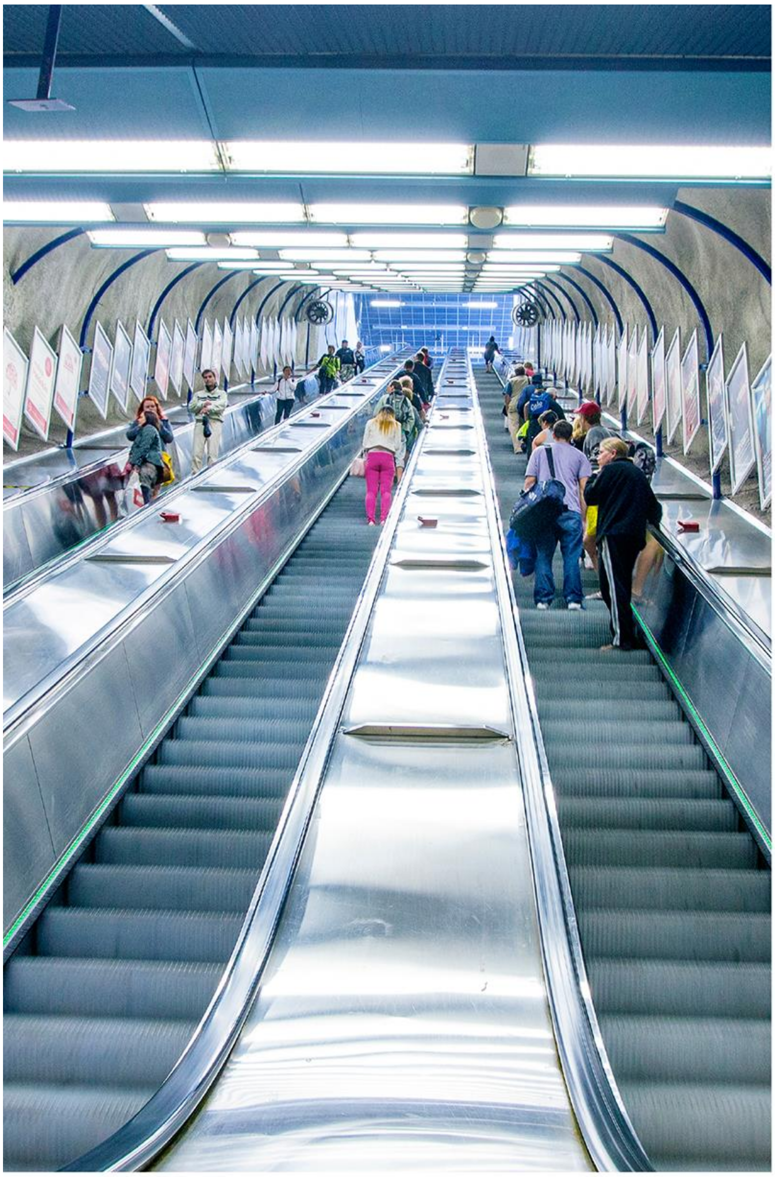
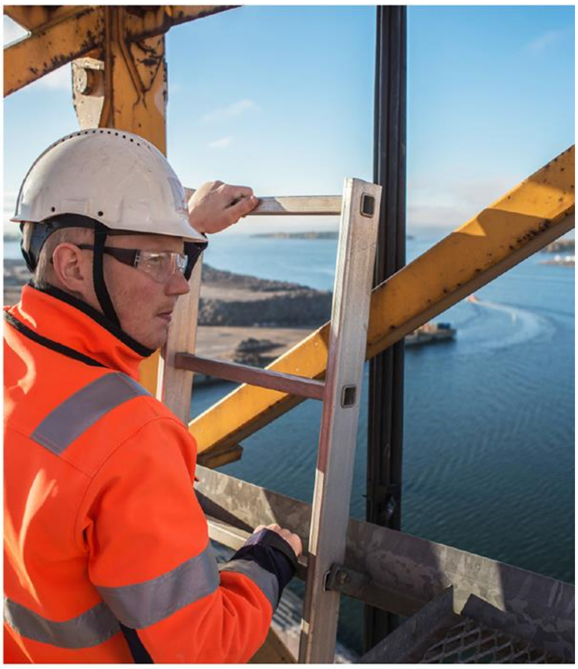
INTERIM REPORT

1 JANUARY –30 JUNE 2016





Lemminkäinen

Lemminkäinen Interim Report 1 January – 30 June 2016

April–June 2016 (4–6/2015)

- Order inflow was EUR 382.8 million (423.0).
- Order book at the end of the period amounted to EUR 1,495.7 million (1,667.1). The comparable order book for 30 June 2015 was EUR 1,351.7 million[1].
- Net sales totalled EUR 457.1 million (492.1).
- Operating profit amounted to EUR 21.2 million (15.6), or 4.6% (3.2) of net sales.
- Profit for the period was EUR 12.3 million (5.0).
- Earnings per share were EUR 0.48 (0.05).
- Cash flow from operating activities totalled EUR 25.6 million (23.5).
- Equity ratio at the end of the review period was 33.8% (33.1) and gearing 52.2% (57.2).
- Interest-bearing net debt at the end of the review period was EUR 165.2 million (211.7).

1) The company divested the building construction business in Sweden as well as the road maintenance business in Norway during Q3/2015. In addition according to its strategy, the company has not started any new residential development projects in Russia.

January–June 2016 (1–6/2015)

- Order inflow was EUR 783.3 million (809.2).
- Net sales totalled EUR 673.8 million (781.8).
- Operating profit amounted to EUR -10.2 million (-2.4), or -1.5% (-0.3) of net sales.
- Profit for the period was EUR -15.6 million (-14.7).
- Earnings per share were EUR -0.83 (-0.90).
- Cash flow from operating activities totalled EUR 7.2 million (26.0).

Profit guidance for 2016

The profit guidance for 2016 remains intact. Lemminkäinen estimates that its net sales in 2016 will be on the level of EUR 1.8 billion. Operating profit (IFRS) in 2016 is expected to improve as compared to 2015 (EUR 37.3 million).

Key figures, IFRS		4-6/2016	4-6/2015	Change	1-6/2016	1-6/2015	Change	1-12/2015
Net sales	M€	457.1	492.1	-35.0	673.8	781.8	-108.0	1,879.0
Paving	M€	225.4	239.7	-14.3	261.2	295.9	-34.7	796.2
Infra projects	M€	89.6	84.8	4.8	150.7	151.9	-1.2	341.4
Building construction, Finland	M€	141.0	127.0	14.0	254.1	258.3	-4.2	537.8
Russian operations	M€	12.1	17.4	-5.3	17.9	36.0	-18.1	136.7
Other operations and Group eliminations	M€	-10.9	23.3	-34.2	-10.1	39.7	-49.8	66.8
Operating profit	M€	21.2	15.6	5.6	-10.2	-2.4	-7.8	37.3
Paving	M€	17.9	15.0	2.9	-10.4	-9.7	-0.7	19.8
Infra projects	M€	1.5	4.6	-3.1	1.0	3.1	-2.1	8.9
Building construction, Finland	M€	3.7	-3.4	7.1	3.0	3.8	-0.8	12.9
Russian operations	M€	-0.6	1.4	-2.0	-1.2	2.5	-3.7	2.9
Other operations	M€	-1.3	-1.9	0.6	-2.5	-2.1	-0.4	-7.2
Operating margin	%	*4.6*	*3.2*		*-1.5*	*-0.3*		*2.0*
Paving	%	*7.9*	*6.2*		*-4.0*	*-3.3*		*2.5*
Infra projects	%	*1.7*	*5.4*		*0.7*	*2.0*		*2.6*
Building construction, Finland	%	*2.6*	*-2.7*		*1.2*	*1.5*		*2.4*
Russian operations	%	*-5.3*	*8.1*		*-6.8*	*7.0*		*2.1*
Pre-tax profit	M€	16.4	10.2	6.2	-18.9	-13.7	-5.2	16.7
Profit for the period	M€	12.3	5.0	7.3	-15.6	-14.7	-0.9	7.2
Earnings per share for the period	€	0.48	0.05	0.43	-0.83	-0.90	0.07	-0.15
Cash flow from operating activities	M€	25.6	23.5	2.1	7.2	26.0	-18.8	106.6

Key figures, IFRS		30 June 2016	30 June 2015[4]	Change 6/16 vs 6/15	31 March 2016	Change 6/16 vs 3/16	31 Dec 2015
Order book	M€	1,495.7	1,667.1[1]	-171.4	1,449.0	46.7	1,180.3
Operating capital	M€	446.4	547.0	-100.6	450.4	-4.0	474.8
Balance sheet total	M€	1,055.5	1,292.3	-236.8	949.6	105.9	1,035.5
Interest-bearing net debt	M€	165.2	211.7	-46.5	186.6	-21.4	126.8
Equity ratio[2]	%	*33.8*	*33.1*		*36.0*		*40.6*
Gearing[3]	%	*52.2*	*57.2*		*61.8*		*33.6*
Return on capital employed, rolling 12 months	%	*4.6*	*4.6*		*3.6*		*5.3*

1) The figures for the comparison year include the building construction business in Sweden and the road maintenance business in Norway, both of which the company divested in Q3/2015. In addition according to its strategy, the company has not started any new residential development projects in Russia. The comparable order book for 30 June 2015 was EUR 1,351.7 million.
2) Equity ratio, if hybrid bonds were treated as debt: 6/2016: 26.4%, 6/2015: 23.1% and 12/2015: 28.6%.
3) Gearing, if hybrid bonds were treated as debt: 6/2016: 95.0%, 6/2015: 125.2% and 12/2015: 89.6%.
4) The figures include the effect of non-current assets classified as held for sale.

President and CEO Casimir Lindholm:

"Our second quarter operating profit improved year-on-year," says Casimir Lindholm, President and CEO. "Our operating profit improved in Paving and Building construction, Finland. In Paving, we have ongoing measures to improve our operations in Norway. In Building construction Finland, four residential development projects were completed during Q2. However, the majority of our residential development projects will be completed during the last quarter."

Lemminkäinen

"Our financial position continued to develop favourably. Compared to June last year, our operating capital has decreased from EUR 547 million to EUR 446 million, a decline of EUR 100 million. Simultaneously, our interest-bearing net debt has decreased from EUR 212 million to EUR 165 million despite the redemption of the outstanding share of the first hybrid bond during the first quarter this year. Our financial position has improved significantly during the past two years."

"Our comparable order book improved compared to last year. Order inflow for paving has been good in all market areas, including Russia. In Infra projects, we won two new projects in Sweden. In Building construction, Finland, we have a strong order book. We seek profitable growth in complex infrastructure construction in Sweden and Norway. Especially in Sweden the competition is intense and we have strengthened the local organisation to support the growth."

"Going forward, our focus remains on improving our operational result and competitiveness in all operations. The second quarter of 2016 went as planned and we are in a good position to reach our financial targets for this year."

Briefing

A Finnish-language briefing for analysts and the media will be held at 12:00 noon on Thursday 28 July at Lemminkäinen's head office. The street address is Salmisaarenaukio 2, Helsinki, Finland. Lemminkäinen's President and CEO Casimir Lindholm will present the Interim Report. The presentation material can be found in Finnish and English at the company's website, www.lemminkainen.com/investors.

Financial reporting in 2016

In 2016, financial reports are published as follows:

4 February 2016	Financial Statements Bulletin 2015
Week 9	Annual Report 2015
28 April 2016	Interim Report 1 Jan – 31 March 2016
28 July 2016	Interim Report 1 Jan – 30 June 2016
27 October 2016	Interim Report 1 Jan – 30 Sep 2016

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Lemminkäinen

Group performance

Net sales

Net sales by segment		4–6/2016	4–6/2015	Change	1–6/2016	1–6/2015	Change	1–12/2015
Paving	M€	225.4	239.7	-14.3	261.2	295.9	-34.7	796.2
Infra projects	M€	89.6	84.8	4.8	150.7	151.9	-1.2	341.4
Building construction, Finland	M€	141.0	127.0	14.0	254.1	258.3	-4.2	537.8
Russian operations	M€	12.1	17.4	-5.3	17.9	36.0	-18.1	136.7
Other operations and Group eliminations	M€	-10.9	23.3	-34.2	-10.1	39.7	-49.8	66.8
Group, total	**M€**	**457.1**	**492.1**	**-35.0**	**673.8**	**781.8**	**-108.0**	**1,879.0**

April–June 2016 (4–6/2015)

The Group’s net sales totalled EUR 457.1 million (492.1). Changes in currency exchange rates had a negative impact of EUR 10.3 million compared to the year-earlier period. Net sales by country were 66% (58) from Finland, 25% (32) from Scandinavia, 3% (3) from Russia and 6% (7) from other countries.

Net sales decreased in Paving and Russian operations business segments. In Paving, the figure for Q2/2015 includes the divested road maintenance business in Norway. In Russian operations, lower year-on-year housing sales volumes decreased net sales. In addition, Q2/2015 figures for other operations include the building construction business in Sweden, which the company divested in September 2015. Net sales improved in Infra projects and Building construction, Finland. In Infra projects, net sales increased in all countries, except in Finland. In Building construction, Finland, net sales improved both in the Helsinki metropolitan area and outside the capital region.

January–June 2016 (1–6/2015)

The Group’s net sales totalled EUR 673.8 million (781.8). Changes in currency exchange rates had a negative impact of EUR 12.3 million compared to the year-earlier period. Net sales by country were 68% (62) from Finland, 24% (27) from Scandinavia, 3% (5) from Russia and 5% (6) from other countries.

Net sales decreased in all business segments. In Paving, the figure for Q2/2015 includes the divested road maintenance business in Norway. In addition, the lower price of bitumen is reflected in the 2016 net sales. In Infra projects, net sales decreased due to declined volumes in earthworks and civil engineering in Finland. In Building construction, Finland, net sales decreased due to a lower year-on-year number of completed residential development projects during Q1/2016 in the Helsinki metropolitan area. In Russian operations, lower housing sales volumes decreased net sales. In addition, Q2/2015 figures for other operations include the building construction business in Sweden, which the company divested in September 2015.

Operating profit

Operating profit by segment		4–6/2016	4–6/2015	Change	1–6/2016	1–6/2015	Change	1–12/2015
Paving	M€	17.9	15.0	2.9	-10.4	-9.7	-0.7	19.8
Infra projects	M€	1.5	4.6	-3.1	1.0	3.1	-2.1	8.9
Building construction, Finland	M€	3.7	-3.4	7.1	3.0	3.8	-0.8	12.9
Russian operations	M€	-0.6	1.4	-2.0	-1.2	2.5	-3.7	2.9
Business segments, total	M€	22.5	17.5	5.0	-7.6	-0.3	-7.3	44.5
Other operations	M€	-1.3	-1.9	0.6	-2.5	-2.1	-0.4	-7.2
Group, total	**M€**	**21.2**	**15.6**	**5.6**	**-10.2**	**-2.4**	**-7.8**	**37.3**

Operating margin by segment		4–6/2016	4–6/2015	1–6/2016	1–6/2015	1-12/2015
Paving	%	*7.9*	*6.2*	*-4.0*	*-3.3*	*2.5*
Infra projects	%	*1.7*	*5.4*	*0.7*	*2.0*	*2.6*
Building construction, Finland	%	*2.6*	*-2.7*	*1.2*	*1.5*	*2.4*
Russian operations	%	*-5.3*	*8.1*	*-6.8*	*7.0*	*2.1*
Group, total	**%**	***4.6***	***3.2***	***-1.5***	***-0.3***	***2.0***

April–June 2016 (4–6/2015)

The Group's operating profit was EUR 21.2 million (15.6). The operating margin was 4.6% (3.2). Changes in currency exchange rates had a negative impact of EUR 0.4 million compared to the year-earlier period.

Operating profit improved in Paving and Building construction, Finland. In Paving, the figures for Q2/2015 include the divested road maintenance business in Norway. In Building construction, Finland, four residential development projects were completed during Q2 (Q2/2015: four). In addition, the figure for Q2/2015 included losses from e.g. non-strategic plot sales and provisions related to warranty repairs, totalling EUR 5 million. Operating profit decreased in Infra projects due to lower volumes in earthworks and civil engineering in Finland. In addition, the segment's Q2/2015 figure includes profit improvements in major projects in Finland and Sweden. In Russian operations, operating profit decreased due to lower housing sales volumes. The Q2/2015 operating profit was reduced by write-downs of approximately EUR 3 million related to non-core businesses in the Paving segment and other operations.

January–June 2016 (1–6/2015)

The Group's operating profit was EUR -10.2 million (-2.4). The operating margin was -1.5% (-0.3). Changes in currency exchange rates had a positive impact of EUR 0.7 million compared to the year-earlier period.

Operating profit decreased in all business segments. In Paving, the year-on-year operating profit decreased due the challenges in Norway during the first quarter. Lemminkäinen has ongoing measures to improve its paving operations in Norway. In Infra projects, operating profit decreased due to lower volumes in earthworks and civil engineering in Finland. In addition, the segment's Q2/2015 figure includes profit improvements in major projects in Finland and Sweden. In Building construction, Finland, operating profit declined due to a lower year-on-year number of completed residential development projects during Q1/2016 in the Helsinki metropolitan area. In Russian operations, operating profit decreased due to lower housing sales volumes.

Order book

Order book and order inflow										
		Order book at the end of period			Order inflow during the period					
		30 June 2016	30 June 2015	Change	4–6/ 2016	4–6/ 2015	Change	1–6/ 2016	1–6/ 2015	Change
Paving	M€	425.9	422.7	3.2	202.5	125.8	76.7	389.9	329.8	60.1
Infra projects	M€	280.4	296.9	-16.5	60.4	49.9	10.5	155.6	111.0	44.6
Building construction, Finland	M€	730.2	689.4	40.8	82.4	153.9	-71.5	180.0	263.5	-83.5
Russian operations	M€	59.3	90.4	-31.1	37.5	9.4	28.1	57.8	11.6	46.2
Other operations	M€		167.7	-167.7		84.0	-84.0		93.3	-93.3
Group, total	**M€**	**1,495.7**	**1,667.1**	**-171.4**	**382.8**	**423.0**	**-40.2**	**783.3**	**809.2**	**-25.9**
- of which unsold	M€	101.3	131.9	-30.6						

At the end of the quarter, the Group’s order book stood at EUR 1,495.7 million (1,667.1). The figures for Q2/2015 include building construction in Sweden and the road maintenance business in Norway, both of which the company divested in Q3/2015. In addition according to its strategy, the company has not started any new residential development projects in Russia. If building construction in Sweden, the road maintenance business in Norway and residential development in Russia were deducted from the 30 June 2015 order book, the comparable figure is EUR 1,351.7 million.

The April-June order inflow amounted to EUR 382.8 million (423.0) and January-June order inflow was EUR 783.3 million (809.2). In Paving, demand has been stable in all market areas. In Infra projects, new orders include two projects in Sweden: a dam building contract in southern Sweden and the construction of a crushing plant in northern Sweden. The Building construction, Finland, segment started four new residential development projects during the quarter. Russian operations’ order inflow includes a renovation contract for Moscow’s new Central Ring Road.

Balance sheet, financing and cash flow

Balance sheet and financing		30 June 2016	30 June 2015[3]	Change 6/16 vs 6/15	31 March 2016	Change 6/16 vs 3/16	31 Dec 2015
Key figures, balance sheet							
Equity ratio[1]	%	33.8	33.1		36.0		40.6
Gearing[2]	%	52.2	57.2		61.8		33.6
Return on capital employed, rolling 12 months	%	4.6	4.6		3.6		5.3
Capital employed	M€	597.5	704.6	-107.1	590.7	6.8	632.3
Operating capital	M€	446.4	547.0	-100.6	450.4	-4.0	474.8
Net working capital	M€	236.9	303.8	-66.9	235.8	1.1	258.7
Financial position and liquidity							
Interest-bearing debt	M€	281.3	334.7	-53.4	289.0	-7.7	254.7
- of which long-term liabilities	M€	119.9	134.5	-14.6	121.3	-1.4	123.1
- of which short-term liabilities	M€	161.5	200.1	-38.6	167.7	-6.2	131.6
Liquid funds	M€	116.2	122.9	-6.7	102.4	13.8	127.9
Interest-bearing net debt	M€	165.2	211.7	-46.5	186.6	-21.4	126.8
Available committed credit limits	M€	185.0	185.0	0	185.0	0	185.0
Available overdraft limits	M€	12.4	32.8	-20.4	12.3	0.1	12.3

1) Equity ratio, if hybrid bonds were treated as debt: 6/2016: 26.4%, 6/2015: 23.1% and 12/2015: 28.6%.
2) Gearing, if hybrid bonds were treated as debt: 6/2016: 95.0%, 6/2015: 125.2% and 12/2015: 89.6%.
3) The figures include the effect of non-current assets classified as held for sale.

On 30 June 2016, the balance sheet total was EUR 1,055.5 million (1,292.3), of which shareholders' equity accounted for EUR 316.1 million (369.9). Shareholders' equity includes EUR 69.3 million (111.6) hybrid bonds, issued in 2014, which the company is entitled to redeem in March 2018. During Q1/2016, the Group redeemed fully the outstanding share of the 2012 issued hybrid bond, which affected the company's equity ratio and gearing.

The Group's operating capital on 30 June 2016 amounted to EUR 446.4 million (547.0). The decrease is mainly due to decline in net working capital. At the end of the quarter, net working capital stood at EUR 236.9 million (303.8). Net working capital has been reduced by housing sales in Russia and Finland, improved invoicing efficiency and improved inventory turnover in the Paving segment. In addition, the divestment of the building construction business in Sweden during Q3/2015 decreased net working capital.

Interest-bearing debt at the end of the period amounted to EUR 281.3 million (334.7) and interest-bearing net debt totalled EUR 165.2 million (211.7). Long-term interest-bearing debt accounted for 43% (40) of the loan portfolio at the end of the period. Liquid funds totalled EUR 116.2 million (122.9). Of the company's interest-bearing debt, EUR 98.4 million (128.8) comprises borrowings of housing and commercial property companies included in inventory, EUR 99.7 million (99.7) bonds, EUR 49.6 million (56.3) commercial papers, EUR 31.3 million (44.4) finance lease liabilities and EUR 2.5 million (5.5) other financial liabilities. In addition, the company had available committed revolving credit facilities worth EUR 185.0 million (185.0) and overdraft limits worth EUR 12.4 million (32.8) at the end of the period. Of all interest-bearing debt, 50% (42) was at a fixed interest rate.

Net finance costs decreased, amounting to EUR 4.8 million (5.5) in April–June and EUR 8.7 million (11.2) in January–June. The finance costs were reduced by lower currency hedging costs and interest expenses. The interest expenses of the hybrid bonds are not recorded under finance costs in the income statement; instead, their impact can be seen in earnings per share and equity.

Cash flow from operating activities amounted to EUR 25.6 million (23.5) in April–June and EUR 7.2 million (26.0) in January–June. The lower number of completed residential development projects in Finland and adjusted housing production in Russia had the biggest impact on the decreased cash flow from operating activities for January–June.

Business segments

Paving

Operating environment

The state investments in paving have increased demand in Finland. In Sweden the market is stable but in Norway state investments in paving have declined. In Denmark, cuts in public investments decrease paving volumes. In the Baltic countries, the market situation is stable.

Key figures for Paving		4–6/2016	4–6/2015[2]	Change	1–6/2016	1–6/2015[2]	Change	1–12/2015
Net sales	M€	225.4	239.7	-14.3	261.2	295.9	-34.7	796.2
Operating profit	M€	17.9	15.0	2.9	-10.4	-9.7	-0.7	19.8
% of net sales	*%*	*7.9*	*6.2*		*-4.0*	*-3.3*		*2.5*
Order inflow	M€	202.5	125.8	76.7	389.9	329.8	60.1	500.3
Order book[1]	M€	425.9	422.7	3.2	425.9	422.7	3.2	180.3
Operating capital[1]	M€	225.5	250.2	-24.7	225.5	250.2	-24.7	227.6

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

April–June 2016 (4–6/2015)

Net sales in April–June totalled EUR 225.4 million (239.7). Net sales by country were 46% (38) from Finland, 42% (49) from Scandinavia and 12% (13) from the Baltic countries. The operating profit was EUR 17.9 million (15.0). The figures for Q2/2015 include the divested road maintenance business in Norway.

The order inflow in April–June amounted to EUR 202.5 million (125.8). At the end of the quarter, the order book stood at EUR 425.9 million (422.7).

January–June 2016 (1–6/2015)

Net sales in January–June totalled EUR 261.2 million (295.9). Net sales by country were 47% (38) from Finland, 41% (50) from Scandinavia and 12% (12) from the Baltic countries. The operating profit was EUR -10.4 million (-9.7). The year-on-year operating profit decreased due the challenges in Norway during the first quarter. Lemminkäinen has ongoing measures to improve its paving operations in Norway. At the end of the period, the operating capital stood at EUR 225.5 million (250.2).

The total quantity of sold and paved asphalt in January-June amounted to 2.1 million tonnes (2.0).

Infra projects

Operating environment

Urbanisation, industrial investments and investments in energy infrastructure increase the demand for complex infrastructure construction. Especially in Sweden and Norway, the market is strong and there are several major projects ongoing or planned. In Sweden the pricing competition in large-scale urban projects has further intensified as new companies have entered the market. In Finland, construction is supported by infrastructure construction projects in urban growth centres. In the Baltic countries, the market situation is stable.

Key figures for Infra projects		4–6/2016	4–6/2015	Change	1–6/2016	1–6/2015	Change	1–12/2015
Net sales	M€	89.6	84.8	4.8	150.7	151.9	-1.2	341.4
Operating profit	M€	1.5	4.6	-3.1	1.0	3.1	-2.1	8.9
% of net sales	*%*	*1.7*	*5.4*		*0.7*	*2.0*		*2.6*
Order inflow	M€	60.4	49.9	10.5	155.6	111.0	44.6	231.8
Order book[1)]	M€	280.4	296.9	-16.5	280.4	296.9	-16.5	232.5
Operating capital[1)]	M€	9.9	-6.5	16.4	9.9	-6.5	16.4	4.8

1) at the end of the period

April–June 2016 (4–6/2015)

Net sales in April–June totalled EUR 89.6 million (84.8). Net sales by country were 78% (84) from Finland, 19% (11) from Scandinavia, 3% (5) from the Baltic countries and other countries. The operating profit was EUR 1.5 million (4.6). The operating profit decreased year-on-year due to lower volumes in earthworks and civil engineering in Finland. In addition, the Q2/2015 figure includes profit improvements in major projects in Finland and Sweden.

The order inflow in April–June amounted to EUR 60.4 million (49.9). New orders include two projects in Sweden: a dam building contract in southern Sweden and the construction of a crushing plant in northern Sweden. At the end of the quarter, the order book stood at EUR 280.4 million (296.9). Operating capital stood at EUR 9.9 million (-6.5).

January–June 2016 (1–6/2015)

Net sales in January–June totalled EUR 150.7 million (151.9). Net sales by country were 78% (82) from Finland, 19% (13) from Scandinavia, 3% (5) from the Baltic countries and other countries. The operating profit was EUR 1.0 million (3.1). The operating profit decreased year-on-year due to lower volumes in earthworks and civil engineering in Finland. In addition, the Q2/2015 figure includes profit improvements in major projects in Finland and Sweden. At the end of the period, the operating capital stood at EUR 9.9 million (-6.5).

Building construction, Finland

Operating environment

The market situation in building construction is stable. Housing demand is focused on small apartments in urban growth centres. Investors are still very active in the market. Individual major projects and public sector works maintain demand for commercial construction.

Key figures for Building construction, Finland		4–6/2016	4–6/2015	Change	1–6/2016	1–6/2015	Change	1–12/2015
Net sales	M€	141.0	127.0	14.0	254.1	258.3	-4.2	537.8
Operating profit	M€	3.7	-3.4	7.1	3.0	3.8	-0.8	12.9
% of net sales	*%*	*2.6*	*-2.7*		*1.2*	*1.5*		*2.4*
Order inflow	M€	82.4	153.9	-71.5	180.0	263.5	-83.5	569.2
Order book[1)]	M€	730.2	689.4	40.8	730.2	689.4	40.8	760.6
Operating capital[1)]	M€	246.7	289.6	-42.9	246.7	289.6	-42.9	274.8

1) at the end of the period

April–June 2016 (4–6/2015)

Net sales in April–June totalled EUR 141.0 million (127.0). The operating profit was EUR 3.7 million (-3.4). Net sales and operating profit improved both in the Helsinki metropolitan area and outside the capital region. A total of four residential development projects were completed during Q2 (Q2/2015: four). The figure for Q2/2015 included losses from e.g. non-strategic plot sales and provisions related to warranty repairs, totalling EUR 5 million.

Order inflow in April–June was EUR 82.4 million (153.9) including start-ups of four new residential development projects. At the end of the quarter, the order book stood at EUR 730.2 million (689.4).

January–June 2016 (1–6/2015)

Net sales in January–June totalled EUR 254.1 million (258.3). The operating profit was EUR 3.0 million (3.8). Net sales and operating profit declined in the Helsinki metropolitan area due to a lower year-on-year number of completed residential development projects during Q1/2016. Net sales and operating profit improved from the comparison period outside the capital region.

At the end of the quarter, the number of unsold completed units was 244 (347). Housing sales and improved capital efficiency have reduced the operating capital which stood at EUR 246.7 million (289.6) at the end of the quarter.

In 2016, the number of completed residential development projects will be lower than in 2015. The majority of these projects will be completed during the last quarter.

Lemminkäinen's residential production (development projects and negotiated contracting)		4–6/2016	4–6/2015	Change	1–6/2016	1–6/2015	Change	1–12/2015
Started	units	241	188	53	472	536	-64	1,253
- of which development projects	units	123	92	31	246	289	-43	693
Completed	units	192	327	-135	342	527	-185	1,236
- of which development projects	units	192	194	-2	288	394	-106	859
Sold	units	278	290	-12	617	671	-54	1,377
- of which development projects	units	154	194	-40	385	424	-39	817
Sales to investors	*%*	*50*	*49*		*45*	*48*		*51*
Under construction [1)]	units	1,527	1,370	157	1,527	1,370	157	1,388
- of which unsold [1)]	units	365	380	-15	365	380	-15	464
Unsold completed [1)]	units	244	347	-103	244	347	-103	283
Land bank, balance sheet value [1)]	M€	102.9	105.3	-2.4	102.9	105.3	-2.4	105.3
Started in competitive contracting	units	127	318	-191	155	318	-163	542

1) at the end of the period

Lemminkäinen

Russian operations

Operating environment

The operating environment in Russia remains uncertain. In building construction, competition in negotiated contracting is intense. Construction and repair projects on major roads maintain demand for paving.

Key figures for Russian operations		4–6/2016	4–6/2015	Change	1–6/2016	1–6/2015	Change	1–12/2015
Net sales	M€	12.1	17.4	-5.3	17.9	36.0	-18.1	136.7
Operating profit	M€	-0.6	1.4	-2.0	-1.2	2.5	-3.7	2.9
% of net sales	*%*	*-5.3*	*8.1*		*-6.8*	*7.0*		*2.1*
Order inflow	M€	37.5	9.4	28.1	57.8	11.6	46.2	22.8
Order book[1)]	M€	59.3	90.4	-31.1	59.3	90.4	-31.1	7.0
Operating capital[1)]	M€	30.7	59.4	-28.7	30.7	59.4	-28.7	35.0

1) at the end of the period

April–June 2016 (4–6/2015)

Net sales in April–June totalled EUR 12.1 million (17.4). The operating profit was EUR -0.6 million (1.4). Changes in currency exchange rates had a negative impact of EUR 2.9 million on net sales and a positive impact of EUR 0.1 million on the operating profit.

Net sales and operating profit decreased year-on-year due to lower housing sales volumes. A total of 8 (95) units were sold during the second quarter. In paving operations, net sales and operating profit improved year-on-year due to higher volumes.

Order inflow was EUR 37.5 million (9.4) including a renovation contract for Moscow's new Central Ring Road. At the end of the quarter, the order book stood at EUR 59.3 million (90.4).

January–June 2016 (1–6/2015)

Net sales in January–June totalled EUR 17.9 million (36.0). The operating profit was EUR -1.2 million (2.5). Changes in currency exchange rates had a negative impact of EUR 3.8 million on net sales and a positive impact of EUR 0.2 million on the operating profit.

Net sales and operating profit decreased year-on-year due to lower housing sales volumes. According to Lemminkäinen's strategy, the company has not started any new residential development projects in Russia.

At the end of the period, the number of unsold completed units was 6 (71). Housing sales have reduced the amount of operating capital, which stood at EUR 30.7 million (59.4).

Lemminkäinen's residential development, Russia		4–6/2016	4–6/2015	Change	1–6/2016	1–6/2015	Change	1–12/2015
Started	units	0	0	0	0	0	0	0
Completed	units	0	0	0	0	0	0	418
Sold	units	8	95	-87	45	255	-210	384
Under construction [1)]	units	0	418	-418	0	418	-418	0
- of which unsold	units	0	100	-100	0	100	-100	0
Unsold completed [1)]	units	6	71	-65	6	71	-65	51

1) at the end of the period

Investments

Gross investments in January-June amounted to EUR 6.8 million (5.2), representing 1.0% (0.7) of the company's net sales. Investments were mainly replacement investments in Paving and Infra projects. Lemminkäinen has strict decision-making criteria regarding investments and the company has improved the efficiency of its monitoring processes. This has released capital, particularly in Paving.

Personnel

At the end of the quarter, Lemminkäinen employed 5,391 people (5,747), a decrease of 356 people year-on-year. The number of personnel has decreased year-on-year due to the divestments of the building construction business in Sweden and the road maintenance business in Norway as well as the adjustment of Lemminkäinen's building construction operations in Russia. The seasonality of the paving business increased the number of personnel compared to Q1/2016. Of the personnel at the end of the review period, 1,987 (2,048) were white-collar workers and 3,404 (3,699) were blue-collar workers.

Personnel by business segment		30 June 2016	30 June 2015	Change 6/16 vs 6/15	31 March 2016	Change 6/16 vs 3/16	31 Dec 2015
Paving	persons	3,085	3,193	-108	1,934	1,151	2,010
Infra projects	persons	635	622	13	553	82	577
Building construction, Finland	persons	1,087	1,054	33	967	120	947
Russian operations	persons	439	498	-59	308	131	405
Parent company and others	persons	145	380	-235	141	4	120
Group, total	persons	5,391	5,747	-356	3,903	1,488	4,059

Personnel by country		30 June 2016	30 June 2015	Change 6/16 vs 6/15	31 March 2016	Change 6/16 vs 3/16	31 Dec 2015
Finland	persons	3,067	3,073	-6	2,143	924	2,204
Sweden, Norway, Denmark	persons	1,066	1,358	-292	803	263	804
Baltic countries	persons	808	791	17	635	173	625
Russia	persons	439	498	-59	308	131	405
Other countries	persons	11	27	-16	14	-3	21
Group, total	persons	5,391	5,747	-356	3,903	1,488	4,059

Shares and shareholders

The company has one share class. Each share carries one vote at a general meeting of shareholders and confers an equal right to a dividend. Lemminkäinen's share capital is EUR 34,042,500 and the total number of shares was 23,219,900 at the end of the review period. At the end of the review period, Lemminkäinen owned 16,687 of its own shares, which accounted for 0.07% of all shares.

Trading with shares

On 30 June 2016, the market capitalisation of Lemminkäinen's shares stood at EUR 301.6 million (270.8). The price of Lemminkäinen Corporation's share on the NASDAQ Helsinki Ltd was on 1 January 2016 EUR 13.79 (9.52) and on 30 June 2016 EUR 13.00 (11.67). In addition to the NASDAQ Helsinki Ltd, Lemminkäinen's share is also traded on alternative markets. A total of 603,533 shares (1,319,155) were traded during January–June 2016, of which alternative markets accounted for 3.5% (10.0). (Source: Fidessa Fragmentation Index, http://fragmentation.fidessa.com).

Shareholders

On 30 June 2016, the company had 4,365 shareholders (4,614). Nominee-registered and non-Finnish shareholders held 12.5 per cent (12.8) of all Lemminkäinen Corporation shares and voting rights. Information on company ownership and division by segment and scale, major shareholders, and share ownership of the Executive Team members and the Board of Directors is available on the company's website, www.lemminkainen.com/Investors/Owners.

Shareholder agreements

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

Flagging notifications

Lemminkäinen did not receive flagging notifications during the quarter.

Legal proceedings

Damages related to the asphalt cartel

The oral hearing of the legal proceedings concerning the damages which the Helsinki District Court decided on in November 2013 started at the Helsinki Court of Appeal on 2 March 2015 and ended on 1 October 2015. The Court has not yet confirmed the exact time when it will give its verdicts but has preliminary stated that the verdicts will be given during 2016. The decisions could have a significant impact on Lemminkäinen's financial position. In addition, Lemminkäinen has been served summons regarding 21 claims against Lemminkäinen and other asphalt companies for damages. The capital amount of these claims is approximately EUR 26 million. For these claims, Lemminkäinen has made a provision worth EUR 13.4 million. More information can be found on the company's website http://www.lemminkainen.com/Lemminkainen/Investors/Lemminkainen-as-an-investment/Asphalt-cartel-issue/.

Quotas related to the use of recycled asphalt

The situation has not changed after the publication of the interim report on 28 April 2016. On 11 June 2015, the District Court of Tuusula acquitted Lemminkäinen and two of its employees of environmental infraction charges. The alleged offence was related to the quotas for the amount of recycled asphalt used in asphalt mass production, as defined in the environmental permits of the company's Sammonmäki asphalt plant in Finland. The prosecutor demanded a confiscation of illegal profit of EUR 3.4 million and a corporate fine of at least EUR 120,000. The court ruled that neither Lemminkäinen nor the two employees were guilty of an environmental infraction. The prosecutor and the Centre for Economic Development, Transport and the Environment (ELY Centre) have appealed against the decisions of the District Court. The hearing will continue next at the Court of Appeal in November 2016.

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

Risks and uncertainties

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

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

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

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

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

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

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

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

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

Changes in the public demand affect the competitive situation and may cause fluctuations in the income. Changes in weather conditions influence especially the lengths of the Paving segment's paving and mineral aggregates businesses working seasons, which may have an effect on the company's profit and its timing.

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

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

More information about the legal proceedings and related claims can be found in this report under Legal proceedings. A more detailed description of the financial risks is provided in the notes to the annual financial statements 2015.

Market outlook

In Finland, the total volume of construction is expected to grow in 2016. Residential construction is expected to grow and demand for apartments will still be focused on small units in urban growth centres. Investor sale is likely to remain active. Commercial construction will increase, due to individual major projects and public sector works. Renovation is expected to be brisk but its growth will slow down.

The Government's decisions regarding transport projects in the General Government Fiscal Plan improve the outlook for both paving and infra projects. However, the realisation of some projects still requires decisions from city governments and authorities. Infrastructure construction is expected to be stable in 2016. The state's planned investments in basic road maintenance will increase demand for paving somewhat in the next few years. Demand for infra projects is maintained by complex projects in urban growth centres and industrial investments.

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

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

In Russia, market uncertainty is likely to continue. The fluctuations in the price of oil are reflected in the currency exchange rate. In building construction, competition in negotiated contracting is intense. Construction and repair projects on major roads maintain demand for paving.

In the Baltic countries, the volume of infrastructure construction is estimated to start growing moderately after 2016. The possible launch of the Rail Baltica traffic project would increase the demand for infrastructure construction in all of the Baltic countries.

Profit guidance for 2016

The profit guidance for 2016 remains intact. Lemminkäinen estimates that its net sales in 2016 will be on the level of EUR 1.8 billion. Operating profit (IFRS) in 2016 is expected to improve as compared to 2015 (EUR 37.3 million).

Helsinki, 28 July 2016

LEMMINKÄINEN CORPORATION
Board of Directors

TABULATED SECTIONS OF THE INTERIM REPORT

Basis of preparation

This interim report complies with IAS 34 - Interim Financial Reporting. This interim report should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRSs. The information contained in the interim report has not been audited.

Deferred tax assets

The company regularly assesses the recoverability of its deferred tax assets, and consistent with the prior period end has recorded the deferred tax asset from tax losses to the amount it considers, based on its profit forecasts, to be utilisable in the future. On 30 June 2016 the company had a deferred tax asset amounting to EUR 40.4 million arising primarily from tax losses in Finland and Norway. The company considers that major part of the previous years' losses was caused by identified reasons which are unlikely to recur. Major part of the tax losses in Finland arise from the damages ordered by the District Court related to the asphalt cartel in 2013 and therefore the Finnish tax losses expire mainly in 2023. Norwegian tax losses can be carried forward indefinitely.

Estimates

The preparation of these financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these financial statements, the significant judgements made by management in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

Accounting policies

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

Operating segments

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

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

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

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

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

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

IFRS 15 Revenue from Contracts with Customers was issued in May 2014. After this, IASB issued clarifications to the standard in April 2016. The effective date of the standard is a period beginning on or after 1 January 2018. Earlier application is permitted. An EU endorsement is required for the standard to become effective in the EU after which it is allowed to apply the standard. The company will apply the standard from the annual period beginning from 1 January 2018.The standard specifies how and when to recognise revenue from contracts with customers. According to the current estimate of the company the most significant impacts of the new standard relate to the extensive disclosure requirements.

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. The company will analyse the impacts of the new expected losses model during the current financial year. 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.

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

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

Financial statements and notes

1) CONSOLIDATED INCOME STATEMENT

EUR mill.	4-6/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
Net sales	**457.1**	**492.1**	**673.8**	**781.8**	**1,879.0**
Other operating income	3.9	2.5	5.4	5.6	11.0
Change in inventories of finished goods and work in progress	-5.3	-10.5	-10.5	-2.4	-81.1
Production for own use	0.0	0.0	0.1	0.1	0.1
Use of materials and services	317.9	335.2	475.9	569.1	1,299.6
Employee benefit expenses	78.9	79.6	130.2	134.5	294.9
Depreciation and amortisation	9.2	10.6	13.4	15.8	38.0
Impairment					0.4
Other operating expenses	28.7	43.5	58.7	67.7	140.2
Share of the profit of associates and joint ventures	0.1	0.3	-0.8	-0.5	1.4
Operating profit	**21.2**	**15.6**	**-10.2**	**-2.4**	**37.3**
Finance income	0.2	0.2	0.2	0.3	1.4
Finance costs	4.9	5.6	8.9	11.5	22.0
Profit before taxes	**16.4**	**10.2**	**-18.9**	**-13.7**	**16.7**
Income taxes	-4.1	-5.2	3.3	-1.0	-9.4
Profit for the accounting period	**12.3**	**5.0**	**-15.6**	**-14.7**	**7.2**
Profit for the accounting period attributable to					
Equity holders of the parent company	12.3	5.1	-15.6	-14.5	7.2
Non-controlling interests	0.0	-0.1	0.0	-0.2	0.0

Basic and diluted earnings per share attributable to equity holders of the parent company					
From profit for the accounting period	0.48	0.05	-0.83	-0.90	-0.15

2) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	1-6/ 2016	1-6/ 2015	1-12/ 2015
Profit for the accounting period	**-15.6**	**-14.7**	**7.2**
Items that will not be reclassified to profit or loss			
Pension obligations	0.0	0.0	0.3
Items that may be reclassified subsequently to profit or loss			
Translation difference	3.9	5.8	-4.2
Other comprehensive income, total	3.9	5.9	-3.9
Comprehensive income for the accounting period	**-11.7**	**-8.8**	**3.4**
Comprehensive income for the accounting period attributable to			
Equity holders of the parent company	-11.7	-8.6	3.4
Non-controlling interests	0.0	-0.2	0.0

3) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	6/2016	6/2015	12/2015
ASSETS			
Non-current assets			
Property, plant and equipment	144.5	169.0	149.1
Goodwill	53.6	54.3	53.1
Other intangible assets	11.6	17.3	14.0
Investments in associates and joint ventures	4.1	3.7	4.7
Available-for-sale financial assets	2.7	2.8	2.7
Deferred tax assets	40.4	44.9	36.9
Other non-current receivables	0.5	0.5	0.5
Total	**257.3**	**292.5**	**261.0**
Current assets			
Inventories	395.2	506.2	402.0
Trade and other receivables	284.0	319.8	241.9
Income tax receivables	2.9	1.4	2.7
Available-for-sale financial assets		25.1	

Cash and cash equivalents	116.2	82.7	127.9
Total	**798.2**	**935.2**	**774.5**
Assets associated with non-current assets held for sale		**64.6**	
Total assets	**1,055.5**	**1,292.3**	**1,035.5**
EQUITY AND LIABILITIES			
Share capital	34.0	34.0	34.0
Share premium account	5.7	5.7	5.7
Invested unrestricted equity fund	91.4	91.4	91.4
Hybrid bonds	69.3	111.6	111.6
Translation differences	-21.9	-15.9	-25.9
Retained earnings	153.2	157.5	153.4
Profit for the period	-15.6	-14.5	7.2
Equity attributable to shareholders of the parent company	**316.1**	**369.9**	**377.6**
Non-controlling interests	0.0	0.0	0.1
Total equity	**316.1**	**369.9**	**377.6**
Non-current liabilities			
Interest-bearing liabilities	119.9	132.8	123.1
Deferred tax liabilities	12.4	15.9	14.7
Pension obligations	0.1	0.6	0.1
Provisions	28.4	28.6	26.6
Other liabilities	0.3	0.6	0.5
Total	**161.1**	**178.5**	**164.9**
Current liabilities			
Interest-bearing liabilities	161.5	183.4	131.6
Provisions	11.9	12.9	13.1
Advance payments received	118.9	164.8	105.4
Trade and other payables	285.4	320.3	242.1
Income tax liabilities	0.6	1.8	0.8
Total	**578.3**	**683.1**	**492.9**
Liabilities associated with non-current assets held for sale		**60.8**	
Total liabilities	**739.4**	**922.4**	**657.8**
Total equity and liabilities	**1,055.5**	**1,292.3**	**1,035.5**

4) CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	1-6/ 2016	1-6/ 2015	1-12/ 2015
Profit before taxes	-18.9	-13.7	16.7
Depreciation and impairment	13.4	15.8	38.4
Other adjustments	2.6	17.5	48.3
Cash flows before change in working capital	-2.9	19.6	103.4
Change in working capital	25.4	28.0	41.5
Financial items	-14.0	-20.1	-34.1
Direct taxes paid	-1.3	-1.4	-4.1
Cash flow from operating activities	**7.2**	**26.0**	**106.6**
Cash flows provided by investing activities	4.9	11.3	39.6
Cash flows used in investing activities	-5.6	-6.2	-11.9
Cash flow from investing activities	**-0.7**	**5.2**	**27.7**
Change in non-current receivables	0.0	0.0	0.1
Drawings of loans	107.8	35.7	112.8
Repayments of borrowings	-80.6	-52.2	-200.7
Repayments of hybrid bond	-42.9	-26.7	-27.1
Dividends paid	-2.8		
Cash flow from financing activities	**-18.5**	**-43.2**	**-115.0**
Change in cash and cash equivalents	**-12.0**	**-12.0**	**19.4**
Cash and cash equivalents at the beginning of period	127.9	109.1	109.1
Translation difference of cash and cash equivalents	0.2	0.7	-0.5
Cash and cash equivalents at the end of period	**116.2**	**97.8**	**127.9**

5) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

EUR mill.	A	B	C	D	E	F	G	H	I
Equity 1.1.2015	**34.0**	**5.7**	**91.4**	**138.4**	**-21.7**	**164.5**	**412.4**	**0.1**	**412.5**
Profit for the accounting period						-14.5	**-14.5**	-0.2	**-14.7**
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 differences					5.8		**5.8**	0.0	**5.8**
Comprehensive income, total					**5.8**	**-14.5**	**-8.6**	**-0.2**	**-8.8**
Change in non-controlling interest								0.0	**0.0**

Hybrid bonds' interests and costs						-7.1	**-7.1**		**-7.1**
Transactions with owners, total						**-7.1**	**-7.1**	**0.0**	**-7.0**
Hybrid bonds				-26.7			**-26.7**		**-26.7**
Equity 30.6.2015	**34.0**	**5.7**	**91.4**	**111.6**	**-15.9**	**143.0**	**369.9**	**0.0**	**369.9**

EUR mill.	A	B	C	D	E	F	G	H	I
Equity 1.1.2015	**34.0**	**5.7**	**91.4**	**138.4**	**-21.7**	**164.5**	**412.4**	**0.1**	**412.5**
Profit for the accounting period						7.2	**7.2**	0.0	**7.2**
Items that will not be reclassified to profit or loss									
Pension obligations						0.3	**0.3**		**0.3**
Items that may be reclassified subsequently to profit or loss									
Translation differences					-4.2		**-4.2**		**-4.2**
Comprehensive income, total					**-4.2**	**7.5**	**3.4**	**0.0**	**3.4**
Acquisition of shares of non-controlling interest						-0.2	**-0.2**	-0.1	**-0.3**
Hybrid bonds' interests and costs						-11.2	**-11.2**		**-11.2**
Transactions with owners, total						**-11.5**	**-11.5**	**-0.1**	**-11.5**
Hybrid bonds				-26.7			**-26.7**		**-26.7**
Equity 31.12.2015	**34.0**	**5.7**	**91.4**	**111.6**	**-25.9**	**160.6**	**377.6**	**0.1**	**377.6**

EUR mill.	A	B	C	D	E	F	G	H	I
Equity 1.1.2016	**34.0**	**5.7**	**91.4**	**111.6**	**-25.9**	**160.6**	**377.6**	**0.1**	**377.6**
Profit for the accounting period						-15.6	**-15.6**	0.0	**-15.6**
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 differences					3.9		**3.9**		**3.9**
Comprehensive income, total					**3.9**	**-15.6**	**-11.7**	**0.0**	**-11.7**
Change in non-controlling interest						0.0	**0.0**	0.0	**0.0**
Hybrid bonds' interests and costs						-4.6	**-4.6**		**-4.6**
Dividend						-2.8	**-2.8**		**-2.8**
Transactions with owners, total						**-7.4**	**-7.4**	**0.0**	**-7.4**
Hybrid bonds				-42.3			**-42.3**		**-42.3**
Equity 30.6.2016	**34.0**	**5.7**	**91.4**	**69.3**	**-21.9**	**137.6**	**316.1**	**0.0**	**316.1**

6) ADJUSTMENT TO PREVIOUS PERIODS

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

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

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

7) SEASONALITY OF BUSINESS

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

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

8) CONSOLIDATED INCOME STATEMENT, QUARTERLY

	4-6/	1-3/	10-12/	7-9/	4-6/
EUR mill.	2016	2016	2015	2015	2015
Net sales	**457.1**	**216.8**	**528.5**	**568.8**	**492.1**
Other operating income	3.9	1.4	5.0	0.4	2.5
Change in inventories of finished goods and work in progress	-5.3	-5.2	-78.5	-0.2	-10.5
Production for own use	0.0	0.0	0.0	0.0	0.0
Use of materials and services	317.9	158.0	312.7	417.9	335.2
Employee benefit expenses	78.9	51.3	76.5	83.9	79.6
Depreciation and amortisation	9.2	4.2	9.2	13.0	10.6
Impairment			0.4		
Other operating expenses	28.7	30.0	37.9	34.6	43.5

Share of the profit of associates and joint ventures	0.1	-0.9	0.6	1.3	0.3
Operating profit	**21.2**	**-31.4**	**18.9**	**20.9**	**15.6**
Finance income	0.2	0.0	0.3	0.8	0.2
Finance costs	4.9	3.9	5.4	5.1	5.6
Profit before taxes	**16.4**	**-35.3**	**13.7**	**16.6**	**10.2**
Income taxes	-4.1	7.3	-3.8	-4.6	-5.2
Profit for the accounting period	**12.3**	**-27.9**	**9.9**	**12.0**	**5.0**
Profit for the accounting period attributable to					
Equity holders of the parent company	12.3	-27.9	9.8	12.0	5.1
Non-controlling interests	0.0	0.0	0.2	0.0	-0.1
Basic and diluted earnings per share attributable to equity holders of the parent company					
From profit for the accounting period	0.48	-1.31	0.33	0.43	0.05

9) SEGMENT INFORMATION

EUR mill.	4-6/ 2016	1-3/ 2016	10-12/ 2015	7-9/ 2015	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
Net sales, Group	**457.1**	**216.8**	**528.5**	**568.8**	**492.1**	**673.8**	**781.8**	**1,879.0**
Paving	225.4	35.8	180.8	319.5	239.7	261.2	295.9	796.2
Infra projects	89.6	61.2	99.2	90.4	84.8	150.7	151.9	341.4
Building construction, Finland	141.0	113.1	176.1	103.4	127.0	254.1	258.3	537.8
Russian operations	12.1	5.8	70.0	30.7	17.4	17.9	36.0	136.7
Other operations	8.0	7.0	6.8	33.5	43.5	15.0	65.8	106.1
Group eliminations	-19.0	-6.1	-4.4	-8.7	-20.2	-25.1	-26.1	-39.2
Depreciation and impairment, Group	**9.2**	**4.2**	**9.6**	**13.0**	**10.6**	**13.4**	**15.8**	**38.4**
Paving	6.6	1.7	5.8	9.6	7.1	8.3	9.2	24.6
Infra projects	1.3	1.1	1.5	1.6	1.5	2.5	3.1	6.2
Building construction, Finland	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.2
Russian operations	0.3	0.1	0.3	0.4	0.4	0.4	0.7	1.5
Other operations	0.9	1.3	2.0	1.4	1.5	2.2	2.7	6.0
Operating profit, Group	**21.2**	**-31.4**	**18.9**	**20.9**	**15.6**	**-10.2**	**-2.4**	**37.3**
Paving	17.9	-28.2	-2.8	32.4	15.0	-10.4	-9.7	19.8
Infra projects	1.5	-0.6	3.1	2.8	4.6	1.0	3.1	8.9
Building construction, Finland	3.7	-0.8	11.4	-2.3	-3.4	3.0	3.8	12.9
Russian operations	-0.6	-0.6	10.9	-10.6	1.4	-1.2	2.5	2.9
Other operations	-1.3	-1.2	-3.7	-1.3	-1.9	-2.5	-2.1	-7.2

Operating margin, Group, %	***4.6***	***-14.5***	***3.6***	***3.7***	***3.2***	***-1.5***	***-0.3***	***2.0***
Paving	*7.9*	*-78.8*	*-1.6*	*10.1*	*6.2*	*-4.0*	*-3.3*	*2.5*
Infra projects	*1.7*	*-0.9*	*3.1*	*3.0*	*5.4*	*0.7*	*2.0*	*2.6*
Building construction, Finland	*2.6*	*-0.7*	*6.5*	*-2.2*	*-2.7*	*1.2*	*1.5*	*2.4*
Russian operations	*-5.3*	*-10.1*	*15.6*	*-34.5*	*8.1*	*-6.8*	*7.0*	*2.1*

OPERATING CAPITAL					
EUR mill.	6/2016	3/2016	12/2015	9/2015	6/2015
Paving	225.5	215.9	227.6	252.2	250.2
Infra projects	9.9	4.2	4.8	-9.2	-6.5
Building construction, Finland	246.7	254.6	274.8	272.0	289.6
Russian operations	30.7	31.0	35.0	32.2	59.4
Other operations	6.0	9.9	8.6	9.4	30.7
Total	**518.8**	**515.5**	**550.8**	**556.7**	**623.3**
Items unallocated to segments	-72.4	-65.1	-76.0	-70.6	-76.4
Group total	**446.4**	**450.4**	**474.8**	**486.1**	**547.0**

10) FINANCIAL AND SHARE-SPECIFIC INDICATORS

	6/2016	6/2015[2]	12/2015
Return on equity, rolling 12 months, %	1.8	-1.2	1.8
Return on capital emplyed, rolling 12 months, %	4.6	4.6	5.3
Operating profit, % of net sales	-1.5	-0.3	2.0
Equity ratio, %	33.8	33.1	40.6
Gearing, %	52.2	57.2	33.6
Interest-bearing net liabilities, EUR mill.	165.2	211.7	126.8
Gross investments, EUR mill.	6.8	5.2	10.3
Order book, EUR mill.	1,495.7	1,667.1	1,180.3
- of which orders outside Finland, EUR mill.	344.2	561.1	127.4
Personnel at the end of period	5,391	5,747	4,059
Basic and diluted earnings per share, EUR	-0.83	-0.90	-0.15
Equity per share, EUR	13.63	15.95	16.28
Dividend per share, EUR			0.12[1]
Dividend per earnings, %			38.5
Market capitalisation at the end of period, EUR mill.	301.6	270.8	320.0
Share price at the end of period, EUR	13.00	11.67	13.79
Share trading (Nasdaq Helsinki), 1,000 shares	585	1,186	2,612
Number of issued shares, total	23,219,900	23,219,900	23,219,900
Number of treasury shares	16,687	16,687	16,687
Weighted average number of shares outstanding	23,193,101	23,192,229	23,192,760

Diluted weighted average number of shares outstanding	23,193,101	23,192,229	23,192,760

[1)] Dividend for the financial year ended 31 December 2015, resolved by Annual General Meeting 22 March 2016
[2)] The figures include the effect of non-current assets classified as held for sale

11) PROPERTY, PLANT AND EQUIPMENT

EUR mill.	6/2016	6/2015	12/2015
Cost in the beginning of accounting period	408.6	437.6	437.6
Translation difference	3.0	4.1	-5.2
Increases	6.3	4.9	9.4
Disposals	-11.4	-12.4	-33.4
Transfers between items	-0.1		0.2
Accumulated depreciation at the end of period	-262.0	-262.7	-259.5
Transferred to non-current assets held for sale		-2.6	
Carrying amount at the end of accounting period	**144.5**	**169.0**	**149.1**

12) 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

					CARRYING	FAIR
EUR mill.	A	B	C	D	AMOUNT	VALUE
30.6.2016						
Non-current financial assets						
Available-for-sale financial assets			2.7		2.7	2.7
Other non-current receivables		0.5			0.5	0.3
Current financial assets						
Trade and other receivables		281.7			281.7	281.7
Derivative assets	0.8				0.8	0.8
Available-for-sale financial assets					0.0	0.0
Cash and cash equivalents		116.2			116.2	116.2
Financial assets total	**0.8**	**398.4**	**2.7**		**402.0**	**401.8**
Non-current financial liabilities						
Interest-bearing liabilities				119.9	119.9	124.5
Other non-current liabilities				0.3	0.3	0.3

Current financial liabilities						
Interest-bearing liabilities				161.5	161.5	161.5
Trade payables and other financial liabilities [1]				267.5	267.5	267.5
Derivative liabilities	2.5				2.5	2.5
Financial liabilities total	**2.5**			**549.2**	**551.6**	**556.3**

EUR mill.	A	B	C	D	CARRYING AMOUNT	FAIR VALUE
30.6.2015						
Non-current financial assets						
Available-for-sale financial assets			3.0		3.0	3.0
Other non-current receivables		0.5			0.5	0.3
Current financial assets						
Trade and other receivables		228.9			228.9	228.9
Derivative assets	0.4				0.4	0.4
Available-for-sale financial assets			25.1		25.1	25.1
Cash and cash equivalents		121.2			121.2	121.2
Financial assets total	**0.4**	**350.7**	**28.1**		**379.2**	**379.0**
Non-current financial liabilities						
Interest-bearing liabilities				137.4	137.4	137.2
Other non-current liabilities				0.7	0.7	0.7
Current financial liabilities						
Interest-bearing liabilities				207.7	207.7	207.7
Trade payables and other financial liabilities [1]				233.6	233.6	233.6
Derivative liabilities	5.2				5.2	5.2
Financial liabilities total	**5.2**			**579.4**	**584.6**	**584.4**

[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.

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

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

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

EUR mill.	Level 2	Level 3	Total
30.6.2016			
Available-for-sale financial assets			
Equity instruments		2.7	2.7
Derivative instruments			
Derivative assets	0.2	0.7	0.8
Derivative liabilities	1.2	1.3	2.5

EUR mill.	Level 2	Level 3	Total
30.6.2015			
Available-for-sale financial assets			
Equity instruments		2.8	2.8
Money market investments	25.1		25.1
Derivative instruments			
Derivative assets	2.2	0.1	2.4
Derivative liabilities	1.5	1.3	2.7

Level 3 reconciliation statement

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

EUR mill.	A	B
Opening balance 1.1.2016	-3.7	2.7
Additions		0.1
Disposals		0.0
Gains and losses recognised through profit or loss, total	3.1	
Fair values 30.6.2016	**-0.6**	**2.7**

13) RELATED PARTY TRANSACTIONS

EUR mill.	6/2016	6/2015	12/2015
Sales to associates and joint ventures	0.5	0.8	1.7
Sales to a key management personnel and their related parties			0.1
Total	**0.5**	**0.8**	**1.8**
Purchases from associates and joint ventures	0.3	2.5	5.2
Purchases from key management personnel and their related parties			0.2
Total	**0.3**	**2.5**	**5.3**
Trade receivables from associates and joint ventures	0.4	0.7	0.0
Loan receivables from associates and joint ventures	0.3	0.2	0.3

Trade receivables from key management personnel and their related parties			0.1
Total	**0.7**	**1.0**	**0.4**
Accounts payable to associates and joint ventures	**0.1**	**0.0**	**0.2**

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

14) CONTINGENT ASSETS AND LIABILITIES

EUR mill.	6/2016	6/2015	12/2015
Collateral notes of companies included in inventory[1)]	158.4	190.8	173.4
Pledged deposits			
On own behalf	0.0		0.0
Guarantees			
On behalf of associates and joint ventures	2.0	13.3	12.4
On behalf of consortiums and real estate companies	0.3	1.8	1.8
On behalf of others[2)]	5.6		10.2
Total	**7.8**	**15.0**	**24.4**
Minimum lease payments of irrevocable lease contracts			
One year or less	12.5	9.2	10.7
Over one year but no more than five years	29.0	21.3	21.1
Over five years	8.3	11.1	8.4
Total	**49.7**	**41.6**	**40.2**
Purchase commitments of investments	3.9	0.8	1.1
Derivative contracts			
Forward foreign exchange contracts			
Nominal value	69.7	101.9	60.2
Fair value	-0.1	1.6	1.7
Interest rate swap contracts			
Nominal value	40.0	40.0	40.0
Fair value	-1.0	-0.9	-1.0
Commodity derivatives			
Nominal value	21.0	11.3	13.2
Fair value	-0.6	-1.1	-3.9

[1)] Collateral notes for companies included in inventories are given for collateral security for their debts.
[2)] The guarantees have been granted on behalf of the building construction business in Sweden (Rekab Entreprenad AB) which was divested on 1 September 2015. The acquiring parties have set a counter-commitment for part of these guarantees.

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.

Litigation

On 28 November 2013, the District Court of Helsinki issued its decisions concerning damages related to the asphalt cartel. In line with the decisions, Lemminkäinen recorded approximately EUR 66 million in expenses in its 2013 result. Of this, approximately EUR 60 million consisted of damages ordered only to Lemminkäinen, Lemminkäinen's share of the damages ordered to it and other asphalt industry companies to be paid jointly and severally, as well as interest and legal expenses related to the damages. This amount was paid by the company in January 2014. Lemminkäinen has appealed against all 35 decisions, where the plaintiffs' claims were upheld, 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 oral hearing of the legal proceedings concerning the damages which the Helsinki District Court decided on in November 2013 started at the Helsinki Court of Appeal on 2 March 2015 and ended on 1 October 2015. The Court has not yet confirmed the exact time when it will give its verdicts but has preliminary stated that the verdicts will be given during 2016. The 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 13.4 million provision for them.

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