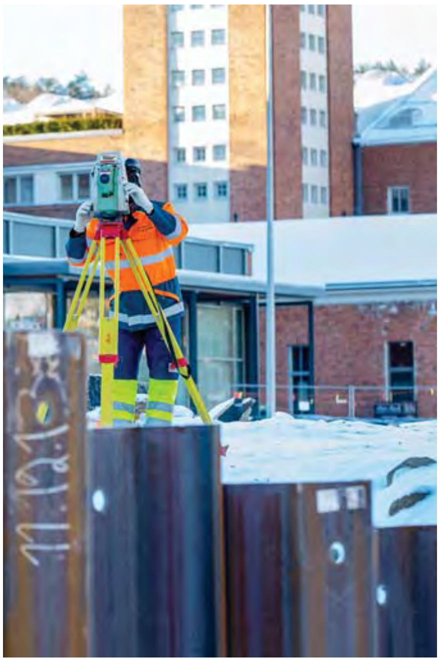
FINANCIAL STATEMENTS BULLETIN

1 Jan – 31 Dec 2014:

Stronger balance sheet and better profitability through efficiency measures

Lemminkäinen



Lemminkäinen Financial Statements Bulletin 2014: Stronger balance sheet and better profitability through efficiency measures

October–December 2014 (10–12/2013)

- Net sales totalled EUR 608.3 million (580.0).
- Operating profit was EUR 0.1 million (-103.0), or 0.0% (-17.8) of net sales.
- The impact of currency exchange rate changes on euro-denominated net sales was EUR -29.3 million and on operating profit EUR -2.7 million
- Operating profit includes non-recurring items: write-downs related to assets in the balance sheet worth EUR 7.6 million as well as increase in provisions in damages related to the asphalt cartel worth EUR 4.9 million
- Operating profit, excluding the non-recurring items, was EUR 12.6 million (-17.6), or 2.1% (-3.0) of net sales.
- Order inflow was EUR 128.6 million (374.9).
- Profit for the period was EUR -6.3 million (-85.8).
- Earnings per share were EUR -0.42 (-4.23).
- Cash flow from operations totalled EUR -7.8 million (-22.0).

January–December 2014 (1–12/2013)

- Net sales totalled EUR 2,044.5 million (2,020.1).
- Operating profit was EUR 36.3 million (-89.3), or 1.8% (-4.4) of net sales.
- The impact of currency exchange rate changes on euro-denominated net sales was EUR -73.2 million and on operating profit EUR -5.0 million
- Operating profit includes non-recurring items: write-downs related to assets in the balance sheet worth EUR 9.6 million as well as increase in provisions in damages related to the asphalt cartel worth EUR 6.4 million
- Operating profit, excluding the non-recurring items, was EUR 52.3 million (-3.9), or 2.6% (-0.2) of net sales.
- Order inflow in 2014 was EUR 1,527.4 million (1,958.6).
- At the end of the review period, the order book stood at EUR 1,456.1 million (1,733.2).
- Profit for the period was EUR 18.1 million (-93.5).
- Earnings per share were EUR 0.40 (-4.81).
- Cash flow from operations totalled EUR -54.8 million (8.3). This includes EUR 60 million damages paid on January.
- Interest-bearing net debt at the end of the period was EUR 213.6 million (326.5).
- The equity ratio stood at 37.1% (27.3) and gearing at 51.8% (100.8).
- The Board of Directors proposes to the AGM that no dividend will be paid for 2014.

Profit guidance for 2015

Lemminkäinen estimates that its net sales in 2015 will not increase as compared to 2014 (EUR 2,044.5 million). Operating profit (IFRS) in 2015 is expected to improve as compared to 2014 (EUR 36.3 million).

Casimir Lindholm, President and CEO:

"The year 2014 was very challenging for Lemminkäinen. Nevertheless, the measures taken in the spring have been effective and our turnaround is well underway. Our main targets are strengthening the balance sheet as well as improving profitability and competitiveness," says **Casimir Lindholm**, Lemminkäinen President and CEO.

"In the spring, we launched the Deliver 2014 cost savings programme that focused on the targets mentioned above. The programme enabled us to turn the result positive in Norway and improved our profitability in Russia. Unfortunately, the measures taken also resulted in personnel reductions."

"Our result improved clearly from last year. In Finland, ongoing infra projects, the paving business and development projects in building construction in the Helsinki metropolitan area performed well. Despite the uncertainty in Russia, housing sales was brisk and we completed two large residential projects in St. Petersburg. The mild weather prolonged the paving season in all our operating countries."

"The 5-year bond and the rights offering issued in 2014 lengthened our debt maturity and enhanced our solvency. We have strengthened our balance sheet by divesting individual non-core assets and operations. In addition, the divestment of technical building services business in the spring clarified our business portfolio. Through these actions, our liquidity and solvency have improved."

"We have a good starting point for 2015, although the market situation remains challenging. We aim to enhance our competitiveness through operational efficiency measures. In addition, we focus on project and risk management, wintertime planning and fleet optimisation, among others. This will create a solid foundation to strengthen our competitive position in infrastructure construction in Northern Europe."

Key figures, IFRS		10–12/2014	10–12/2013	Change	1–12/2014	1–12/2013	Change
Net sales	M€	608.3	580.0	28.3	2,044.5	2,020.1	24.4
Infrastructure construction	M€	370.0	340.1	29.9	1,339.0	1,279.2	59.8
Building construction, Finland	M€	165.9	204.2	-38.3	539.0	592.9	-53.9
Russian operations	M€	82.0	40.9	41.1	196.1	164.5	31.6
Other items	M€	-9.6	-5.2	-4.4	-29.6	-16.4	-13.2
Operating profit	M€	0.1	-103.0	103.1	36.3	-89.3	125.6
Infrastructure construction	M€	4.5	-26.0	30.5	38.0	-13.1	51.1
Building construction, Finland	M€	-2.9	-4.6	1.7	9.3	5.0	4.3
Russian operations	M€	10.2	-2.7	12.9	19.7	-0.3	20.0
Other items	M€	-11.7	-69.7	58.0	-30.8	-80.8	50.0
Operating profit, excl. NR-items[1)]	M€	12.6	-17.6	30.2	52.3	-3.9	56.2
Operating margin	*%*	*0.0*	*-17.8*		*1.8*	*-4.4*	
Infrastructure construction	*%*	*1.2*	*-7.6*		*2.8*	*-1.0*	
Building construction, Finland	*%*	*-1.8*	*-2.3*		*1.7*	*0.8*	
Russian operations	*%*	*12.4*	*-6.6*		*10.1*	*-0.2*	
Operating margin, excl. NR-items[1)]	*%*	*2,1*	*-3,0*		*2,6*	*-0,2*	
Pre-tax profit	M€	-7.7	-110.3	102.6	-1.7	-116.1	114.4
Profit from continuing operations	M€	-6.2	-90.6	84.4	-5.0	-96.2	91.2
Profit for the period	M€	-6.3	-85.8	79.5	18.1	-93.5	111.6
Earnings per share, continuing operations	€	-0.41	-4.46	4.05	-0.68	-4.94	4.26
Earnings per share for the period	€	-0.42	-4.23	3.81	0.40	-4.81	5.21
Cash flow from operations[2)]	M€	-7.8	-22.0	14.2	-54.8	8.3	-63.1

1) Non-recurring items included in IFRS operating profit are:
10-12/2014: Total EUR 12.5 million (EUR 7.6 million write-downs and EUR 4.9 million increase in provisions related to asphalt cartel)

10-12/2013: Total EUR 85.4 million (EUR 19.8 million write-downs and EUR 65.6 million damages paid and provisions related to asphalt cartel)
1-12/2014: Total EUR 16.0 million ((EUR 9.6 million write-downs and EUR 6.4 million increase in provisions related to asphalt cartel)
1-12/2013: Total EUR 85.4 million (EUR 19.8 million write-downs and EUR 65.6 million damages paid and provisions related to asphalt cartel)

2) 1-12/2014 cash flow from operations includes EUR 60 million of damages paid related to asphalt cartel

Key figures, IFRS		31 December 2014	31 December 2013	Change	31 December 2014	30 September 2014	Change
Order book, continuing operations	M€	1,456.1	1,733.2	-277.1	1,456.1	1,910.9	-454.8
Balance sheet total	M€	1,257.8	1,342.7	-84.9	1,257.8	1,543.7	-285.9
Interest-bearing net debt	M€	213.6	326.5	-112.9	213.6	233.5	-19.9
Equity ratio	%	37.1	27.3		37.1	33.0	
Gearing	%	51.8	100.8		51.8	53.7	
Return on investment, rolling 12 months[1)]	%	13.5	-9.4		13.5	-2.3	

1) Includes discontinued operations.

Market outlook

In Finland, the outlook for new construction is still weak and building construction is supported by renovation projects, which are less dependent on the economic cycles. Ongoing urbanisation affects building construction in many ways. The demand is focused on urban growth centres and especially the Helsinki metropolitan area. Infrastructure construction will suffer from the cuts in state and municipality basic road maintenance appropriations and the decrease in foundation work in building construction. On the other hand, the market situation is supported by ongoing and future major infra projects. In Scandinavia, the demand for infrastructure construction will be increased by multi-year national investment programmes as well as needs for renewing energy production. The competition for infra projects is intense especially in Sweden and Norway. The growth outlook for the Russian economy is weak, and forecasting the operating environment is extremely difficult. The declining exchange rate of the rouble and the increase in mortgage interest rates could reduce the demand for housing in the near future.

Briefing

A Finnish-language briefing for analysts and the media will be held at 2:00 p.m. on Thursday, 5 February at Lemminkäinen's head office. The street address is Salmisaarenaukio 2, Helsinki, Finland. Lemminkäinen's President and CEO Casimir Lindholm will present the Financial Statements Bulletin. Presentation material can be found in Finnish and English at the company's website, www.lemminkainen.com/investors.

Financial reporting in 2015

5 February 2015	Financial Statements Bulletin 2014
Week 10	Annual Report 2014
29 April 2015	Interim Report 1 Jan – 31 March 2015
29 July 2015	Interim Report 1 Jan – 30 June 2015
30 October 2015	Interim Report 1 Jan – 30 Sep 2015

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Financial statements bulletin 2014

Group strategy

Strategy for 2014–2016

In July 2014, Lemminkäinen reviewed its strategy and sharpened its focus after the divestment of technical building services. In the short term, Lemminkäinen concentrates on improving its competitiveness, profitability and financial position. In the long term, the company seeks profitable growth by utilising its strong market position in infrastructure construction in Northern Europe. In paving, where Lemminkäinen already has a leading position, the company will continue measures to improve its competitiveness through enhanced operational and capital efficiency. In building construction in Finland and Russia, where the market outlook continues to be uncertain, Lemminkäinen is focusing on selected customer segments and areas.

Financial targets and actual performance

Financial target	Target level	Actual 2014	Actual 2013	Actual 2012
Return on investment over the cycle	18% (15% by the end of 2016)	14%	-9%	11%
Equity ratio*)	at least 35%	37%	27%	37%
Payment of dividend	at least 40% of the profit for the financial year	0	0	27%

*) If hybrid bonds were recognised as debt, equity ratios would be: 2014: 25 %, 2013: 22 % and 2012: 31 %.

Deliver 2014 cost savings programme

Early in the year, Lemminkäinen launched the Deliver 2014 cost savings programme, which is centrally managed, and consists of three modules: operational efficiency improvement in both Norway and Russia and the streamlining of the cost structure in all countries. The programme was the most important improvement initiative within the company. Its target is to reach EUR 30 million annual cost savings in fixed costs by the end of 2015. From this target, EUR 10 million cost savings were achieved in 2014. The total personnel impact of the efficiency measures in 2014 was approximately 500 full-time equivalents.

Group performance

Net sales

Net sales by segment, IFRS		10–12/2014	10–12/2013	Change	1–12/2014	1–12/2013	Change
Infrastructure construction	M€	370.0	340.1	29.9	1,339.0	1,279.2	59.8
Building construction, Finland	M€	165.9	204.2	-38.3	539.0	592.9	-53.9
Russian operations	M€	82.0	40.9	41.1	196.1	164.5	31.6
Other operations and eliminations	M€	-9.6	-5.2	-4.4	-29.6	-16.4	-13.2
Group total	M€	608.3	580.0	28.3	2,044.5	2,020.1	24.4

October–December 2014

In October–December, net sales were EUR 608.3 million (580.0). The impact of currency exchange rate changes on the euro-denominated net sales was EUR -29.3 million compared to the comparison period. The increase in net sales was supported by infra projects in Finland and residential development projects in Russia. In Building construction, Finland, net sales decreased due to decline in residential development projects as well as contracting.

January–December 2014

In 2014, the Group's net sales were EUR 2,044.5 million (2,020.1). The impact of currency exchange rate changes on the euro-denominated net sales was EUR -73.2 million compared to the comparison year. The main factors contributing to the increase in net sales were major infra projects in Finland, the paving business in Norway and Denmark as well as residential development projects in Russia. In building construction, competitive contracting in both Finland and Russia decreased.

The Group's net sales by country in January–December were 52% from Finland, 32% from Scandinavia, 10% from Russia and 6% from the Baltic countries. Net sales by business type were 45% from paving (including road maintenance, mineral aggregates and earthworks), 14% from infra projects and 41% from building construction.

Operating profit

Operating profit by segment		10–12/14 IFRS	10-12/13 IFRS	10-12/14 excl. NR	10–12/13 excl. NR	FY2014 IFRS	FY2013 IFRS	FY2014 excl. NR	FY2013 excl. NR
Infrastructure construction	M€	4.5	-26.0	5.7	-20.3	38.0	-13.1	39.2	-7.4
Building construction, Finland	M€	-2.9	-4.6	-0.8	9.5	9.3	5.0	13.4	19.1
Russian operations	M€	10.2	-2.7	14.5	-2.7	19.7	-0.3	24.0	-0.3
Business segments, total	M€	11.8	-33.3	19.4	-13.5	67.1	-8.5	76.7	11.3
Other operations	M€	-11.7	-69.7	-6.8	-4.1	-30.8	-80.8	-24.4	-15.2
Group, total	M€	0.1	-103.0	12.6	-17.6	36.3	-89.3	52.3	-3.9

Operating margin (%) by segment		10–12/14 IFRS	10-12/13 IFRS	10-12/14 excl. NR	10–12/13 excl. NR	FY2014 IFRS	FY2013 IFRS	FY2014 excl. NR	FY2013 excl. NR
Infrastructure construction	%	*1.2*	*-7.6*	*1.5*	*-6.0*	*2.8*	*-1.0*	*2.9*	*-0.6*
Building construction, Finland	%	*-1.8*	*-2.3*	*-0.5*	*4.7*	*1.7*	*0.8*	*2.5*	*3.2*
Russian operations	%	*12.4*	*-6.6*	*17.7*	*-6.6*	*10.1*	*-0.2*	*12.2*	*-0.2*
Group, total	%	*0.0*	*-17.8*	*2.1*	*-3.0*	*1.8*	*-4.4*	*2.6*	*-0.2*

October–December 2014

The Group's operating profit in October–December 2014 was EUR 0.1 million (-103.0). The operating profit includes asset write-downs worth EUR 7.6 million (19.8) and a EUR 4.9 million (65.6) damages related to asphalt cartel and associated provision. The operating profit, excluding non-recurring items, increased and amounted to EUR 12.6 million (-17.6). The Group's result was improved by residential development projects in Russia and infrastructure construction in the Nordic countries. In Building construction, Finland, the result was impaired by the slowdown of housing sales and declining margins in individual projects. The result was also burdened by EUR 3 million expenses related to a discontinued ICT development project. The impact of currency exchange rate changes on the euro-denominated operating profit was EUR -2.7 million compared to the comparison period, mainly resulting from the weakening of the external value of the rouble.

January–December 2014

In 2014, the Group's operating profit was EUR 36.3 million (-89.3). The operating profit includes asset write-downs worth EUR 9.6 million (19.8) and a EUR 6.4 (65.6) damages related to asphalt cartel and associated provision. The 2014 operating profit, excluding non-recurring items, improved clearly and amounted to EUR 52.3 million (-3.9). The impact of currency exchange rate changes on the euro-denominated operating profit was EUR -5.0 million compared to 2013, mainly resulting from the weakening of the external value of the rouble.

The profitability was improved by ongoing major infra projects in Finland, measures to lighten the cost structure and a long paving season in all operating countries. In Russia, the strong result was supported by brisk housing sales especially towards the end of the year and the completion of two residential projects during the second half of the year. In Norway, the result turned clearly positive through overhead reductions and by closing down unprofitable sites and business operations, among other measures. In Building construction in Finland, the development was positive in the first half of the year. However, the profitability for the second half of the year was impaired by the slowdown of housing sales and declining margins in individual projects. The profit development was clearly better in the Helsinki metropolitan area compared to the rest of Finland. The result for 2014 was impaired by expenses related to organisation renewal (approximately EUR 10 million).

Order book

Order book by segment, continuing operations		31 December 2014	31 December 2013	Change
Infrastructure construction	M€	682.6	866.7	-184.1
Building construction, Finland	M€	687.1	544.3	142.8
Russian operations	M€	86.4	322.2	-235.8
Group, total	M€	1,456.1	1,733.2	-277.1
- of which unsold (residential development projects)	M€	188.7	346.5	-157.8

At the end of 2014, the Group's order book was 16 per cent lower than at the same time in 2013. The most significant ongoing infra projects in Finland were the Rantaväylä tunnel in Tampere, the underground parking facility in Oulu, the construction of three West Metro stations and the Turvesolmu graded interchange in Espoo. The infrastructure construction order book was impaired by rock engineering in all Nordic countries.

In Building construction, Finland, the order book was increased by major contracting projects, such as the renovation of the Parliament Building and the Sibelius Academy in Helsinki as well as the school campus of timber to be built in Pudasjärvi with the PPP model.

In Russia, the order book was decreased by the completion of two residential development projects (a total of approximately 550 residential units) in late 2014.

Of the order book, 47% came from building construction, 23% from paving (including road maintenance, mineral aggregates and earthworks) and 30 % from infra projects. The order book by country was 70% from Finland, 21% from Scandinavia, 6% from Russia and 3% from the Baltic countries.

Balance sheet and financing

Measures to strengthen the balance sheet

On 14 May 2014, Lemminkäinen announced the divestment of its technical building services business. The price was EUR 55.4 million, of which Lemminkäinen recorded capital gain of EUR 23.6 million.

In 2014, Lemminkäinen committed to strengthening its balance sheet with EUR 100 million by the end of September 2015. As part of the programme, the company conducted a rights offering in the third quarter. With the offering, the company raised gross proceeds of EUR 29.3 million (net proceeds of EUR 27.3 million). In addition, the company will divest non-core assets and operations by EUR 70 million. At the end of the year, the company had carried out divestments amounting to over EUR 20 million.

The Board of Directors proposes that Lemminkäinen will not pay any dividends for the financial year 2014.

Balance sheet, financing and cash flow, IFRS		31 December 2014	31 December 2013	Change	31 December 2014	30 September 2014	Change
Key figures, balance sheet							
Equity ratio [1]	%	*37.1*	*27.3*		*37.1*	*33.0*	
Gearing [2]	%	*51.8*	*100.8*		*51.8*	*53.7*	
Return on investment [3]	%	*13.5*	*-9.4*		*13.5*	*-2.3*	
Capital invested	M€	760.3	731.7	28.6	760.3	868.6	-108.3
Net working capital	M€	362.6	325.1	37.5	362.6	374.5	-11.9
Financial position and liquidity							
Interest-bearing debt	M€	347.8	407.6	-59.8	347.8	433.9	-86.1
- of which long-term liabilities	M€	139.5	61.3	78.2	139.5	142.2	-2.7
- of which short-term liabilities	M€	208.3	346.3	-138.0	208.3	291.7	-83.4
Liquid funds	M€	134.2	81.1	53.1	134.2	200.4	-66.2
Interest-bearing net debt	M€	213.6	326.5	-112.9	213.6	233.5	-19.9
Committed, unused credit limits	M€	185.0	175.0	10.0	185.0	185.0	0
Unused overdraft limits	M€	33.2	44.0	-10.8	33.2	31.4	1.8
Net financial costs [4]	M€	37.9	26.8	11.1	37.9	30.1	7.8
Cash flow							
Cash flow from operations [5]	M€	-54.8	8.3	-63.1	-54.8	-46.9	-7.9

1) If hybrid bonds were recognised as debt, the equity ratio would be: 12/2014 24.6%, 9/2014 22.5% and 12/2013 21.5%.
2) If hybrid bonds were recognised as debt, gearing would be: 12/2014 128.4%, 9/2014 125.5% and 12/2013 155.2%.
3) Rolling 12 months
4) Cumulative, from the beginning of the year.
5) The 2014 cash flow was impaired by the payment of EUR 60 million in damages related to the asphalt cartel.

Balance sheet, financing and cash flow for the financial year

On 31 December 2014, the balance sheet total was EUR 1,257.8 million (1,342.7), of which shareholders' equity accounted for EUR 412.5 million (324.0). In 2014, shareholders' equity was increased by the EUR 70 million hybrid bond and the approximately EUR 30 million rights offering. The slowdown of housing sales in Finland increased net working capital. At the same time, the company has released capital through more efficient invoicing, for example. Solvency was improved by measures related to the strengthening of the capital structure, the divestment of business operations and the improved result.

Interest-bearing debt at the end of the year amounted to EUR 347.8 million (407.6) and interest-bearing net debt totalled EUR 213.6 million (326.5). Liquid funds increased due to the divestment of the technical building services and measures related to the strengthening of the capital structure. Of the company's interest-bearing debt, EUR 127.1 million (73.1) comprises project loans, EUR 99.6 million (59.9) bonds, EUR 63.4 million (150.2) commercial papers, EUR 50.2 million (57.8) finance lease liabilities, EUR 5.6 million (45.1) loans from financial institutions and other liabilities, and EUR 2.0 million (21.5) pension loans. Of all interest-bearing debt, 41% (32) was at a fixed interest rate.

Net financial costs increased in January–December and amounted to EUR 37.9 million (26.8), representing 1.9% (1.3) of net sales. The increase was due to a EUR 7 million write-down of loan receivables related to the divestment of Lemcon Networks' businesses in 2013, the renegotiated credit limits, increasing currency hedging costs for the rouble and valuation of interest rate derivatives. The interest expenses of the hybrid bonds are not recorded under the finance costs in the income statement; instead, their impact can be seen in the earnings per share as well as in equity.

Cash flow from operations in January–December totalled EUR -54.8 million (8.3). The cash flow includes the payment of EUR 60 million in damages related to the asphalt cartel. Cash flow from operations in October–December was EUR -7.8 million (-22.0).

Business segments

Changes in the reporting structure in 2014 and 2015

Lemminkäinen changed its reporting structure on 1 August 2014 into three reporting segments: Infrastructure construction; Building construction, Finland; and Russian operations. The former Scandinavia business segment was integrated into the Infrastructure construction business segment. Russian operations include both building construction and infrastructure construction businesses.

At the beginning of 2015, the Infrastructure construction business segment was divided into two: Paving, mineral aggregates and earthworks businesses were transferred to the new Paving business segment. Foundation engineering, civil engineering and rock engineering constitute the new Infra projects business segment. As of 1 January 2015, the reporting business segments are: Paving; Infra projects; Building construction, Finland; and Russian operations. Building construction in Sweden is reported as part of the Group's other operations.

Infrastructure construction

Operating environment

In Finland, infrastructure construction decreased due to weak development in building construction and cuts in road maintenance appropriations in the state budget. Underground infrastructure construction remained brisk, especially in urban growth centres. In Sweden, Norway and Denmark, road construction, including the renovation projects, maintained the demand for paving in particular. In addition, the governments of these countries are investing in the infrastructure network development and in road maintenance. In the Baltic countries, the market situation in infrastructure construction was mainly stable. The mild weather prolonged the paving season in all Lemminkäinen's operating countries.

Key figures		10–12/14 IFRS	10-12/13 IFRS	10-12/14 excl. NR	10–12/13 excl. NR	FY2014 IFRS	FY2013 IFRS	FY2014 excl. NR	FY2013 excl. NR
Net sales	M€	370.1	340.1	370.1	340.1	1,339.0	1,279.2	1,339.0	1,279.2
Operating profit	M€	4.5	-26.0	5.7	-20.3	38.0	-13.1	39.2	-7.4
% of net sales	*%*	*1.2*	*-7.6*	*1,5*	*-6,0*	*2.8*	*-1.0*	*2,9*	*-0,6*
Order book at end of period	M€	682.6	866.7	682.6	866.7	682.6	866.7	682.6	866.7

October–December 2014

The net sales increased and were EUR 370.0 million (340.1). The operating profit improved clearly, amounting to EUR 4.5 million (-26.0). The operating profit includes asset write-downs worth EUR 1.2 million (5.7). The operating profit, excluding non-recurring items, was EUR 5.7 million (-20.3). In Finland, the profit development was supported by infra projects. The mild weather prolonged the paving season in all operating countries and improved results.

January–December 2014

In January–December, net sales were EUR 1,339.0 million (1,279.2) and operating profit was EUR 38.0 million (-13.1). The operating profit includes asset write-downs worth EUR 1.2 million (5.7). The operating profit, excluding non-recurring items, was EUR 39.2 million (-7.4). The impact of currency exchange rate changes on the euro-denominated net sales was EUR -33.2 million and on the operating profit EUR -0.7 million compared to 2013.

Net sales by country were 41% from Finland, 49% from Scandinavia and 10% from the Baltic countries. Net sales by business type were 68% from paving (including road maintenance, mineral aggregates and earthworks), 21% from projects and 11% from building construction in Sweden.

In Finland, the profitability was improved by major infra projects as well as paving and mineral aggregates businesses. In Norway, the result turned clearly positive through overhead reductions and by closing down unprofitable sites and business operations, among other measures. The efficiency of paving project management and tendering process has also been improved. The segments' operating profit includes an approximately EUR 3 million loss related to unreceived payments from the company's customer Lappland Gold Miners that declared bankruptcy.

At the end of the year, the order book for infrastructure construction was lower than in 2013: EUR 682.6 million (866.7), of which 67% attributable to 2015. The most significant decline in the order book took place in rock engineering in Finland and Sweden.

Building construction, Finland

Operating environment

The market situation in building construction remained weak in 2014. Construction was supported by renovation, which remained stable. Only some 25,000 (2013: 28,000) new residential units were started, and the number is not expected to increase in 2015. Housing sales slowed down especially during the second half of the year as consumer demand was decreased by economic uncertainty and longer sales times of old private houses. Commercial construction was minimal, particularly outside the Helsinki metropolitan area. In 2015, the market situation in building construction is estimated to remain similar to 2014.

Key figures		10–12/14 IFRS	10-12/13 IFRS	10-12/14 excl. NR	10–12/13 excl. NR	FY2014 IFRS	FY2013 IFRS	FY2014 excl. NR	FY2013 excl. NR
Net sales	M€	165.9	204.2	165.9	204.2	539.0	592.9	539.0	592.9
Operating profit	M€	-2.9	-4.6	-0.8	9.5	9.3	5.0	13.4	19.1
% of net sales	*%*	*-1.8*	*-2.3*	*-0.5*	*4.7*	*1.7*	*0.8*	*2.5*	*3.2*
Order book at end of period	M€	687.1	544.3	687.1	544.3	687.1	544.3	687.1	544.3

October–December 2014

The net sales were EUR 165.9 million (204.2) and operating profit EUR -2.9 million (-4.6). The operating profit includes asset write-downs worth EUR 2.1 million (14.1). The operating profit, excluding non-recurring items, was EUR -0.8 million (9.5). Net sales decreased in residential development projects and contracting. The result was affected by the slowdown of housing sales and declining margins in individual projects.

January–December 2014

In January–December, net sales were EUR 539.0 million (592.9) and operating profit was EUR 9.3 million (5.0). The operating profit includes asset write-downs worth EUR 4.1 million (14.1). The operating profit, excluding non-recurring items, was EUR 13.4 million (19.1). The segment's result was improved by residential and commercial projects in the Helsinki metropolitan area. The profitability was impaired by slowdown of housing sales and failures in individual projects such as a declined margin of approximately EUR 4 million related to an old consortium.

Housing sales slowed down during the second half of 2014 and the number of reservations cancelled was higher than before. Due to the declining markets in 2014, the number of residential development start-ups targeted at consumers was slightly lower than in the previous year. The decrease in consumer demand was compensated by growing sales to investors. The number of unsold completed residential units doubled, and was 336 (164) at the end of the year.

The order book of Building construction, Finland stood at EUR 687.1 million (544.3), of which 58% attributable to 2015. The order book was increased by major contracting projects such as the renovation of the Parliament Building and the Sibelius Academy in Helsinki as well as the school campus of timber to be built in Pudasjärvi with the PPP model.

Lemminkäinen's residential production (development projects and negotiated contracting)		10–12/2014	10–12/2013	Change	1–12/2014	1–12/2013	Change
Started	units	199	172	27	1,410	1,191	219
- of which development projects	units	199	172	27	979	1,058	-79
Completed	units	640	666	-26	1,363	1,145	218
- of which development projects	units	592	490	102	1,088	875	213
Sold	units	229	208	21	1,280	1,183	97
- of which development projects	units	229	208	21	849	1,050	-201
Sales to investors	*%*	*34*			*47*		
Under construction[1)]	units	1,362	1,211	151	1,362	1,211	151
- of which unsold[1)]	units	522	557	-35	522	557	-35
Unsold completed[1)]	units	336	164	172	336	164	172
Land bank, balance sheet value[1)]	M€	105.4	109.1	-3.7	105.4	109.1	-3.7
Started in competitive contracting	units	23	14	9	244	159	85

1) at the end of period

Russian operations

Operating environment

The economic uncertainty in Russia and the radical weakening of the rouble in 2014 increased mortgage interest rates and banks applied stricter loan terms in many locations. However, the economic and political uncertainty did not decrease consumer demand for housing in the so-called comfort class, where a large proportion of housing transactions are financed by the consumers themselves. Housing sales were brisk especially during the fourth quarter of the year. In infrastructure construction, several state-funded road renovation projects were started, especially on roads departing from Moscow. The outlook for 2015 continues to be uncertain. The declining oil price is slowing down the country's economic growth and, together with the limited scope of the Russian financial markets, is impairing the general construction market situation. The increase in mortgage interest rates and the decreasing purchasing power of the middle class may reduce the demand for housing this year.

Key figures		10–12/14 IFRS	10-12/13 IFRS	10-12/14 excl. NR	10–12/13 excl. NR	FY2014 IFRS	FY2013 IFRS	FY2014 excl. NR	FY2013 excl. NR
Net sales	M€	82.0	40.9	82.0	40.9	196.1	164.5	196.1	164.5
Operating profit	M€	10.2	-2.7	14.5	-2.7	19.7	-0.3	24.0	-0.3
% of net sales	*%*	*12.4*	*-6.6*	*17.7*	*-6.6*	*10.1*	*-0.2*	*12.2*	*-0.2*
Order book at end of period	M€	86.4	322.2	86.4	322.2	86.4	322.2	86.4	322.2

October–December 2014

The net sales were EUR 82.0 million (40.9) and the operating profit was EUR 10.2 million (-2.7). The operating profit includes a EUR 4.3 million write-down related to a residential development project completed in 2010. The operating profit, excluding non-recurring items, was EUR 14.5 million (-2.7). The impact of currency exchange rate changes on the euro-denominated net sales was EUR -22.8 million and on the operating profit EUR -2.6 million compared to comparison period. The profit improvement was largely due to the completion of a residential development project at the end of the year. At the time of completion, nearly 90% of its 339 apartments were sold.

Lemminkäinen

January–December 2014

The net sales were EUR 196.1 million (164.5) and the operating profit was EUR 19.7 million (-0.3). The result includes a EUR 4.3 million write-down related to a residential development project completed in 2010. The operating profit, excluding non-recurring items, was EUR 24.0 million (-0.3). The impact of currency exchange rate changes on the euro-denominated net sales was EUR -40.0 million and on the operating profit EUR -4.3 million compared to 2013. Of the net sales, 48% came from residential development projects, 25% from infrastructure construction and 27% from building construction contracting.

Profitability for 2014 was improved by residential development projects, better margins in ongoing contracts and profitable road and bridge special paving projects. Housing sales picked up towards the end of the year and the apartment price level in roubles rose. During the second half of the year, Lemminkäinen completed two residential development and construction projects in St Petersburg, comprising altogether 545 residential units as well as some individual commercial properties and parking spaces. Of the completed projects, a total of 446 residential units had been sold and recognised as revenue at the end of the year. At the end of the financial year, Lemminkäinen had one residential development project (418 residential units) under construction, with estimated completion at the end of 2015. The results for building construction contracting and infrastructure construction developed favourably in 2014, but the company recorded approximately EUR 1 million loss related to the termination of technical building services. The capital tied up in Russian operations at the end of period was EUR 61.9 million (85.6).

The segment's order book decreased clearly and stood at EUR 86.4 million (322.2) at the end of the year. The order book was decreased by the completion of two residential development projects and fewer contracting projects.

Lemminkäinen's residential development projects, Russia		10–12/2014	10–12/2013	Change	1–12/2014	1–12/2013	Change
Started	units	0	0	0	0	757	-757
Completed	units	339	222	117	545	222	323
Sold	units	228	74	154	520	165	355
Under construction[1)]	units	418	963	-545	418	963	-545
- of which unsold	units	283	808	-525	283	808	-525
Unsold completed[1)]	units	139	134	5	139	134	5

1) at the end of period

Investments

Gross investments in 2014 amounted to EUR 30.0 million (71.2), representing 1.5% (3.5) of the company's net sales. They were mainly replacement investments in infrastructure construction. Acquisitions increased investments in the comparison year. Lemminkäinen has imposed stricter criteria involving investments and more effective monitoring processes have been introduced.

Personnel

At the end of the year, Lemminkäinen employed 4,748 people (5,526), which was 778 people less than in 2013. Of these, 2,070 (2,439) were white-collar workers and 2,678 (3,087) were blue-collar workers. During the year, the number of white-collar workers decreased by 369 people (-15%) and that of blue-collar workers by 409 people (-13%).

The number of personnel has decreased due to two personnel reduction negotiations in Finland and similar negotiations in other operating countries conducted in 2013 and 2014. The results of the negotiations conducted in 2013 are fully visible in the number of personnel. The personnel reductions related to the negotiations conducted in 2014 have, for the most part, been realised.

Personnel by business segment, continuing operations		31 December 2014	31 December 2013	Change
Infrastructure construction	persons	2,925	3,266	-341
Building construction, Finland	persons	1,038	1,224	-186
Russian operations	persons	635	755	-120
Parent company	*persons*	*150*	*281*	*-131*
Group, total	persons	4,748	5,526	-778

Personnel by country, continuing operations		31 December 2014	31 December 2013	Change
Finland	persons	2,315	2,726	-411
Sweden, Norway, Denmark	persons	1,155	1,256	-101
Baltic countries	persons	642	738	-96
Russia	persons	635	755	-120
Other countries	persons	1	51	-50
Group, total	persons	4,748	5,526	-778

Changes in management

During 2014, the composition of Lemminkäinen's Executive Team changed significantly. At the beginning of the year, the members of the Executive Team were: Timo Kohtamäki, President and CEO; Robert Öhman, CFO; Casimir Lindholm, EVP Building construction, Finland; Harri Kailasalo, EVP Infrastructure construction, Finland and the Baltic countries; Marcus Karsten, EVP Technical building services; Timo Vikström, EVP Scandinavia; Maaret Heiskari, EVP Russian operations; Tiina Mikander, Chief Strategy Officer; Tiina Mellas, EVP, HR, and Jouni Pekonen, EVP, Procurement.

President and CEO Timo Kohtamäki left the company on 2 April 2014 and CFO Robert Öhman on 7 April 2014. In connection with the divestment of the Technical building services business segment, Marcus Karsten left the company on 13 June 2014. Jouni Pekonen left the company on 9 June 2014 and Tiina Mellas on 19 June 2014. In connection with the strategy revision, Timo Vikström left the company on 30 July 2014. Tiina Mikander left the company on 1 November 2014.

At the beginning of the year 2015, the members of Lemminkäinen's Executive Team were (the date of appointment): Casimir Lindholm, President and CEO (1 August 2014); Ilkka Salonen, CFO (11 June 2014); Harri Kailasalo, EVP Infra projects; Robert Blumberg, EVP Paving (1 January 2015), Pauli Mäkelä, EVP Building construction, Finland (1 November 2014); Maaret Heiskari, EVP Russian operations; and Tania Jarret, EVP HR (1 November 2014).

Berndt Brunow, Chairman of the Board of Directors, acted as Lemminkäinen's interim President and CEO from 3 April to 31 July 2014.

Occupational safety and environment

The goal of Lemminkäinen's occupational safety measures is to create a safe working environment for all employees and subcontractors. Lemminkäinen is committed to the shared occupational safety principles of the Confederation of Finnish Construction Industries RT, which aims to accelerate the construction industry's progress towards the zero-accident target.

In 2014, Lemminkäinen continued to harmonise the rules for occupational safety in all of our operating countries. In addition, the company included the subcontractors' site accident frequency rate in its safety statistics.

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

At the Group level, Lemminkäinen measures energy consumption figures and the environmental impact of its production facilities in Finland. Each business segment monitors the indicators relevant to their business.

More detailed information on Lemminkäinen's occupational safety and environmental issues are presented in the company's Annual Report and on its website.

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.

The Group's business segments are each responsible for their own research and development activities, which focus on, for example, the efficiency of business operations and quality assurance. Lemminkäinen's Central Laboratory carries out infrastructure construction R&D. The company aims to constantly increase the percentage of low-temperature and recycled asphalts in its production. In 2014, the Group's research and development expenditure accounted for approximately 0.5 (0.6) per cent of net sales.

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 23,219,900 at the end of the financial year. In 2014, Lemminkäinen conducted a rights offering, which increased the number of shares by 3,569,724. The subscription price of the offer shares was EUR 8.20 per share, and the company raised gross proceeds of approximately EUR 29.3 million (net proceeds of EUR 27.3 million) through the offering.

Trading with shares

At the end of 2014, the market capitalisation of Lemminkäinen's shares stood at EUR 220.9 million (298.2). The price of Lemminkäinen Corporation's share on the NASDAQ OMX Helsinki was EUR 15.20 (14.28) at the beginning of the 2014 and EUR 9.52 (15.20) at the end. In addition to the NASDAQ OMX Helsinki, Lemminkäinen's share is also traded on alternative markets. A total of 1,268,320 shares (2,076,080) were traded during 2014, of which alternative markets accounted for 14 per cent (15). (Source: Fidessa Fragmentation Index, http://fragmentation.fidessa.com).

Treasury shares

At the end of 2014, Lemminkäinen owned 16,687 of its own shares.

Shareholders

The company had 4,532 shareholders (4,705) at the end of 2014. Nominee-registered and non-Finnish shareholders held 13 per cent (13) of all Lemminkäinen Corporation shares and voting rights. Information on company ownership and division by segment and scale, major shareholders, and share ownership of Executive Team members and the Board of Directors is available on the company's website, www.lemminkainen.com/Investors/Owners.

Shareholder agreements

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

Flagging notifications

The company received one flagging notification in 2014 (on 22 August 2014). Lemminkäinen Corporation's shares held by Noora Forstén decreased from 1,966,073 shares, i.e. 10.0 per cent of all shares, to 1,866,073, i.e. 9.5 per cent, decreasing below 10 per cent of all shares and votes in Lemminkäinen Corporation.

Resolutions of AGM and administration

On 9 April 2014, Lemminkäinen Corporation's Annual General Meeting adopted the Company's annual accounts and consolidated financial statements for 2013 and granted the members of the Board of Directors and the President and CEO discharge from liability. The General Meeting resolved, in accordance with the Board of Directors' proposal, that no dividend be paid for the financial year ended 31 December 2013.

The General Meeting resolved, in accordance with the Board of Directors' proposal, to authorise the Board of Directors to resolve on the repurchase of the Company's own shares. In accordance with the authorisation, the Board of Directors may resolve to repurchase a maximum of 1,000,000 own shares. The authorisation is effective for a period of 18 months from the resolution of the General Meeting.

In addition the General Meeting resolved, in accordance with the Board of Directors' proposal, to authorise the Board of Directors to resolve on a share issue and/or an issue of special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act in one or several instalments, either against payment or without payment. The number of shares to be issued, including the shares to be received based on special rights, shall not exceed 3,900,000 shares. The Board of Directors may resolve to issue either new shares or own shares possibly held by the Company. The authorisation is effective for a period of 18 months from the resolution of the General Meeting.

The General Meeting confirmed the number of members of the Board of Directors as six. Berndt Brunow, Noora Forstén, Finn Johnsson, Juhani Mäkinen, Kristina Pentti-von Walzel, and Heikki Räty were elected as members of the Board. PricewaterhouseCoopers Oy, a firm of authorised public accountants, was re-elected to serve as the Company's auditor. Lemminkäinen Corporation's Board of Directors held its organizing meeting on 9 April 2014.The Board re-elected Berndt Brunow as the Chairman and Juhani Mäkinen as the Vice Chairman of the Board. The Board of Directors elected from among its members Heikki Räty to serve as the Chairman of the Audit Committee, with Juhani Mäkinen and Kristina Pentti-von Walzel serving as members. Berndt Brunow was elected to serve as the Chairman of the Nomination Committee, with Noora Forstén and Kristina Pentti-von Walzel serving as members. Berndt Brunow was elected to serve as the Chairman of the HR Committee, with Noora Forstén and Kristina Pentti-von Walzel serving as members.

Legal proceedings

Damages related to the asphalt cartel

On 28 November 2013, the District Court of Helsinki issued its decisions concerning damages related to the asphalt cartel. In line with the decisions, Lemminkäinen recorded approximately EUR 66 million in expenses in its 2013 result. Of this, approximately EUR 60 million consisted of damages ordered only to Lemminkäinen, Lemminkäinen's share of the damages ordered to it and other asphalt industry companies to be paid jointly and severally, as well as interest and legal expenses related to the damages. This amount was paid by the company in January 2014.

Lemminkäinen has appealed against all 35 decisions, where the plaintiffs' claims were partly upheld, to the Helsinki Court of Appeal. In Lemminkäinen's opinion, there are some judicial aspects in the decisions of the District Court, where the conclusions of the District Court differ from previous legal practices. Such judicial aspects are related to the questions of prescriptions and value added tax, for example. The main oral hearing in the Court of Appeal will take place during 2015. The Finnish state and 22 municipalities have also submitted their appeals to the Helsinki Court of Appeal.

In addition to the claims which the Helsinki District Court has decided on in November 2013, Lemminkäinen has been served summons regarding 21 claims against Lemminkäinen and other asphalt companies for damages. The capital amount of these claims is approximately EUR 26 million. For these claims, Lemminkäinen has made a provision worth EUR 12.3 million.

More information on the asphalt cartel, related damages and related communications can be found on the company's website http://www.lemminkainen.com/Lemminkainen/Investors/Lemminkainen-as-an-investment/Asphalt-cartel-issue/.

Quotas related to the use of recycled asphalt

On 7 December 2014, the prosecutor decided to press charges for an environmental offence against Lemminkäinen and two of its employees. The alleged offence is related to the quotas for the amount of recycled asphalt used in asphalt mass production, as defined in the environmental permits of the company's Sammonmäki asphalt plant in Finland. The prosecutor is demanding Lemminkäinen a confiscation of illegal profit of EUR 3.4 million and a corporate fine of at least EUR 120,000.

Lemminkäinen and its employees consider themselves not guilty of the charges presented. The case pertains to the interpretation of a regulation in the environmental permit. Crushing recycled asphalt for using it as raw material for new asphalt is an ecological practice. It reduces the environmental hazards of production when compared to asphalt made of virgin materials. Asphalt mass containing recycled asphalt is of the same quality as asphalt mass made of virgin materials.

The hearing of the case will most likely start at the District Court of Tuusula in the spring of 2015.

Risks and uncertainties

Risk management is an essential part of Lemminkäinen's business operations. It´s main target is to ensure achievement of strategic and operational targets with best possible results including continuity of the operations under changing conditions. Lemminkäinen's risk management is based on the risk management policy approved by the Board of Directors.

Uncertainty in the global economy and financial markets may have a negative effect on Lemminkäinen's operations, performance, financial position and sources of capital. Lemminkäinen's business operations are sensitive to new construction cycles in Finland in particular. The company manages the risk structurally by distributing its business operations throughout Scandinavia, the Baltic countries and Russia. However, ongoing changes in management and organisational structure may affect Lemminkäinen´s ability to implement its strategy in changing operating environment.

In Russia, the negative economic trends and prolonged political uncertainties including major escalation of sanctions between EU and Russia could, in the worst case scenario, culminate in a standstill of housing sales, changes in the infrastructure markets unfavourable to Lemminkäinen and/or the interruption or exits of ongoing projects. On top of this, the differing political culture, legislation, its interpretation and procedures of the authorities compared to Finland and the uncertainty of the legal system, administrative procedures and interpretation of law enforcement mechanisms as well as changes in them may result in significant risks to Lemminkäinen. In order to manage the risk, Lemminkäinen has increased the efficiency of its housing sales.

Lemminkäinen's financial performance depends largely on successful contracting and project management, which, among other things, includes the correct pricing of the project, reasonable use of resources, careful planning and scheduling, ability to procure raw materials at competitive prices, cost control, management of change requests as well as efficient and timely handling of claims for damages. Lemminkäinen is continually developing its contractual expertise and project management practices during the tender and implementation stage. Project monitoring systems and steering models are being renewed and more attention has been paid to the personnel's competence development.

In the residential and commercial development and construction projects, Lemminkäinen is exposed to price and sales risks due to the full responsibility over the entire project, starting with plot acquisition. The aim is to actively manage and monitor the valuation risk related to the capital tied up in unsold completed apartments and other assets. Lemminkäinen evaluate new residential development projects by taking the market changes and risks into account. The company starts new housing construction only if a sufficient number of units have been reserved in advance. The requisite number of reserved units varies regionally. When undertaking commercial development, business premises are usually sold to property investors in the early stage of a construction, thereby reducing sales risks.

The price fluctuation of raw materials may have an impact on financial performance. Lemminkäinen's biggest individual outsourced raw material is bitumen, and its price depends on the world market price of oil. Lemminkäinen manages the bitumen price risk with contractual terms and oil derivatives. On top of this, unexpected changes in the weather conditions and business cycles can cause volatility in income generation.

Lemminkäinen's business operations are exposed to financial risks, such as liquidity, interest rates, foreign exchange rates, as well as depreciation of tangible and intangible goods. Management of financial risks is based on the IFRS requirements and Lemminkäinen treasury policy defining the operating principles and division of responsibility in financial risk management and funding activities. Lemminkäinen seeks to protect itself from currency exchange risks primarily through operative means and, if necessary, transaction risks are hedged with the aid of foreign currency loans and currency derivatives. The company does not hedge translation risk. In 2014, approximately 40 % of Lemminkäinen's net sales were generated in functional currencies other than the euro, the major currencies being the Russian rouble as well as Norwegian krone, Swedish krona and Danish krone.

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

Market outlook

In Finland, the outlook for new construction is still weak and building construction is supported by renovation projects, which are less dependent on the economic cycles. The general economic uncertainty and longer sales times of old private houses will slow down housing sales to consumers. Ongoing urbanisation will affect the housing market in many ways, and the focus of demand will be on small apartments in urban growth centres. The few commercial construction projects will also be concentrated in urban growth centres and the Helsinki metropolitan area in particular.

The outlook for infrastructure construction improved slightly after the governmental programme last summer. However, the benefits yielded by these investments will most likely to be realised in full from 2016 onwards. The government committed to promote significant traffic projects, such as the West Metro, City Rail Loop (Pisararata) and the tram in Tampere. The outlook for infrastructure construction will be impaired by weak development in building construction and cuts in road maintenance appropriations in the state budget.

In Norway, Sweden and Denmark, multi-year, state-funded traffic infrastructure development plans are currently underway. These countries are also investing in the renewal of energy production, and large-scale road and rail projects are being planned around urban growth centres over the coming years. In addition, the private sector will most likely continue to invest in infrastructure construction.

In Russia, the outlook continues to be uncertain. The declining oil price and lack of investments slow down the country's economic growth and impairs the general construction market. The weakening of the rouble increases mortgage interest rates, which may also decrease the demand for comfort-class apartments in the near future. Efforts to develop infrastructure are ongoing, and numerous state- and municipality-funded projects to expand and repair road networks are currently underway across the country. However, the decline in oil price limits state funding, which may have an impact on the volume of infra projects and their prioritisation in the coming years.

In the Baltic countries, the volume of infrastructure construction is estimated to decrease in 2015 but to pick up in 2016. In these countries, several road construction and renovation projects are being planned, many of them with EU funding. The possible launch of the Rail Baltica traffic project would boost the infrastructure construction market situation in all of the Baltic countries.

Board of Directors´ proposal for the distribution of profit

The distributable shareholders' equity shown on the balance sheet of the parent company, Lemminkäinen Corporation, amounts to EUR 136,159,542.86 consisting of EUR 90,580,653.68 in invested unrestricted equity fund, EUR 47,951,259.89 in retained earnings from previous years and EUR -2,372,370.71 in result for the financial year.

The Board of Directors proposes to the AGM that the company will not pay a dividend for the financial year ended 31 December 2014, and thus retained earnings would stand at EUR 45,578,889.18.

Profit guidance for 2015

Lemminkäinen estimates that its net sales will not increase as compared to 2014 net sales (EUR 2,044.5 million). Operating profit (IFRS) is expected to improve as compared to 2014 (EUR 36.3 million).

Helsinki, 5 February 2015

LEMMINKÄINEN CORPORATION
Board of Directors

TABULATED SECTIONS OF THE FINANCIAL STATEMENTS BULLETIN

Basis of preparation

All requirements of IAS 34 - Interim Financial Reporting have been applied in the preparation of this financial statements bulletin. The financial statements bulletin should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRSs. The information contained in the financial statements bulletin has not been audited.

Deferred tax assets

The company regularly assesses the realisability of its deferred tax assets, and consistent with the prior period end has recorded the deferred tax asset from tax losses to the amount it considers, based on its profit forecasts, to be utilizable in the future. On 31 December 2014 the company had a deferred tax asset amounting to EUR 42.0 million arising primarily from tax losses in Finland and Norway. The company considers that the losses arise from identifiable causes unlikely to recur. Major part of the tax losses in Finland arise from the damages ordered by the District Court related to the asphalt cartel in 2013. The Finnish tax losses expire mainly in 2023. Norwegian tax losses can be carried forward indefinitely.

Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these financial statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

Accounting principles

The same IFRS recognition and measurement principles have been applied in the preparation of this financial statements as in the 2013 consolidated financial statements, except for the changes mentioned below.

Operating segments

From the beginning of August 2014, Lemminkäinen's business operations are organised into three operating segments:

- Infrastructure construction
- Building construction, Finland
- Russian operations

New standards and interpretations applied by the company in 2014

The following standards have been adopted by the company for the first time for the financial year beginning on 1 January 2014 and have an impact on the company’s financial statements:

IFRS 10 consolidated financial statements -standard changed the criteria for classifying an investee as a subsidiary. An investee is considered a subsidiary when a parent company controls the investee. The criteria for control are fulfilled, when the parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Adoption of the standard had no impact on the figures in the company's consolidated financial statements but it affected the company's accounting principles as described above.

IFRS 11 Joint Arrangements –standard defines the accounting treatment of arrangements under the joint control of two or more parties. According to the standard, a joint arrangement is either a joint operation or a joint venture. The participating parties of a joint operation have the rights to the assets, and obligations for the liabilities, relating to the arrangement. In this case the company consolidates its share of the joint operation's assets, liabilities, revenues and expenses. The participating parties of a joint venture have the right to the joint arrangement's net assets. The company consolidates joint ventures using the equity method. Adoption of the standard had no impact on the figures in the company's consolidated financial statements but it affected the company's accounting principles as described above.

There are no other IFRSs or IFRIC interpretations adopted by the company for the first time for the financial year beginning on 1 January 2014 that have had an impact on the company's consolidated financial statements.

Standards and interpretations applied by the Company after 2014

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing this interim report. None of these is expected to have a significant effect on the consolidated financial statements of the company, except the following set out below:

IFRS 15 Revenue from Contracts with Customers was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2017. An EU endorsement is required for the standard to become effective in the EU. The standard specifies how and when to recognise revenue from contracts with customers. The company examines the effects of the standard to the consolidated financial statements.

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

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

Financial statements and other tabulated information

1) CONSOLIDATED INCOME STATEMENT

EUR mill.	10-12/ 2014	10-12/ 2013	1-12/ 2014	1-12/ 2013
Net sales	**608.3**	**580.0**	**2,044.5**	**2,020.1**
Other operating income	7.9	5.9	18.3	16.2
Change in inventories of finished goods and work in progress	-89.0	-32.7	14.5	50.1
Production for own use	0.2	0.7	1.4	1.5
Use of materials and services	353.3	434.4	1,477.5	1,545.8
Employee benefit expenses	88.6	97.0	337.0	361.7
Depreciation and amortisation	9.9	10.9	43.2	44.6
Impairment	1.3		1.3	
Other operating expenses	74.6	115.0	184.0	225.7
Share of the profit of associates and joint ventures	0.4	0.3	0.5	0.6
Operating profit	**0.1**	**-103.0**	**36.3**	**-89.3**
Finance costs	32.8	13.0	79.2	44.9
Finance income	25.0	5.7	41.3	18.2
Profit before taxes	**-7.7**	**-110.3**	**-1.7**	**-116.1**

Income taxes	1.5	19.7	-3.3	19.9
Profit from continuing operations	**-6.2**	**-90.6**	**-5.0**	**-96.2**
Profit from discontinued operations	**-0.1**	**4.8**	**23.1**	**2.7**
Profit for the accounting period	**-6.3**	**-85.8**	**18.1**	**-93.5**
Profit for the accounting period attributable to				
Equity holders of the parent company	-6.3	-85.8	18.2	-93.7
Non-controlling interests	0.0	0.0	0.0	0.2
Basic and diluted earnings per share attributable to equity holders of the parent company				
From continuing operations	-0.41	-4.46	-0.68	-4.94
From discontinued operations	-0.01	0.23	1.08	0.13
From profit for the accounting period	-0.42	-4.23	0.40	-4.81

2) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	1-12/ 2014	1-12/ 2013
Profit for the accounting period	**18.1**	**-93.5**
Items that will not be reclassified to profit or loss		
Pension obligations	0.0	2.4
Items that may be reclassified subsequently to profit or loss		
Translation difference	-18.6	-7.7
Cash flow hedge	0.1	0.4
Change in fair value of available-for-sale financial assets		0.0
Other comprehensive income, total	-18.5	-4.9
Comprehensive income for the accounting period	**-0.4**	**-98.4**
Comprehensive income for the accounting period attributable to		
Equity holders of the parent company	-0.3	-98.6
Non-controlling interests	0.0	0.2
Comprehensive income attributable to equity holders of the parent company arises from		
Continuing operations	-23.5	-101.3
Discontinued operations	23.1	2.7

3) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	12/2014	12/2013
ASSETS		
Non-current assets		
Property, plant and equipment	181.2	201.1
Goodwill	53.8	80.1
Other intangible assets	20.2	29.2
Holdings in associates and joint ventures	6.9	8.8
Available-for-sale financial assets	3.2	3.8
Deferred tax assets	42.0	38.5
Other non-current receivables	0.5	0.9
Total	**307.9**	**362.5**
Current assets		
Inventories	524.0	504.4
Trade and other receivables	290.0	391.2
Income tax receivables	1.7	3.5
Available-for-sale financial assets	25.1	30.0
Cash and cash equivalents	109.1	51.1
Total	**949.9**	**980.2**
Total assets	**1,257.8**	**1,342.7**
EQUITY AND LIABILITIES		
Share capital	34.0	34.0
Share premium account	5.7	5.7
Hedging reserve		-0.1
Invested unrestricted equity fund	91.4	63.8
Hybrid bonds	138.4	69.1
Translation differences	-21.7	-3.1
Retained earnings	146.4	247.8
Profit for the period	18.2	-93.7
Equity attributable to shareholders of the parent company	**412.4**	**323.5**
Non-controlling interests	0.1	0.6
Total equity	**412.5**	**324.0**
Non-current liabilities		
Deferred tax liabilities	15.6	13.2
Pension obligations	0.6	0.9
Interest-bearing liabilities	139.5	61.3

Provisions	27.5	19.9
Other liabilities	0.8	3.0
Total	**183.9**	**98.4**
Current liabilities		
Interest-bearing liabilities	208.3	346.3
Provisions	11.1	7.2
Trade and other payables	440.9	564.9
Income tax liabilities	1.1	1.9
Total	**661.4**	**920.3**
Total liabilities	**845.3**	**1,018.6**
Total equity and liabilities	**1,257.8**	**1,342.7**

4) CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	1-12/	1-12/
Including discontinued operations	2014	2013
Profit before taxes	21.6	-117.5
Depreciation and impairment	44.7	45.3
Other adjustments	-0.2	21.4
Cash flows before change in working capital	66.0	-50.8
Change in working capital	-95.9	83.2
Financial items	-23.3	-25.6
Direct taxes paid	-1.7	1.5
Cash flows from operating activities	**-54.8**	**8.3**
Cash flows provided by investing activities	174.4	141.0
Cash flows used in investing activities	-123.9	-147.7
Cash flows from investing activities	**50.5**	**-6.7**
Change in non-current receivables	-0.6	-0.2
Drawings of loans	500.3	792.0
Repayments of borrowings	-533.3	-762.7
Hybrid bond	69.3	
Dividends paid	-0.1	-11.7
Rights offering	29.3	
Transaction cost from rights offering	-2.0	
Cash flow from financing activities	**62.8**	**17.3**
Change in cash and cash equivalents	**58.5**	**18.8**
Cash and cash equivalents at the beginning of period	51.1	34.9
Translation difference of cash and cash equivalents	-0.5	-2.7
Cash and cash equivalents at the end of period	**109.1**	**51.1**

5) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A = Share capital
B = Share premium account
C = Hedging reserve
D = Fair value reserve
E = Invested unrestricted equity fund
F = Hybrid bond
G = Translation difference
H = Retained earnings
I = Parent company shareholders' equity
J = Non-controlling interest
K = Total equity

EUR mill.	A	B	C	D	E	F	G	H	I	J	K
Equity 1.1.2013	**34.0**	**5.7**	**-0.4**	**0.0**	**63.6**	**69.1**	**4.5**	**264.9**	**441.4**	**0.4**	**441.8**
Profit for the accounting period								-93.7	-93.7	0.2	-93.5
Items that will not be reclassified to profit or loss											
Pension obligations								2.4	2.4		2.4
Items that may be reclassified subsequently to profit or loss											
Translation difference							-7.7		-7.7		-7.7
Cash flow hedge			0.4						0.4		0.4
Change in fair value of available-for-sale financial assets				0.0					0.0		0.0
Comprehensive income, total			**0.4**	**0.0**			**-7.7**	**-91.3**	**-98.6**	**0.2**	**-98.4**
Acquisition of shares of non-controlling interest								-0.3	-0.3		-0.3
Change in non-controlling interest										0.0	0.0
Option to redeem shares from non-controlling interest								-0.5	-0.5		-0.5
Shares returned to the company, acquisition of non-controlling interest by share exchange in 2010								-0.8	-0.8		-0.8
Share-based incentive schemes					0.2			-0.8	-0.7		-0.7
Hybrid bond interests								-5.3	-5.3		-5.3
Dividends paid								-11.8	-11.8		-11.8
Transactions with owners, total					0.2			-19.5	-19.3	0.0	-19.3
Equity 31.12.2013	**34.0**	**5.7**	**-0.1**		**63.8**	**69.1**	**-3.1**	**154.1**	**323.5**	**0.6**	**324.0**

Lemminkäinen

EUR mill.	A	B	C	D	E	F	G	H	I	J	K
Equity 1.1.2014	**34.0**	**5.7**	**-0.1**		**63.8**	**69.1**	**-3.1**	**154.1**	**323.5**	**0.6**	**324.0**
Profit for the accounting period								18.2	18.2	0.0	18.1
Items that will not be reclassified to profit or loss											
Pension obligations								0.0	0.0		0.0
Items that may be reclassified subsequently to profit or loss											
Translation difference							-18.6		-18.6		-18.6
Cash flow hedge			0.1						0.1		0.1
Comprehensive income, total			**0.1**				**-18.6**	**18.2**	**-0.3**	**0.0**	**-0.4**
Acquisition of shares of non-controlling interest								0.2	0.2		0.2
Change in non-controlling interest										-0.4	-0.4
Shares returned by the company, acquisition of non-controlling interest by share exchange in 2010								0.4	0.4		0.4
Rights offering					29.3				29.3		29.3
Transaction cost from rights offering					-1.6				-1.6		-1.6
Hybrid bond interests								-8.3	-8.3		-8.3
Transactions with owners, total					**27.7**			-7.7	20.0	-0.4	19.6
Hybrid bonds						69.3			69.3		69.3
Equity 31.12.2014	**34.0**	**5.7**			**91.4**	**138.4**	**-21.7**	**164.5**	**412.4**	**0.1**	**412.5**

6) SEASONALITY OF BUSINESS

Seasonality of certain operations of the company affects the amount and timing of the company's profits. Paving and mineral aggregates working season takes place mostly in the second and third quarters of a year to which quarters most of the revenues are recognised. Weather conditions influence the lengths of the paving and mineral aggregates working seasons, which also affects the amount and timing of the company's profits. Other infrastructure projects, e.g., rock engineering and earthworks, are generally less seasonal in nature, but there is some seasonality in foundation engineering due to the timing of building construction projects.

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

7) UNUSUAL EVENTS DURING THE ACCOUNTING PERIOD

Lemminkäinen Corporation issued a EUR 70 million hybrid bond. The bond bears a fixed interest rate of 8.75 per cent per annum until 30 March 2018 and a floating interest rate thereafter. The hybrid bond has no maturity date but the issuer is entitled to redeem the hybrid bond after 4 years. The issue date of the hybrid bond was 11 March 2014

The company arranged a rights offering in the third quarter of 2014. The subscription period for the offering ended on 17 September 2014. In the offering 3,569,724 new shares were subscribed. As a result, the total number of shares in Lemminkäinen increased to 23,219,900 shares. The subscription price was EUR 8.20 per offered share. Lemminkäinen raised gross proceeds of EUR 29.3 million through the offering and related transaction costs amounted to EUR 2.0 million. The gross proceeds deducted by the transactions costs less taxes (a total of EUR 27.7 million) were recognised in the invested unrestricted equity fund.

The company recorded a EUR 7.9 million write-down for the divestment of Lemcon Networks' American businesses during the third quarter of 2014. Of the total amount, EUR 7.1 million was recorded to finance costs for the write-down of loan receivables and related interest receivables and EUR 0.9 million to other operating expenses for the write-down of purchase price receivable.

On 28 November 2013, the District Court of Helsinki issued its decisions concerning damages related to the asphalt cartel. In line with the decisions, Lemminkäinen recorded approximately EUR 66 million in expenses in its 2013 result. Of this amount, approximately EUR 60 million was paid by the company in January 2014. In addition, the amount recorded in expenses in 2013 included a EUR 5.9 million provision for new claims against Lemminkäinen and other asphalt industry companies for damages pending a main proceeding. The number of new claims grew in 2014 for which reason the company increased the provision by EUR 6.4 million. At the end of 2014 the litigation provision totalled EUR 12.3 million.

8) CONSOLIDATED INCOME STATEMENT, QUARTERLY

EUR mill.	10-12/ 2014	7-9/ 2014	4-6/ 2014	1-3/ 2014	10-12/ 2013
Net sales	**608.3**	**646.4**	**510.5**	**279.2**	**580.0**
Other operating income	7.9	3.4	4.4	2.6	5.9
Change in inventories of finished goods and work in progress	-89.0	6.1	63.3	34.0	-32.7
Production for own use	0.2	0.1	0.5	0.6	0.7
Use of materials and services	353.3	466.4	425.3	232.5	434.4
Employee benefit expenses	88.6	94.4	89.8	64.1	97.0
Depreciation and amortisation	9.9	16.0	11.3	6.0	10.9
Impairment	1.3				
Other operating expenses	74.6	40.8	37.6	30.9	115.0
Share of the profit of associates and joint ventures	0.4	0.2	0.0	-0.2	0.3
Operating profit	**0.1**	**38.7**	**14.8**	**-17.3**	**-103.0**
Finance costs	32.8	20.4	11.8	14.2	13.0
Finance income	25.0	4.9	4.3	7.1	5.7
Profit before taxes	**-7.7**	**23.2**	**7.3**	**-24.5**	**-110.3**
Income taxes	1.5	-7.1	-2.0	4.3	19.7
Profit from continuing operations	**-6.2**	**16.1**	**5.3**	**-20.2**	**-90.6**
Profit from discontinued operations	**-0.1**	**0.1**	**22.9**	**0.3**	**4.8**
Profit for the accounting period	**-6.3**	**16.2**	**28.2**	**-19.9**	**-85.8**
Profit for the accounting period attributable to					
Equity holders of the parent company	-6.3	16.1	28.1	-19.8	-85.8
Non-controlling interests	0.0	0.1	0.1	-0.2	0.0
Basic earnings per share attributable to equity holders of the parent company					

From continuing operations	-0.41	0.62	0.13	-1.05	-4.46
From discontinued operations	-0.01	0.00	1.11	0.01	0.23
From profit for the accounting period	-0.42	0.62	1.24	-1.04	-4.23
Diluted earnings per share attributable to equity holders of the parent company					
From continuing operations	-0.41	0.61	0.13	-1.05	-4.46
From discontinued operations	-0.01	0.00	1.10	0.01	0.23
From profit for the accounting period	-0.42	0.62	1.23	-1.04	-4.23

9) SEGMENT INFORMATION

Lemminkäinen's business operations are organised into three business segments: Infrastructure construction; Building construction, Finland and Russian operations.

Income statement items in the company’s segment reporting comply with the consolidated financial statement’s accounting principles. Segments' assets include fixed assets, inventories as well as trade and other receivables.

NET SALES EUR mill.	1-12/ 2014	1-12/ 2013
Infrastructure construction	1,339.0	1,279.2
Building construction, Finland	539.0	592.9
Russian operations	196.1	164.5
Other operations	26.8	35.9
Group eliminations	-56.4	-52.3
Group total, IFRS	**2,044.5**	**2,020.1**

DEPRECIATION AND IMPAIRMENT EUR mill.	1-12/ 2014	1-12/ 2013
Infrastructure construction	36.6	36.9
Building construction, Finland	0.3	0.3
Russian operations	1.9	1.7
Other operations	5.7	5.7
Group total, IFRS	**44.4**	**44.6**

OPERATING PROFIT EUR mill.	1-12/ 2014	1-12/ 2013
Infrastructure construction	38.0	-13.1
Building construction, Finland	9.3	5.0
Russian operations	19.7	-0.3
Other operations	-30.8	-80.8
Group total, IFRS	**36.3**	**-89.3**

NET SALES, QUARTERLY EUR mill.	10-12/ 2014	7-9/ 2014	4-6/ 2014	1-3/ 2014	10-12/ 2013
Infrastructure construction	370.0	474.8	344.8	149.4	340.1
Building construction, Finland	165.9	121.9	135.2	115.9	204.2
Russian operations	82.0	64.0	34.1	16.0	40.9
Other operations	7.4	4.1	8.0	7.3	7.9
Group eliminations	-17.1	-18.5	-11.5	-9.4	-13.1
Group total, IFRS	**608.3**	**646.4**	**510.5**	**279.2**	**580.0**

DEPRECIATION AND IMPAIRMENT, QUARTERLY EUR mill.	10-12/ 2014	7-9/ 2014	4-6/ 2014	1-3/ 2014	10-12/ 2013
Infrastructure construction	7.4	14.3	10.2	4.7	8.8
Building construction, Finland	0.1	0.1	0.0	0.1	0.0
Russian operations	0.5	0.6	0.5	0.3	0.5
Other operations	3.2	1.0	0.6	0.9	1.5
Group total, IFRS	**11.2**	**16.0**	**11.3**	**6.0**	**10.9**

OPERATING PROFIT, QUARTERLY EUR mill.	10-12/ 2014	7-9/ 2014	4-6/ 2014	1-3/ 2014	10-12/ 2013
Infrastructure construction	4.5	36.9	14.6	-18.0	-26.0
Building construction, Finland	-2.9	0.3	5.9	6.1	-4.6
Russian operations	10.2	10.6	0.4	-1.4	-2.7
Other operations	-11.7	-9.0	-6.1	-4.0	-69.7
Group total, IFRS	**0.1**	**38.7**	**14.8**	**-17.3**	**-103.0**

ASSETS EUR mill.	12/2014	12/2013
Infrastructure construction	465.7	533.9
Building construction, Finland	472.2	454.6
Russian operations	101.8	152.2
Other operations	43.0	47.8
Segments total	**1,082.7**	**1,188.5**
Technical Building Services, Finland (divested on 13 June 2014)		61.8
Assets unallocated to segments and Group eliminations, total	175.1	92.4
Group total, IFRS	**1,257.8**	**1,342.7**

10) ECONOMIC TRENDS AND FINANCIAL INDICATORS

	12/2014	12/2013
Return on equity, rolling 12 months, % [1)]	4.9	-24.4
Return on investment, rolling 12 months, % [1)]	13.5	-9.4
Operating profit, % of net sales	1.8	-4.4
Equity ratio, %	37.1	27.3
Gearing, %	51.8	100.8
Interest-bearing net liabilities, EUR mill.	213.6	326.5
Gross investments, EUR mill.	30.0	71.2
Order book, continuing operations, EUR mill.	1,456.1	1,733.2
- of which orders outside Finland, EUR mill.	439.3	729.9
Personnel at the end of period, continuing operations	4,748	5,526

[1)] Includes the effect of discontinued operations

11) SHARE-SPECIFIC INDICATORS

	12/2014	12/2013
Basic earnings per share, EUR	0.40	-4.81 [1)]
Diluted earnings per share, EUR	0.40	-4.81 [1)]
Equity per share, EUR	19.33	15.70 [1)]
Dividend per share, EUR	0,00 [2)]	0,00
Dividend per earnings, %	0.0	0.0
Market capitalisation at the end of period, EUR mill.	220.9	298.2
Share price at the end of period, EUR	9.52	15.20
Share trading (NASDAQ OMX Helsinki), 1,000 shares	1,096	1,758
Number of shares at end of period, total	23,219,900	19,650,176
Number of treasury shares	16,687	34,915
Weighted average number of shares outstanding	21,328,672	20,600,092 [1)]
Diluted weighted average number of shares outstanding	21,328,672	20,600,092 [1)]

[1)] Includes a retrospective adjustment to the weighted average number of shares due to the rights issue in 2014
[2)] Board of directors' proposal to the AGM

12) ACQUIRED BUSINESSES

2014

The company has no businesses acquired in 2014.

2013

The company acquired the city of Tampere’s asphalt paving business on 2 January 2013. The goodwill recognized from the acquisition comprises of a strengthening the market position in the Pirkanmaa area.

The company acquired the entire share capital of Biomaa Oy on 2 January 2013. Biomaa Oy specialises in mass stabilisation and the treatment of contaminated soil. The goodwill recognized from the acquisition comprises of special expertise in contaminated soil treatment. Biomaa Oy was merged to Lemminkäinen Infra Oy on 1 May 2013.

The company acquired on 2 January 2013, with a single deed, the entire share capitals of three companies: Maanrakennus Katupojat Oy, Bergqvist Oy and Kuljetus Oy Wilkman. The acquirees engage in earthwork contracting, regional development, energy network construction and transport as well as the winter and summer maintenance of roads in Southern Finland. A negative goodwill of EUR 0.1 million was recognized from the acquisition. The acquired companies were merged to Lemminkäinen Infra Oy on 1 May 2013.

The company acquired 80 per cent of the share capital of a Danish company FD-Entreprise ApS on 2 May 2013. FD-Entreprise specialises in the milling of asphalt and concrete road surfaces and operates primarily in eastern Denmark. The goodwill recognized from the acquisition comprises of expanding the company's market area. The acquisition will double Lemminkäinen's market share in road milling in Denmark and expand the company's market area to cover the entire country. The option to redeem shares from non-controlling shareholders is booked as a liability in the company's balance sheet.

Figures relating businesses acquired in 2013 are presented in the annual financial statements 2013.

13) DISCONTINUED OPERATIONS

Lemminkäinen announced on 14 May 2014 that it has divested its Technical Building Services business by selling the entire share capital of Lemminkäinen Talotekniikka Oy. The transaction was completed on 13 June 2014 and the total purchase price is EUR 55.4 million. The company recorded a pre-tax gain on sale of EUR 23.6 million to the second quarter of 2014. The company classified Lemminkäinen Talotekniikka Oy as discontinued operation at the time of sale. The comparative consolidated income statement information for the financial period 2013 has been adjusted correspondingly. The financial position for the year 2013 includes all assets and liabilities attributable to the discontinued operations.

In 2014 the profit of operations of the sold units and the capital gains from their sale were as follows:

EUR mill.	1-12/2014	1-12/2013
Profit of the discontinued operations		
Income	77.4	198.4
Expenses	77.8	199.8
Profit before taxes	**-0.4**	**-1.5**
Taxes	0.1	4.1
Profit for the financial period	**-0.4**	**2.7**
Pre-tax gains on sales of the businesses	**23.6**	
Taxes	-0.1	
Gain on sale after taxes	**23.5**	
Profit for the period from discontinued operations	**23.1**	**2.7**
Cash flows from discontinued operations		
Cash flow from operating activities	-3.9	
Cash flow from investing activities	-0.1	
Cash flow from financing activities	4.3	
Cash flows total	**0.4**	
The impact of the sale to groups' financial position		
Cash consideration received	55.4	
Transferred assets and liabilities	-29.1	
Other related items	-2.6	
Gain on sale	**23.6**	

In 2013, the company did not classify any of its operations as discontinued operations.

14) PROPERTY, PLANT AND EQUIPMENT

EUR mill.	12/2014	12/2013
Acquisition cost in the beginning of accounting period	452.4	437.2
Translation difference	-12.1	-12.9
Increases	27.8	46.2
Acquired businesses		9.2
Disposals	-26.7	-27.4
Discontinued operations	-3.7	
Accumulated depreciation at the end of period	-256.4	-251.3
Carrying amount at the end of accounting period	**181.2**	**201.1**

15) FAIR VALUES OF FINANCIAL INSTRUMENTS

A = Financial assets and liabilities recognised at fair value through profit and loss

B = Loans and receivables

C = Available-for-sale financial assets

D = Financial liabilities recognised at amortised cost

E = Derivatives subject to hedge accounting

						CARRYING	FAIR
EUR mill.	A	B	C	D	E	AMOUNT	VALUE
31.12.2014							
Non-current financial assets							
Available-for-sale financial assets			3.2			3.2	3.2
Other non-current receivables		0.5				0.5	0.3
Current financial assets							
Trade and other receivables		282.9				282.9	282.9
Derivative assets	7.1					7.1	7.1
Available-for-sale financial assets			25.1			25.1	25.1
Cash and cash equivalents		109.1				109.1	109.1
Financial assets total	**7.1**	**392.5**	**28.3**			**427.9**	**427.7**
Non-current financial liabilities							
Interest-bearing liabilities [1)]				139.5		139.5	139.4
Other non-current liabilities				0.8		0.8	0.8
Current financial liabilities							
Interest-bearing liabilities				208.3		208.3	208.3
Trade payables and other financial liabilities [2)]				273.4		273.4	273.4
Derivative liabilities	4.2					4.2	4.2
Financial liabilities total	**4.2**			**622.0**		**626.1**	**626.0**

Lemminkäinen

EUR mill.	A	B	C	D	E	CARRYING AMOUNT	FAIR VALUE
31.12.2013							
Non-current financial assets							
Available-for-sale financial assets			3.8			3.8	3.8
Other non-current receivables		0.9				0.9	0.9
Current financial assets							
Trade and other receivables		389.3				389.3	389.3
Derivative assets	1.9					1.9	1.9
Available-for-sale financial assets			30.0			30.0	30.0
Cash and cash equivalents		51.1				51.1	51.1
Financial assets total	**1.9**	**441.3**	**33.8**			**476.9**	**476.9**
Non-current financial liabilities							
Interest-bearing liabilities				61.3		61.3	61.3
Other non-current liabilities				3.0		3.0	3.0
Current financial liabilities							
Interest-bearing liabilities				346.3		346.3	347.1
Trade payables and other financial liabilities [2)]				386.6		386.6	386.6
Derivative liabilities	2.0				0.1	2.1	2.1
Financial liabilities total	**2.0**			**797.3**	**0.1**	**799.3**	**800.1**

[1)] The company's long-term interest-bearing liabilities include a EUR 100 million unsecured bond issued on 26 June 2014. The bond's coupon rate is 7.375 percent and interest is paid semi-annually. The bond matures in five years, on 6 July 2019. The Company's EUR 60 million bond matured in October 2014

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

For more information on fair value measurement of financial instruments, see Lemminkäinen's Annual report 2013, Note 25 to the consolidated financial statements.

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

Financial instruments within Level 1 of the hierarchy are traded in active markets hence prices are obtained directly from the efficient markets.
Fair values of instruments within Level 2 are based on observable market inputs and generally accepted valuation methods.
Fair values within Level 3 are not based on observable market data but on quotations provided by brokers and market valuation reports.

EUR mill.	Level 2	Level 3	Total
31.12.2014			
Available-for-sale financial assets			
Equity instruments		3.2	3.2
Money market investments	25.1		25.1
Derivative instruments			
Derivative assets	7.0	0.1	7.1
Derivative liabilities	2.3	1.8	4.2

EUR mill.	Level 2	Level 3	Total
31.12.2013			
Available-for-sale financial assets			
Equity instruments		3.8	3.8
Money market investments	30.0		30.0
Derivative instruments			
Derivative assets	1.9	0.0	1.9
Derivative liabilities	0.9	1.2	2.1

Level 3 reconciliation statement

A = Derivative instruments recognised at fair value through profit and loss

B = Financial assets recognised at fair value through other comprehensive income

EUR mill.	A	B
Opening balance 1.1.2014	-1.2	3.8
Additions		0.0
Disposals		-0.6
Gains and losses recognised through profit or loss, total	-0.5	
Fair values 31.12.2014	**-1.7**	**3.2**

16) RELATED-PARTY TRANSACTIONS

EUR mill.	12/2014	12/2013
Sales to associates and joint ventures	1.9	2.9
Sales to a key management personnel and their related parties	0.4	0.1
Total	**2.3**	**3.1**
Purchases from associates and joint ventures	**15.7**	**11.3**
Trade receivables from associates and joint ventures	0.0	0.0
Loan receivables from associates and joint ventures	0.2	

Trade receivables from key management personnel and their related parties	0.1	0.1
Total	**0.2**	**0.2**
Accounts payable to associates and joint ventures	**0.2**	**0.2**

Related-party transactions with associates and joint ventures are mainly asphalt works and mineral aggregate deliveries. Sales to key management personnel and their related parties include one sale on a non-current asset at market price and one sale of construction service at a market price.

In 2014 the company recorded EUR 2.0 million in expenses concerning termination benefits of the five members of Executive Board who left the company. The amount does not include social security costs, share based payments or costs of additional pension plans for the term of notice.

17) GUARANTEES AND COMMITMENTS

EUR mill.	12/2014	12/2013
Other collateral for own commitments		
Pledged deposits	0.3	0.0
Guarantees		
On behalf of associates and joint ventures	14.4	17.4
On behalf of consortiums and real estate companies	1.8	1.8
Total	**16.2**	**19.2**
Minimum lease payments of irrevocable lease contracts		
One year or less	9.4	12.3
Over one year but no more than five years	21.2	26.1
Over five years	12.1	6.0
Total	**42.7**	**44.5**
Purchase commitments of investments	2.1	7.7
Derivative contracts		
Forward foreign exchange contracts		
Nominal value	77.2	106.0
Fair value	5.7	0.9
Interest rate swap contracts		
Nominal value	40.0	47.2
Fair value	-1.0	0.0
Commodity derivatives		
Volume, MT	11,000	58,933
Nominal value	2.7	24.4
Fair value	-1.8	-1.2

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.

18) CONTINGENT ASSETS AND LIABILITIES

On 28 November 2013, the District Court of Helsinki issued its decisions concerning damages related to the asphalt cartel. In line with the decisions, Lemminkäinen recorded approximately EUR 66 million in expenses in its 2013 result. Of this, approximately EUR 60 million consisted of damages ordered only to Lemminkäinen, Lemminkäinen's share of the damages ordered to it and other asphalt industry companies to be paid jointly and severally, as well as interest and legal expenses related to the damages. This amount was paid by the company in January 2014. Lemminkäinen has appealed against all 35 decisions, where the plaintiffs' claims were upheld, to the Helsinki Court of Appeal. In Lemminkäinen's opinion, there are some judicial aspects in the decisions, where the conclusions of the District Court differ from previous legal practices. Such judicial aspects are related to the questions of prescriptions and value added tax, for example. The main oral hearing in the Court of Appeal will take place during 2015. The Finnish state and 22 municipalities have also submitted their appeals to the Helsinki Court of Appeal. In addition to the claims decided on by the District Court in November 2013, 21 claims against Lemminkäinen and other asphalt industry companies for damages are waiting for the main proceeding to begin. These damages amount to a total of approximately EUR 26 million and the Company has made a EUR 12.3 million provision for them.

In addition, the company has several other individual legal proceedings related to business operations, the outcome of which is uncertain. The company estimates that these legal proceedings will not have a material impact on the company's financial position.