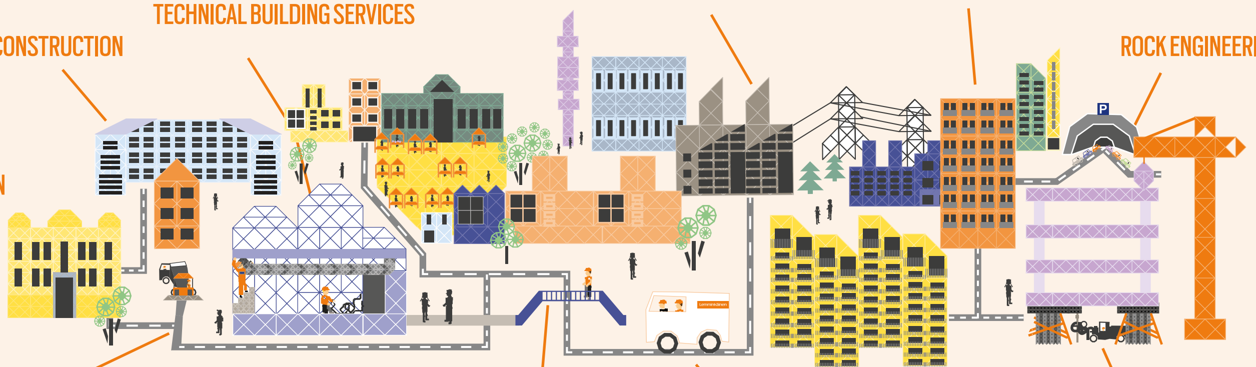
ANNUAL REPORT 2012

DEVELOPING URBAN GROWTH CENTRES

Lemminkäinen

WE BUILD ENTIRE CITIES



Together with our customers we create conditions that make living, working and travelling functional, safe and healthy. Our solutions cover building construction, infrastructure construction and technical building services. We operate in northern Europe and employ about 8,200 experts. Lemminkäinen Corporation's share is quoted on NASDAQ OMX Nordic Exchange Helsinki.

YEAR 2012 IN BRIEF

Our profitability improved on the previous year. **Our operating profit was:**

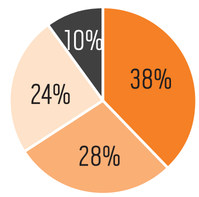
EUR **50.1** MILLION

OUR ACCIDENT FREQUENCY RATE DROPPED FROM THE PREVIOUS YEAR AND WAS 22.0.

Our equity ratio was: **exceeding our target level 35%**

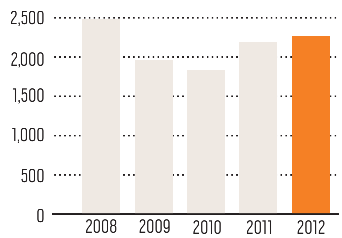
38%

As of 1 January 2012, we have organised our operations into four business segments. Share of Group net sales:



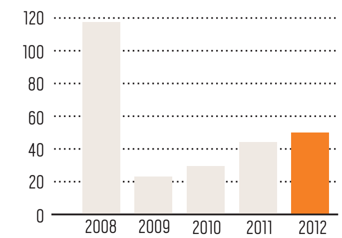
International Operations	38%
Building Construction	28%
Infrastructure Construction	24%
Technical Building Services	10%

NET SALES, EUR million



Discontinued operations have been adjusted from the income statement items for the accounting period in which they are classified as discontinued operations, as well as for the preceding accounting period.

OPERATING PROFIT, EUR million



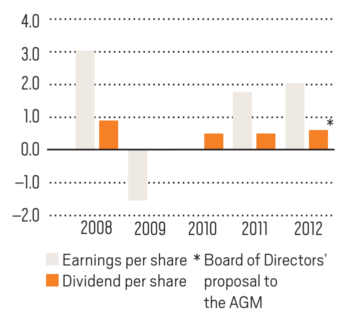
Discontinued operations have been adjusted from the income statement items for the accounting period in which they are classified as discontinued operations, as well as for the preceding accounting period.

KEY FIGURES	2012	2011	change
Net sales, EUR million	2,267.6	2,183.9	4%
of which operations abroad, EUR million	897.3	780.3	15%
Operating profit, EUR million	50.1	44.0	14%
Profit for financial year, EUR million	44.0	35.6	24%
Operating margin, %	2.2	2.0	
Return on investment, %	10.7	10.8	
Return on equity, %	11.0	10.5	
Equity ratio, %	38.0	30.8	
Basic earnings per share, EUR	2.04	1.77	
Dividend per share, EUR	0.60 [1]	0.50	
Gross investments, EUR million	64.5	84.0	–23%
Order book, EUR million	1,443.9	1,400.4	3%
Average number of employees	8,180	8,421	–3%
Accident frequency rate, accidents/ million working hours	22.0 [2]	n/a	
Net Promoter Score	29.3	20	

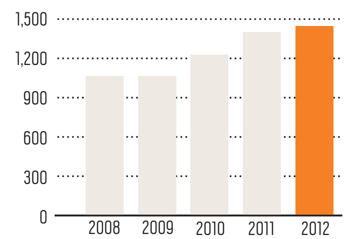
[1] Board of Directors' proposal to the AGM

[2] Excluding operations in Russia

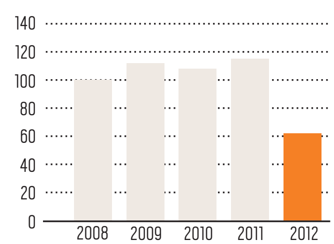
EARNINGS PER SHARE, DIVIDEND PER SHARE, EUR



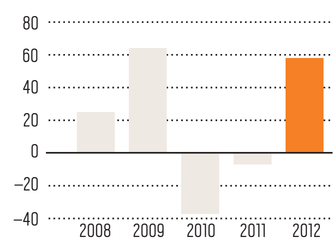
ORDER BOOK, EUR million



GEARING, %

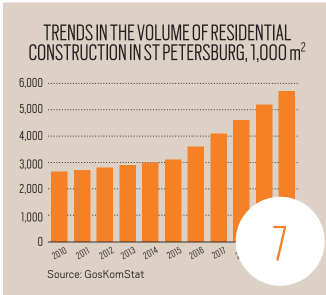


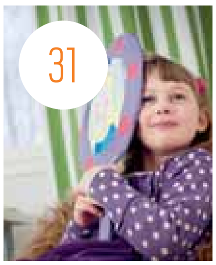
CASH FLOW FROM OPERATIONS, EUR million



ANNUAL REPORT 2012

DEVELOPING URBAN GROWTH CENTRES





CONTENT

SPRINGBOARDS FOR CITY DEVELOPMENT

SUSTAINABLE URBAN DEVELOPMENT IN CO-OPERATION WITH CUSTOMERS

TOP EXPERTS GUARANTEE TOP SOLUTIONS

REPORT THEMES IN BRIEF

We will tell about Lemminkäinen's year 2012 through three different themes.

The focus of the first theme is on strategic and financial springboards that are required from an urban growth centre developer. Good corporate citizenship is important for us. We want our stakeholders to understand our premises and methods for establishing sustainable profitable growth in a rapidly internationalising operating environment.

Our second theme approaches urbanisation and efficient use of urban space from our customers' perspective. Together, we create conditions that make living, working and travelling functional, safe and healthy.

Our third theme focuses on the people who make things happen – Lemminkäinen's personnel. Continual competence development combined with occupational safety and well-being guarantees a motivating working environment and high-quality results.

LEMMINKÄINEN CORPORATION ANNUAL REPORT 2012
Editor-in-chief: Kati Suurmunne **Editors:** Susanna Inkinen, Mira Rinne **Editorial board:** Johanna Aarnio and Harri Kailasalo (environment and occupational safety), Tiina Mellas (human resources), Robert Öhman (finance), Katri Sundström (investor relations) **Concept, graphic design and production:** Miltton Oy **Photographs:** Tomi Parkkonen (pages 3, 13, 40, 78–81), Teemu Kuusimurto (pages 6, 21, 26–29, 49, 60, 62), Janne Lehtinen (pages 13, 43, 49, 59, 66), Kuvatoimisto Kuvio (pages 30, 39, 49) Tomas Moss (page 44), Vladimir Pohtokari (page 45), Oleg Zotov (page 51) **Printing:** Libris Oy 2013
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Focus on urban growth centres

Editorial: Timo Kohtamäki, President and CEO

2012 WAS a typical year for the "new normal." The slightly upbeat mood in Finland during the first half of the year eventually turned to autumn gloom. The total volume of construction decreased by about 3 per cent. Residential construction and the high cost of housing, particularly in the Helsinki metropolitan area, sparked the most discussion during the year. The slow zoning process and high plot prices were among the bottlenecks identified.

Sweden and Norway continued significant infrastructure investments, which they view as a competitive factor for their respective countries. On the other hand, the attractive market intensified competition. In Russia and especially in St Petersburg, an important city for Lemminkäinen, a public goal has been set to increase living space and to improve the quality and energy efficiency of housing. Progress towards the goal was hampered by the slow building-permit process.

Despite the uneven market situation, we can be fairly satisfied with 2012. We grew where we were seeking growth, i.e. in Scandinavian infrastructure construction and in Russia, where commercial and infrastructure construction offset the slow-to-start residential construction.

We were also able to improve our profit level from the previous year. Our operating profit grew by 14 per cent to 50 million euros. Despite the improvement, I see plenty of potential in profitability. The stronger balance sheet was also a positive. Our equity ratio of 38 per cent already exceeded our target.

The biggest factor behind the better results was the improvement in the cost efficiency of our own ways of operating. We also streamlined our organisation and developed the procurement function. Additionally, we put a strong focus on customers. Customer satisfaction with our service level and quality developed positively, but we can do even better.

We started 2013 with a slightly larger and more profitable order book compared to the previous year. Our operational focus remains on improving profitability. We will continue the renewal of the procurement function, we will develop the collaboration between suppliers and subcontractors, and we will boost the efficiency of our processes – both at work sites and in administrative functions. In occupational safety, we are committed to the industry's shared goal of zero accidents. Additionally, we are focused on developing supervisory work and on effectively embedding our targets throughout the organisation.

We are in the process of renewing Lemminkäinen's strategy; the current strategy period ends this year. The strategy work is based on megatrends: the increasing population migration to urban growth centres and the acceleration of urbanisation. This creates a demand for efficient transport connections, high-quality housing, offices and production facilities. There is also an increased need for innovative solutions in the renovation and repurposing of buildings and entire areas. Efficiency and quality requirements are being met with bigger service packages that ideally cover entire lifecycles. Society's deteriorating infrastructures and governmental fiscal deficits require new operating models. The pursuit for energy efficiency has become a permanent goal in all operations.

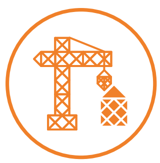
"The reliability and quality of constructing is emphasised, when urbanisation creates demand for new kinds of housing solutions and smooth traffic connections."

At Lemminkäinen, we view these megatrends as an opportunity to grow and develop in step with society's requirements. In our current strategy, we have defined as our basic mission the creation of functional, safe and healthy conditions for housing, work and mobility. This is our commitment to the responsible development of urban centres and the built environment. For us, this means solutions that consider the needs of end users, responsible subcontractor collaboration, training for our personnel, looking after employee well-being and occupational safety, and taking environmental aspects into account in our operations. We are constantly looking for ways to improve the energy and material efficiency and the occupational safety of our operations. This benefits all our stakeholders.

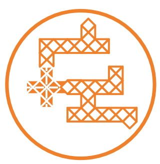
I want to thank our customers, personnel, shareholders and other stakeholders for the good collaboration in 2012. Lemminkäinen is heading into the new year with confidence. ◆

Springboards for city development

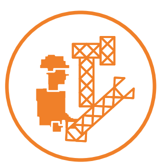
We operate in northern Europe, where our long history and profound expertise offer opportunities for sustainable profitable growth. Our ongoing efficiency measurements have improved our profitability. This creates a firm foundation to develop our operations.



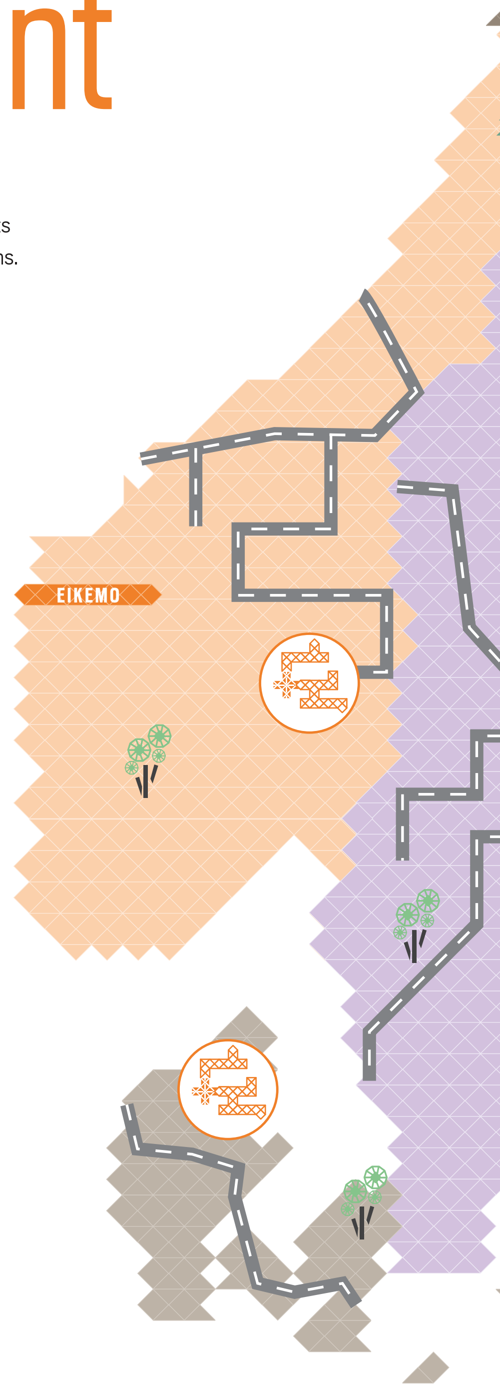
BUILDING CONSTRUCTION



INFRASTRUCTURE CONSTRUCTION

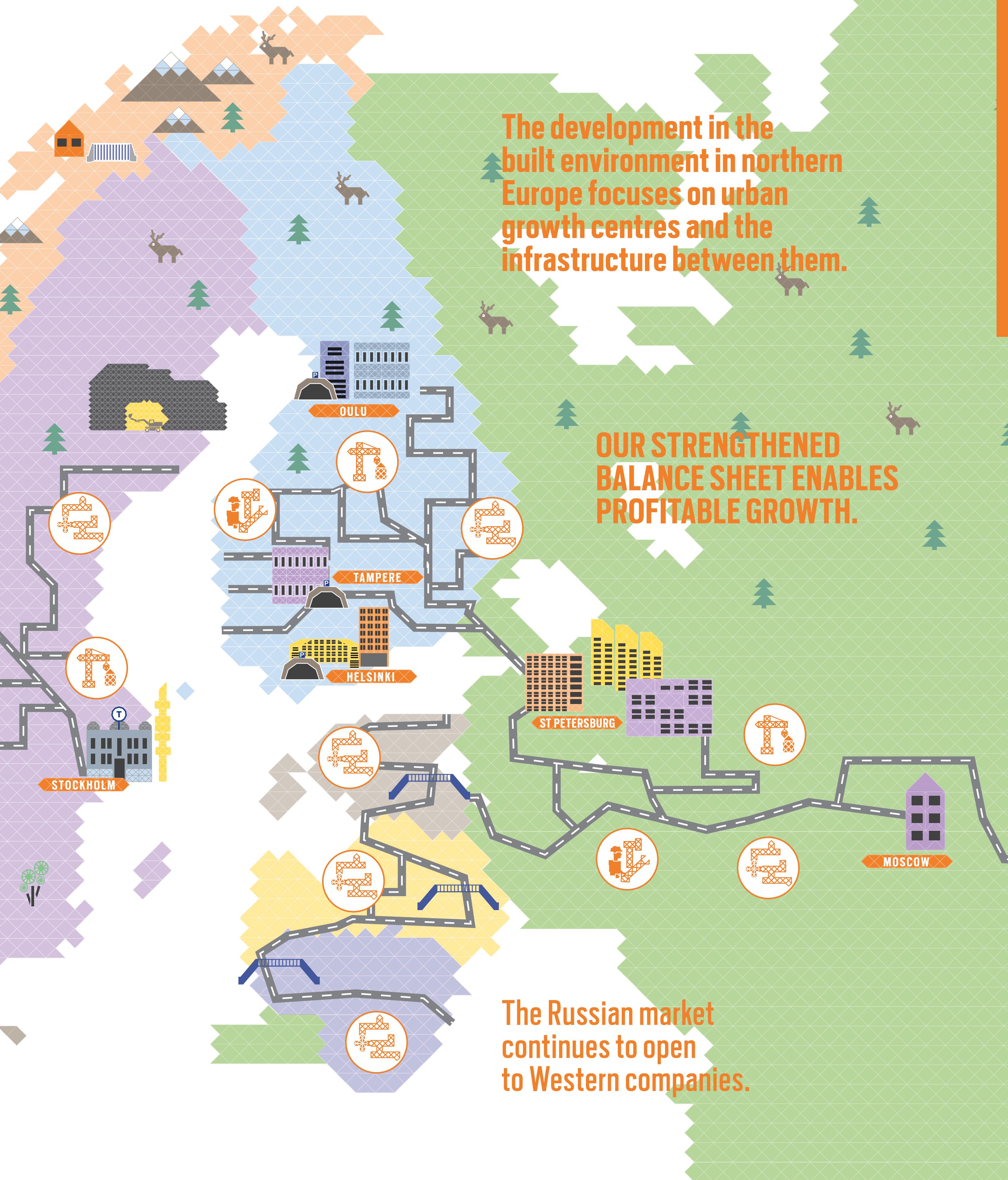


TECHNICAL BUILDING SERVICES



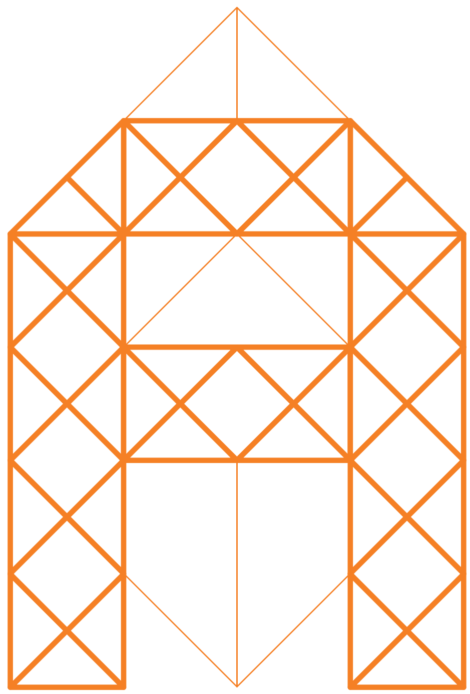
The development in the built environment in northern Europe focuses on urban growth centres and the infrastructure between them.

OUR STRENGTHENED BALANCE SHEET ENABLES PROFITABLE GROWTH.



The Russian market continues to open to Western companies.

We are building three office blocks at Töölö Bay, in central Helsinki.

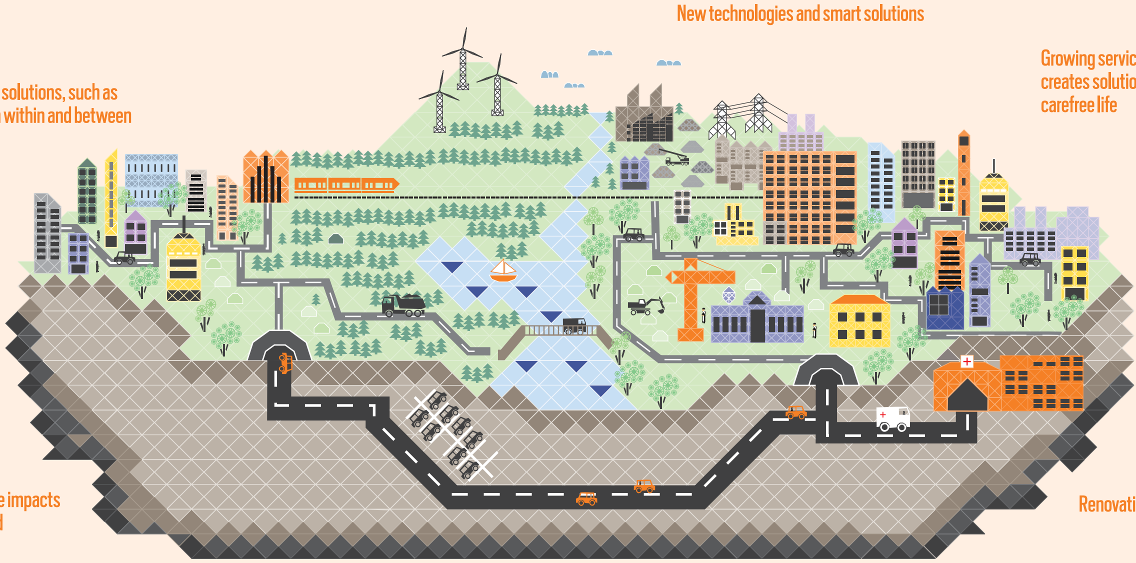


AN INCREASINGLY INTERNATIONAL FOCUS

About 40 per cent of our net sales is generated outside the Finnish borders. In northern Europe, our focus market area, outlooks vary. For example, Russia is expected to invest heavily on residential and infrastructure construction. In Finland, for the first time, the share of renovation construction is expected to exceed the share of new construction in 2013.

MEGATREND: URBANISATION

URBANISATION HAS A HUGE IMPACT ON OUR INDUSTRY



At Lemminkäinen, we take the impact of megatrends into consideration both during strategic planning and when developing our operations. Urbanisation and other trends will continue to gain in importance – they steer innovations and investments, and influence the competitive situation.

From Lemminkäinen's perspective, **urbanisation** is the most important global megatrend. In the coming years, we estimate that developments in the built environment in our operating regions will clearly focus on urban growth centres. The key characteristics of an urban growth centre are positive migration flow, an increase in jobs, and a rise in purchasing power and investments.

Urban growth centres compete with one another for skilled labour and investments. In the Nordic countries, areas that offer a high quality of life succeed. Russian metropolises attract new residents from far and wide. A shortage of plots is limiting urbanisation and growth centre expansion, but is boosting renovation and underground construction. New construction is moving away from urban centres and into the suburbs.

Traffic solutions aim to increase comfort while remaining ecologically sustainable. Rail traffic will increase and road traffic will move underground into tunnels and subterranean parking facilities. Good traffic connections give growing metropolitan areas a competitive edge.

Changes in population structure affect the development of urban growth centres. Ageing populations, increasing immigration, and families with children create a need for new types of housing and services. For example, homes need to be increasingly adaptable, as people want to remain in the same apartment throughout the various stages of their lives. There will be demand both for luxury homes in prime locations and for social housing. Employers seek solutions that create pleasant working environments and support their employees' health and well-being.

Multinational environmental agreements, rising energy prices, and growing consumer awareness of **ecological issues** are encouraging responsible development in urban growth centres. Lemminkäinen's customer base includes numerous public-sector organisations that expect their service provider to, for example, help them reduce their carbon footprint.

Many growth centres are suffering from a **shortage of public-sector funding,** which strengthens private-sector service demand. This is also reflected in construction, where an increasing number of services are being offered as co-operation projects between the public and private sector, or through new types of funding structures.

FINLAND

Market situation remains challenging

The total volume of construction in Finland fell in 2012, and no significant change in this trend is expected during 2013. Various factors, such as strained budgets in the public sector and a contraction in Finland's export industry, are creating a challenging operating environment. Internal migration to growth centres and low interest rates will maintain demand for housing in the near future. On the other hand, taxation changes affecting consumers' purchasing power and the increased difficulty in obtaining mortgages may temporarily decrease consumers' desire to purchase. Although the new building construction is declining, the steady growth seen in renovation projects over the past few years is compensating for the shortfall. In 2013, the number of renovation projects is expected to exceed the number of new-build projects. Demand for infrastructure construction is being maintained by several underground city-centre projects, major road projects, and mining operations in northern Finland.

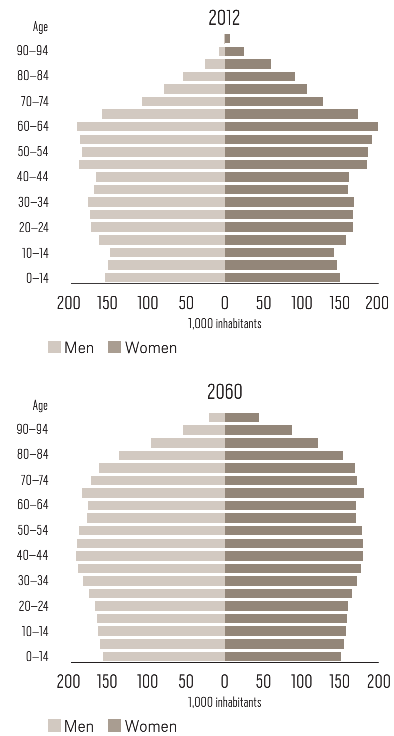
The population is growing, aging and converging

Finland's population is forecast to break the 6 million mark in about 30 years, which means about half a million new inhabitants. About 60 per cent of them will head for the Helsinki metropolitan area. The degree of urbanisation in Finland is about 65 per cent, while in Sweden, for example, it has already reached 85 per cent. Construction in major cities is shifting towards renovation and complementary construction, and construction is becoming increasingly vertical, reaching both underground and upwards. There is more demand than ever for the upkeep and maintenance of technical building services. An ageing population will also contribute to urban transformation, creating specialised requirements in building construction in particular. The dependency ratio, i.e. the number of children and elderly people for each 100 people of working age, will rise from 50 to 75 by 2040.

OVER 50%

In 2013, the share of renovation in building construction is expected to exceed 50%.

THE POPULATION AGE STRUCTURE IN FINLAND 2012 AND 2060 (ESTIMATED)



Source: Statistics Finland

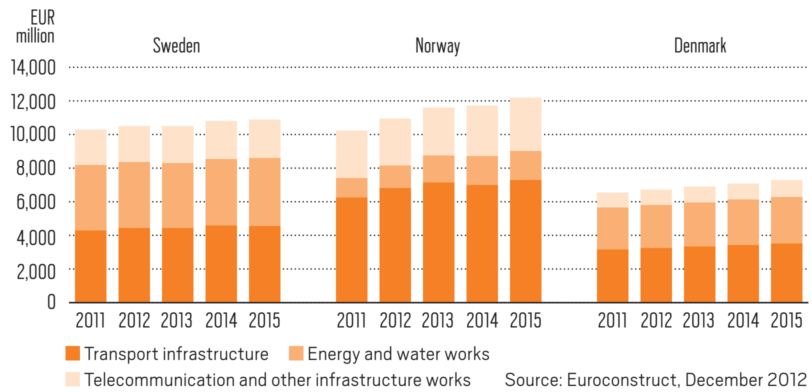
SCANDINAVIA

The growing infrastructure market is attracting constructors

In infrastructure construction, the market situation and outlook in Sweden, Norway and Denmark are better than in Finland. Multi-year National investment programmes are supporting growth in all countries. Over the next ten years, about EUR 100 billion* will be invested in modernising and repairing road and rail networks alone. In Sweden, large-scale infrastructure projects are primarily centred on urban growth centres, while in Norway the focus is on improving the traffic routes connecting centres. In Denmark, a significant proportion of investments are allocated to rail and track projects. Large-scale projects currently being planned include "Förbifart Stockholm" and "Citybanan" in Stockholm, Sweden and "Fehmarnbelt" tunnel between Denmark and Germany. Major investments in new-build and renovation construction are also in the pipeline for energy production and distribution in these countries. In Norway in particular, the rapidly growing infrastructure market is attracting constructors from across Europe, and competition for major infrastructure projects has notably increased.

The volume of infrastructure construction in both Norway and Sweden is about twice that of Finland. A significant proportion of infrastructure construction in Sweden is centred on modernising and maintaining energy production.

TRENDS IN INFRASTRUCTURE CONSTRUCTION VOLUMES IN SCANDINAVIA



Source: Euroconstruct, December 2012

* Ten-year investment programmes to modernise road and rail networks: Sweden EUR 50 billion, Norway EUR 40 billion, and Denmark EUR 10 billion. (Sources: Euroconstruct, National Transport Plan Norway)

OVERVIEW OF OPERATING ENVIRONMENT

	BUILDING CONSTRUCTION FINLAND	INFRASTRUCTURE CONSTRUCTION FINLAND	TECHNICAL BUILDING SERVICES FINLAND
GROWTH DRIVERS	• Urban growth centre development • Ageing population • Ageing building stock • Solutions that improve energy efficiency	• Underground urban construction • Growth in repair debt • Mining operations in Northern Finland • Construction relating to energy production and energy networks	• Growth in renovation in building construction • Increased energy efficiency requirements and stricter regulations • Outsourcing and centralisation in the maintenance and upkeep in technical building services
OUTLOOK FOR THE NEAR FUTURE	• Internal migration and low interest rates support the housing demand • Tax changes may weaken consumers' desire to purchase homes • A weak market situation in new construction, particularly outside urban growth centres • Growth in renovation will continue at a steady rate of 2–3 per cent per annum	• Ongoing large-scale projects and underground excavation in city centres are boosting demand for specialised contracting • Slow economic growth, challenges in public-sector finances, and a rise in input costs will reduce the total volume of infrastructure construction in 2013	• Demand for maintenance and upkeep is at a good level • Demand for contracting has declined due to weakening new building construction; renovation is compensating
COMPETITIVE FIELD	5–7 major players in new-build construction. The renovation sector is fragmented.	5–7 major players in infrastructure construction. An increased number of foreign players.	Contracting in technical building services is highly fragmented. The three largest players have a market share of about 20 per cent. Significantly fewer players in upkeep and maintenance.
ORGANIC GROWTH POTENTIAL	Good in renovation. Good in new construction in urban growth centres.	Moderate	Good in upkeep and maintenance, moderate in contracting.
M&A GROWTH POTENTIAL	Good in renovation. Low in new construction.	Good	Good

RUSSIA AND THE BALTIC COUNTRIES

Residential development and construction in St Petersburg

The economy continues to grow in the St Petersburg region, and demand for new housing clearly exceeds current production. Delays in permit approval processes postponed the start of new projects in 2012. The prices of new apartments in St Petersburg rose by almost ten per cent during 2012.

Significant growth potential in Russian residential development and infrastructure construction

Construction in Russia is expected to grow at a rate of about 5 per cent per annum over the next few years. The growth rate will be determined by residential construction, which accounts for over half of all construction. Several factors are boosting demand for housing in Russia, such as internal migration, a wealthier middle-class, and mortgage market developments. The number of infrastructure construction projects is also growing, and the Russian State is planning to invest several billion in infrastructure development over the next few years. Highways connecting major cities are already being repaired, and upcoming major sporting events will further increase road construction work. Modernisations and basic renovations of transportation and distribution systems for commodities, such as oil and gas, will also offer growth potential in the near future.

The availability of financing will determine demand for infrastructure construction in the Baltic countries

In recent years, several EU funded road construction and basic renovation projects have boosted infrastructure construction in the Baltic countries. The growth of infrastructure construction is expected to slow down in 2013–2014, but to turn up on the rise in 2015. Over the next few years, growth trends in infrastructure construction in the Baltic countries will be determined by the availability of EU financing.

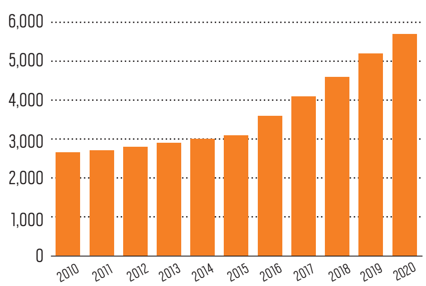
Sources: Euroconstruct, The Confederation of Finnish Construction Industries RT, Statistics Finland, National transport plan Norway ◆

INFRASTRUCTURE CONSTRUCTION SWEDEN, NORWAY, DENMARK	BUILDING CONSTRUCTION RUSSIA (ST PETERSBURG) / COMFORT CLASS	INFRASTRUCTURE CONSTRUCTION RUSSIA	INFRASTRUCTURE CONSTRUCTION BALTIC COUNTRIES
• Multi-year national investment programmes • Basic renovation and new investments required in the energy supply sector • Road and rail networks around and connecting urban growth centres require modernisation and basic improvements • Mining operations in northern Sweden	• A wealthier middle class • Increased purchasing power • Increased demands with regard to living space and comfort • Mortgage market development	• Major projects between urban growth centres • Weak traffic infrastructure • A multi-year State investment plan to improve the highway network • Upcoming major sports events	• Limited road networks and roads in poor condition • EU funding
• Infrastructure construction continues to grow steadily in all countries	• A long-term need for new housing • Construction activity is at a good level, growth is expected to continue in the near future • Changes in administration have delayed planning and permit processes	• The volume of infrastructure construction may increase significantly, if the State implements its planned programme to develop road and rail networks	• Growth is slowing in infrastructure construction: trends in the near future will depend on EU funding.
The five largest players in paving have a market share of about 80 per cent. The number of Central and Eastern European players is increasing.	Three Nordic players in residential construction in addition to several local companies. Demand and supplier quality varies a lot.	Mainly local players in the market. The introduction of new technology gives foreign players a competitive edge.	Infrastructure construction market shares are divided among several players, many local companies.
Moderate	Good	Good	Low
Moderate	Low	Low	Low

ST PETERSBURG OFFERS A MARKET AREA ALMOST THE SIZE OF FINLAND

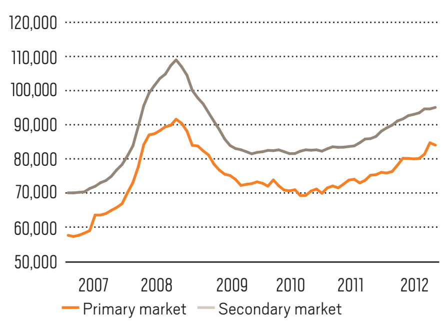
	ST PETERSBURG	FINLAND
Population, inhabitants	About 5 million	5.4 million
Area, km²	1,439	338,424
Population density, inhabitants/km²	3,500	16
Living space, m²/person	24	40

TRENDS IN THE VOLUME OF RESIDENTIAL CONSTRUCTION IN ST PETERSBURG, 1,000 m²



Source: GosKomStat

PRICE TRENDS FOR NEW AND OLD APARTMENTS IN ST PETERSBURG



Source: Bulletin of Estate Property

Improving operational efficiency benefits also our customers

In line with our strategy, we sought growth from Russia and Scandinavia in 2012. In Finland, we concentrated on measures to improve profitability. This year we are focusing on production efficiency and quality. They have a direct impact on competitiveness, customer satisfaction, occupational safety and thus on profitability. Good supervisory work is also needed to achieve the desired results.

OUR KEY goals for the 2009–2013 strategic period are profitable growth and improved solvency. Building one, unified Lemminkäinen is essential in order to achieve these targets.

We measure the success of our strategy through the achievement of our long-term financial targets: net sales growth, return on investment, and equity ratio.

TARGETING PROFITABLE GROWTH

We are seeking growth from residential construction in St Petersburg and infrastructure construction in Scandinavia.

In Finland, we are concentrating on improving profitability and competitiveness. We have improved our operational efficiency and, consequently, raised our target margins. We are primarily seeking growth from businesses that have a significant favourable impact on profitability, business such as residential development and construction, and the upkeep and maintenance of technical building services.

We are accelerating profitability improvement with an efficiency programme that seeks to lighten our cost structure by EUR 50 million. An estimated EUR 20 million in savings will be generated by increased organisational efficiency and EUR 30 million by increased efficiency in procurement. We estimate that these savings will be achieved in full from 2014 onwards.

Efficiency programme generates results in Finland

Our net sales grew by 4 per cent during the reporting year. Infrastructure construction, particularly in Sweden, Russia and the Baltic countries, was our growth driver for the second year in a row. Our compound annual net sales growth rate target is 10 per cent. Since the beginning of the strategy period, our compound annual net sales growth rate has been an average of 6 per cent. However, in a challenging market situation, we are fairly satisfied with our growth rate.

Our operating profit from continuing operations improved by 14 per cent to EUR 50 million. Our return on investment remained at the same level as in 2011. In spite of the favourable development, our profitability is not yet in line with our targets.

We did not start any new residential projects in St Petersburg, due to the slow permit processes. However, the delay was offset by brisk commercial and industrial construction combined with residential contracting for investors. New competitive contracting procedures in Russia have made it easier to enter the public highway market. Last year, we won several contracts for basic improvements to the M4 highway, which connects Moscow and the Black Sea coast.

In autumn 2012, we acquired a new plot in central St Petersburg, where we will build about 800 apartments. With our current plot reserves, we will be able to begin the development of about 3,200 housing units in central St Petersburg over the next few years.

LEMMINKÄINEN'S FINANCIAL TARGETS	TARGET LEVEL	Realised in 2012	Realised in 2011	Realised in 2010
Growth in net sales	average 10% [1]	**4%**	19%	–4%
Return on investment	18% [1]	**11%**	11%	7%
Equity ratio	over 35%	**38%**	31%	35%
Payment of dividend	40% of the profit for the financial period	**27%** [2]	28%	over 100%

[1] By the end of the strategic period

[2] Board of Directors' proposal on dividends

We are preparing for our strategy period, starting in 2014.

In Sweden, we made a successful re-entry in the paving market after a few years. We also received new mining projects in northern Sweden. Our performance was weaker in Denmark and Norway. The integration of the Norwegian company Mesta Industri, which we acquired in 2011, progressed slower than expected. In late summer, we launched measures to put our paving operations in Norway back on a growth track. We discontinued unprofitable units and businesses. We also boosted the efficiency of our mineral aggregates business and increased the use of recycled asphalt.

The efficiency programme met its targets, increasing our competitiveness and accelerating profitability improvement of our operations in Finland. The efficiency programme's personnel reductions were completed in the first half of 2012, resulting in a reduction of about 300 person years from management and salaried employees. By the end of the year, the efficiency programme had achieved about EUR 20 million in cost savings.

According to our estimates, procurement hold the greatest potential for efficiency improvement. In 2012, we reorganised our procurement and purchasing organisations, enhanced our procurement tools and processes, and renegotiated agreements. We also reduced the number of suppliers by about five thousand. Read more 1

Strict profitability margins in building construction led to a decline in competitive contracting, but increased the share of residential development and construction. The housing market remained steady throughout the year, and we sold about 10 per cent more new-build residences than in 2011. In the Helsinki metropolitan area, we co-operated with our customers and partners to develop new types of operating models for commercial construction, which clearly improved our competitiveness.

We signed several nationwide contracts for the upkeep and maintenance of technical building services. We continued to market our Lemminkäinen Green & Safe services, which improve the energy-efficiency of properties.

Focus on improving profitability

In 2013, we will focus on enhancing our operational efficiency and thereby improving profitability. We are continuing measures to put our Norwegian operations back on a growth track. In Sweden, we will continue to develop our operations and seek controlled growth. Our goal is to start the construction of about 1,000 new housing units in the St Petersburg market, where we are introducing Nordic quality and energy-efficient solutions.

In our Finnish operations, we are focusing on enhancing project management and continually improving operational quality. We are continuing the overhaul of our procurement, and developing tools and planning for project purchases. We are also increasing global sourcing.

A MORE UNIFIED LEMMINKÄINEN

We have been unifying and renewing our operations. Our goal is to make it even easier to work with us and to improve our operational efficiency and quality. We have begun a multi-year Group-wide

→ **ADDITIONAL INFORMATION**

→ **Read more 1**
You can read more about our responsible procurement on pages 20–21.

→ **Read more 2**
You can read more about our NPS survey on page 50.

→ **Read more 3**
You can read more about our HR starting on page 55 onwards.

programme to develop business processes and the information systems that support them. As part of our efforts to enhance our commercial processes, we are improving customer relationship management. We are also enhancing supervisory work, occupational safety and environmental responsibility.

Continued renewal of Lemminkäinen

The first levels of our standardised business processes have been defined and approved. We have planned and scheduled the various stages of our information system development project. As part of this project, we introduced a new ERP system for financial administration at the beginning of 2013. The system will initially cover all operations in Finland. Our HR systems were also further developed.

We enhanced our dialogue with our key customers. We conducted our second Net Promoter Score (NPS) survey, and this time it covered all of our key operating countries. The results helped us to identify development areas for improved customer satisfaction. Read more 2

In infrastructure construction, we proactively sought new kinds of customer co-operation models to increase operational efficiency in public-sector projects in particular. We signed a contract for the implementation design of a city-centre tunnel with the City of Tampere and the Finnish Transport Agency. We are using an alliance model, which is based on joint agreements concerning cost targets, other key targets and risk management.

We focused on developing the leadership skills of our supervisors. Remuneration processes and tools were polished. We introduced a systematic and standardised approach to HR planning, which now forms part of our annual operational planning. We completed an early support model training programme for supervisors in Finland. We have already seen concrete benefits from the early support model. Read more 3

In late 2012, we launched new tools and operating procedures to improve occupational safety. One example of these measures is weekly meetings on construction sites. These meetings are aimed at improving occupational safety and are also attended by our subcontractors. We encouraged preventive occupational safety efforts.

We organised our second theme day against grey economy on at all of our construction sites in Finland. We require all of our subcontractors to adhere to our Code of Conduct and join the Tilaajavastuu.fi service, which seeks to prevent the grey economy in the construction industry.

In environmental matters, we focused on optimising transportation and reducing waste volumes. We are also continually seeking to increase the use of recycled and low-temperature asphalt in our paving business, thereby saving both energy and natural resources.

Continuous improvement in customer satisfaction and occupational safety

Good quality has a significant impact on customer satisfaction. We will launch an internal campaign that encourages every Lemminkäinen employee to exceed the customers' quality expectations. We are strengthening our expertise in providing comprehensive solutions, and will continue working with our customers to develop new kinds of co-operation and partnership models. We will also increase the efficiency of our housing sales processes and customer service.

We support our supervisors with training, targeted communications and new tools. The role of development discussions is emphasised in supervisory work.

In occupational safety, we pay particular attention to attitude and preventive work. We will continue to standardise occupational safety practices across our operating countries. We are committed to reaching our target of zero accidents by 2020.

SOLVENCY IS ALSO RESPONSIBILITY

Profitable growth in construction requires solvency. Strengthening Lemminkäinen's solvency and financial position have been key goals throughout the strategic period.

At the end of 2012, our equity ratio stood at 38 per cent, which is in line with our long-term targets. The primary reasons behind the improved balance sheet key figures were the measures taken to optimise working capital, the divestments completed and the issuance of a hybrid bond.

In autumn 2011, we launched a project to optimise our working capital in Finland. To date, EUR 80 million in capital has been freed up by, for example, boosting the turnover rate of trade receivables and inventories, and optimising the payment terms in procurement agreements.

In spring 2012, we issued a EUR 70 million hybrid bond, which strengthened both our solvency and financial position. The bond has no maturity, but we may exercise an early redemption option in 2016 at the earliest.

As a result of our decision to re-direct our resources, we divested our concrete business in autumn 2012. The capital gains from the divestment and the accumulated profit before taxes of the concrete business accounted for EUR 25 million.

Working capital optimisation continues

We intend to maintain our good equity ratio and to continue our measures to optimise working capital. We plan to introduce these best practices at our international units, which make up almost 40 per cent of our operations. ◆

A solvent company that is growing profitably and sustainably generates value for its shareholders and provides development opportunities for the company and for its employees. The renewed Lemminkäinen will also be able to offer its customers innovative solutions and services in construction.

As the current strategic period is nearing its end, we are preparing a new long-term strategy. Our new strategy will target sustainable profitable growth.

→ **ADDITIONAL INFORMATION**

→ Our Code of Conduct can be on found our website www.lemminkainen.com

→ **Read more 1**
You can read more about the work we are doing to prevent corruption and financial crime on page 21.

OUR WAY OF WORKING

The vitality of urban growth centres and their responsible development are important to us. We want to build functional, safe and healthy conditions for living, working and travelling, while also respecting the environment. We seek to grow profitably and sustainably.

WE BASE our operations on our values – respect and trust, constructive collaboration, and sustainable growth and development. Our operations are guided by our Code of Conduct, which is based on international regulations, such as the UN's Declaration of Human Rights and the Global Compact. It also adheres to the ILO's employment rights and principles, the OECD's operational guidelines for multinational companies, and International Chamber of Commerce (ICC) recommendations.

RESPONSIBILITY – THE CORE OF OUR OPERATIONS

Responsibility is part of our strategy and a fundamental aspect of our operations. In order to succeed, our everyday operations must pay attention to many different responsibility themes, such as occupational safety and well-being, our Code of Conduct, energy and material efficiency, and prevention of the grey economy.

Our President and CEO is responsible for corporate responsibility. Responsibility for the Group's environmental and safety issues is held by an Executive Board member. Social responsibility is led by the Executive Vice President, HR, while the CFO is in charge of financial responsibility. Our key responsibility principles and reporting are regularly discussed by both the Group's Executive Board and Lemminkäinen's Board of Directors. Senior Vice President, Communications and Marketing, is responsible for reporting and communications.

We use management systems that meet international standards, such as ISO 9001, ISO 14001 and OHSAS 18001. Our head office in the Salmisaari district of Helsinki is part of the WWF's Green Office network. Whenever possible, we adhere to Green Office principles at our other locations. In 2012, we participated in the Carbon Disclosure Project (CDP) survey for the second time. The CDP is an international, non-profit organisation of institutional investors that studies the impact of climate change from an investor's perspective.

WE COMPLY WITH THE CODE OF CONDUCT

Our Code of Conduct covers all of our operations and defines the way we work. It also acts as a set of guidelines for our partners. Supplements to the Code include a competition law guidebook, insider and representation guidelines, and sponsorship principles.

We do not condone bribery, nor do we enter into business relationships that could lead to conflicts of interest. We require every Lemminkäinen employee to adhere to current legislation and the Group's internal guidelines at all times. Our supervisors are responsible for familiarising employees with our working methods, and for ensuring compliance. We promote operations that prevent corruption and financial crimes. Read more 1

According to the 2012 personnel survey, 86 per cent of our employees know what to do if they observe behaviour that does not comply with our Code of Conduct. We continued our online training in competition law, which began in 2011 and is open to all Lemminkäinen employees working in Finland. Our goal for 2013 is to launch a new online training programme for our Code of Conduct. This training will be compulsory for all of Lemminkäinen's salaried employees.

If our employees observe any suspected malpractice or non-compliant behaviour, they report it either to their own supervisors or the internal audit. Any further action or investigations into malpractice are carried out by the internal audit unit. The internal audit unit also conducts regular audits of business operations and reports its findings to the Board of Directors' Audit Committee. At the beginning of 2013, we introduced the SpeakUp service for Lemminkäinen employees and other stakeholders to report any malpractice anonymously.

Suspected cases of non-compliance with the Code of Conduct are handled in accordance with all relevant legislation and Lemminkäinen's internal practices, while respecting personal privacy and the rights of all parties. In 2012, the internal audit unit was presented with three cases of suspected malpractice that were further investigated. Two of these proved to be justified and led to further action. These cases of malpractice did not have a significant financial impact.

We acknowledge our employees' freedom to organise and their right to join trade unions and participate in collective labour agreements. We do not employ child labour, nor do we deal with subcontractors or suppliers who do. We do not donate money to political parties or activities, religious organisations, authorities, municipalities, or local administrations. We exercise political influence through the industry's advocacy groups. We actively participate in the Confederation of Finnish Construction Industries RT and other associations that represent our industry, such as Infra ry and the Building Construction Association. We are also involved with corresponding associations in our other operating countries.

REPORTING PRINCIPLES

Lemminkäinen's combined annual report and corporate responsibility report covers the period 1 January–31 December 2012. Our annual report is geared towards our most important stakeholders: shareholders, investors, analysts, financiers, the media, customers, partners, and personnel. This is our third GRI G3 v3.0 compliant corporate responsibility report. We report on corporate responsibility annually.

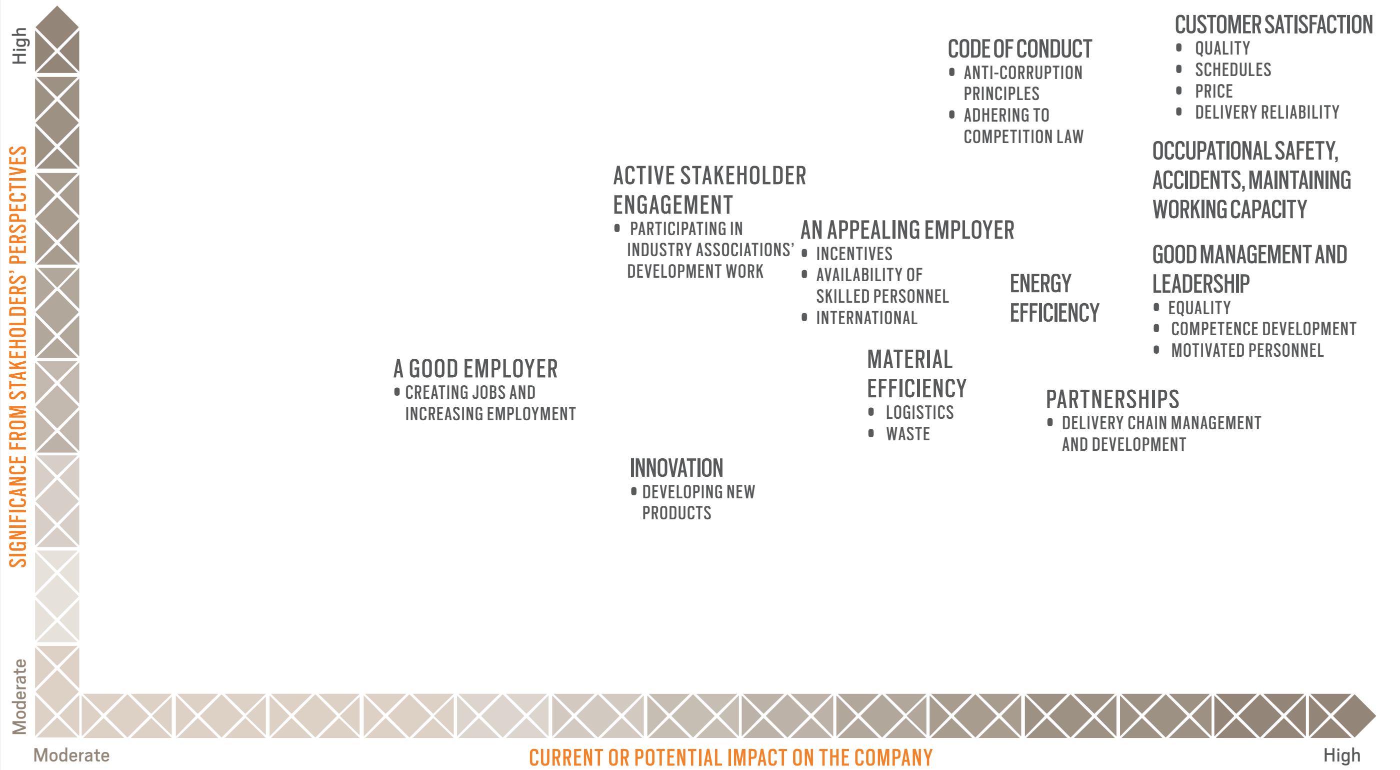
For the 2012 report, we updated Lemminkäinen's materiality index, which has been approved by the Group's Executive Board. It guides our reporting, as, in accordance with the GRI framework, we focus our reporting on those themes that have been highlighted in our materiality assessment. The materiality assessment combines our own and our stakeholders'

→ **ADDITIONAL INFORMATION**

→ **Read more 2**
The assurance report can be read on page 67.

→ **Read more 3**
Comparisons with GRI recommendations and the UN's Global Compact can be found on pages 68–70.

MATERIALITY MATRIX



perspectives on what is most material in our operations with regard to society and the environment.

Lemminkäinen's consolidated financial statements are drawn up and presented in accordance with IFRS standards, and they provide the majority of the key financial responsibility figures. The consolidated financial statements have been drawn up in accordance with EU-approved IAS and IFRS standards, and the SIC and IFRIC interpretations in effect on 31 December 2012. Segment reporting is based on management reporting, as per IFRS 8, and therefore deviates in part from the consolidated accounting principles. Comparison figures for 2011 are presented in brackets.

Personnel and remuneration data has been obtained during financial reporting and is also published in the financial statements. This information covers the entire Group. The data on Finnish employees is supplemented with information from our HR data system, which was introduced at the beginning of 2011. Our 2012 environmental reporting only covers operations in Finland. Our reporting of waste and water covers the permitted operating period of production facilities. Environmental data has been collated from questionnaires and Lemminkäinen's 2012 procurement data. In 2012, reporting was extended to cover environmental investments, as well as the most notable fines incurred from breaches of environmental regulations. The figures have not been adjusted in proportion to production volumes. The figures do not include the share of concrete business, which was sold in September.

Any exceptions in and limitations to the calculation methods used have been noted next to the figures in question. If there have been any changes in the key figures reported, or to their scope, boundaries or measurement techniques, these have also been noted next to the figures in question.

The Finnish-language corporate responsibility reporting's numeric responsibility data has been assured by an independent third party, PricewaterhouseCoopers Oy, which has also checked the English-language version for conformity. Read more 2, 3 ◆

CARBON DISCLOSURE PROJECT

THE GLOBAL COMPACT
WE SUPPORT

GREEN OFFICE
A WWF INITIATIVE TO REDUCE ECOLOGICAL FOOTPRINT
WWF

Open dialogue with our stakeholders

Urbanisation sets new challenges and requirements for society as a whole. The concentration of people in urban growth centres leads, for example, to uneven environmental loading and a need for additional construction. The best solutions to these challenges are achieved through dialogue and successful co-operation with all of our stakeholders.

OUR STAKEHOLDERS, for example property investors, are increasingly more interested in the corporate responsibility of organisations, and therefore expect us to pay even closer attention to responsibility aspects in our everyday operations. We regularly monitor and measure the different aspects of corporate responsibility in our operations, and inform our stakeholders of the results. Our most important stakeholders are current and potential customers, current and potential employees, shareholders and investors, financiers, partners, and the media. In all stakeholder co-operation, we adhere to our Code of Conduct, as well as local and international commitments and legislation. Our business units have the main responsibility for customer relations. The centralised procurement organisation is responsible for developing our supplier network. Corporate functions have the main responsibility of relations with investors, analysts and financiers, the media, decision-makers and authorities, as well as industry associations.

WE ARE DEVELOPING OUR ENGAGEMENT CHANNELS

In 2012, our stakeholders were interested in, for example, the continued development of our services and solutions, the quality and price of construction, the grey economy, and the impact of economic outlooks in our operating environment on our company's operations and outlook.

During 2013, we intend to conduct a stakeholder survey that will provide direct feedback on our operations, thereby enabling us to further develop them. We want to ensure that we are offering our stakeholders information on the topics and themes that most interest them through the channels that best suit them.

During 2012, we improved our customer service in several ways. In Technical Building Services, we reorganised our sales organisation in order to serve new and existing customers more efficiently. In Building Construction in Finland, we enhanced our customer service processes with the aid of, for example, on-site visits of new residents and improved services for alteration engineers. In Infrastructure Construction, we unified the regional operations of our paving, mineral aggregates and earthworks operations in Finland under one regional management. This will enable us to offer our customers all the services they require in one go. It will also create internal synergies, as we can more easily combine our best expertise.

According to our customer surveys, our customers particularly value high quality, reliable schedules, our ability to understand their needs, competitive pricing, and quality customer service. During the reporting year, we conducted a net promoter score survey for the second time. Our result, 29, was an improvement on last year (2011: 20). Read more 1

We have enhanced Lemminkäinen's common stakeholder channels. We renewed both our customer and personnel magazines at the beginning of 2012. Both have been well received by readers, and were also given good reviews in ProCom's, the Finnish Association of Communications Professionals, magazine competition. The Lemminkäinen Group's new website will go live in spring 2013. Development of both the Group's and country-specific websites will continue throughout the calendar year. Our goal is to provide improved service to our stakeholders and make it easier to find information on our website. During 2013, we will also be considering what kind of presence our stakeholders expect from us in social media and how we can best serve their needs there.

We held our first Capital Markets Day for investors and analysts in October 2012. The event sought to deepen their understanding of our

→ **ADDITIONAL INFORMATION**

→ **Read more 1**
You can read more about our net promoter index survey on page 50.

strategy, and its main theme was the Nordic infrastructure construction market. During 2013, we will be developing our investor relations based on the good feedback received from the Capital Markets Day. In addition to our day-to-day communications and media relations, we also invited editorial staffs to meet our management to discuss current issues.

We are a significant local employer and buyer. We engage in a dialogue with local authorities and residents in conjunction with, for example, environmental permit applications. When our planned projects have a significant local impact, we arrange townhall meetings with locals.

WE SUPPORT NON-PROFIT ASSOCIATIONS

When sponsoring organisations, we adhere to our Code of Conduct and supplementary sponsorship principles. We support recipients that match our corporate values, children and young people in particular, especially in sports, and in fostering the expertise and manual skills associated with construction. The Group Management is responsible for our national-level sponsorships, while each business segment is responsible for any local community and stakeholder activities that are associated with or support its business.

In 2012, our main sponsorship partners were Young Finland Association (Nuori Suomi) and Taitaja, a vocational skills competition organised by Skills Finland ry. We also sponsored 100 Years of Engineering Education in Finland, and participated in the President of Finland's Very Ordinary Things (Ihan tavallisia asioita) campaign. We have been donating our Christmas gift and card budget to charity for several years. In 2012, we supported Save the Children Finland. We are currently updating our sponsorship principles and we aim to publish the new version in spring 2013. ◆

STAKEHOLDER	EXPECTATIONS	ACTIONS 2012
INDUSTRY ASSOCIATIONS	• Continual development in the industry • Promoting common interests	• Active participation in associations' work, work groups and projects • Our CEO was Chairman of the Confederation of Finnish Construction Industries (RT) 2011–2012, and was also a member of the Board of the Confederation of Finnish Industries (EK)
CUSTOMERS	• High-quality, reliable and responsible solutions • Good project management, delivery reliability, transparency, and the right price-quality ratio • Understanding customer needs, customer service, and customer relations management	• Face-to-face meetings • Customer events • Engagement at industry trade fairs and other events • Newsletters and online services • Customer magazine • Customer satisfaction surveys
PERSONNEL	• Good leadership, management and supervisory work • Motivating remuneration; opportunities for training and personal development • Equality and openness within the organisation • Occupational safety, well-being and a good working environment	• Developing supervisory work, management and leadership • Training and competence development • Development discussions • Personnel survey • Developing remuneration • Continual development of occupational safety and well-being • Open communications and building an open corporate culture
MEDIA	• Reliable and up-to-date information about the company's operations • An open communications culture	• Stock market and press releases • Press conferences and visits by reporters • Interviews and off-the-record meetings • Reputation and stakeholder surveys • Easy to contact
SHAREHOLDERS AND INVESTORS	• Sufficient return on their investment • A sufficient analysis of the company's risk management • Open and timely information about the company's financial position and outlook	• Investor and analyst meetings • Capital Markets Day • Annual General Meeting • Stock market and press releases • Website
STUDENTS AND JOB APPLICANTS	• Interesting and challenging tasks • Comprehensive career and personal development opportunities • Support for new employees in the work community	• Summer jobs and trainee positions, opportunities for writing theses, and co-operation with educational institutions • Recruiting new graduates; planning our trainee programme • Engagement at trade fairs • Visibility in student and professional publications • Employer image surveys • Co-operation with Taitaja, a competition run by Skills Finland • A high- quality recruitment and orientation process for new employees
DECISION-MAKERS AND INFLUENTIAL PEOPLE	• Compliance with laws and regulations • Transparency and minimising hazardous impacts • Regular reporting • Payment of taxes • Open and current information about the development within the industry	• Dialogue through industry organisations in, for example, political decision-making • Stock exchange and press releases • Regular, open reporting
PARTNERS	• Safeguarding earnings and growth • Opportunities for networking and developing operations • Operational reliability and continuity	• Meetings and direct contacts • Supplier audits • Supplier Day

DISTRIBUTION OF ECONOMIC VALUE ADDED TO OUR STAKEHOLDER GROUPS

ECONOMIC VALUE ADDED GENERATED 2012 (2011)

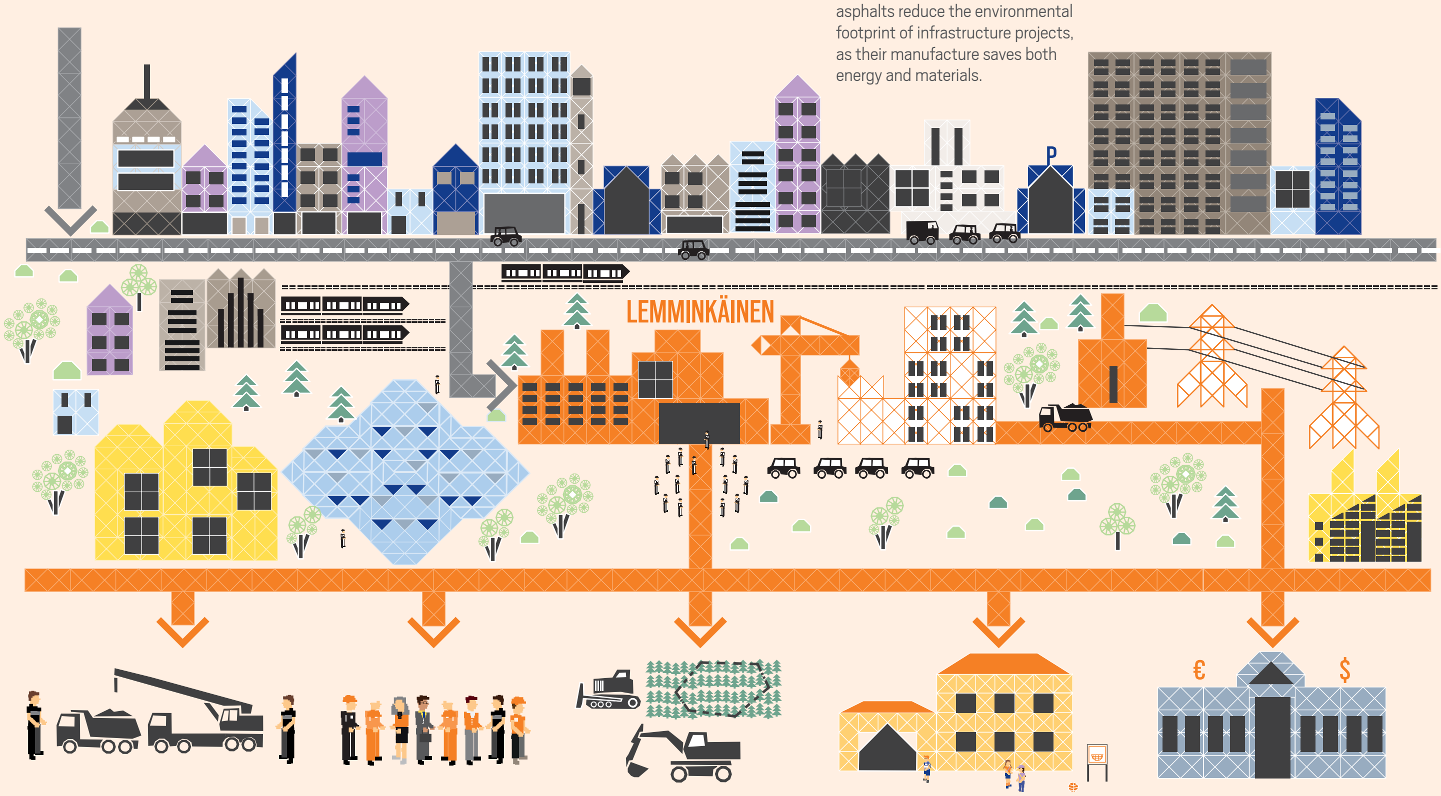
CUSTOMERS
EUR 2,359.9 MILLION
(EUR 2,318.2 MILLION)

DIRECT IMPACT

- We offer our customers high-quality, reliable and sustainable solutions.

INDIRECT IMPACT

- We provide alternatives for our customers and help them to reduce their environmental footprint.
- Our continual operational developments lead to the introduction of new, cost-effective and sustainable solutions.
- For example:
  - Lemminkäinen Green & Safe services in technical building services help customers to optimise their properties' energy consumption – even without investments in new equipment.
  - Low-temperature and recycled asphalts reduce the environmental footprint of infrastructure projects, as their manufacture saves both energy and materials.



DISTRIBUTION OF ECONOMIC VALUE ADDED

SUPPLIERS AND PARTNERS
EUR 1,793.4 MILLION
(EUR 1,803.6 MILLION)

DIRECT IMPACT

- We purchase raw materials, products and services from our partners.

INDIRECT IMPACT

- Our purchases create local jobs and open up new business opportunities for our partners.
- We seek long-term co-operation agreements that give our suppliers and partners the opportunity to develop their business over the long term.
- We are continually developing new co-operation models that enable the sharing of expertise.
- We are a significant local service buyer.

All figures are reported as performance-based.

PERSONNEL
EUR 465.7 MILLION
(EUR 456.5 MILLION)

DIRECT IMPACT

- We employ about 8,200 persons in 11 countries.
- We make social security and employer contributions.

INDIRECT IMPACT

- With the aid of training and job rotation, we continually improve our personnel's competence and their ability to cope at work.
- We are a significant local employer.
- We invest in occupational safety and well-being, which lengthens our employees' careers.
- If needed, we retrain our employees for new tasks.

INVESTMENTS
EUR 64.5 MILLION
(EUR 84.0 MILLION)

DIRECT IMPACT

- We continually invest in operational development in all of our operating countries.

INDIRECT IMPACT

- Our investments create new business opportunities and safeguard jobs.
- Our investments in new, environmentally friendly production methods help save energy and other natural resources.

PUBLIC SECTOR
EUR 5.7 MILLION
(EUR 8.3 MILLION)

DIRECT IMPACT

- We pay income taxes.

INDIRECT IMPACT

- We support social development and well-being by paying taxes and making other mandatory payments.
- We provide employment for many professional groups in many locations. Our purchases from partners also create jobs.
- We support local associations through, for example, sponsorship and co-operation with educational institutions.

SHAREHOLDERS AND INVESTORS
EUR 48.2 MILLION
(EUR 38.2 MILLION)

DIRECT IMPACT

- For 2012, a dividend of EUR 0.60 per share* (EUR 0.50 per share) is proposed to be paid.
- We pay interests to financiers.

INDIRECT IMPACT

- We seek to increase shareholder value which enables larger profits for our shareholders.

* The Board of Directors' proposal

Responsible procurement

By reviewing and developing the entire supply chain, we can ensure the cost-effectiveness and responsibility of our operations.

LEMMINKÄINEN'S ROLE as a responsible constructor of urban growth centres requires a network of good partners. In 2012, our purchases totalled EUR 1,483 million (1,455), which represents 65 per cent of our net sales (67). Developing our procurement and partner network plays a significant role in improving the efficiency and profitability of our operations. We are also enhancing our subcontractors' and suppliers' understanding of responsibility, and increasing their expertise in this area.

Our purchases of goods and raw materials totalled EUR 589 million (654). External services cost EUR 893 million (802), the largest of which was subcontracting at EUR 707 million (653). 42 per cent (36) of our purchases came from outside Finland.

We have identified savings of EUR 25 million through measures to develop procurement. Of this, savings worth of EUR 5 million were realised in 2012.

Our goal is to significantly increase our volume of global sourcing and the number of direct foreign suppliers.

STANDARDISED WORKING METHODS HELP US ACHIEVE SAVINGS TARGETS

In autumn 2011, we launched an efficiency programme aimed at lightening our cost structure by EUR 50 million as of the beginning of 2014. We are seeking savings of EUR 30 million in procurement. In order to achieve this target, we must analyse costs along the entire supply chain.

Our extensive partner network and decentralised procurement have posed challenges. The key features of our procurement overhaul are to reduce the number of suppliers and establish standardised working methods, such as processes and tools. Standardisation will boost the efficiency of the procurement process, and enable us to harness economies of scale and the benefits of centralisation. This will also enhance co-operation with suppliers.

We are developing the Group's international co-operation in procurement, and are continually analysing potential foreign suppliers. From 2014 onwards, we hope that both our volume of global sourcing and number of direct suppliers will be significantly greater than during 2012.

EFFICIENCY THROUGH OUR NEW OPERATING MODEL

In Finland, we introduced a new operating model for procurement in autumn 2012. To enhance the strategic role of procurement in Lemminkäinen's operations and results.

In the new model, sourcing and purchasing have been placed into separate organisations that engage in close co-operation. Our centralised procurement unit operates at the Group level. It negotiates joint annual agreements, and is also responsible for developing processes, tools and expertise. Purchasing is part of our business segments' organisations. Business segments are responsible for construction site purchases and inviting bids from subcontractors.

To launch the new operating model, we arranged training for our personnel around Finland. In late 2012, we also launched buyer and procurement manager training to support the new operating model. These courses will continue in 2013. We informed our suppliers of the new model and other current issues at our Supplier Day in October.

Once the model is firmly established in Finland, it will be extended to our other operating countries.

E-PROCUREMENT BOOST EFFICIENCY

Using an online purchase process boosts the efficiency of our operations and reduces mistakes. In late 2012, we launched a development project that will improve the quality and usability of the data in our online systems.

In spring 2012, we trained our infrastructure units in the use of e-procurement, which increased their use by more than tenfold. Our buyer and sourcing manager trainings also encourages the use of e-procurement.

In late 2012, we introduced a new spend analysis tool that will enable us to monitor the entire

Group's purchases more effectively. Systematic monthly monitoring enables us to, for example, ensure compliance with supplier contracts.

We postponed the development of the new procurement ERP system to 2013 in order to integrate it with our financial ERP system, which was introduced at the beginning of 2013.

BETTER SUPPLIER CO-OPERATION

One of our key goals is to improve supplier relationship management. We want to forge long-term partnerships with selected suppliers. We aim to reduce our suppliers to about 5,000 over the coming years. In 2012, we trimmed our network of over 22,000 suppliers by about 5,000.

If we reduce the number of suppliers, we will be able to engage in closer co-operation with selected partners. Both parties will then benefit from greater cost-effectiveness and economies of scale. It will also be easier for us to monitor our partners' performance. When developing our partner network and seeking new suppliers, we analyse not only prices, quality and delivery reliability, but also corporate responsibility aspects.

We primarily audit our suppliers when we want to ensure the performance of a potential major supplier, or when we want to identify areas for development with our current suppliers. The standardisation of our audit process is just one of the ways in which we are improving supplier relationship management.

RESPONSIBLE PARTNERS

In accordance with our Code of Conduct, we require our suppliers and partners to adhere to legislation and to follow international regulations concerning human rights, employment rights and the environment. Executive Vice President, Procurement, is responsible for our contracts and partner network.

We require all of our subcontractors to adhere to the Act on the Contractor's Obligations and Liability When Work Is Contracted Out. We have been involved in developing the Tilaajavastuu.fi service, which seeks to prevent the grey economy in the construction industry. In 2012, we continued to use Tilaajavastuu.fi's Luotettava Kumppani (Reliable Partner) programme and its associated service, Valvoja (Supervisor). We actively monitor changes in the Act on the Contractor's Obligations and Liability, and keep our suppliers informed. ◆

Foreman Henri Luhtala is wearing an ID badge that shows his tax number. These new IDs were introduced on all of our construction sites in September 2012.

CASE

THEME DAY AGAINST GREY ECONOMY

We aim to maintain and update our employees' awareness of the prevention of grey economy regularly. In August 2012, we organised our second theme day against grey economy. During the day we provided information on tax numbers, new personal ID cards, and the Act on the Contractor's Obligations and Liability.

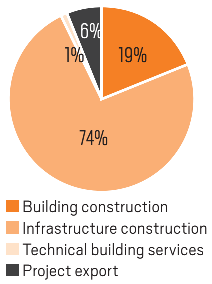
At the same time, we inspected all of our construction sites in Finland to ensure that our subcontractors and suppliers were adhering to the Act on the Contractor's Obligations and Liability When Work Is Contracted Out. We also checked that they had complied with our requirement to join Tilaajavastuu.fi's Luotettava kumppani (Reliable Partner) programme. During the inspections, we went through a total of about 1,900 subcontractor contracts. We took measures to correct a few deficiencies that came to light.

Every year, the grey economy causes major social problems and hinders honest competition. Preventing the grey economy is important to us, and we want to be actively involved in the fight.

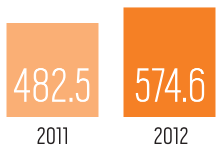
BUSINESS SEGMENT REVIEW

INTERNATIONAL OPERATIONS

NET SALES



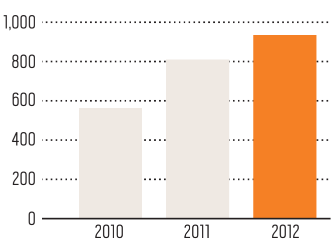
ORDER BOOK, EUR million



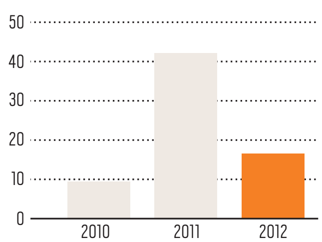
PERSONNEL

2011	2012
2,636	3,057

NET SALES, EUR million



OPERATING PROFIT, EUR million

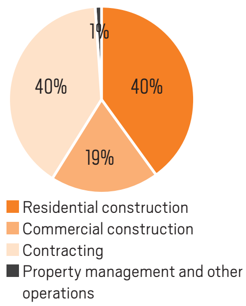


100

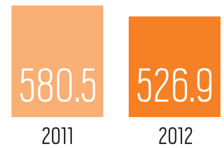
In 2012, we paved over 100 km of M4 highway, which connects Moscow to Sochi in Russia.

BUILDING CONSTRUCTION

NET SALES



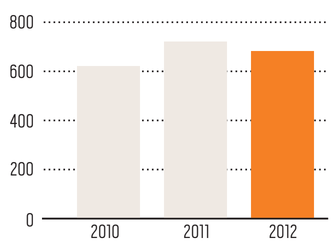
ORDER BOOK, EUR million



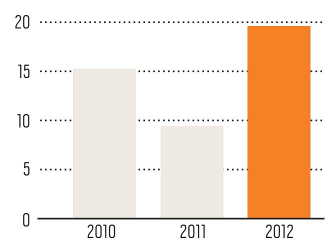
PERSONNEL

2011	2012
1,696	1,425

NET SALES, EUR million



OPERATING PROFIT, EUR million



OVER 1,000

We build in three office blocks in Töölö Bay, in Helsinki, which will have working spaces for over 1,000 employees.

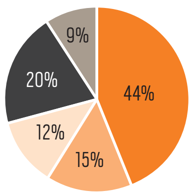
Operations to improve business segments' profitability and customer satisfaction in 2013

TARGETS	ACTIONS
Putting Norway back on the growth track	We will continue on-going efficiency measures and complete the integration of Mesta.
Brisk residential construction in Russia	We will ensure sufficient plot reserves and increase the efficiency of project design and permit processes and we also provide comprehensive financing solutions.
Continued controlled growth in Sweden	We will expand our paving operations into new areas and supplement our operations with suitable acquisitions.

TARGETS	ACTIONS
Improved production efficiency	We will improve project management, boost procurement efficiency and optimise the use of resources.
Continual improvements in quality	We will minimise defect lists, the aim is a single warranty inspection.
Improvements in housing sales and customer service	We will enhance our sales process and pay particular attention to the sale of completed housing units.

INFRASTRUCTURE CONSTRUCTION

NET SALES



- Paving
- Mineral aggregates
- Earthworks and traffic route construction
- Special contracting
- Concrete products*

*Till the end of 9/2012

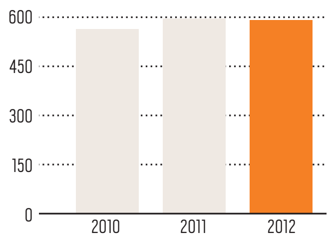
ORDER BOOK, EUR million

2011	2012
238.3	234.7

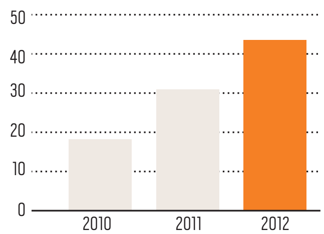
PERSONNEL

2011	2012
2,032	1,751

NET SALES, EUR million

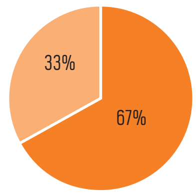


OPERATING PROFIT, EUR million



TECHNICAL BUILDING SERVICES

NET SALES



- Contracting
- Upkeep and maintenance

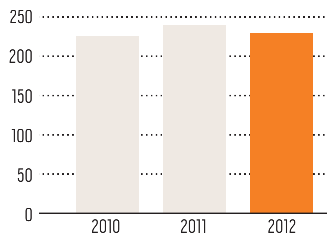
ORDER BOOK, EUR million

2011	2012
99.0	107.7

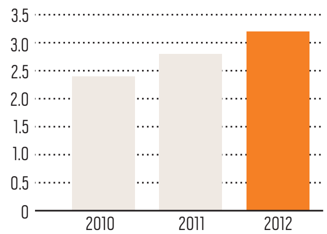
PERSONNEL

2011	2012
1,796	1,631

NET SALES, EUR million



OPERATING PROFIT, EUR million



2,886 **We were building 2,886 parking spaces in total to underground parking facilities in 2012.**

47 **With the contract between us and Citycon we are responsible for the upkeep and maintenance services of their 47 shopping centres and retail properties.**

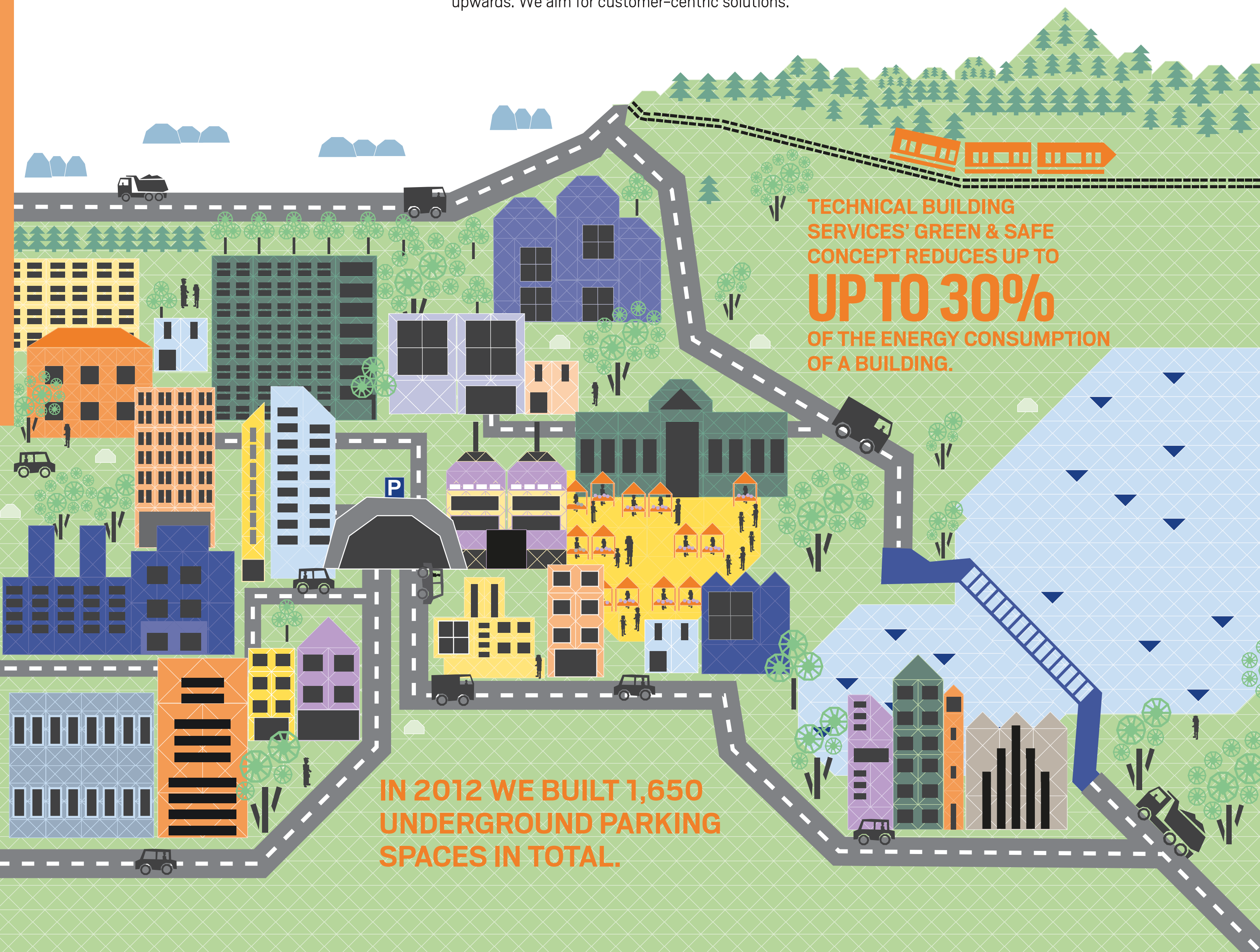
Operations to improve business segments' profitability and customer satisfaction in 2013

TARGETS	ACTIONS
Development in project management	We will improve risk management and train our personnel.
Increased efficiency in mineral aggregates production	We will optimise capacity usage by region and accelerate warehouse turnover.
An even more customer-centric approach	We will develop further our regional operating model for paving, mineral aggregates and earthworks as well as strenghten our expertise in providing comprehensive solutions.

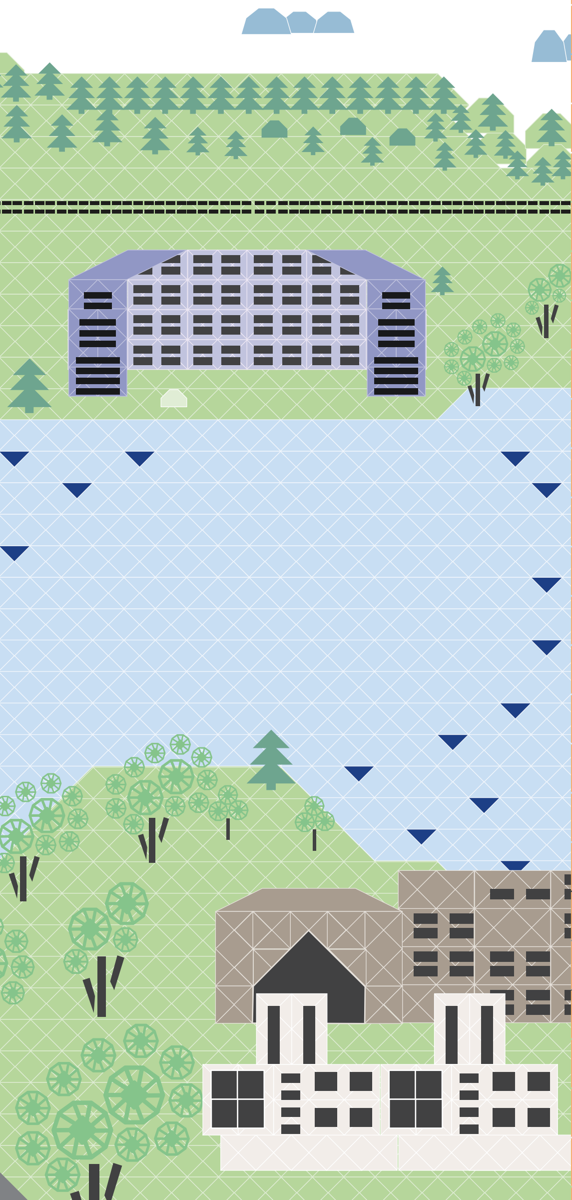
TARGETS	ACTIONS
Profitable growth in upkeep and maintenance services	We will complete the recruitment of 100 professionals, expand our service offering and continue to operate actively nationwide.
Improved profitability in contracting	We will pay particular attention to less successful areas; we improve project management with the aid of our quality and management systems and boost procurement efficiency.
Even better key customer relations management	We will introduce a new operating model, taking a more active approach to customer co-operation and continue to commercialise and sell our services.

Sustainable urban development in co-operation with customers

Population convergence in urban growth centres offers us opportunities, as more innovative and more energy-efficient solutions are required. We are actively involved in developing towns and cities and their connecting highways, through new construction and renovation that reaches both underground and upwards. We aim for customer-centric solutions.



3 new office blocks in Töölö Bay, Helsinki.



WE LAUNCHED THE CONSTRUCTION OF 1,533 NEW RESIDENCES.

The Kivisydän parking facility is being built in Oulu city centre in northern Finland.

CITIES GROWING UPWARDS AND BELOW GROUND

Urbanisation places challenges on land use.
When city planners want to keep urban sprawl in check,
one solution is to grow cities vertically.
We have decades of experience in this.

URBANISATION, CHANGES in population structure, and the general economic climate are the most significant factors influencing the outlook for construction. Population convergence in urban growth centres is a global phenomenon. Almost 65 per cent of Finland's population lives in towns and cities. That figure is already 85 per cent in Sweden. Compared to Stockholm and Copenhagen, for example, the Helsinki region is still quite fragmented. The challenge for city planners is to keep urban sprawl in check.

CITIES BENEFIT

Population convergence in urban growth centres affects the cityscape, services, land use, and traffic arrangements. This trend is creating demand for new construction solutions. As services increase in number and are increasingly concentrated in urban growth centres, their availability must be safeguarded with sustainable traffic solutions. At the same time, towns and cities want to reduce private motoring in urban centres and improve safety for light traffic and bicycling.

By expanding above and below existing buildings, surface space can be used with greater versatility to build, for example, new properties, parks and routes for pedestrians and non-motorised traffic. These types of solutions make cities more pleasant and attract new residents and businesses.

Major construction projects in urban growth centres often result in a positive impact on both the city's appeal and the local population. Large-scale construction projects also have a significant impact on employment. According to The Confederation of Finnish Construction Industries' (RT) estimates, about 40 per cent of public-sector investments in construction are returned to the community through a variety of taxes and fees. A vibrant and pleasant urban centre with a comprehensive range of services attracts not only new entrepreneurs, but also purchasing power from near and far.

EXPANDING CITIES BELOW GROUND

City expansion is hindered by a lack of plots. One solution to this is to expand below ground. Parking facilities, warehouses, technical facilities and transportation routes are often the first to be moved underground. Coal storage and district cooling solutions have also been built underground.

The Kivisydän parking facility in Oulu, Finland is being built in the centre of Oulu. Blasting expert Matti Palovainio is preparing to blast the next section of the tunnel.

Businesses in the vicinity of the Kivisydän construction site are kept proactively informed of upcoming work stages. Project engineer Jarkko Meriläinen is pictured in conversation with café entrepreneurs Riitta Lukkaroinen-Mikkonen and Pentti Mikkonen.

Lemminkäinen employees preparing for the next tunnel blast at the Kivisydän construction site. Our equipment considers environmental aspects and minimises vibration.

CASE

AN EXPERT IN UNDERGROUND PARKING FACILITIES

We have 40 years of experience in constructing underground parking facilities and underground shelters. In addition to the more traditional client-contractor model, we offer a variety of co-operation models. When customers choose the comprehensive service model, they purchase not only standard contracting services, but also a ready-to-use underground facility complete with design management and interiors.

During 2012, we completed P-Hämppi, an almost 1,000-space parking facility in Tampere, Finland. In the excavation of the facility, we used a bored pile foundation to build a bridge inside the rock tunnel that passed under the heavily trafficked Itsenäisyydenkatu road. Thanks to the tunnel, traffic in the city centre continued normally throughout the project and no temporary detours had to be set up. It also reduced disturbances to the surrounding area, which meant that citizens had an exceptionally positive attitude towards the project.

In Helsinki, we completed P-Finlandia, a 650-space parking facility in Töölö Bay, Helsinki. While constructing the facility, we also built an underground shelter and new maintenance premises for Finlandia Hall. The site is located in a culturally significant, city-centre area of museums and concert halls, which posed an additional challenge.

The underground parking facility that we are building in the Tapiola district of Espoo in Finland is scheduled for completion in spring 2013. As part of this project, we are also renovating the above-ground car park in Tapionaukio Square in accordance with architect Aarne Ervi's original design. Unlike underground parking facilities built into the bedrock, Tapionaukio will be constructed in a blasted and shored open excavation. Similar projects can later be implemented in e.g. the Baltic countries, where the soil does not contain hard rock that would enable excavation of underground rock facilities.

We are currently building Kivisydän, an approximately 900-space parking facility under Oulu city centre. The facility will have 16 lifts to city-centre properties, two ramps to the surface, and a population shelter for 3,000 people. Kivisydän's pleasant, safe and functional package is scheduled for completion in summer 2015. Sufficiently wide parking spaces and the complete absence of pillars will help drivers manoeuvre.

However, an increasing number of functional and pleasant public spaces and sports facilities have also been built below ground. Connecting subterranean spaces with roads and shafts can also widen their potential uses. Such connections also improve the accessibility of the city centre in general.

The construction of underground shelters has been a significant factor in promoting subterranean expansion in Finland. By utilising these spaces, Finland has become a pioneer in northern Europe in the construction of underground parking facilities. There is, however, a need for all major growth centres to utilise their underground spaces.

Finland's stable bedrock paves the way for subterranean construction. We are experienced in excavating and constructing underground rock facilities, and our competent professionals are our strength. We have, for example, implemented numerous underground parking facilities in Finland's largest city centres.

Our way of working is based on solutions that have proved effective over the years. In addition, our equipment uses the latest technology, which minimises vibration and take the environmental impact into even better consideration. Thanks to modern methods and careful planning, subterranean construction can be carried out safely and with as little disturbance as possible to daily life in the surrounding area.

Our solutions always take end-users into account. A good example of this is Kivisydän, a 900-space underground parking facility currently being constructed under Oulu city centre in northern Finland. We recommended a one-storey facility with single-direction, diagonal parking and no pillars. Studies show that this is the most effective way to prevent minor car accidents.

In Sweden, we participated in a project to reinforce the old foundations of T-Centralen, Stockholm's main railway station, and to deepen its existing cellar. The construction site is located at a transport hub through which 250,000 people pass every day.

EXPANDING CITIES UPWARDS

Cities can grow not only below ground, but also upwards. Our patented technique enables the addition of extra storeys and the installation of lifts in three- and four-storey buildings. In Finland, there are an estimated 38,000 buildings of at least three storeys, and about half of these lack lifts. These buildings also have unused building rights.

The construction of additional storeys has previously required foundation reinforcement. Thanks to our new technique, foundations for upper floors can now be built outside existing exterior walls and without the need to remove the existing roof. A lift can be also installed in conjunction with the expansion. No new plots are required, and residents can live in the building throughout the roof-raising. This technique is a significantly more affordable option than demolishing an existing building and replacing it with a new one.

We employed our roof-raising technique in Tampere city centre, where we built a new Cumulus hotel. In July 2012, six hotel storeys were completed above the old post office's parking facility. The new building's frame was built on pillars that passed through the parking facility's existing structures.

CONSIDERATION FOR DAILY LIFE

City-centre construction puts special demands on both work and planning. In underground construction, the excavation stage and its blasting work constitute a particularly demanding task that requires careful planning as well as open and active communication at every stage.

Before blasting commences, we analyse all properties in the vicinity in order to identify possible risk properties that could be damaged. When planning our work, we take into consideration also traffic management systems, electrical power plant transformers, telecommunications base stations, and municipal engineering.

We schedule construction site traffic during periods when the roads are otherwise quiet. With careful planning, we ensure that traffic and nearby properties can operate as normally as possible, which is also to our advantage. ◆

NEW COMMERCIAL PREMISES UNDERGROUND ↘CASE

The centre of Tapiola, a district in Espoo, Finland, is undergoing an overhaul. We have started large-scale renovation and construction work on Kiinteistö Oy Biens, a commercial premises previously known as Sokos Tapiola department store. In practice, the property is being completely rebuilt. Work began in January 2012 and is scheduled for completion in 2013. Our client is LähiTapiola Kiinteistövarainhoito Oy.

Excavation will deepen the cellar so that it can be transformed into new commercial premises, and more underground commercial premises and access routes will be constructed around it. All these elements form a demanding city-centre project that requires specialised expertise in renovation and in foundation and civil engineering, as well as specialised equipment.

We are implementing the project as a management contract. After inviting bids, the client also chose us to carry out the electrical contracting.

"Implementing a large-scale project requires careful organisation both in project management and on site, where dozens of employees and machines are working simultaneously," says Construction Manager **Pekka Vehviläinen.**

"Timetables and work stages are coordinated with all parties. Local residents and businesses must be guaranteed a safe environment and as little disturbance as possible."

AN UNOBTRUSIVE SITE IN THE CENTRE OF STOCKHOLM ↘CASE

Stockholm's central railway station, which was completed in 1871, was built on a former lakebed. Due to a subsequent decline in the groundwater level, the wooden piles and wood lattice used in the foundations have begun to rot, causing the building to subside.

Our experience in major public-sector projects in Sweden helped us to obtain a large percentage of the repair and expansion projects being undertaken at the main railway station. In addition to foundation reinforcement, new business premises are being built underground. The project was launched at the beginning of 2011 and is scheduled for completion in summer 2013. The large construction site has not disrupted the lives of the 250,000 people who pass through the station every day.

Repairing this complex structure has required specialised expertise and innovative solutions.

"In order to maintain tolerable noise and vibration levels, we used diamond wire cutting (DWC) to open up work shafts in the walls. This method of removing boulders is not employed in many places. We even designed customised crawler drills for this project, so that we could transport special loads in the cramped conditions," says Project Manager **Aki Virkki.**

PERSONALISED HOMES

We build quality homes in good locations in urban growth centres. Our customers are able to influence the solutions at both the design and building stage.

WE HAVE over a century of experience in building residences. Our key customers include private consumers, and residential and other property investors. In 2012, we launched the construction of 1,533 (2,016) new residences. Of these 1,019 (1,480) were residential development units.

A BUILDER OF CITY HOMES

We primarily operate in university cities and robust provincial centres. In smaller municipalities, we develop sites to suit local requirements. For example, in Skila, a former industrial zone of Joensuu, we are already constructing our seventh apartment block, which offers functional, affordable homes.

Our strong network and local knowledge help us to understand market needs and acquire good plots. Our broad range of plots enables the rapid and flexible launch of new projects, thereby strengthening our market position. In 2012, we continued the construction of both Kahvikortteli in the Vuosaari district of Helsinki and the Lentävänniemi area of Tampere. We also launched the construction of several new projects in the centre of Turku and several new apartment blocks in Ostrobothnia area in western Finland.

IMPROVING THE ENTIRE SERVICE CHAIN

During the reporting year, we worked on developing and improving our customer service chain. We believe that listening to our customers and taking their wishes into consideration is important, every step of the way from purchasing negotiations to the completion of their new home, as well as afterwards, during any annual or defects liability repairs.

We have our own, strong housing sales organisation working in close co-operation with planning and production. The frequent customer feedback we receive through our housing sales organisations enables us to continually develop our operations to better meet our customers' needs.

Alteration engineers working in housing sales serve customers during the implementation of their desired alterations, and customers are also able to visit the construction site. Flexibility with regard to alterations enables customers to get personalised homes that are best adapted to their needs – on completion. After a housing unit has been turned over to the customer we guide customers in using their new home's technology, such as temperature regulation systems and water meters.

According to our customer surveys, the customer's perception of quality is based on their experiences throughout the project. Their image of us is influenced not only by the reliability of schedules and the quality of the apartment itself, but also by their experiences with our service. We are, for example, enhancing the information flow about annual repairs to the designers. This information enables us to develop our design process and avoid repeating unfunctional solutions.

THE ALLURE OF A GOOD LOCATION AND A FUNCTIONAL FLOOR PLAN

When plots come up for sale in new areas, we find out what kind of residences are in demand in that area. Preliminary investigations are even more important

Lemminkäinen's marketing material

when we are involved in designing a larger residential area that is still in the planning stage. In these cases, the plan must also take future residents' needs into account. When new projects are pre-marketed, we discuss potential customers' wishes regarding their new homes. Customer perspectives and wishes are considered in particular when designing an apartment block's public spaces, such as yards and saunas.

The most important factors that influence our customers' buying decision are the housing unit's location and the functionality of its floor plan. A good location means, for example, good traffic connections and proximity to a broad range of services. An increasing number of customers also want to personalise their home and its solutions to the greatest possible extent. If customers have made the buying decision during the early stages of construction, it is easy for them to influence, for example, surface materials and the placement of intermediate walls. We also offer our customers ready-made alteration packages that make it easier to compare the available options.

According to our customer surveys, the customer's perception of quality is influenced by their experiences throughout the project.

DEVELOPING NEW SERVICES

In 2012, we piloted a web-based service called "Nettikoti" ("web home"), which helps customers to manage alterations to their new homes online. This electronic tool also helps us manage alteration processes on site and helps us ensure that alterations have been carried out as desired by the customer. In 2013, we will expand the use of "Nettikoti" to all of our residential development sites.

We are also developing our customer communications during construction projects. We want to offer our customers up-to-date information on the project's progress. We continually strive to plan and construct apartment blocks that are more energy-efficient. We are also pursuing solutions that will better enable residents to monitor and reduce their energy consumption. For example, we are piloting apartment-specific energy monitoring devices in Espoo.

The number of smart solutions and technical building systems is increasing all the time. For example, lifts can communicate with exterior doors, so that they automatically recognise to which floor a resident is going to based on their front door key. Traditional notice boards are now being replaced with electronic ones that are far easier to update. Intercoms can also be combined with camera solutions. These solutions increase both comfort and safety.

DENSE URBAN PLANNING POSES CHALLENGES

The prices of housing units have continually risen in recent years. One reason for this is a lack of plots in urban growth centres that leads to an insufficient supply of new residences. Planning is steered by building permit processes and detailed planning requirements that impose specific materials and building shapes, and define the size and placing of parking spaces. These requirements raise construction costs, even though the solutions do not necessarily fulfil customers' wishes. Stricter energy-efficiency requirements also increase the cost of residential construction. Greater availability of plots and more flexible planning requirements, for example, would lower construction costs without compromising on quality. ◆

Lemminkäinen's marketing material

CASE

QUALITY RIGHT-OF-OCCUPANCY RESIDENCES

We build homes also in Sweden, primarily in Umeå and Uppsala. We offer right-of-occupancy residences, which are a popular choice in Sweden. We are actively seeking to expand our operations one urban growth centre at a time. "Our next goal is to begin the construction of new residences in Malmö," says Executive Vice President **Henrik Eklund.**

In Sweden, we are a recognised and reputable constructor in the areas in which we operate. We run a small, flexible organisation based on a customer-oriented approach and long-term customer relationships. Energy-efficient construction is receiving more and more attention in Sweden too, and we take these factors into consideration in both design and implementation.

Our building construction business in Sweden is run by our subsidiary, Rekab AB, which is also recognised as a renovator of public buildings and commercial premises.

→ **ADDITIONAL INFORMATION**

→ For more information on our residential construction in Russia, visit www.lemminkainen.ru

CASE

NEW CONSTRUCTION IN A PRIME TURKU LOCATION

In 2012, we started several new projects in the centre of Turku, in Southwest coast of Finland. Building in an old city centre is challenging, and requires good planning. That is why we choose our partners with care.

We have two residential property development projects in a unique, central location next to the River Aura, within walking distance of the city centre: both projects are scheduled for completion in late 2014. They will contain a total of 78 apartment units, two commercial premises, and a 46-space parking garage. The future residents want to live close to services without being disturbed by noise. Thick exterior walls, soundproofed windows and balcony glazing guarantee a quiet, comfortable home near the city centre.

"These days, sites in Turku's city centre and along the banks of the River Aura are very seldom available for construction. Buildings like these often become prime real estate, perhaps even 'once-in-a-lifetime' opportunities," says Regional Director **Jukka Aaltonen.**

CASE

THE GROWING MIDDLE CLASS IN ST PETERSBURG VALUES FINNISH QUALITY

Our goal is to become as large a residential constructor in St Petersburg as we are in Finland. This means starting 1,000 new housing units per annum.


A 3D-picture of our new Tapiola project.

Supply and demand for residences in St Petersburg is continually increasing, as the middle class expands and its purchasing power improves. According to current estimates, St Petersburg's economy is growing at an annual rate of about three per cent. Elections for the Governor of St Petersburg and the subsequent changes in local administration noticeably slowed planning and permit processes, so we did not begin any new residential construction projects during the reporting year. The same issue has affected all constructors operating in St Petersburg.

Our Aino project is located on Vasily Island in central St Petersburg, and its 460-plus housing units will be completed by the end of 2014. Planning and permit processes are currently underway for the Ilmatar site, also on Vasily Island; it will contain almost 2,000 housing units.

"We build homes to meet the needs of the growing middle class. They value a good location, Finnish reliability, better than usual technical quality as well as a pleasant and functional floor plan," says Juha Höyhtyä, Senior Vice President, Russia. We also offer our customers the easiest way possible to buy a home. For example, we negotiate ready contracts with several different banks, so that the banks will grant competitive mortgages to Lemminkäinen's customers.

We want to work with other Finnish and Nordic constructors to promote energy-efficient construction in the St Petersburg market by employing good building methods and advanced technical building services. The fact that we can also offer expertise in implementing technical building systems is advantageous for us. With energy-efficient solutions and fully finished housing units we are together with other Finnish constructors raising the standard of living.

St Petersburg's increasingly middle-class citizens do not necessarily want to buy residences with unfinished surface structures, as has long been the custom in Russia. "We offer our customers the opportunity to buy residences with either fully finished surfaces or with surfaces left bare for finishing by the new owners. The only thing missing is the kitchen, as customers usually like to buy them separately. Depending on the available options, we also try to implement our customers' individual wishes," describes Höyhtyä.

In autumn 2012, we purchased a plot near Moskovsky Prospekt in central St Petersburg for our new residential project, Tapiola. This site has already an approved plan, and the construction is scheduled to begin in spring 2013. Tapiola will contain a total of about 800 housing units, which will be completed in two phases in 2014 and 2015. We are also interested in complementary construction and renovation projects that are opening up in St Petersburg over the coming years, as old 1960s Soviet apartment blocks are repaired and renovated to meet modern standards of living.

In addition to our own residential development, we also operate as contractors in St Petersburg. During the reporting year, we began the construction of an eight-storey elite building on Krestovsky Island for Fort Group, a Russian property investment syndicate. The customer wants to capitalise on Lemminkäinen's reputation as a residential developer. We also have a contract for technical building services at NCC's site containing a total of 1,000 housing units.

In December 2012, we celebrated our 40th anniversary in Russia. Through the years we have been involved in many interesting projects, and today we serve our customers in building construction, infrastructure construction and technical building services with the help of our 700 local Lemminkäinen employees.

Pleasant conditions and functional space solutions

The concentration of jobs in city centres poses challenges for commercial construction, as there is less and less room in these highly built-up areas. There is a growing need for renovation and technical building services, as properties are refurbished to better meet the modern standards.

WE CREATE safe and healthy working environments. Our flexible space solutions can be adapted to meet our customers' changing needs. We also offer a variety of upkeep and maintenance services throughout a property's lifecycle. This ensures that end users have pleasant conditions, such as low noise levels, good lighting and good indoor air. Our most important customers are property investors, developers, leasers of commercial premises, owner-users, and the trade and service industries.

We are co-operating with Etera Mutual Pension Insurance Company to develop Töölö Bay in Helsinki. The first of three new office buildings was completed during 2012 – the premises for Alma Media. Similar buildings, for KPMG and Ernst & Young, are scheduled for completion in 2014.

In autumn 2012, the project consortium we established with Skanska signed a preliminary contract with the S Group for the construction of a new, nationwide logistics centre for daily consumer goods in Sipoo, southern Finland.

As urban structures become increasingly dense, a rising number of work-related spaces – parking spaces, warehouses, archives and techni-

→ **ADDITIONAL INFORMATION**

→ **Read more 1**
You can read more about the underground parking facility projects we were involved in 2012 on page 29.

Lemminkäinen's marketing material

The high-quality office premises we are building at Töölö Bay, a significant part of the city scape, will comply with the LEED environmental criteria.

cal facilities – are being built underground. This makes construction more efficient, as there is a lack of plots. Read more 1

We are also building underground facilities for the Parliament House in Helsinki. During 2011–2012, we demolished old structures and excavated additional space from the bedrock. The new subterranean premises will house logistics operations, such as goods reception, temporary warehousing, and large archives. We will also be responsible for implementing the technical building systems. The project is part of basic renovations to the Parliament House that are currently scheduled for completion in 2017.

We have profound expertise in implementing technical building systems. We offer our customers all technical building systems as well as design, implementation and project management. In Finland, for example, we have been involved in nationwide co-operation with the S Group for some time. In 2012, we started projects in which we are designing and implementing technical building systems for the ABC service station in Alajärvi in South Ostrobothnia and the new S-market supermarket in Vaajakoski in central Finland. Our other projects during the reporting year included an electrical contract at the Tampere High School of Technology, where we focused on improving the property's lighting. We also implemented demanding technical building systems for Kuopio City Theatre. These required precise planning and good implementation, as various factors, such as the audience's mobile phones, leave the theatre's technical systems susceptible to disturbances.

We build commercial properties in Russia. One of our largest projects during the reporting year was an additional building, offering 22,700 m^2 of extra space, for Technopolis Oyj in St Petersburg. We are also in charge of implementing its technical building systems. In 2012, we completed a restoration and storage centre for the State Hermitage Museum in St Petersburg, a plant extension for Nokian Tyres in Leningrad Oblast and a production facility for Rani Plast at our Kaluga Business Park near Moscow. Our work for Nokian Tyres continues with a storage extension. We also launched the first construction phase of Paroc Group's new production plant in Tver, northwest of Moscow.

At Töölö Bay, we are constructing three office blocks with space for a total of over a thousand employees.

CASE

OFFICES WITH EXCELLENT TRAFFIC CONNECTIONS

Lemminkäinen's marketing material

Lemminkäinen's marketing material

Finland's largest office construction site is located in the heart of Helsinki, next to the main railway line and surrounded by culturally significant buildings and spaces. We are constructing three blocks at Töölö Bay, two of which will also contain residences. Etera Mutual Pension Insurance Company is the site's developer.

Alma Media moved into its new, modern premises in December 2012, and Ahlstrom will move into the same building in February 2013. The property's adaptable office premises provide space for almost 600 employees. Two more office buildings, for KPMG and Ernst & Young will rise on neighbouring plots over the coming years.

Töölö Bay is a significant part of the cityscape and an area that must also be able to serve future generations. The designs for the new buildings were sought through an architectural design competition, which aimed to generate top-quality solutions that would consider not only the esteemed location but also environmental requirements.

All of the new office premises at Töölö Bay will comply with the criteria of the international LEED environmental certification programme. The location's excellent traffic connections will encourage residents and commuters to either use public transport or bicycles.

In 2012, we also constructed a 650-space parking facility under Finlandia Hall at Töölö Bay. The newly freed up land can now be used for the expansion of Finlandia Park, for example. The parking facility serves not only Finlandia Hall, but also the Helsinki Music Centre, the National Museum of Finland, and local residents and offices.

→ **ADDITIONAL INFORMATION**

→ **Read more 2**
You can read more about the refurbishment of the old department store in Tapiola, the Biens project on page 30.

WE REPAIR PROPERTIES THAT ARE IN USE

A growing shortage of plots increases the demand for renovation. Current building stock is being developed to better meet modern working requirements, including e.g. the more efficient use of space and the increase in remote work. Old-style cubicles are being dismantled to create open-plan offices. Technical building systems are often overhauled in conjunction with other renovations.

We have extensive experience and expertise in renovating old, prestigious properties. When renovating these sites, it's vital that the building's original style and spirit are retained. Renovation projects require profound expertise in project management, as the buildings are often at least partially in use throughout the project. As these properties are located in built-up environments, renovation work often causes traffic detours and alternative use of yard space. Both construction and work must be planned carefully, so that the renovations cause as little disruption as possible.

It is also possible to improve a property's energy efficiency in conjunction with other renovation work. This is something that property investors are paying increasing attention to. During the reporting year, we were involved in the basic renovation of Käpylä Elementary School in Helsinki, where we piloted low-energy solutions for public buildings in conjunction with the renovation. For example, thermal insulation was added to the school's façade and upper base, and quadruple-pane window glass was installed.

Some of our most significant renovation projects of 2012 were the final phase of renovations at the Kluuvi shopping centre in Helsinki and the refurbishment of the old Sokos department store in the Tapiola district of Espoo. **Read more 2**

We began the renovation of Stora Enso's historic head office, which was designed by Alvar Aalto. Its interior will be refurbished in three phases. We also carried out basic renovations at Porkkalankatu 5 in Helsinki, so that the property would better meet Accenture and Cargotec's requirements with regard to its space solutions, technical building systems and façade.

TROUBLE-FREE AND COST-EFFECTIVE THROUGHOUT THE LIFECYCLE

Technical Building Services' preventive upkeep and maintenance services help us to increase the value and lengthen the lifecycle of our customers' proper-

THE RIGHT PARTNER TO DEVELOP MINING OPERATIONS

↘CASE

We offer our customers services for mining operation design, production launches and maintenance, extending to the area's infrastructure, buildings and technical building services. We can also carry out the actual ore extraction. We continuously develop our technical expertise and offer our customers all the specialised equipment required. "We have a flexible, customer-oriented working culture combined with efficient production," says Vice President **Risto Kupila.**

In 2012, we continued to extract precious metals from gold mines in Pahtavaara, Finland, and Svartliden, Sweden. We also continued open quarrying at the Pampalo Gold Mine in Finland. We have participated in many projects at the Kevitsa Mine in Sodankylä, Finland; in 2012, we finished a contract, which included electrification of the forthcoming production plant's power installation and building electrical systems.

Successful co-operation with our largest mining industry partner, LKAB, expanded in northern Sweden. In early 2012, we agreed on three new projects: construction of a new pelletising conveyor in Svappavaara, a new tailings transport chute at the Kiruna mine, and a new exhaust purification plant at the pellet plant in Malmberget. LKAB values Lemminkäinen's extensive technical expertise, perseverance, ambition, and lengthy experience.

The outlook for the mining industry in our market areas in Finland and Sweden is interesting: several mines are planning additional investments, as ore reserves at current production depths are beginning to deplete.

CLEAN INDOOR AIR

↘CASE

We implemented the HVAC project at Seinäjoki Central Hospital's Y Building in western Finland to P1 standards – the highest class of air purity. The Y Building houses the accident and emergency department and ward, and its dialysis, X-ray and radiopharmacy facilities. Indoor air must be S1 class – very high quality. The connected premises must not have any faults or impurities that would lower the air quality. And in the radiopharmacy facilities, for example, the air pressure ratios must also remain correct under all conditions.

In addition to these purity and pressure requirements, the sheer size of the Y building posed additional challenges: 152,000 m^3 of indoor air.

"We paid particular attention to protection and work management, to ensure that ventilation ducts remained dust-free during construction work. This also required careful scheduling of the installation work. Samples were taken to verify the cleanliness of ventilation ducts, after installation," says Regional Manager **Pasi-Aatos Kari.**

ADDITIONAL INFORMATION

Read more 3
You can read more about Wisepro on page 49.

Technical expert Tero Wendel carries out maintenance work on the technical building systems at Itella's headquarters in Pasila, Helsinki to ensure a comfortable working environment.

ties. We offer an easy, cost-effective and expert way to manage the upkeep and maintenance of properties all across Finland. Our correctly timed upkeep and maintenance activities lead to more comfortable and more suitable conditions for end users. In order to ensure that on-property conditions best suit the needs of end users, we engage in discussions with the property users and owners. Optimised technical building systems also help to reduce a property's energy consumption, and regular maintenance increases the service life of equipment.

In 2012, we signed a multi-year contract with property investor Citycon for the upkeep and maintenance of properties throughout Finland. The contract includes basic maintenance, scheduled technical maintenance, and repair and alteration services to all of Citycon's major shopping centres and retail properties in Finland. We've also signed nationwide upkeep and maintenance contracts with, for example, Itella, Danske Bank and the St1 service station network.

At the beginning of 2012, we introduced our Green & Safe services, which improve the energy efficiency and electrical, fire and occupational safety of properties. Our customer co-operation begins with an up-to-date analysis, which we use to draw up a long-term action plans to improve on-property conditions. We also signed agreements with, for example, the city of Pori, Hospital District of Helsinki and Uusimaa, If, LähiTapiola, and Panda's plant in Jyväskylä, Finland. Our Green & Safe services include the Wisepro heat control system, which employs weather forecasting and improves the energy-efficiency of the building. **Read more 3**

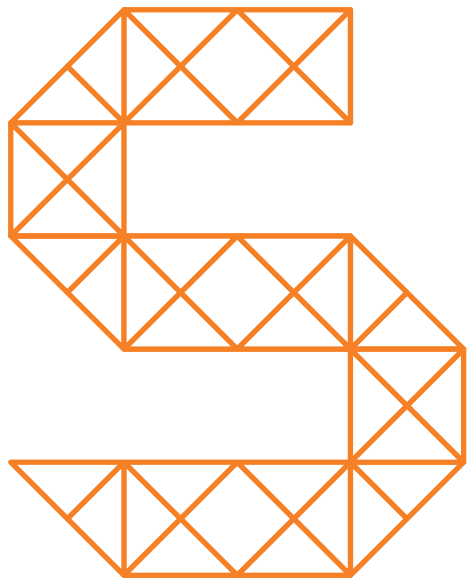
We also provide comprehensive property management services – from administration to improving energy efficiency to service chain management.

NEW MODELS OF CO-OPERATION IN PUBLIC SECTOR CONSTRUCTION

The public sector's building stock is aging, and demand for basic renovations or refurbishment of these buildings will grow over the coming years. However, public-sector investments are often hindered by a lack of funding. One solution to this funding shortage is PPP (Public Private Partnership) projects that are often based on private funding. This gives the developer the responsibility for planning, implementing and maintaining the property throughout its lifecycle. This new type of partnership approach combines both our own and our customer's expertise, so that we can find the most cost-effective way to implement the best solutions for our client's needs.

In 2012, we started a major PPP project in Oulu, which includes the design and construction of Kastelli, a community centre in the Kontinkangas district, as well as demolition of existing buildings on the site. We will also be responsible for upkeep and maintenance, and investments in basic improvements for the next 25 years.

We are involved in PPP projects in Kuopio, which encompassed the rebuilding of four schools and one kindergarten, as well as in several courthouses and police stations across Finland. ◆



SMOOTH TRAFFIC FLOW

Population concentration in urban growth centres and their increasing traffic volumes put great pressure on infrastructure. We are working with our customers to find new solutions for traffic flow management in the Nordic countries, Baltic countries and in Russia.

AS ONE of the major infrastructure constructors in northern Europe, we offer comprehensive services from the construction of road, street and rail networks to basic paving maintenance to specialised infrastructure construction.

Our most important customers are public-sector clients in Finland, other Nordic countries, the Baltic countries and Russia as well as construction firms, industry and property owners.

A CHALLENGING OPERATING ENVIRONMENT

In Finland in particular, infrastructure construction is in a transitional phase. The road network is increasingly in need of repair, and the diminishing appropriations for investments and basic road maintenance from the Finnish government must stretch further. The situation is slightly better in the other Nordic countries, where more money is being invested in overdue repairs. Read more 1

In Finland, the public administration's austerity targets are also being reflected in our clients' organisations – they have fewer resources and less experience in the procurement of demanding infrastructure projects. This makes it more difficult to design and implement the best solutions for end-users. Meanwhile uncertain goals and inadequate design can be reflected on site as quality and timetable issues. We have found that a highly competent and well-equipped client makes the best partner for a service provider – and in the case of a public sector project, also benefit taxpayers.

We believe that the industry should move away from traditional contracting and towards co-operation models that make it easier to leverage the expertise of all parties. This not only supports innovation and product and service development, it also gives rise to new ways of co-operating. We want to be involved in designing and implementing infrastructure solutions that will be sustainable with an ever-growing volume of users.

We have for many years enhanced our design management expertise, which is the basis for successful co-operation with designer engineers. We use our technical expertise and work with designer engineers to determine which of our available implementation and technology options will generate the best possible result for our customers in each and every project. We are familiar with the industry's networks, and we choose experienced and competent partners.

A LEADING PAVING CONTRACTOR

We manufacture over six million tonnes of asphalt per annum; just under a half made in Finland. This amount would be enough to pave Finland from the northernmost tip to the southernmost tip five times. In 2012, we had a good number of contracts in Finland, for municipal-sector clients in particular. After re-entering the Swedish paving market in 2011, we strengthened our market position there during the reporting year. We won several new contracts in the Stockholm and Gothenburg regions, as well as plenty of State work in central and northern Sweden. Our major contracts in Norway included the paving of Gardermoen airport and the E18 highway in Vestfold. In Denmark, we paved road networks in the Sunds and Veljen regions.

During 2012, we also strengthened our position in Russia, in which we have operated continuously since 1994. We received several basic renovation contracts for the M4 highway that connects Moscow and the Olympic host city Sochi. Our 2012 projects in the Baltic countries included the design and construction of the eastern bypass in Tartu, Estonia; the first phase of a bypass in Priekule, Lithuania; and renovation of the Riga–Ventspils section of the A10 highway in Latvia.

WE DEVELOP OUR OWN RANGE OF PAVING PRODUCTS

We offer a comprehensive service range, as we also produce the mineral aggregates and asphalt that we use to construct road, street and rail networks. We have our own mineral aggregates reserves not only in Finland, but also in Sweden, Norway and the Baltic countries. We crushed and delivered approximately 20 million tonnes of mineral aggregates during the reporting year. We export mineral aggregates to our foreign construction sites when necessary, and we also sell them to other players in the construction industry.

Our central laboratory in Tuusula is one of the leading laboratories in the construction industry in Finland. We test and measure asphalt masses, and continuously engage in R&D to improve our paving product range. We also offer expert services to other players in the construction industry. Our central laboratory is supplemented by a network of laboratories in the Nordic and Baltic countries.

We have developed, for example, quiet asphalt. This porous and granular specialised asphalt is ideal for urban areas in which speeds remain under 70 km/h. Most Finnish municipalities incorporate quiet asphalt as part of their noise prevention programmes. Although quiet asphalt is more expensive than standard asphalt in terms of its price per square metre, it is cheaper than constructing noise barriers. Denmark and the Netherlands are

6

We manufacture over 6 million tonnes of asphalt per annum.

Our partnership agreement with Finavia is based on indicators for quality and timetable reliability.

→ **ADDITIONAL INFORMATION**

→ **Read more 1**
You can ead more about our operating environment on pages 7–11.

→ **Read more 2**
You can read more about our major investments in recycled and low-temperature asphalt on page 49.

The new paving on Runway 3 at the Helsinki-Vantaa Airport exceeded quality targets and was completed ahead of schedule.

currently the largest markets for quiet asphalt, but it's hoped that the development of urban growth centres will also boost demand in other Nordic countries.

For over a decade we have developed dense asphalts that prevent hazardous substances from leaking into the soil. These pavings are well suited for dumps and production facility areas. We also make major investments in recycled and low-temperature asphalt. **Read more 2**

PUBLIC TRANSPORT SOLUTIONS

Public transport supplements a functional road network, and we also produce solutions to meet its developing needs. In the Helsinki metropolitan area, in Finland we continued excavation work at the

→ **ADDITIONAL INFORMATION**

→ **Read more 3**
You can read more about our project at Stockholm's central railway station on page 30.

CASE EXTRA CAPACITY FOR HYDROPOWER PRODUCTION

The Eikemo construction site in Kvinnherad, Norway is located 700 metres above sea level.

We are a solid partner for energy companies investing in increased capacity in power plants using renewable energy sources, particularly in Sweden and Norway. The outlook for the industry is good: the production capacities of existing power plants are being improved and dam safety enhanced, as building permits for new plants can no longer be obtained.

"Specialised expertise in both rock and foundation engineering is required in the demanding projects that are currently underway," says Executive Vice President **Henrik Eklund.** "We also have profound expertise in managing demanding and large-scale projects." Our customers also value our extensive expertise. In addition, we have specialised equipment that can be moved to wherever it is needed in the Nordic countries.

In 2012, we started a project in northern Sweden with Ångermanälvens Vattenregleringsföretag, a company in charge of regulating water flow in the River Vojmån where we are sealing and enhancing the safety of a dam. We continued the construction of a new diversion channel at Bergforsen Kraft AB's power plant in Timrå, Sweden. The channel will also improve dam safety, and in its construction we will use all the expertise of our earthworks and foundation engineers. We also continued the construction of a 5.5-kilometre water transfer tunnel for Sunnhordland Kraftlag's Eikemo hydropower plant in Kvinnherad, in western Norway. This project requires profound expertise in tunnel construction.

west metro's Koivusaari and Urheilupuisto stations. Our strong expertise in both rock and foundation engineering are combined in demanding projects. At the Otaniemi metro station, we began a technical building systems contract that includes the installation of HVAC, electrical, smoke removal, cooling and fire extinguishing systems and their associated machinery, equipment and ducts. We started another technical building systems contract in the Helsinki metropolitan area, at the Leinelä railway station on the Ring Rail Line.

We are reinforcing the foundations of Stockholm's central railway station, which have been weakened over the years by lower groundwater levels. **Read more 3**

INNOVATIVE SOLUTIONS THROUGH NEW COOPERATION MODELS

In summer 2012, an alliance between Lemminkäinen, A-Insinöörit Suunnittelu Oy, and Saanio & Riekkola Oy was chosen to design a tunnel project on the Lakeside Highway in Tampere, in Finland. This is the largest alliance project ever carried out in Finland. In an alliance, the client, contractor and design engineers work together to define the project's targets and come up with innovative solutions. Our goal is to achieve high-quality yet cost-effective results in this demanding project. Once an appropriate method of implementation has been found and unanimously approved by the alliance's executive board, we will move on to the next phase – construction. This phase is expected to begin in summer 2013.

We are seeking cost-effectiveness, speed and quality in the three-year partnership agreement we signed with Finavia in spring 2012. Our payment will be based on jointly defined indicators for quality and timetable reliability. During the first year of the agreement, we paved Runway 3 at Helsinki-Vantaa Airport. We engaged in close cooperation with our client's representatives to find the best implementation methods and the most innovative solutions. Flight safety imposes great demands on the friction, durability, density and smoothness of runway paving. Thanks to co-operation, laboratory tests and on-site trials, we found the best mixture for the asphalt mass and achieved all – and even exceeded some – of the project's quality targets. We also finished our paving work ahead of schedule.

COST-EFFECTIVE AND HIGH-QUALITY PRODUCTION

Our personnel and equipment are centralised, so that we can move resources from operating country to another as needed. We have profound expertise in developing equipment for the industry. We combine our expertise with that of equipment manufacturers, so that they can supply us with customised equipment. These equipment best suit our working methods and enable us to implement our customers' projects both cost-effectively and to high standards of quality.

We primarily work in built-up urban environments. We want to minimise the disturbance caused by our operations. Having the correct amount of equipment and personnel increases the efficiency and speed of our work. During the summer, we pave major or highly trafficked highways at night, when the traffic flows are at the quietest. In our other projects, we consider how temporary traffic detours can be best implemented. ◆

CASE

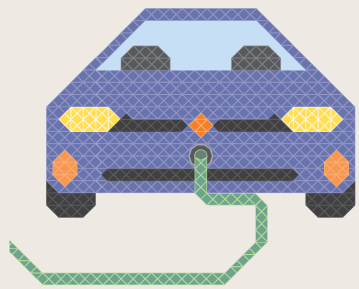
AN AWARD TO THE AURORA BRIDGE

Helsinki's Auroransilta – a bridge for pedestrians, skiers and bicycles built by us – received the RIL award in the Finnish Association of Civil Engineers' annual competition. The bridge's beautiful curved form is a groundbreaking feat of engineering and was technically demanding to implement. "Auroransilta is a post-tensioned, arched steel bridge with thin decking. Its horizontal geometry and foundations required specialised expertise," says Regional Director **Mikko Immonen.** "The construction site was situated on a very heavily trafficked street, which posed an additional challenge. We are satisfied that construction didn't cause any major disturbances, and traffic generally ran smoothly for its duration. This was achieved through careful planning and seamless co-operation between all parties engaged in the project."

Auroransilta was commissioned by the City of Helsinki Public Works Department and was designed by WSP Finland. Ruukki manufactured, installed and surface-treated the bridge's steel components.

CASE

EXPERTS IN ELECTRIC VEHICLE CHARGING SYSTEMS



The number of electric vehicles is expected to increase rapidly over the coming decades. One fundamental growth factor will be how quickly cities can establish a comprehensive network of standardised charging stations.

We are pioneers in designing, installing and maintaining electric vehicle charging stations in Finland. Our comprehensive service covers everything from charging station design and installation to any associated work required in technical building systems and infrastructure.

We also promote electric motoring through the Helsinki Metropolitan Area Electric Vehicle Test Bed (PSL), a programme involving a consortium of companies, associations and cities. We are participating in this programme as an expert in both technical building systems and the construction of properties and traffic routes. The Helsinki Metropolitan Area Electric Vehicle Test Bed is a major project aimed at developing basic infrastructure and services for electric traffic, and harnessing its rapidly increasing business opportunities. By 2015, it aims to have established a charging network in the Helsinki metropolitan area that will enable people to carry out their everyday travel using electric vehicles.

TOWARDS A SMALLER ENVIRONMENTAL FOOTPRINT

We minimise the environmental impact of our operations, use natural resources sparingly, and generate as little waste as possible. We also help our customers reduce their environmental footprint.

WE DO our best to consider both the direct and indirect effects of our operations on the surrounding community. We are aware of the environmental impact of our operations and continually seek to reduce it. This also generates business opportunities, such as recycled asphalt and our Green & Safe service for technical building services.

WE HELP OUR CUSTOMERS REDUCE THEIR ENVIRONMENTAL IMPACT

Construction has a major impact on the environment. According to studies, the built environment consumes 42 per cent of all energy and generates 38 per cent of all carbon dioxide emissions. In Finland, 60 per cent of a building's total emissions during its lifecycle are generated while it is in use. Therefore when attempting to reduce the environmental impact of both our own and our customers' operations, we seek solutions that will reduce the environmental impact during the entire lifecycle.

By optimising their technical building systems, our customers can reduce their energy consumption by up to 30 per cent.

Energy-efficient construction

The Nordic countries pay particular attention to the energy efficiency of buildings. In Finland, for example, energy-efficiency norms were tightened as of 1 July 2012. The new norms require a 20 per cent improvement in energy efficiency compared to previous standards. We consider energy efficiency requirements during design management, and we are developing our management system and quality assurance to guarantee energy efficiency. The majority of the apartment blocks built by us in Finland have been categorised as energy class A or B. In 2012 in the Kuukivi district of Espoo, Finland, we piloted an apartment-specific energy monitoring system that informs residents of their energy consumption, thereby enabling them reduce it. All of our apartments now contain apartment-specific water meters as standard.

Energy-efficiency requirements vary by market. Consumers in the Russian housing market are only just awakening to energy-efficiency requirements. Rising energy prices and growing awareness have increased interest among the middle class in particular. We co-operate with other Nordic constructors operating in Russia to promote energy-efficient construction in the St Petersburg housing market. We believe that energy-efficient solutions will give us a competitive edge in the future.

In 2012, we had four ongoing commercial projects that fulfilled LEED certification criteria, three in Finland and one in St Petersburg.

Optimised technical building systems reduce energy consumption

Technical solutions can help to minimise the energy consumed by a building while it is in use. At the beginning of 2012, we introduced our Green & Safe service, which has been very well received by our customers. When embarking on new customer relationships, we analyse their properties with regard to energy efficiency and electrical, fire and occupational safety. We use these analyses to recommend measures that will improve the energy efficiency and safety of properties. By optimising their technical building systems, our customers can reduce their energy consumption by up to 30 per cent. As part of our Green & Safe service, we also offer the Wisepro heat control system, which adjusts a property's temperature harnessing weather forecasting.

More ecological paving

We are continually developing our asphalt production with attention to environmental perspectives. We regularly track the energy consumption of our asphalt plants. Low-temperature asphalt is manufactured using lower temperatures than traditional asphalt, thus reducing energy consumption. When manufacturing recycled asphalt, we utilise milled paving. This reduces both the amount of waste and the need for raw materials.

The proper use of equipment and optimised production chain can also reduce energy consumption.

Dense asphalts, which we have developed, prevent hazardous substances from leaking into the soil.

OUR IMPACT ON OUR OPERATING ENVIRONMENT

Urbanisation is concentrating the majority of construction to an ever-smaller area. This sets challenges on the availability and transport of raw materials. Construction in urban areas requires large volumes of mineral aggregates. It is difficult to obtain permits for production areas near urban growth centres due to fears of the environmental impact. Mineral aggregates are therefore transported to construction sites over longer and longer distances, which significantly increases the environmental impact of construction. We have an ongoing dialogue with the authorities on how to solve these challenges. After the production phase, we are responsible for restoring the production area for a new purpose. We are also developing environmentally friendly after-use opportunities for our production areas.

We invest in measures to reduce the environmental impact on local communities in our production areas. We plan quarrying directions

TOTAL ENERGY CONSUMPTION, FINLAND

	2012	2011*
Direct energy consumption		
Light fuel oil, GWh	162	133
Heavy fuel oil, GWh	85	101
Natural gas, GWh	60	59
Liquefied petroleum gas (LPG), GWh **	2	n/a
Indirect energy consumption, production facilities		
Electricity, GWh	26	19
District heating, GWh ***	n/a	1.7
Total, GWh	335	313.7

All of our direct energy sources are non-renewable.
Indirect energy consumption is based on consolidated Group purchases for 2012.

* In 2011, the direct energy consumption covers only production facilities
** Liquefied petroleum gas (LPG) was added to the data for 2012
*** District heating was removed from the 2012 report, as it was used only at concrete plants

WASTE, FINLAND

	2012	2011
Production facilities		
Total volume of waste, t	2,700	1,560
Landfill/incineration, t	1,700	1,330
Re-used/recycled, t **	1,000	622
Hazardous waste, t	n/a *	154
Utilisation rate, %	38.0	40.0
Landfill rate, %	62.0	50.0
Hazardous waste rate, %	n/a *	10.0

Landfill/incineration denotes waste that is not suitable for recycling or re-use.
Re-used/recycled waste is reported as a single figure. By recycling, we mean using waste to manufacture new products, materials or substances, for either their original purpose or a new one. By re-use, we mean re-using either a product or part of a product for the same purpose as it was originally intended.
By **hazardous waste**, we mean materials that require specialised processing at hazardous waste treatment facilities.
Our **utilisation rate** shows all materials that are re-used or recycled (including those that we cannot use ourselves) as a percentage of total waste.
Our **landfill rate** shows all waste that ends up in landfills as a percentage of total waste.
Our **hazardous waste rate** shows all waste that is sent to hazardous waste treatment facilities as a percentage of total waste.

* In the 2012 figures, **hazardous waste** has been included in recycling, as it is still being re-used.

Reports do not include demolition waste and excavated materials.

** Batteries were added to 2012 reports.

CALCULATED EMISSIONS, FINLAND

	2012	2011
Scope 1, t From energy consumed and own transportation	86,100	83,000
Scope 2, t From purchased electricity and district heating*	5,700	4,600
Total CO_2 emissions, t Scopes 1 + 2	91,800	87,600

The following CO_2 emissions coefficients have been used when calculating the emissions for these forms of energy: Light fuel oil 267 g/kWh; heavy fuel oil 284 g/kWh; natural gas 198 g/kWh; district heating 220 g/kWh; diesel 265 g/kWh; and petroleum 265 g/kWh (source: Motiva).

* Electricity, purchased 220 g/kWh (source: IEA, 5-year average 2006–2010)

The coefficient for purchased electricity is obtained annually from data published by the IEA.
We have defined CO_2 as the most significant greenhouse gas. These emissions are generated by both transportation and energy consumption in our own operations.

We follow the GHG Protocol Corporate Standard guidelines, which divide emissions into three separate categories:
Scope 1 emissions cover energy consumption in Finland and all the vehicles and fuel cards that we own.
Scope 2 covers the emissions generated during the production of electricity and district heating at our facilities.
Our scope 3 coverage is currently being defined.

In addition to CO_2, we also cause environmental loading through, for example, noise, dust, vibration and odour pollution, and SOx, NOx and small particle emissions.

TRAFFIC AND TRANSPORTATION, FINLAND

	2012	2011
Energy consumption, GWh	27	25

Transportation causes CO_2, SOx, and NOx emissions, and noise and dust pollution. CO_2 emissions are reported as part of our EN 16 indicator (scope 1).

Our reporting covers our own vehicles' fuel consumption in our domestic operations. Traffic and transportation includes all vehicles used on public highways.

We reduce the environmental impact of traffic and transportation by paying attention to the optimisation and efficiency of transportation and by servicing our vehicles regularly. We avoid idling, and we choose machinery and equipment that are appropriate for the intended use. We take extra care to protect the ground on aprons, to prevent oils, fuels and solvents from contaminating the soil and groundwater.

to minimise noise. We employ the industry's best available technology and best working methods by, for example, building noise barriers and using irrigation to suppress dust. However, some investments are only feasible in large-scale, long-term production areas. When renewing our equipment, we consider factors that will further reduce fuel consumption and environmental impact.

Managing biodiversity

Mineral aggregates production and paving operations require permits in Finland. At Lemminkäinen, these permits are coordinated by a separate team that supports production. We currently have a total of about 450 mineral aggregates and environmental permits.

We were granted 29 new environmental permits for our operations in Finland in 2012. The Environment Act defines those projects that also require a separate environmental impact assessment (EIA). We were not involved with any EIA projects during the reporting year. We safeguard biodiversity with the aid of careful EIA procedures and planning.

For projects that don't legally require an environmental permit or EIA, we conduct our own environmental risk assessment. These assessments seek to predict any detrimental environmental impact, enabling us to take the necessary precautions to reduce them.

We continually monitor the impact our operations have on the environment, such as environmental damage and anomalies. To our knowledge, no serious environmental damage occurred in 2012.

Legislation in the construction industry is increasing all the time. During the reporting year, we launched a training programme on legislation in the infrastructure industry. Over 200 people took part in the training in 2012.

During the reporting year, we made environmental investments of approximately EUR 1 million to update equipment.

Recycling and re-using materials

Every year, our construction sites generate a considerable volume of surplus material, the majority of which is recyclable. For example, we recycle as much of the concrete, bricks, tiles, surplus blasted rock, metals and wood as possible. In addition, opportunities to recycle asphalt are regulated by legislation and environmental permits.

Water consumption

During the reporting year, we used an estimated 155,000 m^3 of water in paving and mineral aggregates business. Whenever possible, our construction sites use surface water, which we cannot accurately measure. Our business operations do not currently employ any processes that consume high volumes of water. We use water for dust suppression and for drilling in rock engineering.

Energy consumption

Traffic and transport consume the most energy. We primarily consume electrical energy, light and heavy fuel oils, diesel and petrol with light fuel oils being the main source of energy. Some of our asphalt plants can also use natural gas; we currently have five such plants. We have lowered the production temperature of asphalt to save energy.

Traffic and transportation

We are continually striving to optimise transportation efficiency. In Technical Building Services, we started to use a mobile system that utilises GPS. Urgent maintenance work is given to the person who is currently closest to the property. Work orders are issued by mobile, and include precise information about the task as well as the tools required. This way, we aim to reduce the number of journeys required, which has been increasing as the demand of upkeep and maintenance operations grows. We are investigating the possibility of using electrical vehicles. We currently have one pilot vehicle in use in the Helsinki metropolitan area in Finland.

We are also piloting a GPS system for asphalt transportation in infrastructure construction in the Helsinki metropolitan area. In 2013, we will extend the use of the GPS system in Finland to further optimise our transportation.

We use videoconferences to reduce business travel. In 2012, we introduced the Microsoft Lync Online messaging service, which facilitates employee contacts through instant messaging, videophone calls, and web conferences. Emissions caused by business trips are reported as part of Lemminkäinen's Green Office reporting. They account for an estimated 1–2 per cent of the total emissions caused by our operations in Finland.

We have set the emissions limit for company vehicles at 165 g CO_2/km.

Other emissions

We continually seek to reduce airborne emissions from our production facilities. We aim to employ the industry's best available technology, such as chimney filters, which reduce the volume of rock dust, sulphur, nitrogen and carbon dioxide released into the air.

ENVIRONMENTAL RESPONSIBILITY IN MANAGEMENT AND DECISION-MAKING

Our environmental activities are guided by the Environmental Protection Act, our Code of Conduct, our environmental policy, the principles of the UN Global Compact, and the Group's environmental targets and indicators. We updated the Group's environmental policy during the reporting year.

Lemminkäinen has been building up its shared environmental management model since 2010. Each company had previously employed its own practices and systems. Practices have varied across business segments, as their environmental impacts differ. We are continually seeking new ways to integrate environmental responsibility in our business development. Group-level indicators currently include energy consumption figures and the environmental impact of our production facilities in Finland. Our goal is to extend these indicators to cover project production throughout Finland and, where their information systems allow, also in our other operating countries. Every business segment monitors agreed targets in its businesses, such as energy consumption and waste volumes.

Director, environment and safety together with segment EHSQ managers is responsible for developing our environmental issues. She reports to the Executive Board member in charge of these matters.

We are also actively involved in several organisations and associations that promote legislation, responsibility, and environmental awareness in the construction industry. These include the Finnish Business Society ry (FiBS) and the Green Building Council Finland. We also engage in proactive co-operation with the Confederation of Finnish Construction Industries (RT), the Confederation of Finnish Industries (EK), the Ministry of the Environment, Finland's environmental administration, and educational institutions. ◆

↘CASE HARNESSING WEATHER FORECASTING

Our new service controls automated building systems with the aid of weather forecasting. Wisepro's control system is a Finnish innovation, and there is no comparable product suite on the market that can match its scope.

Properties are often heated and cooled on the basis of current weather data. Energy consumption is high, as building systems cannot adjust to temperature changes in time. The Wisepro system combines a property's data on real-time conditions with a 6–12-hour weather forecast, and then adjusts the automated HVAC control system in accordance with forecasted temperature changes. If the temperature is expected to rise in a few hours, there is no point in further heating the building, as its structures will have retained sufficient heat energy.

Predictive automation allows us to optimise on-property conditions and yields cost savings of 5–20 per cent in total energy consumption. This service is part of our Green & Safe services.

Systems that employ weather forecasts can be adapted in a variety of properties and spaces. Their energy-saving potential can be harnessed in both new and existing residential properties, public spaces, business and commercial premises as well as ramps.

"We intend to harness this system in all of our business segments. It is ideally suited for PPP projects. It can also be used in new residential construction projects, and for heated access routes in infrastructure construction," says Product Manager **Janne Känsäkoski,** the man behind the innovation.

↘CASE MORE ECOLOGICAL ASPHALT PRODUCTION

Our lengthy experience in paving has enabled us to develop more environmentally friendly methods of asphalt production, such as the use of recycled asphalt. We aim to continually increase its percentage of our production. Recycled asphalt saves mineral aggregates and bitumen. The use of recycled material has no adverse impact on quality. In fact, the quality of the resulting product equals that of new asphalt.

In addition to recycled asphalt, we have developed a production method that uses lower temperatures. Lower production temperatures save energy and also improve our employees' health, as the asphalt mass emits less steam at lower temperatures.

We manufacture recycled and low-temperature asphalt in all of our operating countries. The use of recycled asphalt is limited by legislation and hindered by lengthy permit application processes. During 2013, we will be focusing on increasing the production of recycled asphalt in Norway in particular.

CUSTOMER-CENTRIC CONSTRUCTION

We are extensively involved in urban growth centre construction. We want to work with our customers to develop new ways of constructing high-quality and sustainable cities.

CUSTOMERS ARE seeking more and more comprehensive services, so that they can focus more closely on their own core business. At the same time, construction projects have become more complex. Our customers are seeking partners that understand their needs and exceed their expectations.

In spring 2012, we studied the needs and perceptions of both our corporate and consumer customers in infrastructure construction, technical building services and building construction. According to the results, our customers particularly value high quality, reliable schedules, the ability to understand their needs, and competitive pricing.

The quality of customer service also has a significant impact on customer satisfaction. We hold frequent meetings with our customers throughout a construction project – we often discuss implementation options in detail early on, at the tender stage. In addition to meeting with our customers, we also keep them informed of current issues through our customer magazine and newsletters. Our advertising focuses on creating recognition for our range of solutions and services, and it complies with the guidelines of the International Chamber of Commerce ICC. Read more 1

According to our customers, we have improved particularly in customer service and customer communications.

WE WANT TO UNDERSTAND OUR CUSTOMERS BETTER

We develop our operations into more customer-centric direction. We continued to develop key customer relationships in particular, in 2012. For example, during the year, we organised meetings between our major customers and our management, and we will continue to organise these also in 2013. We use feedback from these events to improve our service and solutions to meet even better the needs of our customers. Our goal is to enhance our use of customer data as a management tool.

By working together we increase our customers' understanding. We are continually engaging in joint efforts to find new co-operation models. We hope that the industry will move away from traditional, purely price-based competitive contracting towards service provider contracts that allow and support innovation. Our experience shows that this approach achieves the best results for all parties. These types of contract include PPP and alliance-based projects. Read more 2 and 3

FACT-BASED DEVELOPMENT

In 2012, we conducted our second international NPS (Net Promoter Score) survey, which measures the probability of whether consumers, companies and public administrations will recommend Lemminkäinen. This time, the survey was extended to cover the Nordic countries and St Petersburg, in addition to Finland.

Our net promoter score rose from 20 to 29.3, which is a good result compared to Finnish companies operating in similar industries. It is also a significant improvement to achieve during a single year. According to our customers, our operations have improved particularly in customer service and customer communications. They also highlighted the quality, reliability and professional skill of our work. As in 2011, reliability and quality were factors that increased the likelihood of a recommendation in all customer groups. In addition to these, corporate and public administration customers also mentioned our professional skill and expertise.

Customer satisfaction and the NPS, one of its measures, are key performance indicators for us. We have used the autumn 2012 results to identify development areas at both the Group and business segment-level, and the Group Executive Board will follow the progress in these areas. The next NPS survey will be conducted in autumn 2013.

→ ADDITIONAL INFORMATION

→ **Read more 1**
You can read more about our stakeholders on page 17.

→ **Read more 2**
You can read more about our PPP project in Oulu on page 40.

→ **Read more 3**
You can read more about our alliance project in Tampere on page 44.

→ **Read more 4**
You can read more about our experts on page 55 onwards.

QUALITY ASSURANCE

Our customers value reliability and quality. It's vital for us to recruit the industry's top experts. We also want our experts to be motivated and to work under good leadership. Read more 4

Careful planning has a huge impact on quality. Good planning also contributes favourably to occupational safety.

Our management systems helps us to ensure that we have the required resources for every stage of the work, and that our work is completed on time and in accordance with the customer's order. We have separate, quality-certified management systems for each business segment.

In 2012, a few individual cases with lacking quality indicated for us a need for developing and implementing more unified ways of working. We began to standardise our business processes and, at the beginning of 2013, we also started the development of a shared management system. The development work aims to boost our operational efficiency and to help focus our resources into areas where they most benefit our customers. Standardised operating methods create transparency, and also support the development of environmental, occupational safety and quality issues.

When working as the main contractor, sufficient supervision ensures that our subcontractors meet our quality requirements in both implementation and documentation. If any deficiencies are observed, we take action to correct them. ◆

EFFICIENCY AND SAVINGS WITH BIM

↘CASE

A business information model is a digital representation of the data for the entire life cycle of the construction process. The use of Business Information Modelling (BIM) promotes automation, makes visualising structures easier, accelerates implementation times, and reduces mistakes and material wastage. For customers, this translates into cost savings and accuracy.

We have been using BIM for almost ten years, for example, in our PPP projects. We aim to introduce it gradually into all of our projects.

In infrastructure construction, we use BIM in machine control. In 2012, we trained 20 infrastructure industry employees to understand and use BIM and we employed BIM on many of our sites.

Lemminkäinen's Building Construction and Infrastructure Construction business segments are involved in capital investment firm RYM Oy's PRE programme (Built Environment Process Re-engineering), which seeks to create new operating methods and business models for the property, construction and infrastructure industries. This programme will continue until the end of 2013.

SAFE AND SOUND

↘CASE

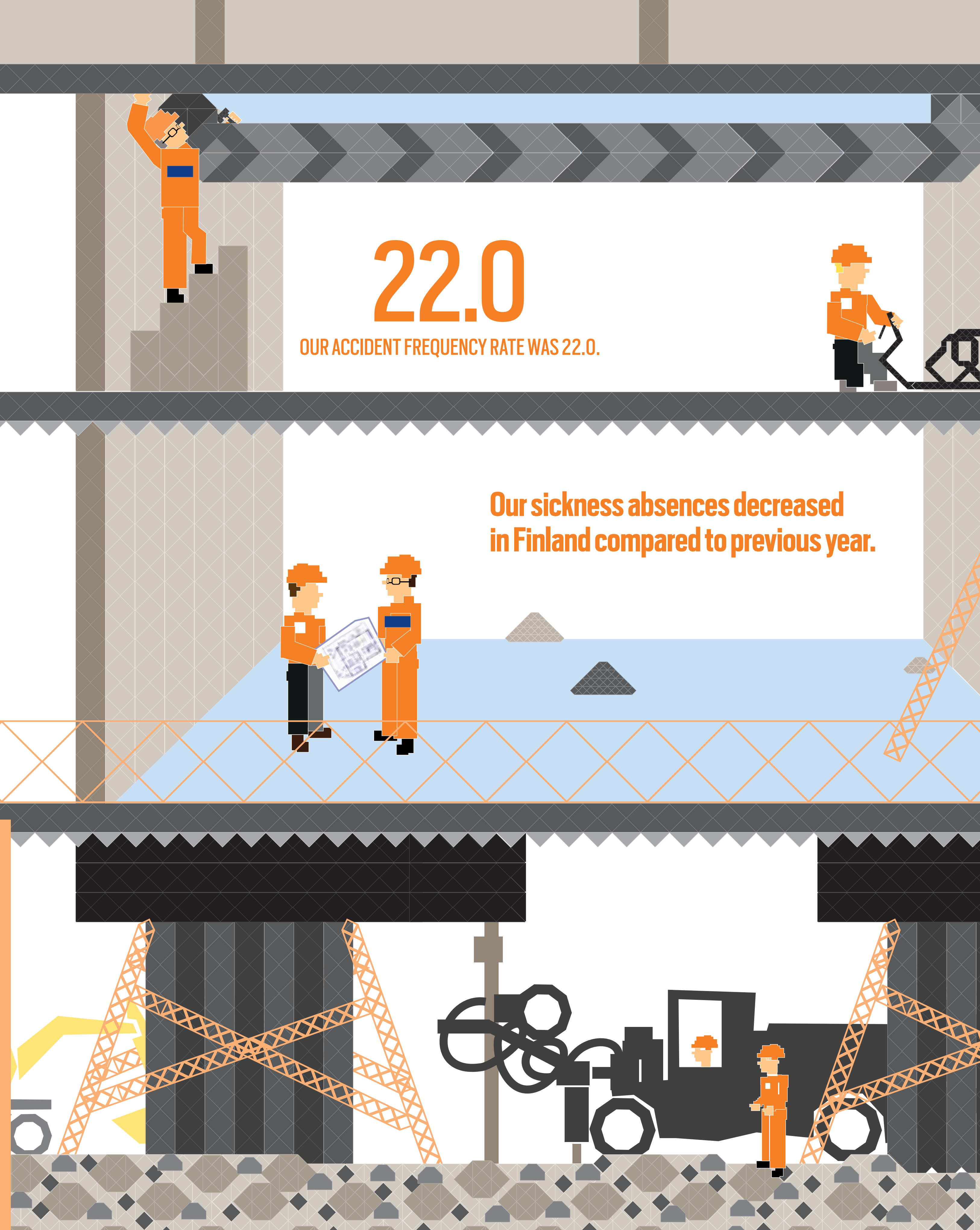
The second phase of the State Hermitage's art warehouse was completed in 2012. The Staraya Derevnya restoration, exhibition and storage complex covers 80,000 m^2 of floor space for works of art and 350 employees. We have been responsible for both the design and construction of the entire complex and its extremely demanding security and technical building systems.

The complex is located in northern St Petersburg. According to the State Hermitage Museum, it is the largest art warehouse of its kind in the world. The requirements for both its storage facilities and technical systems are extremely high.

Temperature and humidity levels can be individually adjusted in storage and laboratory areas according to the requirements of the artworks. All spaces are fitted with motion detectors, the windows with glass break detectors, and the warehouse with vibration alarm sensors. The video surveillance system has 450 cameras.

"Integrating fire and security systems into other technical building systems has been challenging, as they need to communicate with each other," says Project Manager **Kari Kangasniemi.**

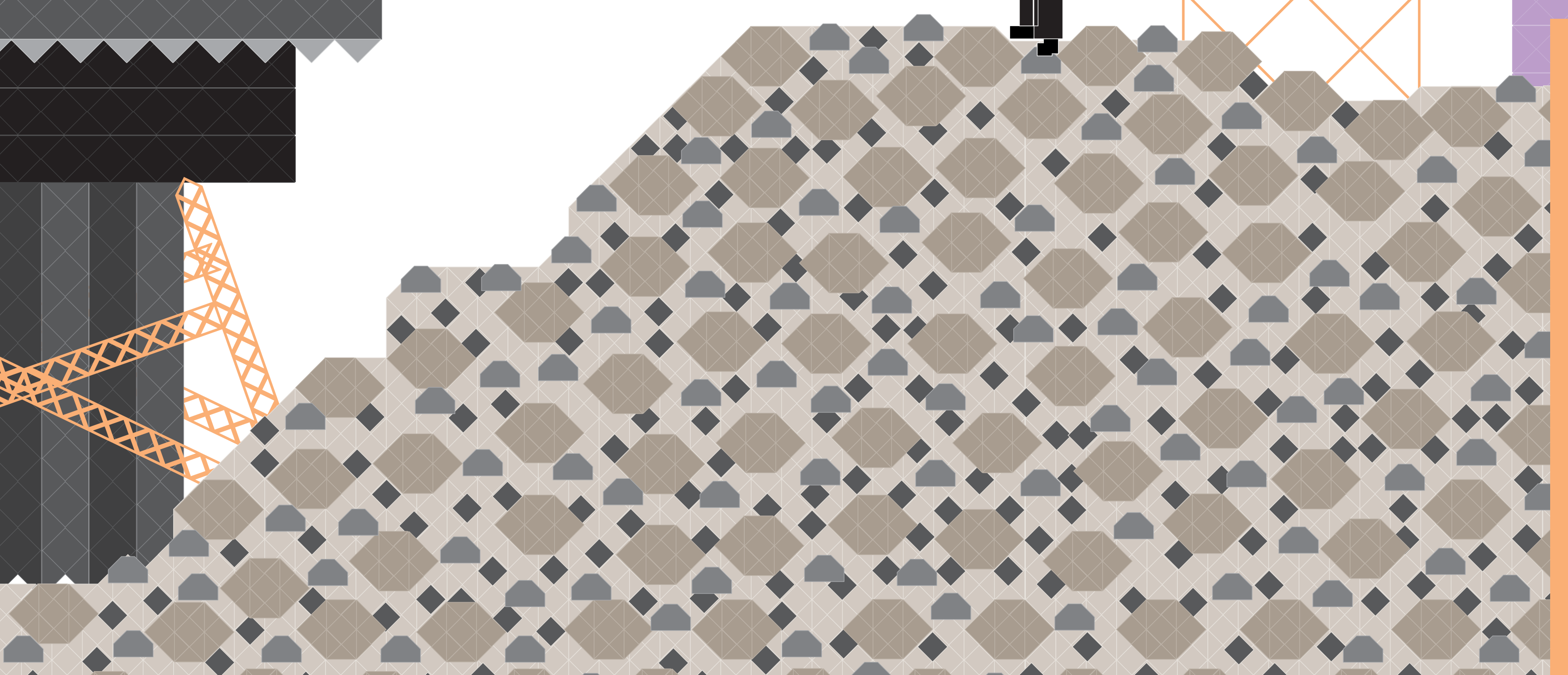
We have been involved in the construction of the art warehouse since 1990, when the complex's first construction phase began.


22.0
OUR ACCIDENT FREQUENCY RATE WAS 22.0.
Our sickness absences decreased in Finland compared to previous year.

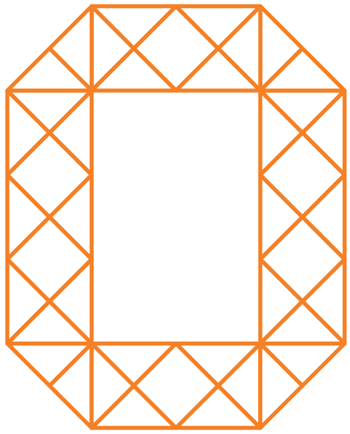
Top experts guarantee top solutions

Implementing a broad range of urban solutions requires formidable professional skills. To secure continuous development, we offer employee training in all personnel groups as well as versatile and flexible employment opportunities.

367 SUPERVISORS AND MANAGERS ATTENDED THE LEMMINKÄINEN SUPERVISORS' ACADEMY LEKA IN 2012.



Lemminkäinen's marketing material



OUR SKILLED EMPLOYEES ARE THE KEY TO OUR SUCCESS

Our goal is to be the best employer in the industry and to offer our employees opportunities to continuously develop their expertise. This is why we focus on leadership and management development work as well as improving occupational health and safety.

WE EMPLOYED in 2012 an average of 8,200 (8,400) experts in eleven countries. Our personnel headcount fell primarily due to the divestment of the concrete business in autumn 2012, and personnel reductions associated with the efficiency programme.

Our employment contracts comply with current labour legislation. In 2012, all of our hourly paid workers and salaried employees in Finland – over 91 per cent of our personnel – were covered by collective labour agreements. No collective labour agreements, nor any other collective agreements, have been agreed on with senior salaried employees and management.

Lemminkäinen has two external partners, who offer support and coaching for people who are affected by personnel negotiations and in danger of being laid off.

All of our employees' employment contracts contain a period of notice equal to at least the minimum required by labour legislation and collective labour agreements. Minimum periods of notice vary depending on the employees' collective agreements and the length of time they have worked for Lemminkäinen.

Development work on the HR management system introduced in Finland in 2011 is ongoing. The new system improves the availability and reliability of HR data, thereby facilitating business intelligence and supervisory work. Business intelligence is one of our HR themes for 2013.

EQUALITY THROUGH STANDARDISED OPERATING METHODS

Since 2009, we have been establishing shared operating methods to support HR and supervisory work. We are continually seeking ways to improve internal co-operation within Lemminkäinen. Shared, Group-wide policies and guidelines ensure that our personnel are treated equally. We have an equality action plan that was updated in early 2012. The aim of the plan is to promote equal and fair treatment. The implementation of the plan is part of day-to-day supervisory work.

With the aid of the action plan, we promote a diverse personnel structure, salary consistency, suitable working conditions and equal opportunities for career development for all our personnel. We follow the realisation of equality in our personnel satisfaction survey yearly. During 2012, we also drew up guidelines to identify and prevent workplace bullying.

In 2012, we reviewed our HR guidelines to ensure that they covered our needs for age management.

FOCUS ON GOOD SUPERVISORY WORK

Leadership has been defined as one of Lemminkäinen's key corporate responsibility aspects. We are developing supervisory work, and standardised managerial processes and operating methods. We seek employee commitment through goal-oriented leadership and competence development.

We have defined leadership competence requirements for Lemminkäinen's project managers, supervisors, managers and directors. The competence requirements specify what we want to focus on in supervisory work and management, and what kind of management best supports Lemminkäinen's strategy. The competence requirements steer managerial succession planning, recruitment, and competence development. They also act as performance indicators for project managers, supervisors, managers and directors during development discussions.

Defining leadership competence requirements also helps us to develop our high-potential process. By identifying high-potentials and undertaking career planning with them, we want to encourage employee commitment and offer them opportunities for personal development. We began segmenting high-potentials in 2012 and this work will continue in 2013.

In 2012, we arranged one international and four Finnish Management Meetings. Management Meetings aim to spark strategic debate and facilitate the transfer of best practices between operations. There were about 50 participants from senior management in each Management Meeting.

HR PLANNING HELPS US TO REACH OUR TARGETS

In spring 2012, we analysed our personnel's current competence levels and their developmental requirements. The analysis identified areas for development in operating methods, processes and rules. We also began systematic human resource planning as part of our 2013 operational planning, and we will continue to identify, among other things, competence requirements through this channel. HR planning combines HR management with business perspectives. It will help us to forecast the type of personnel and competence we will need in order to achieve our strategic targets.

WE ORGANISE CUSTOMISED TRAINING

In order to support competence development, we offer customised training to all personnel groups. Our PAKKI training programme promotes occupational safety and skills that ensure top-quality results – in short, it provides mandatory competence training. A total of 984 people attended the 85 PAKKI courses held in 2012. We also began planning the training programme for a customised Lemminkäinen Environmental and Safety Card.

367 supervisors and managers attended the Lemminkäinen supervisors' academy LEKA during the reporting year. A total of 1,002 supervisors have taken part since courses began in 2010. The programme has been very well received among supervisors. In particular, supervisors value the training's networking opportunities, which increase co-operation between different businesses. During LEKA training, supervisors also go through the Group's shared operational guidelines, such as the Code of Conduct and equality action plan, as they are responsible for their implementation.

To supplement LEKA, we also offer additional coaching under the VIILA programme, which provides courses in any competence requirements identified during HR planning. In 2012, for example, we organised training in finance and sales. We arranged a total of 39 VIILA courses with a total of 666 participants. We also offer our personnel the chance to take other trainings organised by our external partners as required.

WE SUPPORT COMPETENCE BUILDING

In 2012, we planned a mentoring and master-journeyman model to transfer expertise. The first mentoring and master-journeyman pairs will begin a several-month programme in 2013. During the programme, an experienced expert (the mentor or master) will advise, support and advance a less-experienced colleague who is eager to develop his or her skills. The programme will help further the professional skills and career development of the mentee or journeyman, as well as the transfer of expertise and tacit knowledge. It will prepare new people

We seek employee commitment through goal-oriented leadership and competence development.

for positions that cannot be filled by those coming directly from educational institutions. Mentoring is aimed at salaried employees, while the master-journeyman model is for hourly paid employees.

We encourage job rotation and task exchanges within Lemminkäinen. We also engage in cross-segment succession planning for high-potentials and management. Our internal mobility policy seeks employee commitment through new career paths and opportunities for personal development.

For us, development discussions are an important management tool. They help us to set personal and team targets, monitor the achievement of these goals, and evaluate the need for competence and career development. In 2012, we improved the scheduling of development discussions in relation to incentive and scorecard processes to be carried out in.

In Finland, we established standardised operating methods for individual and group development discussions for hourly paid employees. In spring 2012, we piloted a group development discussion with infrastructure construction workers. These provided valuable feedback on, for example, how we can improve job rotation and occupational safety.

SATISFIED EMPLOYEES

We measure our personnel's job satisfaction annually using a personnel survey, the results of which are compared to the industry average. All Lemminkäinen employees can take part in the survey. The 2012

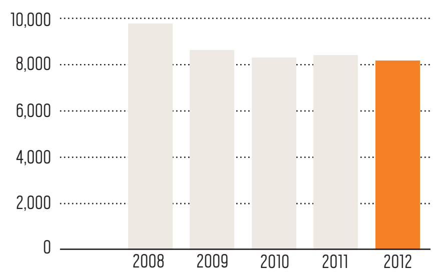
PERSONNEL TURNOVER, FINLAND, PERMANENT EMPLOYEES

PERSONNEL TURNOVER, FINLAND, PERMANENT EMPLOYEES	%
Personnel turnover (outgoing)	
Employments ended / number of personnel at 31 Dec.	12.0
Personnel turnover (incoming)	
Employments began / number of personnel at 31 Dec.	7.5
Average personnel turnover	
Employments ended and began / 2 / number of personnel at 31 Dec.	9.8
Reason for departure (permanent personnel) by category, %	
Due to retirement	14.1
At own request	52.3
Employer ended	33.2
Due to death	0.5

Due to the seasonal nature of our business, the number of our employees varies monthly and is at its lowest level at the end of the year.

AGE DISTRIBUTION, FINLAND

PERSONNEL ON AVERAGE



CASE

OVER A HUNDRED NEW UPKEEP AND MAINTENANCE PROFESSIONALS

In order to meet growing demand, in late 2012 we sought over a hundred new professionals for technical building services' upkeep and maintenance tasks across Finland. There were open positions for maintenance managers and installers in all areas of technical building services.

In addition to technical expertise, upkeep and maintenance tasks require good customer service skills. "It's a continuous dialogue with customers and end users aimed at further improving our level of service," says Executive Vice President **Marcus Karsten.**

For the first time, we made extensive use of social media, such as Facebook, in our recruitment campaign. The campaign was extremely successful and we received about 2,500 applications. Among those, we have hired 100 new experts by the end of February 2013.

response rate improved clearly on 2011, rising from 49 to 68 per cent, which can be considered a good achievement. Overall satisfaction also rose slightly. In 2012, the employees were offered an opportunity to respond to the survey at specially arranged sessions at work. This helped to raise the response rate among hourly paid employees in particular.

According to the results, our strengths lie in our close-knit working communities, occupational safety and well-being, and responsibility. A noticeable improvement was in responsibility issues in particular. The quality of supervisory work has also improved, as has employees' experience of equality. All supervisors with at least five employees received a report on their team's survey results as well as on their own supervising work. There were 485 such supervisors in 2012.

The survey pinpointed areas for development, such as co-operation between units and personal work management. The weakest scores were recorded in, for example, workload organisation, overlapping tasks, and opportunities for employees to use their skills and take responsibility. Change management and development discussions also require further development.

SUPERVISORS PLAY AN IMPORTANT ROLE

Our 2012 goal was to achieve at least a ten-per-cent improvement in our personnel survey's change management index. However, we achieved an improvement of only 5.13 per cent. Based on this result, we have set a new area for development: clarification of supervisors' roles in, for example, communications, target setting, and change management.

We encouraged supervisors to go through the results of the survey with their teams. Our monitoring indicates that more teams had discussed the results and drawn up development plans based on the issues identified.

We use the results of the personnel survey to set clear targets for our key areas of development. We draw up an action plan, usually as part of a unit's action plan, and actively monitor its implementation.

A GOOD EMPLOYER ATTRACTS EMPLOYEES

The results of the personnel survey help us to develop our internal employer image. The survey indicated that salaried employees are more satisfied with Lemminkäinen as an employer than hourly paid employees. In 2013, we will be focusing on improving the job satisfaction of hourly paid employees.

We monitor our external employer image through annual employer image surveys. According to a survey carried out by an external partner, almost 90 per cent of the respondents know Lemminkäinen as an employer. We were ranked as the most interesting employer in 2012 among vocational degree students interested in the construction industry. In contrast, university students and vocational graduates found Lemminkäinen to be a less interesting employer than its competitors. We will focus on this matter in the future.

In 2012, we participated in nine recruitment events. We co-operate with Vetovoima ry, an association that aspires to make the construction and property service industry more appealing to young people, and to improve the availability of training and labour in the industry.

DIVERSE CO-OPERATION WITH EDUCATIONAL INSTITUTIONS

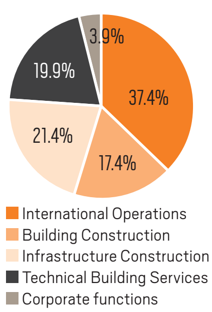
We support the activities of construction industry student organisations. At the beginning of 2013, we launched a co-operation campaign with these organisations, in which we familiarise construction industry students with Lemminkäinen and our operations.

We have analysed the most important educational institutions that we want to co-operate with in order to find suitable trainees and summer employees. In late 2011, we conducted a questionnaire with these educational institutions to find out what kind of co-operation they were hoping for. We also have a variety of co-operation agreements through which we seek to offer a certain number of trainee positions to students every year. In summer 2012, Lemminkäinen had about 400 summer employees working in Finland.

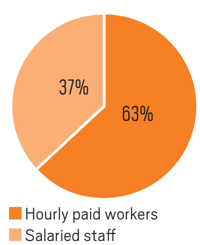
Dozens of student groups visit every year our construction projects to learn more about them. Lemminkäinen employees also visit vocational institutes and universities as guest lecturers.

We have our representatives on the advisory boards of these institutions. Their role is to highlight competence requirements of the construction industry, talk about changes in the industry, and listen to current news from educational institutions.

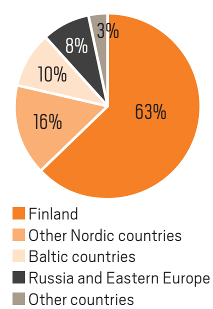
PERSONNEL BY BUSINESS SEGMENT



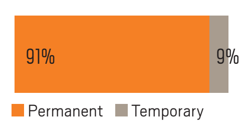
PERSONNEL BY EMPLOYMENT GROUP



PERSONNEL BY MARKET AREA



PERMANENT AND TEMPORARY EMPLOYMENT, FINLAND, AT 31 DEC.



FULL-TIME AND PART-TIME EMPLOYMENT, FINLAND, AT 31 DEC.

→ **ADDITIONAL INFORMATION**

→ **Read more 1**
You can read more about occupational health and well-being on page 60.

We have also started the planning of our own trainee programme. In addition Lemminkäinen personnel, representatives from educational institutions and students have been involved in its design.

CONSISTENT REMUNERATION

We want to compensate our personnel for their work consistently, fairly, and with straightforward practices. Remuneration affects personnel motivation and commitment, and it can also be used to develop our employer image.

We have developed and standardised our remuneration practices, so that they conform to our values and support the implementation of our strategy. Since 2000, we have been using a remuneration system for salaried employees that utilises competence classification. Hay Job Evaluation methodology is being used to classify the tasks of management and senior salaried employees. We evaluated the majority of these tasks during 2012. We also employ competence classification in succession planning and to identify wage distortion. Our salary comparison in Finland is based on an annual salary comparison survey that we participate in.

All of our salaried personnel in Finland fall within the scope of an annual performance-based incentive scheme or project-specific incentive scheme. We offer not only monetary remuneration, but also a variety of other benefits relating to, for example, occupational healthcare and exercise. **Read more 1**

We also offer opportunities for flexible working hours and remote work. ◆

Riku Korpinen spent his fourth summer at Lemminkäinen in 2012.

ENJOYABLE WORK EXPERIENCE FOR SUMMER EMPLOYEES ↘CASE

In 2012, we invested extra in providing our summer employees with a useful and enjoyable work experience. For example, our summer employees had their own Facebook group where they could chat and get to know each other. In order to improve the appeal of the construction industry among students, we made a video presenting summer employees' tasks. We also took part for the second time in the Responsible Summer Jobs (Vastuullinen kesäduuni) campaign, which encourages employers to offer young people more – and better – summer jobs. In 2013, we are a partner company for the campaign. The campaign eases the entry of the youth to the working life by expanding their work experience and promoting the learning of the rules of the working life.

We received feedback on summer employees' experiences at Lemminkäinen through both the questionnaire we send every summer employee when they leave and the campaign's questionnaire. The summer employment experiences with us were good overall, and almost all respondents were ready to return to Lemminkäinen for summer employment. Based on the results, we will be paying particular attention to the role of supervisors in 2013.

Improved occupational health and well-being through **the early support model**

In recent years, our focus in occupational health and well-being has been on the early support model for working capacity, which helps us to improve the well-being and lengthen the careers of our personnel.

THE MAJORITY of people in the construction industry work in physically demanding conditions on construction sites. This leaves our personnel susceptible to occupational diseases and injuries, and it increases the risks for work incapacity and early retirement. We therefore make considerable investments in occupational healthcare and promoting well-being at work. In particular, we focus on preventive measures and identifying potential risks at an early stage. We believe that healthy and contented employees accomplish the best results and are satisfied with their work.

Our occupational healthcare is arranged in accordance with local operating mode in each of our operating countries. Practices differ with regard to, for example, compensation during sickness absences. We seek to identify the best practices for promoting occupational health and well-being, and to share them across country borders as Lemminkäinen's way of working. During 2012, we started to build co-operation network between HR units in different countries. Shared operational guidelines, among other things are used to transfer best practices. For example the anti-intoxicant policy, equality action plan and guidelines in workplace bullying are common throughout the whole Group.

CLOSE CO-OPERATION BETWEEN SUPERVISORS, EMPLOYEES AND OCCUPATIONAL HEALTHCARE

The early support model is one of our primary tools in promoting well-being at work in Finland. This benefits not only the employer and employees, but also society in general, as it lengthens careers. The early support model requires our supervisors to actively participate in maintaining the occupational health and well-being of personnel. For instance, we have a half-day-long coaching programme to support supervisors and provide them with the tools required to implement the early support model. The training covers, for example, intervening in

Consturction worker Paavo Pohjola and blasting expert Jarno Honkakoski work in physically demanding conditions. Our work in promoting occupational health and well-being can be seen in, for example, a reduction in sickness absences.

ABSENCE DUE TO SICKNESS %, IN FINLAND	2012	2011	2010
All personnel	**3.60**	3.80	3.89
Salaried employees	**1.81**	1.84	1.82
Hourly paid employees	**4.68**	4.93	5.10
Corporate functions	**2.85**	2.43	2.46
Building Construction	**3.19**	3.29	3.55
Infrastructure Construction	**2.77**	2.87	2.89
Technical Building Services	**4.99**	5.40	5.54
International Operations, personnel on the payroll in Finland	**0.94**	1.94	-

The early support model, professional rehabilitation, and co-operation with the occupational health-care unit produce noticeable results.

sickness absences and reacting to changes in working capacity. By the end of 2012, 90 per cent, i.e. 938 supervisors in Finland, had taken the training, which was launched in 2010.

We have achieved good results through this training and the active participation of our supervisors. Occupational healthcare and well-being units are receiving lots of contacts from supervisors and, for example, the number of occupational healthcare consultations are rising. During a consultation, the employee and supervisor will discuss solutions for supporting working capacity together with occupational healthcare. We offer our employees the opportunity to retrain or help them to reorganise their current tasks with the help of coaching if needed. In the Technical Building Services business segment, for example, installers have become tender calculation officers and thus utilised their old expertise in a new profession.

We will also continue to develop the early support model. As of 2013, as a continuation to the working capacity training, we are organising new kinds of occupational well-being management courses for supervisors. These one-day courses will cover occupational safety, health and well-being issues. In addition, we will organise working capacity training with the content tailored to the participants' wishes.

WE MONITOR OUR PERSONNEL'S HEALTH

Regular monitoring helps us to evaluate the risks associated with our personnel's working capacity and implement preventive measures in the required areas. We conduct a Sante health survey as part of health check-ups and comprehensive healthcare. According to the survey, our personnel's greatest health risks are excess weight, diabetes, sleeping disorders, alcohol and smoking. The most common symptom predicting working incapacity is musculoskeletal disorders. Our healthcare unit offers support in solving health problems either individually or in groups. During the reporting year, we had three new ASLAK groups, one of which was for supervisors and salaried employees, and two were for employees. ASLAK is the Social Insurance Institute of Finland's early rehabilitation for minor health problems. Lemminkäinen also continued its own professional rehabilitation group, which began in 2011.

The early support model, professional rehabilitation, and co-operation with the occupational healthcare unit produce noticeable results. In 2012, Lemminkäinen Group's sickness absences decreased in Finland compared to previous year.

The Group's personnel survey also monitors well-being. If survey results indicate a problem that needs to be addressed, e.g. workplace bullying, in any working community, we organise a review. At an employee's or supervisor's request, the occupational healthcare unit will also conduct targeted reviews of working communities in which there have been problems with coping at work. During these reviews, everyone works together to find solutions to these challenges.

WE ENCOURAGE OUR PERSONNEL TO EXERCISE

As part of our occupational well-being services, we support our personnel's leisure-time exercise in many ways. We offer all of our personnel in Finland an exercise card that can be used at 450 contract exercise facilities around Finland. The exercise card is worth up to EUR 240 per person per annum. Our personnel can also participate in sponsored sports events as specified in the annual plan.

We offer all our employees in Finland the chance to evaluate their fitness through walking and muscle condition tests. Identifying our employees' basic condition makes it easier to plan an exercise programme with personal goals.

We employ several different methods to motivate exercise-passive employees to engage in exercise.

The goal for our 2013 exercise programme is to enhance communication so that information about events and campaigns also reaches all of our on-site personnel in a timely manner.

PAYING ATTENTION TO ERGONOMICS

Correctly performed tasks, correct working positions, and using the right tools all support occupational health and coping at work. We will also be focusing on improving ergonomics in 2013. At a couple of our sites we will be piloting an on-site break-time exercise programme, which helps the body recover from work strain. We train programme trainers among our own employees. The aim is to extend the break-time exercise programme to all of our Finnish sites. ◆

CASE

FLEXIBILE SICKNESS ABSENCE PRACTICES

Our supervisors can grant their employees 1–3-day sickness absences without a doctor's certificate. Permission can be granted for contagious diseases that usually pass within a few days without treatment. This approach, which is rare is the construction industry, is based on our early support model. It covers all employees in Finland, regardless of unit, municipality or position.

"Supervisors have been able to grant short sickness absences since the beginning of 2011, and this practice has worked well for us. Mutual trust between supervisor and employee is vital. We monitor sickness absences and intervene at an early stage. When an employee's sickness absences exceed Lemminkäinen's agreed limits, their supervisor will be informed. The supervisor must then evaluate whether there is a need to discuss the employee's sickness absences with them and initiate further action," says **Tiina Mellas**, Executive Vice President, Human Resources and IT.

This practice has been well received at Lemminkäinen both by supervisors and employees.

Upkeep and maintenance professionals often work alone or in pairs. If one of Maintenance Manager Harri Helenius' team calls in sick, Harri arranges for a stand-in to visit the customer.

CASE

MOTIVATION TO EXERCISE

Our joint exercise campaigns promote physical exercise and support team spirit at the workplace. We also want to motivate employees who get little exercise.

Our 2012 campaigns in Finland included From Walking to Running groups in several municipalities. The groups exercised together, and participants received coaching in correct running techniques.

Employees were encouraged to engage in daily exercise during the autumn's Steps campaign. 135 Lemminkäinen employees took part in the Finnish Sport for All Association's nationwide campaign, in which they competed both individually and in teams to see who took the most steps.

We also offered our personnel instruction in specific sports, such as golf and gym use. Our employees can participate in two sponsored sports events per annum, including the Finlandia Ski Marathon and a variety of running events.

"Our personnel's well-being is important. Exercise helps us to stay in good physical and mental condition, both at work and in leisure time," says Occupational Health Manager **Maarit Järvinen.**

90%

By the end of 2012, 90 per cent of our supervisors in Finland had taken the early support model training.

EUR 240

Lemminkäinen promotes its personnel's health by giving each employee an exercise card worth EUR 240 yearly.

TOWARDS THE ZERO-ACCIDENT TARGET

Occupational safety is at the core of our operations, as our personnel's well-being is both a critical value and part of our employer image. Our accident frequency for the reporting year was 22.0 (excluding operations in Russia). Even though this figure represents a reduction on last year, we are constantly striving to improve occupational safety and continue this favourable trend. We believe that we can achieve our target of zero accidents.

THE GROUP'S Executive Board regularly monitors both accident frequency and the measures taken to improve safety. As of 2013, we will monitor accident frequency statistics for entire sites, including subcontractors. Occupational safety is also reported to Lemminkäinen's Board of Directors. The business segment management teams review occupational safety and accident frequency at their meetings and also discuss every serious accident. By analysing accidents and their causes, as well as the safety observations of our employees, we can take preventive measures and enhance safety.

WE FACILITATED COMMUNICATION AND SAFETY OBSERVATIONS

We are continually seeking ways to promote and facilitate a natural dialogue between employees and management, thereby further improving occupational safety. At the end of the reporting year, we introduced regular weekly meetings on our sites in Finland. Current safety issues are discussed at these weekly meetings, which are attended also by our subcontractors. This practice was extended to our other operating countries in January 2013.

During the reporting year, we made it easier to make safety observations by introducing an electronic reporting system in all business segments. This system will be supplemented with a text message application in 2013.

WE DEVELOP WORKING METHODS AND PROTECTIVE EQUIPMENT

Personal protective equipment, including a helmet, safety footwear and work clothes, are mandatory on all of our construction sites. These rules also cover contractors working on our sites. The introduction of protective gloves, for example, has significantly reduced the number of cuts to the hands. We pay continual attention to other fundamental principles, such as ensuring that all machines and tools are appropriately switched off before maintenance and repair.

The Group's accident frequency (excluding operations in Russia) for the reporting year was 22.0. The direction is downwards, and we are satisfied with this development, even though we still have a way to go to reach our target of zero accidents by 2020. During the reporting year, there occurred two fatal accidents at our sites. In the first one, the victim was a rental worker in Finland, and in the other one our own employee in Lithuania. Both of these extremely unfortunate cases are still under investigation by the authorities. In addition, a EUR 30,000 corporate fine was imposed us for a breach of occupational safety that caused a fatal accident on our site in 2009.

CO-OPERATION OF ALL PARTIES

Management, employees, safety managers and the industrial safety organisation share responsibility for ensuring day-to-day safety in Lemminkäinen's operations. Director, Environment and Safety is responsible for coordinating the Group's safety issues and developing expertise across segment borders. Business segment's EHSQ managers meet regularly under her leadership to develop our operations and share best practices. She reports to the Executive Board member in charge of these matters. Each of our operating countries has its own occupational safety managers. We updated our occupational safety policy in 2012.

Our goal is to establish a Lemminkäinen safety forum to promote the sharing of best practices across our operating countries. Industrial safety committees enable all employees to have a say in issues relating to occupational health and safety in their workplace. A joint meeting of all of the Group's industrial safety committees is held once a year.

We are committed to the shared occupational safety principles of the Confederation of Finnish Construction Industries (RT), which aims to accelerate the industry's progress towards the zero-accident target. As part of this commitment, we promise that an accident-free site is a matter of honour, that we will systematically improve occupational safety, and that we will compile statistics and report accidents in accordance with the shared guidelines. In addition to the Confederation of Finnish Construction Industries RT, we are also involved in other associations that promote safety and share practical experiences in the industry.

We invest in occupational safety training for our personnel, as we believe it reduces the risk of accidents. In addition to the industry's mandatory safety training, occupational safety is also part of our LEKA and PAKKI training programmes. Read more 1 ◆

→ **ADDITIONAL INFORMATION**

→ **Read more 1**
You can read more about our LEKA and PAKKI training programmes on page 56.

Lemminkäinen's marketing material

↘CASE A YEAR WITHOUT ACCIDENTS IN TAMPERE

We have clear targets for occupational safety and we monitor the development of safety and the accident frequency rate on every site. We are especially pleased to have achieved a 12-month, accident-free period at our building construction sites in Tampere, Finland, in 2012.

"Area and regional management's support for occupational safety has been vital in achieving this good result. OSH delegates have also played a significant role. Everyone has genuinely taken occupational safety on board as a shared concern. We have enhanced occupational safety training for summer trainees and other temporary employees," says Quality and Development Manager **Aleksi Viljanen.** "In addition, we have visited other construction sites across area and company borders together with OHS delegates. During these visits, we have exchanged thoughts, related experiences, and shared best practices," says Viljanen.

Several other places in Finland also achieved 12-month accident-free periods in building construction during the reporting year: Rovaniemi, Lahti, Hämeenlinna, Kajaani, and Kauhajoki. These results prove that our zero-accident target is attainable.

↘CASE OCCUPATIONAL SAFETY OBSERVATIONS VIA TEXT MESSAGE

We found an additional use for the mobile system that had previously been used by Technical Building Services to send work orders and log hours – risk analysis. "During the reporting year, maintenance personnel sent about 32,000 risk evaluations to the occupational safety organisation via their mobile phones. Of these, 64 per cent proved to be genuine risks that were then taken into consideration before work began. Technical Building Services' accident frequency fell from 63 to 41 during the reporting year, and in all likelihood at least some of this improvement stems from active use of the mobile system," says Occupational Safety Manager **Tapio Nieminen.**

In 2013, we will be introducing the text message application in our other business segments as well. Every employee will then be able to send observations on safety deficiencies and dangerous places directly from construction sites – complete with photos. Our goal is to lower the threshold for intervening in occupational safety risks.

SAFETY OBSERVATIONS COLLECTED DURING THEME WEEK

↘CASE

In September 2012, we held our second occupational safety week at all of our construction sites. Our aim was to highlight safety risks, thereby reducing serious accidents and everyday hazards. During the week, we encouraged our personnel to think about their own and their co-workers' well-being and the safety aspects of their tasks, and to get actively involved in improving occupational safety. On-site events, such as demonstrations and tests of personal protective equipment, were also arranged. We paid particular attention to working methods, fall protection, preventive measures, and a tidy working environment.

We received almost 1,000 written safety observations and identified risks from different sites. Over a hundred one-on-one or group interviews were conducted on site, and about 130 safety rounds were made. Our occupational safety organisation went through all of the observations and used them to plan further measures. One of these measures was the introduction of weekly meetings, for both our own and our subcontractors' employees. In these meetings, safety issues are always on the agenda. We also noticed that we need to enhance our occupational safety communication and to continue focusing on the use of personal protective equipment.

Group management visited a number of construction sites during the safety week. Our safety theme week is an annual event.

ABSENCE DUE TO ACCIDENT %, FINLAND	2012	2011	2010
All personnel	0.24	0.32	0.47
Salaried employees	0.06	0.08	0.03
Hourly paid workers	0.34	0.49	0.73
Corporate functions	0.04	0.01	0.02
Building Construction	0.32	0.32	0.57
Infrastructure Construction	0.17	0.26	0.27
Technical Building Services	0.23	0.44	0.65
International Operations, Personnel on the payroll in Finland	0.18	0	-

ACCIDENT FREQUENCY RATE	2012	2011	2010
Lemminkäinen Group *	22.0	n/a	n/a
Lemminkäinen's domestic operations	28.7	35.4	32.1
Corporate functions	3.9	0	2.5
Building Construction	33.1	34.3	33.9
Infrastructure Construction	18.4	17.4	17.8
Technical Building Services	41.1	62.6	52.5
Fatal accidents	1	0	0
International Operations *	5.1	n/a	n/a

Absences due to sickness or accident: Absences in 2010–2012 have been calculated on theoretical, regular working hours.
Accident frequency rate: x accidents / million working hours resulting in an absence of more than one day. Includes own staff.
* Operations in Russia are not included in 2012 reports.

INDEPENDENT ASSURANCE REPORT *

TO THE MANAGEMENT OF LEMMINKÄINEN CORPORATION

We have been engaged by the Management of Lemminkäinen Corporation to perform a limited assurance engagement on the numeric information on economic, social and environmental responsibility for the reporting period January 1, 2012 to December 31, 2012, disclosed in the annual report 2012 of Lemminkäinen Corporation (hereinafter "Responsibility Reporting").

MANAGEMENT'S RESPONSIBILITY

The Management of Lemminkäinen Corporation is responsible for preparing the Responsibility Reporting in accordance with the Reporting criteria as set out in the Lemminkäinen Corporation reporting instructions and the Sustainability Reporting Guidelines of the Global Reporting Initiative (version 3.0).

PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a conclusion on the Responsibility Reporting based on our work performed. Our assurance report has been made in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Lemminkäinen Corporation for our work, for this report, or for the conclusions that we have reached.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the Responsibility Reporting has not been prepared, in all material respects, in accordance with the Reporting criteria.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other disclosures in the Responsibility Reporting. The procedures selected depend on the practitioner's judgement, including an assessment of the risks of material misstatement of the Responsibility Reporting. Our work consisted of, amongst others, the following procedures:

- Interviewing senior management of Lemminkäinen Corporation
- Visiting the Head Office of Lemminkäinen Corporation as well as three sites in Finland
- Interviewing employees responsible for collection and reporting of the information presented in the Responsibility Reporting at the Lemminkäinen Group level and at the different sites where our visits took place
- Assessing how Lemminkäinen Group employees apply the Lemminkäinen Corporation reporting instructions and procedures
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis
- Testing the consolidation of information and performing recalculations on a sample basis.

CONCLUSION

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the Responsibility Reporting has not been prepared, in all material respects, in accordance with the Reporting criteria. Our assurance report should be read in conjunction with the inherent limitations of accuracy and completeness for corporate responsibility information. This independent assurance report should not be used on its own as a basis for interpreting the performance of Lemminkäinen Corporation in relation to its principles of responsibility.

Helsinki, 7 March, 2013

PricewaterhouseCoopers Oy

Sirpa Juutinen
Partner
Sustainability &
Climate Change

Maj-Lis Steiner
Director, KHT
Sustainability &
Climate Change

* Translation from the Finnish original

GRI TABLE AND GLOBAL COMPACT INDEX

We have declared that our reporting is compliant with Application Level B+ of the GRI G3 Guidelines. PricewaterhouseCoopers Oy has checked our reporting and has confirmed it is compliant with Application Level B+.

● Fully reported ● Partly reported ● Not reported

GLOBAL COMPACT		GRI CONTENT	INCLUDED	PAGE	REMARKS
		1. Strategy and Analysis			
	1.1	CEO's statement	●	3	
	1.2	Key impacts, risks and opportunities	●	7-9	
		2. Organizational Profile			
	2.1	Name of the organization	●	front inner cover	
	2.2	Primary brands, products and services	●	front inner cover, 10–11	
	2.3	Operational structure	●	10–11, 22–23	
	2.4	Location of organization's headquarters	●		www.lemminkainen.com/contact_information, the company's headquarters is located in Helsinki
	2.5	Number of countries and location of operations	●		Number of major operating countries is 8: Finland, Sweden, Norway, Denmark, Russia, Estonia, Latvia and Lithuania
	2.6	Nature of ownership and legal form	●	71	
	2.7	Markets served	●	10–11	
	2.8	Scale of the reporting organization	●	1	
	2.9	Significant changes regarding size, structure or ownership	●	16	
	2.10	Awards received in the reporting period	●	45	
		3. Reporting Principles			
		Report profile			
	3.1	Reporting period	●	15	
	3.2	Date of most recent report	●	15	
	3.3	Reporting cycle	●	15	
	3.4	Contact point for questions regarding the report	●		www.lemminkainen.com/contact_information
		Report scope and boundary			
	3.5	Process for defining report content (materiality, prioritizing topics and stakeholders using the report)	●	15–16	
	3.6	Boundary of the report	●	16	
	3.7	Limitations on the report's scope or boundary	●	16	
	3.8	Basis for reporting subsidiaries, joint ventures, leased facilities, outsourced operations and other entities affecting comparability	●	16	
	3.9	Data measurement techniques and bases of calculations	●	16	
	3.10	Explanation of re-statements	●	16	
	3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods	●	16	
		GRI content index			
	3.12	GRI content index	●	68–70	
		Assurance			
	3.13	Assurance policy and practice	●	16, 67	
		4. Governance, Commitments and Engagement			
		Governance			
	4.1	Governance structure of the organisation	●	71–75	
	4.2	Position of the Chairman of the Board	●	72–73	
	4.3	Independence of the Board members	●	72	
	4.4	Mechanism for shareholder and employee consultation	●	71–72	
	4.5	Impact of organisation's performance on executive compensation (inc. social and environmental performance)	●	76–77	
	4.6	Processes for avoiding conflicts of interest	●	72	
	4.7	Processes for determining Board members' expertise in strategic management and sustainability	●	75–79	
	4.8	Implementation of mission and values statements, code of conduct and other principles	●	15	
	4.9	Procedures of the Board for overseeing management of sustainability performance, including risk management	●	72	Code of Conduct
	4.10	Processes for evaluating the Board's performance	●	72	
		Commitments to External Initiatives			
	4.11	Addressing precautionary approach	●	74	
	4.12	Voluntary charters and other initiatives	●	15	
	4.13	Memberships in associations	●	15, 49	
		Stakeholder Engagement			
	4.14	List of stakeholder groups	●	17–18	
	4.15	Identification and selection of stakeholders	●	17–18	
	4.16	Approaches to stakeholder engagement	●	17–18	
	4.17	Key topics raised through stakeholder engagement	●	17–18	

● Fully reported ● Partly reported ● Not reported

GLOBAL COMPACT		GRI CONTENT	INCLUDED	PAGE	REMARKS
		Economic Performance Indicators			
		Management approach to economic responsibility	Fully reported	12–14	
		Economic Performance			
	EC1*	Direct economic value generated and distributed	Fully reported	19	
7	EC2*	Financial implications, risks and opportunities due to climate change	Fully reported	82	Financial implications of climate change not quantified in financial terms, www.lemminkainen.com/company/responsibility
	EC3*	Coverage of defined benefit plan obligations	Partly reported	76–77, 126–127	
	EC4*	Significant subsidies received from government	Fully reported		In 2012, we received EUR 281,927 in financial assistance for development projects from the Finnish Government
		Market presence			
1	EC5	Entry level wage compared to local minimum wage	Not reported		
	EC6*	Policy, practices and spending on local suppliers	Not reported		
6	EC7*	Local hiring procedures and proportion of local senior management	Not reported		
		Indirect Economic Impacts			
	EC8*	Development and impact of infrastructure investments provided for public benefit	Not reported		
	EC9	Significant indirect economic impacts	Fully reported	19	
		Environmental Performance Indicators			
		Management approach to environmental responsibility	Fully reported	15–16, 47–49	
		Materials			
8	EN1*	Materials used by weight or volume	Not reported		
8–9	EN2*	Recycled materials used	Not reported		
		Energy			
8	EN3*	Direct energy consumption	Fully reported	47–48	
8	EN4*	Indirect energy consumption	Partly reported	47–48	
8–9	EN5	Energy saved due to conservation and efficiency improvements	Not reported		
8–9	EN6	Initiatives to provide energy-efficient or renewable energy based products and services	Not reported		
8–9	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Not reported		
		Water			
8	EN8*	Total water withdrawal by source	Partly reported	48	
8	EN9	Water sources significantly affected by withdrawal of water	Not reported		
8–9	EN10	Percentage and total volume of water recycled and reused	Not reported		
		Biodiversity			
8	EN11*	Location and size of land holdings in areas of high biodiversity	Not reported		
8	EN12*	Description of significant impact of activities, products, and services on biodiversity	Not reported		
8	EN13	Habitats protected or restored	Not reported		
8	EN14	Managing impacts on biodiversity	Partly reported	48	
8	EN15	Species with extinction risk with habitats in areas affected by operations	Not reported		
		Emissions, Effluents and Waste			
8	EN16*	Total direct and indirect greenhouse gas emissions	Fully reported	47	
8	EN17*	Other relevant indirect greenhouse gas emissions	Not reported		
7–9	EN18	Initiatives to reduce greenhouse gas emissions	Not reported		
8	EN19*	Emissions of ozone-depleting substances	Not reported		
8	EN20*	NOx, SOx, and other significant air emissions	Not reported		
8	EN21*	Total water discharge by quality and destination	Not reported		
8	EN22*	Total amount of waste by type and disposal method	Fully reported	47	
8	EN23*	Total number and volume of significant spills	Not reported		
8	EN24	Transported, imported, exported, or treated hazardous waste	Partly reported	47	
8	EN25	Water bodies and habitats affected by discharges of water	Not reported		
		Products and Services			
7–9	EN26*	Mitigating environmental impacts of products and services	Partly reported	47, 49	
8–9	EN27*	Percentage of products sold and their packaging materials reclaimed by category	Not reported		
		Compliance			
8	EN28*	Significant fines and sanctions for non-compliance with environmental regulations	Fully reported		No significant fines or sanctions in 2012
		Transport			
8	EN29	Environmental impacts of transportation	Fully reported	47	
		Overall			
7–9	EN30	Total environmental protection expenditures and investments	Partly reported	48	
		Social Performance Indicators			
		Management approach to social responsibility			
		Labor Practices and Decent Work			
		Management approach to labor practices and decent work	Fully reported	15–16, 55–66	
		Employment			
	LA1*	Total workforce by employment type, employment contract and region	Fully reported	56–58	
6	LA2*	Total number and rate of employee turnover by age group, gender and region	Partly reported	57	
	LA3	Benefits to full-time employees that are not provided to temporary or part-time employees	Not reported		
		Labor/Management Relations			
1–3	LA4*	Coverage of collective bargaining agreements	Fully reported	56	

● Fully reported ◐ Partly reported ○ Not reported

GLOBAL COMPACT		GRI CONTENT	INCLUDED	PAGE	REMARKS
3	LA5*	Minimum notice period regarding operational changes	●	56	
		Occupational Health and Safety			
1	LA6	Percentage of employees represented in joint health and safety committees	●	64	
1	LA7*	Rates of injury, occupational diseases, lost days, fatalities and absenteeism	◐	61, 66	
1	LA8*	Education and prevention programmes regarding serious diseases	◐	62	
1	LA9	Health and safety topics covered in formal agreements with trade unions	○		
		Training and Education			
	LA10*	Average training hours per year per employee	○		
	LA11	Programmes for skills management and lifelong learning	●	56	
	LA12	Employees receiving regular performance and career development reviews	◐	56–58	
		Diversity and Equal Opportunity			
1–6	LA13*	Composition of governance bodies and breakdown of employees	◐	57	
1–6	LA14*	Ratio of basic salary of men to women by employee category	○		
		Human Rights			
		Management approach to human rights	●	15, 20–21, 56, 83	
		Investment and procurement practices			
1–6	HR1*	Investment agreements that include human rights clauses or that have undergone human rights screening	○		
1–6	HR2*	Suppliers and contractors that have undergone human rights screening and actions taken	◐	20–21	
1–6	HR3	Employee training on policies and procedures concerning human rights relevant to operations	○		
		Non-discrimination			
1–2, 6	HR4*	Incidents of discrimination and actions taken	○		
		Freedom of association and collective bargaining			
1–3	HR5*	Operations identified in which the right to exercise freedom of association or collective bargaining may be at significant risk and actions taken to support these rights	●		No operations threatening freedom of association or right to collective bargaining
		Child labor			
1–2, 5	HR6*	Operations identified as having significant risk for child labor and measures taken to contribute to the elimination of child labor	●		No operations involving significant risks of child labour
		Forced and compulsory labor			
1–2, 4	HR7*	Operations identified as having significant risk for forced or compulsory labor and measures taken to contribute to the elimination of forced or compulsory labor	●		No operations involving significant risks of forced labour
		Security practices			
1–2	HR8	Human rights related training for security personnel	○		
		Indigenous rights			
1–2	HR9	Incidents involving rights of indigenous people and actions taken	○		
		Society			
		Management approach to society	●	15, 20–21, 74	
		Community			
	SO1*	Programs and practices that assess and manage impacts of operations on communities	○		
		Corruption			
10	SO2*	Percentage and total number of business units analyzed for corruption risks	○		
10	SO3*	Percentage of employees trained in anti-corruption policies and procedures	○		
10	SO4*	Actions taken in response to incidents of corruption	●	15	
		Public Policy			
1–10	SO5*	Public policy positions and participation in public policy development and lobbying	◐	15	
10	SO6	Contributions to political parties, politicians and related institutions	●	15	
	SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	●	83, 92	
		Compliance			
	SO8*	Significant fines and sanctions for non-compliance with laws and regulations	●	64–65	
		Product Responsibility			
		Management approach to product responsibility	●	15, 50–51	
		Customer Health and Safety			
1	PR1*	Assessment of health and safety impacts of products	○		
1	PR2	Non-compliance with regulations concerning health and safety impacts of products	○		
		Product and Service Labeling			
8	PR3*	Product information required by procedures	○		
8	PR4	Non-compliance with regulations concerning product information and labeling	○		
	PR5	Practices related to customer satisfaction and results of customer satisfaction surveys	●	50–51	
		Marketing Communications			
	PR6*	Adherence to laws, standards and voluntary codes related to marketing communications, advertising, promotion and sponsorship	●	50	
	PR7	Non-compliance with regulations and voluntary codes concerning marketing communications, advertising, promotion, and sponsorship	○		
		Customer Privacy			
1	PR8	Complaints regarding breaches of customer privacy and losses of customer data	○		
		Compliance			
	PR9*	Fines for non-compliance concerning the provision and use of products and services	○		

* GRI Core indicator

Corporate Governance Statement

LEMMINKÄINEN CORPORATION is a Finnish public listed company whose administration complies with current legislation, such as the Finnish Companies Act, the Accounting Act and the Finnish Securities Markets Act, and the company's Articles of Association. We also observe the rules, regulations and guidelines of NASDAQ OMX Helsinki Ltd and the Finnish Financial Supervisory Authority, and we adhere to the Finnish Corporate Governance Code. **Read more 1, 2, 3**

LEMMINKÄINEN'S ADMINISTRATIVE BODIES

The General Meeting is where shareholders exercise their voting rights and is Lemminkäinen's highest decision-making body. The Annual General Meeting (AGM) elects the Board of Directors, which in turn appoints the President & CEO. The Board of Directors and President & CEO are responsible for the management of the Group. The Group Executive Board and other management personnel assist the President & CEO in his duties. The Board of Directors decides on the Group's administrative systems and ensures compliance with good governance principles.

Annual General Meeting

Lemminkäinen's AGM is held annually within six months of the end of the previous financial year on a date determined by the Board of Directors. An Extraordinary General Meeting may be held if the Board of Directors deems it necessary, or if one is legally required.

Notice of a general meeting of shareholders must be published in one or more Helsinki newspapers stipulated by the Board of Directors. Notice of a general meeting of shareholders must be delivered no earlier than three months and no later than three weeks prior to the meeting, and in any case at least nine days before the meeting's record date. All of Lemminkäinen's shareholders have the right to attend general meetings, as long as they follow the instructions given in the notice. Shareholders may either attend in person or authorise a representative to represent them. Each share gives one vote at a general meeting.

The AGM carries out all of the tasks stipulated in the Companies Act, such as adoption of the Financial Statements, profit distribution, granting discharge from liability to the members of the Board of Directors and the President & CEO, and making any potential changes in the company's Articles of Association. The AGM also elects the members of the Board of Directors and the auditors, and decides on their remuneration.

Lemminkäinen aims to have the President & CEO, the auditor, and all members of the company's Board of Directors and Group Executive Board present at the AGM. Unless there is a pressing reason for their absence, any prospective members of the Board of Directors who have been nominated for the first time should be present at the AGM that votes on their nomination.

2012 Lemminkäinen Corporation's 2012 Annual General Meeting was held in Helsinki on 2 April 2012. 114 shareholders attended the meeting, either in person or through an authorised representative, representing about 67 per cent of the company's total number of shares and votes. **Read more 4**

Board of Directors

Lemminkäinen Corporation's AGM elects at least four and at most eight members each year to serve on the company's Board of Directors, which elects a Chairman and Vice Chairman from among its members. The Board members' terms of office end upon the conclusion of the first AGM held after their election.

The Board of Directors handles the company's administration and the appropriate arrangement of its operations. The Board also ensures that the supervision of the bookkeeping and asset management is appropriate. The Board of Directors decides on matters of principle and on any issues that would have broad-ranging implications for the company. The Board's task is to steer the company's operations in a manner that will add the greatest possible value to the company's invested capital over the long term. The Board appoints and dismisses the President & CEO, supervises his or her actions, and decides on his or her remuneration and other terms and conditions of service. The Board also approves the Group's strategy, operating principles and guiding values, and ensures that they are up-to-date and correctly implemented. The Board also ensures that the Group has a functional system of internal controls and that the Group's risk management principles have been defined. It also ensures that key business risks have been identified and are being systematically monitored. The Board approves the operational guidelines and annual plan for the internal audit, and also assesses its effectiveness. Lemminkäinen's President & CEO attends the Board's meetings to present matters for the Board's consideration, as do the CFO and the Executive Vice President of Corporate Business Development, who also acted as the Secretary of the Board. Other members of the Executive Board and the company's management attend meetings as required.

→ **ADDITIONAL INFORMATION**

→ **Read more 1**
In accordance with Recommendation 54 of the Finnish Corporate Governance Code, we publish a separate Corporate Governance Statement, both as a stock exchange release and on our website at www.lemminkainen.com/Investors > Management and Corporate Governance.

→ **Read more 2**
The Finnish Corporate Governance Code can be found at www.cgfinland.fi/en.

→ **Read more 3**
Additional information about Lemminkäinen's corporate governance can be found on our website at www.lemminkainen.com/Investors > Management and Corporate Governance.

2012 At the Annual General Meeting held on 2 April 2012, the following were elected as members of the Board of Directors: Berndt Brunow, Noora Forstén, Juhani Mäkinen, Mikael Mäkinen, Kristina Pentti-von Walzel, and Heikki Räty. At its organisational meeting on 2 April 2012, the Board appointed from among its members Berndt Brunow as Chairman and Juhani Mäkinen as Vice Chairman. The Board of Directors met 14 times in 2012. Each member's attendance is shown in the table below. One of the Board's most important agenda topics was improving Lemminkäinen's profitability. The Board met to discuss updates to the Group's financing policy and ways to guarantee sufficient funding. In 2012, the Board also handled strategic mergers and acquisitions, organisational restructuring, and issues relating to the development of Lemminkäinen's operating model, such as the reorganisation of procurement.

The Board carried out a self-assessment of its structure, working methods, and compliance with its rules of procedure. The results of this self-assessment are used to develop the Board's working methods. The Board also assessed the independence of its members.

Board committees

At its annual organisational meeting, the Board of Directors appoints three committees from among its members: the Audit Committee, Nomination Committee, and Remuneration Committee. These committees assist the Board of Directors by preparing and drawing up proposals and recommendations for the Board's consideration. The Board of Directors has approved the rules of procedure governing these committees.

Audit Committee

The Audit Committee monitors and supervises Lemminkäinen's annual and interim reporting processes and the statutory audit of the consolidated and parent company's Financial Statements. The Committee monitors the adequacy and effectiveness of the Group's risk management, internal controls and internal auditing. It also handles the section of the Group's Corporate Governance Statement that describes the main features of the internal control and risk management systems for financial reporting.

The Audit Committee deals with reports and plans prepared by the internal control and internal audit units. It also assesses the independence of the statutory auditor or firm of authorised public accountants, and in particular the provision of ancillary services to the audited firm. The Audit Committee evaluates potential auditors and submits a proposal for the Board of Directors' consideration.

The Audit Committee meets at least four times per annum. It comprises a Chairman and at least two members appointed by the Board of Directors. The company's auditor, internal auditor and management representatives are also invited to meetings. Members of the Audit Committee must be independent of the company, and at least one member must also be independent of the company's major shareholders. All members must be competent in the Audit Committee's task domain, and at least one member must have expertise in accountancy, bookkeeping or auditing in particular.

2012 The Audit committee convened four times in 2012. The members and their meeting attendance are presented in the table below.

In addition to mandatory items, other matters discussed by the Audit Committee included financing policy, financial arrangements, and progress in the working capital optimisation project. The committee also discussed measures aimed

BOARD OF DIRECTORS

MEMBERS	Independent of the company	Independent of major shareholders	Board of Directors [3]	Audit Committee [3]	Nomination Committee [3]	Remuneration Committee [3]
Berndt Brunow, born 1950 M.Sc. (Econ.)	Yes	Yes	Chair (14/14)		Chair (2/2)	Member (5/5)
Juhani Mäkinen, born 1956 Counsellor of Law, Attorney	Yes	Yes	Vice (13/14)	Member (4/4)		
Noora Forstén [1], born 1981 Secondary School Graduate, entrepreneur	Yes	No	Member [1] (11/11)		Member [1] (1/1)	Member [1] (4/4)
Mikael Mäkinen, born 1956 M.Sc. (Eng.) Director, Marine, Cargotec	Yes	Yes	Member (12/14)			Chair (4/5)
Kristina Pentti-von Walzel, born 1978 M.Sc. (Econ.), B.Sc. (Pol.Sc.)	Yes	No	Member (13/14)	Member(4/4)	Member (2/2)	
Heikki Räty, born 1953 M.Sc. (Econ.), Helectron Oy Ab, Managing Director	Yes	Yes	Member (14/14)	Chair (4/4)		
Teppo Taberman [2], born 1944 M.Sc. (Econ.)	Yes	Yes	Member [2] (1/3)		Member [2] (0/1)	Member [2] (1/1)

Chair=Chairman, Vice=Vice Chairman
1) As of 2 April 2012
2) Until 2 April 2012
3) Attendance rate in brackets

→ **ADDITIONAL INFORMATION**

→ **Read more 4**
The decisions of the AGM are available in full at:
www.lemminkainen.com/Investors > Management and Corporate Governance > General meeting of shareholders.

at improving the profitability of international operations and ensuring proper risk management in these operations. The committee also focused on the potential financial implications of claims for damages in the case related to the violations of the Act on Competition Restrictions of asphalt industry companies.

Nomination Committee

The Nomination Committee makes preparations for the AGM by drawing up a list of proposed nominees for the Board of Directors and making a recommendation for their fees.

The Nomination Committee meets at least once per annum. It consists of a Chairman and between two and four members appointed by the Board of Directors. Members of the Nomination Committee may not have an employment or service contract with the Lemminkäinen Group.

2012 The Nomination Committee convened twice in 2012. The members and their meeting attendance are presented in the table on the previous page.

The Committee made a proposal containing a list of proposed nominees for Lemminkäinen's Board and a recommendation for the fees to be paid to both Board and Committee members. The AGM approved the Nomination Committee's proposal, which was presented on 2 April 2012.

Remuneration Committee

The Remuneration Committee handles matters relating to senior management's salaries and incentives, as well as other key terms and conditions of their service agreements. The Remuneration Committee also deals with Group-level remuneration, incentive and retention schemes. The Board of Directors makes the final decisions on the basis of the Committee's proposals.

The Remuneration Committee meets at least once per annum. It consists of a Chairman and between two and four members appointed by the Board of Directors. Members of the Remuneration Committee may not have an employment or service contract with the Lemminkäinen Group.

2012 The Remuneration Committee convened five times in 2012. The members and their meeting attendance are presented in the table on the previous page.

At its meetings, the Remuneration Committee discussed updates to management incentive policies and practices, short- and long-term management incentives for 2011, and who falls within the scope of the management incentive scheme in 2012 and 2013. The Committee also discussed the elements and earning criteria of short- and long-term incentives in 2012 and 2013 (the existing share-based scheme, the new share-based scheme, and pension schemes). The Committee drew up a list of recommendations, which was approved by the Board of Directors.

Management

President & CEO

The President & CEO is responsible for the day-to-day management of the company in line with the Board of Directors' guidelines and instructions. He or she is responsible for the Group's day-to-day administration and business planning. The President & CEO undertakes the execution of measures approved by the Board of Directors and handles preparations for any measures that are strategically important at the Group level. The President & CEO makes sure that the Group has adequate management resources and the company's bookkeeping complies with legislation. He or she also ensures the appropriate arrangement of the Group's administration and asset management.

Timo Kohtamäki, Lic. Tech., (b. 1963) has served as President & CEO of Lemminkäinen Corporation since 2009.

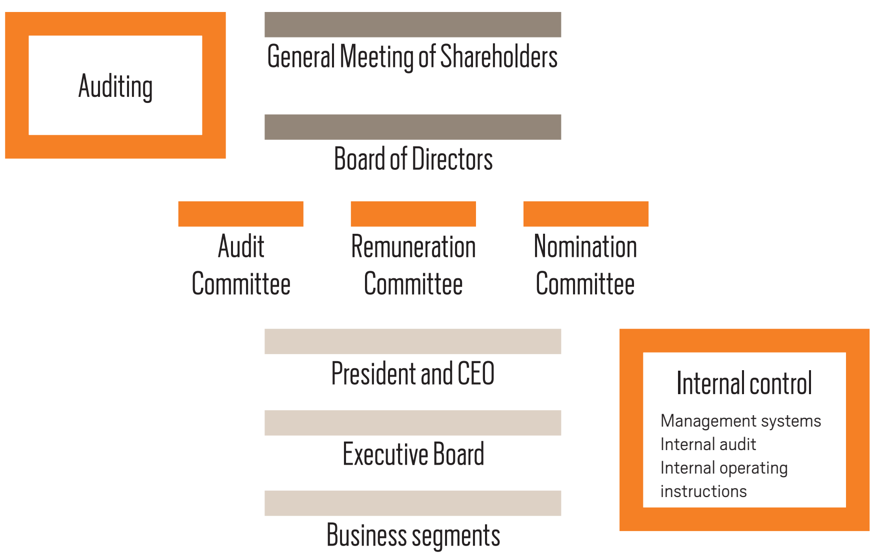
Executive Board

Lemminkäinen's Group Executive Board consists of the parent company's President & CEO and other members appointed by the Board of Directors. The President & CEO is Chairman of the Executive Board and appoints its secretary.

The Executive Board meets at least once a month and supports the President & CEO in, for example, the preparation and execution of strategic matters, operating plans, matters of principle and any other significant matters. The Executive Board also assists the President & CEO in ensuring information flow and smooth internal co-operation.

2012 Timo Kohtamäki continued as Lemminkäinen's President & CEO and Chairman of the Executive Board. The other members of the Executive Board were Henrik Eklund, Executive Vice President, International Operations; Harri Kailasalo, Executive Vice President, Infrastructure Construction; Marcus Karsten, Executive

LEMMINKÄINEN GROUP'S CORPORATE GOVERNANCE AND MANAGEMENT



→ **ADDITIONAL INFORMATION**

→ **Read more 5**
The most significant risks and their management are described in greater detail on the company's website and on pages 82–83 of the annual report.

Vice President, Technical Building Services; Tiina Mellas, Executive Vice President, HR and ICT; Tiina Mikander, Executive Vice President, Corporate Business Development; Jukka Terhonen, Executive Vice President, Building Construction and Robert Öhman, CFO. On 19 March 2012, Jouni Pekonen (M.Sc. (Eng.), born 1963) was appointed Executive Vice President, Procurement, and joined the Executive Board. Kati Suurmunne, Senior Vice President, Communications and Marketing, was Secretary of the Executive Board.

The Executive Board convened 25 times in 2012. The Executive Board's key topics during 2012 were improving the profitability of operations and drawing up the company's new strategy for the period 2014–2018.

CONTROLS

The principles of the internal controls, risk management and internal audit adhered to by Lemminkäinen Corporation have been approved by the Board of Directors.

Internal controls and risk management seek to ensure that the company's business is efficient and profitable, that reporting is consistent and reliable, and that applicable laws, regulations and the Group's operating principles are observed.

Internal control

The Board of Directors is responsible for ensuring that the Group's internal controls and risk management are adequate for the scope of the company's business operations, and that their supervision is appropriately organised. The Board supervises the President & CEO to ensure that he or she handles the company's business operations and administration in accordance with the guidelines and instructions issued by the Board of Directors. In order to ensure adequate risk management, the Board of Directors discusses the Group's business segment reviews and financial reports, as well as any substantial changes that have occurred in the company's business. The Board's Audit Committee also assesses the adequacy and appropriateness of internal controls and risk management.

The President & CEO is responsible for the practical organisation of internal controls. Among other duties, he or she ensures that the company's accounting practices comply with the law and that asset management is handled in a reliable manner.

Lemminkäinen's business is organised into business segments whose executive vice presidents report to the President & CEO. The Group's other directors and managers are responsible for internal controls within their own areas of responsibility.

Lemminkäinen controls and monitors its functions to ensure their efficiency and appropriateness, primarily through financial reports and business reviews prepared by management at the business area, business segment and Group level.

Risk management

Risk management is an essential part of Lemminkäinen's business operations. Risk management seeks to ensure that strategic and operational targets are achieved, and shareholder value is increased.

Lemminkäinen's risk management is based on the risk management policies approved by the Board of Directors in 2011. The Board also supervises the implementation of risk management. The Board defines the Group's risk appetite and risk tolerance in conjunction with its strategy and annual planning processes and through its decisions. The Board's Audit Committee monitors the sufficiency and effectiveness of the Group's risk management in accordance with the annual Action Plan.

The President & CEO is responsible for the implementation of risk management. The CFO holds primary responsibility for managing financial risks with support from the top management of the business segments. The director in charge of risk management coordinates the implementation of the policy and process, and reports all risks to the President & CEO, the Group Executive Board, and the Board of Directors. Legal affairs are coordinated by a Group-level unit in order to promote consistent practices and to ensure the management of legal risks. Personnel receive regular training in legal and contractual matters. Detailed guidelines for different areas, such as competition law and insider issues, have also been drawn up. Monitoring compliance with these guidelines falls under the scope of line operations and management, and training on them is also provided. The heads of business segments, units and functions are responsible for executing risk management in their own organisations. **Read more 5**

The main features of internal control and risk management systems associated with the financial reporting process

Internal control of Lemminkäinen's financial reporting

Internal control aims to ensure that published interim reports and Financial Statements are prepared in accordance with the accounting and reporting principles adopted by Lemminkäinen, and that they are reliable and give an end-result consistent with expectations. The internal control function also monitors financial reporting to ensure that it is handled in accordance with set timetables.

Lemminkäinen's financial reporting process consists of internal and external accounting. Internal accounting focuses on the monitoring and forecasting of the Group's profit performance and measures, whereas external accounting and reporting are based on Lemminkäinen's application of the International Financial Reporting Standards endorsed by the European Union. The Board of Directors' Report and the parent company's Financial Statements are prepared in accordance with the Finnish Accounting Act and the instructions and statements issued by the Finnish Accounting Standards Board.

The Group-level accounting function provides guidance for Group companies in drawing up their quarterly external Group reports. In addition to Group guidance, Group Controlling and the Group-level accounting function also support and co-ordinate the Financial Shared Services, the segments' business controller functions, and foreign financial units in their financial reporting. Business controller functions issue supplementary, segment-specific accounting and reporting instructions to both their own profit centres in Finland and foreign companies.

Group reporting employs both a standard chart of accounts and a reporting and consolidation system. Group Controlling provides instructions on internal accounting and reporting timetables. The segments' business controller functions ensure that their profit centres draw up monthly internal accounting reports in accordance with the specified principles and instructions. Internal and external accounting are reconciled every quarter to verify the reliability of financial information.

In Finland, Lemminkäinen's financial administration is organised into a joint Financial Service Desk and segment-specific business controller

→ **ADDITIONAL INFORMATION**

→ **Read more 6**
Share ownership and transaction details for Lemminkäinen's public insiders are available at: www.lemminkainen.com/Investors > Management and Corporate Governance > Insider administration > Insider Ownership

functions. Foreign subsidiaries have separate financial administration organisations. The Financial Service Desk uses two different basic bookkeeping systems, while foreign companies use local basic bookkeeping systems.

The procedures used in the internal control of financial reporting are part of day-to-day operations and financial management

Project-type operations, in which the percentage-of-completion method of income recognition is applicable, are characteristic of Lemminkäinen's business. Approval authorisations determined by the magnitude and risks of the undertaking are defined for projects.

The day-to-day financial control of construction projects is supervised by the project organisation. The current project forecast and any updates, project risks, the degree of project completion, and income recognition are examined thoroughly in regular meetings at the company level. Recognition of income from construction projects is based on management's judgement and estimates.

The recording of business transactions is based on approved transactions. Approval instructions for investments are specified at the Group level. Approval instructions for transactions, such as purchasing and bookkeeping transactions, are specified at the Group company level. Other key control procedures in Group companies include the differentiation of tasks, reconciliations of ledgers and accounts, system controls, and analytic controls.

The control procedures used by Lemminkäinen's Group-level accounting function include the elimination of intra-Group transactions, Group eliminations, assurance of the continuity of consolidated equity, regular impairment testing of goodwill, and assessment of the logicality of reported numbers versus the comparative period.

Processes associated with financial reporting also fall under the scope of the internal audit. During the financial year, the internal audit unit has, for example, examined Group and project reporting processes, and internal controls and authorisations associated with financial administration systems.

The parent company's President & CEO and CFO participate in Board work at the segment level. The segments' Executive Boards hold monthly reporting meetings in addition to their Board meetings. Here, management presents internal accounting reports, forecasts and deviations. These are dealt with and analysed, so that discrepancies can be identified and rectified. An external Group accounting report is also approved quarterly.

Group management, the Audit Committee and the Board of Directors receive a monthly package of internal Group accounting reports, which includes the income statement, profit forecast, key balance sheet items, investments, order book and operative key indicators by business segment. Material to be included in interim reports or Financial Statements is also reported quarterly. This includes the text and tabulated sections of interim reports or Financial Statements, as well as a detailed consolidated income statement, balance sheet and cash flow statement complete with comparative figures. The Board of Directors discusses, analyses and approves the interim reports, Financial Statement Bulletin, and Financial Statements.

Internal audit

The internal audit unit assists the Board of Directors in its supervisory role by obtaining information on the adequacy and functionality of risk management and internal controls in the Lemminkäinen Group and its business units. The internal audit unit assesses the economy and efficiency of resource usage, the reliability of reporting, the protection and security of assets, and compliance with regulations, operating principles and guidelines. Its operating principles are defined in the internal auditing instructions approved by the Board of Directors.

The internal audit unit is subordinate to the Board of Directors and operates under the supervision of the President & CEO. It consists of an audit manager and as many internal auditors as are required for the unit to carry out its work. Internal auditing resources are strengthened as required by procuring internal auditing services from external service providers.

INSIDER ADMINISTRATION

Lemminkäinen observes NASDAQ OMX Helsinki Ltd's insider guidelines, which are supplemented by the insider guidelines approved by Lemminkäinen's Board of Directors. The company maintains a public and company-specific register using Euroclear Finland Oy's Sire system.

Insiders subject to disclosure requirements are the members of Lemminkäinen's Board of Directors, the President & CEO, and the chief auditor of the accounting firm. The company also defines the members of Lemminkäinen's Group Executive Board as insiders subject to disclosure requirements. The share ownership of all insiders subject to disclosure requirements has been made public.

Lemminkäinen also maintains permanent company-specific registers of people who regularly receive inside information due to their position or duties. Their share ownership has not been made public. When necessary, registers of project-specific insiders are also kept. **Read more 6**

AUDITING

Lemminkäinen has one auditor, which must be a firm of authorised public accountants approved by Finland's Central Chamber of Commerce. The Annual General Meeting elects the auditor for a term of office that runs until the end of the following Annual General Meeting.

The scope of the audit encompasses the Group's accounting, administration, Financial Statements and Board of Directors' Report for each accounting period. The Auditor makes regular reports to the Audit Committee and submits an Auditors' Report to the Annual General Meeting. The Auditors' Report contains a statement as to whether the Financial Statements and the Board of Directors' Report give a true and fair view, as defined in the rules governing financial reporting, of the Group's operative result and financial position, and as to whether the information contained in the Board of Directors' Report is consistent with the Financial Statements. The auditor's fee is paid annually on the basis of an invoice, in accordance with the Annual General Meeting's decision.

2012 PricewaterhouseCoopers Oy, a firm of authorised public accountants, has been Lemminkäinen's auditor since 2004. Kim Karhu has been chief auditor since 2011. In 2010, Lemminkäinen invited bids from firms of authorised public accountants.

In 2012, Lemminkäinen paid its auditor EUR 562,441 (2011: EUR 614,796) in auditing fees and EUR 473,201 in consultancy fees (EUR 269,601). ◆

Remuneration

REMUNERATION – BOARD OF DIRECTORS

Lemminkäinen Corporation's Annual General Meeting elects the members of the Board of Directors on an annual basis and also determines their fees. These fees are paid entirely as monetary compensation. The Board members' term of office ends upon the conclusion of the first Annual General Meeting held after their election.

Members of Lemminkäinen's Board of Directors do not fall within the scope of the company's share scheme, nor do they have an employment contract with Lemminkäinen.

2012 The 2012 Annual General Meeting decided that the Chairman of the Board is paid a fee of EUR 10,000 per month (2011: EUR 10,000) and Board members each receive EUR 3,000 per month (EUR 3,000). Members of the Board also received an attendance fee of EUR 500 per meeting (EUR 500).

The Chair of the Audit Committee was paid an attendance fee of EUR 1,000 (EUR 1,000) and members EUR 500 (EUR 500) per committee meeting.

REMUNERATION – MANAGEMENT

On the basis of a proposal submitted by the Remuneration Committee, Lemminkäinen's Board of Directors decides on the salaries, short- and long-term incentives and other benefits received by the President & CEO and the Group Executive Board.

According to the remuneration policy adopted by the Board of Directors, the remuneration of the President & CEO, the members of the Group Executive Board and other management personnel consists of a fixed basic salary, other benefits, annual short-term incentives (a performance-based bonus), and long-term incentives (share-based incentives and pension schemes).

A fixed basic salary denotes monthly monetary compensation, which is determined by the nature of the position and the person's experience and performance. In addition to meal benefits and the use of a company car and mobile phone, management personnel also have extended insurance coverage for accidents and travel during their leisure time. Total remuneration therefore consists of both a basic salary and benefits.

Each year, Lemminkäinen's Board of Directors decides on indicators and targets for short- and long-term incentives, which seek to support the achievement of the strategic targets. On the basis of a proposal by the President & CEO, the Board decides on the targets to be reached and the size of the incentives.

Short-term incentives

Management's short-term incentives are based on the opportunity to receive an annual performance-related bonus. The size of this reward depends on whether or not the financial and operational targets specified at the beginning of each year have been achieved. Lemminkäinen's management is divided into four groups, which determine the maximum percentage applicable to each individual. Individuals are allocated to these groups on the basis of their position in the organisational hierarchy and the nature and commercial value of their position.

2012 In 2012, the size of management's performance-based incentive was based on the Group's pre-tax profit and other growth and development targets, such as those associated with the optimisation of working capital. Performance-based incentives for the Executive Vice Presidents of business segments were also based on each segment's operating profit. Achievements were monitored every six months. The maximum performance-related bonus payable to the President & CEO was 80 per cent of his annual salary, and 60 per cent for other members of the Group Executive Board.

Share-based incentive plan

The 2010–2012 incentive plan

For long-term incentives, Lemminkäinen uses a share-based plan comprising three one-year earning periods: the calendar years 2010, 2011 and 2012. The commitment period is two years. The Board of Directors decides on both the earning criteria and the targets to be established at the beginning of each earning period. Achievements are monitored every six months.

The plan's target group consists of the President & CEO, members of Lemminkäinen's Executive Board, and about 45 others. The Board of Directors decides on the distribution of shares to key personnel.

2012 In 2012, the earning criteria for long-term incentives were the targets set for the Group's equity ratio and return on investment.

The incentive for the 2012 earning period will be paid out in 2013, partly in company shares and partly as monetary compensation. The monetary portion will cover any taxes and tax-related costs arising from the reward. Shares may not be transferred during the commitment period, which ends two years after the end of the earning period. The President & CEO and Group Executive Board members must retain ownership of half of the shares granted to them through the plan for two years after the end of the commitment period.

The 2013–2015 incentive plan

At the end of 2012, Lemminkäinen's Board of Directors decided to introduce a new share-based incentive plan for key personnel. The plan consists of both performance-based and conditional reward. The conditional reward seeks to encourage the Group's key personnel to increase their holding in the company. The Board of Directors recommends that the President & CEO and members of the Group's Executive Board retain ownership of half of all the shares they receive through the plan until the value of their holding corresponds to half of their annual salary. They should maintain this holding during the validity of employment or service.

Reward paid through this plan may correspond to the value of a maximum of 700,000 Lemminkäinen Corporation shares (including the monetary portion). The value of the reward will be determined by the market price of the reward shares on the payment date. The Lemminkäinen shares handed over as rewards will be bought from the stock market. Therefore, the incentive plan will not have a diluting effect on the value of the shares.

Performance-based reward

The plan consists of three earning periods: the calendar years 2013, 2014 and 2015. The company's Board of Directors decides on the plan's earning criteria and the targets to be set at the beginning of each earning period.

About 45 people fall within the scope of the plan during the 2013 earning period. Their performance-based reward is based on the Group's operating profit and its return on investment. Possible performance-based reward for the earning period 2013 will be paid out by the end of April 2014, partly in company shares and partly in cash. The cash portion will cover any taxes and tax-related costs arising from the reward. The shares may not be transferred during the commitment period of approximately two years. If a key person's employment or service contract ends during the commitment period, they will generally have to return any reward shares to the company without compensation.

Conditional reward

In addition to the performance-based reward, the above-mentioned individuals also have the opportunity to receive a conditional reward based on share ownership and a continuation of their employment or service contract. In order to receive the conditional reward, a key person must already own or acquire a specified number of company shares, or a percentage thereof, by a specified date. The number and date are set by the Board of Directors. If they do so, key personnel will then be granted one share for each share acquired, as long as their employment or service contract remains valid and they retain ownership of these shares until the conditional reward is paid. The earning period for the conditional reward is the calendar years 2013–2015. The conditional reward will be paid by the end of April 2016, partly in shares and partly in cash.

Pension plan

As of 1 January 2010, supplementary pension plans for the President & CEO and Group Executive Board have been based on a defined contribution plan and obtaining a paid-up policy. Contributions are calculated as a percentage of annual salary. The President & CEO is entitled to retire upon reaching 60 years of age.

Other members of the Group Executive Board are entitled to retire either upon reaching 60 years of age (under the old system) or upon reaching 63 years of age (under the new system, which came into force on 15 September 2011).

The President & CEO's employment contract

The President & CEO's employment contract may be terminated with six months' notice. Upon termination of the contract by the company, the President & CEO shall be entitled to receive a one-off severance payment equivalent to 18 months' salary in accordance with his or her salary rate at the time of termination. ◆

FEES – BOARD OF DIRECTORS	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
EUR per annum		
Board of Directors		
Berndt Brunow	120,000	120,000
Juhani Mäkinen	36,000	36,000
Noora Forstén [1]	27,000	
Mikael Mäkinen	36,000	36,000
Kristina Pentti-von Walzel	36,000	36,000
Heikki Räty	36,000	36,000
Teppo Taberman [2]	9,000	36,000
Total	300,000	300,000

[1] From 2 April 2012
[2] Until 2 April 2012

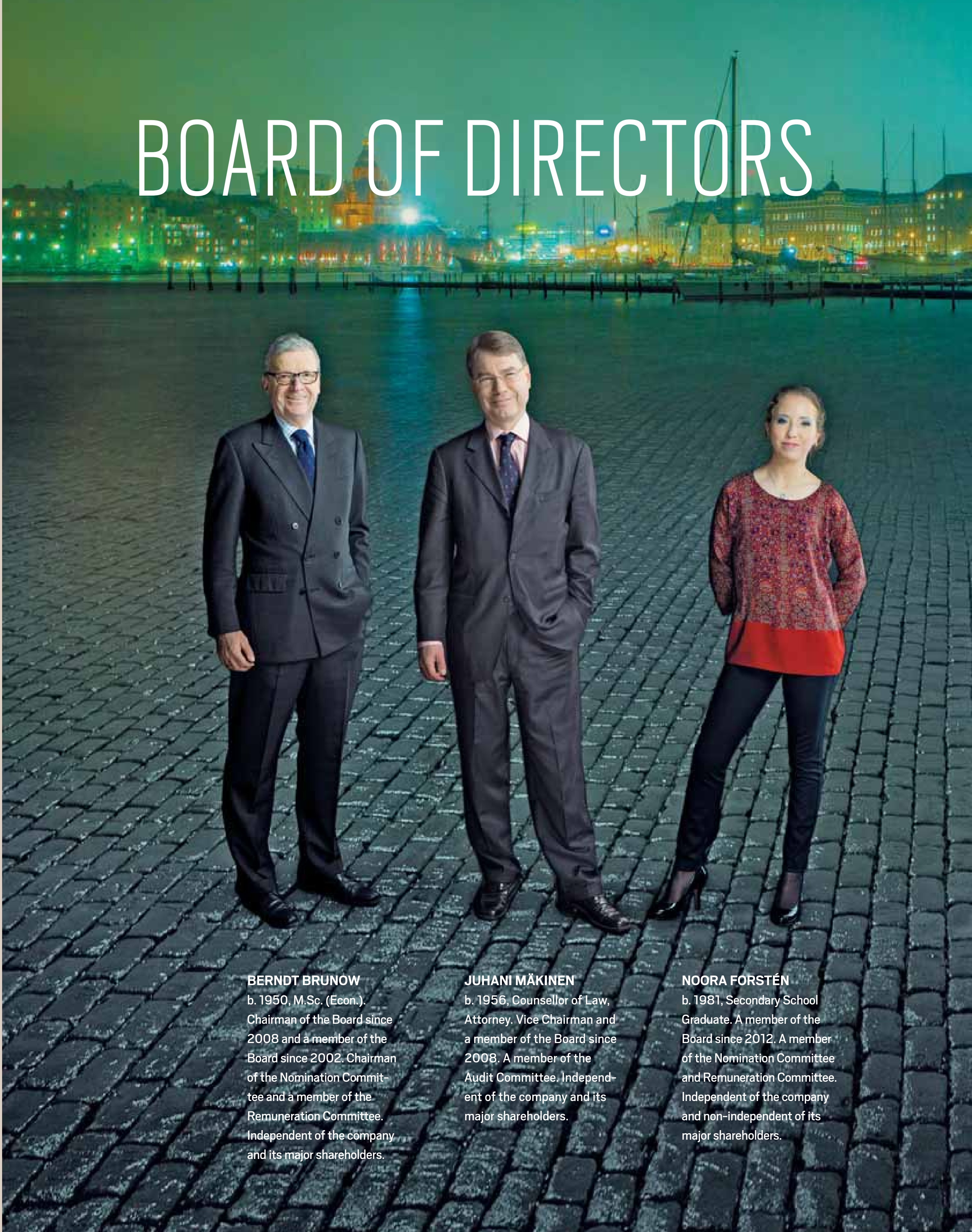
MEETING FEES – BOARD OF DIRECTORS	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
EUR per annum		
Board of Directors		
Berndt Brunow	7,000	6,000
Juhani Mäkinen	8,500	8,000
Noora Forstén [1]	5,500	
Mikael Mäkinen	6,000	5,500
Kristina Pentti-von Walzel	8,500	8,000
Heikki Räty	11,000	9,500
Teppo Taberman [2]	500	4,500
Total	47,000	41,500

[1] From 2 April 2012
[2] Until 2 April 2012

REMUNERATION AND FEES – EXECUTIVE BOARD MEMBERS (EXCLUDING THE PRESIDENT & CEO)	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
EUR per annum		
Monetary salary	1,460,313	1,106,201
Benefits	115,423	86,111
Performance-based incentives	206,820	242,426
Pension schemes	555,331	580,012
Total	2,337,887	2,014,751
Share-based incentive (shares, no.)	26,249	6,066

REMUNERATION AND FEES – PRESIDENT & CEO	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
EUR per annum		
Monetary salary	491,400	418,710
Benefits	19,992	19,872
Performance-based incentives	87,603	112,075
Pension scheme	196,363	258,488
Total	795,358	809,145
Share-based incentive (shares, no.)	10,220	2,605

BOARD OF DIRECTORS



BERNDT BRUNOW
b. 1950, M.Sc. (Econ.). Chairman of the Board since 2008 and a member of the Board since 2002. Chairman of the Nomination Committee and a member of the Remuneration Committee. Independent of the company and its major shareholders.

JUHANI MÄKINEN
b. 1956, Counsellor of Law, Attorney. Vice Chairman and a member of the Board since 2008. A member of the Audit Committee. Independent of the company and its major shareholders.

NOORA FORSTÉN
b. 1981, Secondary School Graduate. A member of the Board since 2012. A member of the Nomination Committee and Remuneration Committee. Independent of the company and non-independent of its major shareholders.

→ More detailed information about Board members can be found at:
http://www.lemminkainen.com/Investors/Management_and_Corporate_Governance/Board_of_Directors/Members_of_Board_of_Directors

MIKAEL MÄKINEN
b. 1956, M.Sc. (Eng.).
A member of the Board since 2009. Chairman of the Remuneration Committee. Independent of the company and its major shareholders.

KRISTINA PENTTI-VON WALZEL
b. 1978, M.Sc. (Econ.), B.Sc. (Pol.Sc.). A member of the Board since 2007. A member of the Nomination Committee and Audit Committee. Independent of the company and non-independent of its major shareholders.

HEIKKI RÄTY
b. 1953, M.Sc. (Econ.).
A member of the Board since 2009. Chairman of the Audit Committee. Independent of the company and its major shareholders.

EXECUTIVE BOARD

TIMO KOHTAMÄKI
b. 1963, Lic.Tech,
President & CEO, 2009–, Group employee since 1996. Kohtamäki has previously been the Managing Director of Lemminkäinen Infra Oy and Head of the Infra Unit at Lemcon.

HENRIK EKLUND
b. 1961, M.Sc. (Eng.),
Executive Vice President, International Operations, 2012–, Group employee since 1989. Eklund has previously held many managerial positions at Lemminkäinen, most recently Executive Vice President, Infrastructure Construction.

HARRI KAILASALO
b. 1969, M.Sc. (Eng.), eMBA,
Executive Vice President, Infrastructure Construction, 2012–, Group employee since 1995. Kailasalo has previously held a variety of positions in infrastructure construction at Lemminkäinen, and most recently was Senior Vice President of Business Operations.

MARCUS KARSTEN
b. 1966, M.Sc. (Econ.),
Executive Vice President, Technical Building Services, 2010–, Group employee since 2002. Karsten has previously been both Managing Director and Marketing & Development Director of Tekmanni Service Oy.

TIINA MELLAS
b. 1960, M.Sc. (Econ.),
Executive Vice President, HR and ICT, 2010–, Group employee since 2009. Mellas has previously held the position of Director, Human Resources at Lemminkäinen. Before joining Lemminkäinen, she had a long career at TietoEnator.

→ More detailed information about the members of the Executive Board can be found at:
http://www.lemminkainen.com/Investors/Management_and_Corporate_Governance/Group_management/Executive_Board

TIINA MIKANDER
b. 1967, Master of Laws, MBA, Executive Vice President, Corporate Business Development, 2010–, Group employee since 1998. Mikander has previously held the positions of Legal Counsel and Director, Legal Affairs at Lemminkäinen.

JOUNI PEKONEN
b. 1963, M.Sc. (Eng.), Executive Vice President, Procurement, 2012–, Group employee since 2012. Before joining Lemminkäinen, Pekonen has held executive positions in procurement at several companies, most recently at Rautaruukki.

JUKKA TERHONEN
b. 1954, M.Sc. (Eng.), Executive Vice President, Building Construction, 2009–2012, Group employee since 2001. Terhonen has previously been Managing Director of Rakennustoimisto Palmberg Oy, before which he had a long career at YIT.

ROBERT ÖHMAN
b. 1959, M.Sc. (Econ.), Chief Financial Officer, 2009–, Group employee since 2009. Before joining Lemminkäinen, Öhman was Chief Financial Officer at Sponda, and has also held a similar position at several other companies.

CASIMIR LINDHOLM
b. 1971, M.Sc. (Econ.), MBA, Executive Vice President, Building Construction, 2013–, Group employee since 2013. Before joining Lemminkäinen, Lindholm worked at Eltel Networks as a head of division and CEO of Eltel Sweden.

RISK MANAGEMENT

Risk management becomes increasingly important in uncertain market situation and when we are expanding internationally. Risk management seeks to predict future risks, ensure that strategic and operational targets are reached, and safeguard operations amid changing conditions.

RISK MANAGEMENT PRINCIPLES

Our risk management is based on the risk management policy approved by the Board of Directors. We define a risk as an external or internal uncertainty factor that, if realised, would either positively or negatively affect our potential to achieve our strategic and financial targets in a sustainable and ethical manner. We evaluate a risk's significance on the basis of its probability and financial impact.

We seek to forecast, identify, analyse, evaluate and control significant strategic, operative, financial and accident risks. The Board of Directors defines the Group's risk appetite and risk tolerance in conjunction with its strategic and annual planning processes and through its other decisions. The Board's Audit Committee monitors the sufficiency and effectiveness of the Group's risk management in accordance with the annual Action Plan.

RESPONSIBILITIES

The President & CEO is responsible for the implementation of risk management. The CFO holds primarily responsibility for managing financial risks with support from segment management. Segment management is responsible for managing operational risks. The director in charge of risk management coordinates the implementation of policies and risk management processes, and reports risks to the President & CEO, the Group Executive Board, and the Board of Directors. The heads of our business segments, units and areas are responsible for executing the risk management policy in their own organisations. Every employee is responsible for identifying any risks relating to their own work and bringing them to the attention of their supervisor.

LEMMINKÄINEN'S MAJOR RISKS

Strategic risks

Operating environment risks

Factors such as fluctuations in the global economic trends and megatrends in our operating environment affect demand for our products and services and their cost levels. We continually monitor economic trends and changes in the economy and aim to forecast them through, for example, scenario exercises during strategic and operational planning. Our goal is to minimise any associated risks.

About half of our business operations are dependent on building construction in Finland. New construction is very sensitive to economic cycles and therefore poses a significant market risk, which we manage both structurally and operationally. Nordic infrastructure construction, which is more stable than new building construction, balances out this risk, as does the upkeep and maintenance of technical building services. A balanced business structure helps protect Lemminkäinen from changes.

The price of the bitumen we use in asphalt production is tied to the global price of oil. We manage the bitumen price risk with oil derivatives and contractual terms.

Market risks

Demographic, technological, political and legislative changes can affect both market functionality and customer behaviour. New competitors, products and innovations may also cause changes in demand or in operating environment.

We continually monitor and analyse our operating environment and competitors.

Merger & acquisition risks

We manage risks associated with mergers, acquisitions and internationalisation through a solid understanding of the political, cultural and legislative factors involved in our operations, and by standardising our operating methods and reporting systems. A well-planned integration process helps us to manage risks associated with mergers and acquisitions.

Operative risks

Project-specific risks

The significant risks associated with projects involve cost and implementation management. We are continually developing our contractual expertise and our project management practices during the tender and implementation stage. Our management systems also support project management. A single occasional unsuccessful project has no significant impact on our financial result.

The profitability of our operations may also be affected by climate change and unusual weather phenomena, if they suspend or delay a project's progress. On the other hand, mild and snow-free winters lengthen our paving season.

Plot and sales risks

In our residential and commercial development projects, we are responsible for the entire implementation of the project, starting with plot acquisition. We buy plots in Finland and Russia from both the private and public sectors. We manage risks associated with plot acquisition by determining plot ownership rights and any planning restrictions.

In order to manage the sales and price risks stemming from fluctuations in demand, we only begin the construction of a new development project once a sufficient number of advance reserva-

→ ADDITIONAL INFORMATION

→ Read more 1
You can read more about financial risks in the Note 31 in the Financial statements 2012, on pages 129–132.

→ Read more 2
The main features of the internal control and risk management systems associated with our financial reporting process are detailed on pages 74–75.

→ Read more 3
You can read more about these legal proceedings in the Board of Directors' Report on page 92.

tions have been made. We also seek to sell commercial development projects to property investors in the early stages of construction at the latest. Market changes and, for example, a rapid rise in interest rates increases the sales risk.

Personnel risks

Our operations are personnel-intensive, so our growth and the success of our projects are greatly affected by the availability and commitment of competent personnel. We address this using consistent HR policies aimed at maintaining a balanced age structure, promoting employee retention, and safeguarding our personnel's expertise and performance. We encourage employee commitment through fair and motivational remuneration, interesting tasks, and career development opportunities.

Financial risks

Lemminkäinen is exposed to financial risks, the major ones being interest rate, liquidity, credit, funding, and foreign exchange rate risks. Our management of financial risks is based on the treasury policy approved by the Board of Directors, which defines the operating principles and division of responsibility in risk management and funding activities. Read more 1, 2

Accident risks

Risks associated with occupational safety and the environment pose an accident risk for us. The majority of our environmental impact stems from our production facilities, construction, and transportation. We regularly monitor our environmental impact and develop our operations accordingly. We seek to reduce our environmental impact by, for example, enhancing our production methods and optimising transportation. Compliance with our environmental policy and management systems helps us to manage our environmental impact.

We provide regular training for our personnel in both occupational safety and environmental issues. Our Group Executive Board monitors monthly the development of occupational safety.

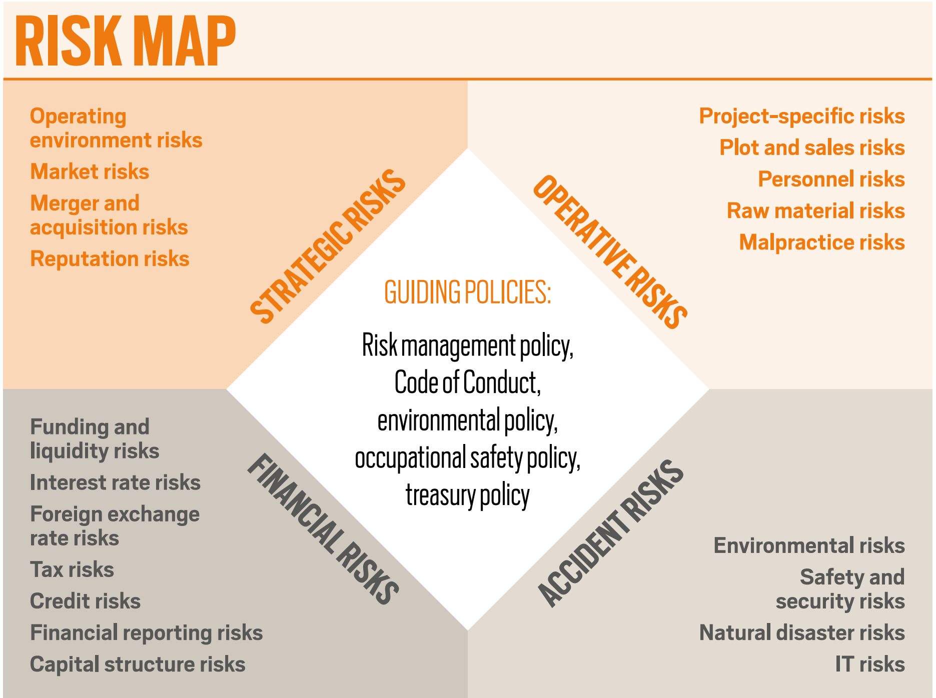
Accidents and damage involving IT systems, personnel security and information security may also pose accident risks. We manage these risks by making plans for exceptional circumstances.

Legal proceedings

Writs of summons filed at district court level by the Finnish State and a number of municipalities pose an isolated risk. These writs are based on the Supreme Administrative Court's (SAC) 2009 order for Finnish asphalt industry companies to pay an infringement fine for violations of the Act on Competition Restrictions.

At the end 2012, there were a total of 52 claims for damages brought by municipalities and the Finnish state (Finnish Transport Agency) pending against Lemminkäinen and other asphalt industry companies in the District Court. The claimants contend that restrictions on competition have caused them damages. The total amount of damages currently sought from Lemminkäinen is EUR 129 million. The claims presented in the statements of claim differ from each other as regards their amounts and grounds. The claims will be processed in the order and schedule set by the District Court.

Lemminkäinen's initial position is that the claims for damages are without foundation. Read more 3 ◆



MAJOR RISKS IN 2013

Risk type	Examples of risk management measures
Project-specific risks	Complying with the business management system, continual monitoring, contractual expertise
Funding risks	The efficiency programme, the working capital optimisation project, diverse funding sources
General economic situation	Continual monitoring and analysing, the ability to react quickly, a balanced operational structure
Reputation risks and ethical malpractices	A reporting channel for malpractices, implementation of our Code of Conduct
Adequacy of employee resources	Training, HR planning, career development opportunities, management of work capacity risks

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OPERATING ENVIRONMENT IN 2012

Finland

Start-ups for residential construction decreased by about 10 per cent on the previous year. The demand for small and medium-sized apartments remained good in the Helsinki Metropolitan Area and other urban growth centres. Few commercial premises were built outside the Helsinki Metropolitan Area. A lot of projects were in the pipeline, but their launches were delayed or discontinued. However, demand for building renovations remained good, and the number of renovation projects continued the steady growth trend of the past few years.

The outlook in infrastructure construction weakened after the summer, and the total volume fell on the previous year. Difficulties in the public sector reflected in the infrastructure construction market and, for example, the demand for mineral aggregates weakened during the second half of the year. Underground construction in city centres and mining operations in Northern Finland were brisk.

Demand for the renovation of technical building systems focused on piping renovations in residential buildings and improving the energy-efficiency of buildings. Demand for upkeep and maintenance of technical building services rose, and a greater number of long-term repair and maintenance agreements were signed. The construction of commercial premises slowed significantly outside urban growth centres, which reduced demand for contracting services in technical building systems.

Other markets

The Swedish government's long-term investment plan to develop the country's infrastructure maintained a good level of activity in transport infrastructure construction. Growth in mining operations in Northern Sweden increased demand for rock engineering. Norway and Denmark's many ongoing road and railway projects, coupled with increased investments in energy production, encouraged new players to enter the market.

In the Baltic countries, construction has recovered alongside the rest of the economy. Several EU-funded road construction and renovation projects were started in 2011–2012.

Of Lemminkäinen's key market areas, Russia is experiencing the fastest growth in its total volume of construction. The delays in permit processing in St Petersburg slowed the launch of new residential construction projects. The prices of new housing units in St Petersburg rose by almost 10 per cent during 2012. The construction and repair of major inter-city highways boosted the demand for infrastructure construction.

STRATEGIC TARGETS AND THEIR REALISATION IN 2012

Lemminkäinen published its current strategy for the period 2010–2013 in November 2009. In October 2011, the company updated its strategy and confirmed its financial targets. The company's main objectives are to pursue profitable growth and to strengthen its solvency. The average growth rate target for the company's net sales is 10 per cent by the end of the 2010–2013 strategy period. The Group's other financial targets are: a return on investment of over 18 per cent and an equity ratio of at least 35 per cent. The company's dividend policy is to pay at least 40 per cent of the result for the financial period in annual dividends.

Both the strategy updates made in October 2011 and the efficiency programme, which was launched at the same time, primarily seek to improve the Group's competitiveness and profitability. In Finland, the selected focus areas are residential development and construction, and repair and maintenance services for technical building systems. In Building Construction, Lemminkäinen aims to increase the share of residential development and construction to over 50 per cent of the segment's net sales. In Technical Building Services, the goal is to increase service business to account for about 50 per cent of the segment's net sales. Lemminkäinen is seeking growth from its international operations in particular. The company aims to increase net sales from infrastructure construction in Norway, Denmark and Sweden by about EUR 100 million in 2012–2013. In Russia, Lemminkäinen's goal is to launch the construction of about 1,000 new housing units every year.

Strategy implementation 2012

Lemminkäinen's 2012 net sales remained at roughly the same level as in 2011. Since the beginning of the strategy period, Lemminkäinen's compound annual net sales growth rate (CAGR,%) has been an average of 6 per cent. Its return on investment remained at the same level as last year. Profitability is not yet in line with the company's targets.

The equity ratio rose to 38 per cent, exceeding the target for the strategy period. The improvement was due to the measures done to optimise working capital, the completed divestments, and the hybrid bond.

The proposed dividend for 2012 is EUR 0.60 per share, equalling 26.9 per cent of the company's result for the financial period.

In Finland, the share of residential development and construction accounted for about 32 per cent of Building Construction's net sales in 2012. The share of repair and maintenance services of Technical Building Services accounted for 33 per cent of the segment's net sales. Net sales from infrastructure construction in Norway, Denmark and Sweden rose by about EUR 50 million in 2012. The fastest growth was seen in Sweden.

In St Petersburg, Russia, the company's residential development and construction was at a standstill and no new projects were launched. At the end of the year, Lemminkäinen purchased a city-centre plot in St Petersburg. About 800 apartments will be built on this plot. With its current plot reserves, the company will be able to begin the development of about 3,200 housing units in central St Petersburg over the next few years.

Financial targets and achievements since the start of the strategic period

LEMMINKÄINEN'S FINANCIAL TARGETS	TARGET LEVEL	REALISED IN 2012	REALISED IN 2011	REALISED IN 2010
Net sales growth	average 10% 1)	**4%**	19%	–4%
Return on investment	18% 1)	**11%**	11%	7%
Equity ratio	over 35%	**38%**	31%	35%
Payment of dividend	40% of the result for the financial period	**27%** 2)	28%	over 100%

1) By the end of the strategic period.

2) Board of Directors' proposal on dividends.

Profit guidance realisation in 2012

On 9 February 2012, Lemminkäinen estimated that its 2012 net sales would remain at the same level as in 2011, and that the result before taxes would improve on 2011. This estimate was based on an improved order book and order book margin. Lemminkäinen's guidance remained unaltered throughout the year. In 2012, Lemminkäinen's net sales grew by 4 per cent and its result before taxes rose by 16 per cent.

EFFICIENCY PROGRAMME

The efficiency programme launched in autumn 2011 seeks cost savings of EUR 50 million per annum as of 2014. More efficient procurement is estimated to account for EUR 30 million of these savings, and an estimated EUR 20 million will results from improved operational efficiency.

Lemminkäinen has switched to a centralised procurement model in which all functions will use shared processes, performance indicators, and sourcing and purchase tools. This model enables Lemminkäinen to take full advantage of economies of scale, for example. The number of suppliers will be reduced and the supplier base will be more international. Company's operational efficiency has been enhanced by more efficient operating models. After the personnel negotiations in late 2011, the number of employees has been reduced by about 300.

By the end of 2012, the efficiency programme had yielded a total of about EUR 20 million in cost savings. The full impact of savings achieved through personnel reductions will be seen in the 2013 result. Savings in procurement will be reflected in project margins with revenue recognition.

BUSINESS OPERATIONS

NET SALES

NET SALES BY BUSINESS SEGMENT, EUR MILLION	1–12/2012	1–12/2011	CHANGE
International Operations	**934.3**	809.8	15%
Building Construction	**682.4**	720.9	–5%
Infrastructure Construction	**591.1**	596.2	–1%
Technical Building Services	**230.0**	239.9	–4%
Other operations and Group eliminations	**–84.3**	–59.4	
Business segments, total	**2,353.6**	2,307.4	2%
Reconciliation items	**–86.0**	–123.5	
Group, total (IFRS)	**2,267.6**	2,183.9	4%

"Other operations and Group eliminations" include items from Group administration units and shared services, as well as eliminations from inter-segment sales. "Reconciliation items" include adjustments for discontinued operations.

Lemminkäinen's net sales in 2012 remained at the same level as in 2011 and amounted to EUR 2,267.6 million (2,183.9). Net sales were boosted by infrastructure construction in Sweden, Russia and the Baltic countries in particular. In Sweden, growth came from rock engineering in mines in the north, and paving. Commercial and industrial construction was brisk in Russia. In Finland, Lemminkäinen imposed stricter margin requirements on competitive bidding contracts in building construction and technical building services, which reduced net sales. In Building Construction, commercial development declined outside the Helsinki Metropolitan Area.

Of Lemminkäinen's 2012 net sales, 61% (66) were generated in Finland, 25% (23) in other Nordic countries, 6% (5) in Russia, and 8% (6) in other countries.

OPERATING PROFIT

OPERATING PROFIT BY BUSINESS SEGMENT, EUR MILLION	1–12/2012	1–12/2011	CHANGE
International Operations	**16.6**	42.2 3)	–61%
Building Construction	**19.6**	9.4	over 100
Infrastructure Construction	**43.5** 1)	30.9 2)	41%
Technical Building Services	**3.2**	2.8	14%
Other operations	**–8.3**	–16.6	50%
Business segments, total	**74.6** 1)	68.8 2), 3)	8%
Reconciliation items	**–24.5**	–24.8	
Group, total (IFRS)	**50.1**	44.0 3)	14%

"Other operations" include items from Group administration units and shared services.
"Reconciliation items" include capital gains from discontinued operations and profit accrued up to the date of divestment.

1) This figure includes EUR 17.3 million in capital gains from the divestment of the concrete business.

2) This figure includes EUR 17.1 million in capital gains from the divestment of the roofing business.

3) This figure includes EUR 11.0 million in negative goodwill recognised from the acquisition of Mesta Industri AS.

OPERATING MARGIN BY BUSINESS SEGMENT, %	1–12/2012	1–12/2011
International Operations	**1.8**	5.2
Building Construction	**2.9**	1.3
Infrastructure Construction	**7.4**	5.2
Technical Building Services	**1.4**	1.2
Group, total (IFRS)	**2.2**	2.0

The non-recurring items referred to in the operating profit by business segment table are included in the operating margin figures.

The operating profit for 2012 totalled EUR 50.1 million (44.0) and the operating margin was 2.2% (2.0). The operating profit for the comparison year includes EUR 11.0 million in negative goodwill recognised from an acquisition.

In Finland, profitability improved in all of Lemminkäinen's business segments. The cost savings achieved by the Group's efficiency programme were most visible towards the end of the year. Profitability requirements for contracting were tightened in all business segments, project management was enhanced, and management structures were clarified. Good performance in housing sales and commercial construction in the Helsinki Metropolitan Area contributed to this positive profit development. A fall in the price of bitumen during the summer months and the increased use of recycled asphalt helped to improve profitability in Infrastructure Construction.

The operating profit of paving operations in Norway fell about EUR 10 million short of the previous year. Challenges in the integration of acquired businesses, tougher competition and a shorter than average paving season contributed to the weak earnings trend. The profitability of infrastructure operations in Sweden, the Baltic countries and Russia was better than in 2011. Although Lemminkäinen did not complete any housing units of its own development in Russia, brisk infrastructure and building construction made up the shortfall.

ORDER BOOK

ORDER BOOK BY BUSINESS SEGMENT, EUR MILLION	31.12.2012	31.12.2011	CHANGE
International Operations	**574.6**	482.5	19%
Building Construction	**526.9**	580.5	–9%
Infrastructure Construction	**234.7**	238.3	–2%
Technical Building Services	**107.7**	99.0	9%
Group, total	**1,443.9**	1,400.4	3%
– of which unsold	**176.7**	206.3	

At the end of 2012, Lemminkäinen's order book had increased slightly to EUR 1,443.9 million (1,400.4). The order book margin was also improved on 2011. 2013 projects account for about 75 per cent of the order book. In Finland, the order book was boosted by paving operations, special contracting in infrastructure construction, and the repair and maintenance of technical building services. In Building Construction, the order book has decreased as the company imposed stricter conditions for launching new residential development and construction projects. However, if the market situation allows, Lemminkäinen is prepared to start-up as many housing units as in 2012. In International Operations, order book growth was generated by building construction in Russia and Sweden, technical building services in Russia, and infrastructure construction in Norway.

Of the Group's order book, 60% (66) originated in Finland, 23% (20) in other Nordic countries, 11% (8) in Russia, and 6% (6) in other countries.

BALANCE SHEET, CASH FLOW AND FINANCING

On 31 December 2012, the balance sheet total was EUR 1,300.4 million (1,242.8), of which shareholders' equity accounted for EUR 450.8 million (350.4). In addition to the result, shareholders' equity was increased by the EUR 70 million hybrid bond issued by the company in spring 2012. The bond bearer does not possess any of the rights of a shareholder, and the bond does not dilute shareholders' holdings in the company. The bond has no maturity, but the company may exercise an early redemption option in 2016 at the earliest. At the end of 2012, Lemminkäinen's working capital amounted to EUR 865.8 million (861.4) and net working capital to EUR 427.5 million (435.7).

The equity ratio was in line with the financial target set for the strategy period, that is, 38.0 per cent (30.8). Gearing was 61.5 per cent (114.5). The equity ratio and gearing were improved by the measures done to optimise working capital, the divestments, and the hybrid bond.

Lemminkäinen's rolling 12-month return on investment remained at the same level as in the previous year, at 10.7 per cent (10.8). The target set for the strategy period 2010–2013 is 18 per cent.

At the end of the review period, the company's liquid assets, stood at EUR 93.9 million (30.4). Liquid assets were boosted by positive cash flow and divestments.

The amount of interest-bearing debt fell by 14 per cent, totalling EUR 371.2 million (431.6) at the end of the review period. The amount of long-term interest-bearing debt totalled EUR 138.8 million (194.6) and short-term interest-bearing debt EUR 232.4 million (237.0). Of all interest-bearing debt, 45 per cent (38) was with a fixed interest rate and the financing expenses of all interest-bearing debt was, on average, 3.12 per cent (3.44). Interest-bearing net debt fell by about a third to EUR 277.3 million (401.2).

Of the company's interest-bearing debt, 15% (17) comprises loans from financial institutions, 23% (28) commercial papers, 18% (12) project loans related to residential and commercial development, 12% (15) pension loans, 16% (14) finance lease liabilities, and 16% (14) bonds. At the end of the financial period, the company also had binding, unused credit limits to the sum of EUR 139.6 million (140.7), which fall due at the end of 2013.

Net finance costs during the review period amounted to EUR 21.1 million (19.0), representing 0.9 per cent (0.9) of net sales.

Cash flow from operations totalled EUR 57.8 million (–7.1) in 2012. This change was primarily due to higher efficiency achieved in the turnover rate of trade receivables and better payment terms on procurement agreements. Cash flow after investments was EUR 14.4 million (–24.3).

Business segments

INTERNATIONAL OPERATIONS

KEY FIGURES, EUR MILLION	2012	2011	CHANGE	1–3/2012	4–6/2012	7–9/2012	10–12/2012
Net sales	**934.3**	809.8	15%	104.0	239.0	323.5	267.8
Operating profit	**16.6**	42.2 [1]	–61%	–15.8	1.3	24.9	6.2
Operating margin,%	**1.8**	5.2		–15.2	0.5	7.7	2.3
Order book at end of period	**574.6**	482.5	19%	613.9	680.0	589.1	574.6

[1] This figure includes EUR 11.0 million in negative goodwill recognised from the acquisition of Mesta Industri AS.

International Operations' net sales rose significantly in 2012 to EUR 934.3 million (809.8). Net sales were boosted by commercial and industrial construction in Russia, as well as infrastructure construction in Sweden, Russia and the Baltic countries in particular. On the other hand, the volume of paving operations fell in both Norway and Denmark.

Of the segment's net sales, 28% were generated in Sweden, 27% in Norway, 16% in Russia, 14% in the Baltic countries, 9% in Denmark, and 6% in other countries. By types of business, 75% were generated by infrastructure construction, 18% by building construction and 7% by technical building services and project exports.

International Operations' operating profit amounted to only EUR 16.6 million (42.2). The operating profit for the comparison year includes EUR 11.0 million in negative goodwill recognised from the acquisition of Mesta Industri in Norway on 31 May 2011.

The weak earnings development was mainly due to challenges relating to the integration of acquired businesses, a shorter-than-average paving season in Norway and Denmark, and a halt in residential development in Russia. In order to improve the profitability of operations in Norway, Lemminkäinen has enhanced its management and control systems, further optimised asphalt production volumes per production site , and divested non-core business operations.

Compared to 2011, profitability was better in infrastructure operations in Sweden, the Baltic countries and Russia. In Russia, Lemminkäinen won three significant renovation contracts for major highways, and achieved its best-ever result in infrastructure construction. Brisk commercial and industrial construction compensated the shortfall of low volume of residential development and construction in Russia.

The order book strengthened in 2012, standing at EUR 574.6 million (482.5) at the end of the year. About 75 per cent of this amount will be recognised as income in 2013. Both building construction in Russia and infrastructure construction in Norway boosted the order book.

LEMMINKÄINEN'S RESIDENTIAL DEVELOPMENT AND CONSTRUCTION, RUSSIA	2012	2011	CHANGE
Units started	**0**	404	–404
Units sold	**141**	194	–53
Units completed	**0**	154	–154
Under construction at end of period	**425**	404	21
- of which unsold	**349**	404	–55
Completed and available for sale at end of period	**17**	82	–65

In Russia, Lemminkäinen's housing sales were boosted by investor sale during the last quarter. The construction of a 400-unit project got re-started in the end of the year. The first phase of this project is scheduled for completion in 2013. In October 2012, Lemminkäinen acquired a plot in central St Petersburg. About 800 residential units will be built on this plot. Construction is scheduled to begin in spring 2013.

The amount of capital tied up in Russia at the end of 2012 was EUR 61.9 million (46.8), of which plot reserves accounted for EUR 38.3 million. With its current plot reserves, the company will be able to begin the development and construction of about 3,200 housing units in central St Petersburg over the next few years.

BUILDING CONSTRUCTION

KEY FIGURES, EUR MILLION	2012	2011	CHANGE	1-3/2012	4–6/2012	7–9/2012	10–12/2012
Net sales	**682.4**	720.9	–5%	124.1	158.7	147.2	252.4
Operating profit	**19.6**	9.4	over 100	–1.0	2.6	1.8	16.2
Operating margin,%	**2.9**	1.3		–0.8	1.6	1.2	6.4
Order book at end of period	**526.9**	580.5	–9%	606.6	731.7	657.6	526.9

Building Construction's net sales fell slightly in 2012 and amounted to EUR 682.4 million (720.9). The number of competitive contracting projects declined after the company imposed stricter profitability margin requirements. Extremely few commercial construction projects were launched outside the Helsinki Metropolitan Area in 2012.

The segment's operating profit doubled in 2012, and totalled EUR 19.6 million (9.4). The 2011 result was burdened by weak profitability in competitive contracting, an issue which the company has addressed in 2012. Stricter profitability requirements were imposed on contracting, project monitoring practices were enhanced, and management structures were clarified. The impact of the cost savings from the efficiency programme launched just over a year ago can be seen in the fourth-quarter result. Building Construction's 2012 result was also improved by good performance in housing sales and commercial construction in the Helsinki Metropolitan Area. Input costs remained steady during the year, but the company is facing a growing shortage of work supervisors.

Building Construction's order book was down by a tenth on 2011, standing at EUR 526.9 million (580.5). About 75 per cent of this amount will be recognised as income in 2013.

LEMMINKÄINEN'S RESIDENTIAL DEVELOPMENT AND CONSTRUCTION, FINLAND	2012	2011	CHANGE
Units started	**1,019**	1,076	–57
Units started (contracting)	**514**	536	–22
Units sold	**1,013**	914	99
Units completed	**1,151**	1,077	74
Under construction at year-end	**857**	989	–132
- of which unsold	**453**	483	–30
Completed and available for sale at year-end	**260**	224	36

Lemminkäinen's housing sales had a good year in 2012, and more new housing units were sold than in 2011. Small, city-centre apartments were in the highest demand. Lemminkäinen was more cautious about starting new units and the number of completed and as yet unsold units has risen. If the market situation allows, Lemminkäinen is prepared to launch a comparable number of residential development units in 2013 as in the previous year. General economic uncertainty and planned changes in taxation during the first half of 2013 may, however, delay the start of new residential units.

At the end of the period, the company owned a total of 792,000 m² (792,000) of unused building rights in Finland, of which 320,000 m² (380,000) were residential building rights. About a quarter of these unused building rights were located in the Helsinki Metropolitan Area. The balance sheet value of the plots was EUR 117.7 million (104.6) at the end of the review period, of which about 35% were in the Helsinki Metropolitan Area.

INFRASTRUCTURE CONSTRUCTION

KEY FIGURES, EUR MILLION	2012	2011	CHANGE	1–3/2012	4–6/2012	7–9/2012	10–12/2012
Net sales	**591.1**	596.2	–1%	66.6	157.6	232.3	134.6
Operating profit	**43.5** 1)	30.9 2)	41%	–3.9	10.9	37.2 1)	–0.7
Operating margin,%	**7.4**	5.2		–5.9	6.9	16.0	–0.5
Order book at end of period	**234.7**	238.3	–2%	312.2	401.1	294.5	234.7

Segment reporting includes capital gains on discontinued operations, as well as net sales and operating profit accrued up until the date of divestment. The concrete business accounted for EUR 53.9 million (84.5) in net sales and EUR 25.1 million (9.9) in operating profit in 2012 (2011). The roofing business' impact on 2011 was EUR 13.8 million in net sales and EUR 15.3 million in operating profit.

1) This figure includes EUR 17.3 million in capital gains from the divestment of the concrete business.

2) This figure includes EUR 17.1 million in capital gains from the divestment of the roofing business.

The segment's 2012 net sales remained at roughly the same level as in 2011. Earthworks, paving and specialised contracting all increased in volume. In rock engineering, the focus switched from Finland to Sweden.

Operating profit rose 41 per cent to EUR 43.5 million (30.9). Earnings developed favourably in all business areas of infrastructure construction in 2012. Thanks to the Group's efficiency programme, the profitability of paving, mineral aggregate and earthwork operations has risen notably. In paving, positive development was also influenced by a decline in the price of bitumen during the summer months and the increased use of recycled asphalt. The profitability of specialised contracting also improved. Demand for mineral aggregates took a downturn in the third quarter, supporting the general forecast of a decline in infrastructure and building construction in Finland during 2013.

The segment's order book remained at the same level as in 2011, standing at EUR 234.7 million (238.3). About 75 per cent of this amount is allocated to 2013.

TECHNICAL BUILDING SERVICES

KEY FIGURES, EUR MILLION	2012	2011	CHANGE	1–3/2012	4–6/2012	7–9/2012	10–12/2012
Net sales	**230.0**	239.9	-4%	60.5	56.9	51.2	61.4
Operating profit	**3.2**	2.8	14%	0.8	1.1	0.3	1.0
Operating margin,%	**1.4**	1.2		1.3	1.9	0.6	1.6
Order book at end of period	**107.7**	99.0	9%	92.7	118.5	117.8	107.7

Technical Building Services' full-year net sales fell, but profitability improved. In contracting the company has paid special attention to process management and control, as well as in procurement efficiency . In repair and maintenance, profitability has been improved by service design and by measures to boost the efficiency of sales and marketing.

Significantly more long-term repair and maintenance contracts were signed in 2012 than in 2011. Demand for maintenance services is expected to rise over the coming years. In November 2012, Lemminkäinen announced that the company would hire some 100 new professionals for the repair and maintenance of technical building systems. The company's goal is to increase service operations to account for about 50 per cent of this segment's net sales by the end of 2013. The figure for 2012 was 33 per cent.

At the end of the period, Technical Building Services' order book stood at EUR 107.7 million (99.0). In late 2012, Lemminkäinen signed a multi-year repair and maintenance contract for all of Citycon's major shopping centres and retail properties in Finland.

INVESTMENTS

Gross investments during the review period amounted to EUR 64.5 million (84.0), representing 2.8% (3.8) of the company's net sales. They were mainly replacement investments in infrastructure construction. The comparison period's gross investments include the acquisition of Mesta Industri AS.

PERSONNEL

During the review period, the Group employed an average of 8,180 people (8,421). Of these employees, 63% (69) worked in Finland, 17% (13) in other Nordic countries, 10% (9) in the Baltic countries, and 10% (9) in other countries.

AVERAGE NUMBER OF GROUP PERSONNEL	1–12/2012	1–12/2011	CHANGE
Salaried employees	3,007	2,932	3%
Hourly paid employees	5,173	5,489	–6%
Personnel, total	8,180	8,421	–3%
– of whom working outside Finland	3,026	2,590	17%
Personnel at end of period	7,370	7,929	–7%

PERSONNEL BY BUSINESS SEGMENT, AVERAGE	1–12/2012	1–12/2011	CHANGE
International Operations	3,057	2,636	16%
Building Construction	1,425	1,696	–16%
Infrastructure Construction	1,751	2,032	–14%
Technical Building Services	1,631	1,796	–9%
Parent company	316	261	21%
Group, total	8,180	8,421	–3%

The changes in the number of personnel in each business segment stem from growth in Lemminkäinen's international operations, personnel reductions resulting from co-determination negotiations in 2011, and the centralisation of support functions at the parent company's shared services centres.

Share-based incentive scheme

At the end of 2012, Lemminkäinen Corporation's Board of Directors decided to introduce a new share-based incentive scheme for key personnel. The scheme consists of both performance-based and conditional incentives. The conditional incentive seeks to encourage the Group's key personnel to increase their holding in the company.

Rewards paid on the basis of the incentive plan will correspond to the value of a maximum of 700,000 Lemminkäinen Corporation shares (including the proportion to be paid in cash). The value of the incentive will be determined by the market price of the reward shares on the payment date. The Lemminkäinen Corporation shares handed over as rewards will be bought from the stock market. The incentive plan will not therefore have a diluting effect on the value of the shares.

The system consists of three earning periods: the calendar years 2013, 2014 and 2015. The Board of Directors decides on the earning criteria for each period, as well as on the targets to be set at the beginning of each earning period. In the 2013 earning period, approximately 45 people will fall within the scope of the incentive plan. The performance-based incentive will be based on the Lemminkäinen Group's operating profit and return on investment. The proportion paid in cash will cover the taxes and tax-related costs arising from the reward. In addition to the performance-based incentive, the abovementioned key personnel will also have the opportunity to receive a conditional incentive. In order to receive this incentive, a key employee must either already own or acquire company shares. Key personnel will then be rewarded with one share for every share they own or acquire. The earning period for conditional incentives is the calendar years 2013–2015.

You can read more about Lemminkäinen's incentive plans both on our website and in the annual report on pages 76–77.

ENVIRONMENT

In its product, service and operations development, Lemminkäinen takes into account both their direct and indirect impact on society. The Group's Executive Board and EHSQ experts regularly monitor both the environmental impact of the Group's operations and the management of environmental issues. On Group-level, Lemminkäinen follows energy consumption figures and the environmental impact of its production facilities in Finland. Each business segment also monitors the individual indicators set for it. Lemminkäinen's environmental reporting is developed according to international GRI (Global Reporting Initiative) framework G3 guidelines. The 2011 report was verified by an external organisation and received level C+. In 2012, Lemminkäinen participated in the international Carbon Disclosure Project (CDP) survey for the second time. The CDP measures performance in climate-related issues. The Group continued to analyse the impact of climate change on the company's operations. Lemminkäinen is involved with several associations that promote environmental awareness and legislation in the construction industry.

More detailed information on Lemminkäinen's environmental issues can be found on the website and in the annual report on pages 46–49.

RESEARCH AND DEVELOPMENT

Research and development activities at Lemminkäinen focus on the utilisation of information technology in construction, environmental and energy efficiency, and service development. Lemminkäinen has also initiated a variety of developmental measures to improve operational efficiency. In 2012, the company continued to develop the utilisation of building information modelling in project planning. Lemminkäinen's Technical Building Services and Infrastructure Construction segments are cooperating with cities and companies in the Helsinki Metropolitan Area to develop electric vehicle systems in the region (a project funded by Tekes, the Finnish Funding Agency for Technology and Innovation). Products and services are developed in long-term collaboration with customers.

Lemminkäinen has been awarded patents for processes in building construction, such as a technology for raising apartment buildings and a frame for creating window and door openings in cast-in-site concrete walls. Through a corporate acquisition, the company obtained a control technology that utilises weather forecast information. This system will be included in the energy-saving offering in technical building services.

The Group's business segments are each responsible for their own research and development activities, which focus on, for example, quality assurance and ensuring the efficiency and viability of business activities. Lemminkäinen's Central Laboratory carries out infrastructure construction R&D. In 2012, the Group's expensed research and development expenditure accounted for 0.6 (0.7) per cent of net sales.

CHANGES IN ORGANISATIONAL STRUCTURE

On 1 January 2012, Lemminkäinen formed a new business segment consisting its international business operations. Lemminkäinen now has four business segments: Building Construction, Infrastructure Construction, Technical Building Services, and International Operations.

On 17 February 2012, Jouni Pekonen was appointed Executive Vice President, Procurement. Casimir Lindholm was appointed Executive Vice President, Building Construction as of 1 January 2013. Both men were also appointed as members of Lemminkäinen's Executive Board, and they report to President & CEO Timo Kohtamäki. Jukka Terhonen, the former Executive Vice President, Building Construction and a member of the Executive Board, retired in January 2013.

SHARES

The company has one share class. Each share carries one vote at a general meeting of shareholders and confers an equal right to a dividend. Lemminkäinen's share capital is EUR 34,042,500 and the total number of shares was 19,650,176 at the end of the report period.

Share trading on NASDAQ OMX Helsinki

At the end of 2012, the market capitalisation of Lemminkäinen's shares stood at EUR 280.6 million (367.8). The price of Lemminkäinen Corporation's share on NASDAQ OMX Helsinki was EUR 18.72 (26.00) at the beginning of the period and EUR 14.28 (18.72) at the end. Share turnover during the period totalled 991,952 (3,366,940) shares. The total value of share turnover was EUR 16.3 million (77.0). In addition to NASDAQ OMX Helsinki, Lemminkäinen's share is also traded on alternative markets. During 2012, alternative markets accounted for 6 per cent (8) of Lemminkäinen's total share turnover. Share turnover on alterative markets totalled 64,087 (293,502) shares with a turnover value of EUR 1.1 million (7.0). (Source: Fidessa Fragmentation Index, http://fragmentation.fidessa.com.)

Authorisations of the Board of Directors

At an Extraordinary General Meeting held on 12 November 2009, Lemminkäinen decided – in accordance with the proposal made by the Board of Directors – to authorise the Board of Directors to resolve on a share issue and/or an issue of special rights entitling their holders to shares, as referred to in Chapter 10, Section 1 of the Finnish Companies Act, in one or more instalments, either against payment or without consideration. The Board of Directors is still authorised to issue 1,576,486 shares and/or special rights entitling their holders to shares. The authorisation is valid for five (5) years after being granted.

Lemminkäinen Corporation's Annual General Meeting, which convened on 2 April 2012, resolved to authorise the Board of Directors to decide on the repurchase of a maximum of 1,000,000 of the Company's own shares 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 authorisation will remain in force for a period of 18 months from the resolution of the General Meeting. The authorisation had not been exercised by the end of the review period.

Own shares

Lemminkäinen owns 509 of its own shares, which have been returned to the company as part of its share-based incentive scheme. The shares were originally allocated to key personnel for the 2011 earning period of the shared-based incentive scheme of 2010–2012.

SHAREHOLDERS

At the end of the financial year, the company had 4,781 shareholders (4,548). Holders of nominee-registered shares and non-Finnish shareholders held 14 (15) per cent of all Lemminkäinen Corporation shares and voting rights. Company ownership and division by segment and scale, the major shareholders, and the share ownership of Executive Board members and the Board of Directors are available on the company's website, www.lemminkainen.com/Investors.

Shareholder agreements

The company is not aware of any agreements between shareholders that would have a significant bearing on the use of ownership rights or voting behaviour at general meetings of shareholders.

Flagging notifications

On 4 January 2012, Lemminkäinen received a flagging notification stating that Olavi Pentti had bestowed 1,964,480 Lemminkäinen shares on his daughter, Noora Forstén, in a deed of gift. As a result, Olavi Pentti's holding in Lemminkäinen Corporation fell from 3,673,953 shares, or approximately 18.7 per cent of all shares, to 1,709,473 shares, or approximately 8.7 per cent of all shares. Noora Forstén's holding in the company rose from 1,593 to 1,966,073 shares, which corresponds to 10 per cent of all shares and votes in Lemminkäinen Corporation.

On 3 April 2012, Lemminkäinen received a flagging notification according to which Peab Invest AS, a wholly owned subsidiary of Peab AB (publ), acquired 940,000 shares on 2 April 2012 through a completed forward contract. These shares represent 4.78 per cent of the shares and votes in Lemminkäinen Corporation. The shares were transferred to Peab AB (publ) immediately after the transaction. As a result of the forward contract completed on 2 April 2012, Peab AB (publ)'s holding rose to 2,080,225 shares, which represent 10.58 per cent of the shares and votes in Lemminkäinen Corporation.

LEGAL PROCEEDINGS

In 2009, the Supreme Administrative Court (SAC) ordered Finnish asphalt industry companies to pay an infringement fine for violations of the Act on Competition Restrictions.

Since 30 September 2012, 12 new municipalities have brought claims. Therefore, at the end of the year, there were a total of 52 claims for damages brought by municipalities and the Finnish state (Finnish Transport Agency) pending against Lemminkäinen and other asphalt industry companies in the District Court. The claimants contend that restrictions on competition have caused them damages. The new claims total about EUR 6.7 million, bringing the total amount of damages currently sought from Lemminkäinen up to EUR 129 million. The claims presented in the statements of claim differ from each other as regards their amounts and grounds.

As it stands, the ruling rendered by the SAC in 2009 does not mean that Lemminkäinen or the other asphalt industry companies actually caused any damages to their asphalt contract clients. The ruling does not concern the individual contracts that the claimants cited in support of their claims. Nor does the ruling concern the pricing of individual contracts. The SAC has not investigated the contention that inflated prices have been charged for the contracts.

Lemminkäinen's initial position is that the claims for damages are without foundation. The claims will be processed in the order and schedule set by the District Court. The main proceedings on the claims made by 38 municipalities and the Finnish Transport Agency began in September 2012, and they have initially been scheduled to run until April 2013. The damages presented in these 39 claims total about EUR 121 million. No commencement date has yet been set for the main proceedings for the other 14 claims. Neither has a decision date been announced.

In accordance with IFRS standards, no provisions have been made in respect of the claims of the municipalities and the Finnish Transport Agency that are currently pending in the District Court.

Lemminkäinen will provide information on the proceedings when necessary, either in its interim reports or in separate releases. More information can be found on the company's website
www.lemminkainen.com/Investors/Lemminkainen_as_an_investment.

RISKS AND UNCERTAINTIES

Risk management is an essential part of Lemminkäinen's business operations. Risk management seeks to ensure that strategic and operational targets are achieved, and shareholder value is increased.

Fluctuations in global economic trends cause uncertainty in Lemminkäinen's operating environment and make it more difficult to forecast future changes. New construction in Finland is sensitive to economic cycles and therefore poses a market risk. This risk is managed both structurally and operationally. The more stable demand for infrastructure construction balances out fluctuating volumes in new domestic construction, as does growth in maintenance, upkeep and renovation in technical building services.

The company's residential development and construction involves both sales and price risks. As unsold residential units tie up capital, the company only starts new housing construction if a sufficient number of the units have been reserved in advance. When undertaking commercial development, business premises are usually sold to real estate investors in the early stages of construction at the latest, thereby reducing sales risks.

Project-specific risks generally involve changes in input costs and the management of project implementation. These are controlled through systematic project management at both the tender and implementation stage. Weather conditions also pose a risk in the construction industry. Unusual or harsh weather can weaken the profitability of our operations by interrupting or delaying projects.

Lemminkäinen uses great amounts of oil-based products in asphalt production. The price of bitumen is tied to the global price of oil. Lemminkäinen manages the bitumen price risk with oil derivatives and contractual terms.

Claims filed at district court level by certain municipalities and the Finnish Transport Agency pose a risk.

More information about Lemminkäinen's risks, including a more detailed description of the company's risk management, is presented in the annual report on pages 82–83 and on the website. A more detailed account of the financial risks is also provided in the notes to the financial statements.

RESOLUTIONS OF THE ANNUAL GENERAL MEETING AND ADMINISTRATION

On 2 April 2012, Lemminkäinen Corporation's Annual General Meeting adopted the company's financial statements for 2011 and granted the members of the Board of Directors and the President & CEO discharge from liability. The General Meeting resolved, in accordance with the Board of Directors' proposal, to pay a dividend of EUR 0.50 per share to a total of EUR 9,824,833.50. The record date for payment of dividend was 5 April 2012 and the dividend was paid on 16 April 2012.

Berndt Brunow, Noora Forstén, Juhani Mäkinen, Mikael Mäkinen, Kristina Pentti-von Walzel and Heikki Räty were elected to the Board of Directors. PricewaterhouseCoopers Oy, a firm of authorised public accountants, was elected to serve as the company's auditors, with Kim Karhu, Authorised Public Accountant, as chief auditor.

In accordance with the Board of Directors' proposal, the General Meeting resolved to sell all shares in the joint book-entry account that have not been transferred to the book-entry securities system, a total of 10,570 shares, on behalf of their owners. The Board of Directors was authorised to carry out any measures required by the decision.

Lemminkäinen Corporation's Board of Directors held its organisation meeting on 2 April 2012. Berndt Brunow will continue as Chairman of the Board of Directors, and Juhani Mäkinen as Vice Chairman. The Board of Directors elected Heikki Räty as the Chairman of the Audit Committee, with Juhani Mäkinen and Kristina Pentti-von Walzel serving as members. Berndt Brunow was elected as Chairman of the Nomination Committee, with Noora Forstén and Kristina Pentti-von Walzel serving as members. Mikael Mäkinen was elected as Chairman of the Remuneration Committee, with Berndt Brunow and Noora Forstén serving as members.

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 189,410,593.17, consisting of EUR 86,120,686.12 in retained earnings from previous years and EUR 41,980,990.17 in profit for the financial year.

The Board of Directors will propose to the AGM that, for the financial year ended 31 December 2012, the company will distribute a per-share dividend of EUR 0.60 to a total of EUR 11,789,800.20, after which retained earnings would stand at EUR 116,311,876.09.

OUTLOOK

Finland

Migration to urban growth centres and low interest rates support the housing demand in the near future. On the other hand, tax changes affecting consumers' purchasing power and increased difficulty in obtaining mortgages may weaken consumers' desire to purchase homes. The number of completed housing units on sale is growing, and it is likely that fewer new units will be started in 2013 than in 2012. However, if the market situation allows, Lemminkäinen is prepared to launch the construction of about 1,000 residential units in 2013.

The total volume of other new building construction is expected to contract further. Commercial construction outside urban growth centres is estimated to be very limited. Industrial construction will focus on energy production. The demand for renovation construction is estimated to continue its steady growth.

The total volume of infrastructure construction is not expected to grow in 2013. Growth is being hindered by, for example, slow economic growth and the challenges facing public sector finances. Demanding city-centre and underground urban construction will maintain moderate market demand for specialised contracting. Repair works in energy production will also increase demand for infrastructure construction.

The outlook for the repair and maintenance of technical building systems is forecasted to remain stable in the near future. New construction has slowed, leading to a fall in demand for contracting in technical building services, and no significant change is expected during the current year.

Other markets

Multi-year, national traffic infrastructure development plans are currently underway in Norway, Sweden and Denmark, and these three countries are also investing heavily in the development of energy production. Mining operations are increasing demand for infrastructure construction in Northern Sweden. Large-scale road projects are being planned around Sweden's growth centres.

In St Petersburg and Russia in general, growth in consumers' purchasing power, internal migration, and the increased availability of consumer mortgages are all supporting demand for residential construction. Measures to improve Russian infrastructure have been increasingly initiated, and, for example, numerous projects to expand and repair road networks are currently underway.

The growth in infrastructure construction in the Baltic countries will be determined by the availability of financing. However, ongoing road construction and renovation projects will maintain demand for infrastructure construction at a moderate level throughout 2013 at least.

Profit guidance for 2013

Lemminkäinen estimates that its 2013 net sales will remain at the same level as in 2012 and that its operating profit will improve on 2012. In 2012, Lemminkäinen's net sales totalled EUR 2,268 million and its operating profit amounted to EUR 50 million. This guidance is based on the company estimate that the efficiency programme proceeds as planned and that the construction market will not weaken significantly.

Helsinki, 6 February 2013

LEMMINKÄINEN CORPORATION
Board of Directors

Consolidated income statement (IFRS)

EUR 1,000	Note	1.1.–31.12.2012	1.1–31.12.2011
Net sales	1, 2	**2,267,645**	2,183,946
Other operating income	6	**18,225**	20,739
Change in inventories of finished goods and work-in-progress		**16,118**	44,803
Production for own use		**1,920**	294
Use of materials and services		**1,482,620**	1,455,389
Employee benefit expenses	7	**450,309**	434,305
Depreciation	8	**40,983**	35,104
Impairment of goodwill	8		73
Other operating expenses	9	**280,946**	282,809
Share of the profit of associates and joint ventures	10	**1,064**	1,867
Operating profit		**50,114**	43,970
Finance income	11	**11,256**	11,388
Finance costs	11	**32,342**	30,343
Profit before income taxes		**29,028**	25,015
Income taxes	12	**–8,674**	–7,938
Profit from continuing operations		**20,354**	17,077
Profit from discontinued operations	4	**23,680**	18,494
Profit for the financial year		**44,034**	35,571
Profit for the financial year attributable to			
Equity holders of the parent company		**43,875**	34,720
Non-controlling interests		**158**	851
Basic earnings per share attributable to equity holders of the parent company (EUR)			
From continuing operations	13	**0.83**	0.83
From discontinued operations	13	**1.21**	0.94
From profit for the year	13	**2.04**	1.77
Diluted earnings per share attributable to equity holders of the parent company (EUR)			
From continuing operations	13	**0.82**	0.83
From discontinued operations	13	**1.20**	0.94
From profit for the year	13	**2.03**	1.77

Consolidated statement of comprehensive income (IFRS)

EUR 1,000	Note	1.1.–31.12.2012	1.1.–31.12.2011
Profit for the financial year		**44,034**	35,571
Translation difference		**3,148**	–811
Cash flow hedge	14, 24	**503**	570
Change in fair value of available-for-sale financial assets	14, 24	**15**	–12
Other comprehensive income, total		**3,666**	–253
Comprehensive income for the financial year		**47,700**	35,318
Comprehensive income for the financial year			
Equity holders of the parent company		**47,542**	34,467
Non-controlling interests		**158**	851

Consolidated statement of financial position (IFRS)

EUR 1,000	Note	31.12.2012	31.12.2011
ASSETS			
Non-current assets			
Property, plant and equipment	16	**200,466**	207,182
Goodwill	17	**77,043**	85,693
Other intangible assets	17	**26,671**	18,712
Holdings in associates and joint ventures	10	**9,706**	9,291
Available-for-sale financial assets	18	**5,971**	5,992
Deferred tax assets	12	**20,364**	19,356
Other non-current receivables	19	**456**	4,765
		340,678	350,991
Current assets			
Inventories	20	**494,388**	448,467
Trade and other receivables	21	**363,129**	407,287
Income tax receivables		**8,273**	5,616
Available-for-sale financial assets	22	**59,020**	
Cash and cash equivalents	23	**34,926**	30,395
		959,736	891,766
Total assets		**1,300,414**	1,242,757

EUR 1,000	Note	31.12.2012	31.12.2011
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	25	**34,043**	34,043
Share premium account	25	**5,675**	5,675
Hedging reserve	25	**–436**	–940
Fair value reserve	25	**15**	
Invested non-restricted equity fund	25	**63,607**	63,220
Hybrid bond	25	**69,095**	
Translation difference		**4,532**	1,385
Retained earnings		**229,994**	210,591
Profit for the financial year		**43,875**	34,720
		450,400	348,693
Non-controlling interests		**373**	1,708
Total equity		**450,772**	350,401
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	26	**138,842**	194,643
Deferred tax liabilities	12	**25,171**	21,727
Pension obligations	27	**1,171**	3,872
Provisions	29	**6,198**	6,224
Other non-current liabilities	30	**7,625**	3,226
		179,007	229,692
Current liabilities			
Interest-bearing liabilities	26	**232,361**	236,968
Provisions	29	**8,069**	7,495
Trade and other payables	30	**427,847**	416,383
Income tax liabilities		**2,358**	1,817
		670,634	662,664
Total liabilities		**849,641**	892,356
Total equity and liabilities		**1,300,414**	1,242,757

Consolidated cash flow statement (IFRS)

EUR 1,000	Note	1.1.–31.12.2012	1.1.–31.12.2011
Cash flows from operating activities			
Profit before taxes		**29,028**	25,015
Adjustments	33		
Depreciation and impairment		**40,983**	35,177
Share of the profit of associates and joint ventures		**–1,064**	–1,867
Finance income and costs		**21,086**	18,955
Other adjustments		**–3,985**	–2,666
Cash flow before change in working capital		**86,048**	74,614
Change in working capital			
Increase (–)/decrease (+) in trade and other receivables		**38,774**	–72,367
Increase (–)/decrease (+) in inventories		**–52,438**	–71,323
Increase (+)/decrease (–) in current liabilities		**8,843**	82,589
Cash flow from operations before financial items and taxes		**81,227**	13,513
Interest paid		**–18,414**	–16,470
Other finance costs paid		**–14,435**	–12,493
Dividends received		**694**	390
Interest received		**1,669**	2,576
Other finance income received		**9,668**	9,543
Income tax paid		**–2,657**	–4,167
Cash flows from operating activities		**57,751**	–7,108
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**–74,269**	–41,961
Proceeds from sale of property, plant and equipment and intangible assets		**36,271**	13,747
Investments in other assets		**–59,104**	–4
Proceeds from sale of other investments		**152**	1,450
Acquired subsidiary shares less cash and cash equivalents at time of purchase		**–1,928**	–18,532
Disposed subsidiary shares less cash and cash equivalents at time of sale	4	**55,356**	28,085
Purchases of shares in associates and joint ventures		**167**	
Cash flows from investing activities		**–43,355**	–17,215
Cash flows from financing activities			
Repayments of long-term loan receivables		**4,397**	2,349
Proceeds from short-term borrowings		**247,015**	257,009
Repayments of short-term borrowings		**–250,474**	–191,330
Proceeds from long-term borrowings		**235,097**	258,706
Repayments of long-term borrowings		**–291,726**	–276,168
Hybrid bond		**69,095**	
Repayments of finance lease liabilities		**–13,566**	–11,408
Dividends paid		**–10,003**	–10,791
Cash flows from financing activities		**–10,164**	28,367
Increase (+)/decrease (–) in cash and cash equivalents		**4,232**	4,045
Cash and cash equivalents at beginning of financial year	23	**30,395**	26,348
Translation difference of cash and cash equivalents		**298**	2
Cash and cash equivalents at end of financial year		**34,926**	30,395

Consolidated statement of changes in equity (IFRS)

EUR 1,000	Note	SHARE CAPITAL	SHARE PREMIUM ACCOUNT	HEDGING RESERVE	FAIR VALUE RESERVE	INVESTED NON-RESTRICTED EQUITY FUND	HYBRID BOND	TRANSLATION DIFFERENCE	RETAINED EARNINGS	PARENT COMPANY SHARE-HOLDERS' EQUITY	NON-CON-TROLLING INTEREST	TOTAL EQUITY
Equity 1.1.2011		34,043	5,750	–1,510	12	63,144		2,196	221,561	325,196	5,086	330,282
Profit for the financial year									34,720	34,720	851	35,571
Translation difference								–811		–811		–811
Cash flow hedge				570						570		570
Change in fair value of available-for-sale financial assets					–12					–12		–12
Comprehensive income for the financial year				570	–12			–811	34 720	34,467	851	35,318
Direct entries, acquisition of non-controlling interest									–1,147	–1,147		–1,147
Change in non-controlling interest											–3,256	–3,256
Dividends paid	15								–9,822	–9,822	–974	–10,796
Transfers between funds			–76			76						
Transactions with owners, total			–76			76			–10,969	–10,969	–4,230	–15,199
Equity 31.12.2011		34,043	5,675	–940		63,220		1,385	245,311	348,693	1,708	350,401
Equity 1.1.2012		**34,043**	**5,675**	**–940**		**63,220**		**1,385**	**245,311**	**348,693**	**1,708**	**350,401**
Profit for the financial year									**43,875**	**43,875**	**158**	**44,034**
Translation difference								**3,148**		**3,148**		**3,148**
Cash flow hedge				**503**						**503**		**503**
Change in fair value of available-for-sale financial assets					**15**					**15**		**15**
Comprehensive income for the financial year				**503**	**15**			**3,148**	**43,875**	**47,542**	**158**	**47,700**
Direct entries, acquisition of non-controlling interest									**–3,222**	**–3,222**		**–3,222**
Change in non-controlling interest											**–1,233**	**–1,233**
Share-based incentive schemes						**387**			**624**	**1,011**		**1,011**
Contingent shares returned to the company									**–251**	**–251**		**–251**
Dividend distribution	15								**–9,825**	**–9,825**	**–261**	**–10,085**
Hybrid bond interest									**–2,643**	**–2,643**		**–2,643**
Transactions with owners, total						**387**			**–15,317**	**–14,930**	**–1,493**	**–16,423**
Hybrid bond							**69,095**			**69,095**		**69,095**
Equity 31.12.2012		**34,043**	**5,675**	**–436**	**15**	**63,607**	**69,095**	**4,532**	**273,870**	**450,400**	**373**	**450,772**

Accounting principles applied in the IFRS consolidated financial statements, 31 December 2012

BASIC INFORMATION ON THE COMPANY

Lemminkäinen Corporation is a public limited company established under the laws of Finland and domiciled in Helsinki. The Company's registered address is Salmisaarenaukio 2, 00180, Helsinki, Finland. Lemminkäinen Corporation is the parent company of Lemminkäinen Group. The Group operates in several branches of the construction sector. The Group comprises the following operating segments: Building Construction, Infrastructure Construction, Technical Building Services and International Operations.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and the IAS and IFRS standards and SIC and IFRIC interpretations that were in force on 31 December 2012 have been observed in their preparation. The term 'International Financial Reporting Standards' refers to standards and their interpretations authorised for use in the European Union in accordance with the procedure prescribed in EU Regulation (EC) No. 1606/2002 as well as in the Finnish Accounting Act and the provisions laid down pursuant to the Act. The notes to the consolidated financial statements are also in accordance with Finnish accounting and community legislation supplemental to the IFRS regulations. The consolidated financial statements will be available on the Company's website at www.lemminkainen.com from week 12 of 2013 onwards. Printed copies of the consolidated financial statements can be ordered via e-mail info@lemminkainen.com or by telephone +358 20 715000, from week 14 onwards.

The figures in the financial statements are denominated in thousands of euros. Transactions are treated on the basis of original acquisition costs, with the exception of financial instruments. The Board of Directors approved the publication of the consolidated financial statements on 6 February 2013.

PRINCIPLES OF CONSOLIDATION

Subsidiaries

The consolidated financial statements include Lemminkäinen Corporation and those subsidiaries in which the parent company directly or indirectly controls over 50 per cent of the voting rights conferred by the shares or otherwise have the right to control the Company's financial or business principles. Intra-group shareholdings are eliminated by means of the acquisition method. The acquisition price comprises the consideration paid, the non-controlling interest in the acquiree, and the fair value of the previously held interest. The consideration paid is measured as the fair value of the assets given, liabilities assumed, and equity instruments issued by the Group. Any contingent consideration is measured at fair value at the time of acquisition and is included in the consideration paid. It is classified as either a liability or equity. Any contingent consideration classified as a liability is fair valued on the reporting date of each reporting period, and the resulting gains or losses are recognised through profit or loss. A contingent consideration classified as equity is not re-measured. Non-controlling interest in the acquiree is recognised on an acquisition-by-acquisition basis at either fair value or the amount corresponding to the share of the net assets of the acquiree held by non-controlling interests. The amount by which the sum of the consideration paid, the non-controlling interest in the acquiree, and the fair value of the previously held interest exceed the fair value of the acquired net assets is recognised as goodwill on the balance sheet. If the total amount of consideration, the non-controlling interest in the acquiree, and the previously held interest is smaller than the fair value of the net assets acquired by the subsidiary, the difference is recognised in the statement of comprehensive income.

Direct acquisition costs are recognised as other operating expenses in the income statement.

The treatment of transactions with non-controlling interests is the same as that of transactions with the Group's shareholders. When shares are acquired from non-controlling interests, the difference between the consideration paid and the carrying amount of the acquired net assets in the subsidiary is recognised in equity. Gains or losses from the sale of shares to non-controlling interests are also recognised in equity. When control or significant influence is lost, the remaining holding, if any, is measured at fair value and the change in the carrying amount is recognised through profit or loss. This fair value serves as the original carrying amount when the remaining holding is subsequently treated as an associate, a joint venture, or financial assets. In addition, the amounts concerning said company that were previously recognised in other comprehensive income are treated as if the Group had directly surrendered the related assets and liabilities. This means that amounts previously recognised in other comprehensive income items are recycled to profit or loss.

The goodwill included in the consolidated financial statements is recognised on the balance sheet in the currency of the acquiring company, and the goodwill arising from acquisitions is recognised in the functional currency of the foreign unit. Subsidiaries acquired during the accounting period are included in the consolidated financial statements from the moment of the Group gaining control, and divested subsidiaries up until the time that the control is lost.

Intra-group transactions; unrealised internal margins; and internal receivables, liabilities, and dividend payments are eliminated on consolidation. The distribution of profit for the financial year to the shareholders of the parent company and to the non-controlling interests is presented in the income statement. On the balance sheet, the non-controlling interest is included in the total equity of the Group.

Associates and joint ventures

Investments in associates (generally 20—50 per cent of the voting rights or otherwise significant influence over the company's affairs) and joint ventures (joint control with other parties) are included in the consolidated financial statements using the equity method. In such cases, the Group's share of the profit of the associate or joint venture corresponding to its ownership stake is included in the consolidated income statements. Correspondingly, the Group's share of the equity in the associate or joint venture, including the goodwill arising from its acquisition, is recorded as the value of the Group's holding in the Company on the consolidated balance sheet. If Lemminkäinen's share of the losses of an associate or joint venture exceeds the investment's carrying amount, the investment is assigned a value of zero on the balance sheet and the excess is disregarded, unless the Group has obligations related to the associate or joint venture.

Unrealised gains arising in connection with business and fixed asset transactions between the Group and associates or joint ventures are eliminated in proportion to the holding. The eliminated gain is recognised through profit or loss as it is realised.

Shares of the profits of associates and joint ventures are included in operating profit since they belong to the operations of reporting business segments.

OPERATING SEGMENTS

Reported segment information is based on internal segment reporting to the chief operating decision maker. Lemminkäinen Group's chief operating decision-maker is the President and CEO of Lemminkäinen Corporation. Internal segment reporting to the management covers net sales, depreciation, operating profit, and as assets fixed assets, inventories, and trade receivables. The figures reported to the management are accurate to the nearest EUR 1,000.

Reportable segment information is generally prepared according to the accounting principles applied for the consolidated financial statements. Imputed items are not considered in segment reporting. These items include, among others, depreciation of assets acquired by finance leasing, interest separated from payments, warranty provisions, and unrealised gains or losses on derivatives. In segment reporting to the management, finance leases are treated as operating leases, in deviation from the accounting principles of IFRS financial statements. Associates and joint ventures are combined in segment reporting in proportion to the holding using the line-by-line method. In IFRS financial statements, associates and joint ventures are combined in accordance with the equity method. In segment reporting, inter-segment sales are not allocated to segments, owing to their minimal magnitude, and are not reported to the management.

Intra-segment transactions are priced at market prices. The cost plus method, wherein the price of a product or service is determined by the addition of an appropriate profit mark-up to the costs incurred, is the main transfer pricing method applied.

PRESENTATION OF THE FINANCIAL STATEMENTS

The Group presents two separate income statements: the consolidated income statement and the consolidated statement of comprehensive income. The former includes the components of profit and loss, and the latter starts with the profit or loss and presents the equity changes that are unrelated to the shareholders. The consolidated statement of changes in equity itemises the transactions with shareholders.

FOREIGN CURRENCY ITEMS

The consolidated financial statements are presented in euros, which is also the functional and presentation currency of the Group's parent company. The figures relating to the profit and financial position of the Group companies are initially recognised in the functional currency of their operating environment. Every Group company's functional currency is the primary currency of the economic environment in which the entity/company operates. Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Receivables and liabilities denominated in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Exchange rate differences resulting from operating activities are recorded as adjustments to the corresponding items above the operating profit. Exchange rate gains and losses related to financing are recognised as finance income and costs.

Income statements of Group companies outside the euro area are translated into euros in line with the average exchange rates for the accounting period. All balance sheet items, with the exception of the profit or loss for the accounting period, are translated into euros at the exchange rates prevailing on the balance sheet date. The translation differences resulting from the translation of the income statement and balance sheet at different exchange rates and from the elimination of the acquisition cost of subsidiaries outside the euro area are recognised in equity and the changes presented in the statement of comprehensive income. When foreign subsidiaries are divested, the translation difference accrued in equity is recognised through profit and loss as part of gains or losses.

Goodwill arising from the acquisition of subsidiaries outside the euro area as well as fair value adjustments to the carrying amounts of the assets and liabilities of the foreign subsidiaries are treated as assets and liabilities of the foreign subsidiaries in question and are translated into euros at the exchange rates prevailing on the balance sheet date.

FINANCIAL ASSETS

Financial assets are recognised on the settlement date. The Group classifies financial assets on initial recognition into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables. The category is determined in accordance with the purpose for which the financial asset has been acquired. Financial assets are derecognised once the Group has lost the contractual right to their cash flows or when it has substantially transferred their risks and rewards to a party outside the Group.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include all derivative contracts that do not meet the hedge accounting criteria. These derivative contracts include interest rate, foreign exchange and commodity derivatives. Derivatives are carried at fair values based on market prices and generally accepted valuation models. Changes in the fair values are recognised according to the nature of the derivative, either in the Group's financial items or in other operating income or expenses.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets other than derivative contracts, that are specifically designated as such or that are not classified in any other category. The Group's available-for-sale financial assets include property, housing-company and other shares, as well as short-term money-market investments. Available-for-sale financial assets are measured at fair value. Changes in the fair values are recognised in equity and presented in other comprehensive income. If a fair value cannot be reliably measured, the asset is recognised at cost less impairment, if any. The dividends from equity instruments included in available-for-sale financial assets and the interest from fixed-income instruments are recognised under financial items.

When financial assets classified as available-for-sale are sold or impairment is recognised, accumulated fair value changes recognised in equity are reclassified in profit or loss either under other operating income or expenses if the asset is an equity instrument, or under financial items if the asset is other than an equity instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, and are not quoted in an active market. Loans and receivables of the Group also include trade and other receivables on the balance sheet. Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank-account balances and liquid money-market investments with original maturities of less than three months.

Impairment of financial assets

On every reporting date, the Group assesses whether there is any objective evidence of impairment of the value of a financial asset or a group of financial assets. If there is objective evidence of impairment, the amount recoverable from the financial asset, which is the fair value of the asset, is estimated and the impairment loss is recognised wherever the carrying amount exceeds the recoverable amount. Impairment losses are recognised in the income statement. For example, when a debtor is in significant financial difficulties, any probable bankruptcy, delinquent payments, or payments that are more than 90 days overdue constitute evidence of possible impairment of the receivables.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised on the settlement date at fair value less transaction costs. Subsequently, all financial liabilities are measured at amortised cost using the effective interest rate method. Fees paid on the establishment of loan facilities are capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. The Group has non-current and current financial liabilities, and they may be interest-bearing or non-interest-bearing. Financial liabilities are derecognised once the Group's obligations in relation to liability is discharged, cancelled or expired.

CAPITALISATION OF BORROWING COSTS

The company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Qualifying assets

A qualifying asset is one that takes a substantial period of time to complete for its intended purpose. A qualifying asset may be a fixed or movable asset, an inventory item or an intangible asset.

Costs of borrowing for the purpose of acquisition of an asset

When borrowings are made expressly for the purpose of financing a qualifying asset, the capitalised borrowing costs are the allocated financing expenses arising from the actual borrowings less the finance income received from the temporary investment of such borrowings. After an asset has been completed, the unpaid amount of the borrowings for the project is transferred to general borrowings.

General borrowings

The Group's borrowings are always considered the primary form of financing, even if the cash flow is sufficient to cover the cost of a qualifying asset. When general borrowings are used to finance a qualifying asset, the amount of the capitalised borrowing costs is determined through the application of a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of those borrowing costs applicable to the company's borrowings outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Prepayments

In calculating the amount of a project's borrowing costs, project-related prepayments received from the customer are included in the net position arising from the contract. If inclusion of the borrowing costs leads to a situation in which the net position of the project is positive for the entire construction period, the borrowing costs are not capitalised at all. If the net financing position of the project changes from positive to negative during the construction period, the borrowing costs are capitalised in respect of the periods during which the net position was negative.

Commencement and cessation of capitalisation

Capitalisation commences when the company first incurs expenditures for a qualifying asset giving rise to borrowing costs, and when it undertakes activities that are necessary for preparation of the asset for its intended use or for sale. Capitalisation is suspended when effective production is halted. Capitalisation ceases when all activities necessary to complete the asset for its intended use or sale have been carried out.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the balance sheet on the date a derivative contract is entered into and subsequently re-measured at their fair value on each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group applies cash flow hedge accounting for certain variable-rate loans. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risks management objectives and strategy. The effectiveness of the hedging relationship is assessed at inception and then at regular intervals at least on every reporting day. The gain or loss relating to the effective portion of the eligible derivatives are deferred in hedging reserve of equity and presented in other comprehensive income. The ineffective portion is recognised under financial items in the income statement. The cumulative change in fair value is transferred from equity and recognised in the income statement for the periods in which the hedged item affects the result.

When a hedging instrument expires or is sold, or the hedge no longer meets the criteria for hedge accounting, the hedge accounting is ceased. Any cumulative gain or loss from the hedging instrument remains in equity until the forecasted transaction is ultimately recognised in the income statement. If the forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within financial items.

Derivatives that are not eligible for hedge accounting are classified as current assets or liabilities. Changes in the fair value of these derivatives are recognised according to the nature of the derivative, either in the Group's financial items or in other operating income or expenses.

REVENUE RECOGNITION PRINCIPLES

Recognition of revenue from construction projects

Percentage of completion

When recognising revenue from construction projects, the company observes the percentage-of-completion method if the project in question possesses the characteristics of construction contract and the project's outcome can be estimated reliably. Construction contracts from which revenue is recognised with percentage-of-completion method are specifically negotiated contracts, in which the buyer can decide on the primary structural or functional characteristics of the project before or during construction. If the project's outcome cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and costs are expensed in the period in which they incur.

The percentage of completion of a project is calculated as the ratio of actually incurred costs to estimated total costs. If it is likely that the total costs needed for completion of a project on the order book will exceed the total revenue receivable from the project, the anticipated loss is recognised in its entirety as an expense.

When the costs incurred and recognised profits are greater than billing based on the project's progress, the difference is presented under the balance sheet item 'Trade and other receivables' as project income receivables. If the costs incurred and recognised profits are less than the billing based on the project's progress, the difference is presented in the balance sheet item 'Accounts payable and other current liabilities' as received advance payments or project expense liabilities.

In commercial building construction, the amount and probability of lease liability commitment is estimated as a project progresses. Provision is made, when there is a buyer for the property and the management estimates that it is probable that the company will have to fulfil lease liability commitments.

There are long-term construction projects from which revenue is recognised with percentage-of-completion method in all segments of the company.

Recognition on completion

Revenue from building construction projects, where the buyer does not have a contractual right to specify major structural elements of the building is recognised on completion in connection with delivery and in accordance with revenue recognition principles of the sale of manufactured goods. Projects from which revenue is recognised on completion are mostly Building Construction and International Operations segments' own housing and commercial building developments.

Recognition of revenue from services

Revenue recognition from services is based on the percentage-of-completion on the reporting date. The same rules are applied as for recognition of construction projects under the percentage-of-completion method. Service business exists in all segments of the company.

Recognition of revenue from the sale of manufactured goods

The company recognises revenue from the sale of manufactured goods at the time when the significant risks and rewards associated with product ownership are transferred to the buyer and the company no longer has any authority or control over the product. As a rule, this means the time when the product is handed over to the customer in accordance with the agreed terms and conditions of delivery. The fair value of revenue received, adjusted for indirect taxes, discounts given and exchange rate differences on foreign currency sales, is presented in the income statement as net sales. There are sales of manufactured goods mostly in infrastructure and international operations segments.

Recognition of life-cycle projects

In life-cycle projects, the operator – that is, the service provider – builds or improves the infrastructure used for service provision and provides operation services for said infrastructure. The Company recognises revenue from construction and improvement services as well as from operation services on the basis of the percentage of completion.

Recognition of interest and dividends

Interest income is recognised over the period of the borrowing using the effective interest rate method. Dividends are recognised when the right to receive payment is established.

NON-CURRENT ASSETS

Property, plant and equipment

Property, plant and equipment are recognised on the balance sheet at cost less depreciation and impairment. Property, plant and equipment are depreciated over their estimated useful economic lives. Land has indefinite useful economic life and is therefore not subject to depreciation. Estimated useful economic lives of property, plant and equipment are as follows:

- Buildings and structures 10–40 years
- Machinery and equipment 4–10 years
- Mineral aggregate deposits depreciation based on material depletion
- Other property, plant and equipment 10 years

An asset is subject to depreciation when it is available for use. Depreciation is charged over the period from the asset's introduction to use until the end of its useful economic life. The residual value and economic life of assets are reviewed in connection with the preparation of each set of annual financial statements and, if necessary, these are adjusted to reflect any changes that may have occurred in the economic benefit expected. When depreciation charges are made according to plan, the residual value of the asset is zero. Depreciation of property, plant and equipment ceases when it is classified as held for sale.

Normal maintenance and repair costs are expensed as incurred. Significant improvements or additional investments are capitalised and depreciated over the remaining useful economic life of the asset to which they pertain, provided that it is likely that the company will derive future economic benefit from the asset. Gains on the sale of property, plant and equipment are presented in 'Other operating income', and losses in 'Other operating expenses'. The Group expenses the interest costs of aquisition of property, plant and equipment, unless the project meets the requirements for capitalisation of borrowing costs, in which case they are capitalised as part of the acquisition cost.

Intangible assets

Amortisation of an asset is recorded from the moment the asset is available for use. Amortisations are recorded until the end of the asset's useful economic life. When all amortisations according to plan are made, the residual value of the asset is zero.

Goodwill

Goodwill is the amount by which the acquisition cost exceeds the Group's interest in the net fair value of its identifiable assets, liabilities and contingent liabilities at the time of acquisition. Possible non-controlling interest is measured either at fair value, or a value equal to the non-controlling owners' proportions of the identifiable net assets of the acquiree. The valuation principle is determined separately for each acquisition.

Goodwill is not amortised. Instead, it is regularly tested for impairment. In the impairment testing, goodwill is allocated to cash-generating units. Goodwill is recognised on the financial statement at cost less impairment, if any, which is expensed on the income statement.

Other intangible assets

Intangible assets also include IT software licence fees as well as other licence fees and patents, including their advance payments. Other intangible assets are recorded at cost in the balance sheet and are depreciated over their useful economic lives. The estimated useful lives of intangible assets are:

- IT software licence fees 5 years
- Other intangible assets 5–10 years

Other amortised costs

Intangible assets include amortised costs that are not related to property, plant and equipment and have economic effects lasting longer than one year. Other amortised costs create future economic benefits over their useful economic lives. The benefits can be either income or cost savings.

Research and development expenditure

Research expenditure is expensed as incurred. Development expenditure is recognised on the balance sheet when the intangible asset satisfies all the following criteria:

- research and development phases can be separated from each other
- it is technically feasible and it can be used or sold
- it will be completed and either used or sold
- it can be demonstrated that the asset will generate probable future economic benefit and that the company has the adequate resources to use or sell the intangible asset
- its development expenditure can be reliably measured

If the development expenditure does not satisfy all the above capitalisation criteria, it is expensed as incurred.

Grants received

Government grants received from the Finnish State or grants from some other public-sector source is recognised as income on the income statement at the same time that corresponding costs are expensed. Investment grants are deducted from the value of the asset in question.

Impairment

The carrying amount of an asset is assessed on each reporting date to determinate whether there are indications of impairment. If indications of impairment are found, the 'recoverable amount' for the asset in question is assessed. The recoverable amount for an asset is either its fair value less costs to sell or, if higher, its value in use. In the measurement of value in use, expected future cash flows are discounted from their present value with discount rates that reflect the country's average capital costs before taxes. Market risk and non-liquidity premiums are taken into consideration in the setting of the discount rates. If it is not possible to calculate the recoverable cash flows for an individual asset, the recoverable amount for the cash-generating unit to which the asset belongs is determined. An impairment loss is recognised on the income statement if the carrying amount exceeds the recoverable amount.

Goodwill is tested for impairment annually and whenever it may be concluded that there is a need to do so. Goodwill is allocated to cash-generating units in a consistent manner. In the impairment tests, the recoverable amount from the business of a cash-generating unit is derived from value-in-use calculations using forecast cash flows based on comprehensive profitability plans confirmed by the management for a specific period as well as other justifiable estimates of the future outlook for the cash-generating unit and its business sector.

Impairment losses related to assets other than goodwill are reversed if the estimates used for determination of the recoverable amount of the asset have changed. The biggest permitted reversal equals the carrying amount of the asset less depreciation if impairment was not recognised in earlier years.

LEASING AGREEMENTS WHEREIN THE GROUP IS THE LESSEE

Leasing agreements that pertain to property, plant and equipment in which a substantial proportion of the risks and rewards of ownership are transferred to the Group are classified as finance leases. Finance leases are recognised as assets on the balance sheet at a value equal to the fair value of the leased item on the date of the lease's commencement or, if lower, the present value of the minimum lease payments. Corresponding liability is recognised in current and non-current borrowings.

Assets leased under finance leases are depreciated over the useful economic life of the asset class or a shorter period as the life of the lease elapses, and impairment losses are recognised as required. Annual lease payments are divided into finance costs and debt amortisation instalments over the life of the lease so that the same interest rate is applied to the outstanding debt in every accounting period.

Leasing agreements in which the risks and rewards of ownership are retained by the lessor are treated as operating leases. Payments under operating leases are treated as lease expenses, and they are recognised on the income statement in equal instalments over the life of the lease.

INVENTORIES

Inventories are measured at the lower of acquisition cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of selling are not included in the valuation of inventories at cost. Finance costs are included in the valuation of inventories at cost only when the particular project meets the requirements set for capitalisation of borrowing costs. The cost of materials and supplies is assigned by using the FIFO (first-in, first-out) principle. Net realisable value is the estimated selling price in ordinary business operations less the estimated expenditure on product completion and sales. The carrying amounts of separate items in inventories are not decreased when the completed products in which the items belong to are expected to be sold at a price equalling or exceeding the combined acquisition costs of the separate items.

TREATMENT OF OWN BUILDING DEVELOPMENTS

Expenditure committed to own building developments is capitalised on the balance sheet as inventories. Liabilities and prepayments related to real estate companies under construction are included in current liabilities.

The share of loans obtained that corresponds to the unsold proportion of flats that are still under construction as well as the proportion of loans for completed but unsold flats is included in current interest-bearing liabilities.

EMPLOYEE BENEFITS

Pension obligations

The pension schemes of Group companies operating in different countries are generally defined contribution plans. Payments in respect of defined-contribution plans are expensed on the income statement for the accounting period to which they apply. The company has defined-benefit plans in Norway and Finland. In the case of a defined-benefit plan, a pension liability is recognised to the extent that the plan gives rise to a pension obligation. If a defined-benefit plan gives rise to a pension surplus, it is recognised in prepayments and accrued income on the balance sheet.

The pension costs of a defined-benefit plan are measured by the projected unit credit method. The amount of pension liability is calculated by deducting the fair value of the assets belonging to the pension scheme on the balance sheet date from the present value of the future pension obligations on the balance sheet date. The pension obligations are expensed on the basis of actuarial calculations for the duration of the employee service. The actuarial gains and losses arising from these pension obligations are recognised on the income statement over the expected average remaining length of service of the participating employees to the extent that they exceed 10% of the present value of the defined-benefit obligation or, if greater, the fair value of the plan's assets.

The Finnish group companies' pension liability is determined by calculating the present values of estimated future cash flows, using eurozone high investment grade companies' bond interest rates as discount rates. In Norway, where no deep markets for mentioned bonds exist, the discount rate is determined by Norwegian government bonds' market returns. The bonds used in determining the discount rates are in the same currency as pension benefits to be paid. The chosen discount rate reflects the estimated average moment of payment of the benefits. The discount rates used are based on proposals made by actuaries who calculate the schemes.

Management remuneration

The management remuneration consists of three elements: salary and fringe benefits, short-term remuneration and long-term remuneration. Short-term remuneration comprises annual performance related bonuses earned for exceeding predefined performance targets. Long-term remuneration consists of not only pension remuneration but also rewards in the form of shares. The performance targets for share-based rewards are always set one year in advance. Any performance related bonuses and share-based rewards are paid out in the following year, once the results have been confirmed.

Share-based rewards are expensed over their vesting and commitment periods. The expenses of other management remuneration are recognised on the income statement as personnel expenses as they arise.

PROVISIONS AND CONTINGENT LIABILITIES

A provision is made when the Group has a legal or constructive obligation based on some past event and it is likely that exemption from responsibility would either require a payment or would result in a loss, and that the amount of liability can be reliably measured. Provisions are mainly related to warranties, onerous contracts and landscaping and other environmental liabilities as well as lease liability commitments. They are generally realised within two years and their discounting to present value has no essential bearing on the correctness of the financial statements.

Warranty provisions cover after completion repair costs arising from warranty obligations. Warranty provisions are calculated on the basis of the level of warranty expenses actually incurred in earlier accounting periods and are recognised when income from a project is recognised on the income statement. If the Group will receive reimbursement from a subcontractor or material supplier on the basis of an agreement in respect of anticipated expenses, the future compensation is recognised when its receipt is, in practice, beyond doubt.

Provision is made for onerous contracts when the amount of expenditure required by the agreement to fulfil the obligations exceeds the benefits that may be derived from it. The provisions made for onerous contracts do not include the losses from construction contracts.

A landscaping provision is made in respect of those sites where landscaping is a contractual obligation. The amount of the provision is based on the use of ground materials.

Ten-year liabilities related to own building developments are included as a provision in the financial statements to the extent that their realisation is considered likely and the amount of the liability can be reliably measured.

Lease liability commitment arises, when the company has a contractual obligation to obtain tenants for premises not yet leased in a commercial real estate under construction. The amount and probability of lease liability commitment is estimated as the project progresses. Provision is made, when there is a buyer for the property and the management estimates that it is probable that the company will have to fulfil lease liability commitments.

The company recognises a provision for legal proceedings when it estimates that an outflow of financial resources is likely and the amount of the outflow can be reliably estimated.

Contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of an uncertain future event that is not wholly within the control of the Group. In addition, a present obligation whose settlement is not likely to require and outflow of financial resources and an obligation whose amount cannot be measured with sufficient reliability are deemed contingent liabilities. No provision is made for contingent liability and it is presented in the notes of the financial statement.

INCOME TAXES

Taxes calculated on the basis of the taxable profit or loss of Group companies for the accounting period, adjustments to taxes for earlier accounting periods, and change in the deferred tax liability and assets are recognised as taxes on the consolidated income statement. The tax effect associated with items recognised directly in equity is recognised correspondingly in equity.

The change in deferred tax is calculated from the temporary differences between taxation and accounting, with either the tax rate in force on the balance sheet date or a known tax rate that will come into force at a later date. However, a deferred tax liability is not recognised in respect of a temporary difference that arises from the initial recognition of an asset or liability (other than from a business combination) and affects neither accounting income nor taxable profit at the time of transaction. A deferred tax asset is recognised only to the extent that it is likely that there will be future taxable profit against which the temporary difference may be utilised. The most significant temporary differences arise from accelerated depreciations for tax purposes, the revenue recognition practice for construction projects, internal gains from sales of fixed assets, finance leases, provisions, unused tax losses, measurements of fair value made in connection with acquisitions, and pension obligations.

Carry-forward tax losses are treated as a tax asset to the extent that it is likely that the company will be able to utilise them in the near future. Deferred tax is not recognised in respect of non-tax-deductible goodwill. A deferred tax liability is only recognised in respect of the undistributed profits of subsidiaries if payment of the tax is expected to be realised in the foreseeable future.

DISTRIBUTION OF DIVIDENDS

The dividend payment proposed by the Board of Directors to a general meeting of shareholders is not recognised as a deduction from distributable equity until it has been approved by the general meeting.

HYBRID BOND

A hybrid bond is recognised in shareholders' equity after equity belonging to shareholders. The bond holders do not have any rights equivalent to ordinary shareholders, and the bond does not dilute shareholders' ownership in the company. The company has no contractual obligation to repay the loan capital or the interest on the loan. The hybrid bond is initially recognised at fair value less transaction cost and subsequently the bond is measured at cost. If interest is paid to the hybrid bond, it is recognised directly into retained earnings.

TREASURY SHARES

Where the company or any Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the company's equity holders until the shares are cancelled. Where such ordinary shares are subsequently sold or reissued, any consideration received is included in equity attributable to the company's equity holders. No gain or loss is recognised in the income statement from purchasing, selling, issuance or cancellation of company's equity instrument.

EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent company, less hybrid bond interest calculated on accrual basis and adjusted with tax effect, by the weighted average number of ordinary shares in issue during the year. Treasury shares held by the company and outstanding ordinary shares that are contingently returnable are excluded from the weighted average number of ordinary shares in issue. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume the conversion of all dilutive potential ordinary shares.

MANAGEMENT JUDGEMENT AND ESTIMATES

The use of judgement and estimates

When preparing the financial statements, the company's management have to make accounting estimates and assumptions about the future, as well as judgement-based decisions on the application of the accounting principles. These estimates and decisions affect the reported amounts of assets, liabilities, income and expenses for the accounting period as well as the recognition of contingent items. The estimates and judgements are based on experience-based and other justifiable assumptions that are believed to be reasonable under the prevailing circumstances. Information on key aspects of the financial statements for which management judgement and estimates have been necessary is presented below.

The company's management have had to make judgements when determining the economic lives of property, plant and equipment and intangible assets, and when classifying leases into finance and other leases. The estimates and forward-looking assumptions made on the balance sheet date mainly pertain to revenue recognition in accordance with the percentage-of-completion method, the recognition of provisions, the valuation of assets belonging to acquired companies and their realisability, the formulae used to calculate employee benefits, the forecasts and assumptions used in impairment tests, and the setting off of deferred tax assets against future taxable profit.

Economic lives of property, plant and equipment and intangible assets

The management makes estimates and judgements when considering and defining the useful economic lives and depreciation methods for productive goods. The factors considered in the estimation of useful economic lives include the purpose of a productive asset, the effects of wear, maintenance and repair stemming from use of the asset, the duration of the asset's technical usability, limitations or obligations arising from leasing or other agreements, and the magnitude of any residual value.

Leasing agreements where the Group is the lessee

The management have had to make judgements when classifying leasing agreements as either finance or operating leases. The classification of leasing agreements is made in accordance with generally accepted standards for the definition of finance leases, and it is based on the actual content of the agreement. According to the definition of a finance lease, essentially all of the economic risks and rewards of ownership are transferred to the lessee. The classification is always made at the lease's inception. The provisions of a leasing contract can be amended by agreement with the lessor, in which case the classification may have to be revised. A change that takes place in an estimation criterion — such as a change in the present value of minimum lease payments relative to the fair value of the leased asset — does not constitute grounds for reclassification.

Recognition of revenue from construction projects

When recognising revenue from construction projects, the company observes the percentage-of-completion method if the project in question possesses the characteristics of construction contract and the project's outcome can be estimated reliably. Construction contracts from which revenue is recognised with percentage-of-completion method are specifically negotiated contracts, in which the buyer can decide on the primary structural or functional characteristics of the project before or during construction. Costs actually incurred include only those costs that correspond to work already carried out. Management estimates are necessary for reliable determination of the total costs that will be incurred for completion of a project. All project costs are itemised and measured as accurately as possible to facilitate comparison with earlier values. If the management assess a project to be onerous (i.e. total costs exceed total income), the loss is immediately expensed. If the management are unable to make a reliable determination of the total revenue from a construction project, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and costs are expensed in the period in which they incur.

Recognition of provisions

On the basis of the historical evidence available, the management estimate whether it is likely that the settlement of a present obligation will result in an outflow of resources embodying economic benefits from the Group. If such a condition exists and a reliable estimate as to the amount and the timing of the obligation can be made, then it is recognised as a provision in the financial statements.

Acquisition cost

Valuation of an acquired subsidiary's shares at cost is based on the fair value of its identifiable assets and liabilities. When measuring fair value, the management use estimates based on their experience and, if necessary, the assistance of experts specialising in the balance sheet items in question. The estimates and assumptions made in accordance with the management's views are sufficiently accurate to ensure the correctness of cash flows associated with balance sheet items.

Employee benefits

In the calculation of obligations related to employee benefits, the factors requiring management estimates include the expected returns on the assets of defined-benefit pension plans, the discount rate used for calculation of pension liabilities and pension expenses for the accounting period, the future development of salary levels, the rising level of pensions, durations of employee service, and the trend of inflation.

The assumed outcome of the share-based incentive plan at the balance sheet date is based on management's estimates of the achievement of the earning criteria. The Board of Directors decides on the distribution of shares to key personnel.

Impairment testing

The carrying amounts of assets are tested for impairment, whenever deemed necessary. In addition, goodwill is tested for impairment annually. Goodwill is allocated to cash-generating units in a consistent manner. In impairment tests, the amount recoverable from a cash-generating unit's business is based on value-in-use calculations. The cash flow forecasts used for these calculations are based on profitability plans approved by the business's management for a certain period and on other justifiable estimates of the prospects for the business sector and the cash-generating unit. In connection with impairment tests, the management must estimate whether the fair value of an asset has decreased during the accounting period, whether significant adverse changes have occurred in the operating environment, whether it is necessary to change the discount rate applied in value-in-use calculations, and whether the carrying amount of a company's net assets is higher than its fair value. On the basis of these and possibly other indicators both within and outside the company, the management must continuously assess whether there is any need to perform additional impairment tests on asset items between the annual tests. A more detailed description of the estimates and assumptions concerning goodwill impairment testing is given in the Notes to the Financial Statements.

Taxes

Management estimate pertains to the principles for recognition of deferred tax assets. The most common tax-deductible temporary difference between accounting and taxation is a confirmed tax loss. The management must judge whether there will be sufficient taxable profit in the future for the purpose of making use of remaining tax losses. A deferred tax asset arising from unused tax losses is recognised only to the extent of the likelihood that there will be future taxable profit against which the unused tax losses may be utilised.

The estimates are based on the management's best judgement, but actual outcomes may differ from the estimates used in the financial statements.

NEW STANDARDS AND INTERPRETATIONS

New standards and interpretations applied by the Company in 2012

The following new interpretations and standards applied by the Company in 2012 have no essential impact on the consolidated financial statements: IFRS 7 (amendment).

Standards and interpretations applied by the Company after 2012

IAS 19 Employee Benefits was amended effective as of June 2011. As a result, the corridor method employed by the company is being phased out. According to the standard, all actuarial gains and losses are to be recognised through the statement of comprehensive income as changes in pension liabilities and prepayments and accrued income. Costs of past service are to be booked immediately in personnel expenses as part of pension expenses. Expected income will no longer be determined, and the company will shift over to using a discount rate in determining return on assets as well. The changes will have an effect on the company's shareholders' equity and the change in the pension obligations, as unrecognised actuarial gains and losses will be entered in pension obligations, and unrecognised costs of past service will be entered retroactively in the relevant item under shareholders' equity. As a consequence of these changes, the pension obligations in the company's opening balance sheet for 2012 will increase by EUR 4.4 million and shareholders' equity will decrease by EUR 3.2 million. The company will adopt the amended standard as of the beginning of the 2013 financial year.

The following new interpretations and standards applied by the company in 2013 have no essential impact on the consolidated financial statements: IAS 1 (amendment), IAS 12 (amendment), IFRS 7 (amendment), IFRS 9 (classification and valuation), IFRS 13 Fair Value Measurement and IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.

The company will examine the effects of the following standards effective in 2014 or later: IAS 27 (amendment), IAS 28 (amendment), IAS 32 (amendment), IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interests in Other Entities.

Notes to the consolidated financial statements (IFRS)

1 SEGMENT REPORTING

Lemminkäinen Group's main business sectors were reorganised starting 1.1.2012 to four business sectors: International Operations, Building Construction, Infrastructure Construction and Technical Building Services. Functions outside the business sectors are reported under unallocated items.

International Operations

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

Building Construction

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

Infrastructure Construction

Business segment provides paving and mineral affregates such as civil, foundation and rock engineering and road, street and rail network construction and maintenance.

Technical Building Services

Business segment provides istallation and maintenance services for technical building systems.

Unallocated items

Unallocated items of other operations on the consolidated income statement include expenses that are not allocated to the operating segments. Unallocated assets of other operations include mainly financial assets.

Operating segments

1.1.–31.12.2012 EUR 1,000	INTERNATIONAL OPERATIONS	BUILDING CONSTRUCTION	INFRASTRUCTURE CONSTRUCTION	TECHNICAL BUILDING SERVICES	OTHER OPERATIONS	ELIMINATIONS	SEGMENTS TOTAL	RECONCILING ITEMS	GROUP TOTAL, IFRS
Net sales	**934,323**	**682,397**	**591,140**	**230,028**	**37,834**	**–122,117**	**2,353,605**	**–85,960**	**2,267,645**
Depreciation and impairment	**18,737**	**381**	**20,994**	**731**	**4,361**		**45,204**	**–4,221**	**40,983**
Operating profit	**16,618**	**19,554**	**43,515**	**3,197**	**–8,289**		**74,595**	**–24,481**	**50,114**

The reconciling items for net sales comprise EUR –31.1 million from the equity share treatment of associates and joint ventures and EUR –54.8 million from discontinued operations.

The reconciling items for operating profit comprise EUR 0.2 million in personnel expenses, EUR 0.9 million from the IFRS treatment of finance leasing, EUR –0.7 million from the equity share treatment of associates and joint ventures, EUR –0.5 million in other closing entries and EUR –24.4 million from discontinued operations.

1.1.–31.12.2011 EUR 1,000	INTERNATIONAL OPERATIONS	BUILDING CONSTRUCTION	INFRASTRUCTURE CONSTRUCTION	TECHNICAL BUILDING SERVICES	OTHER OPERATIONS	ELIMINATIONS	SEGMENTS TOTAL	RECONCILING ITEMS	GROUP TOTAL, IFRS
Net sales	809,761	720,884	596,201	239,949	31,013	–90,434	2,307,374	–123,428	2,183,946
Depreciation and impairment	15,153	390	20,875	821	3,111		40,350	–5,173	35,177
Operating profit	42,249	9,400	30,938	2,843	–16,620		68,810	–24,840	43,970

The reconciling items for net sales comprise EUR –29.5 million from the equity share treatment of associates and joint ventures and EUR –94.0 million from discontinued operations.

The reconciling items for operating profit comprise EUR 0.7 million in personnel expenses, EUR 0.3 million from the IFRS treatment of finance leasing, EUR –1.0 million from the equity share treatment of associates and joint ventures and EUR –24.8 million from discontinued operations.

EUR 1,000	31.12.2012	31.12.2011
Assets by operating segment		
International Operations	**335,927**	304,024
Building Construction	**275,771**	418,086
Infrastructure Construction	**120,536**	158,807
Technical Building Services	**30,368**	35,204
Other operations	**39,873**	50,788
Segments, total	**802,475**	966,909
Assets not allocated to segments and group eliminations, total	**497,939**	275,848
Group total, IFRS	**1,300,414**	1,242,757

2 INFORMATION BY MARKET AREA

1.1.–31.12.2012 EUR 1,000	FINLAND	OTHER NORDIC COUNTRIES	EASTERN EUROPE AND THE BALTIC STATES	OTHER COUNTRIES	TOTAL
Net sales	**1,370,391**	**570,441**	**282,295**	**44,517**	**2,267,645**
Assets	**871,433**	**237,386**	**164,044**	**27,551**	**1,300,414**
Investments	**33,637**	**25,312**	**4,588**	**938**	**64,475**

1.1.–31.12.2011 EUR 1,000	FINLAND	OTHER NORDIC COUNTRIES	EASTERN EUROPE AND THE BALTIC STATES	OTHER COUNTRIES	TOTAL
Net sales	1,403,664	525,611	216,115	38,557	2,183,946
Assets	840,589	227,733	145,458	28,977	1,242,757
Investments	43,120	36,402	4,378	77	83,976

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

3 ACQUISITIONS

2012

On 5 April 2012 the entire share capital of Commercial Tower North Inc. was acquired. The company specializes in wireless communication related services. The goodwill recognized from this acquisition comprises of an expansion of market area as well as production cost savings.

On 2 July 2012 the entire share capital of Kivikkarit Oy was acquired. The company specializes in municipal infrastructure contracting. The acquisition of Kivinikkarit Oy strengthens Lemminkäinen's position in concrete and natural stone contracting in Southern Finland. The goodwill recognized from this acquisition comprises of increase in market share and cost savings in purchase, logistics and production functions. Kivinikkarit Oy was merged to Lemminkäinen Infra Oy on 30 November 2012.

On 31 July 2012 the entire share capital of Wisepro Oy was acquired. The company specializes in weather forecasting technologies for technical building services industry. Wisepro Oy was merged to Lemminkäinen Talotekniikka Oy on 31 December 2012.

On 31 August 2012 the entire share capital of Maanrakennusliike Helander Oy was acquired. The company specializes in earthwork construction. The goodwill recognized from the acquisition comprises of cost savings in purchase, logistics and production functions.

In the year 2012 the recognised fair values of the acquired business operations after merging are presented in the following table.

EUR 1,000	FAIR VALUES RECOGNISED AFTER MERGING 2012
Assets	
Property, plant and equipment	**1,102**
Intangible assets	**229**
Available-for-sale financial assets	**58**
Inventories	**91**
Current receivables	**653**
Cash and cash equivalents	**48**
Assets, total	**2,181**
Liabilities	
Deferred tax liabilities	**276**
Interest-bearing liabilities	**117**
Other liabilities	**1,164**
Liabilities, total	**1,557**
Net assets	**624**
Consideration paid in cash	**1,575**
Consideration recognised as liability	**347**
Total consideration	**1,922**
Goodwill recognised in balance sheet	**1,298**
Consideration paid in cash	**1,575**
Cash of acquired subsidiaries	**48**
Impact on cash flow	**1,527**
Expensed acquisition expenditure	**22**

On the consolidation of the acquired business operations, EUR 3.5 million has been recognised in net sales and EUR 0.2 million in operating profit. Full-year net sales of the acquired business operations in 2012 amounted to about EUR 5.0 million and operating profit to about EUR 0.3 million. If the acquirees had been consolidated as from the beginning of the year, consolidated net sales would have been EUR 2,269.1 million and operating profit EUR 50.2 million.

2011

On 1 January 2011 the entire share capital of Ylivieskan Putkiasennus Oy was acquired. The company is engaged in the installation of heating, piping and ventilation. Acquisition costs allocated to customer accounts and margins of the order book were booked in intangible assets in connection with the acquisition. The acquisition entails contingent consideration, owing to which the final acquisition price will be confirmed within four years of the time of acquisition. The current value of contingent consideration was recognised as a liability in the balance sheet.

On 26 May 2011 the entire share capital of Sotkamon Sora ja Sepeli Oy was acquired. The company is engaged in earthwork construction, crushing of mineral aggregates and concrete, selling mineral aggregates and public road maintenance contracting. The goodwill recognised on this acquisition comprises an increase in market share as well as cost-savings in procurement, logistics and production. The consideration will be settled in accordance with the agreed payment programme within three years of the time of the acquisition. The current value of the unpaid share was recognised as a liability in the balance sheet.

On 31 May 2011 the entire share capital of Mesta Industri AS was acquired. The company specialises in asphalt and mineral aggregates business. Acquisition costs allocated to customer accounts and margins of the order book were booked in intangible assets in connection with the acquisition. The acquisition generated negative goodwill due to assets and liabilities being measured at fair value. The negative goodwill was recognised in other income from business operations in the income statement.

In 2011 the recognised fair values of the acquired business operations after merging are presented in the table below.

EUR 1,000	FAIR VALUES RECOGNISED AFTER CONSOLIDATION 2011
Assets	
Property, plant and equipment	24,629
Intangible assets	1,886
Available-for-sale financial assets	1,023
Deffered tax assets	4,816
Inventories	7,294
Current receivables	12,665
Cash and cash equivalents	270
Assets, total	52,584
Liabilities	
Pension liabilities	2,831
Deferred tax liabilities	359
Provisions	4,740
Interest-bearing liabilities	396
Other liabilities	18,957
Liabilities, total	27,283
Net assets	25,301
Consideration paid in cash	14,361
Consideration recognised as liability	641
Total consideration	15,002
Goodwill	–10,298
Goodwill recognised in balance sheet	768
Negative goodwill recognised as income	–11,067
Consideration paid in cash	14,361
Cash of acquired subsidiaries	270
Impact on cash flow	14,092
Expensed acquisition expenditure	563

On the consolidation of the acquired business operations, EUR 105.0 million has been recognised in net sales and EUR 5.6 million in operating profit. Full-year net sales of the acquired business operations in 2011 amounted to about EUR 117.6 million and operating profit to about EUR –1.0 million. If the acquirees had been consolidated as from the beginning of the year, consolidated net sales would have been EUR 2,196.5 million and operating profit EUR 37.4 million.

4 DISCONTINUED OPERATIONS

2012

On 28 September 2012, Lemminkäinen sold all its shares in Lemminkäinen Rakennustuotteet Oy. The company specialised in concrete business. The transaction price was EUR 54.3 million, from which the company recognised a gain on sale of EUR 17.3 million before taxes in the second half of 2012. In addition, in April 2012, the Group sold its sports construction business, which was part of the Infrastructure Construction segment, as well as the technical building and property services business in the Uusikaupunki area, which was part of the Technical Building Services segment.

The Lemminkäinen Rakennustuotteet Oy transaction included a separate reacquisition agreement on an asset, which meant that the ownership of the asset was not transferred and gains on sale were not recognised for the asset. The asset was recognised at the original carrying amount, which was lower than the acquisition cost. The company recognised the difference between the carrying amount of the asset and its value in taxation as a deferred tax asset in profit and loss.

The effect of discontinued operations in 2012 was as follows:

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
The profit of the discontinued operations		
Income	**55,120**	90,219
Expenses	**47,793**	80,653
Profit before taxes	**7,327**	9,566
Taxes	**–1,623**	–2,362
Profit for the financial period	**5,704**	7,207
Pre-tax gain on sale from the sale of the concrete business	**17,122**	
Taxes	**854**	
Gain on sale after taxes	**17,976**	
Profit for the period from discontinued operations	**23,680**	7,207
Cash flows from discontinued operations		
Cash flow from business operations	**14,882**	
Cash flow from investments	**–1,732**	
Cash flow from financing	**–13,179**	
Cash flows, total	**–29**	

EUR 1,000	2012
The impact of the sales to groups' financial position	
Property, plant and equipment	**13,978**
Goodwill	**10,657**
Intangible assets	**648**
Available-for-sale financial assets	**9**
Deferred tax assets	**31**
Inventories	**9,179**
Receivables	**8,738**
Cash and cash equivalents	**34**
Deferred tax liabilities	**–1,141**
Accouts payable and other liabilities	**–10,086**
Assets and liabilities, total	**32,048**
Cash considerations received	**55,356**
Adjustment of re-acquired assets to initial book value	**4,411**
Transaction costs	**1,775**

2011

The Group sold its roofing business to Axcel in January 2011. The Group decided on sale in December 2010. Roofing business was categorised as discontinued operation in the interim report in 31 March 2011.

The effect of discontinued operations in 2011 was as follows:

EUR 1,000	1.1.–31.1.2011
The profit of the roofing business	
Income	3,787
Expenses	–5,642
Profit before taxes	–1,855
Taxes	482
Profit/loss for the financial period	–1,373
Pre-tax gain on sale from the sale of the roofing business	17,114
Taxes	–4,449
Gain on sale after taxes	12,664
Profit for the period from discontinued operations	11,291
Cash flows from roofing business	
Cash flow from business operations	–1,904
Cash flow from investments	–54
Cash flow from financing	1,958
Cash flows, total	0

EUR 1,000	31.1.2011
The impact of the sale of roofing business to groups' financial position	
Property, plant and equipment	1.986
Receivables	7.909
Inventories	5.245
Trade payables and other liabilities	–4.169
Assets and liabilities, total	10.971
Cash considerations received	28.085

5 INFORMATION ON CONSTRUCTION PROJECTS

The company adjusts the previously incorrectly presented percentage-of-completion method breakdown of the comparison year 2011. The adjustment concerns the amount of recognition of project income by the persentage-of-completion method which is reported to be EUR 1,833.3 million. The adjusted amount with the effect of discontinued operations is EUR 1,843.8 million. Also the gross project-related receivables from clients are presented incorrectly as EUR 92.5 million, whereas adjusted amount is EUR 40.3 million. The adjustments concern only the breakdown in this note and do not have any impact on items in income statement, balance sheet or on other notes.

Figures in table below do not include the effect of the discontinued operations.

EUR 1,000	31.12.2012	31.12.2011
Percentage-of-completion method		
Revenue recognised by the percentage-of-completion method	**1,940,288**	1,843,775
Incurred costs and recognised net profits (less booked losses) of work in progress projects	**924,809**	1,163,371
Payments received in advance (for work not yet done)	**13,176**	10,657
Gross project-related receivables from clients	**62,851**	55,490
Gross project-related liabilities to clients	**46,503**	40,292
Real estate contsruction projects recognised by the completed-contract method		
Income recognised as revenue	**240,189**	276,587
Inventories	**217,489**	170,421
Advance payments received	**35,596**	26,331

Service concession arrangements

Lemminkäinen currently has two major ongoing life-cycle projects, which are located in Kuopio and Oulu.

Kuopio

Lemminkäinen PPP Oy (the service provider), signed the agreement with Kiinteistö Oy Kuopion koulutilat (the financier) on 14 December 2009. The project comprises of new construction and renovation works for four schools and one day-care center. The service provider is responsible for building management and maintenance for a period of 25 years. The total value of the project is EUR 93.5 million.

The financier owns the current buildings and land. The service provider will renovate the properties and construct new buildings as set out in the turnkey agreement made with the financier. The City of Kuopio will gain possession of the buildings after handover. Lemmikäinen PPP Oy will manage the buildings for a period of around 25 years pursuant to the service agreement. Kuopio will serve as the contract agreement client for the sites it financed and as the representative of the financier. The contracts are fixed-price and are tied to the cost of construction index and reference rate. The financier will pay the contract prices in installments as set out in the contract agreements. The service provider shall not have the right to use any of the properties or to organise supplementary use.

The City of Kuopio shall have the right to terminate the agreement with a six-month period of notice, subject to certain additional terms and conditions. The City of Kuopio shall have the right to terminate the agreement after the 10th and 20th years of the agreement, that is, in 2021 and 2031. The service provider shall have the right to terminate the agreement with a six-month period of notice, if the financier or the City of Kuopio neglect their payment obligations for 90 days.

The construction phase is ready for the following buildings of the project: Martti Ahtisaari school, Puijonsarvi school, Rajala school and Puijonlaakso day care center. The operation services period for the two first mentioned began in the summer of 2011 and for the two last mentioned in the summer of 2012. Pohjantie school is still in the construction phase. All construction work must be completed by the autumn of 2013. The project is proceeding according to schedule, as well as quality and cost objectives.

Oulu

Lemminkäinen PPP Oy (the service provider), signed the agreement with the City of Oulu (the subscriber) on 1 June 2012. The project includes the new construction of Oulun Kastelli community center, dismantling of the Tenavalinna day care center and arranging temporary spaces. The service provider is responsible for building management and maintenance for a period of 25 years. The total value of the project is EUR 86 million.

The City of Oulu owns the current buildings and land. The service provider will construct the new buildings as set out in the turnkey agreement made with the subscriber. The City of Oulu will gain possession of the buildings after handover. Lemmikäinen PPP Oy will manage the buildings for a period of around 25 years pursuant to the service agreement. The city of Oulu itself will serve as the contract subscriber for the sites it also finances. The contracts are fixed-price and are tied to the cost of construction index and reference rate. The subscriber will pay the contract prices in installments as set out in the contract agreements.

The City of Kuopio shall have the right to terminate the agreement with a six-month period of notice, subject to certain additional terms and conditions. The service provider shall have the right to terminate the agreement with a six-month period of notice, if the City of Oulu neglect their payment obligations for 90 days.

The construction phase of the Kastelli community center began in the late spring of 2012. All construction work must be completed by the autumn of 2014, when the operation services period begins. The project is mostly proceeding according to schedule, as well as quality and cost objectives.

6 OTHER OPERATING INCOME

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Gains on sale of property, plant and equipment	**4,494**	6,354
Rental income	**1,012**	318
Gains from hedging purchases and sales [1]	**803**	1,736
Financial aid and compensation on damages received	**5,230**	661
Negative goodwill		11,014
Gains on sale of available-for-sale financial assets	**2,179**	20
Others	**4,506**	636
	18,225	20,739

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

7 PERSONNEL AND EMPLOYEE BENEFIT EXPENSES

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Personnel expenses		
Wages and salaries	**373,063**	351,951
Share-based payments	**517**	400
Pension expenses, defined contribution plans	**47,214**	50,052
Pension expenses, defined benefit plans	**1,142**	1,859
Other personnel-related expenses	**28,373**	30,042
	450,309	434,305
The salaries and fees of Group Companies' managing directors and Board of directors	**3,683**	3,944

Defined benefit pension expenses are detailed in Note 27. Related party transactions and management remunerations schemes are detailed in Notes 28 and 37.

	1.1.–31.12.2012	1.1.–31.12.2011
Personnel on average		
Salaried staff	**3,007**	2,932
Hourly paid workers	**5,173**	5,489
	8,180	8,421
Personnel by business segment		
International Operations	**3,057**	2,636
Building Construction	**1,425**	1,696
Infrastructure Construction	**1,751**	2,032
Technical Building Services	**1,631**	1,796
Parent company	**316**	261
	8,180	8,421

Number of employees include the personnel of discontinued operations during their time in Lemminkäinen Group.

Pension commitments

From the beginning of 2010 the additional pension plan of the President and CEO and the members of Executive Board is based on cash basis and earning a paid-up policy. The amount of payment is defined as percentages of the annual salary. The president and CEO is entitled to retire at the age of 60. Other members of the Executive Board are, according to the old policy, entitled to retire at the age of 60 or according to the policy valid since 15.9.2011 at the age of 63.

8 DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Depreciation of property, plant and equipment		
Buildings and structures	**948**	851
Machinery and equipment	**21,303**	16,413
Leased assets	**12,071**	10,917
Other tangible assets	**1,286**	2,919
	35,609	31,100
Amortisation of intangible assets		
Intangible rights	**1,828**	654
Other capitalised expenditure	**3,546**	3,350
	5,375	4,004
Depreciation and amortisation total	**40,983**	35,104

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Impairment		
Goodwill		73

9 OTHER OPERATING EXPENSES

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Loss on the sale of property, plant and equipment and intangible assets	**94**	173
Voluntary personnel expenses	**12,411**	12,536
Rental expenses	**41,299**	41,495
Direct acquisition costs	**22**	563
Losses from hedging purchases and sales [1)]	**1,731**	
Other production expenses	**173,300**	169,679
Other fixed expenses	**52,089**	58,363
	280,946	282,809

[1)] Losses from hedging purchases and sales includes realised losses and changes in fair values of commodity derivatives which are used for hedging bitumen purchases.

10 ASSOCIATES AND JOINT VENTURES

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Share of the profits of associates and joint ventures		
Share of the profits	**1,170**	1,881
Share of the losses	**–106**	–13
	1,064	1,867

EUR 1,000	31.12.2012	31.12.2011
Shares in associates and joint ventures 1.1.	**9,291**	7,605
Translation difference	**426**	38
Increases	**1,081**	1,942
Decreases	**–1,092**	–294
Shares in associates and joint ventures 31.12.	**9,706**	9,291

Major associates and joint ventures (information presented in full)

EUR 1,000	GROUP'S OWNERSHIP, %	ASSETS	LIABILITIES	NET SALES	PROFIT FOR THE FINANCIAL YEAR
2012					
Associates					
Finavo Oy, Finland	**47,5**	**521**	**520**	**5,339**	**1**
Joint ventures					
Genvej A/S, Denmark	**50,0**	**719**	**118**	**722**	**140**
Martin Haraldstad AS, Norway	**50,0**	**9,674**	**2,499**	**7,811**	**1,063**
Nordasfalt AS, Norway	**50,0**	**20,123**	**12,317**	**45,022**	**1,284**
Ullensaker Asfalt ANS, Norway	**50,0**	**3,289**	**466**	**8,682**	**-288**
2011					
Associates					
Finavo Oy, Finland	47,5	2,289	1,179	453	
Joint ventures					
Genvej A/S, Denmark	50,0	607	158	247	55
Martin Haraldstad AS, Norway	50,0	9,297	3,921	7,745	1,035
Nordasfalt AS, Norway	50,0	17,647	10,717	36,529	2,157
Ullensaker Asfalt ANS, Norway	50,0	3,266	206	14,446	190

11 FINANCE INCOME AND COSTS

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Finance income		
Interest income from loans and receivables	**1,275**	2,238
Interest income from available-for-sale financial assets	**60**	53
Dividend income from available-for-sale financial assets	**245**	96
Gains on sale of available-for-sale financial assets		75
Foreign exchange rate gains	**9,658**	8,663
Other finance income	**17**	261
Total finance income	**11,256**	11,388
Finance costs		
Interest expenses for financial liabilities recognised at amortised cost	**18,127**	17,369
Foreign exchange rate losses	**11,585**	11,059
Losses on the change in fair value of interest rate derivatives	**196**	–343
Other finance costs	**2,434**	2,823
Total finance costs	**32,342**	30,908
Capitalisation of borrowing costs of qualifying assets		–565
Total finance costs	**32,342**	30,343
Finance income and costs, total	**–21,086**	–18,955

Exchange rate differences recognised in the income statement

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Exchange rate differences on sales	**726**	55
Exchange rate differences on purchases	**–741**	346
Exchange rate differences on financial items	**–1,927**	–2,395
Exchange rates differences, total	**–1,943**	–1,994

12 TAXES

Income taxes

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Income taxes on normal business operations	**–3,914**	–945
Income taxes in respect of previous years	**98**	–792
Deferred taxes	**–4,858**	–6,200
	–8,674	–7,938
Reconciliation of taxes on the income statement and taxes calculated at the Finnish tax rate		
Profit before taxes	**29,028**	25,015
Taxes calculated on the above at the Finnish tax rate	**–7,112**	–6,504
Differing tax rates of foreign subsidiaries	**500**	–1
Tax-exempt income in income statement	**1,031**	3,032
Non-deductible expenses in income statement	**–3,177**	–3,519
Deductible non-income statement items	**976**	334
Taxable non-income statement items	**–386**	–375
Use of unrecognised tax losses	**123**	
Tax losses for the financial year for which no deferred tax asset was recognised	**–723**	
Effect of change in the corporate tax rate		–52
Other items	**–4**	–62
Taxes for the previous financial year	**98**	–792
Taxes on the income statement, total	**–8,674**	–7,938

Deferred taxes

EUR 1,000	31.12.2012	31.12.2011
Deferred tax assets		
Internal margin on fixed assets	**588**	469
Landscaping provision	**610**	610
Carry-forward tax losses	**18,458**	15,124
Fair valuation	**137**	308
Other temporary differences	**572**	2,846
	20,364	19,356
Deferred tax liabilities		
Accelerated depreciations for tax purposes	**13,052**	12,587
Revaluations	**775**	775
Recognition of income from long-term projects	**5,166**	4,337
Other temporary differences	**6,177**	4,028
	25,171	21,727

According to Group strategy, it will be possible to utilise the deferred tax assets recognised from losses, EUR 18.5 million (EUR 15.1 mill.) in full from future taxable profit. In 2012, EUR 1.9 million (EUR 0.3 mill.) of deferred tax assets was left unrecognised from tax losses.

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

13 EARNINGS PER SHARE

	1.1.–31.12.2012	1.1.–31.12.2011
Weighted average number of shares, shares	**19,649,386**	19,644,764
Contingent shares, shares	**–83,436**	
Treasury shares, shares	**–509**	
Weighted average number of shares in issue, shares	**19,565,441**	19,644,764
Dilution effect of the contingent shares, shares (shares that meet the terms of the arrangement)	**49,030**	
Dilution effect of the share-based incentive plan, shares	**46,505**	
Diluted weighted average number of shares, shares	**19,660,976**	19,644,764
Profit for the year attributable to the ordinary equity holders, EUR 1,000	**43,875**	34,720
Interest of the hybrid bond calculated on accrual basis less tax, EUR 1,000	**–4,000**	
Profit for the year for the purpose of calculating earnings per share, EUR 1,000	**39,875**	34,720
Basic earnings per share, EUR	**2.04**	1.77
Diluted earnings per share, EUR	**2.03**	1.77

14 OTHER COMPREHENSIVE INCOME ITEMS

EUR 1,000	BEFORE TAXES	TAXES	AFTER TAXES
2012			
Translation difference	**3,148**		**3,148**
Cash flow hedges	**666**	**–163**	**503**
Change in fair value of available-for-sale financial assets	**20**	**–5**	**15**
	3,835	**–168**	**3,666**
2011			
Translation difference	–811		–811
Cash flow hedges	771	–200	570
Change in fair value of available-for-sale financial assets	–17	4	–12
	–57	–196	–253

15 DIVIDENDS PAID AND PROPOSED

	1.1.–31.12.2012	1.1.–31.12.2011
Dividend paid during the financial year		
Per share for the previous year, EUR	**0.50**	0.50
In total for the previous year, EUR 1,000	**9,825**	9,822
Proposed for approval by the AGM		
Per share for the financial year, EUR	**0.60**	0.50
In total for the financial year, EUR 1,000	**11,790**	9,822

16 PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	LAND	BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND WORK IN PROGRESS	TOTAL
Acquisition cost, 1.1.2012	**13,604**	**49,631**	**350,912**	**44,051**	**5,817**	**464,014**
Translation difference	**57**	**241**	**3,572**	**704**	**–7**	**4,567**
Increases	**278**	**2,307**	**40,836**	**2,177**	**2,387**	**47,984**
Increases from acquired businesses			**974**	**124**		**1,098**
Disposals	**–472**	**–2,405**	**–29,564**	**–4,218**	**–837**	**–37,496**
Discontinued operations	**–553**	**–10,928**	**–30,666**	**–690**	**–122**	**–42,959**
Transfers between items	**–4**	**–1,593**	**3,759**	**523**	**–2,696**	**–12**
Acquisition cost, 31.12.2012	**12,908**	**37,254**	**339,822**	**42,671**	**4,542**	**437,197**
Accumulated depreciation, 1.1.2012		**–33,532**	**–202,555**	**–20,745**		**–256,832**
Translation difference		**–85**	**–1,753**	**–263**		**–2,101**
Accumulated depreciation on decreases		**660**	**26,923**	**2,460**		**30,043**
Accumulated depreciation on discontinued operations		**6,535**	**21,982**	**463**		**28,980**
Transfers between items		**1,538**	**–1,119**	**–419**		
Depreciation for the financial year from continuing operations		**–948**	**–33,374**	**–1,286**		**–35,609**
Depreciation for the financial year from discontinued operations		**–348**	**–848**	**–17**		**–1,213**
Accumulated depreciation, 31.12.2012		**–26,180**	**–190,743**	**–19,807**		**–236,730**
Carrying amount, 31.12.2012	**12,908**	**11,074**	**149,079**	**22,864**	**4,542**	**200,466**
Carrying amount,1.1.2012	**13,604**	**16,099**	**148,357**	**23,305**	**5,817**	**207,182**

EUR 1,000	LAND	BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND WORK IN PROGRESS	TOTAL
Acquisition cost, 1.1.2011	13,499	50,611	343,638	38,651	2,558	448,958
Translation difference	9	34	192	43	0	279
Increases	323	560	38,653	2,978	4,831	47,344
Increases from acquired businesses	2,085	475	18,163	5,577		26,300
Disposals	–2,041	–2,051	–50,932	–3,473	–367	–58,863
Transfers between items	–271		1,198	274	–1,205	–4
Acquisition cost, 31.12.2011	13,604	49,631	350,912	44,051	5,817	464,014
Accumulated depreciation, 1.1.2011		–33,809	–218,780	–21,110		–273,699
Translation difference		–45	–116	–35		–196
Accumulated depreciation on increases		–1	–87			–87
Accumulated depreciation on decreases		1,971	45,642	3,353		50,967
Depreciation for the financial year from continuing operations		–851	–27,330	–2,919		–31,100
Depreciation for the financial year from discontinued operations		–798	–1,885	–33		–2,716
Accumulated depreciation, 31.12.2011		–33,532	–202,555	–20,745		–256,832
Carrying amount, 31.12.2011	13,604	16,099	148,357	23,305	5,817	207,182
Carrying amount, 1.1.2011	13,499	16,802	124,858	17,541	2,558	175,259

The Group has no capitalised interest expenses in fixed assets.

EUR 1,000	31.12.2012	31.12.2011
Assets acquired under finance lease agreement are included in machinery and equipment as follows:		
Acquisition cost, 1.1.	**100,725**	119,243
Translation difference	**909**	135
Increases	**11,718**	15,822
Disposals	**–6,666**	–34,475
Acquisition cost, 31.12.	**106,685**	100,725
Accumulated depreciation, 31.12.	**–49,997**	–43,670
Carrying amount, 31.12.	**56,689**	57,055

17 INTANGIBLE ASSETS

EUR 1,000	GOODWILL	INTANGIBLE RIGHTS	OTHER CAPITALISED EXPENDITURE	ADVANCE PAYMENTS	TOTAL
Acquisition cost, 1.1.2012	**85,766**	**10,099**	**18,041**	**3,202**	**117,108**
Translation difference	**704**	**1**	**343**		**1,047**
Increases		**3,352**	**831**	**11,532**	**15,715**
Increases from acquired businesses	**1,304**	**229**			**1,532**
Disposals		**–2,949**	**–408**	**–1,974**	**–5,331**
Discontinued operations	**–10,657**	**–865**	**–805**		**–12,327**
Transfers between items		**1,786**	**51**	**–1,826**	**12**
Acquisition cost, 31.12.2012	**77,116**	**11,653**	**18,053**	**10,934**	**117,757**
Accumulated amortisation and impairment, 1.1.2012	**–73**	**–7,114**	**–5,516**		**–12,703**
Translation difference		**13**	**–121**		**–108**
Accumulated amortisation on increases		**–12**			**–12**
Accumulated amortisation on disposals		**2,825**	**408**		**3,233**
Accumulated amortisation on discontinued operations		**626**	**396**		**1,022**
Amortisation for the financial year from continuing operations		**–1,828**	**–3,546**		**–5,375**
Amortisation for the financial year from discontinued operations		**–46**	**–54**		**–100**
Accumulated amortisation and impairment, 31.12.2012	**–73**	**–5,536**	**–8,433**		**–14,043**
Carrying amount, 31.12.2012	**77,043**	**6,117**	**9,620**	**10,934**	**103,714**
Carrying amount, 1.1.2012	**85,693**	**2,985**	**12,526**	**3,202**	**104,405**

Advance payments includes capitalised computer software development costs of EUR 7.5 million

EUR 1,000	GOODWILL	INTANGIBLE RIGHTS	OTHER CAPITALISED EXPENDITURE	ADVANCE PAYMENTS	TOTAL
Acquisition cost, 1.1.2011	84,847	8,798	8,492	5,978	108,116
Translation difference	150	–1	27		176
Increases	32	1,103	955	5,507	7,598
Increases from acquired businesses	736	8	1,880		2,624
Disposals		–579	–5	–827	–1,411
Transfers between items		770	6,691	–7,457	4
Acquisition cost, 31.12.2011	85,766	10,099	18,041	3,202	117,108
Accumulated amortisation and impairment, 1.1.2011		–6,707	–2,155		–8,861
Translation difference		1	–11		–11
Accumulated amortisation on disposals		424			424
Amortisation for the financial year from continuing operations		–654	–3,350		–4,004
Amortisation for the financial year from discontinued operations		–178			–178
Impairments	–73				–73
Accumulated amortisation and impairment, 31.12.2011	–73	–7,114	–5,516		–12,703
Carrying amount, 31.12.2011	85,693	2,985	12,526	3,202	104,405
Carrying amount, 1.1.2011	84,847	2,092	6,338	5,978	99,255

Goodwill

Goodwill is tested for impairment annually and whenever there are indications of possible impairment. The tests are carried out as value-in-use calculations of individual businesses in accordance with the smallest cash-generating unit principle.

Goodwill is allocated to the following operating segments:

EUR 1,000	FINLAND	OTHER NORDIC COUNTRIES	EASTERN EUROPE AND THE BALTIC STATES	OTHER CONTRIES	MARKET AREAS, TOTAL	COMMON TO SEGMENT [1]	TOTAL
31.12.2012							
International Operations		**16,349**	**2,309**	**501**	**19,159**	**24,270**	**43,429**
Building Construction	**6,084**				**6,084**		**6,084**
Infrastructure Construction	**2,366**				**2,366**		**2,366**
Technical Building Services	**25,164**				**25,164**		**25,164**
	33,614	**16,349**	**2,309**	**501**	**52,773**	**24,270**	**77,043**

EUR 1,000	FINLAND	OTHER NORDIC COUNTRIES	EASTERN EUROPE AND THE BALTIC STATES	OTHER CONTRIES	MARKET AREAS, TOTAL	COMMON TO SEGMENT [1]	TOTAL
31.12.2011							
International Operations		16,338	1,909	16	18,263	23,986	42,249
Building Construction	5,840				5,840		5,840
Infrastructure Construction	12,069				12,069		12,069
Technical Building Services	25,535				25,535		25,535
	43,444	16,338	1,909	16	61,707	23,986	85,693

[1] The goodwill reported in the "Common to segment" column has arisen from the asphalt business acquisitions in Denmark and Norway. It is allocated to the International Operations' Baltic Rim region paving and mineral aggregates cash generating unit because it is Lemminkäinen's strategy to operate broadly in countries of the Baltic Rim region. This goodwill has been tested for impairment at the level of the whole International Operations' Baltic Rim region paving and mineral aggregates cash generating unit. In addition, the goodwill allocated to each business area has been tested separately for each country.

In impairment testing the discounted present value of the recoverable cash flows of each cash-generating unit is compared with the carrying amount of the unit in question. If the present value is lower than the carrying amount, the difference is recognised through profit or loss as an expense in the current year.

Cash flow calculations of the cash generating units are prepared for a planning period covering the next 5 years in accordance with the management's estimates. These estimates are based on past experience. Cash flow forecasts beyond that planning period are based on the cautious assumption of 1 percent annual growth. This was lower than European Central Bank's inflation rate forecast over the medium term, in effect at the time of impairment testing.

The Weighted Average Cost of Capital (WACC), calculated for each individual unit, is used as the discount factor. WACC takes into account the risk-free interest rate, the liquidity premium, the expected market rate of return, the industry's beta value, and the debt interest rate, including the interest rate margin. These components are weighted according to the fixed, average target capital structure of the sector. Pre-tax WACC is determined unit-specifically in testing. In impairment testing made in 2012, the long-term risk free interest rates were at a low level in Lemminkäinen's operating areas as investors seek for the safety of the bonds of the good investment grade countries.

In the table below are presented the sector-specific weighted averages of the key assumptions used in the value-in-use calculations. [1)]

	INTERNATIONAL OPERATIONS	BUILDING CONSTRUCTION	INFRASTRUCTURE CONSTRUCTION	TECHNICAL BUILDING SERVICES
2012				
Discount rate, % (before taxes)	**7.1**	**6.9**	**7.4**	**6.7**
Average growth rate of net sales, %	**4.1**	**0.4**	**1.9**	**3.0**
Long-term average growth rate, %	**1.0**	**1.0**	**1.0**	**1.0**
2011 [2)]				
Discount rate, % (before taxes)	7.1	7.4	7.8	7.5
Average growth rate of net sales, %	8.5	9.9	3.2	4.5
Long-term average growth rate, %	1.0	1.0	1.0	1.0

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

[2)] The figures for the comparative period adjusted according to the new segment structure in effect from 2012.

In 2012 the impairment tests were executed during the third quarter of the year. The tests showed that the current values of the future cash flows exceed the book values in all business units. Therefore, there was no need for impairment of goodwill in 2012 (less than EUR 0,1 mill. impairment in 2011). Infrastructure construction segment's goodwill has decreased significantly during 2012 due to the sale of Lemminkäinen Rakennustuotteet Oy to Rudus Oy.

In connection with the impairment tests, sensitivity analyses are made to determine how possible changes in key assumptions of the unit-specific impairment tests would affect the results of those tests. The key assumptions affecting the present value of cash flows are the development of market and competitive conditions, the scope and profitability of the tested business, and the discount factor. In the sensitivity analyses the calculation variables affecting these assumptions are varied and the effects of the changes on the margin between the carrying value and present value of the cash flows are examined.

Sensitivity analysis showed that reasonable and ordinary variation to key counting assumptions common to Lemminkäinen's business areas would not cause a need for a significant impairment. Most of The Group's recognised goodwill belongs to the International Operations segment arising from the acquisitions of the Nordic paving units and to the Technical Building Services segment. Margins between the current values of cash flows and the book values are wide in the Baltic Sea area paving and mineral affregates as well as the Technical Building Services. Even fierce changes in the future expectations would not cause a need for impairment in these business areas. Of the tested cash generating units, most sensitive for changes is the Infrastructure segment's mineral affregates unit. There is risk for an impairment of goodwill less than EUR 0.9 million for this unit. Additional tests for impairment are carried out if the sensitivity tests or possible changes in the future expectations merit them. Long term predictability of the Lemminkäinen's business units is reasonably good and the risk for the impairment of goodwill is small.

Figures describing the goodwill impairment risk of units subject to impairment testing by business sector

EUR 1,000	INTERNATIONAL OPERATIONS	BUILDING CONSTRUCTION	INFRASTRUCTURE CONSTRUCTION	TECHNICAL BUILDING SERVICES
2012				
Goodwill allocated to the business sector, total	**43,429**	**6,084**	**2,366**	**25,164**
Ratio of present value to carrying amount [1]	**3.40**	**1.89**	**1.56**	**4.27**
Goodwill impairment if annual growth over the				
long term were 1 percentage point lower	**0**	**0**	**879**	**0**
long term were 2 percentage points lower	**0**	**0**	**879**	**0**
Goodwill impairment if discount rate				
were half a percentage point higher	**0**	**0**	**879**	**0**
were one percentage point higher	**0**	**0**	**879**	**0**

EUR 1,000	INTERNATIONAL OPERATIONS	BUILDING CONSTRUCTION	INFRASTRUCTURE CONSTRUCTION	TECHNICAL BUILDING SERVICES
2011 [2]				
Goodwill allocated to the business sector, total	42,249	5,840	12,069	25,535
Ratio of present value to carrying amount [1]	7.27	2.13	2.84	3.60
Goodwill impairment if annual growth over the				
long term were 1 percentage point lower	0	0	0	0
long term were 2 percentage points lower	996	0	0	0
Goodwill impairment if discount rate				
were half a percentage point higher	0	0	0	0
were one percentage point higher	202	0	0	0

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

[2] The figures for the comparative period adjusted according to the new segment structure in effect from 2012.

18 NON-CURRENT AVAILABLE-FOR-SALE FINANCIAL ASSETS

EUR 1,000	31.12.2012	31.12.2011
Balance sheet value, 1.1.	**5,992**	6,410
Translation difference	**0**	0
Additions	**131**	961
Disposals	**–152**	–1,378
Balance sheet value, 31.12.	**5,971**	5,992

Available-for-sale financial assets include several unquoted shares. The value of one single investment is not significant in relation to all other investments. The fair value of unquoted shares cannot be reliably determined, thus they are presented at cost less impairment.

19 NON-CURRENT RECEIVABLES

EUR 1,000	31.12.2012	31.12.2011
Non-current receivables		
Interest-bearing		
Loan receivables	**19**	4,264
Non-interest-bearing		
Trade receivables	**436**	501
Non-current receivables, total	**456**	4,765

20 INVENTORIES

EUR 1,000	31.12.2012	31.12.2011
Materials and supplies	**46,099**	42,774
Building plots and real estate	**159,949**	123,441
Housing under construction	**90,645**	90,779
Commercial property under construction	**46,780**	39,428
Other work in progress	**21,387**	28,157
Advance payments	**5,170**	9,083
Completed housing companies	**81,276**	65,667
Completed commercial property	**6,075**	6,256
Products and goods	**37,005**	42,883
	494,388	448,467

Collateral notes for uncompleted properties included in inventories are used as collateral security for the debts of companies included in inventories to the value of EUR 73.1 million (EUR 82.0 mill.).

21 CURRENT RECEIVABLES

EUR 1,000	31.12.2012	31.12.2011
Interest-bearing		
Loan receivables	**22**	202
Non-interest-bearing		
Trade receivables	**193,708**	264,640
Project income receivables	**90,725**	73,486
Accrued interest	**60**	355
Personnel expenses	**3,881**	2,311
Other prepayments and accrued income	**20,127**	34,568
Derivative assets	**499**	264
Receivables from real estate companies under construction	**11,449**	1,364
Other receivables	**42,657**	30,095
	363,107	407,085
Current receivables, total	**363,129**	407,287

The carrying value of current interest-bearing loan receivables correspond to their fair values. Trade receivables of EUR 2.8 million (EUR 0.2 mill.) were impaired and recognised as credit losses during the financial year.

22 CURRENT AVAILABLE-FOR-SALE FINANCIAL ASSETS

EUR 1,000	31.12.2012	31.12.2011
Balance sheet value, 1.1.		
Additions	**59,020**	
Balance sheet value, 31.12.	**59,020**	

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

23 CASH AND CASH EQUIVALENTS

EUR 1,000	31.12.2012	31.12.2011
Cash in hand and at banks	**34,926**	30,395

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

24 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR 1,000	FINANCIAL ASSETS / LIABILITIES RECOGNISED AT FAIR VALUE THROUGH PROFIT AND LOSS	LOANS AND OTHER RECEIVABLES	AVAILABLE-FOR-SALE FINANCIAL ASSETS	FINANCIAL LIABILITIES RECOGNISED AT AMORTISED COST	DERIVATIVES SUBJECT TO HEDGE ACCOUNTING	CARRYING AMOUNT	FAIR VALUE
31.12.2012							
Non-current financial assets							
Available-for-sale financial assets			**5,971**			**5,971**	**5,971**
Other non-current receivables		**456**				**456**	**456**
Current financial assets							
Trade and other receivables		**362,630**				**362,630**	**362,630**
Derivative assets	**499**					**499**	**499**
Available-for-sale financial assets			**59,020**			**59,020**	**59,020**
Cash and cash equivalents		**34,926**				**34,926**	**34,926**
Financial assets total	**499**	**398,011**	**64,991**			**463,501**	**463,501**
Non-current financial liabilities							
Interest-bearing liabilities				**138,842**		**138,842**	**138,545**
Other non-current liabilities				**7,625**		**7,625**	**7,625**
Current financial liabilities							
Interest-bearing liabilities				**232,361**		**232,361**	**232,361**
Trade payables and other financial liabilities [1]				**295,917**		**295,917**	**295,917**
Derivative liabilities	**1,804**				**578**	**2,382**	**2,382**
Financial liabilities total	**1,804**			**674,745**	**578**	**677,127**	**676,830**

EUR 1,000	FINANCIAL ASSETS / LIABILITIES RECOGNISED AT FAIR VALUE THROUGH PROFIT AND LOSS	LOANS AND OTHER RECEIVABLES	AVAILABLE-FOR-SALE FINANCIAL ASSETS	FINANCIAL LIABILITIES RECOGNISED AT AMORTISED COST	DERIVATIVES SUBJECT TO HEDGE ACCOUNTING	CARRYING AMOUNT	FAIR VALUE
31.12.2011							
Non-current financial assets							
Available-for-sale financial assets			5,992			5,992	5,992
Other non-current receivables		4,765				4,765	4,765
Current financial assets							
Trade and other receivables		407,023				407,023	407,023
Derivative assets	264					264	264
Cash and cash equivalents		30,395				30,395	30,395
Financial assets total	264	442,183	5,992			448,439	448,439
Non-current financial liabilities							
Interest-bearing liabilities				194,643		194,643	190,698
Other non-current liabilities				3,226		3,226	3,226
Current financial liabilities							
Interest-bearing liabilities				236,968		236,968	236,968
Trade payables and other financial liabilities [1]				279,209		279,209	279,209
Derivative liabilities	1,192				1,244	2,436	2,436
Financial liabilities total	1,192			714,047	1,244	716,483	712,538

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

Fair value measurement

Other non-current receivables include mainly interest-free trade receivables and the carrying amount of those receivables is equal to their fair value. The carrying amount of current trade and other receivables is equal to their fair value due to their short maturity.

The fair value of the bond included in non-current interest-bearing liabilities is based on the market price, and the fair value of other non-current liabilities is based on future cash flows discounted using a market yield plus appropriate credit spread for the Group at the reporting date. The used discount rates vary between 2.1 and 2.5 per cent (2.5–4.5%). The carrying value of current financial liabilities is assumed to be close to their fair value.

Fair value hierachy of financial assets and liabilities recognised at fair value

The Group has categorised financial instruments recognised at fair value by using a three-level fair value hierarchy. Financial instruments within Level 1 of the hierarchy are traded in active markets hence prices are obtained directly from the efficient markets. Fair values of instruments within Level 2 are based on observable market inputs and generally accepted valuation methods. Fair values within Level 3 are not based on observable market data but on quotations provided by brokers and market valuation reports.

EUR 1,000	LEVEL 2	LEVEL 3	TOTAL
31.12.2012			
Assets			
Available-for-sale financial assets	**59,020**	**5,971**	**64,991**
Derivative assets	**230**	**270**	**499**
Liabilities			
Derivative liabilities	**1,550**	**832**	**2,382**

EUR 1,000	LEVEL 2	LEVEL 3	TOTAL
31.12.2011			
Assets			
Available-for-sale financial assets		5,992	5,992
Derivative assets	105	159	264
Liabilities			
Derivative liabilities	2,436		2,436

Level 3 reconciliation statement

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

EUR 1,000	FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
Opening balance 1.1.2012	**159**	**5,992**
Additions		**131**
Disposals		**–152**
Gains and losses recognised in profit or loss, total	**–722**	
Fair values 31.12.2012	**–563**	**5,971**

EUR 1,000	FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
Opening balance 1.1.2011	–487	4,342
Additions		122
Disposals		–513
Transfers from Level 3 [1)]	607	2,040
Gains and losses recognised in profit or loss, total	40	
Fair values 31.12.2011	159	5,992

[1)] Transfers from Level 3 include interest rate derivatives which are transferred from level 3 to level 2 due to improvements in valuation method.

25 SHAREHOLDERS' EQUITY

Shares and share capital

Lemminkäinen Corporation has one share class. On 31 December 2012, the Company had 19,650,176 shares. All issued shares are fully paid up. In the beginning of 2012, 10,806 own shares returned to the Company through an arrangement, in which the Company acquired minority interests with share exchange. In addition, the Company issued 5,412 shares in directed free share issue. The Company gave out 15,709 shares due to the share incentive arrangement's earnings period 2011. The Company holds 509 treasury shares.

The Board of Directors was authorised to decide on an issue of 1,576,486 shares on 31 December 2012. The authorisation is valid for five years after the conclusion of the general meeting held on 12 November 2009, at which the original authorisation was granted.

Lemminkäinen Corporation's Annual General Meeting, which convened on 2 April 2012, resolved to authorise the Board of Directors to decide on the repurchase of a maximum of 1,000,000 of the company's own shares 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 authorisation will remain in force for a period of 18 months from the resolution of the General Meeting. The authorisation had not been employed by 31 December 2012.

EUR 1,000	SHARE CAPITAL	SHARE PREMIUM ACCOUNT	INVESTED UNRESTRICTED EQUITY RESERVE	TOTAL
1.1.2011	34,043	5,750	63,144	102,937
Share issue to investors for cash consideration		-76	76	
31.12.2011	34,043	5,675	63,220	102,937
Directed free share issue			387	387
31.12.2012	**34,043**	**5,675**	**63,607**	**103,324**

Share premium account

Share premiums are recognised in the share premium account.

Invested non-restricted equity fund

The invested non-restricted equity fund includes the subscription prices of shares to the extent that they are not entered into share capital on the basis of a separate decision.

Hybrid bond eligible for equity classification

Shareholders' eguity includes EUR 70 million Hybrid bond issued during the reporting period. The bond has no maturity date but the company has the right to redeem it after four years of the issue date. The bond is unsecured and in a lower priority than the company's other debt obligations. A holder of Hybrid bond notes does not possess any of the rights of a shareholder, and the bond does not dilute shareholders' holdings in the company. Bond's annual coupon rate is 10%.

Translation differences

The translation differences include the differences arising from the translation of the financial statements of foreign entities. During the past years the Group has hedged the net investment in foreign entities and hedging gains and losses from hedge instruments are also included in the translation differences, provided they qualified for hedge accounting. Group has not applied the hedge accounting for hedging the net investment in foreing entities during the reporting period.

Revaluation reserve

Revaluation reserve includes fair value changes of available-for-sale financial assets.

Hedging reserve

The hedging reserve includes the effective portion of the fair value changes of interest rate derivatives designated for hedge accounting. Cash flow hedging is applied for hedging interest rate risk. During the period a fair value change of interest rate derivatives EUR 0.7 milllion (EUR 0.8 mill.) before deferred taxes has been recognised in other comprehensive income. An amount of EUR –0.9 million (EUR –1.1 mill.) arising from cash flow hedging has been recognised in interest expenses during the financial year.

26 INTEREST-BEARING LIABILITIES

EUR 1,000	31.12.2012	31.12.2011
Non-current		
Borrowings from financial institutions	**13,620**	44,213
Pension loans	**21,503**	44,116
Finance lease liabilities	**43,809**	46,257
Bonds	**59,836**	59,763
Other non-current liabilities	**73**	295
	138,842	194,643
Current		
Borrowings from financial institutions	**35,726**	20,246
Pension loans	**22,759**	22,759
Finance lease liabilities	**13,940**	12,897
Chequing accounts	**5,663**	7,171
Commercial papers	**86,847**	119,910
Liabilities of housing companies under construction	**67,310**	53,939
Other current liabilities	**117**	46
	232,361	236,968

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

Finance lease liabilities

EUR 1,000	31.12.2012	31.12.2011
Finance lease liabilities and interest on them is due as follows		
In one year or earlier	**15,673**	14,787
Over one year, but less than five years	**39,613**	40,239
Over five years	**7,801**	10,479
	63,087	65,505
Maturity of present value of minimum leases		
In one year or earlier	**13,940**	12,897
Over one year, but less than five years	**36,402**	36,343
Over five years	**7,408**	9,914
	57,749	59,154
Accumulated future finance costs from finance lease liabilities	**5,338**	6,351

27 PENSION OBLIGATIONS

EUR 1,000	31.12.2012	31.12.2011
Changes in the present value of defined benefit obligations		
Beginning of year	**21,674**	21,776
Translation difference	**987**	78
Current service cost	**1,337**	1,133
Interest cost	**618**	751
Actuarial gains and losses	**–2,058**	–2,378
Curtailment	**–240**	–6,627
Benefits paid	**–532**	–795
Business combinations	**–2,755**	7,736
End of year	**19,032**	21,674
Changes in the fair value of the plan assets		
Beginning of year	**13,376**	15,961
Translatation difference	**702**	57
Expected return on plan assets	**473**	586
Actuarial gains and losses	**–302**	–2,131
Curtailment		–5,179
Employer contributions	**1,775**	2,399
Benefits paid	**–366**	–790
Business combinations	**–1,842**	2,472
End of year	**13,816**	13,376
Present value of funded obligations	**19,032**	21,674
Fair value of funds	**–13,816**	–13,376
	5,216	8,298
Unrecognised actuarial gains and losses	**–4,024**	–2,581
Unrecognised past service cost	**–21**	–1,845
Defined benefit pension plan obligation (+) / asset (-)	**1,171**	3,872
Pension plan obligations on the balance sheet	**1,171**	3,872
Recognised expenses relating to defined benefit pension plans		
Current service cost	**1,337**	1,133
Interest cost	**618**	751
Return on plan assets	**–473**	–312
Actuarial gains and losses	**163**	–379
Costs based on past service	**15**	
Losses/gains from curtailment	**–240**	
Losses/gains from settlements	**–14**	
Losses/gains from business combinations	**–264**	
	1,142	1,192

Expenses from defined benefit pension plans are recognised in income statement's employee benefit expenses.

EUR 1,000	2012	2011	2010	2009	2008
Assets and liabilities related to the plans over five years					
Defined benefit obligation	**19,032**	21,674	21,776	15,941	12,419
Fair value of plan assets	**–13,816**	–13,376	–15,961	–12,553	–10,164
	5,216	8,298	5,815	3,388	2,254

Defined benefit plans' assets consist entirely of approved insurance contracts and are fair valued on the accounting date. These assets do not include investments to Lemminkäinen or to real estate or other assets used by the company. The expected return on the assets is an estimate of life insurance company's future long term total rebate. In 2012, the actual return on the plans' assets was EUR 0.2 million.

Estimated amount of defined benefit plan payments in Lemminkäinen Group during 2013 is EUR 1.8 million. The presented reduction in Business combinations in 2012 is caused by pension benefit cuts that were carried out in Norway during acquisition in 2011. The numbers presented in the row in question in comparison year 2011 form from the increase caused by the same acquisition.

EUR 1,000	31.12.2012 FINLAND	31.12.2012 NORWAY	31.12.2011 FINLAND	31.12.2011 NORWAY
The most important actuarial assumptions				
Discount rate, %	**3.5**	**3.3**	4.5	3.3
Expected return on plan assets, %	**3.5**	**4.6**	5.8	4.6
Future salary increase, %	**3.5**	**3.8**	3.5	3.8
Future pension increase, %	**2.1**	**0.5**	2.1	0.9

28 SHARE-BASED PAYMENTS

Lemminkäinen has a share-based incentive plan comprising three one-year vesting periods: the calendar years 2010, 2011 and 2012. The Board of Directors decides on the earning criteria for each period as well as on the targets to be established at the beginning of each vesting period. Reward will be paid in company shares and cash. The proportion to be paid in cash will cover the taxes and tax-related costs arising from the reward. The shares may not be transferred during the commitment period which ends two years after the vesting period ends. The Board of Directors decides on the distribution of shares to key personnel.

Information concerning share-based incentive plan is presented below:

	2012	2011
Grant date	**9.2.2012**	10.1.2011
Vesting period start date	**1.1.2012**	1.1.2011
Vesting period end date	**31.12.2012**	31.12.2011
Commitment period end date	**31.12.2014**	31.12.2013
Share price at grant date, EUR	**20.20**	25.35
Fair value of share at grant date, EUR [1]	**19.70**	24.65
Amount of granted shares during period, maximum	**75,076**	53,176
Changes in maximum number of granted shares	**2,433**	6,244
Number of granted shares at the end of period, maximum	**77,509**	59,420
Number of shares earned at the end of period [2]	**46,505**	15,709
Number of plan participants at end of period	**47**	40
Assumed fulfilment of vesting criteria, %	**60.0**	15.0
Estimated number of shares returned prior to the end of commitment period, %	**10.0**	10.0
Expenses booked to income statement from incentive plan at the accounting period, EUR 1,000	**517**	400

[1] The fair value of share at grant date is the share's grant date value less estimated dividend payments during the vesting period.

[2] Number of shares earned at the end of period in 2012 is an estimate.

The liability recognised in the balance sheet in respect of share-based incentive plan at the end of 2012 was EUR 0.8 millon. The booked expenses in the accounting periods of 2013 and 2014 are valued to be EUR about 1.2 million. Actual amount might differ from the valued amount.

29 PROVISIONS

EUR 1,000	WARRANTY PROVISIONS	LANDSCAPING PROVISIONS	LEASE COMMITMENT PROVISIONS	OTHER PROVISIONS	**TOTAL 31.12.2012**	TOTAL 31.12.2011
Provisions, 1.1.	8,105	2,180	2,980	454	**13,719**	8,720
Translation differences	133	322		–1	**454**	5
Increases in provisions	7,998	2,021	240	12	**10,272**	4,707
Expensed provisions	–6,924	–1,672	–1,267	–316	**–10,179**	–4,439
Reversals of unused provisions						–17
Purchases and sales of subsidiaries						4,743
Provisions, 31.12.2012	9,312	2,852	1,953	150	**14,266**	
Provisions, 31.12.2011	8,105	2,180	2,980	454		13,719

EUR 1,000					**31.12.2012**	31.12.2011
Provisions categorised as						
Long-term	1,251	2,852	1,953	142	**6,198**	6,224
Short-term	8,061			8	**8,069**	7,495
					14,266	13,719

Warranty provisions cover after completion repair costs arising from warranty obligations. Provisions related to housing construction are expected to be used within one year after the provision is made. Warranty provisions related to other construction projects are mainly used in 1–2 years after the provision is made.

Landscaping provisions are related to a site's landscaping obligations. The expected time for using landscaping provisions depends on the use of the site, because in most cases the landscaping work starts after the use of the site ceases.

Lease liability commitment arises, when the company has a contractual obligation to obtain tenants for premises not yet leased in a commercial real estate under construction. Provisions for lease commitments are expected to be used in 1–3 years after the provision is made.

30 TRADE AND OTHER PAYABLES

EUR 1,000	**31.12.2012**	31.12.2011
Non-current		
Other non-current liabilities	**7,625**	3,226
Trade payables and other current liabilities		
Advance payments received	**102,782**	99,406
Liabilities to owners of housing under construction	**12,947**	7,226
Trade payables	**110,931**	101,127
Project expense liabilities	**32,963**	36,644
VAT	**26,765**	35,331
Accrued interest	**1,334**	1,616
Accrued personnel expenses	**88,314**	85,913
Other accrued liabilities	**18,282**	27,610
Derivative liabilities	**2,382**	2,436
Other current liabilities	**31,147**	19,074
	427,847	416,383
Non-current and current trade payables and other liabilities, total	**435,472**	419,609

31 FINANCIAL RISK MANAGEMENT

In its business operations, Lemminkäinen Group is exposed to financial risks, mainly interest rate, foreign exchange rate, funding, liquidity and credit risks. The aim of the Group's financial risk management is to reduce uncertainty concerning the possible impacts that changes in fair values on the financial markets could have on the Group's result, cash flow and value. The management of financial risks is based on principles approved by the Board of Directors. The treasury policy defines the principles and division of responsibilities with regard to financial activities and the management of financial risk. The policy is reviewed and if necessary updated at least annually.

Execution of the treasury policy is the responsibility of the Group Treasury, which is mainly responsible for the management of financial risks and handles the Group's treasury activities on a centralised basis. The Group's treasury policy defines the division of responsibilities between the Group Treasury and business units in each subarea. The Group companies are responsible for providing the Group Treasury with up-to-date and accurate information on treasury-related matters concerning their business operations. The Group Treasury serves as an internal bank and co-ordinates, directs and supports the Group companies in treasury matters such that the Group's financial needs are met and its financial risks are managed effectively in line with the treasury policy.

Interest rate risk

The aim of Lemminkäinen Group's interest rate risk management is to minimise changes affecting the result, cash flows and value of the Group due to interest rate fluctuations. The Group Treasury manages and monitors the interest rate position. The Group's interest rate risk primarily comprises fixed-rate and variable-rate loan and leasing agreements, interest-bearing financial receivables and interest rate derivatives. Interest rate changes affect items in the income statement and balance sheet.

The interest rate risk is decreased by setting the Group's average period of interest rate fixation to the same as the interest rate sensitivity of its business. The interest rate sensitivity position of the Group's business is estimated to be about 15 months. The treasury policy thus defines the Group's average period of interest rate fixation as 12–18 months. The Group aims to keep 40–65 per cent of its liabilities per currency hedged.

The Group can have both variable- and fixed-rate long-term borrowings. The ratio of fixed- and variable-rate borrowings can be changed by using interest rate derivatives. In 2012, the Group has used interest rate swaps for managing interest rate risks. Part of the interest rate swaps are used for hedge accounting and a hedging result of those derivatives will have impact on interest expenses until the year 2014. There was no ineffectiveness to be recorded from hedge accounting during the financial year.

Interest rate fluctuations in 2012 did not have any unusual effect on the Group's business, but a significant rise in the level of interest rates may have a detrimental effect on the demand for housing.

Sensitivity analysis of interest rate risk

The following assumptions are made when calculating the sensitivity caused by a change in the level of interest rates:

- the interest rate change is assumed to be 1 percentage point
- the position includes variable-rate financial liabilities, variable-rate financial receivables and interest rate derivatives
- all factors other than the change in interest rates remain constant
- taxes have not been taken into account when calculating sensitivity

EUR 1,000	INTEREST RATE RISK POSITION	IMPACT ON PROFIT OR LOSS (+1%)	IMPACT ON PROFIT OR LOSS (–1%)	IMPACT ON OTHER COMPREHENSIVE INCOME (+1%)	IMPACT ON OTHER COMPREHENSIVE INCOME (–1%)
31.12.2012					
Variable-rate liabilities	**–180,210**	**–1,802**	**1,802**		
Variable-rate receivables	**34,926**	**349**	**–349**		
Interest rate derivatives	**61,460**	**2,051**	**–2,189**	**116**	**–119**
	–83,825	**598**	**–736**	**116**	**–119**

EUR 1,000	INTEREST RATE RISK POSITION	IMPACT ON PROFIT OR LOSS (+1%)	IMPACT ON PROFIT OR LOSS (–1%)	IMPACT ON OTHER COMPREHENSIVE INCOME (+1%)	IMPACT ON OTHER COMPREHENSIVE INCOME (–1%)
31.12.2011					
Variable-rate liabilities	–303,849	–3,038	3,038		
Variable-rate receivables	30,395	304	–304		
Interest rate derivatives	35,740	72	–74	334	–344
	–237,713	–2,663	2,661	334	–344

Foreign exchange rate risk

The aim of foreign exchange rate risk management is to reduce uncertainty concerning the possible impacts that changes in exchange rates could have on the future values of cash flows, business receivables and liabilities, and other balance sheet items. Exchange rate risk mainly consists of transaction risk and translation risk.

Translation risk consists of foreign exchange rate differences arising from the translation of the income statements and balance sheets of foreign group companies into the Group's functional currency. In practice, the Group's reportable translation risk is caused by equity investments in foreign entities and their retained earnings, the effects of which are recorded under translation differences in shareholders' equity. Lemminkäinen Group has foreign net investments in several currencies. In accordance with the treasury policy, Lemminkäinen Group protects itself from translation risks primarily by keeping equity investments in foreign entities at an appropriately low level, and thus does not use financial instruments to hedge the translation risks.

Transaction risk consists of cash flows in foreign currencies from operational and financial activities. The Group seeks to hedge business currency risks primarily by operative means. The remaining transaction risk is hedged by using instruments such as foreign currency loans and foreign currency derivatives. The group companies are responsible for identifying, reporting, forecasting and hedging their transaction risk positions internally. The Group Treasury is responsible for hedging the Group's risk positions as external transactions in accordance with the treasury policy. The general rule is that the major net positions forecasted for the 12 months following the review date are hedged, with a hedging ratio ranging from 25–100 per cent and emphasising the first six months.

The key currencies in which the Group was exposed to transaction risk in 2012 were US-dollar and russian rouble. These transaction risk positions were mainly due to sales, procurement, receivables and liabilities. In 2012 the Group did not apply hedge accounting to transaction risk hedging.

Sensitivity analysis of transaction risk

The following assumptions have been made when calculating the sensitivity caused by changes in the euro/dollar and euro/rouble exchange rates:

- the exchange rate change is assumed to be +/–10%
- the position includes financial assets and liabilities denominated in roubles and dollars
- the position does not include forecasted future cash flows
- taxes are excluded in sensitivity analysis

EUR 1,000	TRANSACTION POSITION	+/– 10% IMPACT ON PROFIT OR LOSS
31.12.2012		
EUR/USD	**6,160**	**–560 / +684**
EUR/RUB	**22,813**	**–2,074 / +2,535**

EUR 1,000	TRANSACTION POSITION	+/– 10% IMPACT ON PROFIT OR LOSS
31.12.2011		
EUR/USD	**1,561**	–142 / +173
EUR/RUB	**5,822**	–529 / +647

Funding and liquidity risk

The Group seeks to optimise the use of liquid assets in funding its business operations and to minimise interest and other financial expenses. The Group Treasury is responsible for managing the Group's overall liquidity and ensuring that adequate credit lines and a sufficient number of funding sources are available. It also ensures that the maturity profile of the Group's loans and credit facilities is spread sufficiently evenly over coming years as set out in the treasury policy. The Group's liquidity management is based on monthly forecasts of funding requirements and daily cash flow forecasting. The Group's excess liquidity is managed by means of internal deposits and cash pools.

According to the treasury policy, the Group's liquidity reserve shall at all times match the Group's total liquidity requirement, and it must be accessible within five banking days without any additional charges being incurred. The Group's total liquidity requirement consists of the liquidity requirement of day-to-day operations, risk premium needs and the strategic liquidity requirement.

Due to the nature of the Group's business operations, the importance of seasonal borrowing is great. The effect of seasonal variation on short-term liquidity is controlled by using a commercial paper programme, committed credit limits and bank overdraft facilities. The total amount of the Group's commercial paper programme is EUR 300 million (EUR 300 mill.), of which EUR 86.8 million (EUR 119.9 mill.) was in use at 31 December 2012. At that time, the Group had unused committed credit facilities totalling EUR 139.6 million (EUR 140.7 mill.). The amount of liquid assets at 31 December 2012 was EUR 93.9 million (EUR 30.4 mill.).

Contractual cash flows of financial liabilities and derivative instruments

EUR 1,000	2013	2014	2015	2016	2017	2018–	TOTAL
31.12.2012							
Interest-bearing liabilities	**239,393**	**107,025**	**13,160**	**11,027**	**6,673**	**8,022**	**385,300**
Interest rate derivatives	**915**	**374**	**274**	**275**	**274**	**141**	**2,252**
Forward foreign exchange contracts							
Cash flows payable	**93,428**						**93,428**
Cash flows receivable	**–92,930**						**–92,930**
Commodity derivatives							
Cash flows payable	**421**	**161**	**162**	**134**			**878**
Cash flows receivable	**–272**						**–272**
Other financial liabilities	**183,653**	**6,245**	**1,380**				**191,278**
Trade payables	**110,931**						**110,931**
Financial guarantees given	**11,190**					**254**	**11,444**
	546,729	**113,805**	**14,975**	**11,437**	**6,948**	**8,416**	**702,309**

EUR 1,000	2012	2013	2014	2015	2016	2017–	TOTAL
31.12.2011							
Interest-bearing liabilities	246,178	74,382	101,147	11,032	8,903	11,261	452,903
Interest rate derivatives	891	460	70				1,421
Forward foreign exchange contracts							
Cash flows payable	71,076						71,076
Cash flows receivable	–69,928						–69,928
Commodity derivatives							
Cash flows payable							
Cash flows receivable	–159						–159
Other financial liabilities	176,071	2,011	341	524			178,948
Trade payables	101,127						101,127
Financial guarantees given	5,533	11,190				254	16,977
	530,789	88,044	101,558	11,556	8,903	11,515	752,365

Credit risk

Credit risks arise when a counterparty is unable to meet its contractual obligations, casusing the other party to suffer a financial loss. Lemminkäinen has defined a credit policy for customer receivables that aims to boost profitable sales by identifying credit risks in advance and controlling them. Most of the Group's business is based on established and trustworthy customer relationships and on contractual terms generally observed in the industry. The credit policy sets the minimum requirements concerning trade credit and collections for Lemminkäinen Group. The Group's credit control function defines credit risks and the business units are responsible for managing them. In the prevailing economic situation, the importance of credit control is underlined, and the Company's credit control processes have been enhanced for example by renewing the credit policy.

The Group is exposed to credit risk through the Group's trade receivables and receivables associated with deposits and receivables. The maximum amount of credit risk is the combined total of the balance sheet values of the aforementioned items. The amounts and due dates of the Group's trade receivables are presented in the table below. The Group does not have any significant credit risk concentrations as trade receivables are distributed among many different customers in a number of market areas. The business unit that made the contract actively monitors the receivables situation. If the business units renegotiate the terms of the receivables, they must do so in accordance with the requirements of the Group's credit policy. The risk of credit losses can be reduced by means of guarantees, mainly bank guarantees and bank deposits. Lemminkäinen's credit losses have been minimal in relation to the scale of its operations. The main risks are associated with business in Russia. As a general rule, construction projects in Russia are only undertaken against receipt of advance payments. If, in exceptional situations, a credit risk is taken, the amount permitted is always proportional to the expected margin on the project in question. Receiveables transferred for legally enforceable collection are recognised as credit losses.

The Group Treasury is responsible for the management of the Group's counterparty and credit risks related to cash, financial investments and financial transactions. The Group is exposed to counterparty risk when investing liquid assets and using derivative instruments. Liquid assets are invested in short-term bank deposits, certificates of deposit issued by solvent partner banks, and commercial papers issued by corporations with a good credit rating. The treasury policy specifies the approved counterparties and their criteria. At the end of 2012, the counterparty risk was considered to be low.

Ageing analysis of trade receivables

1.000 euroa	31.12.2012	31.12.2011
Not due	**155,374**	218,297
Past due 1–30 days	**25,260**	26,923
Past due 31–60 days	**4,203**	7,347
Past due 61–90 days	**2,071**	4,033
Past due over 90 days	**7,236**	8,541
	194,144	265,141

Commodity price risk

The Group's paving operations are exposed to bitumen price risk. The price of bitumen is determined by the world market price of oil. The Group protects itself against the bitumen price risk with fixed purchase prices, price clauses in sales agreements and derivatives for which hedge accounting is not applied. By the closing date, the group companies had used bitumen derivatives to hedge, in total, 40,000 Mt (7,600 Mt) of bitumen purchases.

Management of capital and the capital structure

Capital means the equity and interest-bearing liabilities shown on Lemminkäinen's consolidated balance sheet.

Lemminkäinen Group's capital management ensures cost-effectively that all of the Group's business sectors maintain their business viability at a competitive level in all cyclical conditions, that risk-carrying capacity is adequate, for example, in construction contracts, and that the Company is able to pay a good dividend and service its borrowings.

The amount of the Group's interest-bearing liabilities is affected by factors such as scale of operations, seasonal changes in production, acquisitions, and investments in or the sale of production equipment, buildings and land. The Company continuously monitors the amount of debt, the ratio of net debt to EBITDA, and the equity ratio.

Some of the Group's financial arrangements include two financial covenants which are monitored quarterly and calculated as an average of four previous quarter: the ratio of net debt to EBITDA and the equity ratio. The terms of the covenants were met during the financial year.

Lemminkäinen strengthened it's financial position during the financial year by issuing EUR 70 million Hybrid bond. The Hybrid bond is classified as equity instrument but the bond holders do not have any rights of a shareholders, and the bond does not dilute shareholders' ownership in the company. The Hybrid bond is unsecured and junior to all other borrowings of the company. The bond has no maturity date but company has the right to redeem it at it's own discretion after four years of the issuance date.

The Company also follows the development of equity by means of the return on investment. A long-term average in excess of 18 per cent is regarded as a good return. The return on investment in 2012 was 10.7 per cent (10.8%).

EUR 1,000	31.12.2012	31.12.2011
Interest-bearing liabilities	**371,203**	431,611
Liquid assets	**93,946**	30,395
Interest-bearing net debt	**277,257**	401,216
Equity, total	**450,772**	350,401
Equity ratio, %	**38.0**	30.8
Gearing, %	**61.5**	114.5
Return on investment, %	**10.7**	10.8

32 DERIVATIVE FINANCIAL INSTRUMENTS

EUR 1,000	NOMINAL VALUE	FAIR VALUE POSITIVE	FAIR VALUE NEGATIVE	FAIR VALUE NET
31.12.2012				
Foreign exchange derivatives	**93,698**	**105**	**–387**	**–282**
Interest rate derivatives	**61,460**		**–1,126**	**–1,126**
Commodity derivatives	**17,230**	**270**	**–832**	**–563**

EUR 1,000	NOMINAL VALUE	FAIR VALUE POSITIVE	FAIR VALUE NEGATIVE	FAIR VALUE NET
31.12.2011				
Foreign exchange derivatives	70,977	105	–928	–823
Interest rate derivatives	35,740		–1,508	–1,508
Commodity derivatives	3,493	159		159

The fair value of derivative instruments is the gain or loss arising from the settlement of the contract at the market price prevailing on the reporting date.

Hedge accounting has not been applied to all derivative instruments. Nevertheless, these derivative instruments have been utilised for hedging purposes. The derivatives are used in order to reduce business risks and to hedge balance-sheet items denominated in foreign currencies. Changes in the fair value of non-hedge accounted derivatives are recognised through profit or loss in accordance with their nature either in financial items or as other operating income and expenses.

33 ADJUSTMENTS TO CASH FLOWS

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Depreciation and impairment of goodwill	**40,983**	35,177
Share of the profits of associates and joint ventures	**–1,064**	–1,867
Finance income and costs recognised on accrual basis	**21,086**	18,955
Change in provisions	**93**	258
Change in pension obligations	**–2,895**	3,031
Credit losses on trade receivables	**2,752**	174
Gains and losses on the sale of property, plant and equipment as well as other non-payment income and expenses	**–4,606**	–5,479
Translation differences	**671**	–649
	57,020	49,599

34 OPERATING LEASE COMMITMENTS

EUR 1,000	31.12.2012	31.12.2011
Minimum leases of irrevocable lease contracts within		
One year or less	**14,951**	12,983
Over one year, but less than five years	**30,388**	30,796
Over five years	**16,955**	13,397
	62,294	57,175
Operating lease commitments include the following lease liabilities due within		
One year or less	**8,722**	6,465
Over one year, but less than five years	**11,320**	10,936
Over five years	**7,677**	357
	27,719	17,758

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

35 GUARANTEES AND COMMITMENTS

EUR 1,000	31.12.2012	31.12.2011
Pledges for own commitments		
Pledged deposits	**19**	17
Pledges on behalf of others		
Pledged securities		90
Pledges, total	**19**	107
Guarantees		
On behalf of associates and joint ventures	**17,887**	20,337
On behalf of consortiums and real estate companies	**13,331**	18,863
	31,217	39,200
Investment commitments	**5,346**	7,154

36 CONTINGENT LIABILITIES

In 2009, the Supreme Administrative Court (SAC) ordered Finnish asphalt industry companies to pay an infringement fine for violations of the Act on Competition Restrictions.

Since 30 September 2012, 12 new municipalities have brought claims. Therefore, at the end of the year, there were a total of 52 claims for damages brought by municipalities and the Finnish state (Finnish Transport Agency) pending against Lemminkäinen and other asphalt industry companies in the District Court. The claimants contend that restrictions on competition have caused them damages. The new claims total about EUR 6.7 million, bringing the total amount of damages currently sought from Lemminkäinen up to EUR 129 million. The claims presented in the statements of claim differ from each other as regards their amounts and grounds.

As it stands, the ruling rendered by the SAC in 2009 does not mean that Lemminkäinen or the other asphalt industry companies actually caused any damages to their asphalt contract clients. The ruling does not concern the individual contracts that the claimants cited in support of their claims. Nor does the ruling concern the pricing of individual contracts. The SAC has not investigated the contention that inflated prices have been charged for the contracts.

Lemminkäinen's initial position is that the claims for damages are without foundation. The claims will be processed in the order and schedule set by the District Court. The main proceedings on the claims made by 38 municipalities and the Finnish Transport Agency began in September 2012, and they have initially been scheduled to run until April 2013. The damages presented in these 39 claims total about EUR 121 million. No commencement date has yet been set for the main proceedings for the other 14 claims. Neither has a decision date been announced.

37 RELATED-PARTY TRANSACTIONS

Lemminkäinen Group's related parties comprise associates and joint ventures as well as members of the key management personnel including close members of their families. Members of the key management personnel comprise the Board of Directors, the President and CEO, Executive Board and the internal audit manager.

Transactions with related parties

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Sales of goods and services		
To associates and joint ventures	**3,903**	635
To a company under the influence of a key management person's family member	**200**	
	4,103	635
Purchases of goods and services		
From associates and joint ventures	**14,429**	13,565

EUR 1,000	31.12.2012	31.12.2011
Balance of purchases/sales of goods and services		
Trade receivables		
From associates and joint ventures	**2,200**	1
From a company under the influence of a key management person's family member	**200**	
	2,400	1
Trade payables		
To associates and joint ventures	**218**	611

On 31 December 2012, the Group had no loan receivables from associates or joint ventures (EUR 0.1 mill.). Related-party transactions with associates and joint ventures are mainly asphalt contracts and mineral aggregate deliveries. Related-party transaction with a company under the influence of a family member of a member of the key management personnel is a market-based sale of construction service. A list of investments in subsidiaries and associate and joint ventures can be found in Note 38 and additional information on associates and joint ventures in Note 10.

Remuneration of key management personnel

The company adjusts previously incorrectly presented information on remuneration of key management personnel of the year 2011. The adjustment concerns recognised cost in the period from short-term employee benefits, which was previously presented to be EUR 2.1 million in 2011. The adjusted amount is EUR 2.4 million. The adjustment concern only the breakdown in this note and does not have any impact on items in income statement or balance sheet or on other notes.

In 2012, The Company booked social security costs of EUR 0.7 million (EUR 0.4 mill.) from key management personnel's salaries, fees and other short-term employee benefits. The costs are not included in the figures presented in the table below. The table's figures are on accrual basis.

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Short-term employee benefits [1]	**2,793**	2,422
Post-employment benefits	**752**	839
Share-based payments	**250**	225
	3,794	3,485

[1] The 2012 amount includes valuation based performance-related rewards.

Remuneration of the Board of Directors

Lemminkäinen Corporation's General Meeting elects each year the members to serve on the Company's Board of Directors and decides their fees. The fees are paid fully in cash. The term of office of the board members lasts until the end of the first Annual General Meeting held after their election.

The members of Lemminkäinen's Board of Directors do not belong to the share-based incentive plan, and they are not employees of Lemminkäinen.

The 2012 Annual General Meeting decided that the Chairman would be paid a fee of EUR 10,000 per month (EUR 10,000) and the board members would each receive a fee of EUR 3,000 per month (EUR 3,000). The board members also receive an attendance fee of EUR 500 per meeting (EUR 500).

The chairman of the Audit Committee is paid an attendance fee of EUR 1,000 (EUR 1,000) and the members of the Audit Committee EUR 500 (EUR 500) for each meeting of the Committee.

Management remuneration

On the basis of a proposal submitted by the Remuneration Committee, Lemminkäinen's Board of Directors decides on the basic salary and fringe benefits as well as on both short-term and long-term remuneration of the President and CEO and of the Executive Board.

The Board of directors decides annually both short and long-term indicators for Management remuneration and the target values for the indicators which are designed to support achievement of the strategic goals. On the basis of the President and CEO's proposal, The Board decides on the amount of fees and whether the indicator-based goals have been reached.

According to management remuneration policy approved by the Board of Directors, the remuneration of the President and CEO, members of the Group's Executive Board, and other management personnel consists of a fixed basic salary, fringe benefits, other benefits, annual short-term incentives (performance-based pay) as well as long-term share based incentive plans and pension plans.

Short-term employee benefits

A fixed basic salary refers to a person's monthly salary, which is determined by the requirements of the position as well as the performance and experience of the person holding the position. In addition to the use of a company car and mobile phone and a meal benefit, management personnel have extended insurance cover for accidents and travel in their leisure time. The total salary covers fixed basic salary and fringe benefits.

Performance-related rewarding

Short-term rewarding is based on the possibility of receiving an annual performance-related reward. Performance-related reward is earned by exceeding financial and operational profit targets specified at the beginning of the year. The Executive Board is divided into four performance-related reward groups which define the maximum performance-related reward percentage for each person. Defining a person's reward group is based on organization level as well as the requirements and operational influence of the position.

In 2012 the level of performance-related reward of the Management was based on the profit before taxes and reaching other growth and development targets such as efficiency improvement of working capital. The performance-related rewards of the Presidents of business segments, who are members of the Group's Executive Board, are also based on the gross profits of each segment. Achieving performance-related reward targets were assessed semi-annually. The maximum performance-related reward payable to Lemminkäinen's President and CEO was 80 per cent of his annual cash salary. The corresponding percentage for the other members of the Group's Executive Board was 60 per cent of their annual cash salary.

Post-employment benefits

From the beginning of 2010 the additional pension plan of the President and CEO and the members of Executive Board is based on cash basis and earning a paid-up policy. The amount of payment is defined as percentages of the annual salary. The president and CEO is entitled to retire at the age of 60. Other members of the Executive Board are, according to the old policy, entitled to retire at the age of 60 or according to the policy valid since 15.9.2011 at the age of 63.

Other long term benefits

In 2012 and 2011, no expenses were booked from other long term benefits.

Termination benefits

The term of notice for the Lemminkäinen's President and CEO agreement is six months. If the company dismissed the agreement, the president and CEO is entitled to absolute severance pay eaqual to 18 months cash salary at the time of the agreement's termination. In 2012 and 2011, no termination benefits were booked.

Share-based payments

Lemminkäinen's long-term reward scheme is a share-based incentive plan comprising three earning periods: calendar years 2010, 2011, and 2012. Reward's commitment period is two years. The Lemminkäinen Group's Board of Directors decides on the earning criteria for each earning period and the targets set for them at the beginning of each period. The earning criteria for the 2012 long-term rewards were the Group's return on investment and equity ratio. The Board of Directors also decides on the distribution of shares to key personnel.

38 SHARES AND HOLDINGS

COMPANY	CONSOLIDATED SHAREHOLDING, %	PARENT COMPANY SHAREHOLDING, %	PARENT COMPANY SHAREHOLDING, SHARES	PARENT COMPANY SHAREHOLDING, BOOK VALUE FINNISH GAAP, EUR 1,000	SHAREHOLDING OF OTHER GROUP UNDERTAKINGS, BOOK VALUE FINNISH GAAP, EUR 1,000
31.12.2012					
Group undertakings					
Lemminkäinen Talo Oy, Helsinki	100.0	100.0	2,183,663	73,992	
Lemminkäinen Infra Oy, Helsinki	100.0	100.0	1,338	36,711	
Lemminkäinen Talotekniikka Oy, Espoo	100.0	100.0	2,138,147	43,018	
Lemcon Networks Oy, Helsinki	100.0	100.0	392,000	2,383	
UAB Lemcon Vilnius, Lithuania	100.0	100.0			
UAB Lemminkainen Lietuva, Lithuania	99.9	99.9	3,747,989	3,529	
ZAO Lemruf, Russia	100.0	100.0	12	3	
Asfalt Remix AS, Norway	75.0				5,614
Commencial Tower North Inc., United States	100.0				412
ICM International Construction Management, Hungary	100.0				684
ICS "Lemminkainen Infra Oy" SRL, Moldova	100.0				
Lembet Oy, Helsinki	100.0				5
Lemcon (Philippines) Inc, Philippines	100.0				222
Lemcon (Thailand) Ltd, Thailand	100.0				51
Lemcon Argentina S.R.L, Argentina	100.0				5
LEMCON Baumanagement GmbH, Germany	100.0				26
Lemcon Canada Ltd, Canada	100.0				1
Lemcon Chile Ltda, Chile	100.0				15
Lemcon Columbia Ltda, Columbia	100.0				3
Lemcon do Brasil Ltda, Brasil	100.0				22
LEMCON ECUADOR SA, Ecuador	100.0				1
Lemcon Építöipari Kft, Hungary	100.0				28
Lemcon HR Oy, Helsinki	100.0				60
Lemcon Network Services Ltd, UK	100.0				19
Lemcon Networks Mexico S.de R.L.De C.V. Mexico	100.0				
Lemcon Norge As, Norway	100.0				12
Lemcon Pte Ltd, Singapore	100.0				7
Lemcon Servicos de Planejamento de Engenharia Ltda, Brasil	100.0				20
Lemcon USA Corporation, United States	100.0				1
Lemcon Venezuela C.A., Venezuela	100.0				8
Lemminkäinen Co. Ltd., China	100.0				72
Lemminkäinen A/S, Denmark	100.0				18,972
Lemminkäinen Anlegg AS, Norway	90.1				4,169
Lemminkäinen Construction (India) Private Limited, India	100.0				853
Lemminkäinen Eesti AS, Estonia	91.7				5,391
Lemminkäinen Ehitus As, Estonia	100.0				3
Lemminkäinen Industri AS, Norway	100.0				269
Lemminkäinen Norge AS, Norway	100.0				11,799

COMPANY	CONSOLIDATED SHAREHOLDING, %	PARENT COMPANY SHAREHOLDING,%	PARENT COMPANY SHAREHOLDING, SHARES	PARENT COMPANY SHAREHOLDING, BOOK VALUE FINNISH GAAP, EUR 1,000	SHAREHOLDING OF OTHER GROUP UNDERTAKINGS, BOOK VALUE FINNISH GAAP, EUR 1,000
Lemminkäinen Polska, Sp. Z.O.O, Poland	100.0				1,576
Lemminkäinen PPP Oy, Kuopio	100.0				3
Lemminkäinen Sverige Ab, Sweden	100.0				12
Lemminkäinen International Oy, Helsinki	100.0				5
Lemminkäinen Russia Oy, Helsinki	100.0				155
Lohketööd Oy, Salo	91.7				3
Maanrakennusliike Helander Oy, Loviisa	100.0				255
OOO Lemminkäinen Invest , Russia	100.0				2,284
OOO Lemminkäinen Service, Russia	100.0				13
OOO Lemminkäinen Stroy, Russia	100.0				864
Oü Järva Paas, Estonia	47.7				3
Pasila Telecom Oy, Helsinki	100.0				8
PT Lemcon Networks, Indonesia	100.0				75
Rekab Entreprenad Ab, Sweden	80.0				243
SIA Lemminkainen Latvija, Latvia	100.0				1,835
Tekmanni RusService Oy, Espoo	100.0				3
Tekmen SPB, Russia	100.0				287
Tolarock Oy, Kajaani	100.0				3,048
ZAO Lemminkäinen Dor Stroi, Russia	100.0				544
ZAO Lemminkäinen Rus, Russia	100.0				20,829
Total				159,565	80,787
Joint venture undertakings					
Genvej A/S, Denmark	50.0				201
Lemcon Likusasa Africa Pty, South-Africa	50.0				
Martin Haraldstad AS, Norway	50.0				837
Nordasfalt AS, Norway	50.0				646
Ullensaker Asfalt ANS, Norway	50.0				612
Total					2,297
Associate undertakings					
Finavo Oy, Helsinki	47.5				1
NHK Rakennus Oy, Helsinki	35.0				622
Vuokatin Betoni Oy, Sotkamo	33.1				13
Total					637
Other shares and holdings					
Housing shares				327	209
Property shares				793	3,066
Other shares and holdings				556	1,020
Total				1,676	4,294

Parent company income statement (FAS)

EUR 1,000	Note	1.1.–31.12.2012	1.1.–31.12.2011
Net Sales	1	**38,337**	32,307
Production for own use		**1,757**	290
Other operating income	2	**38,179**	4,216
Materials and services	3	**–76**	320
Personnel expenses	4	**21,981**	20,048
Depreciation	5	**4,421**	3,112
Other operating expenses		**24,184**	25,718
Operating profit/loss		**27,764**	–12,385
Finance income and costs	6	**–3,727**	3,990
Profit before extraordinary items		**24,036**	–8,395
Extraordinary items	7	**19,400**	22,900
Profit before taxes		**43,436**	14,505
Direct taxes	8	**–1,455**	–1,321
Profit for the financial year		**41,981**	13,184

Parent company balance sheet (FAS)

EUR 1,000	Note	31.12.2012	31.12.2011
ASSETS			
Non-current assets	9		
Intangible assets		**16,953**	9,057
Tangible assets		**15,920**	12,317
Holdings in Group companies		**159,565**	165,999
Other investments		**1,676**	1,766
		194,115	189,139
Current assets	10		
Non-current receivables		**1,700**	4,264
Deferred tax asset			1,755
Current receivables		**320,951**	351,908
Financial securities		**59,020**	
Cash in hand and at banks		**8,299**	1,073
		389,971	359,000
		584,086	548,140
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	11		
Share capital		**34,043**	34,043
Share premium account		**5,675**	5,675
Invested non-restricted equity fund		**61,309**	60,997
Fair value reserve		**–421**	–940
Retained earnings		**86,121**	82,970
Profit for the financial year		**41,981**	13,184
		228,707	195,929
Liabilities	12		
Deferred tax liability		**1,215**	1,358
Non-current liabilities		**176,598**	140,398
Current liabilities		**177,566**	210,456
		355,379	352,211
		584,086	548,140

Parent company cash flow statement (FAS)

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Cash flow from business operations		
Profit/loss before extraordinary items	**24,036**	–8,395
Adjustments		
Depreciation according to plan	**4,421**	3,112
Finance income and costs	**3,727**	–3,990
Other adjustments	**–38,921**	18,586
Cash flow before change in working capital	**–6,737**	9,313
Change in working capital		
Increase (–)/decrease (+) in current interest-free business receivables	**8,233**	–14,227
Increase (+)/decrease (–) in current interest-free liabilities	**626**	2,934
Cash flow from operations before financial items and taxes	**2,123**	–1,980
Interest and other finance costs paid	**–24,562**	–20,208
Dividends received	**241**	5,761
Interest and other finance income received	**19,610**	17,481
Direct taxes paid	**70**	–105
Cash flow from business operations	**–2,518**	949
Cash flow from investments		
Investments in tangible and intangible assets	**–16,829**	–6,421
Proceeds from sale of tangible and intangible assets	**1,244**	51
Investments in other assets		–4
Proceeds from the sale of other investments		178
Acquired subsidiary shares	**–5**	–5,842
Disposed subsidiary shares	**42,633**	
Cash flow from investments	**27,042**	–12,037
Cash flow from financing		
Increase (–)/decrease (+) in non-current receivables	**235**	348
Group contributions received	**22,900**	14,000
Change in Group receivables/liabilities	**22,712**	–20,475
Short-term loans drawn	**215,744**	214,266
Repayments of short-term loans	**–246,249**	–175,532
Long-term loans drawn	**300,916**	258,706
Repayments of long-term loans	**–264,715**	–273,937
Dividends paid	**–9,820**	–9,822
Cash flow from financing	**41,723**	7,553
Increase (+)/decrease (–) in cash and cash equivalents	**66,247**	–3,535
Cash and cash equivalents at begining of financial year	**1,073**	4,586
Corporate restructuring		22
Cash and cash equivalents at end of financial year	**67,320**	1,073

Parent company's accounting principles, 31 Dec. 2012

Lemminkäinen Corporation's financial statements are prepared in accordance with Finnish accounting standards (FAS).

FOREIGN CURRENCY ITEMS

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Receivables and liabilities are translated at the exchange rates prevailing on the balance sheet date.

FINANCIAL SECURITIES

Financial securities are measured at fair value and the changes in fair values are recognised in fair value reserve in equity. Fair values are calculated by discounting future cash flows to present value. When financial securities are sold, accumulated fair value changes are transferred from fair value reserve to financial items in the income statement.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The derivatives are used in order to reduce business risks and to hedge balance sheet items denominated in foreign currencies. Derivative financial instruments are measured at fair value.

Foreign exchange derivatives are used to hedge against changes in forecasted foreign currency-denominated cash flows and changes in value of receivables and liabilities in foreign currencies. The company has used foreign exchange forward contracts which are measured at the balance sheet date by using the foreign exchange forward rates prevailing on the balance sheet date.

Interest rate derivatives are used to hedge against changes affecting the result, balance sheet and cash flows due to interest rate fluctuations. The company has used interest rate swaps which are measured by discounting the contractual future cash flows to the present value.

The Company has applied cash flow hedge accounting to some variable-rate loans. The change in fair value of the interest rate swap agreements used as hedging instrument is recognised in the fair value reserve in equity as the hedging relationship is effective. The ineffective portion of the change in fair value is recognised in financial items in the income statement. Changes in fair value accumulated in equity are transferred from equity and recognised in financial items for the accounting period in which the hedged item affects the result.

Fair value changes from derivative financial instruments which are not used for hedge accounting are recognised in financial items in the income statement. Fair value changes are presented on section 6 of the notes to the financial statements.

VALUATION AND DEPRECIATION OF FIXED ASSETS

Fixed assets are shown on the balance sheet at their original acquisition costs less planned depreciation over their expected economic lifetimes. In addition, the values of some land, buildings and shareholdings include revaluations, against which no depreciation is charged. The depreciation periods are as follows:

- Buildings and structures 10–40 years
- Machinery and equipment 4–10 years
- Other fixed assets 4–10 years

PENSION LIABILITY

The pension security of employees, inclusive of additional benefits, is covered by policies taken out from a pension insurance company.

DIRECT TAXES

Taxes calculated on the basis of the profit for the financial year, adjustments to the taxes of earlier financial years, and the change in the deferred tax liability and asset are recorded as direct taxes on the income statement.

Notes to the parent company financial statements (FAS)

1 NET SALES BY MARKET AREA

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Finland	**38,337**	32,288
Nordic countries		19
East Europe and Baltic countries		0
	38,337	32,307

2 OTHER OPERATING INCOME

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Gain on sale of fixed assets	**38,158**	43
Gain on merger		4,158
Others	**21**	15
	38,179	4,216

3 MATERIALS AND SERVICES

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
External services	**–76**	320

4 NOTES CONCERNING PERSONNEL, MANAGEMENT AND BOARD MEMBERS

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Personnel expenses		
Salaries, wages and emoluments	**17,383**	15,365
Pension expenses	**3,941**	4,159
Other staff costs	**656**	524
	21,981	20,048
Management salaries and emoluments		
Board Members and the President and CEO	**926**	932
Average number of employees		
Salaried employees	**316**	261
Pension commitments concerning Board Members and the President and CEO		
The retirement age of the President and CEO of Lemminkäinen Corporation is 60 years.		

5 DEPRECIATION

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Intangible rights	**1,409**	349
Other capitalised expenditure	**2,419**	2,242
Buildings	**436**	343
Machinery and equipment	**95**	117
Other tangible assets	**62**	62
	4,421	3,112

6 FINANCE INCOME AND COSTS

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Dividend income		
From Group companies		5,760
From others	**242**	1
	242	5,761
Other interest and finance income		
From Group companies	**14,441**	14,501
From others	**6,823**	4,137
	21,264	18,638
Interest expenses and other finance costs		
To Group companies	**–1,452**	–1,658
To others	**–23,781**	–18,751
	–25,233	–20,409
Net finance income/costs	**–3,727**	3,990
Finance income and costs include:		
Exchange gains and losses (net)	**–2,145**	–1,426
Change in fair value of currency derivatives (net)	**452**	330
Change in fair value of interest rate derivatives (net)	**–357**	153
Gains and losses from hedge accounting (net)	**–858**	–1 069

7 EXTRAORDINARY ITEMS

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Extraordinary incomes, Group contributions	**19,400**	22,900

8 DIRECT TAXES

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
Income taxes in respect of previous years	**–97**	–105
Change in the deferred tax liability	**–1,358**	–1,215
	–1,455	–1,321

9 NON-CURRENT ASSETS

EUR 1,000	31.12.2012	31.12.2011
Intangible assets		
Intangible rights	**4,718**	1,684
Other capitalised expenditure	**2,978**	4,848
Advance payments	**9,258**	2,526
	16,953	9,057
Tangible assets		
Land and water	**6,034**	6,261
Buildings	**9,354**	5,345
Machinery and equipment	**197**	310
Other intangible assets	**335**	397
Advance payments and work in progress		5
	15,920	12,317
Investments		
Holdings in Group companies	**159,565**	165,999
Other shares and holdings	**1,676**	1,766
	161,241	167,765
Intangible assets		
Intangible rights		
Acquisition cost 1.1.	**3,663**	2,014
Increases	**4,444**	1,683
Decreases	**–195**	–33
Acquisition cost 31.12.	**7,912**	3,663
Accumulated depreciation 31.12.	**–3,194**	–1,980
Book value 31.12.	**4,718**	1,684
Other capitalised expenditure		
Acquisition cost 1.1.	**7,212**	327
Increases	**549**	6,886
Decreases	**–49**	
Acquisition cost 31.12.	**7,713**	7,212
Accumulated depreciation 31.12.	**–4,735**	–2,364
Book value 31.12.	**2,978**	4,848
Advance payments		
Acquisition cost 1.1.	**2,526**	4,759
Increases	**8,903**	5,378
Decreases	**–2,171**	–7,611
Acquisition cost 31.12.	**9,258**	2,526

EUR 1,000	31.12.2012	31.12.2011
Tangible assets		
Land and water		
Acquisition cost 1.1.	**3,173**	3,191
Decreases	**–227**	–18
Acquisition cost 31.12.	**2,947**	3,173
Revaluations	**3,087**	3,087
Book value 31.12.	**6,034**	6,261
Buildings		
Acquisition cost 1.1.	**14,351**	14,672
Increases	**4,461**	
Decreases	**–204**	–320
Acquisition cost 31.12.	**18,608**	14,351
Accumulated depreciation 31.12.	**–11,632**	–11,384
Revaluations	**2,378**	2,378
Book value 31.12.	**9,354**	5,345
Machinery and equipment		
Acquisition cost 1.1.	**1,008**	1,052
Increases		81
Decreases	**–51**	–125
Acquisition cost 31.12.	**957**	1,008
Accumulated depreciation 31.12.	**–760**	–698
Book value 31.12.	**197**	310
Other tangible assets		
Acquisition cost 1.1.	**1,358**	1,364
Decreases	**–35**	–5
Acquisition cost 31.12.	**1,323**	1,358
Accumulated depreciation 31.12.	**–989**	–961
Book value 31.12.	**335**	397
Advance payments and construction in progress		
Acquisition cost 1.1.	**5**	
Increases	**298**	5
Decreases	**–303**	
Acquisition cost 31.12.		5
Investments		
Holdings in Group companies		
Acquisition cost 1.1.	**165,999**	161,680
Increases	**6**	5,842
Decreases from mergers		–1,524
Decreases	**–6,439**	
Acquisition cost 31.12.	**159,565**	165,999

Merger difference has been allocated to acquisition cost of received subsidiary shares and to other operating income.

EUR 1,000	31.12.2012	31.12.2011
Other shares		
Acquisition cost 1.1.	**1,690**	1,986
Decreases	**–90**	–296
Acquisition cost 31.12.	**1,600**	1,690
Revaluations	**76**	76
Book value 31.12.	**1,676**	1,766
Revaluations		
Land		
Value 1.1.	**3,087**	3,087
Value 31.12.	**3,087**	3,087
Buildings		
Value 1.1.	**2,378**	2,378
Value 31.12.	**2,378**	2,378
Shares		
Value 1.1.	**76**	76
Value 31.12.	**76**	76

10 CURRENT ASSETS

EUR 1,000	31.12.2012	31.12.2011
Non-current receivables		
Loan receivables from Group companies	**1,700**	
Loan receivables from parties outside the Group		4,264
Deferred tax asset		1,755
	1,700	6,019
Current receivables		
Receivables from parties outside the Group		
Trade receivables	**357**	220
Other receivables	**7,944**	189
Accrued receivables	**1,396**	669
	9,697	1,079
Receivables from Group companies		
Trade receivables	**6**	9,902
Other receivables	**309,007**	339,141
Accrued receivables	**2,242**	1,787
	311,255	350,830
Current receivables, total	**320,951**	351,908

EUR 1,000	31.12.2012	31.12.2011
Items included in accrued receivables		
Accured interest	**60**	249
Taxes	**3**	
Deferred personnel expenses	**375**	63
Deferred finance costs	**124**	309
Others	**834**	48
	1,396	669

11 SHAREHOLDERS' EQUITY

EUR 1,000	31.12.2012	31.12.2011
Share capital 1.1.	**34,043**	34,043
Share capital 31.12.	**34,043**	34,043
Share premium account 1.1.	**5,675**	5,675
Share premium account 31.12.	**5,675**	5,675
Invested non-restricted equity fund 1.1.	**60,997**	60,997
Increases	**312**	
Invested non-restricted equity fund 31.12.	**61,309**	60,997
Fair value reserve 1.1.	**–940**	–1,510
Change in fair value of hedging instruments	**666**	796
Change in fair value of financial securities	**20**	
Transfer to deferred tax liability	**–168**	–226
Fair value reserve 31.12.	**–421**	–940
Retained earnings 1.1.	**96,154**	92,792
Dividends paid	**–9,825**	–9,822
Transfer from revaluations reserve	**–209**	
Retained earnings 31.12.	**86,121**	82,970
Profit for the financial year	**41,981**	13,184
Shareholders' equity, total	**228,707**	195,929
Distributable funds 31.12.	**189,411**	157,151

12 LIABILITIES

EUR 1,000	31.12.2012	31.12.2011
Deferred tax liability		
From revaluations	**1,358**	1,441
Other temporary differences	**–143**	
Change in tax rate		–83
	1,215	1,358
Non-current liabilities		
Loans from financial institutions	**26,164**	36,519
Pension loans	**21,503**	44,116
Bonds	**59,836**	59,763
Hybrid bond	**69,095**	
	176,598	140,398
Current liabilities		
Loans from credit institutions	**15,267**	12,696
Pension loans	**22,759**	22,759
Commercial papers	**86,847**	119,910
Trade payables	**1,448**	1,847
Trade payables to Group companies		325
Accrued liabilities to Group companies	**307**	
Other liabilities to Group companies	**38,543**	42,525
Other liabilities	**3,051**	3,195
Accrued liabilities	**9,343**	7,200
	177,566	210,456
Items included in accrued liabilities		
Accrued interest	**3,100**	1,543
Accrued personnel expenses	**5,111**	5,477
Others	**1,132**	180
	9,343	7,200

13 GUARANTEES AND COMMITMENTS

EUR 1,000	31.12.2012	31.12.2011
Pledges on behalf of others		
Pledged securities		90
		90
Guarantees		
On behalf of Group companies	**371,118**	334,574
On behalf of associates and joint ventures	**17,887**	20,337
On behalf of consortiums and real estate companies	**13,331**	18,863
	402,335	373,774
Lease liabilities		
Payable next year	**7,181**	6,938
Payable in subsequent years	**21,820**	26,354
	29,001	33,292
Derivative contracts		
Forward foreign exchange contracts		
Nominal value	**110,470**	81,577
Fair value	**–372**	–283
Interest rate swap contracts		
Nominal value	**57,174**	28,597
Fair value	**–1,023**	–1,313

Financial indicators (IFRS)

EUR MILL.	2012	2011	2010 [1]	2009	2008
Net sales	**2,267.6**	2,183.9	1,829.6	1,965.5	2,477.4
Operations outside Finland	**897.3**	780.3	543.5	527.6	676.7
% of net sales	**39.6**	35.7	29.7	26.8	27.3
Operating profit	**50.1**	44.0	29.6	23.2	117.6
% of net sales	**2.2**	2.0	1.6	1.2	4.7
Profit before taxes	**29.0**	25.0	7.6	–10.2	85.4
% of net sales	**1.3**	1.1	0.4	–0.5	3.4
Profit for the financial year attributable to the equity holders of the parent company	**43.9**	34.7	0.3	–26.2	51.7
% of net sales	**1.9**	1.6	0.0	–1.3	2.1
Non-current assets	**340.7**	351.0	315.1	301.6	290.1
Inventories	**494.4**	448.5	376.0	374.7	398.2
Financial assets	**465.3**	443.3	370.9	375.2	722.1
Equity	**450.4**	348.7	325.2	267.4	309.9
Non-controlling interest	**0.4**	1.7	5.1	23.2	27.8
Interest-bearing liabilities	**371.2**	431.6	375.5	399.1	586.5
Interest-free liabilities	**478.4**	460.7	356.2	361.7	486.2
Balance sheet total	**1,300.4**	1,242.8	1,062.0	1,051.5	1,410.4
Return on equity, %	**11.0**	10.5	0.4	–7.6	18.1
Return on investment, %	**10.7**	10.8	7.0	5.5	17.0
Equity ratio, %	**38.0**	30.8	35.0	30.7	26.0
Gearing, %	**61.5**	114.5	105.7	111.7	99.6
Interest-bearing net debt	**277.3**	401.2	349.2	324.7	336.4
Gross investments	**64.5**	84.0	59.6	41.5	60.2
% of net sales	**2.8**	3.8	3.3	2.1	2.4
Order book 31.12.	**1,443.9**	1,400.4	1,226.4	1,064.5	1,064.5
Personnel on average	**8,180**	8,421	8,314	8,626	9,776

As from 1 January 2010, Lemminkäinen observes the interpretation IFRIC 15 – Agreements for the Construction of Real Estate in its Reporting. The comparative figures for 2009 have also been calculated in accordance with the interpretation.
Discontinued operations have been adjusted from the income statement items for the accounting period in which they are classified as discontinued operations, as well as for the preceding accounting period.

[1] The figures include the assests held for sale and related liablities.

Share-related financial indicators (IFRS)

	2012	2011	2010	2009	2008
Basic earnings per share (EPS), EUR	**2.04**	1.77	0.02	–1.54	3.04
Diluted earnings per share (EPS), EUR	**2.03**	1.77	0.02	–1.54	3.04
Equity per share, EUR	**23.02**	17.75	16.55	15.71	18.21
Dividend per share, EUR	**0.6** [1]	0.50	0.50	0.00	0.90
Dividend per earnings, %	**26.9**	28.3	over hundred	0.0	29.6
Effective dividend yield, %	**4.2**	2.7	1.9	0.0	6.9
Price per earnings (P/E)	**7.0**	10.6	1,664.4	–15.7	4.3
Share price, EUR					
average	**16.48**	22.86	24.73	21.38	27.40
lowest	**13.95**	17.08	21.21	13.30	12.53
highest	**20.50**	27.37	30.00	30.30	37.55
at end of financial year	**14.28**	18.72	26.00	24.20	13.05
Market capitalisation at year end, EUR mill.	**280.6**	367.8	510.8	411.9	222.1
Share trading, 1,000 shares	**992**	3,367	4,172	1,918	3,185
% of shares issued	**5.1**	17.1	21.8	11.3	18.7
Weighted average number of shares, 1,000	**19,565**	19,645	19,124	17,021	17,021
Number of shares at end of period, 1,000	**19,650**	19,645	19,645	17,021	17,021
Number of treasury shares	**509**				

As from 1 January 2010 Lemminkäinen observes the interpretation IFRIC 15 – Agreements for the Construction of Real Estate in its Reporting. The comparative figures for 2009 have also been calculated in accordance with the interpretation.

[1] Board of Directors' proposal to the AGM

Calculation of key ratios

RETURN ON INVESTMENT, %

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

RETURN ON EQUITY, %

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

EQUITY RATIO, %

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

GEARING,%

$$\frac{\text{Interest-bearing liabilities – cash and other liquid assets}}{\text{Total equity}} \times 100$$

INTEREST-BEARING NET DEBT

Interest-bearing debt – cash and other liquid assets

PERSONNEL ON AVERAGE

$$\frac{\text{Total number of personnel at the end of each month}}{\text{Number of months}}$$

BASIC EARNINGS PER SHARE

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

DILUTED EARNINGS PER SHARE

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

EQUITY PER SHARE

$$\frac{\text{Equity attributable to owners of the parent company}}{\text{Weighted average number of ordinary shares in issue}}$$

DIVIDEND PER SHARE

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

DIVIDEND PER EARNINGS, %

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

EFFECTIVE DIVIDEND YIELD, %

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

PRICE PER EARNINGS (P/E)

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

ADJUSTED AVERAGE SHARE PRICE

$$\frac{\text{Total turnover of shares in euros}}{\text{Adjusted number of shares traded during the period}}$$

MARKET CAPITALISATION

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

Board of Directors' proposal for the distribution of profit

Distributable shareholders' equity shown on the parent company balance sheet at 31 December 2012 amounts to EUR 189,410,593.17 consisting of retained earnings EUR 86,120,686.12 and the profit for the financial year EUR 41,980,990.17. The Board of Directors will propose to the AMG that, for the financial year ended 31 December 2012, the company a per-share dividend of EUR 0.60 to a total of EUR 11,789,800.20 after which retained earnings would stand at EUR 116,311,876.09.

Helsinki, 6 February 2013

Berndt Brunow

Juhani Mäkinen

Noora Forstén

Mikael Mäkinen

Kristina Pentti-von Walzel

Heikki Räty

Timo Kohtamäki
Managing Director

Auditor's report

TO THE ANNUAL GENERAL MEETING OF LEMMINKÄINEN OYJ

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Lemminkäinen Oyj for the year ended 31 December, 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 22 February 2013

PricewaterhouseCoopers Oy
Authorised Public Accountants

Kim Karhu
Authorised Public Accountant

Shares and shareholders

LEMMINKÄINEN'S SHARE AND SHARE CAPITAL

Lemminkäinen Corporation's share (LEM1S) is listed on NASDAQ OMX Helsinki. The Company has one series of shares. Each share carries one vote at a general meeting of shareholders and confers an equal right to a dividend. On 31 December 2012, the Company had 19,650,176 shares. The Company's share capital is EUR 34,042,500.

SHARE PRICE AND TURNOVER

The price of Lemminkäinen Corporation's share on NASDAQ OMX Helsinki was EUR 18.72 (26.00) at the beginning of the period and EUR 14.28 (18.72) at the end. The highest share price quoted was EUR 20.50 in February and the lowest EUR 13.95 in November. The average price in 2012 was EUR 16.48 (22.86). At the end of 2012, the market capitalisation of Lemminkäinen's shares stood at EUR 280.6 million (367.8).

Share turnover during the period totalled 991,952 (3,366,940) shares. The total value of share turnover was EUR 16.3 million (77.0). In addition to NASDAQ OMX Helsinki, Lemminkäinen's share is also traded on alternative markets. During 2012, alternative markets accounted for 6 per cent (8) of Lemminkäinen's total share turnover. Share turnover on alterative markets totalled 64,087 (293,502) shares with a turnover value of EUR 1.1 million (7.0). (Source: Fidessa Fragmentation Index, http://fragmentation.fidessa.com.)

Lemminkäinen has a Liquidity Providing (LP) agreement with Nordea Bank Finland Plc. According to the agreement, Nordea Bank Finland Plc must quote both bid and offer prices for Lemminkäinen Corporation's share such that the prices do not deviate from each other by more than 4 per cent, calculated on the bid price.

SHAREHOLDERS

At the end of the financial year, the company had 4,781 shareholders (4,548). Holders of nominee-registered shares and non-Finnish shareholders held 14 (15) per cent of all Lemminkäinen Corporation shares and voting rights.

FLAGGING NOTIFICATIONS

On 4 January 2012, Lemminkäinen received a flagging notification stating that Olavi Pentti had bestowed 1,964,480 Lemminkäinen shares on his daughter, Noora Forstén, in a deed of gift. As a result, Olavi Pentti's holding in Lemminkäinen Corporation fell from 18.7 per cent of all shares to 8.7 per cent of all shares. Noora Forstén's holding in the company rose to 1,966,073 shares, which corresponds to 10 per cent of all shares and votes in Lemminkäinen Corporation.

On 3 April 2012, Lemminkäinen received a flagging notification according to which Peab Invest AS, a wholly owned subsidiary of Peab AB (publ), acquired 940,000 shares on 2 April 2012 through a completed forward contract. The shares were transferred to Peab AB (publ) immediately after the transaction. As a result of the forward contract completed on 2 April 2012, Peab AB (publ)'s holding rose to 2,080,225 shares, which represent 10.58 per cent of the shares and votes in Lemminkäinen Corporation.

TREASURY SHARES

Lemminkäinen owns 509 of its own shares, which have been returned to the company as part of its share-based incentive scheme. The shares were originally allocated to key personnel for the 2011 earning period of the shared-based incentive scheme of 2010–2012.

More information of shares and shareholdings in the Board of Directors' report 2012 on page 92.

LARGEST SHAREHOLDERS AS PER 31 DEC 2012

NAME OF THE SHAREHOLDER	NUMBER OF SHARES	% OF ALL SHARES
Pnt Group Oy	3,673,956	18.7%
Noora Forstén	1,966,073	10.0%
Heikki Pentti Estate	1,906,976	9.7%
Olavi Pentti	1,709,473	8.7%
Varma	823,727	4.2%
Kristina Pentti-von Walzel	635,660	3.2%
Eva Pentti-Kortman	635,660	3.2%
Timo Pentti	635,660	3.2%
Ilmarinen	345,869	1.8%
Mandatum Life	283,636	1.4%
Alfred Berg funds	265,762	1.4%
Maa- ja vesitekniikan tuki ry	250,000	1.3%
Etera	211,007	1.0%
Nordea funds	199,700	1.0%
Mikko Laakkonen	160,601	0.8%
15 largest total	13,703,760	69.7%
Nominee registered total	2,623,785	13.4%
Other owners	3, 322,631	16.9%
All shares total	19,650,176	100.0%

LEMMINKÄINEN'S SHARE (LEM1S)

Listing:	NASDAQ OMX Helsinki
Listing date:	1 June, 1995
Trading currency:	EUR
Segment:	Mid cap
Sector:	Industrials
Trading code:	LEM1S
ISIN code:	FI0009900336
Reuters ID:	LEM1S.HE
Bloomberg ID:	LEM1S FH

SHAREHOLDERS BY NUMBER OF SHARES 31.12.2012

	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
1–100	2,032	43	111,599	1
101–500	1,911	40	489,243	3
501–1,000	423	9	337,165	2
1,001–10,000	349	7	975,356	5
10,001–100,000	48	1	1,572,060	8
100,001–500,000	9	0.2	2,086,773	11
500,001–	9	0.2	14,067,410	70
Common accounts		0	10,570	
Total	4,781	100.0	19,650,176	100.0

SHAREHOLDERS BY SECTOR 31.12.2012

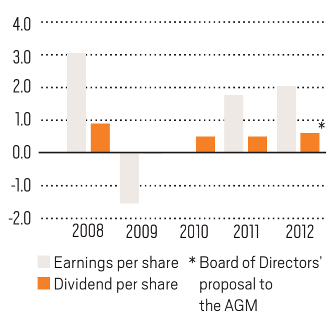
	NUMBER OF SHARES	% OF SHAREHOLDERS	NUMBER OF SHAHOLDERS	% OF SHAREHOLDERS
Foreign and nominee registered owners	2,699,790	14	22	1
Finnish private investors	9,594,187	49	4,358	91
Public sector institutions	1,479,118	49	8	0,22
Financial and insurance institutions	930,505	5	20	0,44
Corporations	4,318,113	22	304	6
Non-profit institutions	617,893	3	69	2
Common accounts	10,570		0	0
Total	19,650,176	100.0	4,781	100.0

MANAGEMENT AND BOARD OF DIRECTORS' SHAREHOLDINGS

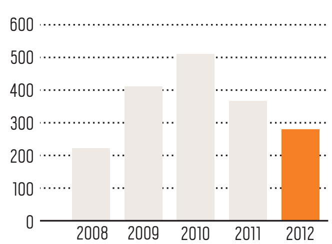
	SHARES 31.12.2012	SHARES 31.12.2011
Board of Directors	**2,616,533**	652,743
The President & CEO	**8,754**	5,039
Group management excluding the President & CEO	**98,438**	91,176
Management and Board of Directors' shareholdings, total	**2,723,725**	749,958
% of all shares	**14%**	4%

More information of share-based incentive scheme for key personnel in the Board of Directors' report 2012 on page 91.

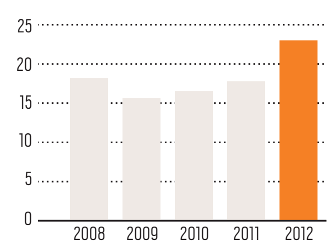
EARNINGS PER SHARE, DIVIDEND PER SHARE, EUR



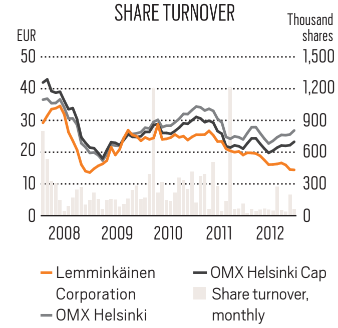
MARKET CAPITALISATION, EUR million



EQUITY PER SHARE, EUR



SHARE PRICE DEVELOPMENT AND SHARE TURNOVER



Information for shareholders and investors

2013 AGM

Lemminkäinen Corporation's 2013 Annual General Meeting will be held at 3 p.m on Tuesday, 9 April 2013, at the Finlandia Hall, Mannerheimintie 13, Helsinki, Finland. Each shareholder who is recorded on 26 March 2013 in the Company's shareholder register (maintained by Euroclear Finland Ltd) has the right to participate in the General Meeting. A shareholder whose shares are registered in his/her personal Finnish bookentry account is registered in the Company's shareholder register.

REGISTRATION

Shareholders must register for the AGM no later than 4.00 p.m. on 4 April 2013 either:

- online at www.lemminkainen.com
- by email to pirjo.favorin@lemminkainen.com
- by phone +358 2071 53378
- by mail to Lemminkäinen Corporation, Pirjo Favorin, P.O. Box 169, 00181 Helsinki, Finland

When registering, shareholders should provide their name, personal identification number, address and telephone number, as well as the name and personal identification number of any assistant. Notices of intention to attend must be received before the registration deadline. Any instruments of proxy must also be submitted with the registration. The Notification of Annual General Meeting can be read in full on the Company's website at www.lemminkainen.com.

DIVIDEND POLICY

In accordance with Lemminkäinen's dividend policy, the company seeks to pay its shareholders a dividend of at least 40 per cent of the profit for the financial year.

DIVIDEND FOR THE YEAR 2012

Lemminkäinen's Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for the 2012 financial year. Dividends will be paid to shareholders who are recorded in the shareholder register maintained by Euroclear Ltd on the record date, 12 April 2013. The dividend payout date proposed by the Board of Directors is 19 April 2013.

FINANCIAL REPORTING 2013

7 Feb 2013	2012 Financial statements bulletin
week 12	Annual Report 2012 (pdf online)
8 May 2013	Interim Report, 1 Jan–31 Mar 2013
8 Aug 2013	Interim Report, 1 Jan–30 Jun 2013
7 Nov 2013	Interim Report, 1 Jan–30 Sep 2013

PUBLICATION ORDERS

The Company publishes its financial reports, stock exchange releases and press releases in both Finnish and English. All releases can be ordered directly to email at Lemminkäinen's website, www.lemminkainen.com/investors. Printed copy of the annual report can be ordered at Lemminkäinen's website or by emailing info@lemminkainen.com.

INVESTOR RELATIONS

Lemminkäinen's investor relations seek to support the correct valuation of the Company's share by providing capital markets with current information on the Company's business, strategy and financial position. The information must be objective and simultaneously disclosed to all market participants. The Company answers questions from analysts and investors by phone and email, as well as by holding meetings with investors. Lemminkäinen refrains from contact with representatives during the three-week period prior to the publication of the financial statements and interim reports.

INVESTMENT RESEARCH

According to the information available to the Company, analysts in the service of at least the following banks and brokerage firms have made investment analyses of Lemminkäinen in 2012: Carnegie Securities, Evli Bank, FIM Bank, Inderes Oy, Pareto Securities, Pohjola Bank, SEB Enskilda and Swedbank. Contact information for these analysts is provided on Lemminkäinen's website at www.lemminkainen.com/investors.

CONTACT INFORMATION

Lemminkäinen Corporation
Investor Relations
P.O. Box 169, 00180 Helsinki, Finland
investor@lemminkainen.com

Ms Katri Sundström
Vice President, Investor Relations
Tel. +358 2071 54813 / +358 400 976 333
katri.sundstrom@lemminkainen.com

LEMMINKÄINEN'S FIRST ONLINE ANNUAL REPORT WILL BE PUBLISHED IN SPRING 2014.

Lemminkäinen Corporation
Salmisaarenaukio 2
P.O. Box 169
FI-00180 Helsinki, Finland
Tel. +358 20 715 000
www.lemminkainen.com