31 Dec 2014 | Change |
|---|---|---|---|
| Key figures, balance sheet | | | |
| Equity ratio, %* | 40.6 | 37.1 | |
| Gearing, %** | 33.6 | 51.8 | |
| Return on investment, rolling 12 months, %*** | 10.2 | 13.5 | |
| Return on capital employed, rolling 12 months, %**** | 5.3 | 4.5 | |
| Capital invested, EUR million | 632.3 | 760.3 | -128.0 |
| Operating capital, EUR million | 474.8 | 590.4 | -115.6 |
| Net working capital, EUR million | 258.7 | 335.1 | -76.4 |
| Financial position and liquidity | | | |
| Interest-bearing debt, EUR million | 254.7 | 347.8 | -93.1 |
| - of which long-term liabilities, EUR million | 123.1 | 139.5 | -16.4 |
| - of which short-term liabilities, EUR million | 131.6 | 208.3 | -76.7 |
| Liquid funds, EUR million | 127.9 | 134.2 | -6.3 |
| Interest-bearing net debt, EUR million | 126.8 | 213.6 | -86.8 |
| Committed, unused credit limits, EUR million | 185.0 | 185.0 | 0 |
| Unused overdraft limits, EUR million | 12.3 | 33.2 | -20.9 |

* If the hybrid bonds were recognised as debt, the equity ratio would be: 12/2015: 28.6% and 12/2014: 24.6%.

** If the hybrid bonds were recognised as debt, gearing would be: 12/2015: 89.6% and 12/2014: 128.4%.

*** Includes the effect of discontinued operations

**** Calculation: Operating profit, rolling 12 months / (Total equity (quarterly average) + interest-bearing liabilities (quarterly average)) x 100

On 31 December 2015, the balance sheet total was EUR 1,035.5 million (1,257.8), of which shareholders' equity accounted for EUR 377.6 million (412.5). Shareholders' equity includes EUR 111.6 million (138.4) in hybrid bonds. In the second quarter, the Group completed a partial repurchase of its EUR 70 million hybrid bond issued in 2012 by repurchasing notes to a nominal amount of EUR 27.1 million in exchange for cash. The Group is entitled to redeem the remaining EUR 42.9 million hybrid bond in March 2016. The Group also issued a EUR 70 million hybrid bond in 2014, which it is entitled to redeem in March 2018.

The Group's operating capital on 31 December 2015 amounted to EUR 474.8 million (590.4). The change from the previous year is attributable to decreased investments, the sale of tangible assets and a reduction in net working capital. At the end of the review period, net working capital stood at EUR 258.7 million (335.1). Net working capital was reduced by decreasing housing start-ups in Russia and Finland, improving invoicing efficiency, increasing the use of factoring and improving inventory turnover in the Paving segment, among other things.

Interest-bearing debt at the end of the period amounted to EUR 254.7 million (347.8) and interest-bearing net debt totalled EUR 126.8 million (213.6). Strong cash flow from operating activities has impacted the net debt favourably. In addition, debt has been reduced by divesting assets. Long-term interest-bearing debt accounted for 48% (40) of the loan portfolio at the end of the period. Liquid funds totalled EUR 127.9 million (134.2). Of the company's interest-bearing debt, EUR 104.1 million (127.1) comprises borrowings of housing and commercial property companies included in inventory, EUR 99.7 million (99.6) bonds, EUR 13.1 million (63.4) commercial papers, EUR 34.8 million (50.2) finance lease liabilities and EUR 3.0 million (7.5) other financial liabilities. In addition, the company had unused credit facilities worth EUR 185.0 million (185.0) and overdraft limits worth EUR 12.3 million (33.2) at the end of the period. Of all interest-bearing debt, 55% (41) was at a fixed interest rate.

Net finance costs decreased, amounting EUR 20.6 million (37.9) in January–December. The finance costs for 2015 were reduced by a decrease in interest expenses and currency hedging costs compared to 2014, among other things. In addition, the figures for the comparison period were negatively impacted by, for instance, a EUR 7 million write-down of loan receivables made in the third quarter, related to the divestment of Lemcon Networks' businesses in the Americas, as well as the costs of renegotiated credit limits and the negative valuation of interest rate derivatives as a result of lower interest rates. The interest expenses of the hybrid bonds are not recorded under finance costs in the income statement; instead, their impact can be seen in earnings per share and changes in equity.

Cash flow from operating activities amounted to EUR 106.6 million (-48.4) in January–December. Changes in working capital strengthened the cash flow for January–December.

The company has, among other measures, adjusted its housing production in Russia and improved invoicing efficiency. The Q1/2014 cash flow includes the payment of EUR 59.7 million in damages related to the asphalt cartel.



# Business segments

## The reporting structure change in 2016

Along with the strategy review, the Paving segment's project-related business operations, such as earthworks, was transferred to the Infra projects segment starting from 1 January 2016.

As of the beginning of 2016, the Paving segment includes paving and mineral aggregates businesses and the Infra projects segment consists of rock engineering, earthworks and civil engineering. The reportable business segments remain unchanged: Paving; Infra projects; Building construction, Finland; and Russian operations.

The company will publish pro forma figures for 2015 according to the new reporting structure during the first quarter in 2016.

## Paving

### Operating environment

The decrease in paving's unit prices driven by the falling price of bitumen increased demand especially in Finland. Infra projects in urban growth centres supported the demand for earthworks and mineral aggregates. In Sweden and Norway, road construction and renovation projects increased the demand for paving. In Denmark, competition is intense and the decline of public investments decreased paving volumes. In the Baltic countries, the market situation remained stable.

| Key figures for the Paving segment | Jan–Dec 2015 | Jan–Dec 2014 | Change |
|---|---|---|---|
| Net sales, EUR million | 874.5 | 907.5 | -33.0 |
| Operating profit, EUR million | 16.9 | 32.2 | -15.3 |
| % of net sales | 1.9 | 3.5 | |
| Order inflow, EUR million | 558.3 | 685.2 | -126.9 |
| Order book, EUR million * | 225.0 | 334.3 | -109.3 |
| Operating capital, EUR million * | 231.2 | 262.1 | -30.9 |

* at the end of the period

Net sales in January–December totalled EUR 874.5 million (907.5). Net sales by country were 45% (43) from Finland, 43% (44) from Scandinavia and 12% (13) from the Baltic countries. The operating profit was EUR 16.9 million (32.2). The decline of the operating profit was due to a weaker year-on-year result in Norway, the divestment of the road maintenance business in Norway as well as declining margins in individual earthworks projects in Finland. Paving businesses' performance in Finland, Sweden and the Baltic countries improved year-on-year, which supported the result. Paving segment's order book for the comparison period includes the divested road maintenance business in Norway, which explains the change. In January–December Lemminkäinen produced 6.5 million tonnes of asphalt (6.3).

## Infra projects

### Operating environment

Urbanisation and investments in energy infrastructure increased the demand for complex infrastructure construction. Especially in Sweden and Norway, the market is strong and there are several major projects ongoing or planned. In Finland, construction was supported by complex infrastructure construction projects in urban growth centres. In the Baltic countries, the market situation was stable.

| Key figures for the Infra projects segment | Jan–Dec 2015 | Jan–Dec 2014 | Change |
|---|---|---|---|
| Net sales, EUR million | 263.1 | 286.0 | -22.9 |
| Operating profit, EUR million | 11.8 | 7.2 | 4.6 |
| % of net sales | 4.5 | 2.5 | |
| Order inflow, EUR million | 173.8 | 99.2 | 74.6 |
| Order book, EUR million * | 187.8 | 214.5 | -26.7 |
| Operating capital, EUR million * | 1.2 | -0.9 | 2.1 |

* at the end of the period

Net sales in January–December totalled EUR 263.1 million (286.0). Net sales by country were 73% (59) from Finland, 18% (37) from Scandinavia, 5% (3) from the Baltic countries and 4% (1) from other countries. The operating profit improved and was EUR 11.8 million (7.2). The operating profit increased the most in Finland due to good project management of major projects. Profitability developed favourably also in other countries, except in Sweden, where lower year-on-year volumes weakened the result. The operating profit for the comparison period was weakened by a write-down of EUR 3 million related to a customer's bankruptcy. Operating capital stood at EUR 1.2 million (-0.9) at the end of the period.

## Building construction, Finland

### Operating environment

The market situation in building construction remained stable during 2015. Housing production continued to focus on small apartments in urban growth centres. Housing funds are still very active and sales to investors compensated for weaker consumer sales. Commercial construction, especially outside the Helsinki metropolitan area, was at a low level.

| Key figures for the Building construction, Finland segment | Jan–Dec 2015 | Jan–Dec 2014 | Change |
|---|---|---|---|
| Net sales, EUR million | 537.8 | 539.0 | -1.2 |
| Operating profit, EUR million | 12.9 | 9.3 | 3.6 |
| % of net sales | 2.4 | 1.7 | |
| Order inflow, EUR million | 569.2 | 599.0 | -29.8 |
| Order book, EUR million * | 760.6 | 687.1 | 73.5 |
| Operating capital, EUR million * | 274.8 | 303.7 | -28.9 |

* at the end of the period

Net sales in January–December totalled EUR 537.8 million (539.0). Net sales grew in the Helsinki metropolitan area, but decreased in other regions. The operating profit improved year-on-year, amounting to EUR 12.9 million (9.3). The result was boosted by the good performance in the Helsinki metropolitan area and the profitability improvement outside the capital region. The full-year result was weakened by expenses recognised in the second quarter, exceeding EUR 5 million comprising losses from non-strategic plot sales and provisions related to warranty repairs, among others. The result for the comparison period was burdened by an approximately EUR 4 million write-down related to an earlier consortium. However, the 2014 result was boosted by the completion of a major residential and commercial project in the Töölö Bay district in Helsinki.

In the uncertain economic situation, the number of residential start-ups was scaled down in 2015 and sale of completed units was enhanced. At the end of the review period, the number of unsold completed units was lower than in the comparison period totalling 283 (336). Operating capital decreased and stood at EUR 274.8 million (303.7).

In 2016, the number of completed residential development projects will be lower than in 2015. The majority of these projects will be completed towards the end of the year.

| Lemminkäinen's residential production (development projects and negotiated contracting) | Jan–Dec 2015 | Jan–Dec 2014 | Change |
|---|---|---|---|
| Started, units | 1,253 | 1,410 | -157 |
| - of which development projects, units | 693 | 979 | -286 |
| Completed, units | 1,236 | 1,363 | -127 |
| - of which development projects, units | 859 | 1,088 | -229 |
| Sold, units | 1,377 | 1,280 | 97 |
| - of which development projects, units | 817 | 849 | -32 |
| Sales to investors, % | 51 | 47 | |
| Under construction at end of period, units | 1,388 | 1,362 | 26 |
| - of which unsold, units * | 464 | 522 | -58 |
| Unsold completed at end of period, units | 283 | 336 | -53 |
| Land bank, balance sheet value at end of period, EUR million | 105.3 | 105.4 | -0.1 |
| Started in competitive contracting, units | 542 | 244 | 298 |

* at the end of period

## Russian operations

### Operating environment

The operating environment in Russia remained uncertain. Consumer purchasing power has declined due to rising inflation. Competition in the housing market has intensified and loan processing times have lengthened. Construction and repair projects on major roads maintained demand for paving.

| Key figures for the Russian operations segment | Jan–Dec 2015 | Jan–Dec 2014 | Change |
|---|---|---|---|
| Net sales, EUR million | 136.7 | 196.1 | -59.4 |
| Operating profit, EUR million | 2.9 | 19.7 | -16.8 |
| % of net sales | 2.1 | 10.1 | |
| Order inflow, EUR million | 22.8 | 54.9 | -32.1 |
| Order book, EUR million * | 7.0 | 86.4 | -79.4 |
| Operating capital, EUR million * | 35.0 | 68.4 | -33.4 |

* at the end of the period

In January–December, net sales totalled EUR 136.7 million (196.1) and the operating profit was EUR 2.9 million (19.7). Changes in currency exchange rates had a negative impact of EUR -45.6 million on net sales and a negative impact of EUR -1.0 million on the operating profit compared to the corresponding period in 2014.

Net sales and the operating profit decreased. During 2015, one residential development project was completed compared to two projects in 2014, which can be seen in the lower number of units completed and sold. In addition, building construction contracting was reduced from the comparison period. In paving operations, profitability has improved due to a better contract portfolio. The segment's full-year operating profit was reduced by a write-down related to the company's decision to withdraw from the planned Ilmatar project. At the end of the review period, the impact of the write-down in euros was EUR 12.9 million. In order to maintain its moderate risk level, Lemminkäinen has decided, in line with its strategy, not to start new residential development projects for the time being in Russia.

At the end of the review period, the order book stood at EUR 7.0 million (86.4), consisting mostly of the paving order book. Solid housing sales have reduced the amount of operating capital, which stood at EUR 35.0 million (68.4) at the end of the period.

| Lemminkäinen's residential development, Russia | Jan–Dec 2015 | Jan–Dec 2014 | Change |
|---|---|---|---|
| Started, units | 0 | 0 | 0 |
| Completed, units | 418 | 545 | -127 |
| Sold, units | 384 | 520 | -136 |
| Under construction at end of period, units | 0 | 418 | -418 |
| - of which unsold, units | 0 | 283 | -283 |
| Unsold completed at end of period, units | 51 | 139 | -88 |

# Investments

Gross investments in 2015 showed a substantial year-on-year decline and amounted to EUR 10.3 million (30.0), representing 0.6% (1.5) of the company's net sales. Lemminkäinen's investments were mainly replacement investments in Paving and Infra projects. The company has continued to implement stricter decision-making criteria regarding investments and to improve the efficiency of its monitoring processes. The reduction of investments has released capital, particularly in Paving.



# Personnel

At the end of 2015, Lemminkäinen employed 4,059 people (4,748), a decrease of 689 people year-on-year. The number of personnel has decreased due to results of negotiations on personnel reductions and other similar measures in all operating countries in 2014, the divestments of the building construction business in Sweden and the road maintenance business in Norway as well as the adjustment of Lemminkäinen's building construction operations in Russia. Of the personnel in the review period, 1,845 (2,070) were white-collar workers and 2,214 (2,678) were blue-collar workers.

| Personnel by business segment, continuing operations | 31 Dec 2015 | 31 Dec 2014 | Change |
|---|---|---|---|
| Paving, persons | 2,124 | 2,225 | -101 |
| Infra projects, persons | 463 | 439 | 24 |
| Building construction, Finland, persons | 947 | 1,038 | -91 |
| Russian operations, persons | 405 | 635 | -230 |
| Parent company and others, persons | 120 | 411 | -291 |
| Group, total, persons | 4,059 | 4,748 | -689 |

| Personnel by country, continuing operations | 31 Dec 2015 | 31 Dec 2014* | Change |
|---|---|---|---|
| Finland, persons | 2,204 | 2,286 | -82 |
| Sweden, Norway, Denmark, persons | 804 | 1,155 | -351 |
| Baltic countries, persons | 625 | 642 | -17 |
| Russia, persons | 405 | 635 | -230 |
| Other countries, persons | 21 | 30 | -9 |
| Group, total, persons | 4,059 | 4,748 | -689 |

* The figures for 2014 have been adjusted for Finland and Other countries



# Changes in the Executive Team

Robert Blumberg started as Executive Vice President, Paving and member of Lemminkäinen's Executive Team on 1 January 2015. Executive Vice President, Russian operations and member of Lemminkäinen's Executive Team Maaret Heiskari left the company and her position in the Group Executive Team on 30 June 2015.

# Occupational safety and environment

The goal of Lemminkäinen's occupational safety measures is to create a safe working environment for all employees and subcontractors. 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.

In 2015, the company continued the development of safety activities and the implementation of best practices in all of its operations. The company monitors the accident frequency rate monthly and makes actions plans accordingly. The company also monitors subcontractors' accident frequency rates.

Lemminkäinen minimises the environmental impact of its operations by using natural resources as sparingly as possible and by using recycled materials in its production, among other measures. The company invests in safeguarding biodiversity by developing post-extraction measures in its mineral aggregate areas. Lemminkäinen develops its production technology in order to reduce its energy consumption and environmental impact.

In 2015, Lemminkäinen defined the sustainability aspects that are most relevant to the company's operations as well as related targets. In addition to the internal working group, external stakeholders contributed to the definition work. The project also resulted in Lemminkäinen's operating model for sustainability that specifies roles and responsibilities as well as follow-up and reporting methods and related indicators. The indicators are related to energy consumption and material efficiency, for instance.

More detailed information on Lemminkäinen's sustainability measures are presented in the company's Annual Report and on its website.

Financials › Board of Directors' report › Research and development

# Research and development

The Group's business segments are each responsible for their own research and development activities. Research and development at Lemminkäinen focuses on the improvement of environmental and energy efficiency as well as development activities carried out in projects. In addition, the company has ongoing projects to improve operational efficiency. Lemminkäinen's Central Laboratory focuses on paving R&D. The company aims to constantly increase the percentage of low-temperature and recycled asphalts in its production, for instance. In 2015, the Group's research and development expenditure accounted for approximately 0.2 (0.5) per cent of net sales.

Financials › Board of Directors' report › Shares and shareholders

# Shares and shareholders

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 23,219,900 at the end of the review period. At the end of the review period, Lemminkäinen owned 16,687 of its own shares.

## Trading with shares

On 31 December 2015, the market capitalisation of Lemminkäinen's shares stood at EUR 320.0 million (220.9). The price of Lemminkäinen Corporation's share on the Nasdaq Helsinki Ltd was on 1 January 2015 EUR 9.52 (15.20) and on 31 December 2015 EUR 13.79.

In addition to the Nasdaq Helsinki Ltd, Lemminkäinen's share is also traded on alternative markets. A total of 2,759,034 shares (1,268,320) were traded during January–December 2015, of which alternative markets accounted for 5% (14). (Source: Fidessa Fragmentation Index, http://fragmentation.fidessa.com).

## Shareholders

On 31 December 2015, the company had 4,391 shareholders (4,532). Nominee-registered and non-Finnish shareholders held 12.5 per cent (12.7) of all Lemminkäinen Corporation shares and voting rights. Information on company ownership and division by segment and scale, major shareholders, and share ownership of the Executive Team members and the Board of Directors is available on the company's website, www.lemminkainen.com/Investors/Owners.

### 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

During the year 2015 (30 September), Lemminkäinen received two flagging notifications. As a result of an estate distribution, the number of shares and votes held by Olavi Pentti's estate in Lemminkäinen Corporation has decreased from 1,496,635, i.e. around 6.45 per cent, to zero. At the same time, the number of shares held by Lauri Pentti has, as a result of an estate distribution increased to 1,161,635 shares, which corresponds to over 5 per cent of all shares and votes in Lemminkäinen Corporation.



## Resolutions of the AGM and administration

On 25 March 2015, Lemminkäinen Corporation's Annual General Meeting adopted the company's annual accounts and consolidated financial statements for 2014 and granted the members of the Board of Directors as well as the persons having acted as the President and CEO and the Interim President and CEO discharge from liability.

The General Meeting resolved, in accordance with the Board of Directors' proposal, that no dividend be paid for the financial year ended on 31 December 2014.

The General Meeting resolved, in accordance with the Board of Directors' proposal, to authorise the Board of Directors to resolve on the repurchase of the company's own shares. In accordance with the authorisation, the Board of Directors may resolve to repurchase a maximum of 2,321,990 own shares. The authorisation is effective for a period of 18 months from the resolution of the General Meeting.

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 4,643,980 shares. The Board of Directors may resolve to issue either new shares or own shares possibly held by the company. The authorisation is in force for a period of 18 months from the resolution of the General Meeting.

The General Meeting confirmed the number of members of the Board of Directors as seven. Berndt Brunow, Noora Forstén, Finn Johnsson, Juhani Mäkinen, Kristina Pentti-von Walzel, Heikki Räty and Heppu Pentti were elected as members of the Board. PricewaterhouseCoopers Oy, a firm of authorised public accountants, was re-elected to serve as the company's auditor. Kim Karhu, Authorised Public Accountant, was the chief auditor until the Annual General Meeting held on 25 March 2015 after which Markku Katajisto, Authorised Public Accountant, became the chief auditor.

Lemminkäinen Corporation's Board of Directors' organising meeting was held on 25 March 2015. In the meeting the Board of Directors elected the Chairman and the Vice Chairman of the Board and decided the composition of the Board's committees. The Board re-elected Berndt Brunow as the Chairman and Juhani Mäkinen as the Vice Chairman of the Board. The Board of Directors elected from among its members Heikki Räty to serve as the Chairman of the Audit Committee, with Juhani Mäkinen and Kristina Pentti-von Walzel serving as members. Berndt Brunow was elected to serve as the Chairman of the Nomination Committee, with Noora Forstén and Kristina Pentti-von Walzel serving as members. Berndt Brunow was elected to serve as the Chairman of the HR Committee, with Noora Forstén and Kristina Pentti-von Walzel serving as members.



## Legal proceedings

### Damages related to the asphalt cartel

The oral hearing of the legal proceedings concerning the damages which the Helsinki District Court decided on in November 2013 started at the Helsinki Court of Appeal on 2 March 2015 and ended on 1 October 2015. The Court has not yet confirmed the exact time when it will give its verdicts but has preliminary stated that the verdicts will be given during 2016. The decisions could have a significant impact on Lemminkäinen's financial position. 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 13.0 million. More information can be found on the company's website http://www.lemminkainen.com/Lemminkainen/Investors/Lemminkainen-as-an-investment/Asphalt-cartel-issue/.

### Quotas related to the use of recycled asphalt

The situation has not changed after the publication of the previous interim report on 30 October 2015. On 11 June 2015, the District Court of Tuusula acquitted Lemminkäinen and two of its employees of environmental infraction charges. The alleged offence was related to the quotas for the amount of recycled asphalt used in asphalt mass production, as defined in the environmental permits of the company's Sammonmäki asphalt plant in Finland. The prosecutor demanded Lemminkäinen a confiscation of illegal profit of EUR 3.4 million and a corporate fine of at least EUR 120,000. The court ruled that neither Lemminkäinen nor the two employees were guilty of an environmental infraction. The prosecutor and the Centre for Economic Development, Transport and the Environment (ELY Centre) have appealed against the decisions of the District Court. The hearing will continue next at the Court of Appeal.

Crushing recycled asphalt for using it as raw material for new asphalt is an ecological practice. It reduces the environmental hazards of production when compared to asphalt made of virgin materials. Asphalt mass containing recycled asphalt is of the same quality as asphalt mass made of virgin materials.



## Risks and uncertainties

Risk management is an essential part of Lemminkäinen's business operations. Its main target is to ensure the achievement of the strategic and operational targets with the best possible results, including the continuity of the operations under changing conditions. The company's risk management is based on the risk management policy approved by the Board of Directors. A more detailed description of risk management can be found on the company's website http://www.lemminkainen.com/Lemminkainen/Investors/Corporate-Governance/Risk-management/.

Uncertainty in the global economy and financial markets may have a negative effect on Lemminkäinen's operations, performance, financial position and sources of capital. The company's business operations are sensitive to new construction cycles in Finland in particular. Lemminkäinen manages these kinds of risks structurally by distributing its business operations throughout Scandinavia, the Baltic countries and Russia.

Change management, successful recruitment and skilled and motivated personnel play a key role in ensuring that operations are in line with the targets set, yield results and comply with business-related laws and regulations and good business practices. The business segments develop their operating models to increase agility, cost efficiency and operational consistency.

In Russia, the weakened economic situation, the exchange rate fluctuations of the rouble and the prolonged political uncertainty or the significant escalation in the sanctions between the EU and Russia could have a negative effect on the company's business operations. Furthermore, the political culture, legislation, its interpretation and procedures of the authorities in Russia compared to Finland, in addition to the uncertainty of the legal system, administrative procedures and interpretation of law enforcement mechanisms, as well as changes in them, may result in significant risks. Lemminkäinen has improved the efficiency of housing sales in Russia, and in order to maintain a moderate risk level in Russia, the company will not start new development projects in building construction in Russia for the time being.

In the residential and commercial development and construction projects, Lemminkäinen is exposed to sales and price risks due to the market situation continuing to be challenging and due to the full responsibility over the entire project, starting with plot acquisition. The company's target is to actively manage and monitor the risk related to the capital tied up in unsold completed apartments and other assets. Lemminkäinen takes market changes and risks into account when assessing whether to start new development and construction projects. The company only starts new housing construction if a sufficient number of units have been reserved in advance. The number of unsold completed apartments is kept to a minimum. Commercial development projects are usually sold to property investors in the early stages of construction, thereby reducing sales risks.

Lemminkäinen's financial performance depends on successful permit, contract and project management, which involves risks related to, for instance, project pricing, use of resources, project planning and scheduling, ability to procure raw materials at competitive prices, cost control, change management as well as handling of claims for damages. In addition, project-related legal proceedings may have a negative effect on the company's financial performance. Lemminkäinen continually develops its contractual expertise and project management practices during the tender and execution stage. In addition, project tracking systems and steering models are being renewed.

Fluctuations in the price of raw materials may have an impact on financial performance. Lemminkäinen's biggest individual outsourced raw material is bitumen, and its price largely depends on the world market price of oil. The company manages the bitumen price risk with contractual terms and derivatives.

Furthermore, changes in the weather may cause fluctuations in the income. Weather conditions influence especially the lengths of the Paving segment's paving and mineral aggregates businesses working seasons, which may have an effect on the company's profit and its timing.

In its business operations, Lemminkäinen is exposed to financial risks, mainly funding, liquidity, foreign exchange rate, interest rate and credit risks, and to impairment risk of tangible and intangible assets. Management of financial risks is based on Lemminkäinen's treasury policy, which defines the operating principles and division of responsibility in financial risk management and funding activities. External events may also negatively impact the availability of funding, its costs and/or repayment plans. The company seeks to ensure the availability of funding, optimise the use of liquid assets in funding its business operations and to minimise interest and other finance costs. Lemminkäinen protects itself from currency exchange risks primarily through operative means. If necessary, transaction risks are hedged with the aid of foreign currency loans and currency derivatives. In 2015, approximately 34% of the company's net sales were generated in functional currencies other than the euro, the major currencies being the Norwegian, Swedish and Danish kronas as wells as the Russian rouble. Lemminkäinen does not hedge translation risk. The translation difference of our shareholders' equity is mainly related to the Russian business operations.

A more detailed description of risk management can be found on the company's website. A more detailed account of the financial risks is provided in the notes to the annual financial statements.



## Outlook

**In Finland**, the total volume of construction is expected to grow slightly in 2016. Housing production is likely to remain stable and demand for apartments will still be focused on small units in urban growth centres. Sales to investors are expected to remain active. Commercial construction will increase, thanks to individual major projects and public sector works. Renovation will continue to be brisk but its growth will slow down.

Cuts made by the government and economic uncertainty restrict infrastructure construction investments in Finland. Construction of transport infrastructure is not expected to grow in 2016 although the state's planned investments in basic road maintenance will increase demand for paving somewhat in the next few years. Demand for infra projects is maintained by complex projects in urban growth centres, but the market is expected to decline in 2016 as many new decisions are still pending.

**In Norway and Sweden**, infrastructure construction is boosted by multi-year, state-funded traffic infrastructure development programmes. In both countries, infrastructure construction is expected to grow in 2016. Large-scale road and railway projects are ongoing or planned near urban growth centres in Sweden and Norway, which will increase demand for infra projects. These countries are also investing significantly in the development and renewal of energy production. Demand for paving in Sweden and Norway is expected to remain at the 2015 level.

**In Denmark**, growth in paving is restricted by a decrease in public investments.

**In Russia**, market uncertainty is likely to continue. The fluctuations in the price of oil are reflected in the currency exchange rate. Rising inflation continues to decline consumer purchasing power. The state of Russia still tries to maintain demand for housing by subsidising consumer mortgages. Construction and repair projects on major roads maintain demand for paving.

**In the Baltic countries**, the volume of infrastructure construction is estimated to start growing moderately in 2016. The possible launch of the Rail Baltica traffic project would increase the demand for infrastructure construction 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 138,209,602.00 consisting of EUR 90,580,653.68 in invested unrestricted equity fund, EUR 45,578,889.18 in retained earnings from previous years and EUR 2,050,059.14 in result for the financial year.

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 to a total of EUR 2,786,388.00, after which retained earnings would stand at EUR 44,842,560.32.



# 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).

Helsinki, 4 February 2016

LEMMINKÄINEN CORPORATION
Board of Directors

# Consolidated income statement (IFRS)

| EUR million | Note | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|---|
| **Net sales** | 4 5 6 | 1,879.0 | 2,044.5 |
| | | | |
| Other operating income | 7 | 11.0 | 18.3 |
| Change in inventories of finished goods and work in progress | | -81.1 | 14.5 |
| Production for own use | | 0.1 | 1.4 |
| Use of materials and services | | 1,299.6 | 1,477.5 |
| Employee benefit expenses | 8 29 30 38 | 294.9 | 337.0 |
| Depreciation and amortisation | 4 9 | 38.0 | 43.2 |
| Impairment | 9 | 0.4 | 1.3 |
| Other operating expenses | 10 | 140.2 | 184.0 |
| Share of the profit of associates and joint ventures | 11 | 1.4 | 0.5 |
| | | | |
| **Operating profit** | 4 | 37.3 | 36.3 |
| | | | |
| Finance income | 12 | 33.9 | 41.3 |
| Finance costs | 12 | 54.5 | 79.2 |
| | | | |
| **Profit before income taxes** | | 16.7 | -1.7 |
| | | | |
| Income taxes | 13 | -9.4 | -3.3 |
| | | | |
| **Profit from continuing operations** | | 7.2 | -5.0 |
| | | | |
| Profit from discontinued operations | 14 | | 23.1 |
| | | | |
| **Profit for the financial year** | | 7.2 | 18.1 |
| | | | |
| Profit for the financial year attributable to | | | |
| Equity holders of the parent company | | 7.2 | 18.2 |
| Non-controlling interests | | 0.0 | 0.0 |
| | | | |
| Basic and diluted earnings per share attributable to equity holders of the parent company, EUR | | | |
| From continuing operations | 15 | -0.15 | -0.68 |
| From discontinued operations | 15 | | 1.08 |
| From profit for the year | 15 | -0.15 | 0.40 |

# Consolidated statement of comprehensive income (IFRS)

| EUR million | Note | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|---|
| **Profit for the financial year** | | 7.2 | 18.1 |
| | | | |
| Items that will not be reclassified to profit or loss | | | |
| Defined benefit pension obligations | 16 29 | 0.3 | 0.0 |
| | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Translation differences | 16 27 | -4.2 | -18.6 |
| Cash flow hedge | 16 27 | | 0.1 |
| | | | |
| **Other comprehensive income, total** | | -3.9 | -18.5 |
| | | | |
| **Comprehensive income for the financial year** | | 3.4 | -0.4 |
| | | | |
| Comprehensive income for the financial year | | | |
| Equity holders of the parent company | | 3.4 | -0.3 |
| Non-controlling interests | | 0.0 | 0.0 |
| | | | |
| Comprehensive income attributable to equity holders of the parent company arises from | | | |
| Continuing operations | | 3.4 | -23.5 |
| Discontinued operations | | | 23.1 |

# Consolidated statement of financial position (IFRS)

| EUR million | Note | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 18 | 149.1 | 181.2 |
| Goodwill | 19 | 53.1 | 53.8 |
| Other intangible assets | 19 | 14.0 | 20.2 |
| Investments in associates and joint ventures | 11 | 4.7 | 6.9 |
| Available-for-sale financial assets | 20 | 2.7 | 3.2 |
| Deferred tax assets | 13 | 36.9 | 42.0 |
| Other non-current receivables | 21 | 0.5 | 0.5 |
| | | 261.0 | 307.9 |
| | | | |
| **Current assets** | | | |
| Inventories | 22 | 402.0 | 524.0 |
| Trade and other receivables | 23 | 241.9 | 290.0 |
| Income tax receivables | | 2.7 | 1.7 |
| Available-for-sale financial assets | 24 | | 25.1 |
| Cash and cash equivalents | 25 | 127.9 | 109.1 |
| | | 774.5 | 949.9 |
| | | | |
| **TOTAL ASSETS** | | 1,035.5 | 1,257.8 |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| | | | |
| **Equity attributable to owners of the parent company** | | | |
| Share capital | 27 | 34.0 | 34.0 |
| Share premium account | 27 | 5.7 | 5.7 |
| Invested non-restricted equity fund | 27 | 91.4 | 91.4 |
| Hybrid bonds | 27 | 111.6 | 138.4 |
| Translation differences | | -25.9 | -21.7 |
| Retained earnings | | 153.4 | 146.4 |
| Profit for the financial year | | 7.2 | 18.2 |
| | | 377.6 | 412.4 |
| | | | |
| **Non-controlling interests** | 11 | 0.1 | 0.1 |
| **Total equity** | | 377.6 | 412.5 |
| | | | |
| **Non-current liabilities** | | | |
| Interest-bearing liabilities | 28 | 123.1 | 139.5 |
| Deferred tax liabilities | 13 | 14.7 | 15.6 |
| Pension obligations | 29 | 0.1 | 0.6 |
| Provisions | 31 | 26.6 | 27.5 |
| Other non-current liabilities | 32 | 0.5 | 0.8 |
| | | 164.9 | 183.9 |
| | | | |
| **Current liabilities** | | | |
| Interest-bearing liabilities | 28 | 131.6 | 208.3 |
| Provisions | 31 | 13.1 | 11.1 |
| Advance payments received | 32 | 105.4 | 145.4 |
| Trade and other payables | 32 | 242.1 | 295.5 |
| Income tax liabilities | | 0.8 | 1.1 |
| | | 492.9 | 661.4 |
| | | | |
| **Total liabilities** | | 657.8 | 845.3 |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | 1,035.5 | 1,257.8 |

# Consolidated cash flow statement (IFRS)

| EUR million | Note | 1 Jan–31 Dec 2015 | Adjusted 1 Jan–31 Dec 2014 |
|---|---|---|---|
| Cash flows from operating activities (including discontinued operations) | | | |
| Profit before taxes | | 16.7 | 21.6 |
| Adjustments | 35 | | |
| Depreciation and impairment | | 38.4 | 44.7 |
| Share of the profit of associates and joint ventures | | -1.4 | -0.5 |
| Finance income and costs | 12 | 20.6 | 37.9 |
| Other adjustments | | 29.2 | -22.9 |
| Cash flows before change in working capital | | 103.4 | 80.8 |
| | | | |
| Change in working capital | | | |
| Increase (-)/decrease(+) in trade and other receivables | | 19.7 | 13.0 |
| Increase (-)/decrease(+) in inventories | | 79.6 | -51.6 |
| Increase (+)/decrease(-) in current liabilities | | -57.8 | -54.2 |
| Cash flows from operations before financial items and taxes | | 144.8 | -12.0 |
| | | | |
| Interest paid | | -29.8 | -29.2 |
| Other finance costs paid | | -6.2 | -6.9 |
| Dividends received | | 0.5 | 0.6 |
| Interest received | | 1.3 | 0.7 |
| Other finance income received | | 0.0 | 0.1 |
| Income tax paid | | -4.1 | -1.7 |
| **Cash flow from operating activities** | | 106.6 | -48.4 |
| | | | |
| Cash flows from investing activities (including discontinued operations) | | | |
| Purchases of property, plant and equipment | | -9.2 | -23.7 |
| Proceeds from sale of property, plant and equipment | | 7.4 | 15.3 |
| Purchases of intangible assets | | -1.2 | -3.7 |
| Proceeds from sale of intangible assets | | 1.0 | 0.2 |
| Investments in other assets | | | -93.8 |
| Proceeds from sale of other investments available-for-sale | | 26.2 | 100.0 |
| Acquired subsidiary shares less cash and cash equivalents at time of purchase | | -1.6 | -2.8 |
| Disposed subsidiary shares less cash and cash equivalents at time of sale | | 1.1 | 58.6 |
| Disposed shares in associates and joint ventures | | 3.9 | 0.4 |
| **Cash flow from investing activities** | | 27.7 | 50.5 |
| | | | |
| Cash flows from financing activities (including discontinued operations) | | | |
| Increase (-)/decrease(+) of long-term loan receivables | | 0.1 | -0.6 |
| Rights offering | | | 29.3 |
| Transaction cost from rights offering | | | -2.0 |
| Proceeds from short-term borrowings | | 112.7 | 199.7 |
| Repayments of short-term borrowings | | -182.7 | -310.0 |
| Proceeds from long-term borrowings | | 0.0 | 300.6 |
| Repayments of long-term borrowings | | -4.9 | -217.7 |
| Increase(+)/decrease(-) of hybrid bonds | | -27.1 | 69.3 |
| Repayments of finance lease liabilities | | -13.2 | -12.0 |
| Dividends paid | | | -0.1 |
| **Cash flow from financing activities** | | -115.0 | 56.4 |
| | | | |
| **Increase (-)/decrease(+) in cash and cash equivalents** | | 19.4 | 58.5 |
| Cash and cash equivalents at beginning of financial year | | 109.1 | 51.1 |
| Translation difference of cash and cash equivalents | | -0.5 | -0.5 |
| **Cash and cash equivalents at the end of financial year** | 25 | 127.9 | 109.1 |

# Consolidated statement of changes in equity (IFRS)

| EUR million | Note | Share capital | Share premium account | Hedging reserve | Invested non-restricted equity fund | Hybrid bonds | Translation differences | Retained earnings | Parent company shareholders' equity | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Equity 1 Jan 2014 | | 34.0 | 5.7 | -0.1 | 63.8 | 69.1 | -3.1 | 154.1 | 323.5 | 0.6 | 324.0 |
| Profit for the financial year | | | | | | | | 18.2 | 18.2 | 0.0 | 18.1 |
| Items that will not be reclassified to profit or loss | | | | | | | | | | | |
| Pension obligations | 29 | | | | | | | 0.0 | 0.0 | | 0.0 |
| Items that may be reclassified subsequently to profit or loss | | | | | | | | | | | |
| Translation differences | 27 | | | | | | -18.6 | | -18.6 | | -18.6 |
| Cash flow hedge | 27 | | | 0.1 | | | | | 0.1 | | 0.1 |
| Comprehensive income for the financial year | | | | 0.1 | | | -18.6 | 18.2 | -0.3 | 0.0 | -0.4 |
| Acquisition of shares of non-controlling interest | | | | | | | | 0.2 | 0.2 | | 0.2 |
| Change in non-controlling interest | | | | | | | | | | -0.4 | -0.4 |
| Shares returned by the company, acquisition of non-controlling interest by share exchange in 2010 | | | | | | | | 0.4 | 0.4 | | 0.4 |
| Rights offering | 27 | | | | 29.3 | | | | 29.3 | | 29.3 |
| Transaction cost from rights offering | 27 | | | | -1.6 | | | | -1.6 | | -1.6 |
| Hybrid bonds' interests | | | | | | | | -8.3 | -8.3 | | -8.3 |
| Transactions with owners, total | | | | | 27.7 | | | -7.7 | 20.0 | -0.4 | 19.6 |
| Hybrid bonds | 27 | | | | | 69.3 | | | 69.3 | | 69.3 |
| Equity 31 Dec 2014 | | 34.0 | 5.7 | | 91.4 | 138.4 | -21.7 | 164.5 | 412.4 | 0.1 | 412.5 |

| EUR million | Note | Share capital | Share premium account | Hedging reserve | Invested non-restricted equity fund | Hybrid bonds | Translation differences | Retained earnings | Parent company shareholders' equity | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Equity 1 Jan 2015 | | 34.0 | 5.7 | | 91.4 | 138.4 | -21.7 | 164.5 | 412.4 | 0.1 | 412.5 |
| Profit for the financial year | | | | | | | | 7.2 | 7.2 | 0.0 | 7.2 |
| Items that will not be reclassified to profit or loss | | | | | | | | | | | |
| Pension obligations | 29 | | | | | | | 0.3 | 0.3 | | 0.3 |
| Items that may be reclassified subsequently to profit or loss | | | | | | | | | | | |
| Translation differences | 27 | | | | | | -4.2 | | -4.2 | | -4.2 |
| Comprehensive income for the financial year | | | | | | | -4.2 | 7.5 | 3.4 | 0.0 | 3.4 |
| Acquisition of shares of non-controlling interest | | | | | | | | -0.2 | -0.2 | -0.1 | -0.3 |
| Hybrid bonds' interests and costs | | | | | | | | -11.2 | -11.2 | | -11.2 |
| Transactions with owners, total | | | | | | | | -11.5 | -11.5 | -0.1 | -11.5 |
| Hybrid bonds | 27 | | | | | -26.7 | | | -26.7 | | -26.7 |
| Equity 31 Dec 2015 | | 34.0 | 5.7 | | 91.4 | 111.6 | -25.9 | 160.6 | 377.6 | 0.1 | 377.6 |

# Accounting policies applied in the IFRS consolidated financial statements, 31 December 2015

## 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 which shares are quoted on Nasdaq Helsinki Ltd. The parent company comprises together with its subsidiaries the Lemminkäinen Group (later "the Group" or "the company"). The Group produces infrastructure and building construction services mainly in Finland, other Nordic countries, Russia and the Baltic countries.

## Basis of preparation

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 2015 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 corporate legislation supplemental to the IFRS regulations.

The preparation of financial statements requires company's management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The areas involving management judgements, estimates and assumption are presented in paragraph Management judgements and estimates

The financial statements have been prepared in euros and are presented in millions of euros in the annual report. Transactions are treated on the basis of original acquisition costs, with the exception of financial instruments, pension obligations, contingent considerations in acquisitions recognised as liability and options to redeem shares from non-controlling shareholders recognised as liability.

The Board of Directors approved the publication of the consolidated financial statements on 3 February 2016. 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 9 of 2016 onwards. Printed copies of the consolidated financial statements can be ordered via e-mail info@lemminkainen.com, from week 10/2016 onwards.

## Principles of consolidation

### Subsidiaries

The consolidated financial statements include Lemminkäinen Corporation and those entities (subsidiaries) over which the Group has control. Lemminkäinen Corporation controls an entity when it has power over that entity and it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries acquired during the accounting period are included in the consolidated financial statements from the moment of the Group gains control, and divested subsidiaries until the time that the control is lost. Direct acquisition costs are recognised as other operating expenses in the income statement.

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 statement of financial position. 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. Fixed price symmetrical put and call option in relation to acquisition of non-controlling interest is recognised at fair value in the financial liabilities. When this kind of option exists, the share of the non-controlling interest is not recognised in the consolidated statement of financial position.

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.

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 statement of financial position, the non-controlling interest is included in the total equity of the Group.

### Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control based on a contractual arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Control is defined similarly as with subsidiaries.

A joint arrangement is classified as a joint operation or a joint venture. The participating parties of a joint operation have the rights to the assets, and obligations for the liabilities, relating to the arrangement. The company consolidates its share of the joint operation's assets, liabilities, revenues and expenses. The company's consortiums in Finland are typically classified as joint operations.

The participating parties of a joint venture have the right to the joint arrangement's net assets.

The company consolidates joint ventures using the equity method. In equity method the Group's share of the profit of the joint venture corresponding to its ownership stake is included in the consolidated income statement. Correspondingly, the Group's share of the equity in the joint venture, including the goodwill arising from its acquisition, is recorded as the value of the Group's holding in the joint venture on the consolidated statement of financial position. If the Group's share of the losses of a joint venture exceeds the investment's carrying amount, the investment is assigned a value of zero on the statement of financial position and the excess is disregarded, unless the Group has obligations related to the joint venture.

Unrealised gains arising in connection with business and fixed asset transactions between the Group and joint ventures are eliminated in proportion to the holding. The eliminated gain is recognised through profit or loss as it is realised. Any dividend received from the joint venture is eliminated from profit and from the acquisition value of the shares.

### Associates

An associate is an entity over which the company has significant influence, but neither control nor joint control. If the company holds, directly or indirectly, 20 per cent or more of the voting power of the entity, it is presumed that the company has significant influence, unless it can be clearly demonstrated that this is not the case. The company consolidates associates using the equity method. The Equity method is described above in Joint arrangements paragraph.

## Operating segments

The company changed its reporting structure on 1 January 2015. The earlier Infrastructure construction operating segment was divided into two new operating segments. The paving, mineral aggregates and earthworks businesses were transferred to the new Paving operating segment. Foundation engineering, civil engineering and rock engineering constitute the new Infra projects operating segment. As of 1 January 2015, the company's operating segments are:

- Paving;
- Infra projects;
- Building construction, Finland and
- Russian operations.

The Group's parent company, and other operations and assets unallocated to the segments, such as building construction in Sweden, an associated company engaged in the real estate rental business called Finavo Oy as well as companies managing individual plots and plants mainly outside Finland are reported as part of the Group's other operations.

In addition, the company has changed its accounting policies for segment reporting as of 1 January 2015. In the future, The company will report the operating capital for the Group and each segment to the chief operating decision maker. The operating capital consists of property, plant and equipment, goodwill, other intangible assets and net working capital. The net working capital includes inventories, current trade and other receivables, provisions, current trade and other payables as well as income tax receivables and liabilities. However, the net working capital allocated to the segments excludes accrued personnel expenses and accrued interest, accruals related to derivatives as well as accrued direct and indirect taxes. These figures are reported separately as items unallocated to segments.

Reported segment information is based on internal segment reporting to the chief operating decision maker. Lemminkäinen Group's chief operating decision maker is the President and CEO of Lemminkäinen Corporation. Internal segment reporting to the management covers net sales, depreciation, operating profit, and operating capital. The figures reported to the management are accurate to the nearest million euros.

Reportable segment information is prepared according to the accounting policies 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.

## Non-current assets held for sale and discontinued operations

Non-current assets are classified (or disposal group) as held for sale if their carrying amount will be recovered principally through a sale transaction and sale is highly probable. If the carrying amount of non-current assets will be recovered principally through a sale transaction rather than through continuing use, they are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation stops/ceases from the moment the asset is classified as held for sale.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale. A discontinued operation represents a separate major line of business or geographical area of operations, or is part of a co-ordinated plan to dispose of a separate major line of business or geographical area of operations. As well a subsidiary acquired exclusively with a view to resale is classified as a discontinued operation. The profit for the current and comparative period from discontinued operation is presented separately in the consolidated income statement.

## 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 reporting 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. Items in the statement of financial position and in the statement of comprehensive income are translated into euros at the exchange rates prevailing on the reporting date. The translation differences resulting from the translation of the income statement and the statement of financial position 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 or businesses operating in foreign currency 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 reporting 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 statement of financial position. 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. 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.

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 statement of financial position 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

Revenues from goods and services sold are recognised as net sales less indirect taxes and discounts. If the sales transaction contains both unconditional and contingent considerations, the company examines the meeting of revenue recognition criteria concerning both considerations separately.

### 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 statement of financial position 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 statement of financial position 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, and it is included in the total cost estimate. A lease liability commitment is recorded as a liability when the construction project has been completed., 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's 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. Primarily, there are sales of manufactured goods, such as mineral aggregates and asphalt mass, in the Paving segment.

### Revenue 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 statement of financial position at cost less depreciation and impairment. Property, plant and equipment are depreciated on a straight-line basis 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 3–15 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 in 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 as part of the acquisition cost of the corresponding asset 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 company 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

An intangible asset is recognised in the statement of financial position, when the cost of the asset can be measured reliably and it is probable that the expected economic benefits that are attributable to the asset will flow to the entity. Intangible assets are recognised at cost less amortisation and impairment in the statement of financial position. 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. Residual values and useful lives of the assets are reviewed at each financial year-end and, and adjusted, if necessary to reflect changes in the expected economic benefits.

**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, the possible impairment of goodwill is assessed at least annually. 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 statement of financial position 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 capitalised expenditure**
Intangible assets include other capitalised expenditure that are not related to property, plant and equipment and have economic effects lasting longer than one year. Other capitalised expenditure creates 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 statement of financial position 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 acquisition cost 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 time value of money and the risks specific to the asset. 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 statement of financial position 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 interest bearing liabilities.

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 expensed over the lease term. If the lease agreement is not expected to yield future economic benefits, the minimum lease payments under the contract are 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 statement of financial position 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. 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 statement of financial position.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The amount of pension obligation 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. 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

The Group has a share-based remuneration schemes. Share-based rewards are measured at fair value of Lemminkäinen share on the date of their being granted and expensed over their vesting and commitment periods. Costs that arise from the matching share system 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, contingent liabilities and contingent assets

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 as a liability when a project is completed. 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 considered secure.

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 Finnish 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. The lease liability commitment is recorded as provision when project has been completed.
The company recognises a provision for legal proceedings when the company's management 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.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in financial statements but 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 current tax charge is calculated using the tax rate enacted at the end of the reporting period.

The deferred tax is calculated from the temporary differences between taxation and accounting, with either the tax rate in force on the reporting date or a known tax rate that will come into force at a later date. 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. 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. The Group´s deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority.

## Distribution of dividends

The proposed dividend by the Board of Directors to the annual general meeting is recognised as a deduction of distributable equity when it has been approved by the annual general meeting.

## Hybrid bonds

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 management has to make accounting estimates and assumptions about the future, as well as judgement-based decisions on the application of the accounting policies. 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. Information on key aspects of the financial statements for which management judgement and estimates have been necessary is presented below.

### Goodwill impairment testing

Goodwill is tested for potential impairment at least annually and whenever there are indications of impairment. The recoverable amount from the business of a cash-generating unit is derived from value-in-use calculations. These calculations require a significant use of estimates and assumptions. The cash flow forecasts are based on profitability plans approved by the company's management for a certain period and on other justifiable estimates of the prospects for the business sector and the cash-generating unit. The key uncertainties in value-in-use calculations are the discount rate and the long-term growth assumption. A more detailed description of the estimates and assumptions concerning goodwill impairment testing is given in the notes to the financial statements.

### Deferred tax assets

The management regularly estimates the recoverability of deferred tax assets. Deferred tax assets from tax losses are recorded to the amount that the management estimates, based on its profit forecasts, to be utilisable in the future, considering the expiration period of tax losses.

### Inventories

The management regularly estimates, in its best judgement, the potential obsolescence of inventories by comparing their cost with the net realisable value. The net realisable value is an entity-specific value which is based on the most reliable evidence available at the time. Materials and other supplies held for use in the production of inventories are not written-down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

### Trade receivables

The valuation of trade receivables involves an impairment risk. The management regularly estimates past-due trade receivables. The estimates are done according to the Group's credit risk policy and are based on realised customer-specific credit losses, the company's empirical knowledge and surveys.

### Recognition of revenue from construction projects

Revenue recognition on the basis of the percentage of completion is based on estimates of the project's expected revenue and costs as well as on the reliable determination of the progress of the project. In order to make a reliable estimate, the project's costs are determined and itemised as accurately as possible. To determine revenue, the management has to estimate factors affecting the total revenue amount. If estimates of the project's outcome change, recognised revenue and profit will be adjusted for the reporting period when the change first became known and could be estimated.

### Recognition of provisions

Recognition of provisions involves probability- and amount-related estimates. The management estimates, based on its best knowledge, the probability of the realisation of an obligation that exists at the reporting date as well as the obligation's amount. The estimate of the probability and amount of realised costs is based on previous similar events and experience-based knowledge.

## New standards and interpretations

### New standards, interpretations and annual improvements to IFRSs applied by the company in 2015

There are no IFRSs, IFRIC interpretations or annual improvements to IFRSs adopted by the company for the first time for the financial year beginning on 1 January 2015 that have had an impact on the company's consolidated financial statements.

### New standards, interpretations and annual improvements to IFRSs applied by the company after 2015

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Of these standards, IFRS 15 and 16 might have a significant effect on the consolidated financial statements of the company.

IFRS 15 Revenue from Contracts with Customers was issued in May 2014. The effective date of the standard is a period beginning on or after 1 January 2018. Earlier application is permitted. An EU endorsement is required for the standard to become effective in the EU after which it is allowed to apply the standard. The standard specifies how and when to recognise revenue from contracts with customers. The company examines the effects of the standard to the consolidated financial statements.

IFRS 16 Leases was issued in January 2016. The effective date of the standard is a period beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 is applied. An EU endorsement is required for the standard to become effective in the EU after which it is allowed to apply the standard. The standard is applied on lessee's financial statements. All leasing contracts will be capitalized except for low value assets and short term leases. The company will start analysing the effects of the standard to the consolidated financial statements during the coming financial year.

IFRS 9 Financial Instruments was issued in July 2014 and applies to an annual reporting period beginning on or after 1 January 2018. An EU endorsement is required for the standard to become effective in the EU. The standard will affect, among other things, the recognition of credit losses from financial instruments. According to the standard, credit losses are recorded based on expected losses and therefore they will be recorded earlier. In addition, the standard will affect the classification and measurement of financial assets and liabilities, but this will not have a material impact on the company's consolidated financial statements.

There are no other IFRSs, IFRIC interpretations or annual improvements to IFRSs that are not yet effective that would be expected to have a material impact on the company's consolidated financial statements.

# Notes to the consolidated financial statements (IFRS)

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 1 Adjustments concerning prior periods

## 1 Adjustments concerning prior periods

The company has adjusted the cash flow statement of the comparison period. The adjustment specifies the presentation of changes in exchange rates and it affects the cash flows from operating and financing activities.

The items and sum rows which are affected by the changes are shown in the table below.

| 1 Jan–31 Dec 2014<br>EUR million | Cash flow before adjustment | Adjustments | Adjusted cash flow |
|---|---|---|---|
| Other adjustments | -37.6 | 14.8 | -22.9 |
| **Cash flows before change in working capital** | **66.0** | **14.8** | **80.8** |
| | | | |
| Increase (-)/decrease(+) in trade and other receivables | 8.2 | 4.8 | 13.0 |
| Increase (+)/decrease(-) in current liabilities | -52.5 | -1.8 | -54.2 |
| | | | |
| **Cash flows from operations before financial items and taxes** | **-29.8** | **17.8** | **-12.0** |
| | | | |
| Interest paid | -23.6 | -5.6 | -29.2 |
| Other finance costs paid | -35.9 | 29.0 | -6.9 |
| Other finance income received | 34.9 | -34.9 | 0.1 |
| **Cash flow from operating activities** | **-54.8** | **6.4** | **-48.4** |
| | | | |
| Repayments of short-term borrowings | -303.6 | -6.4 | -310.0 |
| **Cash flow from financing activities** | **62.8** | **-6.4** | **56.4** |

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

Lemminkäinen has changed its accounting policy for segment reporting as of 1 January 2015. According to the changed accounting policy the company reports the operating capital for each segment to the chief operating decision maker. The operating capital reported by the company consists of property, plant and equipment, goodwill, other intangible assets and net working capital. The net working capital includes inventories, current trade and other receivables, provisions, current trade and other payables as well as income tax receivables and liabilities. However, the net working capital allocated to the segments excludes accrued personnel expenses and interest, accruals related to derivatives as well as accrued direct and indirect taxes. These figures are reported separately as items unallocated to segments.

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 2 Unusual events during the accounting period

## 2 Unusual events during the accounting period

On 31 March 2015, the company announced that it will withdraw from its role as developer in the planned Ilmatar residential project with Lipsanen & Co. Group. The parties' negotiations regarding alternative ways to carry out the project were completed during the third quarter. The parties agreed that Lemminkäinen withdraws entirely from the project. As a consequence of the withdrawal, Lemminkäinen booked an inventory write-down in the third quarter of 2015. The impact of the write-down on the profit was EUR 12.9 million in 2015.

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 3 Seasonality of business

## 3 Seasonality of business

Seasonality of certain operations of the company affects the company's profit and its timing. Weather conditions influence the lengths of the Paving segment's paving and mineral aggregates businesses working seasons, which affects the company's profit and its timing. The working seasons of these businesses and consequently their profits take place mostly in the second and third quarters. In addition, there may be some seasonality in the Infra projects segment's foundation engineering business due to the timing of building construction projects.

Revenue from residential and non-residential development projects is recognised, for the sold proportion, on completion which causes seasonal fluctuations to the company's profit. The company seeks to balance this fluctuation by launching new developed projects evenly throughout the year in which case the projects will be completed and revenue from them is recognised as evenly as possible throughout the year.



## 4 Operating segments

Lemminkäinen changed its reporting structure on 1 January 2015. The reportable business segments are; Paving; Infra projects; Building construction, Finland; and Russian operations. Income statement items in segment reporting comply with the consolidated financial statement's accounting policy. Operating capital is reported as segments' assets.

### Paving

The Paving segment includes the Group's paving and mineral aggregates business in Finland, Scandinavia and the Baltic countries and earthworks in Finland and the Baltic countries.

### Infra projects

The Infra projects segment includes the rock engineering, foundation engineering and civil engineering businesses in Finland, Scandinavia and the Baltic countries.

### Building construction, Finland

Building construction covers residential construction, commercial construction, industrial construction, renovation, property development and public-private partnership services. The company has both development and contracted projects.

### Russian operations

In Russia, Lemminkäinen operates in the paving business as well as the building construction business in both development and contracted projects in St Petersburg and Moscow regions. The latest residential development project of the Russian operations was completed at the end of 2015. The company has decided to refrain from starting new residential development for the time being.

### Other operations

The Group's parent company as well as other operations and assets unallocated to the segments are reported as part of the other operations.

### Unallocated items

Unallocated items include accrued personnel expenses and interest, accruals related to derivatives as well as accrued direct and indirect taxes which are not allocated to the segments' operating capital.

### Operating segments

| 1 Jan–31 Dec 2015<br>EUR million | Paving | Infra projects | Building construction, Finland | Russian operations | Other operations | Eliminations | Group total, IFRS |
|---|---|---|---|---|---|---|---|
| Net sales | 874.5 | 263.1 | 537.8 | 136.7 | 106.1 | -39.2 | 1,879.0 |
| Depreciation and impairment | 25.5 | 5.1 | 0.2 | 1.5 | 6.0 | | 38.4 |
| Operating profit | 16.9 | 11.8 | 12.9 | 2.9 | -7.2 | | 37.3 |

| 1 Jan–31 Dec 2014<br>EUR million | Paving | Infra projects | Building construction, Finland | Russian operations | Other operations | Eliminations | Group total, IFRS |
|---|---|---|---|---|---|---|---|
| Net sales | 907.5 | 286.0 | 539.0 | 196.1 | 179.2 | -63.3 | 2,044.5 |
| Depreciation and impairment | 30.0 | 6.3 | 0.3 | 1.9 | 6.1 | | 44.4 |
| Operating profit | 32.2 | 7.2 | 9.3 | 19.7 | -32.2 | | 36.3 |

| EUR million | 31.12.2015 | 31.12.2014 |
|---|---|---|
| Operating capital by operating segment | | |
| Paving | 231.2 | 262.1 |
| Infra projects | 1.2 | -0.9 |
| Building construction, Finland | 274.8 | 303.7 |
| Russian operations | 35.0 | 68.4 |
| Segments, total | 542.2 | 633.3 |
| Other operations | 8.6 | 35.5 |
| Items unallocated to segments | -76.0 | -78.5 |
| Group total, IFRS | 474.8 | 590.4 |



## 5 Information by market area

| EUR million | Finland | Scandinavia | Russia | Baltic countries | Other countries | Total |
|---|---|---|---|---|---|---|
| 1.1.–31.12.2015 | | | | | | |
| Net sales | 1,117.9 | 497.7 | 136.7 | 116.5 | 10.1 | 1,879.0 |
| Assets | 800.2 | 147.9 | 57.2 | 28.7 | 1.5 | 1,035.5 |
| Investments | 4.1 | 4.1 | 1.6 | 0.5 | | 10.3 |

| EUR million | Finland | Scandinavia | Russia | Baltic countries | Other countries | Total |
|---|---|---|---|---|---|---|
| 1.1.–31.12.2014 | | | | | | |
| Net sales | 1,073.2 | 644.1 | 195.3 | 127.9 | 3.9 | 2,044.5 |
| Assets | 830.0 | 263.7 | 108.0 | 49.0 | 7.1 | 1,257.8 |
| Investments | 12.2 | 12.6 | 2.3 | 3.0 | 0.0 | 30.0 |

Net sales is determined by customer location and the carrying amount of assets based on their geographic location.



## 6 Construction projects

| EUR million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Percentage-of-completion method, continuing operations | | |
| Revenue recognised according to the percentage-of-completion method | 1,453.4 | 1,654.1 |
| Incurred costs and recognised net profits (less booked losses) of work in progress projects | 1,119.2 | 1,467.0 |
| Gross project-related receivables from clients | 29.6 | 32.7 |
| Gross project-related liabilities to clients | 54.5 | 67.4 |

### Service concession arrangements

Lemminkäinen currently has six major ongoing life cycle projects, where subscribers are the municipalities of Kuopio, Oulu, Pudasjärvi, Hollola and Porvoo. In each of the projects, Lemminkäinen refurbishes an old or builds a new building for the municipality as well as maintains the building in question for a service period specified in the contract. The municipality owns both the buildings and the land area where the buildings are located in each of the life cycle projects. In all of the contracts, the municipality has the right to terminate the contract during the service period under certain terms and conditions taking into consideration the interests of the service provider. The prices of both the construction phase and the service period have been tied to a building cost index according to which the prices are reviewed annually. Lemminkäinen does not have a significant right to organize supplementary use for any of the properties. Key information on each of the projects is presented in the table below.

| Project | Contract date | Construction phase | Service phase | Total value* |
|---|---|---|---|---|
| Kuopio, schools and a day-care center | 14 Dec 2009 | completed | ends 2036 | EUR 94 mill. |
| Oulu, Kastelli community center | 1 June 2012 | completed | ends 2039 | EUR 86 mill. |
| Pudasjärvi, school campus | 13 March 2014 | ends 2016 | ends 2041 | EUR 41 mill. |
| Pudasjärvi, care facility | 6 Nov 2015 | ends 2016 | ends 2036 | EUR 12 mill. |
| Hollola, Heinsuo and Kalliola schools | 5 June 2015 | ends 2017 | ends 2037 | EUR 49 mill. |
| Porvoo, schools and day-care centers | 16 Dec 2015 | ends 2018 | ends 2038 | EUR 61 mill. |

*Estimate on the contract date



## 7 Other operating income

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Gain on sales of property, plant and equipment* | 2.8 | 10.4 |
| Gain on sales of available-for-sale financial assets | 0.6 | 0.9 |
| Rental income | 2.5 | 1.9 |
| Gain from hedging purchases and sales** | 0.2 | 1.2 |
| Grants and compensation on damages received | 0.6 | 1.0 |
| Gain on settlement of defined benefit plans | | 0.2 |
| Others | 4.3 | 2.6 |
| | 11.0 | 18.3 |

*Gain on sales of property, plant and equipment are mainly related to equipment sales in Paving-segment. In 2014 the company also sold a land area in Norway from which it recorded a gain on sale of EUR 5.3 million.

**Gain 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.



## 8 Employee benefit expenses and number of personnel

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Personnel expenses | | |
| Wages and salaries | 245.2 | 281.6 |
| Share-based expenses | 0.5 | 0.3 |
| Pension expenses, defined contribution plans | 32.9 | 36.1 |
| Pension expenses, defined benefit plans | 0.0 | 0.0 |
| Other personnel-related expenses | 16.2 | 18.9 |
| | 294.9 | 337.0 |
| | | |
| The wages and salaries of the Group companies' managing directors and Board of directors, continuing operations | 3.3 | 4.6 |

Defined benefit pension expenses are explained in more detail in the note 29 and share-based payments in the note 30 and related party transactions in the note 38.

| | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Personnel at the end of period | | |
| White collar | 1,845 | 2,070 |
| Blue collar | 2,214 | 2,678 |
| | 4,059 | 4,748 |
| | | |
| Personnel by business segment at the end of period | | |
| Paving | 2,124 | 2,225 |
| Infra projects | 463 | 439 |
| Building construction, Finland | 947 | 1,038 |
| Russian operations | 405 | 635 |
| Parent company and others | 120 | 411 |
| | 4,059 | 4,748 |

## 9 Depreciation, amortisation and impairment

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Depreciation of property, plant and equipment | | |
| Buildings and structures | 1.0 | 1.1 |
| Machinery and equipment | 18.1 | 20.8 |
| Leased machinery and equipment | 11.2 | 13.0 |
| Other tangible assets | 1.4 | 1.8 |
| | 31.8 | 36.8 |
| | | |
| Amortisation of intangible assets | | |
| Intangible rights | 5.2 | 5.3 |
| Other capitalised expenditure | 1.0 | 1.1 |
| | 6.2 | 6.4 |
| | | |
| Depreciation and amortisation, total | 38.0 | 43.2 |

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Impairment | | |
| Intangible rights | 0.4 | 1.3 |



## 10 Other operating expenses

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Loss on the sale of property, plant and equipment and intangible assets | 0.7 | 0.5 |
| Loss on sale of available-for-sale financial assets | 0.0 | 0.1 |
| Voluntary personnel expenses | 8.6 | 8.4 |
| Rental expenses | 30.3 | 31.3 |
| Losses from hedging purchases and sales* | 6.4 | 2.9 |
| Damages-related legal proceedings** | 0.7 | 6.4 |
| Credit losses | 1.1 | 6.0 |
| Other expenses | 92.4 | 128.2 |
| | 140.2 | 184.0 |

* 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 consist of the change in the provision related to the claims for damages related to the asphalt cartel pending a main proceeding.

The table below shows the fees of the audit firm elected by the General Meeting. The fees have been recorded in other operating expenses. In addition, expenses recorded in invested non-restricted equity fund in 2014 that reduce the gross funds collected in the rights offering, include fees to the audit firm elected by the General Meeting a total of EUR 0.4 million.

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Audit fees | 0.4 | 0.4 |
| Other consulting | 0.2 | 0.2 |
| | 0.6 | 0.6 |

# 11 Investments

## Subsidiaries

| 31 Dec 2015 | Consolidated shareholding, % | Parent company shareholding, % | Parent company shareholding, shares |
|---|---|---|---|
| Lemminkäinen Talo Oy, Helsinki | 100.0 | 100.0 | 2,183,663 |
| Lemminkäinen Infra Oy, Helsinki | 100.0 | 100.0 | 1,338 |
| Lemcon Networks Oy, Helsinki | 100.0 | 100.0 | 392,000 |
| UAB Lemcon Vilnius, Lithuania | 100.0 | 100.0 | |
| UAB Lemminkainen Lietuva, Lithuania | 99.9 | 99.9 | 3,747,989 |
| | | | |
| Lemminkäinen International Oy, Helsinki | 100.0 | | |
| Lemminkäinen Russia Oy, Helsinki | 100.0 | | |
| Lemminkäinen Co., Ltd, China | 100.0 | | |
| Lemminkäinen Construction (India) Private Limited, India | 100.0 | | |
| Lemcon HR Oy, Helsinki | 100.0 | | |
| OOO Lemminkäinen Invest, Russia | 100.0 | | |
| Lemminkäinen Polska Sp.Z O.O, Poland | 100.0 | | |
| Lemminkäinen Ehitus As, Estonia | 100.0 | | |
| OOO Lemminkäinen Service, Russia | 100.0 | | |
| OOO Lemminkäinen Stroy, Russia | 100.0 | | |
| ZAO Lemminkäinen Rus, Russia | 100.0 | | |
| | | | |
| Lemcon Argentina S.R.L, Argentina | 100.0 | | |
| LEMCON Baumanagement GmbH, Germany | 100.0 | | |
| Lemcon Network Services Ltd, UK | 100.0 | | |
| Lemcon Venezuela C.A., Venezuela | 100.0 | | |
| Pasila Telecom Oy, Helsinki | 100.0 | | |
| | | | |
| Asfalt Remix AS, Norway | 75.0 | | |
| FD-Entreprise Aps, Denmark | 100.0 | | |
| Lemminkäinen A/S, Denmark | 100.0 | | |
| Lemminkäinen Industri AS, Norway | 100.0 | | |
| Lemminkäinen Eesti AS, Estonia | 100.0 | | |
| Lemminkäinen Norge AS, Norway | 100.0 | | |
| Lemminkäinen Sverige Ab, Sweden | 100.0 | | |
| Oü Järva Paas, Estonia | 86.0 | | |
| SIA Lemminkainen Latvija, Latvia | 100.0 | | |
| Landvetterkrossen AB, Sweden | 100.0 | | |

All the company's subsidiaries have been included in the consolidated financial statements. Non-controlling interests in the company's subsidiaries have been recorded in relation to voting rights and ownership except for Norwegian Asfalt Remix AS. The company has an obligation to redeem the non-controlling interest of Asfalt Remix AS within an agreed period for which reason the share of the non-controlling interest has not been recognised in the statement of financial position. The obligation has been measured at fair value and recorded as a liability in the consolidated statement of financial position. The amount of the liability is not material.

Non-controlling interest in the consolidated statement of financial position totalled EUR 0.1 million (0.1) at the end of 2015, and it is not material to the company.

The company is not aware of any restrictions on its assets at the end of 2015.

## Joint ventures

The Group's joint ventures are not individually material.

| 31 Dec 2015 | Consolidated shareholding, % |
|---|---|
| Genvej A/S, Denmark | 50.0 |
| Nordasfalt AS, Norway | 50.0 |

| EUR million | 2015 | 2014 |
|---|---|---|
| Shares in joint ventures 1 Jan | 6.9 | 8.2 |
| Translation difference | -0.3 | -0.5 |
| Decreases | -2.8 | -0.6 |
| Dividends received | -0.6 | -0.7 |
| Share of the profit for the period | 1.4 | 0.5 |
| Shares in joint ventures 31 Dec | 4.7 | 6.9 |

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Total of joint ventures that are not individually material (information presented in full) | | |
| Profit from continuing operations | 1.4 | 0.5 |
| Comprehensive income for the financial year | 1.4 | 0.5 |

## Associates

The Group's associates are not individually material.

| 31 Dec 2015 | Consolidated shareholding, % |
|---|---|
| Finavo Oy, Helsinki | 47.5 |

| EUR million | 2015 | 2014 |
|---|---|---|
| Shares in associates 1 Jan | 0.0 | 0.6 |
| Decreases | 0.0 | -0.6 |
| Share of the profit for the period | | 0.0 |
| Shares in associates 31 Dec | 0.0 | 0.0 |

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Total of associates that are not individually material (information presented in full) | | |
| Profit from continuing operations | | 0.0 |
| Comprehensive income for the financial year | | 0.0 |

Finavo Oy is a real estate rental operator. The company has given a EUR 12.4 million (14.4) loan guarantee for the real estate shares owned by Finavo Oy. Due to the loan guarantee the company's liabilities in Finavo Oy exceed the amount recorded in the consolidated statement of financial position.

## Other shares and holdings

The company has other shares and holdings, which are mainly real estate shares. The company's other shares and holdings are recorded as non-current available-for-sale financial assets in the statement of financial position. Changes in other shares and holdings are presented in the note 20.

# 12 Finance income and costs

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Finance income | | |
| Interest income from loans and receivables | 1.3 | 0.5 |
| Interest income from available-for-sale financial assets | 0.0 | 0.0 |
| Dividend income from available-for-sale financial assets | 0.0 | 0.0 |
| Foreign exchange rate gains | 32.5 | 40.6 |
| Gain on the changes in fair value of interest rate derivatives | 0.1 | |
| Other finance income | 0.0 | 0.1 |
| | 33.9 | 41.3 |
| | | |
| Finance costs | | |
| Interest expenses for financial liabilities recognised at amortised cost | 12.5 | 16.3 |
| Foreign exchange rate losses | 37.2 | 47.8 |
| Losses on the change in fair value of interest rate derivatives | | 1.2 |
| Credit losses from loan receivables | | 7.0 |
| Other finance costs | 4.8 | 7.0 |
| | 54.5 | 79.2 |
| | | |
| Finance income and costs, total | -20.6 | -37.9 |

## Exchange rate differences recognised in the income statement

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Exchange rate differences on sales | 0.0 | -0.1 |
| Exchange rate differences on purchases | 0.0 | 0.0 |
| Exchange rate differences on hedging purchases and sales | 0.0 | 0.3 |
| Exchange rate differences on financial items | -4.7 | -7.1 |
| Exchange rates differences, total | -4.7 | -6.9 |



# 13 TAXES

## Income taxes

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Income taxes on ordinary business operations | -2.7 | -2.9 |
| Income taxes in respect of prior years | -0.3 | 0.8 |
| Deferred taxes | -6.4 | -1.3 |
| | -9.4 | -3.3 |
| | | |
| Reconciliation of taxes in the income statement and taxes calculated at the Finnish tax rate | | |
| Profit before income taxes | 16.7 | -1.7 |
| Taxes calculated on the above at the Finnish tax rate (20%) | -3.3 | 0.3 |
| Differing tax rates of foreign subsidiaries | 0.3 | -0.4 |
| Tax-exempt income in income statement | 0.4 | 0.5 |
| Non-deductible expenses in income statement | -1.5 | -5.2 |
| Deductible non-income statement items | 0.9 | 0.1 |
| Taxable non-income statement items | -0.4 | 0.0 |
| Use of unrecognised tax losses | | 0.0 |
| Tax losses for the financial year for which no deferred tax asset was recognised | 0.0 | 0.0 |
| Effect of change in the corporate tax rate | -0.9 | |
| Other items* | -4.5 | 0.4 |
| Taxes for the previous financial year | -0.3 | 0.8 |
| Taxes in the income statement, total | -9.4 | -3.3 |

*The 2015 figure includes EUR 1.6 million adjustments to previous periods' taxable profit. The adjustments reduced the amount of the company's confirmed tax losses. In addition, the figure includes other amounts arising from changes in deferred taxes.

## Deferred taxes

| EUR million | 1 Jan 2015 | Translation difference | Recognised in income statement | Recognised in other compre-hensive income | Transactions with owners of the parent company and other changes in equity | Acquisitions, divestments and mergers | 31 Dec 2015 |
|---|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | | |
| Tax losses | 37.5 | -1.1 | -3.6 | | | | 32.9 |
| Pension benefits | 0.1 | 0.0 | -0.1 | -0.1 | | | 0.0 |
| Provisions | 6.8 | 0.0 | -0.5 | | | | 6.3 |
| Financial instruments | | 0.0 | -2.6 | | 2.8 | | 0.2 |
| Property, plant and equipment | 1.5 | -0.3 | -0.4 | | | | 0.8 |
| Temporary difference from revenue recognition of construction projects | 3.6 | -0.5 | 1.0 | | | 0.4 | 4.5 |
| Other temporary differences | 2.2 | 0.3 | -1.4 | | | -0.4 | 0.6 |
| Deferred tax assets, gross | 51.8 | -1.5 | -7.6 | -0.1 | 2.8 | 0.0 | 45.4 |
| Offsetting | -9.7 | 0.8 | 0.5 | | | 0.0 | -8.4 |
| Deferred tax assets | 42.0 | -0.8 | -7.0 | -0.1 | 2.8 | | 36.9 |

| EUR million | 1 Jan 2015 | Translation difference | Recognised in income statement | Recognised in other compre-hensive income | Transactions with owners of the parent company and other changes in equity | Acquisitions, divestments and mergers | 31 Dec 2015 |
|---|---|---|---|---|---|---|---|
| **Deferred tax liabilities** | | | | | | | |
| Property, plant and equipment and intangible assets | 2.9 | -0.1 | 0.7 | | | | 3.5 |
| Financial instruments | 1.0 | 0.0 | -0.1 | | | -0.2 | 0.6 |
| Accelerated depreciations and voluntary provisions | 11.0 | 0.0 | 0.6 | | | 0.0 | 11.6 |
| Temporary difference from revenue recognition of construction projects | 7.9 | -0.7 | -1.0 | | | | 6.1 |
| Other temporary differences | 2.5 | -0.1 | -1.3 | | | 0.2 | 1.3 |
| Deferred tax liabilities, gross | 25.3 | -1.0 | -1.2 | | | 0.0 | 23.1 |
| Offsetting | -9.7 | 0.8 | 0.5 | | | 0.0 | -8.4 |
| Deferred tax liabilities | 15.6 | -0.2 | -0.6 | | | 0.0 | 14.7 |

| EUR million | 1 Jan 2014 | Translation difference | Recognised in income statement* | Recognised in other comprehensive income | Transactions with owners of the parent company and other changes in equity | Acquisitions, divestments and mergers | 31 Dec 2014 |
|---|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | | |
| Tax losses | 37.7 | -1.8 | 1.8 | | | -0.1 | 37.5 |
| Pension benefits | 0.3 | 0.0 | -0.2 | 0.0 | | | 0.1 |
| Provisions | 6.3 | -0.9 | 1.5 | | | | 6.8 |
| Financial instruments | 0.0 | | -2.5 | 0.0 | 2.5 | | |
| Property, plant and equipment | 1.8 | 0,0 | -0.3 | | | | 1.5 |
| Intangible assets | 0.0 | | 0.0 | | | | |
| Temporary difference from revenue recognition of construction projects | 5.9 | -1.9 | -0.9 | | | 0.6 | 3.6 |
| Other temporary differences | 0.9 | -0.1 | 2.4 | | | -1.0 | 2.2 |
| Deferred tax assets, gross | 53.0 | -4.8 | 1.7 | 0.0 | 2.5 | -0.6 | 51.8 |
| Offsetting | -14.4 | 3.4 | 1.3 | 0.0 | | | -9.7 |
| Deferred tax assets | 38.5 | -1.4 | 3.0 | 0.0 | 2.5 | -0.6 | 42.0 |

| EUR million | 1 Jan 2014 | Translation difference | Recognised in income statement* | Recognised in comprehensive income items | Transactions with owners of the parent company and other changes in equity | Acquisitions, divestments and mergers | 31 Dec 2014 |
|---|---|---|---|---|---|---|---|
| **Deferred tax liabilities** | | | | | | | |
| Property, plant and equipment and intangible assets | 4.0 | -0.1 | -1.0 | | | | 2.9 |
| Financial instruments | 0.4 | 0.0 | 0.5 | | | | 1.0 |
| Accelerated depreciations and voluntary provisions | 11.0 | 0.0 | 0.3 | | | -0.2 | 11.0 |
| Temporary difference from revenue recognition of construction projects | 9.7 | -4.4 | 2.5 | | | 0.0 | 7.9 |
| Other temporary differences | 2.5 | -0.4 | 0.7 | | | -0.3 | 2.5 |
| Deferred tax liabilities, gross | 27.6 | -4.8 | 3.1 | | | -0.6 | 25.3 |
| Offsetting | -14.4 | 3.4 | 1.3 | 0.0 | | | -9.7 |
| Deferred tax liabilities | 13.2 | -1.4 | 4.4 | 0.0 | | -0.6 | 15.6 |

* Includes the effect of discontinued operations

The company has recorded the deferred tax assets from tax losses to the amount it considers, based on its profit forecasts, to be utilisable 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. A large part of the tax losses in Finland arise from the damages that the District Court ordered in 2013 related to the asphalt cartel. At the end of 2015, tax losses in the Group's Finnish companies totalled EUR 19.4 million (23.1) and they can be carried forward for 10 years. The amount of tax losses in the Group's Norwegian companies stood at EUR 11.5 million (12.1) at the end of 2015, and they can be carried forward indefinitely. The amount of the company's tax losses, from which deferred tax asset has not been recorded, is not material.

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

# 14 Discontinued operations

## 2015

At the end of 2015 the company did not have any discontinued operations or assets classified as held-for-sale.

## 2014

Lemminkäinen announced on 14 May 2014 that it has divested its Technical building services business by selling the entire share capital of Lemminkäinen Talotekniikka Oy. The transaction was completed on 13 June 2014 and the total purchase price was EUR 55.4 million. The company recorded a pre-tax gain on sale of EUR 23.6 million to the second quarter of 2014. The company classified Lemminkäinen Talotekniikka Oy as discontinued operation at the time of sale.

| EUR million | 1 Jan–31 Dec 2014 |
|---|---|
| **Profit from the discontinued operations** | |
| Income | 77.4 |
| Expenses | 77.8 |
| Profit before taxes | -0.4 |
| Taxes | 0.1 |
| Profit for the financial period | -0.4 |
| | |
| Pre-tax gain on sale of the business | 23.6 |
| Taxes | -0.1 |
| Gain on sale after taxes | 23.5 |
| | |
| Profit for the period from discontinued operations | 23.1 |

| EUR million | 2014 |
|---|---|
| **Cash flows from discontinued operations** | |
| Cash flow from operating activities | -3.9 |
| Cash flow from investing activities | -0.1 |
| Cash flow from financing activities | 4.3 |
| Cash flows total | 0.4 |

| Milj. euroa | 2014 |
|---|---|
| **The impact of the sale on Group's financial position** | |
| Cash consideration received | 55.4 |
| Transferred assets and liabilities | -29.1 |
| Other related items | -2.6 |
| Gain on sale | 23.6 |

## 15 Earnings per share

| | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Weighted average number of shares, shares | 23,219,900 | 21,362,255 |
| Contingent shares, shares | -10,453 | -16,896 |
| Treasury shares, shares | -16,687 | -16,687 |
| Weighted average number of shares in issue, shares | 23,192,760 | 21,328,672 |
| | | |
| Diluted weighted average number of shares, shares | 23,192,760 | 21,328,672 |
| | | |
| Instruments that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the periods presented | | |
| Dilutive shares of share based incentive and commitment plans, shares | 88,188 | 33,779 |
| | | |
| Profit for the year attributable to the ordinary equity holders, continuing operations, EUR million | 7.2 | -5.0 |
| Interest of the hybrid bonds calculated on accrual basis less tax, EUR million | -9.3 | -9.6 |
| Costs of hybrid bonds' redemptions less tax, EUR million | -1.4 | |
| Profit for the year for the purpose of calculating earnings per share, continuing operations, EUR million | -3.4 | -14.5 |
| Basic earnings per share, continuing operations, EUR | -0.15 | -0.68 |
| Diluted earnings per share, continuing operations, EUR | -0.15 | -0.68 |
| | | |
| Profit for the year attributable to the ordinary equity holders, discontinued operations, EUR million | | 23.1 |
| Basic earnings per share, discontinued operations, EUR | | 1.08 |
| Diluted earnings per share, discontinued operations, EUR | | 1.08 |
| | | |
| Profit for the year attributable to the ordinary equity holders, EUR million | 7.2 | 18.2 |
| Interest of the hybrid bonds calculated on accrual basis less tax, EUR million | -9.3 | -9.6 |
| Costs of hybrid bonds' redemptions less tax, EUR million | -1.4 | |
| Profit for the year for the purpose of calculating earnings per share, EUR million | -3.4 | 8.6 |
| Basic earnings per share, EUR | -0.15 | 0.40 |
| Diluted earnings per share, EUR | -0.15 | 0.40 |



## 16 Other comprehensive items

| EUR million | Before taxes | Taxes | After taxes |
|---|---|---|---|
| **2015** | | | |
| Translation differences | -5.2 | 1.0 | -4.2 |
| Defined benefit pension obligations | 0.4 | -0.1 | 0.3 |
| | -4.8 | 1.0 | -3.9 |
| | | | |
| **2014** | | | |
| Translation differences | -18.6 | | -18.6 |
| Cash flow hedges | 0.1 | 0.0 | 0.1 |
| Defined benefit pension obligations | 0.0 | 0.0 | 0.0 |
| | -18.5 | 0.0 | -18.5 |

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 17 Dividends paid and proposed

## 17 Dividends paid and proposed

| | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Dividend paid during the financial year | | |
| Per share for the previous year, EUR | 0.00 | 0.00 |
| In total for the previous year, EUR million | 0.0 | 0.0 |
| | | |
| Proposed for approval by the AGM | | |
| Per share for the financial year, EUR | 0.12 | 0.00 |
| In total for the financial year, EUR million | 2.8 | 0.0 |

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 18 Property, plant and equipment

## 18 Property, plant and equipment

| EUR million | Land | Buildings and structures | Machinery and equipment | Other tangible assets | Advance payments and work in progress | Total |
|---|---|---|---|---|---|---|
| Cost, 1 Jan 2015 | 15.3 | 39.4 | 338.5 | 41.7 | 2.8 | 437.6 |
| Translation difference | -0.1 | -0.2 | -4.3 | -0.6 | 0.1 | -5.2 |
| Increases | 0.1 | 0.0 | 5.8 | 1.3 | 2.2 | 9.4 |
| Disposals | -0.1 | -0.7 | -30.0 | -2.6 | -0.1 | -33.4 |
| Transfers between items | 0.0 | 0.5 | 3.6 | 0.2 | -4.1 | 0.2 |
| Cost, 31 Dec 2015 | 15.2 | 39.0 | 313.5 | 40.0 | 0.9 | 408.6 |
| | | | | | | |
| Accumulated depreciation, 1 Jan 2015 | | -28.3 | -207.5 | -20.6 | | -256.4 |
| Translation difference | | 0.1 | 3.1 | 0.3 | | 3.5 |
| Accumulated depreciation on decreases | | 0.3 | 23.8 | 1.1 | | 25.2 |
| Transfers between items | | | | 0.0 | | 0.0 |
| Depreciation for the financial year | | -1.0 | -29.3 | -1.4 | | -31.8 |
| Accumulated depreciation, 31 Dec 2015 | | -28.9 | -209.9 | -20.8 | | -259.5 |
| | | | | | | |
| | | | | | | |
| Carrying amount, 31 Dec 2015 | 15.2 | 10.1 | 103.6 | 19.2 | 0.9 | 149.1 |
| Carrying amount, 1 Jan 2015 | 15.3 | 11.1 | 131.0 | 21.1 | 2.8 | 181.2 |

| EUR million | Land | Buildings and structures | Machinery and equipment | Other tangible assets | Advance payments and work in progress | Total |
|---|---|---|---|---|---|---|
| Cost, 1 Jan 2014 | 13.7 | 39.2 | 352.7 | 42.0 | 4.7 | 452.4 |
| Translation difference | -0.1 | -0.3 | -10.7 | -0.9 | -0.2 | -12.1 |
| Increases | 1.6 | 1.2 | 17.0 | 2.3 | 5.9 | 27.8 |
| Disposals | -0.2 | -1.0 | -24.0 | -1.6 | 0.0 | -26.7 |
| Discontinued operations | | | -3.7 | 0.0 | | -3.7 |
| Transfers between items | 0.2 | 0.3 | 7.2 | -0.1 | -7.6 | |
| Cost, 31 Dec 2014 | 15.3 | 39.4 | 338.5 | 41.7 | 2.8 | 437.6 |
| | | | | | | |
| Accumulated depreciation, 1 Jan 2014 | | -28.3 | -202.8 | -20.2 | | -251.3 |
| Translation difference | | 0.2 | 6.4 | 0.4 | | 7.0 |
| Accumulated depreciation on decreases | | 0.9 | 19.3 | 1.3 | | 21.4 |
| Accumulated depreciation on discontinued operations | | | 3.3 | | | 3.3 |
| Transfers between items | | 0.0 | 0.2 | -0.2 | | -0.1 |
| Depreciation for the financial year from continuing operations | | -1.1 | -33.9 | -1.8 | | -36.8 |
| Depreciation for the financial year from discontinued operations | | | -0.1 | | | -0.1 |
| Accumulated depreciation, 31 Dec 2014 | | -28.3 | -207.5 | -20.6 | | -256.4 |
| | | | | | | |
| | | | | | | |
| Carrying amount, 31 Dec 2014 | 15.3 | 11.1 | 131.0 | 21.1 | 2.8 | 181.2 |
| Carrying amount, 1 Jan 2014 | 13.7 | 10.9 | 150.0 | 21.8 | 4.7 | 201.1 |

The Group has no capitalised interest expenses in fixed assets.

| EUR million | 2015 | 2014 |
|---|---|---|
| Assets acquired under finance lease agreement are included in machinery and equipment as follows: | | |
| Cost, 1 Jan | 105.7 | 109.8 |
| Translation difference | -1.6 | -2.0 |
| Increases | 0.5 | 5.3 |
| Disposals | -14.3 | -7.3 |
| Cost, 31 Dec | 90.4 | 105.7 |
| Accumulated depreciation, 31 Dec | -55.5 | -56.2 |
| Carrying amount, 31 Dec | 34.9 | 49.5 |

## 19 Intangible assets

| EUR million | Goodwill | Intangible rights | Other capitalised expenditure | Advance payments | Total |
|---|---|---|---|---|---|
| Cost, 1 Jan 2015 | 53.8 | 31.4 | 11.4 | 0.5 | 97.2 |
| Translation difference | -0.8 | 0.0 | -0.3 | | -1.1 |
| Increases | 0.1 | 0.1 | | 0.7 | 0.9 |
| Disposals | -0.1 | -0.2 | -3.4 | | -3.7 |
| Transfers between items | | 1.1 | -0.1 | -1.1 | -0.2 |
| Cost, 31 Dec 2015 | 53.1 | 32.3 | 7.7 | 0.1 | 93.2 |
| | | | | | |
| Accumulated amortisation and impairment, 1 Jan 2015 | | -14.6 | -8.6 | | -23.2 |
| Translation difference | | 0.0 | 0.3 | | 0.2 |
| Accumulated amortisation on disposals | | 0.1 | 3.4 | | 3.4 |
| Transfers between items | | 0.0 | 0.0 | | 0.0 |
| Amortisation for the financial year | | -5.2 | -1.0 | | -6.2 |
| Impairment | | -0.4 | | | -0.4 |
| Accumulated amortisation and impairment, 31 Dec 2015 | | -20.1 | -6.0 | | -26.1 |
| | | | | | |
| Carrying amount, 31 Dec 2015 | 53.1 | 12.2 | 1.7 | 0.1 | 67.1 |
| Carrying amount, 1 Jan 2015 | 53.8 | 16.8 | 2.9 | 0.5 | 74.0 |

| EUR million | Goodwill | Intangible rights | Other capitalised expenditure | Advance payments | Total |
|---|---|---|---|---|---|
| Cost, 1 Jan 2014 | 80.1 | 23.8 | 18.4 | 7.9 | 130.2 |
| Translation difference | -1.0 | -0.2 | -0.5 | | -1.6 |
| Increases | | 0.1 | 0.0 | 5.1 | 5.2 |
| Disposals | | -0.6 | -2.5 | -3.1 | -6.2 |
| Discontinued operations | -25.3 | -3.8 | -1.3 | | -30.4 |
| Transfers between items | | 12.0 | -2.6 | -9.4 | |
| Cost, 31 Dec 2014 | 53.8 | 31.4 | 11.4 | 0.5 | 97.2 |
| | | | | | |
| Accumulated amortisation and impairment, 1 Jan 2014 | | -9.2 | -11.6 | | -20.8 |
| Translation difference | | 0.1 | 0.3 | | 0.4 |
| Accumulated amortisation on disposals | | 0.5 | 2.5 | | 3.0 |
| Discontinued operations | | 1.3 | 0.8 | | 2.1 |
| Transfers between items | | -0.6 | 0.7 | | 0.1 |
| Amortisation for the financial year from continuing operations | | -5.3 | -1.1 | | -6.4 |
| Amortisation for the financial year from discontinued operations | | -0.1 | 0.0 | | -0.2 |
| Impairment | | -1.3 | | | -1.3 |
| Accumulated amortisation and impairment, 31 Dec 2014 | | -14.6 | -8.6 | | -23.2 |
| | | | | | |
| Carrying amount, 31 Dec 2014 | 53.8 | 16.8 | 2.9 | 0.5 | 74.0 |
| Carrying amount, 1 Jan 2014 | 80.1 | 14.6 | 6.7 | 7.9 | 109.3 |

In 2015, the company recorded EUR 0.4 million (1.3) impairment related to the Paving segment's land use rights.

## Goodwill

At the date of acquisition, goodwill is allocated to cash-generating units, or groups of cash-generating units, that are expected to benefit from synergies arising from the business combination. The company's business was organised into four operating segments at the beginning of 2015. The reportable new operating segments correspond to the business based management model. Furthermore, the operating segments are the lowest level at which the company management monitors goodwill and the level on which the goodwill is tested. Before the segment change goodwill was monitored at country level.

### Goodwill by segment

| EUR million | Goodwill | Discount rate, % (pre-tax WACC) |
|---|---|---|
| 31 Dec 2015 | | |
| Paving | 43.1 | 8.2* |
| Infra projects | 3.2 | 7.8* |
| Building construction, Finland | 6.2 | 6.6 |
| Russian operations | 0.6 | 23.2 |
| | 53.1 | |

| EUR million | Finland | Other Nordic countries | Baltic countries and Russia | Market areas, total | Discount rate, % (pre-tax WACC) |
|---|---|---|---|---|---|
| 31 Dec 2014 | | | | | |
| Infrastructure construction | 6.2 | 34.0 | 6.9 | 47.1 | 9.4** |
| Building construction, Finland | 6.2 | | | 6.2 | 8.6 |
| Russian operations | | | 0.6 | 0.6 | 17.6 |
| | 12.4 | 34.0 | 7.5 | 53.8 | |

* Country-specific operating capital-weighted average

** Country-specific sales-weighted average

### 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.

The goodwill impairment tests carried out during the fourth quarter of 2015, showed that the present values of the future cash flows exceed the carrying amounts in all segments.

**Forecasts and key assumptions used in goodwill impairment testing**

Cash generating units' cash flow forecasts are prepared for a four year planning period based on management estimates based on actual past performance. Main assumptions used in the preparation of the cash flow forecasts are the growth of the market in question, the company's profitability development as well as measures which the company has committed to.

Main assumptions in the goodwill impairment testing are long term growth and discount rate. Cash flow forecasts beyond the four year planning period are based on the assumption of 1 percent annual growth which was lower than European Central Bank's target inflation rate over medium term in effect at the time of the impairment testing. Weighted Average Cost of Capital (WACC), calculated for each individual unit, is used as the discount factor. WACC takes into account risk-free interest rate, illiquidity premium, expected market rate of return, the industry's beta value, country risk and debt interest rate including interest rate margin calculated for each unit. When determining the debt interest rate level in 2015, the company took into account the following segment-specific interest rate levels: interest rate levels for project loans in building construction in Finland as well as interest rate levels for finance lease liabilities related to paving and infra projects business operations. The components of discount factor are weighted according to average target capital structure of the sector. Pre-tax WACC is determined separately for each tested unit. In the calculation of the segment-specific discount rates in 2015, the company used country-specific discount rates that were weighted with country-specific operating capital.

**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, 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 prepared in 2015 shows that reasonable and ordinary variation to key assumptions used in the testing would not cause a need for impairment in Paving, Infra projects nor Russian operations segments. The most significant risk for impairment of goodwill arises from the Building construction, Finland -operating segment where the unit's recoverable cash flow exceeds the unit's carrying amount by EUR 37.1 million.

Figures describing the goodwill impairment risk of units subject to impairment testing by business segment are presented below.

| EUR million | Paving | Infra projects | Building construction, Finland | Russian operations |
|---|---|---|---|---|
| 2015 | | | | |
| Goodwill allocated to the business sector, total | 43.1 | 3.2 | 6.2 | 0.6 |
| Goodwill impairment if annual growth over the | | | | |
| long term were 1 percentage point lower | 0.0 | 0.0 | 0.0 | 0.0 |
| long term were 2 percentage points lower | 0.0 | 0.0 | 6.2 | 0.0 |
| Goodwill impairment if the dicount rate | | | | |
| were half a percentage point higher | 0.0 | 0.0 | 0.0 | 0.0 |
| were one percentage point higher | 0.0 | 0.0 | 6.2 | 0.0 |

| EUR million | Infrastructure construction | Building construction, Finland | Russian operations |
|---|---|---|---|
| 2014 | | | |
| Goodwill allocated to the business sector, total | 47.1 | 6.2 | 0.6 |
| Goodwill impairment if annual growth over the | | | |
| long term were 1 percentage point lower | 0.0 | 6.2 | 0.0 |
| long term were 2 percentage points lower | 0.0 | 6.2 | 0.0 |
| Goodwill impairment if the dicount rate | | | |
| were half a percentage point higher | 0.0 | 6.2 | 0.0 |
| were one percentage point higher | 0.0 | 6.2 | 0.0 |

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 20 Non-current available-for-sale financial assets

## 20 Non-current available-for-sale financial assets

| EUR million | 2015 | 2014 |
|---|---|---|
| Balance sheet value, 1 Jan | 3.2 | 3.8 |
| Translation difference | | 0.0 |
| Additions | | 0.0 |
| Disposals | -0.5 | -0.6 |
| Balance sheet value, 31 Dec | 2.7 | 3.2 |

Available-for-sale financial assets include several different unquoted shares out of which majority are real estate shares. The value of one individual investment is not significant in relation to the total of all other investments. The fair value of unquoted shares could not be reliably determined, thus they are presented at cost less possible impairments.

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 21 Non-current receivables

## 21 Non-current receivables

| EUR million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Interest-bearing | | |
| Loan receivables | | 0.0 |
| Other receivables | 0.0 | |
| | 0.0 | 0.0 |
| Non-interest-bearing | | |
| Trade receivables | 0.5 | 0.5 |
| Other receivables | 0.0 | 0.0 |
| | 0.5 | 0.5 |
| | | |
| Non-current receivables, total | 0.5 | 0.5 |

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 22 Inventories

## 22 Inventories

| EUR million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Materials and supplies | 32.0 | 39.1 |
| Building plots and real estate | 107.2 | 118.2 |
| Housing under construction | 111.9 | 167.7 |
| Commercial property under construction | 6.4 | 7.9 |
| Other work in progress | 20.2 | 27.7 |
| Advance payments | 2.2 | 18.7 |
| Completed apartments | 77.0 | 96.0 |
| Completed commercial property | 21.2 | 21.1 |
| Products and goods | 24.0 | 27.5 |
| | 402.0 | 524.0 |

In 2015, the company recorded costs, other than those arising from sale, reducing the carrying amount of inventories a total of EUR 20.3 million (8.3). The most significant single write-down in 2015 was the write-down of the planned Ilmatar residential project having EUR 12.9 million effect on the company's result. In 2014 write-downs in Russian operations – segment totalled EUR 3.0 million. Paving segment's share of the write-downs totalled EUR 3.5 million (1.1), and were mainly due to write-downs of mineral aggregates inventory. Building construction, Finland -segment's write-downs were primarily due to project development costs and their amount totalled EUR 2.6 million (4.1). In addition, other operations recorded a EUR 1.3 write-down to an individual plot.

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 23 Current receivables

## 23 Current receivables

| EUR million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Interest-bearing | | |
| Loan receivables | 0.2 | 0.5 |
| | | |
| Non-interest-bearing | | |
| Trade receivables | 128.8 | 143.2 |
| Project income receivables | 65.6 | 72.4 |
| Accrued interest | 0.0 | 0.0 |
| Accrued personnel expenses | 2.1 | 3.0 |
| Other accrued income | 14.0 | 37.3 |
| Derivative assets | 2.2 | 7.1 |
| Receivables from real estate companies under construction | 5.9 | 3.2 |
| Other receivables | 23.0 | 23.3 |
| | 241.7 | 289.5 |
| | | |
| Current receivables, total | 241.9 | 290.0 |

In 2015, a net amount of trade receivable credit losses from continuing operations were EUR 1.1 million (5.1).

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 24 Current available-for-sale financial assets

## 24 Current available-for-sale financial assets

| EUR million | 2015 | 2014 |
|---|---|---|
| Balance sheet value, 1 Jan | 25.1 | 30.0 |
| Increases | 0.0 | 93.9 |
| Decreases | -25.1 | -98.8 |
| Balance sheet value, 31 Dec | | 25.1 |

Available-for-sale financial assets included short term investments in bank deposits at the end of 2014.

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 25 Cash and cash equivalents

## 25 Cash and cash equivalents

| EUR million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Cash in hand and at banks | 127.9 | 109.1 |

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

## 26 Financial assets and liabilities by category

| EUR million | 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 | Carrying amount | Fair value |
|---|---|---|---|---|---|---|
| 31 Dec 2015 | | | | | | |
| Non-current financial assets | | | | | | |
| Available-for-sale financial assets | | | 2.7 | | 2.7 | 2.7 |
| Other non-current receivables | | 0.5 | | | 0.5 | 0.3 |
| Current financial assets | | | | | | |
| Trade and other receivables | | 235.9 | | | 235.9 | 235.9 |
| Derivative assets | 2.2 | | | | 2.2 | 2.2 |
| Cash and cash equivalents | | 127.9 | | | 127.9 | 127.9 |
| Financial assets total | 2.2 | 364.3 | 2.7 | | 369.3 | 369.1 |
| | | | | | | |
| Non-current financial liabilities | | | | | | |
| Interest-bearing liabilities | | | | 123.1 | 123.1 | 126.6 |
| Other non-current liabilities | | | | 0.5 | 0.5 | 0.5 |
| Current financial liabilities | | | | | | |
| Interest-bearing liabilities | | | | 131.6 | 131.6 | 131.6 |
| Trade payables and other financial liabilities * | | | | 220.9 | 220.9 | 220.9 |
| Derivative liabilities | 5.4 | | | | 5.4 | 5.4 |
| Financial liabilities total | 5.4 | | | 476.1 | 481.5 | 485.0 |

| EUR million | 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 | Carrying amount | Fair value |
|---|---|---|---|---|---|---|
| 31 Dec 2014 | | | | | | |
| Non-current financial assets | | | | | | |
| Available-for-sale financial assets | | | 3.2 | | 3.2 | 3.2 |
| Other non-current receivables | | 0.5 | | | 0.5 | 0.3 |
| Current financial assets | | | | | | |
| Trade and other receivables | | 282.9 | | | 282.9 | 282.9 |
| Derivative assets | 7.1 | | | | 7.1 | 7.1 |
| Available-for-sale financial assets | | | 25.1 | | 25.1 | 25.1 |
| Cash and cash equivalents | | 109.1 | | | 109.1 | 109.1 |
| Financial assets total | 7.1 | 392.5 | 28.3 | | 427.9 | 427.7 |
| | | | | | | |
| Non-current financial liabilities | | | | | | |
| Interest-bearing liabilities | | | | 139.5 | 139.5 | 139.4 |
| Other non-current liabilities | | | | 0.8 | 0.8 | 0.8 |
| Current financial liabilities | | | | | | |
| Interest-bearing liabilities | | | | 208.3 | 208.3 | 208.3 |
| Trade payables and other financial liabilities * | | | | 273.4 | 273.4 | 273.4 |
| Derivative liabilities | 4.2 | | | | 4.2 | 4.2 |
| Financial liabilities total | 4.2 | | | 622.0 | 626.1 | 626.0 |

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

## Fair value measurement

Other non-current receivables include 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 3.1–20.7 per cent (3.6–19.3). The carrying amount of current trade and other receivables is equal to their fair value due to their short maturity.

The most significant part of the non-current financial liabilities is a EUR 100 million senior bond, the fair value of which is based on the market price at the reporting date. The carrying amount of current financial 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 million | Level 2 | Level 3 | Total |
|---|---|---|---|
| 31 Dec 2015 | | | |
| Available-for-sale financial assets | | | |
| Equity instruments | | 2.7 | 2.7 |
| Derivative instruments | | | |
| Derivative assets | 2.1 | 0.2 | 2.2 |
| Derivative liabilities | 1.5 | 3.9 | 5.4 |

| EUR million | Level 2 | Level 3 | Total |
|---|---|---|---|
| 31 Dec 2014 | | | |
| Available-for-sale financial assets | | | |
| Equity instruments | | 3.2 | 3.2 |
| Money market investments | 25.1 | | 25.1 |
| Derivative instruments | | | |
| Derivative assets | 7.0 | 0.1 | 7.1 |
| Derivative liabilities | 2.3 | 1.8 | 4.2 |

## Level 3 reconciliation statement

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

| EUR million | Financial instruments recognised at fair value through profit or loss | Financial instruments recognised at fair value through other comprehensive income |
|---|---|---|
| Opening balance 1 Jan 2015 | -1.7 | 3.2 |
| Disposals | | -0.5 |
| Gains and losses recognised in profit or loss, total | -2.0 | |
| Fair values 31 Dec 2015 | -3.7 | 2.7 |
| | | |
| Gains and losses on level 3 financial instruments held at the end of the accounting period | | |
| In other operating income and expenses | -3.7 | |

| EUR million | Financial instruments recognised at fair value through profit or loss | Financial instruments recognised at fair value through other comprehensive income |
|---|---|---|
| Opening balance 1 Dec 2014 | -1.2 | 3.8 |
| Increases | | 0.0 |
| Disposals | | -0.6 |
| Gains and losses recognised in profit or loss, total | -0.5 | |
| Fair values 31 Dec 2014 | -1.7 | 3.2 |
| | | |
| Gains and losses on level 3 financial instruments held at the end of the accounting period | | |
| In other operating income and expenses | -1.7 | |

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 27 Shareholders' equity

## 27 Shareholders' equity

### Shares and share capital

Lemminkäinen Corporation has one share class. On 31 December 2015, the company had a total of 23,219,900 (23,219,900) shares and 16,687 (16,687) treasury shares.

### Share premium account

Share premiums are recognised in the share premium account.

### 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 2014, a fair value change of interest rate derivatives EUR -0.1 milllion before deferred taxes has been removed from the hedging reserve into the income statement. Hedging instruments have matured and hedge accounting terminated during the year 2014. An amount of EUR -0.1 million has been recognised in interest expenses in profit and loss during the financial year 2014 arising from cash flow hedging.

### Invested unrestricted equity fund

Invested unrestricted 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 bonds eligible for equity classification

Shareholders' equity includes two hybrid bonds each of which with original nominal value of EUR 70 million, one issued in 2012 and the other in 2014. During the second quarter of 2015 company repurchased notes of the first issued hybrid bond with a nominal amount of EUR 27.1 million. The bonds have no maturity dates but the company has the right to redeem the hybrid bonds after four years of the issue date. The bonds are 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. The annual coupon rate until the first redemption date of the bond issued in 2012 is 10% and the annual coupon rate of the bond issued in 2014 is 8.75% .

### Translation differences

Translation differences include the differences arising from the translation of the Group's foreign entities' non-Euro denominated financial statements into Euros. In previous years the Group 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. The Group has not applied hedge accounting for hedging the net investment in foreign entities during the reporting period.

At the end of 2015 the translation difference amounted to EUR -25.9 million (-21.7), of which the share of Russian operations was EUR -24.0 million (-21.5). The change of the translation difference was EUR -4.2 million during 2015 (-18.6). The impact of Russian exchange rate changes on the translation difference was a total of EUR -2.5 million (-15.8) and the impact of Norwegian exchange rate changes was a total of EUR -1.6 million (-2.7).

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 28 Interest-bearing liabilities

## 28 Interest-bearing liabilities

| EUR million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Non-current | | |
| Borrowings from financial institutions | 1.0 | 2.1 |
| Finance lease liabilities | 22.3 | 36.8 |
| Bonds | 99.7 | 99.6 |
| Other non-current liabilities | | 1.0 |
| | 123.1 | 139.5 |
| Current | | |
| Borrowings from financial institutions | 0.9 | 1.2 |
| Pension loans | | 2.0 |
| Finance lease liabilities | 12.5 | 13.4 |
| Chequing accounts | | 0.4 |
| Commercial papers | 13.1 | 63.4 |
| Borrowings of companies included in inventory | 104.1 | 127.1 |
| Other current liabilities | 1.0 | 0.9 |
| | 131.6 | 208.3 |

Most of the liabilities are drawn in the debtor's functional currency.

### Finance lease liabilities

| EUR million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Finance lease liabilities and interest on them is due as follows | | |
| In one year or earlier | 13.4 | 14.8 |
| Over one year, but less than five years | 22.7 | 36.5 |
| Over five years | 0.6 | 2.2 |
| | 36.7 | 53.5 |
| | | |
| Maturity of present value of minimum leases | | |
| In one year or earlier | 12.5 | 13.4 |
| Over one year, but less than five years | 21.7 | 34.6 |
| Over five years | 0.6 | 2.1 |
| | 34.8 | 50.2 |
| | | |
| Accumulated future finance costs from finance lease liabilities | 1.8 | 3.3 |

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 29 Pension obligations

## 29 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 Employees 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 2015, the company had defined benefit pension plans only in Finland. The plans at the year-end 2015 were final salary defined benefit plans, and they supplement the statutory pensions or enable retirement before the statutory retirement age. The company's last two defined benefit pension plans in Norway were terminated during 2015.

| EUR million | 31 Dec 2016 (forecast) | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|---|
| Recognised in the statement of financial position | | | |
| Present value of funded obligations | 0.2 | 0.2 | 0.6 |
| Fair value of plan assets | -0.1 | -0.1 | -0.1 |
| Total amount recognised in the statement of financial position | 0.1 | 0.1 | 0.6 |
| of which in Finland | 0.1 | 0.1 | 0.5 |
| of which in Norway | | | 0.0 |

Company estimates that in 2016 it will not make any payments with material impact. Estimate may vary from actual figures.

| EUR million | Present value of obligation | Fair value of plan assets | Total |
|---|---|---|---|
| 1 Jan 2015 | 0.6 | -0.1 | 0.6 |
| Current service cost | 0.0 | | 0.0 |
| Net interest | 0.0 | 0.0 | 0.0 |
| Curtailments | 0.0 | | 0.0 |
| | 0.0 | 0.0 | 0.0 |
| Remeasurements | | | |
| Return on plan assets | | 0.0 | 0.0 |
| (Gain)/loss from change in financial assumptions | -0.4 | | -0.4 |
| Experience (gains)/losses | 0.0 | | 0.0 |
| | -0.4 | 0.0 | -0.4 |
| Employer contributions | | 0.0 | 0.0 |
| Benefit payments | 0.0 | 0.0 | |
| 31 Dec 2015 | 0.2 | -0.1 | 0.1 |

| EUR million | Present value of obligation | Fair value of plan assets | Total |
|---|---|---|---|
| 1 Jan 2014 | 1.0 | -0.1 | 0.9 |
| Current service cost | 0.0 | | 0.0 |
| Net interest | 0.0 | 0.0 | 0.0 |
| Settlements | 0.0 | 0.0 | |
| Curtailments | -0.2 | | -0.2 |
| | -0.2 | 0.0 | -0.2 |
| Remeasurements | | | |
| Return on plan assets | | 0.0 | 0.0 |
| (Gain)/loss from change in financial assumptions | -0.2 | | -0.2 |
| Experience (gains)/losses | 0.1 | | 0.1 |
| | 0.0 | 0.0 | 0.0 |
| Exchange differences | 0.0 | 0.0 | 0.0 |
| Employer contributions | | 0.0 | 0.0 |
| Benefit payments | 0.0 | 0.0 | |
| Business combinations and disposals | -0.1 | | -0.1 |
| 31 Dec 2014 | 0.6 | -0.1 | 0.6 |

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

| | 31 Dec 2015 Finland | 31 Dec 2014 Finland | 31 Dec 2014 Norway |
|---|---|---|---|
| Actuarial assumptions | | | |
| Discount rate, % | 2.7 | 2.5 | 3.0 |
| Inflation rate, % | 1.2 | 2.0 | 1.8 |
| Expected rate of salary increases, % | 1.0 | 1.0 | 3.0 |
| Future pension increases, % | 1.4 | 2.1 | 2.3 |

| | 31 Dec 2015 Finland | 31 Dec 2014 Finland | 31 Dec 2014 Norway |
|---|---|---|---|
| Life expectancy of plan members | | | |
| Male age 65 (current life expectancy), years | 21.4 | 19.0 | 20.6 |
| Female age 65 (current life expectancy), years | 25.4 | 24.7 | 23.5 |
| Male age 45 (at age 65), years | 23.7 | 20.6 | 22.8 |
| Female age 45 (at age 65), years | 28.0 | 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 2015 | 31 Dec 2014 |
|---|---|---|
| Active | 4 | 6 |
| Inactive not in pay status / other non-work obligated | 7 | 9 |
| Inactive in pay status / Pensioners | 84 | 91 |
| Total number of participants | 95 | 106 |

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 2015 Finland | 31 Dec 2014 Finland | 31 Dec 2014 Norway |
|---|---|---|---|
| 0.5% increase in the principal assumption will impact the liability as follows | | | |
| Discount rate, % | -4.20 | -4.76 | -0.33 |
| Inflation rate, % | 109.20 | 55.41 | |
| Expected rate of salary increases, % | 0.58 | 0.24 | 0.01 |
| | | | |
| 0.5% decrease in the principal assumption will impact the liability as follows | | | |
| Discount rate, % | 4.60 | 5.22 | 0.33 |
| Inflation rate, % | -70.20 | -35.66 | |
| Expected rate of salary increases, % | -0.58 | -0.24 | -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 statement of financial position.

| EUR million | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Plan assets and liabilities for the past five years | | | | | |
| Defined benefit obligation | 0.2 | 0.6 | 1.0 | 19.0 | 21.7 |
| Fair value of plan assets | -0.1 | -0.1 | -0.1 | -13.8 | -13.4 |
| | 0.1 | 0.6 | 0.9 | 5.2 | 8.3 |

# 30 Share based payments

## Performance-based reward

### 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 included three one-year earning periods, calendar years 2013, 2014 and 2015. The company's Board of Directors decided on the earning criteria and the set targets 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, i.e. 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. 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 was the calendar years 2013–2015.

Information concerning share-based incentive plans are presented below:

| | Conditional reward | | Performance-based reward | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2015 | 2014 | 2013 |
| Grant date | 13 Feb 2014 | 6 Feb 2013 | 4 Feb 2015 | 7 Feb 2014 | 7 Feb 2013 |
| Earning period start date | 1 Jan 2014 | 1 Jan 2013 | 1 Jan 2015 | 1 Jan 2014 | 1 Jan 2013 |
| Earning period end date | 31 Dec 2016 | 31 Dec 2015 | 31 Dec 2015 | 31 Dec 2014 | 31 Dec 2013 |
| Commitment period end date | 30 Apr 2017 | 30 Apr 2016 | 31 Dec 2016 | 31 Dec 2016 | 31 Dec 2015 |
| Vesting conditions | Share ownership requirement | Share ownership requirement | Equity ratio, ROCE | Equity ratio, ROI | EBIT, ROI |
| Payment method | Cash & Equity | Cash & Equity | Cash & Equity | Cash & Equity | Cash & Equity |
| | | | | | |
| Share price at grant date, EUR | 13.41 | 15.80 | 13.96 | 13.83 | 15.85 |
| Fair value of share at grant date, EUR * | 12.81 | 15.03 | 13.86 | 13.31 | 15.26 |
| | | | | | |
| Amount of granted shares during period, maximum | | | 266,074 | 259,730 | 205,591 |
| Changes in number of granted shares, maximum | | | -12,686 | -90,898 | -3,449 |
| Number of granted shares at the end of period, maximum | | | 253,388 | 168,832 | 202,142 |
| Number of shares earned at the end of period ** | | | 71,010 | 16,883 | |
| Matching shares subscribed at grant year | 860 | 16,036 | | | |
| | | | | | |
| Number of plan participants at end of period | 1 | 15 | 32 | 49 | 43 |
| Assumed fulfilment of earning criteria, % | | | 30.0 | 10.0 | 0.0 |
| Estimated number of shares returned prior to the end of commitment period, % | 10.0 | 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.

** Presented amounts are estimates. Actual amounts may differ from the amounts estimated at the end of earning period.

The accrued expenses from the share based incentive plans recognised in the income statement in 2015 were a total of EUR 0.5 million (0.3). The net liability recognised in the statement of financial position in respect of share-based incentive plan at the end of 2015 was EUR 0.1 million (0.1). The company estimates that expenses to be recognised in 2016 from incentive plans realised before 2016 will be approximately EUR 0.4 million. Actual amount may differ from the estimated amount.

## 31 Provisions

| EUR million | Warranty provisions | 10 year liability provisions | Environmental provisions | Lease commitment provisions | Litigation provisions | Other provisions | Total 31 Dec 2015 | Total 31 Dec 2014 |
|---|---|---|---|---|---|---|---|---|
| Provisions, 1 Jan | 11.2 | 8.6 | 2.9 | 3.5 | 12.3 | 0.0 | 38.6 | 27.2 |
| Translation differences | -0.1 | | -0.1 | | | | -0.2 | -0.3 |
| Increases in provisions | 8.4 | 3.8 | 0.3 | 5.7 | 0.7 | | 19.0 | 22.5 |
| Expensed provisions | -8.2 | -2.7 | -0.3 | -6.4 | | | -17.6 | -10.0 |
| Reversals of unused provisions | -0.1 | | | | | | -0.1 | |
| Purchases and sales of subsidiaries | -0.1 | | | | | | -0.1 | -0.7 |
| Provisions, 31 Dec 2015 | 11.2 | 9.7 | 2.8 | 2.9 | 13.0 | 0.0 | 39.6 | |
| Provisions, 31 Dec 2014 | 11.2 | 8.6 | 2.9 | 3.5 | 12.3 | 0.0 | | 38.6 |

| EUR million | Warranty provisions | 10 year liability provisions | Environmental provisions | Lease commitment provisions | Litigation provisions | Other provisions | Total 31 Dec 2015 | Total 31 Dec 2014 |
|---|---|---|---|---|---|---|---|---|
| Provisions categorised as | | | | | | | | |
| Long-term | 1.0 | 6.9 | 2.8 | 2.9 | 13.0 | 0.0 | 26.6 | 27.5 |
| Short-term | 10.2 | 2.9 | | | | | 13.1 | 11.1 |
| | 11.2 | 9.7 | 2.8 | 2.9 | 13.0 | 0.0 | 39.6 | 38.6 |

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 construction is determined as a whole for all the projects including such liabilities.

Environmental provisions are mainly 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. In addition, environmental provisions cover other provisions related to environmental obligations.

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 21 municipalities as plaintiffs. The court proceedings of these actions are expected to start in the District Court during 2016 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.

## 32 Trade and other payables

| EUR million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Non-current | | |
| Accounts payable | 0.4 | |
| Other non-current liabilities | 0.1 | 0.8 |
| | 0.5 | 0.8 |
| | | |
| Trade payables and other current liabilities | | |
| Advance payments received | 101.9 | 140.9 |
| Liabilities to owners of housing under construction | 3.5 | 4.5 |
| Trade payables | 59.9 | 89.2 |
| Project expense liabilities | 51.1 | 59.5 |
| VAT | 19.3 | 22.5 |
| Accrued interest | 3.8 | 4.3 |
| Accrued personnel expenses | 53.4 | 58.2 |
| Other accrued liabilities | 17.7 | 16.4 |
| Derivative liabilities | 5.4 | 4.2 |
| Other current liabilities | 31.5 | 41.3 |
| | 347.5 | 440.9 |
| | | |
| Non-current and current trade payables and other liabilities, total | 347.9 | 441.7 |



## 33 Financial risk management

In its business operations, Lemminkäinen Group is exposed to financial risks, mainly funding, liquidity, foreign exchange rate, interest rate 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 of the treasury policy 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.

### Funding and liquidity risk

The group seeks to ensure the availability of funding, 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. The maturity schedule of the interest-bearing liabilities, as per the Group’s accounting, is front-loaded. The reason for this is the EUR 104.1 million (127.1) borrowings of companies included in inventory, which are recorded in current interest-bearing liabilities. These liabilities mainly consist of non-current loans of housing companies, which are under construction or completed, and 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 during a long loan period.

According to the treasury policy, the Group's liquidity reserve shall at all times match the Group's total liquidity requirement. Due to the nature of the group's business operations, seasonal borrowing is of great importance. The Group's liquidity management is based on cash flow forecasting.

Liquidity reserve of the Group consists of a commercial paper programme, committed credit limits, bank overdraft facilities, and liquid funds. The total amount of the group's commercial paper programme is EUR 300.0 million (300.0), of which EUR 13.1 million (63.4) was in use at 31 December 2015. Lemminkäinen has a committed EUR 185.0 million syndicated revolving credit facility, which is unsecured and matures in March 2017. At the end of the year, the group had unused committed credit facilities amounting to EUR 185.0 million (185.0) and overdraft limits amounting to EUR 12.3 million (33.2). The amount of liquid funds at 31 December 2015 was EUR 127.9 million (134.2).

The Group's available financing sources and liquid assets are sufficient to cover the obligations arising from current interest-bearing liabilities.

## Contractual cash flows of financial liabilities and derivative instruments

| EUR million | 2016 | 2017 | 2018 | 2019 | 2020 | 2021– | Total |
|---|---|---|---|---|---|---|---|
| 31 Dec 2015 | | | | | | | |
| Interest-bearing liabilities | 142.1 | 17.3 | 13.9 | 113.3 | 1.6 | 0.6 | 288.7 |
| Interest rate derivatives | 0.4 | 0.4 | 0.2 | | | | 1.0 |
| Forward foreign exchange contracts | | | | | | | |
| Cash flows payable | 60.2 | | | | | | 60.2 |
| Cash flows receivable | -61.8 | | | | | | -61.8 |
| Commodity derivatives | | | | | | | |
| Cash flows payable | 3.5 | 0.7 | | | | | 4.2 |
| Cash flows receivable | -0.1 | | | | | | -0.1 |
| Other financial liabilities | 160.5 | 0.2 | 0.2 | | 0,0 | | 160.9 |
| Trade payables | 60.3 | | | | | | 60.3 |
| Financial guarantees given | 9.2 | 0.2 | 0.2 | 0.3 | | 2.0 | 12.0 |
| | 374.3 | 18.8 | 14.5 | 113.6 | 1.6 | 2.6 | 525.5 |

| EUR million | 2015 | 2016 | 2017 | 2018 | 2019 | 2020– | Total |
|---|---|---|---|---|---|---|---|
| 31 Dec 2014 | | | | | | | |
| Interest-bearing liabilities | 218.1 | 23.6 | 17.9 | 14.5 | 113.3 | 2.2 | 389.6 |
| Interest rate derivatives | 0.3 | 0.3 | 0.3 | 0.2 | | | 1.1 |
| Forward foreign exchange contracts | | | | | | | |
| Cash flows payable | 77.2 | | | | | | 77.2 |
| Cash flows receivable | -81.9 | | | | | | -81.9 |
| Commodity derivatives | | | | | | | |
| Cash flows payable | 1.3 | 0.5 | | | | | 1.8 |
| Cash flows receivable | -0.1 | | | | | | -0.1 |
| Other financial liabilities | 179.9 | 0.1 | 0,0 | 0.6 | 0,0 | 0.1 | 180.6 |
| Trade payables | 89.2 | | | | | | 89.2 |
| Financial guarantees given | 14.4 | 1.5 | | | | 0.3 | 16.2 |
| | 498.4 | 26.0 | 18.2 | 15.3 | 113.3 | 2.5 | 673.8 |

## 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 items in the statement of financial position. Exchange rate risk mainly consists of translation risk and transaction risk.

Translation risk consists of foreign exchange rate differences arising from the translation of the income statements and the statement of financial position of foreign group companies into the Group's functional currency. Translation risk recorded in accounting 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. The key currencies in which the Group was exposed to translation risk in 2015 were the Russian rouble and the Norwegian krone. The change in translation differences in 2015 was EUR -4.2 million (-18.6), of which EUR -2.5 million (-15.8) was attributable to the Russian rouble and EUR -1.6 million (-2.7) to the Norwegian krone. Reportable translation risk is also caused by the reporting period's income statement, the impact of which can be seen, among others, directly in the Group's reportable net sales and operating profit in euros. In 2015, the impact of exchange rate changes (2015 actuals compared to 2015 actuals recalculated with 2014 foreign exchange rates) on the Group's net sales was EUR -67.2 million (-73.2), of which EUR -45.6 million (-40.0) was attributable to the Russian rouble and EUR -17.1 million (-19.7) to the Norwegian krone, and their impact on the operating profit was EUR -0.5 million (-5.0), of which EUR -1.0 million (-4.3) was attributable to the Russian rouble and EUR 0.3 million (-0.6) to the Norwegian krone. 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 transaction risk positions of the Group were mainly due to sales and purchases within the next 12 months, and receivables and liabilities in the statement of financial position.

The key currency pairs in which the group was exposed to transaction risk in 2015 and 2014 were EUR/RUB and EUR/SEK. In 2015 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 both external and intra-group financial assets and liabilities denominated in Swedish kronas and Russian roubles and derivatives hedging these items
- the position does not include forecasted future cash flows
- taxes are excluded in sensitivity analysis

| EUR million | Open transaction risk position | 10% strengthening of EUR | 10% weakening of EUR |
|---|---|---|---|
| 31 Dec 2015 | | | |
| EUR/SEK | 0.6 | -0.1 | 0.1 |
| EUR/RUB | 0.2 | 0.0 | 0.0 |

| EUR million | Open transaction risk position | 10% strengthening of EUR | 10% weakening of EUR |
|---|---|---|---|
| 31 Dec 2014 | | | |
| EUR/SEK | 0.4 | 0.0 | 0,0 |
| EUR/RUB | 0.3 | 0.0 | 0.0 |

## 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 borrowings, interest-bearing financial assets and interest rate derivatives. Interest rate changes have an effect on items in the income statement and consolidated statement of financial position.

The interest rate risk is managed by aligning the group's average period of interest fixing term with the interest rate sensitivity of the business. The interest rate sensitivity position of the Group's business is estimated to be about 15 months. In accordance with treasury policy average interest rate fixing term and fixed/floating ratio of the debt protfolio is being followed.

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. The Group has used interest rate swaps for managing interest rate risks. During 2014 a part of the interest rate swaps were used for hedge accounting and a hedging result of those derivatives have been recognised in interest expenses in 2014. There was no ineffectiveness to be recorded from hedge accounting during the financial year 2014. Hedging instruments assigned to hedge accounting have matured in 2014 and hedge accounting was terminated during that reporting period.

Interest rate fluctuations in 2015 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
- interest rate changes have been calculated for a 12 month period
- the position includes variable-rate financial liabilities, variable-rate financial assets (including cash and cash equivalents) and interest rate derivatives
- market interest rate is assumed to be positive at the start of the year for all other instruments except for 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 million | Interest rate risk position | Impact on profit or loss (+1%) | Impact on profit or loss (-1%) |
|---|---|---|---|
| 31 Dec 2015 | | | |
| Variable-rate financial liabilities | -140.8 | -1.4 | 1.4 |
| Variable-rate financial assets | 127.9 | 1.3 | -1.3 |
| Interest rate derivatives | 40.0 | 0.9 | -0.9 |
| | 27.2 | 0.8 | -0.8 |

| EUR million | Interest rate risk position | Impact on profit or loss (+1%) | Impact on profit or loss (-1%) |
|---|---|---|---|
| 31 Dec 2014 | | | |
| Variable-rate liabilities | -182.9 | -1.8 | 1.8 |
| Variable-rate receivables | 134.5 | 1.3 | -1.3 |
| Interest rate derivatives | 40.0 | 1.3 | -1.4 |
| | -8.4 | 0.8 | -0.9 |

## Commodity price risk

The group's paving operations are exposed to bitumen price risk. The price of bitumen is mainly determined by the world market price of oil. The group protects itself against the bitumen price risk with price clauses in sales agreements, fixed purchase prices, and derivatives for which hedge accounting is not applied. Group Treasury regurarly follows the bitumen position of the Group.

## 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. 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.

Most of the Group's business is based on established and trustworthy customer relationships and on contractual terms generally observed in the industry. The Group is exposed to credit risk mainly through the Group's trade receivables and receivables associated with deposits and receivables. The maximum amount of credit risk is the combined total values of the aforementioned items as presented in the consolidated statement of financial position. 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. In addition, Lemminkäinen uses factoring arrangements which also mitigates the credit risk. 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 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 Group Treasury is responsible for the management of the group's counterparty and credit risks related to cash, financial investments and financial transactions. The treasury policy specifies the approved counterparties and their criteria. At the end of 2015, the counterparty risk was considered to be low.

## Ageing analysis of trade receivables

| EUR million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Not due | 107.0 | 108.7 |
| Past due 1-30 days | 13.9 | 22.3 |
| Past due 31-60 days | 2.3 | 3.2 |
| Past due 61-90 days | 1.3 | 3.4 |
| Past due over 90 days | 4.8 | 6.1 |
| | 129.3 | 143.7 |

## Management of capital and the capital structure

Capital means the equity and interest-bearing liabilities shown on Lemminkäinen's consolidated statement of financial position. 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 service its borrowings and pay a good dividend.

The amount of the group's interest-bearing liabilities is affected by factors such as scale of operations and cash flow, seasonal changes in production, acquisitions, investments in or the sale of production equipment, buildings and land, and possible equity related arrangements. The company continuously monitors especially the amount of debt, the ratio of net debt to EBITDA, and the equity ratio. The company also follows the development of equity by means of the return on capital employed. Lemminkäinen has determined its financial targets to be among others ROCE above 15% in 2019, equity ratio above 35% during 2016–2019, and in addition, Lemminkäinen aims at a stable distribution of dividends, with at least 40 per cent of the profit for the financial year distributed to the shareholders.

The Group may from time to time seek to repurchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. The amounts involved may be material. The Group may decide to hold, cancel or sell such repurchased debt. Possible subsequent sales of repurchased debt may be made against cash or other compensation or in exchange for equity securities and such sales may be executed as open market offers, privately negotiated transactions or otherwise. Repurchases or exchanges of outstanding debt or subsequent sales or exchanges of repurchased debt, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

The Group has EUR 185 million committed unsecured revolving credit facility, which includes 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. At the end of the year, the company met its covenants. In May 2014, the company agreed due to a covenant breach with the providers of EUR 185 million revolving credit facility that Lemminkäinen shall strengthen its statement of financial position by a total of EUR 100 million by 30 September 2015. As part of the financing negotiations, the company also agreed not to distribute dividends for the financial year 2014. In March 2015 the company agreed with the lenders that Lemminkäinen will commit to strengthen its statement of financial position by a total of EUR 60 million instead of the previous EUR 100 million. This requirement was fulfilled in the third quarter 2015. Furthermore, the company may distribute a maximum of 40 per cent of the Group's net profit for the financial years 2015 and 2016 as dividends without a preapproval of the lenders.

During the reporting period company repurchased notes to a nominal amount of EUR 27.1 million of its EUR 70 million hybrid bond which were issued in 2012. During the comparison period the company executed several actions to strengthen its balance sheet and financial position. In March 2014 the company issued a EUR 70 million hybrid bond, and in June 2014 the company issued a EUR 100 million unsecured senior five-year bond. In October 2014 the company repaid its EUR 60 million bond. In addition, during the year 2014 the company conducted a rights offering. With the offering, the company raised gross proceeds of EUR 29.3 million (net proceeds of EUR 27.3 million). The company also divested its technical building services business for EUR 55.4 million in 2014.

The group's equity includes two with original nominal value EUR 70 million Hybrid bonds with no maturity date. The first of these was issued in March 2012 and as of 31.12.2015 EUR 42.9 million was outstanding (70.0). The second Hybrid bond was issued in March 2014 and as of 31.12.2015 EUR 70.0 million was outstanding (70.0). These Hybrid bonds are 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 bonds are unsecured and junior to all other borrowings of the company. The bond have no maturity date but company has the right to redeem them at it's own discretion after four years of the issuance date. The annual coupon rate until the first redemption date of the bond issued in 2012 is 10% and the annual coupon rate of the bond issued in 2014 is 8.75% .

The EUR 100 million unsecured senior five-year bond carries a fixed annual coupon at the rate of 7.375 per cent payable semi-annually. The terms and conditions of the bond include two financial incurrence-based covenants: an equity ratio and net debt to EBITDA. If the equity ratio covenant is not met, the company is restricted from making certain payments, including repurchases of its own shares and redemption of hybrid bonds. If the net debt to EBITDA covenant is not met, the company is restricted in its ability to raise additional debt.

| EUR million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Interest-bearing liabilities | 254.7 | 347.8 |
| Liquid assets | 127.9 | 134.2 |
| Interest-bearing net debt | 126.8 | 213.6 |
| Equity, total | 377.6 | 412.5 |
| Equity ratio, % | 40.6 | 37.1 |
| Gearing, % | 33.6 | 51.8 |
| Return on investment, % | 10.2 | 13.5 |
| Return on capital employed, % | 5.3 | 4.5 |

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 34 Derivative financial instruments

## 34 Derivative financial instruments

| EUR million | Nominal value | Fair value, positive | Fair value, negative | Fair value, net |
|---|---|---|---|---|
| **31 Dec 2015** | | | | |
| Foreign exchange derivatives | 60.2 | 2.1 | -0.3 | 1.7 |
| Interest rate derivatives | 40.0 | | -1.0 | -1.0 |
| Commodity derivatives | 13.2 | 0.2 | -4.1 | -3.9 |
| | 113.5 | 2.2 | -5.4 | -3.2 |

| EUR million | Nominal value | Fair value, positive | Fair value, negative | Fair value, net |
|---|---|---|---|---|
| **31 Dec 2015** | | | | |
| Foreign exchange derivatives | 77.2 | 7.0 | -1.3 | 5.7 |
| Interest rate derivatives | 40.0 | | -1.0 | -1.0 |
| Commodity derivatives | 2.7 | 0.1 | -1.8 | -1.8 |
| | 119.8 | 7.1 | -4.2 | 2.9 |

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, interest rate 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. Items, to which settlement on a net basis could be applied under certain conditions, are recognised on gross basis in the statement of financial position. Gross figures would have been EUR 0.5 million (1.4) smaller than the figures presented in the table.

Financials › Consolidated financial statements › Notes to the consolidated financial statements (IFRS) › 35 Adjustments to cash flows

## 35 Adjustments to cash flows

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Depreciation and impairment of goodwill | 38.4 | 44.7 |
| Share of the profits of associates and joint ventures | -1.4 | -0.5 |
| Finance income and costs recognised in the income statement | 20.6 | 37.9 |
| Change in provisions | 1.3 | 12.5 |
| Credit losses on trade receivables | 1.1 | 6.0 |
| Gains and losses on sale of fixed assets and other income and expenses not involving payments | -0.6 | -36.4 |
| Others* | 27.3 | -5.0 |
| | 86.7 | 59.2 |

* The company has adjusted the cash flow statement of the comparison period. The adjustment is described in more detail in the note 1.

Others-item includes adjustments to exchange rate differences, inventory write-downs and other non-payment based items.



## 36 Operating lease commitments

The company has adjusted the amounts of comparison period's individual lease agreements. As a result, the total amount of 2014 minimum lease payments of irrevocable lease contracts grew by EUR 3.9 million.

| EUR million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Minimum leases of irrevocable lease contracts due within | | |
| One year or less | 10.7 | 12.0 |
| Over one year, but less than five years | 21.1 | 23.7 |
| Over five years | 8.4 | 11.0 |
| | 40.2 | 46.7 |
| Minimum leases of irrevocable lease contracts include operating lease commitments due within | | |
| One year or less | 4.7 | 6.1 |
| Over one year, but less than five years | 6.5 | 8.8 |
| Over five years | 0.3 | 0.3 |
| | 11.5 | 15.3 |

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



## 37 Contingent assets and liabilities

### Guarantees and commitments

| EUR million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Collateral notes of companies included in inventory * | 173.4 | 194.7 |
| | | |
| Pledged deposits | | |
| For own commitments | 0.0 | 0.3 |
| | | |
| Guarantees | | |
| On behalf of associates and joint ventures | 12.4 | 14.4 |
| On behalf of consortiums and real estate companies | 1.8 | 1.8 |
| On behalf of others** | 10.2 | |
| | 24.4 | 16.2 |
| | | |
| Investment commitments | 1.1 | 2.1 |

*Collateral notes for companies included in inventories are given for collateral security for their debts.

**The guarantees have been granted on behalf of the building construction business in Sweden (Rekab Entreprenad AB) which was divested on 1 September 2015. The acquiring parties have set a counter-commitment for part of these guarantees.

In addition, at the reporting date, the company has EUR 2.7 million (3.4) accrued interest liabilities concerning its hybrid bonds which are not recognised in statement of financial position.

## Litigation

On 28 November 2013, the District Court of Helsinki issued its decisions concerning damages related to the asphalt cartel. In line with the decisions, Lemminkäinen recorded approximately EUR 66 million in expenses in its 2013 result. Of this, approximately EUR 60 million consisted 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. This amount was paid by the company in January 2014. Lemminkäinen has appealed against all 35 decisions, where the plaintiffs' claims were upheld partly, to the Helsinki Court of Appeal. In Lemminkäinen's opinion, there are some judicial aspects in the decisions, where the conclusions of the District Court differ from previous legal practices. Such judicial aspects are related to the questions of prescriptions and value added tax, for example. The main oral hearing in the Court of Appeal will take place during 2015. The Finnish state and 22 municipalities have also submitted their appeals to the Helsinki Court of Appeal. The main oral hearing at the Helsinki Court of Appeal took place on 2 March 2015–1 October 2015, and on the basis of the Helsinki Court of Appeal's preliminary announcement, decisions are expected during 2016. In addition to the claims decided on by the District Court in November 2013, 21 claims against Lemminkäinen and other asphalt industry companies for damages are waiting for the main proceeding to begin. These damages amount to a total of approximately EUR 26 million and the company has made a EUR 13 million provision for them.

In addition, the company has 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 their related parties. Members of the key management personnel comprise the Board of Directors, the President and CEO as well as Executive Team.

### Transactions with related parties

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Sales of goods and services | | |
| To associates and joint ventures | 1.7 | 1.9 |
| To key management personnel and their related parties | 0.1 | 0.4 |
| | 1.8 | 2.3 |
| Purchases of goods and services | | |
| From associates and joint ventures | 5.2 | 15.7 |
| From key management personnel and their related parties | 0.2 | |
| | 5.3 | 15.7 |

| EUR million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Balance of purchases/sales of goods and services | | |
| Trade receivables | | |
| From associates and joint ventures | 0.0 | 0.0 |
| From key management personnel and their related parties | 0.1 | 0.1 |
| | 0.1 | 0.1 |
| Trade payables | | |
| To associates and joint ventures | 0.2 | 0.2 |

| EUR million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Loan receibables from associates and joint ventures | 0.3 | 0.2 |

Related party transactions with associates and joint ventures are mainly asphalt works and mineral aggregate deliveries. A list of investments in subsidiaries and associates and joint ventures is presented in note 11. Sales to key management personnel and their related parties include sales of fixed assets and construction services. Purchases from key management personnel and their related parties include a service purchase from an entity controlled by a member of key management personnel. The transactions were made at market price.

## Remuneration of key management personnel

On the basis of a proposal submitted by the HR 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 Team. 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 of Directors 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 Team, 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.

Costs related to remuneration of key management personnel are presented in the table below. In 2015, the company booked social security costs of EUR 0.5 million (0.9) from key management personnel's salaries, fees and other employee benefits. The social security costs are not included in the table's figures 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 million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Short-term employee benefits | 2.2 | 2.8 |
| Timo Kohtamäki | | 0.2 |
| Bernd Brunow (President and CEO term)* | | 0.2 |
| Casimir Lindholm (President and CEO term) | 0.6 | 0.3 |
| Key management personnel other than the President and CEO | 1.7 | 2.1 |
| | | |
| Post-employment benefits** | 0.4 | 0.6 |
| Timo Kohtamäki** | | 0.2 |
| Casimir Lindholm (President and CEO term)** | 0.1 | 0.0 |
| Key management personnel other than the President and CEO | 0.3 | 0.4 |
| | | |
| Share-based payments | 0.2 | 0.1 |
| Timo Kohtamäki | | 0.0 |
| Casimir Lindholm (President and CEO term) | 0.1 | 0.0 |
| Key management personnel other than the President and CEO | 0.1 | 0.1 |
| | | |
| Termination benefits*** | 0.3 | 2.0 |
| Timo Kohtamäki*** | | 1.1 |
| Key management personnel other than the President and CEO*** | 0.3 | 0.9 |
| | | |
| Other long term benefits | | |
| Key management personnel other than the President and CEO | 0.0 | |
| | | |
| Remuneration of key management personnel, total | 3.1 | 5.5 |

*Includes fees paid for Board work during the CEO period as well as fees for working as a President and CEO

**The company has adjusted the comparison period figure by removing previously incorrectly included pension contributions

***Does not include share based payments or costs of additional pension plans for the term of notice

**Short-term employee benefits**

Short-term employee benefits include fixed basic 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, short-term employee benefits include the use of a car benefit, mobile phone benefit, meal benefit and an extended insurance cover for accidents and travel in their leisure time.

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. Lemminkäinen's top management is divided into two performance-related reward groups which define the maximum performance-related reward percentage for each person. Defining a person's reward group is based on organisation level as well as the requirements and operational influence of the position. In 2015 the level of performance-related reward of the management was based on profit before taxes, the Group's return on capital employed as well as efficiency and reaching goals related other development targets. Performance-related rewards of the Executive Vice Presidents of business segments, who are members of the Group's Executive Team, were also based on the operating profit of each segment. Achieving targets set on performance-related rewards were assessed semi-annually. The maximum performance bonus payable to the President and CEO was 80 per cent of the annual salary and 60 per cent for other members of the Group Executive Team.

Lemminkäinen Corporation's General Meeting elects each year the members to serve on the company's Board of Directors and decides on 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 2015 Annual General Meeting decided that the Chairman would be paid a fee of EUR 10,000 per month (10,000) and the Board members would each receive a fee of EUR 3,000 per month (3,000). The Board members also receive an attendance fee of EUR 500 per meeting (500). The chairman of the Audit Committee is paid an attendance fee of EUR 1,000 (1,000) and the members of the Audit Committee EUR 500 (500) for each meeting of the Committee. Board members living outside Finland receive an extra EUR 1,000 (1,000) to their attendance fees.

**Post-employment benefits**

The additional pension plan of the President and CEO and the members of Executive Team is based on cash basis and earning a paid-up policy. The amount of payment is defined as percentage of the annual salary. The President and CEO and other members of the Executive Team are entitled to retire at the age of 63. The amount of the President and CEO's and other members' of the Executive Team defined contribution pension benefit equals 20 per cent of their annual fixed salary.

**Other long term benefits**

A performance bonus agreement has been made for the President and CEO and the Executive Team for 2016–2018. The aim of the bonus agreement is to ensure long term continuity and profitability of the business. The possible bonus will be paid in 2016 and 2018, and it is equivalent to a maximum of 15 months' cash salary. The bonus criteria include, among other things, the success of the Group's financing arrangements as planned.

Other long term benefits expenses arose from service year awards and anniversary gifts to related-party personnel. The awards and gifts comply with the Group's HR practices.

**Termination benefits**

Term of notice for the Lemminkäinen's President and CEO agreement and for other members of the Executive Team is six months. If the company dismisses the President and CEO agreement, the President and CEO is entitled to an absolute severance pay equal to 12 months cash salary at the time of the agreement's termination. For other members of Executive Team the equivalent severance pay equals to six months cash salary at the time of the agreement's termination.

**Share-based payments**

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

Performance based reward comprised of three earning periods, which were calendar years 2013, 2014 and 2015. The company's Board of Directors decided on the earning criteria and the set targets at the beginning of each period. Performance based compensation targets for 2015 were related to the company's return on capital employed and equity ratio.

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 was the calendar years 2013–2015.

Share-based payments are described in more detail in the note 30.

# Parent company income statement (FAS)

| EUR million | Note | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|---|
| **Net sales** | 1 | 33.8 | 35.9 |
| | | | |
| Production for own use | | 0.0 | 0.6 |
| Other operating income | 2 | 3.8 | 12.4 |
| Materials and services | 3 | 0.2 | 3.7 |
| Personnel expenses | 4 | 10.0 | 21.7 |
| Depreciation and reduction in value | 5 | 7.8 | 6.3 |
| Other operating expenses | 6 | 25.2 | 30.5 |
| | | | |
| **Operating profit/loss** | | -5.5 | -13.2 |
| | | | |
| Finance income and costs | 7 | -18.5 | -10.1 |
| | | | |
| **Profit/loss before extraordinary items** | | -24.0 | -23.4 |
| | | | |
| Extraordinary items | 8 | 26.5 | 15.8 |
| | | | |
| **Profit before taxes** | | 2.5 | -7.6 |
| | | | |
| Direct taxes | 9 | -0.5 | 5.2 |
| | | | |
| **Profit for the financial year** | | 2.1 | -2.4 |

# Parent company balance sheet (FAS)

| EUR million | Note | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| | | | |
| **Non-current assets** | 10 | | |
| Intangible assets | | 9.6 | 14.2 |
| Tangible assets | | 12.0 | 14.5 |
| Investments in Group companies | 11 | 114.2 | 114.2 |
| Other investments | | 1.0 | 1.4 |
| | | 136.8 | 144.2 |
| **Current assets** | 12 | | |
| Non-current receivables | | 116.9 | |
| Deferred tax assets | | 20.9 | 21.3 |
| Current receivables | | 61.6 | 274.1 |
| Financial securities | | | 25.1 |
| Cash in hand and at banks | | 118.3 | 93.7 |
| | | 317.7 | 414.3 |
| | | 454.5 | 558.5 |
| | | | |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| | | | |
| **Shareholder's equity** | 13 | | |
| Share capital | | 34.0 | 34.0 |
| Share premium account | | 5.7 | 5.7 |
| Invested non-restricted equity fund | | 90.6 | 90.6 |
| Retained earnings | | 45.6 | 48.0 |
| Profit for the financial year | | 2.1 | -2.4 |
| | | 177.9 | 175.9 |
| | | | |
| **Provisions** | 14 | | |
| Other provisions | | 13.0 | 12.3 |
| | | | |
| **Liabilities** | 15 | | |
| Non-current liabilities | | 212.9 | 240.0 |
| Current liabilities | | 50.6 | 130.3 |
| | | 263.5 | 370.3 |
| | | 454.5 | 558.5 |

# Parent company cash flow statement (FAS)

| EUR million | 1 Jan–31 Dec 2015 | Adjusted 1 Jan–31 Dec 2014 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit/loss before extraordinary items | -24.0 | -23.4 |
| Adjustments | | |
| Depreciation and impairment | 7.8 | 6.3 |
| Finance income and costs | 18.5 | 10.1 |
| Other adjustments | 0.4 | -12.5 |
| Cash flow before change in working capital | 2.7 | -19.5 |
| | | |
| Change in working capital | | |
| Increase(-)/decrease(+) in trade and other receivables | 4.4 | 0.1 |
| Increase(+)/decrease(-) in current liabilities | -0.9 | -51.1 |
| Cash flow from operations before financial items and taxes | 6.2 | -70.5 |
| | | |
| Interest and other finance costs paid | -76.8 | -51.7 |
| Dividends received | | 12.4 |
| Interest and other finance income received | 40.2 | 57.1 |
| Income tax paid | 0.0 | 0.0 |
| **Cash flow from operating activities** | -30.5 | -52.8 |
| | | |
| Cash flows from investing activities | | |
| Purchases of tangible and intangible assets | -0.7 | -5.1 |
| Proceeds from sale of tangible and intangible assets | 1.1 | 1.6 |
| Investments in other assets | | 0.0 |
| Return on invested capital | | 2.9 |
| Proceeds from sale of other investments | 0.7 | 1.2 |
| Disposed subsidiary shares | | 53.9 |
| **Cash flow from investing activities** | 1.1 | 54.5 |
| | | |
| Cash flows from financing activities | | |
| Increase(-)/decrease(+) of long-term loan receivables | -120.1 | 1.7 |
| Share issue for cash consideration | | 29.3 |
| Group contributions received | 22.2 | 1.2 |
| Change in Group receivables/liabilities | 206.0 | 43.0 |
| Proceeds from short-term borrowings | 29.5 | 128.0 |
| Repayments of short-term borrowings | -79.7 | -304.3 |
| Proceeds from long-term borrowings | | 370.0 |
| Repayments of long-term borrowings | -29.1 | -210.0 |
| **Cash flow from financing activities** | 28.8 | 58.8 |
| | | |
| **Increase(+)/decrease(–) in cash and cash equivalents** | -0.6 | 60.5 |
| Cash and cash equivalents at begining of financial year | 118.9 | 58.4 |
| **Cash and cash equivalents at the end of financial year** | 118.3 | 118.9 |

# Parent Company's Accounting Principles, 31 Dec 2015

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, interest rate 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.

Lemminkäinen Corporation's subsidiaries operating in the paving business use commodity derivatives to manage bitumen price risk. The execution of some of those derivatives with external counterparties is centralised to Lemminkäinen Corporation, and the corresponding internal derivative contracts are executed with intra-Group transactions with each subsidiary. Consequently, commodity derivatives do not affect Lemminkäinen Corporation's income statement significantly.

Fair value changes from derivative financial instruments which are not used for hedge accounting are recognised according to the nature of the derivative, either in financial items or in other operating income and expenses in the income statement. Fair value changes are presented on section 7 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 3–15 years
- Other fixed assets 3–10 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

Costs of research are expensed in the year during which they occur. Development costs are capitalized if requirements for capitalization are met.

## 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)

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 1 Net sales by market area

## 1 Net sales by market area

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Finland | 30.2 | 31.9 |
| Scandinavia | 2.1 | 1.0 |
| Baltic countries | 0.6 | 0.3 |
| Russia | 0.9 | 2.6 |
| | 33.8 | 35.9 |

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 2 Other operating income

## 2 Other operating income

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Gain on sales of fixed assets | 1.3 | 12.0 |
| Others | 2.5 | 0.4 |
| | 3.8 | 12.4 |

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 3 Materials and services

## 3 Materials and services

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Raw materials and consumables | 0.2 | 2.4 |
| External services | 0.0 | 1.3 |
| | 0.2 | 3.7 |

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 4 Notes concerning personnel, management and board members

## 4 Notes concerning personnel, management and board members

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| **Personnel expenses** | | |
| Salaries, wages and renemunerations | 7.1 | 17.6 |
| Pension expenses | 2.5 | 3.3 |
| Other staff costs | 0.5 | 0.8 |
| | 10.0 | 21.7 |
| | | |
| **Management salaries and renemunerations** | | |
| The President and CEO | 0.7 | 1.6 |
| Board of Directors | 0.4 | 0.4 |
| | | |
| **Average number of employees** | | |
| Salaried employees | 127 | 234 |

**Pension commitments concerning Board of Directors and the President and CEO**

The retirement age of the President and CEO of Lemminkäinen Corporation is 63 years.

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 5 Depreciation and reduction in value

## 5 Depreciation and reduction in value

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| **Depreciation** | | |
| Intangible rights | 4.9 | 5.1 |
| Other capitalised expenditure | 0.3 | 0.3 |
| Buildings and structures | 0.7 | 0.8 |
| Machinery and equipment | 0.0 | 0.0 |
| Other tangible assets | 0.0 | 0.1 |
| | 6.0 | 6.3 |
| | | |
| **Reduction in value** | | |
| Revaluation of buildings | 1.7 | |
| Revaluation of shares in housing companies | 0.1 | |
| | 1.8 | |
| | | |
| Depreciation and reduction in value | 7.8 | 6.3 |

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 6 Audit fees

## 6 Audit fees

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Audit fees | 0.1 | 0.1 |
| Other consulting | 0.0 | 0.1 |
| | 0.1 | 0.2 |

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 7 Finance income and costs

## 7 Finance income and costs

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| **Dividend income** | | |
| From Group companies | | 12.4 |
| | | 12.4 |
| | | |
| **Other interest and finance income** | | |
| From Group companies | 16.5 | 15.7 |
| From others | 18.9 | 40.1 |
| | 35.4 | 55.9 |
| | | |
| **Interest expenses and other finance costs** | | |
| To Group companies | 6.4 | 0.7 |
| To others | 47.5 | 77.8 |
| | 53.9 | 78.4 |
| | | |
| Net finance income/costs | -18.5 | -10.1 |
| | | |
| **Finance income and costs include:** | | |
| Exchange gains and losses (net) | -2.2 | -5.4 |
| Change in fair value of currency derivatives (net) | -4.0 | 4.8 |
| Change in fair value of interest rate derivatives (net) | 0.1 | -1.2 |
| Gains and losses from hedge accounting (net) | | -0.1 |

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 8 Extraordinary items

## 8 Extraordinary items

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Extraordinary incomes, Group contributions | 26.5 | 22.2 |
| Extraordinary expenses, damages relate to legal proceedings | | -6.4 |
| | 26.5 | 15.8 |

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 9 Direct taxes

## 9 Direct taxes

| EUR million | 1 Jan–31 Dec 2015 | 1 Jan–31 Dec 2014 |
|---|---|---|
| Income taxes in respect of previous years | 0.0 | 0.0 |
| Change in the deferred tax assets | -0.4 | 5.2 |
| | -0.5 | 5.2 |

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 10 Non-current assets

## 10 Non-current assets

### Intangible assets

| EUR million | Intangible rights | Other capitalised expenditure | Advance payments and work in progress | Total |
|---|---|---|---|---|
| Cost 1 Jan 2015 | 24.0 | 5.6 | 0.5 | 30.1 |
| Increases | 0.6 | | 0.1 | 0.7 |
| Decreases | -0.2 | -2.9 | | -3.2 |
| Transfers between items | 0.5 | | -0.5 | |
| Cost 31 Dec 2015 | 25.0 | 2.7 | 0.1 | 27.7 |
| Accumulated amortisation and impairment 1 Jan 2015 | -11.1 | -4.8 | | -15.9 |
| Accumulated amortisation on disposals and tranfers | 0.1 | 2.9 | | 3.0 |
| Amortisation for the financial year | -4.9 | -0.3 | | -5.2 |
| Accumulated amortisation and impairment 31 Dec 2015 | -15.9 | -2.1 | | -18.1 |
| Carrying amount 31 Dec 2015 | 9.0 | 0.5 | 0.1 | 9.6 |

| EUR million | Intangible rights | Other capitalised expenditure | Advance payments and work in progress | Total |
|---|---|---|---|---|
| Cost 1 Jan 2014 | 18.0 | 7.7 | 7.4 | 33.1 |
| Increases | 4.7 | 0.0 | 0.4 | 5.1 |
| Decreases | -2.8 | -2.7 | -2.6 | -8.1 |
| Transfers between items | 4.1 | 0.6 | -4.7 | |
| Cost 31 Dec 2014 | 24.0 | 5.6 | 0.5 | 30.1 |
| Accumulated amortisation and impairment 1 Jan 2014 | -6.6 | -7.2 | | -13.8 |
| Accumulated amortisation on disposals and tranfers | 0.6 | 2.7 | | 3.3 |
| Amortisation for the financial year | -5.1 | -0.3 | | -5.4 |
| Accumulated amortisation and impairment 31 Dec 2014 | -11.1 | -4.8 | | -15.9 |
| Carrying amount 31 Dec 2014 | 12.9 | 0.8 | 0.5 | 14.2 |

### Property, plant and equipment

| EUR million | Land | Building and structures | Machinery and equipment | Other tangible assets | Advance payments and work in progress | Total |
|---|---|---|---|---|---|---|
| Cost 1 Jan 2015 | 2.9 | 19.0 | 0.5 | 1.3 | | 23.7 |
| Decreases | 0.0 | | 0.0 | | | 0.0 |
| Cost 31 Dec 2015 | 2.9 | 19.0 | 0.5 | 1.3 | | 23.7 |
| Accumulated depreciation and impairment 1 Jan 2015 | | -13.1 | -0.4 | -1.1 | | -14.7 |
| Accumulated depreciation on decreases and tranfers | | | 0.0 | | | 0.0 |
| Depreciation for the financial year | | -0.7 | 0.0 | 0.0 | | -0.8 |
| Accumulated depreciation 31 Dec 2015 | | -13.9 | -0.4 | -1.1 | | -15.4 |
| Revaluations 1 Jan 2015 | | 2.3 | | | | 2.3 |
| Reduction in revaluation | | -1.7 | | | | -1.7 |
| Revaluations 31 Dec 2015 | 3.1 | 0.6 | | | | 3.7 |
| Carrying amount 31 Dec 2015 | 6.0 | 5.7 | 0.0 | 0.2 | | 12.0 |

| EUR million | Land | Building and structures | Machinery and equipment | Other tangible assets | Advance payments and work in progress | Total |
|---|---|---|---|---|---|---|
| Cost 1 Jan 2014 | 2.9 | 18.6 | 0.9 | 1.3 | 0.4 | 24.1 |
| Increases | | 0.1 | | | | 0.1 |
| Decreases | | | -0.5 | | | -0.5 |
| Transfers between items | | 0.4 | | | -0.4 | |
| Cost 31 Dec 2014 | 2.9 | 19.0 | 0.5 | 1.3 | | 23.7 |
| Accumulated depreciation and impairment 1 Jan 2014 | | -12.4 | -0.8 | -1.1 | | -14.2 |
| Accumulated depreciation on decreases and tranfers | | | 0.4 | | | 0.4 |
| Depreciation for the financial year | | -0.8 | 0.0 | -0.1 | | -0.9 |
| Accumulated depreciation 31 Dec 2014 | | -13.1 | -0.4 | -1.1 | | -14.7 |
| Revaluations | 3.1 | 2.3 | | | | 5.4 |
| Carrying amount 31 Dec 2014 | 6.0 | 8.2 | 0.1 | 0.2 | | 14.5 |

### Investments

| EUR million | Holdings in Group companies | Shares in real estate | Other shares and holdings | Shares in housing companies | Total |
|---|---|---|---|---|---|
| Cost 1 Jan 2015 | 116.5 | 0.8 | 0.4 | 0.2 | 117.8 |
| Disposals | | | -0.2 | -0.1 | -0.3 |
| Cost 31 Dec 2015 | 116.5 | 0.8 | 0.2 | 0.1 | 117.6 |
| Accumulated impairment 1 Jan 2015 | -2.4 | | | | -2.4 |
| Accumulated impairment 31 Dec 2015 | -2.4 | | | | -2.4 |
| Revaluations 1 Jan 2015 | | | | 0.1 | 0.1 |
| Reduction in revaluation | | | | -0.1 | -0.1 |
| Revaluations 31.12.2015 | | | | | |
| Carrying amount 31.12.2015 | 114.2 | 0.8 | 0.2 | 0.1 | 115.2 |

| EUR million | Holdings in Group companies | Shares in real estate | Other shares and holdings | Shares in housing companies | Total |
|---|---|---|---|---|---|
| Cost 1 Jan 2014 | 159.6 | 0.8 | 0.6 | 0.3 | 161.2 |
| Increases | | | 0.0 | | 0.0 |
| Disposals | -43.0 | 0.0 | -0.2 | -0.1 | -43.3 |
| Cost 31 Dec 2014 | 116.5 | 0.8 | 0.4 | 0.2 | 117.8 |
| Impairment | -2.4 | | | | -2.4 |
| Accumulated impairment 31 Dec 2014 | -2.4 | | | | -2.4 |
| Revaluations | | | | 0.1 | 0.1 |
| Carrying amount 31 Dec 2014 | 114.2 | 0.8 | 0.4 | 0.2 | 115.5 |

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 11 Investments in Group companies

## 11 Investments in Group companies

| | Consolidated shareholding % | Parent company shareholding % |
|---|---|---|
| Lemminkäinen Talo Oy, Helsinki | 100.0 | 100.0 |
| Lemminkäinen Infra Oy, Helsinki | 100.0 | 100.0 |
| Lemcon Networks Oy, Helsinki | 100.0 | 100.0 |
| UAB Lemcon Vilnius, Lithuania | 100.0 | 100.0 |
| UAB Lemminkainen Lietuva, Lithuania | 99.9 | 99.9 |

# 12 Current assets

| EUR million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| **Non-current receivables** | | |
| Loan receivables from Group companies | 116.9 | |
| | | |
| **Deferred tax assets** | | |
| From accruals and temporary differences | 21.6 | 22.4 |
| | 21.6 | 22.4 |
| **Deferred tax liabilities** | | |
| From revaluations | 0.7 | 1.1 |
| | 0.7 | 1.1 |
| | | |
| **Deferred tax assets (+) and liabilities (-), total** | 20.9 | 21.3 |
| | | |
| **Current receivables** | | |
| | | |
| **Receivables from parties outside the Group** | | |
| Trade receivables | 0.1 | 0.3 |
| Other receivables | 3.5 | 10.1 |
| Accrued receivables | 3.2 | 5,4* |
| | 6.8 | 15.7 |
| | | |
| **Receivables from Group companies** | | |
| Trade receivables | 7.6 | 6.6 |
| Other receivables | 46.1 | 249.3 |
| Accrued receivables | 1.2 | 2.4 |
| | 54.8 | 258.4 |
| | | |
| Current receivables, total | 61.6 | 274.1 |
| | | |
| **Items included in accrued receivables** | | |
| Accrued interests | | 0.0 |
| Taxes | 0.0 | 0.0 |
| Deferred personnel expenses | 0.4 | 0.9 |
| Others | 4.0 | 6,8* |
| | 4.3 | 7.8 |

* The company has adjusted the manner in which acquisition costs in liabilities are handled. Debt is recorded on the balance sheet at nominal value and the remaining, unrecognised portion of acquisition costs has been recorded under accrued receivables. The impact of the adjustment on the company's liabilities and accrued receivables on 31 December 2014 is EUR 2.0 million. The impact of the adjustment on the change in working capital and the proceeds from long-term borrowings in the 2014 cash flow statement is EUR 1.1 million.

## 13 Shareholders' equity

| EUR million | 2015 | 2014 |
|---|---|---|
| Share capital 1 Jan | 34.0 | 34.0 |
| Share capital 31 Dec | 34.0 | 34.0 |
| | | |
| Share premium account 1 Jan | 5.7 | 5.7 |
| Share premium account 31 Dec | 5.7 | 5.7 |
| | | |
| Invested non-restricted equity fund 1 Jan | 90.6 | 61.3 |
| Increases | | 29.3 |
| Invested non-restricted equity fund 31 Dec | 90.6 | 90.6 |
| | | |
| Retained earnings 1 Jan | 45.6 | 48.0 |
| Retained earnings 31 Dec | 45.6 | 48.0 |
| | | |
| Profit for the financial year | 2.1 | -2.4 |
| | | |
| Shareholders' equity, total | 177.9 | 175.9 |
| | | |
| Distributable funds 31 Dec | 138.2 | 136.2 |



## 14 Provisions

| EUR million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Litigation provision | 13.0 | 12.3 |



## 15 Liabilities

| EUR million | 31 Dec 2015 | 31 Dec 2014 * |
|---|---|---|
| **Non-current liabilities** | | |
| Bonds | 100.0 | 100.0 |
| Hybrid bonds | 112.9 | 140.0 |
| | 212.9 | 240.0 |

* The company has adjusted the manner in which acquisition costs in liabilities are handled. Debt is recorded on the balance sheet at nominal value and the remaining, unrecognised portion of acquisition costs has been recorded under accrued receivables. The impact of the adjustment on the company's liabilities and accrued receivables on 31 December 2014 is EUR 2.0 million. The impact of the adjustment on the change in working capital and the proceeds from long-term borrowings in the 2014 cash flow statement is EUR 1.1 milloin.

| | | |
|---|---|---|
| **Current liabilities** | | |
| Liabilities to parties outside the Group | | |
| Pension loans | | 2.0 |
| Commercial papers | 13.1 | 63.4 |
| Trade payables | 0.7 | 0.6 |
| Other liabilities | 13.4 | 9.9 |
| Accrued liabilities | 9.8 | 15.3 |
| | 37.0 | 91.2 |
| | | |
| Liabilities to Group companies | | |
| Trade payables | 0.0 | 0.0 |
| Other liabilities | 12.0 | 39.1 |
| Accrued liabilities | 1.5 | 0.0 |
| | 13.6 | 39.1 |
| | | |
| Items included in accrued liabilities | | |
| Accrued interests | 6.4 | 7.5 |
| Accrued personnel expenses | 2.0 | 4.8 |
| Others | 2.9 | 3.1 |
| | 11.3 | 15.3 |

Financials › Parent company financial statements › Notes to the parent company financial statements (FAS) › 16 Guarantees and commitments

## 16 Guarantees and commitments

| EUR million | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| **Guarantees** | | |
| On behalf of Group companies | 293.2 | 407.7 |
| On behalf of associates and joint ventures | 12.4 | 14.4 |
| On behalf of consortiums and real estate companies | 12.0 | 1.8 |
| | 317.6 | 423.9 |
| In addition, Lemminkäinen Corporation has set one guarantee without maximum amount on behalf of its subsidiary. | | |
| | | |
| **Lease liabilities** | | |
| Payable next year | 4.8 | 4.9 |
| Payable in subsequent years | 21.0 | 24.6 |
| | 25.8 | 29.5 |
| | | |
| **Derivative contracts** | | |
| Forward foreign exchange contracts | | |
| Nominal value | 71.4 | 77.2 |
| Fair value | 0.5 | 5.7 |
| | | |
| Interest rate swap contracts | | |
| Nominal value | 40.0 | 40.0 |
| Fair value | -1.0 | -1.0 |
| | | |
| Commodity derivatives | | |
| Quantity, MT | 54,664 | |
| Nominal value | 8.4 | |
| Fair value | | |

# Financial indicators (IFRS)

| EUR million | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Net sales | 1,879.0 | 2,044.5 | 2,020.1 | 2,267.6 | 2,183.9 |
| Operations outside Finland | 761.0 | 971.2 | 929.0 | 897.3 | 780.3 |
| % of net sales | 40.5 | 47.5 | 46.0 | 39.6 | 35.7 |
| Operating profit | 37.3 | 36.3 | -89.3 | 50.4 | 44.0 |
| % of net sales | 2.0 | 1.8 | -4.4 | 2.2 | 2.0 |
| Profit before taxes | 16.7 | -1.7 | -116.1 | 29.1 | 25.0 |
| % of net sales | 0.9 | -0.1 | -5.7 | 1.3 | 1.1 |
| Profit for the financial year attributable to the equity holders of the parent company | 7.2 | 18.2 | -93.7 | 43.9 | 34.7 |
| % of net sales | 0.4 | 0.9 | -4.6 | 1.9 | 1.6 |
| | | | | | |
| Non-current assets | 261.0 | 307.9 | 362.5 | 343.8 | 351.0 |
| Inventories | 402.0 | 524.0 | 504.4 | 494.4 | 448.5 |
| Financial assets | 372.5 | 425.9 | 475.8 | 465.3 | 443.3 |
| Equity | 377.6 | 412.5 | 324.0 | 441.8 | 348.7 |
| Non-controlling interest | 0.1 | 0.1 | 0.6 | 0.4 | 1.7 |
| Interest-bearing liabilities | 254.7 | 347.8 | 407.6 | 371.2 | 431.6 |
| Interest-free liabilities | 403.1 | 497.5 | 611.0 | 490.6 | 460.7 |
| Balance sheet total | 1,035.5 | 1,257.8 | 1,342.7 | 1,303.5 | 1,242.8 |
| | | | | | |
| Return on equity, % | 1.8 | 4.9 | -24.4 | 11.1 | 10.5 |
| Return on investment, %* | 10.2 | 13.5 | -9.4 | 10.8 | 10.8 |
| Return on capital employed, % | 5.3 | 4.5 | -10.8 | 6.4 | 5.5 |
| Equity ratio, % | 40.6 | 37.1 | 27.3 | 37.2 | 30.8 |
| Gearing, % | 33.6 | 51.8 | 100.8 | 62.8 | 114.5 |
| Interest-bearing net liabilities | 126.8 | 213.6 | 326.5 | 277.3 | 401.2 |
| Gross investments | 10.3 | 30.0 | 71.2 | 64.5 | 84.0 |
| % of net sales | 0.5 | 1.5 | 3.5 | 2.8 | 3.8 |
| Order book 31.12., continuing operations | 1,180.3 | 1,456.1 | 1,733.2 | 1,336.1 | 1,289.3 |
| Personnel at the end of period, continuing operations | 4,059 | 4,748 | 5,526 | 5,833 | 5,751 |

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.

*Includes the effect of discontinued operations

# Share-related financial indicators (IFRS)

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Basic earnings per share, EUR | -0.15 | 0.40 | -4,81 | 1.94 | 1.68 |
| Diluted earnings per share, EUR | -0.15 | 0.40 | -4,81 | 1.93 | 1.68 |
| Equity per share, EUR | 16.28 | 19.33 | 15,70 | 21.45 | 16.87 |
| Dividend per share, EUR | 0,12* | 0,00 | 0.00 | 0.60 | 0.50 |
| Dividend per earnings, % | 38,5 | 0.0 | 0.0 | 26.9 | 28.3 |
| Effective dividend yield, % | 0.9 | 0.0 | 0.0 | 4.2 | 2.7 |
| Price per earnings (P/E) | -93.3 | 23.6 | -3.2 | 7.4 | 11.1 |
| Share price, EUR | | | | | |
| lowest | 9.55 | 9.50 | 13.74 | 13.95 | 17.08 |
| highest | 13.91 | 15.89 | 16.97 | 20.50 | 27.37 |
| at end of financial year | 13.79 | 9.52 | 15.20 | 14.28 | 18.72 |
| Market capitalisation at year end, EUR million | 320.0 | 220.9 | 298.2 | 280.6 | 367.8 |
| Share trading (Nasdaq Helsinki), 1.000 shares | 2,612 | 1,096 | 1,758 | 992 | 3,367 |
| % of shares issued | 11.2 | 4.7 | 8.9 | 5.0 | 17.1 |
| Weighted average number of shares, 1.000 shares | 23,193 | 21,329 | 20,600 | 20,582 | 20,665 |
| Number of shares at end of period, 1.000 shares | 23,220 | 23,220 | 19,650 | 19,650 | 19,645 |
| Number of treasury shares | 16,687 | 16,687 | 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 EQUITY, %**

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

**RETURN ON INVESTMENT, %**

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

**RETURN ON CAPITAL EMPLOYED, %**

$$\frac{\text{Operating profit}}{\text{Total equity (quaterly average) + interest-bearing liabilities (quaterly average)}} \times 100$$

**EQUITY RATIO, %**

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

**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

**BASIC EARNINGS PER SHARE**

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

**DILUTED EARNINGS PER SHARE**

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

**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**

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

**DIVIDEND PER EARNINGS, %**

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

**EFFECTIVE DIVIDEND YIELD, %**

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

**PRICE PER EARNINGS (P/E)**

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

**MARKET CAPITALISATION**

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

# Board of Directors' proposal for the distribution of profit

Distributable shareholders' equity shown on the parent company balance sheet at 31 December 2015 amounts to EUR 138,209,602.00 consisting of retained earnings EUR 45,578,889.18 and the result for the financial year EUR 2,050,059.14.

The board of directors will propose to the AMG that, for the financial year ended 31 December 2015, the company will distribute a per-share dividend of EUR 0,12 to a total of EUR 2,786,388.00 after which retained earnings would stand at EUR 44,842,560.32.

**Helsinki, 3 February 2016**

Berndt Brunow
Chairman of the Board

Juhani Mäkinen

Noora Forstén

Finn Johnsson

Heppu Pentti

Kristina Pentti-von Walzel

Heikki Räty

Casimir Lindholm
President and 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, 2015. 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, 4 February 2016

**PricewaterhouseCoopers Oy**
Authorised Public Accountants

Markku Katajisto
Authorised Public Accountant