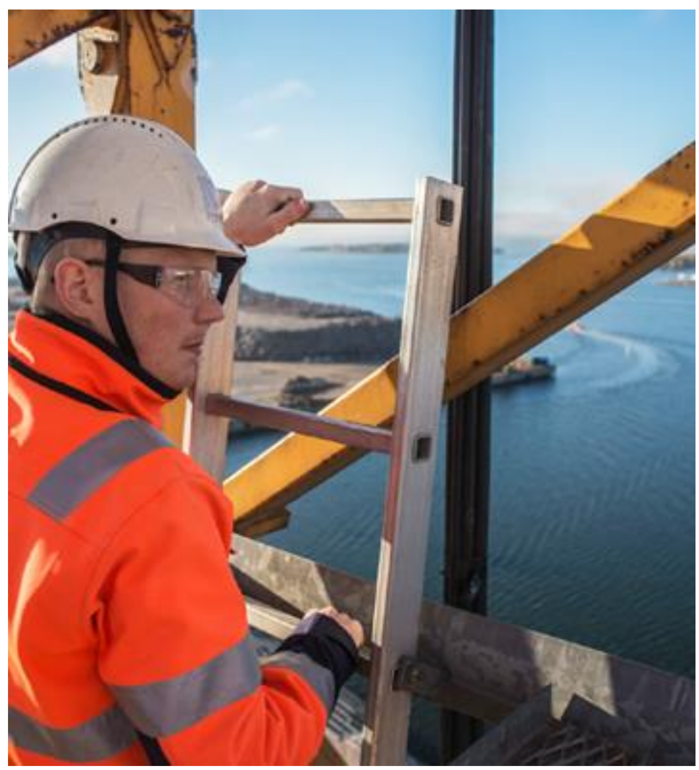
FINANCIAL STATEMENTS BULLETIN

1 JANUARY – 31 DECEMBER 2016



Lemminkäinen

Lemminkäinen Financial statements bulletin 1 January – 31 December 2016

October–December 2016 (10–12/2015)

- Order inflow was EUR 212.5 million (296.0).
- Order book at the end of the period amounted to EUR 1,265.2 million (1,180.3).
- Net sales totalled EUR 477.3 million (528.5).
- Operating profit amounted to EUR 35.0 million (18.9), or 7.3% (3.6) of net sales. The operating profit includes EUR 19.4 million of reimbursements and EUR 8.3 million of lowered provisions related to the Helsinki Court of Appeal's decisions regarding the asphalt cartel as well as write-downs related to non-core businesses worth EUR 4.9 million. Without these items the operating profit would have been EUR 12.5 million and operating margin 2.6%.
- Profit for the period was EUR 22.9 million (9.9).
- Earnings per share were EUR 0.83 (0.33).
- Cash flow from operating activities totalled EUR 38.5 million (30.5).
- Equity ratio at the end of the review period was 39.5% (40.6) and gearing 24.3% (33.6).
- Interest-bearing net debt at the end of the review period was EUR 81.1 million (126.8).

January–December 2016 (1–12/2015)

- Order inflow was EUR 1,347.2 million (1,417.4).
- Net sales totalled EUR 1,682.7 million (1,879.0).
- Operating profit amounted to EUR 67.6 million (37.3), or 4.0% (2.0) of net sales. The operating profit includes EUR 19.4 million of reimbursements and EUR 8.0 million of lowered provisions related to the Helsinki Court of Appeal's decisions regarding the asphalt cartel as well as write-downs related to non-core businesses worth EUR 4.9 million. Without these items the operating profit would have been EUR 45.1 million and operating margin 2.7%.
- Profit for the period was EUR 38.0 million (7.2).
- Earnings per share were EUR 1.27 (-0.15).
- Cash flow from operating activities totalled EUR 131.7 million (106.6).
- The Board of Directors proposes to the AGM that for the financial year that ended on 31 December 2016, Lemminkäinen will distribute a per-share dividend of EUR 0.66 (0.12).

Profit guidance for 2017

Lemminkäinen estimates that its net sales in 2017 will grow from 2016 (EUR 1,682.7 million). Operating profit (IFRS) in 2017 is expected to improve from EUR 45.1 million which reflects the operational performance in 2016.

Key figures, IFRS		10-12/2016	10-12/2015	Change	1-12/2016	1-12/2015	Change
Net sales	M€	477.3	528.5	-51.2	1,682.7	1,879.0	-196.3
Paving	M€	179.3	180.8	-1.5	757.6	796.2	-38.6
Infra projects	M€	88.7	99.2	-10.5	317.1	341.4	-24.3
Building construction, Finland	M€	196.0	176.1	19.9	581.2	537.8	43.4
Russian operations	M€	15.2	70.0	-54.8	54.5	136.7	-82.2
Other operations and Group eliminations	M€	-1.9	2.4	-4.3	-27.7	66.8	-94.5
Operating profit	M€	35.0	18.9	16.1	67.6	37.3	30.3
Paving	M€	0.6	-2.8	3.4	25.8	19.8	6.0
Infra projects	M€	4.3	3.1	1.2	7.6	8.9	-1.3
Building construction, Finland	M€	10.7	11.4	-0.7	17.2	12.9	4.3
Russian operations	M€	-4.4	10.9	-15.3	-3.8	2.9	-6.7
Other operations	M€	23.9	-3.7	27.6	20.9	-7.2	28.1
Operating margin	*%*	*7.3*	*3.6*		*4.0*	*2.0*	
Paving	*%*	*0.3*	*-1.6*		*3.4*	*2.5*	
Infra projects	*%*	*4.9*	*3.1*		*2.4*	*2.6*	
Building construction, Finland	*%*	*5.4*	*6.5*		*3.0*	*2.4*	
Russian operations	*%*	*-29.2*	*15.6*		*-7.0*	*2.1*	
Pre-tax profit	M€	30.2	13.7	16.5	49.2	16.7	32.5
Profit for the period	M€	22.9	9.9	13.0	38.0	7.2	30.8
Earnings per share for the period, basic	€	0.83	0.33	0.50	1.27	-0.15	1.42
Earnings per share for the period, diluted	€	0.82	0.33	0.49	1.26	-0.15	1.41
Cash flow from operating activities	M€	38.5	30.5	8.0	131.7	106.6	25.1

Key figures, IFRS		31 Dec 2016	31 Dec 2015	Change 12/16 vs 12/15	30 Sep 2016	Change 12/16 vs 9/16
Order book	M€	1,265.2	1,180.3	84.9	1,406.6	-141.4
Operating capital	M€	388.2	474.8	-86.6	394.6	-6.4
Balance sheet total	M€	968.0	1,035.5	-67.5	1,156.7	-188.7
Interest-bearing net debt	M€	81.1	126.8	-45.7	82.0	-0.9
Equity ratio 1)	%	39.5	40.6		34.3	
Gearing 2)	%	24.3	33.6		23.7	
Return on capital employed, rolling 12 months	%	11.3	5.3		8.3	

1) Equity ratio, if hybrid bonds were treated as debt: 12/2016: 35.4% and 12/2015: 28.6%.
2) Gearing, if hybrid bonds were treated as debt: 12/2016: 38.8% and 12/2015: 89.6%.

President and CEO Casimir Lindholm:

"Our 2016 operating profit improved year-on-year," says Casimir Lindholm, President and CEO. "In Paving, our performance improved. In Building construction, Finland, housing sales were strong especially during the second half of the year. In Infra projects, operating profit was weakened by lower volumes as well as declining margins in individual projects in Sweden and Finland. In Russian operations, operating profit decreased due to lower volumes in building construction. During 2016, we have shifted our focus in Russia from residential development to negotiated contracting in building construction."

"A major part of the result improvement comes from the reimbursements and lowered provisions related to the Helsinki Court of Appeal's decisions regarding the asphalt cartel given in October 2016, totalling EUR 27 million. After the decisions we settled the case with 17 municipalities, and in January 2017 also with the State of Finland. The case may still continue in the Supreme Court with those 19 municipalities with whom we have not settled."

"Our financial position has developed favourably throughout the year. Year-on-year, our operating capital has decreased from EUR 475 million to EUR 388 million and our interest-bearing net debt has declined from EUR 127 million to EUR 81 million. In addition, we reduced the nominal amount of outstanding hybrid bonds by EUR 78 million."

"Our order book improved year-on-year. However, we have not succeeded in growing the Infra project's order book as planned. During 2016, the segment renewed its operating model and strengthened its local organisation especially in Sweden. We have also started measures to improve our paving operations in Sweden."

"We have now completed the first stage of our strategy for 2014-2019 which was the strengthening of our balance sheet. We have lightened our balance sheet, streamlined our business portfolio and decreased our debts significantly. We will continue to manage the balance sheet and cash flow, and our aim is to increase our plot investments in growth centres in building construction in Finland. Going forward, we will focus on improving our operational efficiency and competiveness in all operations in order to build a solid foundation for profitable growth."

Market outlook

In Finland, the total volume of construction is expected to grow slightly in 2017. Residential construction is estimated to decline from 2016 but remain at a good level. Demand for apartments will still be focused on small units in urban growth centres. Investor sale is likely to decline but consumer sales are expected to continue to pick up. Non-residential construction is estimated to remain stable, due to individual major projects and public sector works. Renovation is expected to grow moderately due to increasing urbanisation and public sector works.

Infrastructure construction is expected to grow approximately 1.5% in 2017. The Government's decisions regarding transport projects in the General Government Fiscal Plan improve the outlook for both paving and infra projects. The state's planned investments in basic road maintenance are expected to keep demand stable for paving in 2017. Demand for infra projects is maintained by complex projects in urban growth centres and industrial investments but the competition is intense.

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 2017. 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. In addition, especially Norway is investing in the development and renewal of energy production. In paving, public sector investments in roads are expected to increase demand in both countries.

In Denmark, demand for paving is expected to decline as public investments in road infrastructure are decreasing.

In Russia, economic growth is estimated to remain at a low level. The fluctuations in the price of oil are reflected in the currency exchange rate. In negotiated contracting in building construction, price competition is high but the reliability of the builder has become a competitive advantage. Construction and repair projects on major roads are expected to maintain demand for paving.

In the Baltic countries, the volume of infrastructure construction is expected to start growing moderately.

Briefing

A Finnish-language briefing for analysts and the media will be held at 12:00 noon (EET) on Thursday 9 February 2017 at Lemminkäinen's head office. The street address is Salmisaarenaukio 2, Helsinki, Finland. Lemminkäinen's President and CEO Casimir Lindholm will present the Financial statements bulletin. The presentation material can be found in Finnish and English at the company's website, www.lemminkainen.com/investors.

Financial reporting in 2017

In 2017, financial reports are published as follows:

9 February 2017	Financial statements bulletin 2016
Week 9	Annual report 2016
27 April 2017	Interim report 1 Jan – 31 March 2017
27 July 2017	Half year financial report 1 Jan – 30 June 2017
26 October 2017	Interim report 1 Jan – 30 Sep 2017

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Strategy

Strategy review

During the strategy period 2016–2019, Lemminkäinen 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 is moving from balance sheet strengthening to improving operational efficiency and profitable growth.

In 2016, Lemminkäinen continued to strengthen its balance sheet and improve its capital efficiency by focusing investments, by boosting housing sales in Finland and by releasing capital. In addition, the company re-organised its business and support functions organisations, to better support operational efficiency improvement.

In 2017, Lemminkäinen will focus on improving its operational efficiency in all operations as well as supporting the Infra projects business segment's profitable growth especially in Sweden and Norway.

Financial target	Target	Actual 2016	Actual 2015	Actual 2014
Return on capital employed	Above 15% in 2019	11.3 1)	5.3	4.5
EBIT margin	Above 4% at the end of 2019	4.0 2)	2.0	1.8
Equity ratio	Above 35% during 2016-2019	39.5 3)	40.6	37.1
Dividend policy	At least 40% of the profit for the financial year	40.3 4)	38.5	0.0

1) Return on capital employed 2016 without reimbursements (EUR 19.4 million) and lowered provisions (EUR 8.0 million) related to the asphalt cartel as well as write-downs related to non-core businesses worth EUR 4.9 million would be 7.7%.
2) Operating margin 2016 without reimbursements (EUR 19.4 million) and lowered provisions (EUR 8.0 million) related to the asphalt cartel as well as write-downs related to non-core businesses worth EUR 4.9 million would be 2.7%.
3) Equity ratio, if hybrid bonds were treated as debt: 12/2016: 35.4%
4) Board of Directors' proposal for the AGM.

Group performance

Net sales

Net sales by segment		10-12/2016	10-12/2015	Change	1-12/2016	1-12/2015	Change
Paving	M€	179.3	180.8	-1.5	757.6	796.2	-38.6
Infra projects	M€	88.7	99.2	-10.5	317.1	341.4	-24.3
Building construction, Finland	M€	196.0	176.1	19.9	581.2	537.8	43.4
Russian operations	M€	15.2	70.0	-54.8	54.5	136.7	-82.2
Other operations and Group eliminations	M€	-1.9	2.4	-4.3	-27.7	66.8	-94.5
Group, total	M€	477.3	528.5	-51.2	1,682.7	1,879.0	-196.3

October-December 2016 (10-12/2015)

The Group's net sales totalled EUR 477.3 million (528.5). Split by region was 69% (61) from Finland, 21% (20) from Scandinavia, 3% (13) from Russia and 7% (6) from other countries. Changes in currency exchange rates had a positive impact of EUR 1.8 million compared to the year-earlier period.

In Paving, net sales were on par with the comparison period. In Infra projects, net sales decreased due to lower volumes in civil engineering in Finland. In Building construction, Finland, net sales grew in the Helsinki metropolitan area due to a higher year-on-year number of completed residential development units. In Russian operations, net sales declined due to lower volumes in building construction. The segment's comparison period included the completion of the Tapiola 2 residential development project.

January-December 2016 (1-12/2015)

The Group's net sales totalled EUR 1,682.7 million (1,879.0). Split by region was 67% (60) from Finland, 23% (27) from Scandinavia, 3% (7) from Russia and 7% (6) from other countries. Changes in currency exchange rates had a negative impact of EUR 13.3 million compared to the year-earlier period.

In Paving, net sales for 2015 include the divested road maintenance business in Norway. In Infra projects, net sales decreased due to lower volumes in earthworks and civil engineering in Finland. In Building construction, Finland, net sales improved mostly due to higher volumes in non-residential contracting. In Russian operations, lower volumes in building construction declined net sales. During 2016, Lemminkäinen has shifted its focus in Russia from residential development to negotiated contracting in building construction. The 2015 net sales for other operations include the building construction business in Sweden, which the company divested in September 2015.

Operating profit

Operating profit by segment		10-12/2016	10-12/2015	Change	1-12/2016	1-12/2015	Change
Paving	M€	0.6	-2.8	3.4	25.8	19.8	6.0
Infra projects	M€	4.3	3.1	1.2	7.6	8.9	-1.3
Building construction, Finland	M€	10.7	11.4	-0.7	17.2	12.9	4.3
Russian operations	M€	-4.4	10.9	-15.3	-3.8	2.9	-6.7
Business segments, total	M€	11.1	22.6	-11.5	46.7	44.5	2.2
Other operations	M€	23.9	-3.7	27.6	20.9	-7.2	28.1
Group, total	M€	35.0	18.9	16.1	67.6	37.3	30.3

Operating margin by segment		10-12/2016	10-12/2015	1-12/2016	1-12/2015
Paving	%	0.3	-1.6	3.4	2.5
Infra projects	%	4.9	3.1	2.4	2.6
Building construction, Finland	%	5.4	6.5	3.0	2.4
Russian operations	%	-29.2	15.6	-7.0	2.1
Group, total	%	7.3	3.6	4.0	2.0

October-December 2016 (10-12/2015)

The Group's operating profit was EUR 35.0 million (18.9). The operating margin was 7.3% (3.6). Changes in currency exchange rates had a positive impact of EUR 0.7 million compared to the year-earlier period. The operating profit includes EUR 19.4 million of reimbursements and EUR 8.3 million of lowered provisions related to the Helsinki Court of Appeal's decisions regarding the asphalt cartel as well as write-downs related to non-core businesses worth EUR 4.9 million. Without these items the operating profit would have been EUR 12.5 million and operating margin 2.6%.

Operating profit improved in Paving and Infra projects. In Paving, measures taken in Norway to improve the paving operations are proceeding as planned. In Infra projects, performance was supported by profit improvements in major projects in Finland. In Building construction, Finland, operating profit declined outside the capital region due to a lower number of completed residential development units. In Russian operations, lower volumes in building construction decreased operating profit as Q4/2015 included the completion of the Tapiola 2 residential development project. In addition, the segment's result for Q4/2016 also includes a write-down related to Lemminkäinen's only plot in Russia.

The figures for other operations include the reimbursements and lowered provisions related to the asphalt cartel mentioned above.

January-December 2016 (1-12/2015)

The Group's operating profit was EUR 67.6 million (37.3). The operating margin was 4.0% (2.0). Changes in currency exchange rates had a positive impact of EUR 0.3 million compared to the year-earlier period. The operating profit includes EUR 19.4 million of reimbursements and EUR 8.0 million of lowered provisions related to the Helsinki Court of Appeal's decisions regarding the asphalt cartel as well as write-downs related to non-core businesses worth EUR 4.9 million. Without these items the operating profit would have been EUR 45.1 million and operating margin 2.7%.

Operating profit improved in Paving and Building construction, Finland. In Paving, year-on-year performance improved in Norway and in the mineral aggregates business. In Building construction, Finland, operating profit improved mostly due to higher volumes in non-residential contracting and margin improvements especially in residential development projects outside the capital region. In Infra projects, performance was weakened by lower volumes and declined margins in individual projects in Sweden as well as in individual earthwork projects in Finland. In Russian operations, operating profit decreased due to lower volumes in building construction. In addition, the segment's operating profit includes for 2016 the write-down mentioned above.

The figures for other operations include the reimbursements and the lowered provisions related to the asphalt cartel mentioned above.

Order book

Order book and order inflow

		Order book at the end of period			Order inflow during the period					
		31 Dec 2016	31 Dec 2015	Change	10-12/ 2016	10-12/ 2015	Change	1-12/ 2016	1-12/ 2015 [1)]	Change
Paving	M€	248.4	180.3	68.1	62.8	65.5	-2.7	555.2	500.3	54.9
Infra projects	M€	216.9	232.5	-15.6	43.2	16.7	26.5	229.1	231.8	-2.7
Building construction, Finland	M€	698.2	760.6	-62.4	94.2	210.7	-116.5	422.1	569.2	-147.1
Russian operations	M€	101.7	7.0	94.7	12.3	3.1	9.2	140.9	22.8	118.1
Other operations	M€								93.3	-93.3
Group, total	M€	1,265.2	1,180.3	84.9	212.5	296.0	-83.5	1,347.2	1,417.4	-70.2
of which unsold	M€	105.7	156.1	-50.4						

1) The figures include the road maintenance business in Norway and building construction in Sweden, which the company divested in Q3/2015

At the end of the year, the Group's order book stood at EUR 1,265.2 million (1,180.3). The October-December order inflow amounted to EUR 212.5 million (296.0) and January-December order inflow was EUR 1,347.2 million (1,417.4). The order inflow for other operations in 2015 includes the order inflow, EUR 93.3 million, for the building construction business in Sweden, which the company divested in September 2015.

Lemminkäinen

In Paving, order book grew year-on-year. In Infra projects, new orders include the construction of city infrastructure for a new residential area in Stockholm, Sweden, as well as the construction of an underground parking facility in Seinäjoki, Finland. In Building construction, Finland, order inflow includes ten new residential development projects. Russian operations' order inflow includes the construction of a business premises building in St. Petersburg.

Balance sheet, financing and cash flow

Balance sheet and financing		31 Dec 2016	31 Dec 2015	Change 12/16 vs 12/15	30 Sep 2016	Change 12/16 vs 9/16
Key figures, balance sheet						
Equity ratio [1)]	%	39.5	40.6		34.3	
Gearing [2)]	%	24.3	33.6		23.7	
Return on capital employed, rolling 12 months	%	11.3	5.3		8.3	
Capital employed	M€	546.2	632.3	-86.1	620.2	-74.0
Operating capital	M€	388.2	474.8	-86.6	394.6	-6.4
Net working capital	M€	187.8	258.7	-70.9	188.8	-1.0
Financial position and liquidity						
Interest-bearing debt	M€	212.5	254.7	-42.2	273.7	-61.2
of which long-term liabilities	M€	119.6	123.1	-3.5	118.2	1.4
of which short-term liabilities	M€	92.9	131.6	-38.7	155.6	-62.7
Liquid funds	M€	131.4	127.9	3.5	191.8	-60.4
Interest-bearing net debt	M€	81.1	126.8	-45.7	82.0	-0.9
Available committed credit limits	M€	185.0	185.0	0	185.0	0
Available overdraft limits	M€	12.4	12.3	0.1	12.5	-0.1

1) Equity ratio, if hybrid bonds were treated as debt: 12/2016: 35.4% and 12/2015: 28.6%.
2) Gearing, if hybrid bonds were treated as debt: 12/2016: 38.8% and 12/2015: 89.6%.

On 31 December 2016, the balance sheet total was EUR 968.0 million (1,035.5), of which shareholders' equity accounted for EUR 333.7 million (377.6). Shareholders' equity includes EUR 34.8 million (111.6) hybrid bond. During Q4, the company executed a partial repurchase of its hybrid bond and repurchased notes to a nominal amount of EUR 34.8 million out of the outstanding EUR 70 million. The hybrid bond was issued in 2014, and the company is entitled to redeem the remaining EUR 35.2 million share of it earliest in March 2018. During Q1, the Group redeemed fully the outstanding share, nominal value EUR 42.9 million, of the hybrid bond issued in 2012. Both transactions affected the company's equity ratio and gearing.

The Group's operating capital on 31 December 2016 amounted to EUR 388.2 million (474.8). The decrease is mainly due to decline in net working capital. At the end of the year, net working capital stood at EUR 187.8 million (258.7). Net working capital has been mostly reduced by housing sales in Finland and Russia.

Interest-bearing debt at the end of the year amounted to EUR 212.5 million (254.7) and interest-bearing net debt totalled EUR 81.1 million (126.8). Long-term interest-bearing debt accounted for 56.3% (48.3) of the loan portfolio at the end of the period. Liquid funds totalled EUR 131.4 million (127.9). Of the company's interest-bearing debt, EUR 99.7 million (99.7) comprises bonds, EUR 80.7 million (104.1) borrowings of housing and commercial property companies included in inventory, EUR 31.0 million (34.8) finance lease liabilities and EUR 1.1 million (3.0) other financial liabilities. No commercial papers were outstanding at the end of 2016 (13.1). In addition, the company had available committed revolving credit facilities worth EUR 185.0 million (185.0) and overdraft limits worth EUR 12.4 million (12.3) at the end of the period. Of the loan portfolio, 66% (55) was at a fixed interest rate. In December 2016, after evaluating its capital structure, Lemminkäinen cancelled the EUR 75 million part of the revolving credit facility which was no longer needed.

Net finance costs amounted to EUR 4.8 million (5.1) in October–December and EUR 18.4 million (20.6) in January–December. The finance costs have been reduced due to lower currency hedging costs. 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 equity.

Cash flow from operating activities amounted to EUR 38.5 million (30.5) in October–December and EUR 131.7 million (106.6) in January–December. Cash flow from operations was supported mainly by housing sales in Building construction, Finland.

The company has successfully strengthened its financial position. The company will continue to manage the balance sheet and cash flow, and its aim is to increase plot investments in growth centres in building construction in Finland. In addition, the company started ten new residential development projects during Q4/2016.

Business segments

The reporting structure change in 2017

As of 1 January 2017 the Paving segment's operations in the Baltic countries were transferred to the Infra projects segment.

As of the beginning of 2017, the Paving segment includes paving and mineral aggregates businesses in Finland, Sweden, Norway and Denmark. The Infra projects segment consists of rock engineering and civil engineering in Finland, Sweden and Norway as well as infrastructure construction in the Baltic countries. The reportable business segments remain unchanged: Paving; Infra projects; Building construction, Finland; and Russian operations.

The company will publish pro forma figures for 2016 according to the new reporting structure during the first quarter in 2017.

Paving

Operating environment

The state investments in paving increased demand in Finland. In Sweden the market was solid and in Norway state investments stabilised. In Denmark, price competition increased. In the Baltic countries, the market situation remained unchanged.

Key figures for Paving		10-12/2016	10-12/2015	Change	1-12/2016	1-12/2015 2)	Change
Net sales	M€	179.3	180.8	-1.5	757.6	796.2	-38.6
Operating profit	M€	0.6	-2.8	3.4	25.8	19.8	6.0
% of net sales	*%*	*0.3*	*-1.6*		*3.4*	*2.5*	
Order inflow	M€	62.8	65.5	-2.7	555.2	500.3	54.9
Order book 1)	M€	248.4	180.3	68.1	248.4	180.3	68.1
Operating capital 1)	M€	209.2	227.6	-18.4	209.2	227.6	-18.4

1) at the end of the period
2) The figures include the road maintenance business in Norway, which the company divested in Q3/2015

October-December 2016 (10-12/2015)

Net sales in October–December totalled EUR 179.3 million (180.8) of which 40% (36) from Finland, 44% (50) from Scandinavia and 16% (14) from the Baltic countries. Net sales were on par with the comparison period. The operating profit was EUR 0.6 million (-2.8). Measures taken in Norway to improve the paving operations are proceeding as planned. Operational challenges in Sweden continued.

The order inflow in October–December amounted to EUR 62.8 million (65.5). At the end of the quarter, the order book stood at EUR 248.4 million (180.3).

January-December 2016 (1-12/2015)

Net sales in January–December totalled EUR 757.6 million (796.2) of which 45% (39) from Finland, 41% (48) from Scandinavia and 14% (13) from the Baltic countries. The operating profit was EUR 25.8 million (19.8). The figures for 2015 include the divested road maintenance business in Norway. Year-on-year performance improved in Norway and in the mineral aggregates business. The company has identified challenges in operations in Sweden and started measures to improve them. At the end of the year, the operating capital stood at EUR 209.2 million (227.6).

The total quantity of sold and paved asphalt in January-December amounted to 6.9 million tonnes (6.5). The figure includes paving operations in Russia.

Infra projects

Operating environment

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

Key figures for Infra projects		10-12/2016	10-12/2015	Change	1-12/2016	1-12/2015	Change
Net sales	M€	88.7	99.2	-10.5	317.1	341.4	-24.3
Operating profit	M€	4.3	3.1	1.2	7.6	8.9	-1.3
% of net sales	*%*	*4.9*	*3.1*		*2.4*	*2.6*	
Order inflow	M€	43.2	16.7	26.5	229.1	231.8	-2.7
Order book [1)]	M€	216.9	232.5	-15.6	216.9	232.5	-15.6
Operating capital [1)]	M€	10.1	4.8	5.3	10.1	4.8	5.3

1) at the end of the period

October-December 2016 (10-12/2015)

Net sales in October–December totalled EUR 88.7 million (99.2) of which 70% (76) from Finland, 27% (16) from Scandinavia, 3% (8) from the Baltic countries and other countries. Net sales decreased year-on-year due to lower volumes in civil engineering in Finland. The operating profit was EUR 4.3 million (3.1). The operating profit improved due to profit improvements in major projects in Finland.

The order inflow in October–December amounted to EUR 43.2 million (16.7). New orders include the construction of city infrastructure for a new residential area in Stockholm, Sweden, as well as the construction of an underground parking facility in Seinäjoki, Finland. At the end of the quarter, the order book stood at EUR 216.9 million (232.5).

January-December 2016 (1-12/2015)

Net sales in January–December totalled EUR 317.1 million (341.4) of which 76% (79) from Finland, 21% (14) from Scandinavia, 3% (7) from the Baltic countries and other countries. Net sales decreased year-on-year due to lower volumes in earthworks and civil engineering in Finland. The operating profit was EUR 7.6 million (8.9). The operating profit decreased due to lower volumes and declined margins in individual projects in Sweden as well as in individual earthwork projects in Finland. At the end of the year, the operating capital stood at EUR 10.1 million (4.8).

Building construction, Finland

Operating environment

The overall market situation in building construction was stable. Residential production continued to be brisk, still focusing on small apartments in urban growth centres. Investors' activity declined, but consumer sales picked up. Individual major projects and public sector works maintained demand for non-residential construction.

Key figures for Building construction, Finland		10-12/2016	10-12/2015	Change	1-12/2016	1-12/2015	Change
Net sales	M€	196.0	176.1	19.9	581.2	537.8	43.4
Operating profit	M€	10.7	11.4	-0.7	17.2	12.9	4.3
% of net sales	*%*	*5.4*	*6.5*		*3.0*	*2.4*	
Order inflow	M€	94.2	210.7	-116.5	422.1	569.2	-147.1
Order book [1)]	M€	698.2	760.6	-62.4	698.2	760.6	-62.4
Operating capital [1)]	M€	215.8	274.8	-59.0	215.8	274.8	-59.0

1) at the end of the period

October-December 2016 (10-12/2015)

Net sales in October–December totalled EUR 196.0 million (176.1). The operating profit was EUR 10.7 million (11.4). Net sales and operating profit grew year-on-year in the Helsinki metropolitan area due to a higher number of completed residential development units. Net sales and operating profit declined outside the capital region due to a lower number of completed residential development units. Seven residential development projects were completed during Q4, totalling 300 units (355).

Order inflow in October–December was EUR 94.2 million (210.7) including start-ups of ten new residential development projects. At the end of the quarter, the order book stood at EUR 698.2 million (760.6).

January-December 2016 (1-12/2015)

Net sales in January–December totalled EUR 581.2 million (537.8). Net sales improved both in the Helsinki metropolitan area and outside the capital region. The operating profit was EUR 17.2 million (12.9). Net sales and operating profit improved mostly due to higher volumes in non-residential contracting. In addition, margin improvements especially in residential development projects outside the capital region increased operating profit. Sales of residential development units were solid, 1,002 units in 2016 (817). The operating profit for 2015 included losses from e.g. non-strategic plot sales and provisions related to warranty repairs, totalling EUR 5 million.

At the end of the year, the number of unsold completed units was 185 (283). Housing sales, sale of non-core assets and improved capital efficiency have reduced the operating capital which stood at EUR 215.8 million (274.8) at the end of the quarter. Going forward, the company's aim is to increase plot investments in growth centres.

In 2017, the number of completed residential development units will be higher than in 2016. The majority of these units will be completed during the second half of the year.

Lemminkäinen's residential production (development projects and negotiated contracting)		10-12/2016	10-12/2015	Change	1-12/2016	1-12/2015	Change
Started	units	401	634	-233	1,106	1,253	-147
of which development projects	units	401	321	80	871	693	178
Completed	units	577	493	84	1,042	1,236	-194
of which development projects	units	300	355	-55	664	859	-195
Sold	units	379	570	-191	1,234	1,377	-143
of which development projects	units	379	257	122	1,002	817	185
Sales to investors	*%*	*12*	*65*		*31*	*51*	
Under construction [1)]	units	1,482	1,388	94	1,482	1,388	94
of which unsold [1)]	units	433	464	-31	433	464	-31
Unsold completed [1)]	units	185	283	-98	185	283	-98
Land bank, balance sheet value [1)]	M€	94.0	105.3	-11.3	94.0	105.3	-11.3
Started, competitive contracting	units	0	139	-139	312	542	-230

1) at the end of the period

Russian operations

Operating environment

In Russia, economic growth is at a low level. In negotiated contracting in building construction, reliability of the contractor has become a competitive advantage. Construction and repair projects on major roads maintained demand for paving.

Key figures for Russian operations		10-12/2016	10-12/2015	Change	1-12/2016	1-12/2015	Change
Net sales	M€	15.2	70.0	-54.8	54.5	136.7	-82.2
Operating profit	M€	-4.4	10.9	-15.3	-3.8	2.9	-6.7
% of net sales	*%*	*-29.2*	*15.6*		*-7.0*	*2.1*	
Order inflow	M€	12.3	3.1	9.2	140.9	22.8	118.1
Order book [1)]	M€	101.7	7.0	94.7	101.7	7.0	94.7
Operating capital [1)]	M€	23.7	35.0	-11.3	23.7	35.0	-11.3

1) at the end of the period

October-December 2016 (10-12/2015)

Net sales in October–December totalled EUR 15.2 million (70.0). The operating profit was EUR -4.4 million (10.9). Changes in currency exchange rates had a positive impact of EUR 0.8 million on net sales and a positive impact of EUR 0.5 million on the operating profit.

Net sales and operating profit decreased year-on-year due to lower volumes in building construction. The comparison period included the completion of the Tapiola 2 residential development project. In addition, the segment's result also includes a write-down related to Lemminkäinen's only plot in Russia. The number of development units sold during the fourth quarter was 1 (50).

Order inflow in October–December was EUR 12.3 million (3.1) including the construction of a business premises building in St. Petersburg. At the end of the quarter, the order book stood at EUR 101.7 million (7.0).

January-December 2016 (1-12/2015)

Net sales in January–December totalled EUR 54.5 million (136.7). The operating profit was EUR -3.8 million (2.9). Changes in currency exchange rates had a negative impact of EUR 4.9 million on net sales and a positive impact of EUR 0.3 million on the operating profit.

Net sales and operating profit decreased year-on-year due to lower volumes in building construction. According to Lemminkäinen's strategy, the company has not started any new residential development projects in Russia, but focuses on negotiated contracting in building construction. In addition, the operating profit for 2016 includes the write-down mentioned above. In paving operations, net sales and operating profit improved year-on-year. The operating profit for 2015 included a write-down worth EUR 12.9 million related to the company's decision to withdraw from the planned Ilmatar project.

At the end of the year, the number of unsold completed units was 2 (51). Operating capital stood at EUR 23.7 million (35.0).

Lemminkäinen's residential development production		10-12/2016	10-12/2015	Change	1-12/2016	1-12/2015	Change
Started	units	0	0	0	0	0	0
Completed	units	0	418	-418	0	418	-418
Sold	units	1	50	-49	49	384	-335
Under construction [1)]	units	0	0	0	0	0	0
of which unsold [1)]	units	0	0	0	0	0	0
Unsold completed [1)]	units	2	51	-49	2	51	-49

1) at the end of the period

Investments

Gross investments in 2016 amounted to EUR 20.8 million (10.3), representing 1.2% (0.6) of the company's net sales. Investments were mainly replacement investments in Paving and Infra projects.

Personnel

At the end of the year, Lemminkäinen employed 4,244 people (4,059), an increase of 185 people year-on-year. More than half of the personnel is employed in Finland. Of the business segments the number of personnel increased the most in Building Construction, Finland due to growth in business volumes. In Infra projects, the organisation has been strengthened to support the segment's growth ambitions. Decrease of the number of personnel between 30 September 2016 and year end 2016 is due to seasonality of the paving business. Of the personnel at the end of the year, 1,947 (1,845) were white-collar workers and 2,297 (2,214) were blue-collar workers.

Personnel by business segment		31 Dec 2016	31 Dec 2015	Change 12/16 vs 12/15	30 Sep 2016	Change 12/16 vs 9/16
Paving	persons	1,996	2,010	-14	3,053	-1,057
Infra projects	persons	628	577	51	640	-12
Building construction, Finland	persons	1,048	947	101	1,034	14
Russian operations	persons	425	405	20	453	-28
Parent company and others	persons	147	120	27	148	-1
Group, total	persons	4,244	4,059	185	5,328	-1,084

Personnel by country		31 Dec 2016	31 Dec 2015	Change 12/16 vs 12/15	30 Sep 2016	Change 12/16 vs 9/16
Finland	persons	2,349	2,204	145	2,996	-647
Sweden, Norway, Denmark	persons	829	804	25	1,077	-248
Baltic countries	persons	632	625	7	793	-161
Russia	persons	425	405	20	453	-28
Other countries	persons	9	21	-12	9	0
Group, total	persons	4,244	4,059	185	5,328	-1,084

Changes in the Executive Team

Two new members were appointed to Lemminkäinen's Group Executive Team as of 1 November 2016. Sari Inkilä was appointed Executive Vice President, Strategy, Development and ICT; and Jan Gustafsson was appointed Executive Vice President, HR. Executive Vice President, HR and member of the Executive Team Tania Jarrett left the company and her position on 1 November 2016.

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. The company monitors the accident frequency rate monthly and makes actions plans accordingly. In 2016, Lemminkäinen's site accident frequency rate for own personnel was 8.6 (7.2) accidents resulting in an absence of more than one day / million working hours. The company also monitors subcontractors' accident frequency rates.

The biggest part of Lemminkäinen's environmental impact comes from the production processes of paving and mineral aggregates. Lemminkäinen minimises the environmental impact of its operations for example by developing production technology and process efficiency, for instance in machine usage. The company also aims to increase the use of reclaimed asphalt in its asphalt production up to 25%. In 2016, 15% of used raw materials in asphalt production were reclaimed asphalt. The re-use of bitumen and mineral aggregates from old asphalt reduces CO_2 emissions.

In 2016, Lemminkäinen renewed the corporate responsibility organisation in order to improve co-operation and sharing of best practices between countries. The company also continued to develop its energy consumption monitoring. In addition, in Finland, Lemminkäinen signed the voluntary Energy Efficiency Agreement for Industries according to which the company is committed to reduce its energy consumption by 7.5% by 2025.

More detailed information on Lemminkäinen's corporate responsibility measures are presented in the company's corporate responsibility review and on its website.

Research and development

Lemminkäinen's business segments are responsible for their own research and development activities. Research and development activities in 2016 focused on the improvement of production technology and energy efficiency as well as operational efficiency. In addition, the company carried out activities to support the use of digitalisation in its operations. Lemminkäinen has a paving industry laboratory in all of its operating countries focusing on paving research and development. The Central Laboratory is located in Finland. In 2016, the Group's research and development expenditure accounted for approximately 0.2 (0.2) per cent of net sales.

Shares and shareholders

The company has one share class. Each share carries one vote at a general meeting of shareholders and entitles 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 year, Lemminkäinen owned 16,687 of its own shares, which accounted for 0.07% of all shares.

Trading with shares

On 31 December 2016, the market capitalisation of Lemminkäinen's shares stood at EUR 473.3 million (320.0). The price of Lemminkäinen Corporation's share on the Nasdaq Helsinki Ltd was on 1 January 2016 EUR 13.79 (9.52) and on 31 December 2016 EUR 20.40 (13.79). In addition to the Nasdaq Helsinki Ltd, Lemminkäinen's share is also traded on alternative markets. The total trading volume during January–December 2016 was 2,770,162 shares (2,759,068), of which alternative markets accounted for 4% (5). (Source: Fidessa Fragmentation Index, http://fragmentation.fidessa.com).

Shareholders

On 31 December 2016, the company had 4,191 shareholders (4,391). Nominee-registered and non-Finnish shareholders held 13.6% (12.5) of all Lemminkäinen Corporation shares and voting rights. Information on company ownership and division by segment and scale, major shareholders, and management ownership 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

Lemminkäinen did not receive flagging notifications during 2016.

Resolutions of the AGM and administration

On 22 March 2016, Lemminkäinen Corporation's Annual General Meeting adopted the company's annual accounts and consolidated financial statements for 2015 and granted the members of the Board of Directors and the President and CEO discharge from liability.

Payment of dividend

The General Meeting resolved, in accordance with the Board of Directors' proposal, to pay a dividend of EUR 0.12 per share, i.e. EUR 2.8 million in total. The dividend was paid on 4 April 2016.

Authorisation to repurchase the company's own shares

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, which corresponds to 10 per cent of all the current shares of the company, in one or several instalments, using the unrestricted shareholders' equity of the company, subject to the provisions of the Finnish Companies Act on the maximum amount of own shares in the possession of the company or its subsidiaries.

The Board of Directors may resolve to repurchase shares also in another proportion than in proportion to the holdings of shareholders. The shares shall be purchased in public trading at the prevailing market price. The purchases shall be carried out on Nasdaq Helsinki Ltd. in accordance with its rules and regulations.

The authorisation also includes the right of the Board of Directors to resolve on all other terms and conditions of the repurchase of the shares. The authorisation remains effective for a period of 18 months from the resolution of the General Meeting. The previous authorisation granted to the Board of Directors regarding repurchase of own shares expired simultaneously.

Authorisation of the Board of Directors to resolve on a share issue and an issue of special rights

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 maximum number corresponds to 20 per cent of all the current shares of the company. The Board of Directors may resolve to issue either new shares or own shares possibly held by the company.

The authorisation entitles the Board of Directors to resolve on all terms and conditions of the share issue and the issue of special rights entitling to shares, including the right to derogate from the pre-emptive right of the shareholders. The authorisation may be used for the financing or execution of any acquisitions or other business arrangements, to strengthen the balance sheet and financial position of the company or for other purposes as determined by the Board of Directors. The authorisation is in force for a period of 18 months from the resolution of the General Meeting. The previous authorisation, granted to the Board of Directors regarding a share issue and an issue of special rights expired simultaneously.

Board membership and election of the auditor

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 re-elected as members of the Board. Authorised Public Accountants PricewaterhouseCoopers Oy was re-elected to serve as the company's auditor.

Constitutive meeting of the Board of Directors

Lemminkäinen Corporation's Board of Directors held its organising meeting on 22 March 2016. 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

On 20 October 2016, the Court of Appeal of Helsinki gave its decisions in the legal proceedings concerning the damages related to the asphalt cartel. Regarding the 37 claims against Lemminkäinen, Lemminkäinen and other asphalt industry companies are entitled to receive reimbursements in total approximately EUR 20 million (consisting of capital amount of approximately EUR 14 million less as well as interest and legal expenses of approximately EUR 6 million less than according to the decisions of the District Court).

Of these reimbursements, Lemminkäinen is entitled to receive refunds (based on Lemminkäinen's own share and those shares of other defendants that Lemminkäinen has paid) in total approximately EUR 19 million consisting of capital as well as interest and legal expenses. Lemminkäinen recorded the reimbursement as income in its fourth-quarter result. On 31 December 2016, Lemminkäinen had EUR 8.5 million worth of receivables from the claimants. Of these receivables EUR 5.0 million were paid by claimants in January 2017.

Lemminkäinen has as such deemed the claims for damages unfounded. Lemminkäinen has requested leave to appeal from the Supreme Court concerning Helsinki Court of Appeal's decisions regarding those municipalities' claims, where the claimants' claims were partly accepted and where Lemminkäinen did not reach a settlement with the claimants after the Helsinki Court of Appeal's decisions. Lemminkäinen has settled with 17 municipalities. The parties agreed not to request leave to appeal from the Supreme Court concerning the Helsinki Court of Appeal's decisions.

On 13 January 2017, Lemminkäinen and the State of Finland settled the dispute concerning damages related to the asphalt cartel and both parties will withdraw their requests for leave to appeal and appeals from the Supreme Court. Therefore the decision made by the Helsinki Court of Appeal on 20 October 2016 will be final between the parties.

Concerning Lemminkäinen, there are still 13 pending requests for leave to appeal submitted by Lemminkäinen as well as 19 requests for leave to appeal submitted by municipalities in the Supreme Court concerning the Helsinki Court of Appeal's decisions on 20 October 2016 regarding damages related to the asphalt cartel.

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 5.1 million based on the Court of Appeal of Helsinki's decisions.

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 interim report on 27 October 2016. 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 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 continued at the Court of Appeal in November 2016, but decisions have not been given.

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; it ensures that the most significant strategic, operative, financial and accident risks are identified, analysed, assessed and managed proactively. Risk management aims to ensure the achievement of the Group's strategic and operational targets with the best possible results, including the continuity of the operations under changing conditions.

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 and functions develop their operating models to increase agility, cost efficiency and operational consistency.

The success of the company's development and business projects is greatly affected by the availability and commitment of competent personnel. In addition, Lemminkäinen's performance improvement requires active upkeep of management systems and change management expertise. The company manages these risks by careful planning, supporting supervisory work and providing training as well as by investing in the competence development of current employees and in increasing their work motivation.

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 risks. In order to maintain a moderate risk level, the company will not start new development projects in building construction in Russia for the time being.

Legislative and political changes can affect market development and, consequently, the profitability of the company's business operations. Lemminkäinen continuously monitors and analyses its operating environment, invests in the maintenance and implementation of the company's Code of Conduct and Corporate Governance and provides guidelines and training to its employees.

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 actively manages and monitors 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 has 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 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, supplier management, 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 single purchased 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.

Changes in the public demand affect the competitive situation and may cause fluctuations in the income. Changes in 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 impairment risk of tangible and intangible assets and to financial risks, mainly funding, liquidity, foreign exchange rate, interest rate and credit risks. 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 2016, approximately 25 per cent of the company's net sales were generated in currencies other than the euro, the major currencies being the Norwegian, Swedish and Danish kronas as well as the Russian rouble. Lemminkäinen does not hedge translation risk. The translation difference of the company's shareholders' equity is mainly related to the Russian business operations.

Accidents and damage involving IT systems, personnel security and information security may also pose accident risks for the company. Lemminkäinen manages these by making plans for exceptional circumstances. The implementation of new IT systems also involves risks which the company manages through careful planning and training.

More information about the legal proceedings and related claims can be found in this report under Legal proceedings. A more detailed description of the financial risks is provided in the notes to the annual financial statements.

Market outlook

In Finland, the total volume of construction is expected to grow slightly in 2017. Residential construction is estimated to decline from 2016 but remain at a good level. Demand for apartments will still be focused on small units in urban growth centres. Investor sale is likely to decline but consumer sales are expected to continue to pick up. Non-residential construction is estimated to remain stable, due to individual major projects and public sector works. Renovation is expected to grow moderately due to increasing urbanisation and public sector works.

Infrastructure construction is expected to grow approximately 1.5% in 2017. The Government's decisions regarding transport projects in the General Government Fiscal Plan improve the outlook for both paving and infra projects. The state's planned investments in basic road maintenance are expected to keep demand stable for paving in 2017. Demand for infra projects is maintained by complex projects in urban growth centres and industrial investments but the competition is intense.

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 2017. 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. In addition, especially Norway is investing in the development and renewal of energy production. In paving, public sector investments in roads are expected to increase demand in both countries.

In Denmark, demand for paving is expected to decline as public investments in road infrastructure are decreasing.

In Russia, economic growth is estimated to remain at a low level. The fluctuations in the price of oil are reflected in the currency exchange rate. In negotiated contracting in building construction, price competition is high but the reliability of the builder has become a competitive advantage. Construction and repair projects on major roads are expected to maintain demand for paving.

In the Baltic countries, the volume of infrastructure construction is expected to start growing moderately.

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 165,296,474.17 consisting of EUR 90,580,653.68 in invested unrestricted equity fund, EUR 44,898,917.32 in retained earnings from previous years and EUR 29,816,903.17 in result for the financial year.

The Board of Directors proposes to the AGM that for the financial year that ended on 31 December 2016, the company will distribute a per-share dividend of EUR 0.66 to a total of EUR 15,325,134.00, after which retained earnings would stand at EUR 59,390,686.49.

Profit guidance for 2017

Lemminkäinen estimates that its net sales in 2017 will grow from 2016 (EUR 1,682.7 million). Operating profit (IFRS) in 2017 is expected to improve from EUR 45.1 million which reflects the operational performance in 2016.

Events after the review period

Damages related to asphalt cartel: Lemminkäinen settled with the State of Finland

On 13 January 2017, Lemminkäinen and the State of Finland settled the dispute concerning damages related to the asphalt cartel and both parties will withdraw their requests for leave to appeal and appeals from the Supreme Court. Therefore the decision made by the Helsinki Court of Appeal on 20 October 2016 will be final between the parties.

Through the settlement, the parties wished to end the long-lasting legal proceeding and avoid additional costs. According to the settlement agreement, the parties do not take any stand on whether there were any grounds for compensation. The capital amount of the State of Finland’s claim exceeded EUR 56 million.

Helsinki, 9 February 2017

LEMMINKÄINEN CORPORATION
Board of Directors

Tabulated sections of the financial statements bulletin

Basis of preparation

This financial statements bulletin has been prepared in accordance with the requirements of IAS 34 - Interim Financial Reporting standard. This financial statements bulletin should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRSs. The information contained in the financial statements bulletin has not been audited, except for the full-year figures.

Deferred tax assets

The company regularly assesses the recoverability of its deferred tax assets, and consistent with the prior period end has recorded the deferred tax asset from tax losses to the amount it considers, based on its profit forecasts, to be utilisable in the future. On 31 December 2016 the company had a deferred tax asset amounting to EUR 30.7 million arising primarily from tax losses in Finland and Norway. The company considers that major part of the previous years' losses was caused by identified reasons which are unlikely to recur. Major part of the tax losses in Finland arise from the damages ordered by the District Court related to the asphalt cartel in 2013 and therefore the Finnish tax losses expire mainly in 2023. Norwegian tax losses can be carried forward indefinitely.

Estimates

The preparation of these financial statements required 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. In preparing these financial statements, the significant judgements made by management in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

Accounting policies

The same IFRS recognition and measurement principles have been applied in the preparation of these financial statements as in the 2015 consolidated financial statements, except for the changes mentioned below.

Operating segments

The company changed its reporting structure on 1 January 2016. Along with the strategy review, the Paving segment's project-type business operations in Finland, such as earthworks, was transferred to the Infra projects segment.

The reportable operating segments remained unchanged: Paving; Infra projects; Building construction, Finland; and Russian operations. The comparative figures have been changed only in the Paving and Infra projects operating segments. The Group parent company, and other operations and assets unallocated to the segments are reported as part of the Group's other operations.

New standards, interpretations and annual improvements and amendments to IFRSs applied by the company in 2016

There are no IFRSs, IFRIC interpretations, annual improvements or amendments to IFRSs adopted by the company for the first time for the financial year which begun on 1 January 2016 that have had a material impact on the company's consolidated financial statements.

Standards, interpretations, annual improvements and amendments to IFRSs applied by the company after 2016

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements.

IFRS 15 Revenue from Contracts with Customers was issued in May 2014. After this, in April 2016, IASB published clarifications to the standard and added transition relief options. The EU has not yet endorsed the clarifications to the standard nor the new transition relief options. The effective date of the standard is a period beginning on or after 1 January 2018. IFRS 15 specifies how and when to recognise revenue from contracts with customers. The starting point of the standard is a contract with a customer, to which a five-step model should be applied. A key factor in revenue recognition is the passing of control. Revenue is recognised either over time or at a point in time. Upon entering into force, the new standard will replace the current IAS 18 and IAS 11 standards.

On the basis of the impact analysis carried out by the company, the current estimate is that the new standard will not have a material impact on the consolidated financial statements, other than by increasing the amount of notes. The estimate is preliminary and will be specified in more detail closer to the adoption date. Due to the nature of Lemminkäinen's business operations, the final effects depend on the contract structure on the adoption date as well as on the contractual terms and project types used at that moment.

On the basis of preliminary analyses, contract elements have been identified, the processing of which will differ from the current practice. Firstly, the number of performance obligations may increase especially in the Building construction, Finland segment where a contract may cover the construction of several separate buildings. The number of performance obligations will also increase if Lemminkäinen commits to warranty periods that are longer than what has been defined in legislation or in general terms and conditions. In this case, the exceeding portion is separated in revenue recognition, and it will be recognised when services are performed. According to Lemminkäinen's current revenue recognition policies, the exceeding warranty period is not separated in revenue recognition. Secondly, in Lemminkäinen's contracts, transaction prices are mainly variable, in which case, according to the new standard, two different methods should be applied to their assessment, depending on the nature of contract-related uncertainty. According to the current practice, Lemminkäinen takes variable elements into account once they can be determined reliably. Pursuant to the current standards, the majority of Lemminkäinen's services are subject to the percentage-of-completion method. The new standard's criterion related to revenue recognition over time is met by most of Lemminkäinen's contracts and consequently, the point of time when revenue is recognised is not expected to change significantly along with the new standard. Revenue from the residential property development projects of the Building construction, Finland segment is recognised upon handover, which will not be changed along with IFRS 15.

The company will adopt the standard as of 1 January 2018 using a retrospective method and all available transition relief options. Two transition relief options are still in the EU's endorsement process. The relief options are described in more detail below.

- The company does not need to adjust contracts that are started and completed during the financial year 2017.
- Variable consideration for contracts that will be completed by the end of the financial year 2017 does not need to be adjusted for comparison periods.
- The company does not need to present the amount of the transaction price allocated to unsatisfied performance obligations for the comparison period, that is: 31 December 2017, nor does it need to provide a more detailed description of satisfying the obligations.
- The EU's endorsement process pending: The company does not need to adjust contracts that are completed contracts at the beginning of the earliest period presented.
- The EU's endorsement process pending: The company does not need to restate contract modifications made before the beginning of the transition period; instead, the company can take into account their aggregate effect when

determining the transaction price, unsatisfied and satisfied performance obligations and the allocation of the transaction price to the performance obligations.

IFRS 9 Financial Instruments was issued in July 2014 and applies to an annual reporting period beginning on or after 1 January 2018. 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. In addition, the standard will affect the classification and measurement of financial assets and liabilities. The most significant impact of the IFRS 9 standard on Lemminkäinen's financial statements comes from the fact that expected credit losses on financial assets will now be recorded earlier in relation to the customer's credit risk. The company's largest individual financial assets that fall within the scope of IFRS 9 are trade receivables and percentage-of-completion receivables. In connection with the initial recognition of these financial assets, expected credit losses are mainly recognised on the basis of historical information. After this, expected credit losses on trade receivables are recognised according to the model defined by the company. According to the current estimate, the company does not expect the adoption of the standard to have a material impact on the annual consolidated financial statements. Seasonality of Lemminkäinen's business operations produces changes, specific to operations, to financial assets during the financial year. Consequently, the recording of expected credit losses influences the quarterly results presented. 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. The company will adopt the standard as of 1 January 2018 using a retrospective method.

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 capitalised except for low value assets and short term leases. According to the current estimate, the adoption of the standard will increase the amount of property, plant and equipment as well as the amount of interest-bearing liabilities. The standard is not expected to have a significant effect on the company's profit for the period or the equity.
There are no other IFRSs, IFRIC interpretations, annual improvements or amendments to IFRSs that are not yet effective that would be expected to have a material impact on the company's consolidated financial statements.

Financial statements and notes

1) CONSOLIDATED INCOME STATEMENT

EUR mill.	10-12/ 2016	10-12/ 2015	1-12/ 2016	1-12/ 2015
Net sales	**477.3**	**528.5**	**1,682.7**	**1,879.0**
Other operating income	36.6	5.0	43.6	11.0
Change in inventories of finished goods and work in progress	-21.2	-78.5	-31.2	-81.1
Production for own use	0.0	0.0	0.1	0.1
Use of materials and services	321.0	312.7	1,158.9	1,299.6
Employee benefit expenses	85.4	76.5	303.1	294.9
Depreciation and amortisation	9.4	9.2	34.3	38.0
Impairment	0.2	0.4	0.2	0.4
Other operating expenses	42.7	37.9	132.6	140.2
Share of the profit of associates and joint ventures	1.0	0.6	1.5	1.4
Operating profit	**35.0**	**18.9**	**67.6**	**37.3**
Finance income	0.5	0.3	0.8	1.4
Finance costs	5.3	5.4	19.2	22.0
Profit before taxes	**30.2**	**13.7**	**49.2**	**16.7**
Income taxes	-7.3	-3.8	-11.2	-9.4

Profit for the accounting period	**22.9**	**9.9**	**38.0**	**7.2**
Profit for the accounting period attributable to				
Equity holders of the parent company	22.9	9.8	38.0	7.2
Non-controlling interests	0.0	0.2	0.0	0.0
Basic earnings per share attributable to equity holders of the parent company, euros				
From profit for the accounting period	0.83	0.33	1.27	-0.15
Diluted earnings per share attributable to equity holders of the parent company, euros				
From profit for the accounting period	0.82	0.33	1.26	-0.15

2) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	1-12/ 2016	1-12/ 2015
Profit for the accounting period	**38.0**	**7.2**
Items that will not be reclassified to profit or loss		
Pension obligations	0.4	0.3
Items that may be reclassified subsequently to profit or loss		
Translation difference	7.3	-4.2
Other comprehensive income, total	7.7	-3.9
Comprehensive income for the accounting period	**45.7**	**3.4**
Comprehensive income for the accounting period attributable to		
Equity holders of the parent company	45.7	3.4
Non-controlling interests	0.0	0.0

3) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	12/2016	12/2015
ASSETS		
Non-current assets		
Property, plant and equipment	136.6	149.1

Goodwill	53.9	53.1
Other intangible assets	10.0	14.0
Investments in associates and joint ventures	5.4	4.7
Available-for-sale financial assets	2.3	2.7
Deferred tax assets	30.7	36.9
Other non-current receivables	0.9	0.5
Total	**239.6**	**261.0**
Current assets		
Inventories	359.3	402.0
Trade and other receivables	235.7	241.9
Income tax receivables	2.0	2.7
Cash and cash equivalents	131.4	127.9
Total	**728.4**	**774.5**
Total assets	**968.0**	**1,035.5**
EQUITY AND LIABILITIES		
Share capital	34.0	34.0
Share premium account	5.7	5.7
Invested unrestricted equity fund	91.4	91.4
Hybrid bonds	34.8	111.6
Translation differences	-18.6	-25.9
Retained earnings	148.2	153.4
Profit for the period	38.0	7.2
Equity attributable to shareholders of the parent company	**333.7**	**377.6**
Non-controlling interests	0.0	0.1
Total equity	**333.7**	**377.6**
Non-current liabilities		
Interest-bearing liabilities	119.6	123.1
Deferred tax liabilities	12.3	14.7
Pension obligations		0.1
Provisions	20.4	26.6
Other liabilities	0.3	0.5
Total	**152.5**	**164.9**
Current liabilities		
Interest-bearing liabilities	92.9	131.6
Provisions	12.1	13.1

Advance payments received	122.5	105.4
Trade and other payables	253.4	242.1
Income tax liabilities	0.8	0.8
Total	**481.7**	**492.9**
Total liabilities	**634.3**	**657.8**
Total equity and liabilities	**968.0**	**1,035.5**

4) CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	1-12/ 2016	1-12/ 2015
Profit before taxes	49.2	16.7
Depreciation and impairment	34.5	38.4
Other adjustments	7.9	48.3
Cash flows before change in working capital	91.7	103.4
Change in working capital	72.8	41.5
Financial items	-29.6	-34.1
Direct taxes paid	-3.2	-4.1
Cash flow from operating activities	**131.7**	**106.6**
Cash flows provided by investing activities	13.9	39.6
Cash flows used in investing activities	-11.6	-11.9
Cash flow from investing activities	**2.3**	**27.7**
Change in non-current receivables	0.1	0.1
Drawings of loans	174.5	112.8
Repayments of borrowings	-225.0	-200.7
Repayments of hybrid bond	-77.7	-27.1
Dividends paid	-2.8	
Cash flow from financing activities	**-131.0**	**-115.0**
Change in cash and cash equivalents	**3.0**	**19.4**
Cash and cash equivalents at the beginning of period	127.9	109.1
Translation difference of cash and cash equivalents	0.4	-0.5
Cash and cash equivalents at the end of period	**131.4**	**127.9**

5) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A = Share capital
B = Share premium account
C = Invested unrestricted equity fund
D = Hybrid bonds
E = Translation differences
F = Retained earnings
G = Parent company shareholders' equity
H = Non-controlling interest
I = Total equity

EUR mill.	A	B	C	D	E	F	G	H	I
Equity 1.1.2015	**34.0**	**5.7**	**91.4**	**138.4**	**-21.7**	**164.5**	**412.4**	**0.1**	**412.5**
Profit for the accounting period						7.2	**7.2**	0.0	**7.2**
Items that will not be reclassified to profit or loss									
Pension obligations						0.3	**0.3**		**0.3**
Items that may be reclassified subsequently to profit or loss									
Translation differences					-4.2		**-4.2**		**-4.2**
Comprehensive income, total					**-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				-26.7			**-26.7**		**-26.7**
Equity 31.12.2015	**34.0**	**5.7**	**91.4**	**111.6**	**-25.9**	**160.6**	**377.6**	**0.1**	**377.6**

EUR mill.	A	B	C	D	E	F	G	H	I
Equity 1.1.2016	**34.0**	**5.7**	**91.4**	**111.6**	**-25.9**	**160.6**	**377.6**	**0.1**	**377.6**
Profit for the accounting period						38.0	**38.0**	0.0	**38.0**
Items that will not be reclassified to profit or loss									
Pension obligations						0.4	**0.4**		**0.4**
Items that may be reclassified subsequently to profit or loss									
Translation differences					7.3		**7.3**		**7.3**
Comprehensive income, total					**7.3**	**38.5**	**45.7**	**0.0**	**45.7**
Change in non-controlling interest						0.0	**0.0**	0.0	**0.0**
Hybrid bonds' interests and costs						-10.1	**-10.1**		**-10.1**
Dividend						-2.8	**-2.8**		**-2.8**

Lemminkäinen

Expired undistributed dividends						0.1	**0.1**		**0.1**
Transactions with owners, total						**-12.8**	**12.8**	**0.0**	**-12.9**
Hybrid bonds				-76.8			**-76.8**		**-76.8**
Equity 31.12.2016	**34.0**	**5.7**	**91.4**	**34.8**	**-18.6**	**186.3**	**333.7**	**0.0**	**333.7**

6) ADJUSTMENT TO PREVIOUS PERIODS

In the beginning of 2016 the company adjusted its presentation of financial items by netting the foreign exchange differences and presenting them by their net value either in finance income or finance costs. Adjusted figures give more accurate view of company's finance income and costs. Earlier the company presented foreign exchange income in finance income and foreign exchange costs in finance costs. This change has no effect on other items on income statement or balance sheet. The effect of adjustment is presented in the tables below.

EUR mill.	1-12/ 2015	Adjustment	Adjusted 1-12/ 2015	1-9/ 2015	Adjustment	Adjusted 1-9/ 2015
Finance income	33.9	-32.5	1.4	27.5	-26.4	1.1
Finance costs	54.5	-32.5	22.0	43.0	-26.4	16.6
Net finance costs	20.6		20.6	15.5		15.5

EUR mill.	1-6/ 2015	Adjustment	Adjusted 1-6/ 2015	1-3/ 2015	Adjustment	Adjusted 1-3/ 2015
Finance income	17.8	-17.5	0.3	7.6	-7.4	0.1
Finance costs	29.0	-17.5	11.5	13.3	-7.4	5.9
Net finance costs	11.2		11.2	5.8		5.8

7) 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.

8) UNUSUAL EVENTS DURING THE ACCOUNTING PERIOD

On 20 October 2016, the Court of Appeal of Helsinki gave its decisions in the legal proceedings concerning the damages related to the asphalt cartel. Regarding the 37 claims against Lemminkäinen, Lemminkäinen and other asphalt industry companies are entitled to receive reimbursements in total approximately EUR 20 million (consisting of capital amount of approximately EUR 14 million less as well as interest and legal expenses of approximately EUR 6 million less than according to the decisions of the District Court).

Of these reimbursements, Lemminkäinen is entitled to receive refunds (based on Lemminkäinen's own share and those shares of other defendants that Lemminkäinen has paid) in total EUR 19.4 million consisting of capital as well as interest and legal expenses. Lemminkäinen recorded the reimbursement as income in its fourth-quarter result. On 31 December 2016, Lemminkäinen had EUR 8.5 million worth of receivables from the claimants. Of these receivables EUR 5.0 million were paid by claimants in January 2017.

Lemminkäinen has as such deemed the claims for damages unfounded. Lemminkäinen has requested leave to appeal from the Supreme Court concerning Helsinki Court of Appeal's decisions regarding those 13 municipalities' claims, where the claimants' claims were partly accepted and where Lemminkäinen did not reach a settlement with the claimants after the Helsinki Court of Appeal's decisions. Lemminkäinen has settled with 17 municipalities. The parties agreed not to request leave to appeal from the Supreme Court concerning the Helsinki Court of Appeal's decisions.

On 13 January 2017, Lemminkäinen and the State of Finland settled the dispute concerning damages related to the asphalt cartel and both parties will withdraw their requests for leave to appeal and appeals from the Supreme Court. Therefore the decision made by the Helsinki Court of Appeal on 20 October 2016 will be final between the parties. Through the settlement, the parties wished to end the long-lasting legal proceeding and avoid additional costs. According to the settlement agreement, the parties do not take any stand on whether there were any grounds for compensation. The capital amount of the State of Finland's claim exceeded EUR 56 million. Concerning Lemminkäinen, there are still 13 pending requests for leave to appeal submitted by Lemminkäinen as well as 19 requests for leave to appeal submitted by municipalities in the Supreme Court concerning the Helsinki Court of Appeal's decision on 20 October 2016 regarding damages related to the asphalt cartel.

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. Based on the Helsinki Court of Appeal's decisions given in October 2016 Lemminkäinen lowered in fourth quarter the provision by EUR 8.3 million, from EUR 13.4 million to EUR 5.1 million. Year-on-year change of the provision was EUR 8.0 million.

9) CONSOLIDATED INCOME STATEMENT, QUARTERLY

EUR mill.	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016	10-12/ 2015
Net sales	**477.3**	**531.6**	**457.1**	**216.8**	**528.5**
Other operating income	36.6	1.7	3.9	1.4	5.0
Change in inventories of finished goods and work in progress	-21.2	0.5	-5.3	-5.2	-78.5
Production for own use	0.0	0.0	0.0	0.0	0.0
Use of materials and services	321.0	362.0	317.9	158.0	312.7
Employee benefit expenses	85.4	87.4	78.9	51.3	76.5
Depreciation and amortisation	9.4	11.5	9.2	4.2	9.2
Impairment	0.2				0.4
Other operating expenses	42.7	31.3	28.7	30.0	37.9

Share of the profit of associates and joint ventures	1.0	1.2	0.1	-0.9	0.6
Operating profit	**35.0**	**42.8**	**21.2**	**-31.4**	**18.9**
Finance income	0.5	0.1	0.2	0,0	0.3
Finance costs	5.3	5.0	4.9	3.9	5.4
Profit before taxes	**30.2**	**37.9**	**16.4**	**-35.3**	**13.7**
Income taxes	-7.3	-7.1	-4.1	7.3	-3.8
Profit for the accounting period	**22.9**	**30.7**	**12.3**	**-27.9**	**9.9**
Profit for the accounting period attributable to					
Equity holders of the parent company	22.9	30.7	12.3	-27.9	9.8
Non-controlling interests	0.0	0.0	0.0	0.0	0.2
Basic earnings per share attributable to equity holders of the parent company, euros					
From profit for the accounting period	0.83	1.27	0.48	-1.31	0.33
Diluted earnings per share attributable to equity holders of the parent company, euros					
From profit for the accounting period	0.82	1.27	0.48	-1.31	0.33

10) SEGMENT INFORMATION

	10-12/	7-9/	4-6/	1-3/	10-12/	1-12/	1-12/
EUR mill.	2016	2016	2016	2016	2015	2016	2015
Net sales, Group	**477.3**	**531.6**	**457.1**	**216.8**	**528.5**	**1,682.7**	**1,879.0**
Paving	179.3	317.1	225.4	35.8	180.8	757.6	796.2
Infra projects	88.7	77.8	89.6	61.2	99.2	317.1	341.4
Building construction, Finland	196.0	131.1	141.0	113.1	176.1	581.2	537.8
Russian operations	15.2	21.4	12.1	5.8	70.0	54.5	136.7
Other operations	8.5	6.7	8.0	7.0	6.8	30.3	106.1
Group eliminations	-10.4	-22.4	-19.0	-6.1	-4.4	-58.0	-39.2
Depreciation and impairment, Group	**9.6**	**11.5**	**9.2**	**4.2**	**9.6**	**34.5**	**38.4**
Paving	5.7	8.7	6.6	1.7	5.8	22.7	24.6
Infra projects	1.2	1.1	1.3	1.1	1.5	4.8	6.2
Building construction, Finland	0.0	0.0	0.0	0.0	0.1	0.1	0.2
Russian operations	0.3	0.3	0.3	0.1	0.3	1.0	1.5

Other operations	2.4	1.3	0.9	1.3	2.0	5.9	6.0
Operating profit, Group	**35.0**	**42.8**	**21.2**	**-31.4**	**18.9**	**67.6**	**37.3**
Paving	0.6	35.6	17.9	-28.2	-2.8	25.8	19.8
Infra projects	4.3	2.3	1.5	-0.6	3.1	7.6	8.9
Building construction, Finland	10.7	3.5	3.7	-0.8	11.4	17.2	12.9
Russian operations	-4.4	1.8	-0.6	-0.6	10.9	-3.8	2.9
Other operations	23.9	-0.5	-1.3	-1.2	-3.7	20.9	-7.2
Operating margin, Group, %	***7.3***	***8.0***	***4.6***	***-14.5***	***3.6***	***4.0***	***2.0***
Paving	*0.3*	*11.2*	*7.9*	*-78.8*	*-1.6*	*3.4*	*2.5*
Infra projects	*4.9*	*3.0*	*1.7*	*-0.9*	*3.1*	*2.4*	*2.6*
Building construction, Finland	*5.4*	*2.7*	*2.6*	*-0.7*	*6.5*	*3.0*	*2.4*
Russian operations	*-29.2*	*8.5*	*-5.3*	*-10.1*	*15.6*	*-7.0*	*2.1*

OPERATING CAPITAL					
EUR mill.	12/2016	9/2016	6/2016	3/2016	12/2015
Paving	209.2	217.1	225.5	215.9	227.6
Infra projects	10.1	4.4	9.9	4.2	4.8
Building construction, Finland	215.8	221.1	246.7	254.6	274.8
Russian operations	23.7	31.8	30.7	31.0	35.0
Other operations	15.3	1.6	6.0	9.9	8.6
Total	**474.1**	**476.0**	**518.8**	**515.5**	**550.8**
Items unallocated to segments	-85.9	-81.4	-72.4	-65.1	-76.0
Group total	**388.2**	**394.6**	**446.4**	**450.4**	**474.8**

11) FINANCIAL AND SHARE-SPECIFIC INDICATORS

	12/2016	12/2015
Return on equity, rolling 12 months, %	10.7	1.8
Return on capital employed, rolling 12 months, %	11.3	5.3
Operating profit, % of net sales	4.0	2.0
Equity ratio, %	39.5	40.6
Gearing, %	24.3	33.6
Interest-bearing net liabilities, EUR mill.	81.1	126.8
Gross investments, EUR mill.	20.8	10.3
Order book, EUR mill.	1,265.2	1,180.3
- of which orders outside Finland, EUR mill.	289.9	127.4
Personnel at the end of period	4,244	4,059

Basic earnings per share, EUR	1.27	-0.15
Diluted earnings per share, EUR	1.26	-0.15
Equity per share, EUR	14.38	16.28
Dividend per share, EUR	0.66[1)]	0.12
Dividend per earnings, %	40.3	38.5
Market capitalisation at the end of period, EUR mill.	473.3	320.0
Share price at the end of period, EUR	20.40	13.79
Share trading (Nasdaq Helsinki), 1,000 shares	2,674	2,612
Number of issued shares, total	23,219,900	23,219,900
Number of treasury shares	16,687	16,687
Weighted average number of shares outstanding	23,203,213	23,192,760
Diluted weighted average number of shares outstanding	23,305,735	23,192,760

[1)] Board of directors' proposal to the AGM

12) PROPERTY, PLANT AND EQUIPMENT

EUR mill.	12/2016	12/2015
Cost in the beginning of accounting period	408.6	437.6
Translation difference	5.6	-5.2
Increases	21.6	9.4
Disposals	-26.7	-33.4
Transfers between items	-0.1	0.2
Accumulated depreciation at the end of period	-272.4	-259.5
Carrying amount at the end of accounting period	**136.6**	**149.1**

13) FAIR VALUES OF FINANCIAL INSTRUMENTS

A = Financial assets and liabilities recognised at fair value through profit and loss
B = Loans and receivables
C = Available-for-sale financial assets
D = Financial liabilities recognised at amortised cost

EUR mill.	A	B	C	D	CARRYING AMOUNT	FAIR VALUE
31.12.2016						
Non-current financial assets						

Lemminkäinen

Available-for-sale financial assets			2.3		2.3	2.3
Other non-current receivables [1)]		0.5			0.5	0.3
Current financial assets						
Trade and other receivables		233.1			233.1	233.1
Derivative assets	0.8				0.8	0.8
Cash and cash equivalents		131.4			131.4	131.4
Financial assets total	**0.8**	**365.0**	**2.3**		**368.0**	**367.9**
Non-current financial liabilities						
Interest-bearing liabilities				119.6	119.6	126.5
Other non-current liabilities				0.3	0.3	0.3
Current financial liabilities						
Interest-bearing liabilities				92.9	92.9	92.9
Trade payables and other financial liabilities [2)]				238.2	238.2	238.2
Derivative liabilities	1.4				1.4	1.4
Financial liabilities total	**1.4**			**451.0**	**452.4**	**459.3**

EUR mill.	A	B	C	D	CARRYING AMOUNT	FAIR VALUE
31.12.2015						
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 [2)]				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**

[1)] Other non-current receivables do not include assets related to pension obligations.
[2)] Trade payables and other financial liabilities do not include statutory obligations or prepayments received, as these are not classified as financial liabilities under IFRS.

For more information on fair value measurement of financial instruments, see Lemminkäinen's Annual report 2015, Note 26 to the consolidated financial statements.

A fair value hierarchy of financial assets and liabilities recognised at fair value

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 mill.	Level 2	Level 3	Total
31.12.2016			
Available-for-sale financial assets			
Equity instruments		2.3	2.3
Derivative instruments			
Derivative assets	0.8		0.8
Derivative liabilities	1.4		1.4

EUR mill.	Level 2	Level 3	Total
31.12.2015			
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

Level 3 reconciliation statement

A = Derivative instruments recognised at fair value through profit and loss
B = Financial assets recognised at fair value through other comprehensive income

EUR mill.	A	B
Opening balance 1.1.2016	-3.7	2.7
Disposals		0.0
Transfers into Level 2	0.1	
Gains and losses recognised through profit or loss, total	3.6	-0.4
Fair values 31.12.2016	**0.0**	**2.3**

14) RELATED PARTY TRANSACTIONS

EUR mill.	12/2016	12/2015
Sales to associates and joint ventures	1.7	1.7
Sales to a key management personnel and their related parties		0.1
Total	**1.7**	**1.8**
Purchases from associates and joint ventures	3.7	5.2
Purchases from key management personnel and their related parties		0.2
Total	**3.7**	**5.3**
Trade receivables from associates and joint ventures	0.0	0.0
Loan receivables from associates and joint ventures	0.3	0.3
Trade receivables from key management personnel and their related parties		0.1
Total	**0.3**	**0.4**
Accounts payable to associates and joint ventures	**0.2**	**0.2**

Related party transactions with associates and joint ventures are mainly asphalt works and mineral aggregate deliveries. 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. Transactions were made at a market price.

15) CONTINGENT ASSETS AND LIABILITIES

EUR mill.	12/2016	12/2015
Collaterals given by companies included in inventory [1)]	144.4	173.4
Pledged assets		
On own behalf [2)]	3.6	5.1
Guarantees		
On behalf of associates and joint ventures		12.4
On behalf of consortiums and real estate companies	0.6	1.8
On behalf of others [3)]	4.6	10.2
Total	**5.2**	**24.4**
Minimum lease payments of irrevocable lease contracts		
One year or less	12.6	10.7

Over one year but no more than five years	25.4	21.1
Over five years	6.6	8.4
Total	**44.7**	**40.2**
Purchase commitments of investments	2.7	1.1
Derivative contracts		
Forward foreign exchange contracts		
Nominal value	58.5	60.2
Fair value	-0.5	1.7
Interest rate swap contracts		
Nominal value	40.0	40.0
Fair value	-0.7	-1.0
Commodity derivatives		
Nominal value	5.5	13.2
Fair value	0.5	-3.9

1) Collaterals given by companies included in inventories are for collateral security for their debts.
2) Includes a retrospective adjustment to comparison period.
3) 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.

Information regarding legal proceedings concerning the damages related to the asphalt cartel can be found in the note 8. 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.

In its construction business Lemminkäinen uses as a raw material, among other things, ready-mixed concrete. During the year 2016, especially in some infrastructure projects, suspicions have risen that the ready-mixed concrete used in Finland would not entirely fulfill the predetermined quality requirements. As discussed in public in Finland, some suspicions have risen for example during the construction of concrete deck of the T3 building of Turku University Hospital, where Lemminkäinen is the project management contractor. It is suspected that the ready-mixed concrete would not fulfill the quality requirements, which even has led to demolition of some structures. According to the best knowledge of Lemminkäinen, the responsible party for the quality of concrete is the one who delivered it, which means Lemminkäinen should get compensation from them regarding the expenses from possible quality deviations.