FINANCIAL STATEMENTS

1 JAN–31 JAN 2018

Contents

Board of Directors' report

Please note that the comparison period is 1 January—31 December 2017.

GROUP KEY FIGURES

Key figures, IFRS		1/2018	1–12/2017
Net sales	M€	68.2	1,847.2
Paving	M€	10.0	656.4
Infra projects	M€	21.9	475.4
Building construction, Finland	M€	32.8	655.1
Russian operations	M€	4.1	93.0
Other operations and Group eliminations	M€	-0.7	-32.8
Operating profit	M€	-27.5	41.8
Paving	M€	-12.9	3.3
Infra projects	M€	-2.9	7.5
Building construction, Finland	M€	-1.1	36.7
Russian operations	M€	-1.8	-0.8
Other operations	M€	-8.8	-5.0
Operating margin	%	-40.3	2.3
Paving	%	-128.7	0.5
Infra projects	%	-13.3	1.6
Building construction, Finland	%	-3.3	5.6
Russian operations	%	-43.6	-0.8
Pre-tax profit	M€	-31.5	25.7
Profit for the period	M€	-29.5	6.4
Earnings per share for the period, basic	€	-1.25	0.17
Earnings per share for the period, diluted	€	-1.25	0.17
Cash flow from operating activities	M€	-39.6	-13.6

Key figures, IFRS		31 Jan 2018	31 Dec 2017
Order book	M€	1,299.0	1,305.6
Operating capital	M€	451.0	442.7
Balance sheet total	M€	872.0	926.8
Interest-bearing net debt	M€	202.7	127.9
Equity ratio[1)]	%	34.8	39.9
Gearing[1)]	%	79.6	40.0

[1)] Hybrid bond is treated as debt (included in equity on 31 Dec 2017).
ROCE has not been presented as due to the seasonal nature of the business it would not give meaningful information on the company's business.

MAJOR EVENTS DURING THE REPORTING PERIOD

MERGER OF LEMMINKÄINEN AND YIT

Lemminkäinen Corporation and YIT Corporation announced on 19 June 2017 the plan to combine the two companies

- Through the combination, a platform for the growth into one of the leading urban developers in the Northern European construction market is created.
- The combination will create significant value for the shareholders of the combined company through decreased sensitivity to economic cycles and improved competitiveness providing a strong platform for growth. The combination of Lemminkäinen and YIT will form a balanced business portfolio of Housing, Infrastructure projects, Paving, Business premises and Partnership properties.
- The combination was implemented as a statutory absorption merger whereby Lemminkäinen merged into YIT, Lemminkäinen's shareholders received YIT shares as merger consideration and Lemminkäinen ceased to exist. Lemminkäinen's shareholders received as merger consideration 3.6146 new shares in YIT for each share in Lemminkäinen owned by them, corresponding to an ownership in the combined company post-completion of 60% for YIT shareholders and 40% for Lemminkäinen shareholders.

The Extraordinary General Meetings of Lemminkäinen and YIT held on 12 September 2017 approved the merger. The Boards of Directors of both companies approved the completion of the merger on 31 January 2018 and the merger was completed on 1 February 2018.

GROUP PERFORMANCE

NET SALES

Net sales by segment		1/2018	1–12/2017
Paving	M€	10.0	656.4
Infra projects	M€	21.9	475.4
Building construction, Finland	M€	32.8	655.1
Russian operations	M€	4.1	93.0
Other operations and Group eliminations	M€	-0.7	-32.8
Group, total	M€	68.2	1,847.2

Net sales by country		1/2018	1–12/2017
Finland	M€	50.6	1,215.7
Scandinavia	M€	10.5	388.9
Russia	M€	4.1	93.0
Baltic countries	M€	2.9	149.6
Group, total	M€	68.2	1,847.2

In January 2018, the Group's net sales totalled EUR 68.2 million (1,847.2). In Paving, net sales was low due to the usual winter break in paving. In Infra projects, net sales was low due to the usual seasonality of the business. In Building construction, Finland, net sales was low due to seasonal fluctuation in completion of residential projects. In Russian operations, net sales was impacted by the Russian New Year and the usual winter break in paving.

OPERATING PROFIT

Operating profit by segment		1/2018	1–12/2017
Paving	M€	-12.9	3.3
Infra projects	M€	-2.9	7.5
Building construction, Finland	M€	-1.1	36.7
Russian operations	M€	-1.8	-0.8
Business segments, total	M€	-18.7	46.7
Other operations	M€	-8.8	-5.0
Group, total	M€	-27.5	41.8

Operating margin by segment		1/2018	1–12/2017
Paving	%	-128.7	0.5
Infra projects	%	-13.3	1.6
Building construction, Finland	%	-3.3	5.6
Russian operations	%	-43.6	-0.8
Group, total	%	-40.3	2.3

In January 2018, the Group's operating profit was EUR -27.5 million (41.8). The operating margin was -40.3% (2.3).

In Paving, operating profit was impacted by the low volumes due to the usual winter break in paving. In Infra projects, operating profit was impacted by the low volumes due to the usual seasonality of the business. In Building construction, Finland, operating profit was impacted by low volumes due to seasonal fluctuation in completion of residential projects. In Russian operations, operating profit was impacted by the low volumes due to the Russian New Year and the winter break in paving. At the end of the month, the company had 1 unsold completed unit (1) in Russia.

The operating profit for other operations includes EUR 7.6 million transaction costs related to the merger of Lemminkäinen and YIT.

The Group's adjusted operating profit was EUR -19.9 million (46.6).The adjusted operating margin was -29.1% (2.5) of net sales.

ORDER BOOK

Order book and order inflow		Order book at the end of period 31 Jan 2018	31 Dec 2017	Order inflow during the period 1/2018	1–12/2017
Paving	M€	190.5	175.4	14.2	483,7
Infra projects	M€	258.1	271.2	20.0	243,0
Building construction, Finland	M€	788.5	794.9	25.6	466,7
Russian operations	M€	61.9	64.1	0.0	19,1
Group, total	M€	1,299.0	1,305.6	59.8	1,212,5
– of which unsold	M€	92.5	88.9		

At the end of January 2018, the Group's order book stood at EUR 1,299.0 million (1,305.6). The January 2018 order inflow was EUR 59.8 million (1,212.5).

BALANCE SHEET, FINANCING AND CASH FLOW

Balance sheet and financing		31 Jan 2018	31 Dec 2017
Key figures, balance sheet			
Equity ratio[1]	%	34.8	39.9
Gearing[1]	%	79.6	40.0
Capital employed	M€	478.9	505.2
Operating capital	M€	451.0	442.7
Net working capital	M€	264.8	257.3
Financial position and liquidity			
Interest-bearing debt	M€	224.3	185.8
– of which long-term liabilities	M€	113.7	114.6
– of which short-term liabilities	M€	110.6	71.2
Liquid funds	M€	21.6	57.9
Interest-bearing net debt	M€	202.7	127.9
Available committed credit limits	M€	200.0	200.0
Available overdraft limits	M€	12.4	12.4

[1] Hybrid bond is treated as debt on 31 Jan 2018 (included in equity on 31 Dec 2017)
ROCE has not been presented as due to the seasonal nature of the business it would not give meaningful information on the company's business.

On 31 January 2018, the balance sheet total was EUR 872.0 million (926.8), of which shareholders' equity accounted for EUR 254.5 million (319.3).

On 31 January 2018, the company announced that it will redeem the outstanding share of the EUR 70 million hybrid bond. The outstanding nominal amount is EUR 35.2 million. The hybrid bond was recorded under equity before the redemption decision and was shown as short-term interest-bearing debt in the balance sheet 31 January 2018. The redemption will be made on 30 March 2018 in accordance with the terms and conditions of the hybrid bond, and as a result thereof the payment will take place on 3 April 2018.

The Group's operating capital on 31 January 2018 amounted to EUR 451.0 million (442.7). At the end of January 2018, net working capital stood at EUR 264.8 million (257.3).

Interest-bearing debt at the end of January 2018 amounted to EUR 224.3 million (185.8) and interest-bearing net debt totalled EUR 202.7 million (127.9). Long-term interest-bearing debt accounted for 50.7% (61.7) of the loan portfolio at the end of the month. Liquid funds totalled EUR 21.6 million (57.9). Of the company's interest-bearing debt, EUR 134.6 million (99.4) comprises bonds, EUR 64.9 million (61.7) borrowings of housing and commercial property companies included in inventory, EUR 24.2 million (24.4) finance lease liabilities and EUR 0.6 million (0.4) other financial liabilities. No commercial papers were outstanding at the end of January 2018 or at the end of 2017. Of the loan portfolio, 69% (64) was at a fixed interest rate.

At the end of January 2018, the company had available committed revolving credit facilities worth EUR 200.0 million (200.0) and overdraft limits worth EUR 12.4 million (12.4).

Net finance costs in January 2018 amounted to EUR 4.0 million (16.0). January finance costs were affected by the interests of the hybrid bond, which were earlier booked in the equity, and by certain merger related transaction costs.

Cash flow from operating activities in January 2018 amounted to EUR –39.6 million (–13.6).

BUSINESS SEGMENTS

PAVING

Operating environment
The state investments in paving remained stable in Finland. In Sweden, the market was solid and in Norway state investments increased. In Denmark, price competition remained intense.

Key figures for Paving		1/2018	1–12/2017
Net sales	M€	10.0	656.4
Operating profit	M€	-12.9	3.3
% of net sales	%	-128.7	0.5
Order inflow	M€	14.2	483.7
Order book[1]	M€	190.5	175.4
Operating capital[1]	M€	185.3	181.3

[1] at the end of the period

Net sales in January 2018 totalled EUR 10.0 million (656.4) of which 64% (53) from Finland and 36% (47) from Scandinavia. Net sales was low due to the usual winter break in paving. The operating profit was EUR –12.9 million (3.3). Operating profit was impacted by the low volumes due to the usual winter break in paving.

At the end of January 2018, operating capital stood at EUR 185.3 million (181.3).

INFRA PROJECTS

Operating environment

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

Key figures for Infra projects		1/2018	1–12/2017
Net sales	M€	21.9	475.4
Operating profit	M€	-2.9	7.5
% of net sales	%	-13.3	1.6
Order inflow	M€	20.0	243.0
Order book[1]	M€	258.1	271.2
Operating capital[1]	M€	76.4	71.1

[1] at the end of the period

Net sales in January 2018 totalled EUR 21.9 million (475.4) of which 54% (50) from Finland, 32% (18) from Scandinavia and 14% (32) from the Baltic countries. Net sales was low due to the usual seasonality of the business. The operating profit was EUR –2.9 million (7.5). The operating profit was impacted by the low volumes due to the usual seasonality of the business. At the end of January 2018, operating capital stood at EUR 76.4 million (71.1).

BUILDING CONSTRUCTION, FINLAND

Operating environment

The overall market situation in building construction was strong. Residential construction continued to be brisk, still focusing on small apartments in urban growth centres. Both consumer and investor activity have remained relatively stable. Individual large projects and public sector works maintained demand for non-residential construction.

Key figures for Building construction, Finland		1/2018	1–12/2017
Net sales	M€	32.8	655.1
Operating profit	M€	-1.1	36.7
% of net sales	%	-3.3	5.6
Order inflow	M€	25.6	466.7
Order book[1]	M€	788.5	794.9
Operating capital[1]	M€	223.1	217.8

[1] at the end of the period

Net sales in January 2018 totalled EUR 32.8 million (655.1). Net sales was low due to seasonal fluctuation in completion of residential projects. Sales of residential development units in January 2018 were 74 units (1,343). The operating profit was EUR –1.1 million (36.7). Operating profit was impacted by low volumes due to seasonal fluctuation in completion of residential projects.

At the end of January 2018, the number of unsold completed units was 133 (112). The operating capital stood at EUR 223.1 million (217.8) at the end of the month.

Lemminkäinen's residential production (development projects and negotiated contracting)		1/2018	1–12/2017
Started	units	129	1,621
– of which development projects	units	39	1,387
Completed	units	74	1,341
– of which development projects	units	74	870
Sold	units	164	1,565
– of which development projects	units	74	1,343
Sales to investors	%	4	15
Under construction [1]	units	1,784	1,729
– of which unsold [1]	units	486	543
Unsold completed [1]	units	133	112
Land bank, balance sheet value [1]	M€	117.3	110.6
Started in competitive contracting	units	0	286

[1] at the end of the period

RUSSIAN OPERATIONS

Operating environment

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

Key figures for Russian operations		1/2018	1–12/2017
Net sales	M€	4.1	93.0
Operating profit	M€	-1.8	-0.8
% of net sales	%	-43.6	-0.8
Order inflow	M€	0.0	19.1
Order book[1]	M€	61.9	64.1
Operating capital[1]	M€	44.2	44.9

[1] at the end of the period

Net sales in January 2018 totalled EUR 4.1 million (93.0). Net sales was impacted by the Russian New Year and the usual winter break in paving. The operating profit was EUR –1.8 million (–0.8). Operating profit was impacted by the low volumes due to the Russian New Year and the winter break in paving.

At the end of January 2018, the company had 1 unsold completed unit in Russia (1). The operating capital stood at EUR 44.2 million (44.9).

INVESTMENTS

Gross investments in January 2018 amounted to EUR 1.0 million (24.8), representing 1.5% (1.3) of the company's net sales.

PERSONNEL

At the end of January 2018, Lemminkäinen employed 4,030 people (4,632), a decrease of 602 people from the end of December 2017. Roughly half of the personnel is employed in Finland. The main reason for the decrease was the planned decrease in Paving during the winter season. Of the personnel at the end of January 2018, 1,946 (2,005) were white-collar workers and 2,084 (2,627) were blue-collar workers.

Personnel by business segment		31 Jan 2018	31 Dec 2017
Paving	persons	1,104	1,400
Infra projects	persons	1,144	1,298
Building construction, Finland	persons	1,023	1,041
Russian operations	persons	635	769
Parent company and others	persons	124	124
Group, total	persons	4,030	4,632

Personnel by country		31 Jan 2018	31 Dec 2017
Finland	persons	2,114	2,301
Sweden, Norway, Denmark	persons	681	833
Baltic countries	persons	598	726
Russia	persons	635	769
Other countries	persons	2	3
Group, total	persons	4,030	4,632

OCCUPATIONAL SAFETY AND ENVIRONMENT

Lemminkäinen monitored monthly the lost time accident rate. The company also monitored the lost time accident rate for subcontractors. Lemminkäinen's lost time accident rate for own personnel was 6.7 (7.0) (accidents resulting in an absence of more than one day/million working hours) in 12 months between 1 February 2017 and 31 January 2018.

In January 2018, there were no material occupational safety and environment related activities in Lemminkäinen.

RESEARCH AND DEVELOPMENT

In January 2018, there were no material research and development activities in Lemminkäinen.

SHARES AND SHAREHOLDERS

The company had one share class. Each share carried one vote at a general meeting of shareholders and entitled an equal right to dividend. At the end of January 2018, Lemminkäinen's share capital was EUR 34,042,500 and the total number of shares was 23,219,900.

TRADING WITH SHARES

On 31 January 2018, the market capitalisation of Lemminkäinen's shares stood at EUR 554.6 million (530.7). The price of Lemminkäinen Corporation's share on Nasdaq Helsinki Ltd was EUR 22.87 (20.40) on 1 January 2018 and EUR 23.90 (18.06) on 31 January 2018. In addition to on the Nasdaq Helsinki Ltd, Lemminkäinen's share was also traded on alternative markets. The total trading volume during January 2018 was 1,288,549 shares (6,371,409), of which alternative markets accounted for 10% (7). (Source: Fidessa Fragmentation Index, http://fragmentation.fidessa.com).

The shares of Lemminkäinen Corporation were for the last time on the list of Nasdaq Helsinki Ltd on 31 January 2018.

SHAREHOLDERS

On 31 January 2018, the company had 3,916 shareholders (3,928). Nominee-registered and non-Finnish shareholders held 9.2% (8.2) of all Lemminkäinen Corporation shares and voting rights.

SHAREHOLDER AGREEMENTS

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

FLAGGING NOTIFICATIONS

Lemminkäinen did not receive any flagging notifications in January 2018.

TREASURY SHARES

On 31 January 2018, Lemminkäinen held 15,000 of its own shares, which accounted for 0.06% of all shares.

LEGAL PROCEEDINGS

DAMAGES RELATED TO THE ASPHALT CARTEL

On 6 September 2017, the Supreme Court announced that it had granted leave to appeal to Lemminkäinen and the city of Vantaa regarding the legal proceedings concerning the damages related to the asphalt cartel. Concerning Lemminkäinen, there were 13 pending requests for leave to appeal submitted by Lemminkäinen as well as 19 requests for leave to appeal submitted by municipalities in the Supreme Court concerning the Helsinki Court of Appeal's decisions on 20 October 2016 regarding damages related to the asphalt cartel.

Lemminkäinen was granted leave to appeal in the cases concerning the cities of Mikkeli and Rovaniemi. The leave to appeal concerns the question whether the liability for compensation of Lemminkäinen has decreased due to the fact that the other parties' liability was time barred. The other applications for leave to appeal by Lemminkäinen will await the decisions to be rendered in the cases where leave to appeal was granted.

The leave to appeal granted to the city of Vantaa concerns the question whether Skanska Asfaltti Oy, NCC Industry Oy and Asfaltmix Oy were liable for damages caused by the cartel to the city based on the fact that the companies had acquired businesses from companies involved in the cartel. The question whether leave to appeal will be granted to Lemminkäinen and to the city of Vantaa, concerning other than the above mentioned issues, will be resolved in connection with the appeal.

According to the Supreme Court's decisions on 6 September 2017, the applications for leave to appeal of 16 cities or municipalities concerning Lemminkäinen were dismissed entirely. The application for leave to appeal by the city of Espoo will await the decisions to be rendered in the cases where leave to appeal was granted.

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

Of these reimbursements, Lemminkäinen was entitled to receive refunds (based on Lemminkäinen's own share and those shares of other defendants that Lemminkäinen has paid) in total approximately EUR 19 million consisting of capital as well as interest and legal expenses. Lemminkäinen recorded the reimbursement as income in its fourth-quarter result in 2016.

Lemminkäinen has as such deemed the claims for damages unfounded. After Helsinki Court of Appeal's decisions, Lemminkäinen has settled with 17 municipalities and the State of Finland. The parties agreed not to request leave to appeal from the Supreme Court or to withdraw their leave to appeal concerning the Helsinki Court of Appeal's decisions.

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 approximately EUR 3.1 million based on the Helsinki Court of Appeal's decisions and the subsequent Supreme Court's decisions regarding the applications for leave to appeal.

QUOTAS RELATED TO THE USE OF RECYCLED ASPHALT

On 11 April 2017, the Helsinki Court of Appeal gave its decision concerning environmental infraction charges.

The Court of Appeal amended the District Court of Tuusula's liberating decision from June 2015 regarding environmental infraction charges against Lemminkäinen and two of its employees. The decision 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 demanded a confiscation of illegal profit of EUR 3.4 million and a corporate fine of at least EUR 120,000 from Lemminkäinen.

As the District Court, the Court of Appeal has viewed that the use of recycled asphalt in asphalt production does not spoil the environment. However, the defendants who were responsible for operating the Sammonmäki asphalt plant had neglected the compliance with the environmental permit as the asphalt plant had used more recycled asphalt than allowed in the environmental permit. Therefore, the two Lemminkäinen employees were sentenced to fines for breaching the environmental protection law.

In addition, Lemminkäinen was sentenced to a confiscation of illegal profit of EUR 3.4 million, which, according to the Court of Appeal, the company saved in its production costs by exceeding its recycled asphalt quotas. Lemminkäinen recorded the debt in its first quarter 2017 result. The claim related to the corporate fine was rejected.

Lemminkäinen has as such deemed the claim without foundation. Lemminkäinen and one of its employees have requested leave to appeal from the Supreme Court concerning Helsinki Court of Appeal's decision.

QUALITY CONCERNS RELATED TO READY-MIXED CONCRETE

In its construction business Lemminkäinen uses as a raw material, among other things, ready-mixed concrete. During the year 2016, especially in some infrastructure projects, suspicions have arisen that the ready-mixed concrete used in Finland would not entirely fulfill the predetermined quality requirements. As discussed in public in Finland, some quality problems have arisen for example during the construction of the concrete deck of the T3 building of Turku University Hospital, where Lemminkäinen is the project management contractor. It is claimed that the ready-mixed concrete would not fulfill the quality requirements, which even has led to the demolition of some structures.

The Hospital District of Southwest Finland, as client in the project for the construction of the concrete deck of the T3 building of Turku University Hospital, has presented claims for damages to Lemminkäinen relating to the quality of the ready-mixed concrete. The capital amount of these claims is currently approximately EUR 17 million.

According to Lemminkäinen, the responsible party for the quality of the concrete is the supplier. Consequently, Lemminkäinen has filed a claim to the District Court of Helsinki for compensation from the supplier, Rudus Oy, regarding the expenses relating to possible quality deviations. The capital amount of the claim is currently approximately EUR 20 million.

Lemminkäinen has not made any provisions for the claims.

RISKS AND UNCERTAINTIES

Lemminkäinen Corporation and YIT Corporation merged on 1 February 2018. Therefore Lemminkäinen Corporation gave no forward-looking statements.

MARKET OUTLOOK

Lemminkäinen Corporation and YIT Corporation merged on 1 February 2018. Therefore Lemminkäinen Corporation gave no forward-looking statements.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The merger of Lemminkäinen Corporation into YIT Corporation was implemented on 1 February 2018, whereby Lemminkäinen merged into YIT and Lemminkäinen Corporation ceased to exist. Due to the merger, the Board of Directors makes no proposal for the distribution of profit for the financial month that ended on 31 January 2018.

PROFIT GUIDANCE FOR 2018

Lemminkäinen Corporation and YIT Corporation merged on 1 February 2018. Therefore Lemminkäinen Corporation gave no forward-looking statements.

MAJOR EVENTS AFTER THE REPORTING PERIOD

MERGER OF LEMMINKÄINEN AND YIT

The Boards of Directors of Lemminkäinen and YIT approved the merger on 31 January 2018 and the merger was completed on 1 February 2018.

CHANGES TO THE TERMS AND CONDITIONS OF LEMMINKÄINEN'S EUR 100 MILLION SENIOR UNSECURED NOTES

In the third quarter 2017, the noteholders' meeting approved the changes to the terms and conditions of Lemminkäinen's EUR 100 million senior unsecured notes. The changes became effective at the completion of the merger of Lemminkäinen and YIT on 1 February 2018.

Helsinki, 8 March 2018

LEMMINKÄINEN CORPORATION

Board of Directors

Consolidated income statement (IFRS)

EUR million	Note	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Net sales	1, 2	68.2	1,847.2
Other operating income	3	0.5	8.3
Change in inventories of finished goods and work in progress		4.7	-14.9
Production for own use		0.0	0.3
Use of materials and services		63.9	1,323.7
Employee benefit expenses	21, 22, 23	21.8	310.3
Depreciation and amortisation	1, 4	1.1	31.5
Impairment	1, 4		0.3
Other operating expenses	3	13.7	133.4
Share of the profit of associates and joint ventures	24	-0.5	0.1
Operating profit		-27.5	41.8
Finance income	5	0.0	0.4
Finance costs	5	4.0	16.5
Profit before income taxes		-31.5	25.7
Income taxes	6	2.0	-19.3
Profit for the financial year		-29.5	6.4
Profit for the financial year attributable to			
Equity holders of the parent company		-29.5	6.4
Non-controlling interests		0.0	0.0
Earnings per share, basic, EUR	7	-1.25	0.17
Earnings per share, diluted, EUR	7	-1.25	0.17

Consolidated statement of comprehensive income (IFRS)

EUR million	Note	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Profit for the financial year		-29.5	6.4
Items that will not be reclassified to profit or loss			
Defined benefit pension obligations	23, 29		-0.6
Items that may be reclassified subsequently to profit or loss			
Translation differences	20, 29	0.5	-2.8
Other comprehensive income, total		0.5	-3.4
Comprehensive income for the financial year		-29.1	3.0
Comprehensive income for the financial year			
Equity holders of the parent company		-29.1	3.0
Non-controlling interests		0.0	0.0

Consolidated statement of financial position (IFRS)

EUR million	Note	31 Dec 2017	1 Jan 2018*	31 Jan 2018
ASSETS				
Non-current assets				
Property, plant and equipment	12	126.2	126.2	126.7
Goodwill	13	52.9	52.9	53.2
Intangible assets	13	6.3	6.3	6.3
Investments in associates and joint ventures	24	4.5	4.5	4.1
Equity investments	18	1.8	1.8	1.8
Deferred tax assets	6	7.1	7.4	8.2
Other non-current receivables	9	0.4	0.4	0.3
		199.3	199.5	200.6
Current assets				
Inventories	8	366.4	366.4	378.4
Trade and other receivables	9	302.2	301.1	270.3
Income tax receivables		1.0	1.0	1.1
Cash and cash equivalents	16	57.9	57.9	21.6
		727.5	726.4	671.4
Total assets		926.8	925.9	872.0
EQUITY AND LIABILITIES				
Emoyhtiön omistajille kuuluva oma pääoma				
Share capital	20	34.0	34.0	34.0
Share premium account		5.7	5.7	5.7
Invested non-restricted equity fund		91.5	91.5	91.5
Hybrid bonds	20	34.8	34.8	
Translation differences	20	-21.4	-21.4	-20.9
Retained earnings		168.3	173.8	173.8
Profit for the financial year		6.4		-29.5
		319.3	318.4	254.5
Non-controlling interests	24	0.0	0.0	0.0
Total equity		319.3	318.5	254.5
Non-current liabilities				
Interest-bearing liabilities	15	114.6	114.6	113.7
Deferred tax liabilities	6	9.0	9.0	7.9
Pension obligations	23	0.3	0.3	0.3
Provisions	11	15.4	15.4	13.4
Other non-current liabilities	10	0.0	0.0	0.0
		139.4	139.4	135.3
Current liabilities				
Interest-bearing liabilities	15	71.2	71.2	110.6
Provisions	11	12.8	12.8	13.7
Advance payments received	10	126.9	126.9	139.9
Trade and other payables	10	256.7	256.7	217.5
Income tax liabilities		0.6	0.6	0.5
		468.1	468.1	482.2
Total liabilities		607.5	607.5	617.5
Total equity and liabilities		926.8	925.9	872.0

* Opening balance 1 Jan 2018 is presented due to adoption of IFRS 9.

Consolidated cash flow statement (IFRS)

EUR million	Note	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Cash flows from operating activities			
Profit before taxes		-31.5	25.7
Adjustments	28		
Depreciation and impairment		1.1	31.8
Share of the profit of associates and joint ventures		0.5	-0.1
Finance income and costs		4.0	16.0
Other adjustments		-1.1	2.9
Cash flows before change in working capital		-27.1	76.4
Change in working capital			
Increase (-)/decrease(+) in trade and other receivables		29.8	-68.6
Increase (-)/decrease(+) in inventories		-11.9	-14.0
Increase (+)/decrease(-) in current liabilities		-25.9	13.1
Cash flows from operations before financial items and taxes		-35.1	6.9
Interest paid		-4.1	-15.8
Other finance costs paid		-0.2	-4.6
Dividends received			0.7
Interest received		0.0	0.4
Other finance income received			0,0
Income tax paid		-0.1	-1.3
Cash flow from operating activities		-39.6	-13.6
Cash flows from investing activities			
Purchases of property, plant and equipment		-0.7	-18.3
Proceeds from sale of property, plant and equipment		0.2	6.8
Purchases of intangible assets		0.0	-0.8
Proceeds from sale of other investments available-for-sale			0.1
Cash flow from investing activities		-0.5	-12.2
Cash flows from financing activities			
Increase (-)/decrease(+) of long-term loan receivables		0.1	0,0
Proceeds from short-term borrowings	15	19.3	170.1
Repayments of short-term borrowings	15	-15.2	-189.7
Proceeds from long-term borrowings	15	0.3	0,0
Repayments of long-term borrowings	15	-0.2	-0.2
Repayments of finance lease liabilities	15	-0.7	-11.8
Dividends paid			-15.3
Cash flow from financing activities		3.6	-46.9
Increase (+)/decrease(-) in cash and cash equivalents		-36.5	-72.8
Cash and cash equivalents at beginning of financial year		57.9	131.4
Translation difference of cash and cash equivalents		0.2	-0.7
Cash and cash equivalents at end of financial year	16	21.6	57.9

Consolidated statement of changes in equity (IFRS)

EUR million	Note	Share capital	Share premium account	Invested non-re-stricted equity fund	Hybrid bonds	Trans-lation differ-ences	Re-tained earnings	Parent company sharehold-ers' equity	Non-con-trolling interest	Total equity
Equity 1 Jan 2017		34.0	5.7	91.4	34.8	-18.6	186.3	333.7	0.0	333.7
Profit for the financial year							6.4	6.4	0.0	6.4
Items that will not be reclassified to profit or loss										
Pension obligations	23						-0.6	-0.6		-0.6
Items that may be reclassified subsequently to profit or loss										
Translation differences	20					-2.8		-2.8		-2.8
Comprehensive income for the financial year						-2.8	5.8	3.0	0.0	3.0
Hybrid bonds' interests and costs	20						-2.5	-2.5		-2.5
Dividends	20						-15.3	-15.3		-15.3
Share-based incentives				0.0			0.4	0.4		0.4
Transactions with owners, total				0.0			-17.4	-17.4		-17.4
Equity 31 Dec 2017		34.0	5.7	91.5	34.8	-21.4	174.7	319.3	0.0	319.3
Equity 1 Jan 2018		34.0	5.7	91.5	34.8	-21.4	174.7	319.3	0.0	319.3
IFRS 9 adjustment	14						-0.9	-0.9		-0.9
Adjusted equity 1 Jan 2018		34.0	5.7	91.5	34.8	-21.4	173.8	318.4	0.0	318.5
Profit for the financial year							-29.5	-29.5	0.0	-29.5
Items that may be reclassified subsequently to profit or loss										
Translation differences	20					0.5		0.5		0.5
Comprehensive income for the financial year						0.5	-29.5	-29.1	0.0	-29.1
Share-based incentives							0.0	0.0		0.0
Transactions with owners, total							0.0	0.0		0.0
Hybrid bonds	20				-34.8			-34.8		-34.8
Equity 31 Jan 2018		34.0	5.7	91.5		-20.9	144.2	254.5	0.0	254.5

Accounting policies applied in the IFRS consolidated financial statements, 31 January 2018

BASIC INFORMATION ON THE COMPANY

Lemminkäinen Corporation is a public limited company established under the laws of Finland and domiciled in Helsinki. The company's registered address is Salmisaarenaukio 2, 00180, Helsinki, Finland. Lemminkäinen Corporation is the parent company of the Group which shares are quoted on Nasdaq Helsinki Ltd. The parent company together with its subsidiaries comprises the Lemminkäinen Group (later "the Group" or "the company"). The Group produces infrastructure and building construction services mainly in Finland, other Nordic countries, Russia and the Baltic countries.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations to them (IFRIC) in effect on January 31, 2018 as adopted by the EU. The notes to the consolidated financial statements are also in accordance with Finnish accounting and corporate legislation supplemental to the IFRS regulations.

When preparing the financial statements, the company management has to make accounting estimates and assumptions about the future, as well as judgement-based decisions on the application of the accounting policies. These estimates and decisions may affect the reported amounts of assets, liabilities, income and expenses for the accounting period as well as the recognition of contingent items. The estimates and assumptions are based on historical knowledge and other justifiable assumptions which are considered to be reasonable at the time of preparing the financial statements. It is possible that actuals differ from the estimates used in the financial statements. The estimates relate mainly to:

- assumptions made concerning goodwill impairment testing
- recoverability of deferred taxes
- the amount of obsolete inventory
- recognition of bad debts
- determination of construction projects' measure of progress, transaction price and total costs in over time revenue recognition
- probability and amount of provisions

The areas involving management judgements, estimates and assumption are presented in the paragraph Management judgements and estimates.

The financial statements have been prepared in euros and are presented in millions of euros in the annual report. The presented comparison period is financial year 2017. Transactions are treated on the basis of original acquisition costs, with the exception of financial instruments, pension obligations, contingent considerations in acquisitions recognised as liability and options to redeem shares from non-controlling shareholders recognised as liability.

The Board of Directors approved the publication of the consolidated financial statements on 8 March 2018. Copies of Lemminkäinen Corporation's and the consolidated final accounts will be available on the company's website from week 12 of 2018 onwards.

PRESENTATION OF CONSOLIDATED INCOME STATEMENT

IAS 1 Presentation of Financial Statements standard does not define operating profit. According to the definition of the company, operating profit is the net amount obtained after adding other operating income to net sales and taking into account the change in inventories of finished goods and work in progress as well as production for own use, deducting the costs of use of materials and services, employee benefit expenses, depreciation, amortization and any impairment losses, and other operating expenses and adding the share of the profit of associates and joint ventures. Changes in the fair values of derivatives are recognised either in operating profit, in other operating income or in other operating expenses; or below the operating profit, in financial items depending on their nature. Exchange rate differences resulting from operating activities are recorded as adjustments to the corresponding items above the operating profit. Exchange rate gains and losses related to financing are recognised as finance income and costs.

PRINCIPLES OF CONSOLIDATION

SUBSIDIARIES

The consolidated financial statements include the parent company Lemminkäinen Corporation and all subsidiaries over which the Group has control. Lemminkäinen Corporation is considered to control an entity when it directly or indirectly owns more than 50 per cent of the votes or where it otherwise has the power to govern operating and financial policies. The criterion of control based on the voting right is fulfilled in all subsidiaries. Subsidiaries are consolidated in the consolidated financial statements from the date the Group gains control until the control ceases. Direct acquisition costs are recognised as other operating expenses in the income statement.

Intra-group shareholdings are eliminated by means of the acquisition method. The acquisition price comprises the consideration paid, the non-controlling interest in the acquiree, and the fair value of the previously held interest. The consideration paid is measured as the fair value of the assets given, liabilities assumed, and equity instruments issued by the Group. Any contingent consideration is measured at fair value at the time of acquisition and is included in the consideration paid. It is classified as either a liability or equity. Any contingent consideration classified as a liability is fair valued on the reporting date of each reporting period, and the resulting gains or losses are recognised through profit or loss. A contingent consideration classified as equity is not re-measured. Non-controlling interest in the acquiree is recognised on an acquisition-by-acquisition basis at either fair value or the amount corresponding to the share of the net assets of the acquiree held by non-controlling interests. The amount by which the acquisition price exceeds the fair value of the acquired net assets is recognised as goodwill on the statement of financial position. If the acquisition price is smaller than the fair value of the acquired subsidiary's net assets, the difference is recognised in the statement of comprehensive income. Fixed price symmetrical put and call option in relation to acquisition of non-controlling interest is recognised at fair value in the financial liabilities. When this kind of option exists, the share of the non-controlling interest is not recognised in the consolidated statement of financial position.

The treatment of transactions with non-controlling interests is the same as that of transactions with the Group's shareholders. When shares are acquired from non-controlling interests, the difference between the consideration paid and the carrying amount of the acquired net assets in the subsidiary is recognised in equity. Gains or losses from the sale of shares to non-controlling interests are also recognised in equity. When control or significant influence is lost, the remaining holding, if any, is measured at fair value and the change in the carrying amount is recognised through profit or loss. This fair value serves as the original carrying amount when the remaining holding is subsequently treated as an associate, a joint venture, or financial assets. In addition, the amounts concerning said company that were previously recognised in other comprehensive income are treated as if the Group had directly surrendered the related assets and liabilities. This means that amounts previously recognised in other comprehensive income items are recycled to profit or loss.

Intra-group transactions, unrealised internal margins, and internal receivables, liabilities, and dividend payments are eliminated in consolidation. The distribution of profit for the financial year to the shareholders of the parent company and to the non-controlling interests is presented in the income statement. On the statement of financial position, the non-controlling interest is included in the total equity of the Group.

JOINT OPERATIONS

The participating parties of a joint operation have the rights to the assets, and obligations for the liabilities, relating to the arrangement. The company's consortiums are classified as joint operations since the Group has joint control in these consortiums with another entity and they are not separate legal entities. The company's contractually agreed share of the consortium's assets, liabilities, revenues and expenses are consolidated to the consolidated financial statements. The company's alliance projects are not classified as joint operations since the factual joint control is not considered to exist. The customer always has the final right to decide on the continuity of the project. Revenue from alliance projects is recognised over time.

ASSOCIATES AND JOINT VENTURES

Associates are entities over which the company has significant influence, but neither control nor joint control. Typically the significant influence is considered to exist when the company holds 20 per cent or more of the voting rights of the entity but does not have control. An entity is classified as a joint venture when the company has joint control with another party and when decisions about the relevant activities require the unanimous consent of both parties. When classifying the arrangement, the management estimates the arrangement's actual nature of decision making as well as contractual rights and obligations.

Associates and joint ventures are consolidated using the equity method. In the equity method the Group's share of the profit of the joint venture corresponding to its ownership stake is included in the consolidated income statement. Correspondingly, the Group's share of the equity in the joint venture, including the goodwill arising from its acquisition, is recorded as the value of the Group's holding in the joint venture on the consolidated statement of financial position. If the Group's share of the losses of a joint venture exceeds the investment's carrying amount, the investment is assigned a value of zero on the statement of financial position and the excess is disregarded, unless the Group has obligations related to the joint venture. Unrealised gains arising in connection with business and fixed asset transactions between the Group and joint ventures are eliminated in proportion to the holding. The eliminated gain is recognised through profit or loss as it is realised. Any dividend received from the joint venture is eliminated from profit and from the acquisition value of the shares.

SEGMENT REPORTING

Reported segment information is based on internal segment reporting to the chief operating decision maker. Lemminkäinen Group's chief operating decision maker is the President and CEO of Lemminkäinen Corporation. Internal segment reporting to the management covers net sales, depreciation, operating profit and operating capital. The reported operating capital consists of property, plant and equipment, goodwill, other intangible assets and net working capital. The net working capital includes inventories, current trade and other receivables, provisions, current trade and other payables as well as income tax receivables and liabilities. However, the net working capital allocated to the segments excludes accrued personnel expenses and accrued interest, accruals related to derivatives as well as accrued direct and indirect taxes. These figures are reported separately as items unallocated to segments. The figures reported to the management are accurate to the nearest thousand euros.

Reportable segment information is prepared according to the accounting policies applied for the consolidated financial statements with the exception of discontinued operations, which are not specified in the segment information.

Intra-group transactions are priced at market prices. The cost plus method, wherein the price of a product or service is determined by the addition of an appropriate profit mark-up to the costs incurred, is the main transfer pricing method applied.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONST

The company did not have either assets classified as held-for-sale or discontinued operations during the financial year 2018 or at the end of the comparison period.

FOREIGN CURRENCY ITEMS

The consolidated financial statements are presented in euros, which is also the functional and presentation currency of the Group's parent company. The figures relating to the profit and financial position of Group companies are initially recognised in the functional currency of their operating environment. Every Group company's functional currency is the primary currency of the economic environment in which the entity/company operates. Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Receivables and liabilities denominated in foreign currencies are translated at the exchange rates prevailing on the reporting date. Exchange rate differences resulting from operating activities are recorded as adjustments to the corresponding items above the operating profit. Exchange rate gains and losses related to financing are recognised as finance income and costs.

Income statements of Group companies outside the Euro area are translated into euros in line with the average exchange rates for the accounting period. Items in the statement of financial position and in the statement of comprehensive income are translated into euros at the exchange rates prevailing on the reporting date. The translation differences resulting from the translation of the income statement and the statement of financial position at different exchange rates and from the elimination of the acquisition cost of subsidiaries outside the euro area are recognised in equity, and the changes are presented in the statement of comprehensive income. When foreign subsidiaries or businesses operating in foreign currency are divested, the translation difference accrued in equity is recognised through profit and loss as part of gains or losses.

Goodwill arising from the acquisition of subsidiaries outside the euro area as well as fair value adjustments to the carrying amounts of the assets and liabilities of the foreign subsidiaries are treated as assets and liabilities of the foreign subsidiaries in question and are translated into euros at the exchange rates prevailing on the reporting date.

FINANCIAL ASSETS

The Group has applied IFRS 9 Financial Instruments standard retrospectively from 1 January 2018. In accordance with the transitional provisions, comparative figures have not been restated, and the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Financial assets are recognised on the settlement date. The Group classifies financial assets on initial recognition into the following measurement categories: financial assets measured at amortised cost, financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are derecognised once the Group has lost the contractual right to their cash flows or when it has substantially transferred their risks and rewards to a party outside the Group.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets measured at fair value through profit or loss include all derivative contracts that do not meet the hedge accounting criteria. These derivative contracts include interest rate, foreign exchange and commodity derivatives. Derivatives are carried at fair values based on market prices and generally accepted valuation models. Changes in the fair values are recognised according to the nature of the derivative, either in the Group's financial items or in other operating income or expenses.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets measured at fair value through other comprehensive income are financial assets other than derivative contracts, that are held for collection of contractual cash flows and for selling the financial assets, and which cash flows represent solely payments of principal and interest. These include the Group's short-term money-market investments. Changes in the fair values are recognised in other comprehensive income, except for the recognition of impairment losses, interest revenue booked using the effective interest rate method, and foreign exchange rate differences, which are recognised in financial items in profit or loss.

This category also includes the Group's equity investments in property, housing-company and other shares. Dividends of these investments are recognised in finance income in the income statement. Changes in fair values of equity investments are presented in other comprehensive income, and there is no subsequent reclassification of those items to profit or loss following the derecognition of the investment.

FINANCIAL ASSETS MEASURED AT AMORTISED COST

Financial assets measured at amortised cost are non-derivative financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. This category also includes the Group's trade and other receivables on the statement of financial position.

Financial assets of the category are initially recognised at fair value added with transaction costs and are subsequently measured at amortised cost using the effective interest rate method. A gain or loss on financial asset measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank-account balances and liquid money-market investments with original maturities of three months or less. Cash and cash equivalents are included in the category of financial assets measured at amortised cost.

IMPAIRMENT OF FINANCIAL ASSETS

The impairment model for financial assets is based on expected credit losses, where customer's credit risk is taken into account. Simplified approach of expected credit losses is used for trade receivables and customer contract assets in accordance with IFRS 15, when expected credit losses from these assets are recognised based on historical information with adjustment concerning expectations of the future.

In addition, on every reporting date, the Group assesses whether there is any objective evidence of impairment of the value of a financial asset or a group of financial assets. If there is objective evidence of impairment, the amount recoverable from the financial asset, which is the fair value of the asset, is estimated and the impairment loss is recognised wherever the carrying amount exceeds the recoverable amount. Impairment losses are recognised in the income statement. For example, when a debtor is in significant financial difficulties, any probable bankruptcy, delinquent payments, or payments that are more than 90 days overdue constitute evidence of possible impairment of the receivables.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised on the settlement date at fair value less transaction costs. Subsequently, all financial liabilities except derivative instruments are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through profit or loss include all derivative contracts that do not meet the hedge accounting criteria. These derivative contracts include interest rate, foreign exchange and commodity derivatives. Derivatives are carried at fair values based on market prices and generally accepted valuation models. Changes in the fair values are recognised according to the nature of the derivative, either in the Group's financial items or in other operating income or expenses.

Fees paid on the establishment of loan facilities are capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

The Group has non-current and current financial liabilities, and they may be interest-bearing or non-interest-bearing. Financial liabilities are derecognised once the Group's obligations in relation to liability is discharged, cancelled or expired.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the statement of financial position on the date a derivative contract is entered into and subsequently re-measured at their fair value on each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has not applied hedge accounting during the reporting or comparative period. The cumulative change in fair value booked earlier is transferred from equity and recognised in the income statement for the periods in which the hedged item affects the result.

Derivatives that are not eligible for hedge accounting are measured at fair value and booked as current assets or liabilities. Changes in the fair value of these derivatives are recognised according to the nature of the derivative, either in other operating income and expenses or in the financial items.

REVENUE RECOGNITION

RECOGNITION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

Lemminkäinen discloses net sales as revenues from contracts with customers less indirect taxes and discounts. Transaction price expected to be received from the customer, including variable amounts such as penalties and bonus payments based on performance, is determined at the contract inception. Some or all of the amount of the variable consideration estimated is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimated transaction price is updated at the end of each reporting period. Lemminkäinen does not have incremental costs of obtaining a contract. All costs generated before the inception of a contract are expensed once incurred. In some specific contracts with customers, there is a significant timing difference between the payment from the customer and the transfer of promised goods or services to the customer. Lemminkäinen applies a practical expedient and does not adjust the promised amount of consideration for the effects of a significant financing component, when the period between when the payment from the customer and the transfer of promised goods or services to the customer is expected to be one year or less. Significant financing component is accounted for if the timing difference is more than one year and the annual average interest expense is significant with respect to the contract. For most of the contracts, payments received from customers are mainly in line with how the work progresses.

Revenue is recognised mainly by separate performance obligations based on materiality principles of Lemminkäinen. When a contract contains more than one performance obligation, transaction price is allocated based on stand-alone selling prices. Several performance obligations are identified mainly in the Building construction, Finland segment, where a contract may cover the construction of several separate buildings and the maintenance service in life-cycle projects. In a case where Lemminkäinen has committed to warranty periods that are longer than what has been defined in legislation or in general terms and conditions, the excess warranty period may be considered as a separate performance obligation and the transaction price allocated to it is recognised as revenue when the service is performed. Lemminkäinen has offered a small number of warranty periods exceeding the general terms and conditions which are low in value. Therefore, based on management's materiality assessment, they have not been accounted for as separate performance obligations. Warranties offered due to legislation are accounted for as provisions, which are described in more detail under the section Provisions, contingent liabilities and contingent assets. Contract modifications consist of project extensions and amendments, which are accounted for as part of the original contract. These are not usually identified as separate performance obligations and the assessment is made based on materiality principles of Lemminkäinen. Revenue is recognised when or as the control of the promised good or service is transferred to the customer. Lemminkäinen recognises revenue both over time and at a point in time.

PAVING

Revenue recognition over time

Criteria for revenue recognition over time is always met in paving services, as the service is performed on a land area owned by the customer, i.e. the customer controls the asset for which the paving service is performed. Revenue from long term paving projects is recognized over time using either the input or output method. The measure of progress using the input method is based on realised costs in proportion to estimated total costs. The measure of progress using the output method is based on realised units, such as produced asphalt mass tonnes in proportion to estimated total tonnes or achieved milestones compared to determined milestones of the whole paving project. Revenue from short term paving projects is recognised over time using output method and based on milestones. Paving services are performed within a short term period except for occasional long term projects.

Revenue from mineral aggregates quarrying and crushing business performed on land area owned by the customer is recognised over time, as the customer simultaneously receives and consumes the benefits provided by the quarrying and crushing service of Lemminkäinen. Revenue from the service is recognised using the output method. The lifespan of the quarrying and crushing service is relatively short.

Revenue recognition at a point in time

Lemminkäinen produces and sells mineral aggregates and asphalt mass. The company recognises revenue from the sale of goods at a point in time when the control transfers and the goods are delivered to the customer.

REVENUE RECOGNITION OF BUILDING CONSTRUCTION AND INFRA PROJECTS

Revenue recognition over time

Revenue from a building construction or infra project is recognised over time, if the customer controls the assets for which the construction service is provided, or if the construction service does not create an asset with an alternative use to Lemminkäinen and Lemminkäinen has an enforceable right to payment for performance completed to date. Criteria for revenue recognition over time is met in majority of building construction and infra projects of Lemminkäinen. Lemminkäinen uses an input method to measure the progress of building construction and infra projects. The progress is measured in proportion of realised costs to estimated total costs. In a case where it is not possible to measure the progress of satisfying a performance obligation and the costs are expected to be covered, revenue is recognised only to the extent of realised costs. If it is probable that the total costs to complete a project included in the order backlog will exceed the transaction price to be received from the project, the expected loss is expensed and recognised as a provision. At the end of the reporting period, if the project billing is less than the revenue recognised based on the measured progress of the project, the difference is presented as a contract asset in 'trade and other receivables' as project income receivables. At the end of the reporting period, if the project billing exceeds the revenue recognised based on the measured progress of the project, the difference is presented as a contract liability in 'accounts payable and other current liabilities' as received advance payments and project expense liabilities. In commercial building construction, possible lease liability commitments are included in the transaction price as a variable consideration, and their amount and probability is estimated as a project progresses.

In life-cycle projects, Lemminkäinen builds or improves the infrastructure used for service provision, such as a school or road network, and provides operation services for the infrastructure. The operation service period is typically 25 years. The company recognises revenue from construction and improvement services as well as from operation services over time as separate performance obligations.

Revenue recognition at a point in time

Lemminkäinen produces and sells asphalt mass in the Infra project segment in Baltic countries. The company recognises revenue from the sale of goods at a point in time when the control transfers and the goods are delivered to the customer.

The revenue from building construction residential development projects, where the criteria for revenue recognition over time are not met, is recognised at a point in time when the control of the asset is transferred to the customer, i.e. the asset is completed and handed over to the customer. Revenue recognition of completed projects is based on the degree of sale.

In a case where Lemminkäinen sells a land plot without providing construction service, revenue is recognised at a point in time when the control of the land plot transfers to the customer.

INITIAL APPLICATION OF IFRS 15

Lemminkäinen adopted the IFRS 15 standard as of 1 January 2018 using a retrospective method and all available transition relief options. In accordance with the retrospective method, in the 2018 consolidated financial statements the company adjusted the disclosures for the comparative financial year to comply with IFRS 15.

The company did not adjust contracts fully satisfied and completed during the year 2017. In addition, the company did not adjust contracts completed at the transition date of 1 January 2017, did not adjust the variable consideration for the comparative period for contracts that were completed at the end of the year 2017, and did not restate contract modifications made before the transition date. The company considered the cumulative impact of contract modifications when determining the transaction price, assessing satisfied and unsatisfied performance obligations and allocating the transaction price to the performance obligations. The company does not disclose the amount of transaction price allocated to the unsatisfied performance obligations as at 31 December 2017 nor provide a more detailed description of satisfying the performance obligations. Adoption of IFRS 15 did not affect adjustments to comparative period's opening balance of retained earnings.

RECOGNITION OF INTEREST AND DIVIDENDS

Interest income is recognised over the period of the borrowing using the effective interest rate method. Dividends are recognised when the right to receive payment is established.

NON-CURRENT ASSETS

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised on the statement of financial position at cost less depreciation and impairment. Property, plant and equipment are depreciated on a straight-line basis over their estimated useful economic lives from the day they are available for use. Land areas are not subject to depreciation. Estimated useful economic lives of property, plant and equipment are as follows:

- Buildings and structures 10—40 years
- Machinery and equipment 3—15 years
- Mineral aggregate deposits depreciation based on material depletion
- Other property, plant and equipment 10 years

Normal maintenance and repair costs are expensed as incurred. Significant improvements or additional investments are capitalised as part of the acquisition cost of the corresponding asset and depreciated over the remaining useful economic life of the asset to which they pertain, provided that it is likely that the company will derive future economic benefit from the asset. Gains on disposal of property, plant and equipment are presented in other operating income, and losses in other operating expenses. The company expenses the interest costs of the acquisitions of property, plant and equipment, unless the asset meets the requirements for capitalisation of borrowing costs, in which case they are capitalised as part of the acquisition cost.

INTANGIBLE ASSETS

An intangible asset is recognised in the statement of financial position, when the cost of the asset can be measured reliably and it is probable that the expected economic benefits that are attributable to the asset will flow to the entity.

Goodwill

Goodwill is the amount by which the acquisition cost exceeds the Group's interest in the net fair value of its identifiable assets, liabilities and contingent liabilities at the time of acquisition. Possible non-controlling interest is measured either at fair value, or a value equal to the non-controlling owners' proportions of the identifiable net assets of the acquiree. The valuation principle is determined separately for each acquisition.

Goodwill is not amortised. Instead, the possible impairment of goodwill is tested annually and every time there's evidence of impairment. In the impairment testing, goodwill is allocated to cash-generating units. Goodwill is recognised on the financial statements at cost less impairment, if any, which is expensed on the income statement.

Intangible rights

Intangible rights include IT software licence fees, rights to use land as well as other licence fees and patents, including their advance payments. Intangible rights are recorded at cost in the statement of financial position and are depreciated over their useful economic lives. The interest costs are expensed, unless the asset meets the capitalisation criteria of borrowing costs, in which case they are capitalised as part of the cost of the asset. The estimated useful lives of intangible rights are:

- IT software licence fees 5 years
- Other intangible assets 5—10 years

Other intangible assets

Other intangible assets include expenditure that are not related to property, plant and equipment and have economic effects lasting longer than one year. Other intangible assets create future economic benefits over their useful economic lives. The benefits can be either income or cost savings. Other intangible assets are mainly renovation expenses of rental properties.

Research and development expenditure

Research and development expenditures are expensed when incurred, except for those development expenditures that meet the capitalisation criteria of IAS 38. For the time being there are not considered to be any development expenditures that meet the capitalisation criteria.

GRANTS RECEIVED

Government grants received from a public-sector source are recognised as other operating income at the same time that corresponding costs are recognised. Investment grants are deducted from the cost of the asset in question.

IMPAIRMENT

The carrying amounts of assets are assessed on each reporting date to determinate whether there are indications of impairment. If indications of impairment are found, the recoverable amount for the asset in question is assessed. An impairment loss is recognised on the income statement if the carrying amount exceeds the recoverable amount The recoverable amount for an asset is either its fair value less costs to sell or, if higher, its value in use. In the measurement of value in use, expected future cash flows are discounted to their present value with discount rates that reflect the time value of money and the risks specific to the asset. The Weighted Average Cost of Capital (WACC) is used as the discount factor. WACC takes into account the risk-free interest rate, the liquidity premium, the expected market rate of return, the industry's beta value, country risk and the debt interest rate, including the interest rate margin. These components are weighted according to the fixed, average target capital structure of the sector. If it is not possible to calculate the recoverable cash flows for an individual asset, the recoverable amount for the cash-generating unit to which the asset belongs is determined.

Goodwill is tested for impairment annually and whenever it may be concluded that there is a need to do so. Goodwill is allocated to cash-generating units in a consistent manner. In the impairment tests, the recoverable amount from the business of a cash-generating unit is derived from value-in-use calculations using cash flow forecasts based on comprehensive profitability plans confirmed by the management for a specific period as well as other justifiable estimates of the future outlook for the cash-generating unit and its business sector.

Impairment losses related to assets other than goodwill are reversed if the estimates used for determination of the recoverable amount of the asset have changed. The biggest permitted reversal equals the carrying amount of the asset less depreciation if impairment was not recognised in earlier years.

LEASING AGREEMENTS WHEREIN THE GROUP IS THE LESSEE

Leasing agreements that pertain to property, plant and equipment in which a substantial proportion of the risks and rewards of ownership are transferred to the Group are classified as finance leases. Finance leases are presented as assets in the statement of financial position at a value equal to the fair value of the leased item on the date of the lease's commencement or, if lower, the present value of the minimum lease payments. Corresponding liability is presented in current and non-current interest bearing liabilities.

Assets leased under finance leases are depreciated over the useful economic life of the asset class or a shorter period as the life of the lease elapses. Possible impairment losses are recognised as reductions of the asset in question. Annual lease payments are divided into finance costs and debt amortisation instalments over the life of the lease so that the same interest rate is applied to the outstanding debt in every accounting period.

Leasing agreements in which the risks and rewards of ownership are retained by the lessor are treated as operating leases. Payments under operating leases are treated as lease expenses, and they are expensed over the lease term. If the lease agreement is not expected to yield future economic benefits, the minimum lease payments under the contract are recognised as costs.

INVENTORIES

The Group's inventory comprises among others Building Construction, Finland segment's housing and commercial property under construction and completed apartments and commercial property as well as land areas and real estate. Paving segment's mineral aggregates inventories are included in products and goods. Raw materials, such as bitumen, used in production of asphalt mass are included in materials.

The cost of materials and supplies is assigned by using the FIFO (first-in, first-out) principle. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The costs of selling are not included in the valuation of inventories at cost.

Building plots are land areas which consist of the original costs and development costs if they are perceived to increase the value of the land area.

Housing and commercial property under construction are Group's own developments. The cost comprises the construction and plot costs not yet expensed. Finance costs are included in the valuation of inventories at cost only when the capitalisation criteria of borrowing costs are met.

Completed apartments and commercial property are unsold shares of completed own developed residential and commercial projects.

The cost of mineral aggregate products included in products and goods comprise direct manufacturing salaries, other direct manufacturing costs as well as a proportion of production overheads. The cost is assigned by using the weighted average principle.

Inventories are measured at the lower of acquisition cost and net realisable value. Net realisable value is the estimated selling price in ordinary business operations less the estimated expenditure on product completion and sales. The carrying amounts of separate items in inventories are not decreased when the completed products in which the items belong to are expected to be sold at a price equalling or exceeding the combined acquisition costs of the separate items.

TREATMENT OF BUILDING CONSTRUCTION RESIDENTIAL DEVELOPMENT

Expenditure committed to building construction residential developments is capitalised on the statement of financial position as inventories. Liabilities and prepayments related to real estates under construction are included in current liabilities. The share of loans obtained that corresponds to the unsold proportion of apartments that are still under construction as well as the proportion of loans for completed but unsold apartments is included in current interest-bearing liabilities.

EMPLOYEE BENEFITS

PENSION OBLIGATIONS

The pension schemes of Lemminkäinen's Group companies are generally defined contribution plans. Defined contribution plan related payments are made to pension insurance companies, after which the Group has no other payment obligations. Payments in respect of defined contribution plans are expensed on the income statement in the accounting period in which they accrue. Other pension plans than defined contribution plans are defined benefit plans. In the case of a defined benefit plan, a pension liability is recognised to the extent that the plan gives rise to a pension obligation. If a defined benefit plan gives rise to a pension surplus, it is recognised in prepayments and accrued income on the statement of financial position.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The amount of pension obligation is calculated by deducting the fair value of the assets belonging to the pension scheme from the present value of the future pension obligations. The defined benefit pension costs consist of employee service based expenses and are booked to employee benefit expenses for the duration of the employee service. Net interests from defined benefit plans are booked to finance income or costs. The actuarial gains and losses are recognised through the statement of comprehensive income as a change in pension obligation or asset.

The company's pension obligations are not material for the company's financial statements.

SHARE-BASED REMUNERATION SCHEMES

The Group has share-based remuneration schemes. Share-based rewards are measured at fair value of Lemminkäinen share on the date of their being granted and expensed over their vesting and commitment periods. More detailed information about share-based remuneration can be found in the notes to the consolidated financial statements.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is made when the Group has a legal or constructive obligation based on some past event and it is likely that exemption from responsibility would either require a payment or would result in a loss, and that the amount of liability can be reliably measured. Provisions have not been discounted because of the minor effect of the discounting.

Warranty provisions cover after completion repair costs arising from warranty obligations. Warranty provisions are calculated on the basis of the level of warranty expenses actually incurred in earlier accounting periods and are recognised as a liability. If the Group will receive reimbursement from a subcontractor or material supplier on the basis of an agreement in respect of anticipated expenses, the future compensation is recognised when its receipt is considered secure. Provisions related to housing construction are expected to be used within one year after the provision is made. Warranty provisions related to other construction projects are mainly used in 1—2 years after the provision is made.

Provision is made for onerous contracts when the amount of expenditure required by the agreement to fulfil the obligations exceeds the benefits that may be derived from it.

Environmental provisions are mainly related to a site's landscaping obligations. Landscaping provision is made in respect of those sites where landscaping is a contractual obligation. The amount of the provision is based on the use of ground materials. The expected time for using landscaping provisions depends on the use of the site, because in most cases the landscaping work starts after the use of the site ceases. In addition, environmental provisions cover other provisions related to environmental obligations.

10-year liability provision arising from Finnish residential and commercial construction is determined by considering the class of 10-year liabilities as a whole. In this case, the likelihood of future economic loss for one project may be small, although the entire class of these obligations is considered to cause an outflow of resources from the company.

Lease liability commitment arises, when the company has a contractual obligation to obtain tenants for premises not yet leased in a commercial real estate under construction or for sale. The amount and probability of lease liability commitment is estimated as the project progresses concerning commercial real estate under construction. The lease liability commitment is recorded as provision. Concerning commercial real estate for sale, the amount of lease liability commitment is estimated at time of sale. That is the time when the lease liability is recorded as well. Provisions for lease commitments are expected to be used in 1—3 years after the provision is made.

The company recognises a provision for legal proceedings when the company's management estimates that an outflow of financial resources is likely and the amount of the outflow can be reliably estimated.

Contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of an uncertain future event that is not wholly within the control of the Group. In addition, a present obligation whose settlement is not likely to require and outflow of financial resources and an obligation whose amount cannot be measured with sufficient reliability are deemed contingent liabilities. No provision is made for contingent liability and it is presented in the notes of the financial statement.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in financial statements but it is presented in the notes of the financial statement.

INCOME TAXES

Taxes calculated on the basis of the taxable profit or loss of Group companies for the accounting period, adjustments to taxes for earlier accounting periods, and change in the deferred tax liability and assets are recognised as income taxes on the consolidated income statement. The tax effect associated with items recognised directly in equity is recognised correspondingly in equity. The current tax charge is calculated using the tax rate that is in force at the end of the reporting period.

The deferred tax is calculated from the temporary differences between taxation and accounting, with either the tax rate in force on the reporting date or a known tax rate that will come into force at a later date. A deferred tax liability is not recognised in respect of a temporary difference that arises from the initial recognition of an asset or liability (other than from a business combination) and affects neither accounting income nor taxable profit at the time of transaction. A deferred tax asset is recognised only to the extent that it is likely that there will be future taxable profit against which the temporary difference may be utilised. The most significant temporary differences arise from unused tax losses, the revenue recognition practice for construction projects, finance leases, and accelerated depreciations for tax purposes.

Carry–forward tax losses are treated as a tax asset to the extent that it is likely that the company will be able to utilise them in the near future. A deferred tax liability is only recognised in respect of the undistributed profits of subsidiaries if payment of the tax is expected to be realised in the foreseeable future. The Group´s deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority.

EQUITY AND DISTRIBUTION OF DIVIDENDS

TREASURY SHARES

Where the parent company of the Group or any group company purchases the parent company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the company's equity holders until the shares are cancelled. Where such ordinary shares are subsequently sold or reissued, any consideration received is included in the equity attributable to the company's equity holders. No gain or loss is recognised in the income statement from purchasing, selling, issuance or cancellation of company's equity instrument.

SHARE PREMIUM ACCOUNT

Share premiums are recognised in the share premium account.

INVESTED UNRESTRICTED EQUITY FUND

Invested unrestricted equity fund includes the subscription prices of shares to the extent that they are not entered into share capital on the basis of a separate decision.

HYBRID BOND

A hybrid bond is recognised in shareholders' equity after equity belonging to shareholders. The bond holders do not have any rights equivalent to ordinary shareholders, and the bond does not dilute shareholders' ownership in the company. The company has no contractual obligation to repay the loan capital or the interest on the loan. The hybrid bond is initially recognised at fair value less transaction cost and subsequently the bond is measured at cost. If interest is paid to the hybrid bond, it is recognised directly into retained earnings. After the Group has made a binding decision to voluntary redeem the hybrid bond according to the terms and conditions of the bond, the bond is derecognised from the equity and recognised in the interest bearing liabilities measured at amortised cost using effective interest rate method. After the redemption decision interests are recognised in the finance costs on accrual basis.

TRANSLATION DIFFERENCES

Translation differences include the differences arising from the translation of the Group's foreign entities' non–Euro denominated financial statements into Euros. In previous years the Group hedged the net investment in foreign entities and hedging gains and losses from hedge instruments are also included in the translation differences, provided they qualified for hedge accounting. The Group has not applied hedge accounting for hedging the net investment in foreign entities during the reporting period.

DISTRIBUTION OF DIVIDENDS

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

EARNINGS PER SHARE

A basic earnings per share is calculated dividing the profit attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year. Hybrid bond interests which are accrued in the accounting period despite the time of payment and costs of hybrid bond redemption adjusted with tax effect are removed from the profit/result for the financial year. Treasury shares held by the company and outstanding ordinary shares that are contingently returnable are excluded from the weighted average number of ordinary shares in issue.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume the conversion of all dilutive potential shares unless the potential shares are antidilutive

MANAGEMENT JUDGEMENT AND ESTIMATES

GOODWILL IMPAIRMENT TESTING

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

DEFERRED TAX ASSETS

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

INVENTORIES

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

TRADE RECEIVABLES

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

RECOGNITION OF REVENUE FROM CONSTRUCTION PROJECTS

Revenue recognition over time is based on estimates of the project's transaction price, i.e. expected revenue and costs as well as on the reliable measurement of progress of the project. In order to make a reliable estimate, the project's costs are determined and itemised as accurately as possible. To determine revenue, management has to estimate factors affecting the transaction price expected to be received from the customer, including variable components such as penalties and bonus payments based on performance. If estimates of the project's outcome change, recognised revenue and profit will be adjusted for the reporting period when the change first became known and could be estimated.

RECOGNITION OF PROVISIONS

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

Notes to the consolidated financial statements (IFRS)

Performance

Operating capital

Funding and financial risks

Employee benefits

Other notes

Performance

1 BUSINESS SEGMENTS AND MARKET AREAS

PAVING
The Paving segment includes the Group's paving and mineral aggregates business in Finland and Scandinavia.

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

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

RUSSIAN OPERATIONS
In Russia, Lemminkäinen operates in the paving business as well as the building construction business in contracted projects in St Petersburg and Moscow regions.

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

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

OPERATING SEGMENTS

EUR million 1 Jan–31 Jan 2018	Paving	Infra projects	Building construction, Finland	Russian operations	Other operations	Eliminations	Group total, IFRS
Net sales	10.0	21.9	32.8	4.1	2.2	-2.9	68.2
Depreciation and impairment	0.5	0.4	0.0	0.1	0.1		1.1
Operating profit	-12.9	-2.9	-1.1	-1.8	-8.8		-27.5

EUR million 1 Jan–31 Dec 2017	Paving	Infra projects	Building construction, Finland	Russian operations	Other operations	Eliminations	Group total, IFRS
Net sales	656.4	475.4	655.1	93.0	29.4	-62.1	1,847.2
Depreciation and impairment	20.6	6.3	0.1	1.5	3.4		31.8
Operating profit	3.3	7.5	36.7	-0.8	-5.0		41.8

EUR million	31 Jan 2018	31 Dec 2017
Operating capital by operating segment		
Paving	185.3	181.3
Infra projects	76.4	71.1
Building construction, Finland	223.1	217.8
Russian operations	44.2	44.9
Segments, total	529.0	515.0
Other operations	-5.4	8.6
Items unallocated to segments	-72.6	-81.0
Group total, IFRS	451.0	442.7

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.

The loss in accounting period 2018 is due to above described typical seasonality of business.

INFORMATION BY MARKET AREA

EUR million 1 Jan–31 Jan 2018	Finland	Scandinavia	Russia	Baltic countries	Other countries	Total
Net sales	50.6	10.5	4.1	2.9		68.2
Assets	623.0	130.2	76.1	41.6	1.0	872.0
Investments	0.4	0.5	0.0	0.1		1.0

EUR million 1 Jan–31 Dec 2017	Finland	Scandinavia	Russia	Baltic countries	Other countries	Total
Net sales	1,215.7	388.9	93.0	149.6		1,847.2
Assets	649.7	143.9	77.5	54.7	1.0	926.8
Investments	9.3	10.0	3.0	2.4		24.8

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

2 REVENUE FROM CONTRACTS WITH CUSTOMER

DISAGGREGATION OF REVENUE

The Group's revenue consists of revenue from contracts with customers. For other types of income see note 3 Other operating income and expenses. Revenue is generated in the following operating segments and market areas:

EUR million 1 Jan–31 Jan 2018	Paving	Infra projects	Building construction, Finland	Russian operations	Other operations	Group eliminations	Group total, IFRS
Market area*							
Finland	6.4	11.7	32.5		0.0	0.0	50.6
Scandinavia	3.4	7.1					10.5
Russia				4.1			4.1
Baltic countries		3.1				-0.2	2.9
Internal sales between segments	0.2	0.0	0.3		2.2	-2.7	
Total	10.0	21.9	32.8	4.1	2.2	-2.9	68.2

* Information by market area includes internal sales within segment.

EUR million	Paving	Infra projects	Building construction, Finland	Russian operations	Other operations	Group eliminations	Group total, IFRS
Timing of revenue recognition							
Over time	5.9	21.6	22.1	4.1			53.7
At a point in time	3.9	0.1	10.4	0.0	0.0		14.4
Internal sales	0.2	0.2	0.3		2.2	-2.9	
Total	10.0	21.9	32.8	4.1	2.2	-2.9	68.2

EUR million 1 Jan–31 Dec 2017	Paving	Infra projects	Building construction, Finland	Russian operations	Other operations	Group eliminations	Group total, IFRS
Market area*							
Finland	337.5	239.8	647.0		0.0	-8.7	1,215.7
Scandinavia	305.6	85.4				-2.1	388.9
Russia				93.0			93.0
Baltic countries		150.1				-0.6	149.6
Internal sales between segments	13.3	0.1	8.0		29.3	-50.7	
Total	656.4	475.4	655.1	93.0	29.4	-62.1	1,847.2

* Information by market area includes internal sales within segment.

EUR million	Paving	Infra projects	Building construction, Finland	Russian operations	Other operations	Group eliminations	Group total, IFRS
Timing of revenue recognition							
Over time	389.0	442.8	413.3	91.8			1,336.9
At a point in time	242.8	32.5	233.8	1.2	0.0		510.3
Internal sales	24.6	0.1	8.0		29.3	-62.1	
Total	656.4	475.4	655.1	93.0	29.4	-62.1	1,847.2

CONTRACT ASSETS AND LIABILITIES

Project income receivables are recorded, if the project billing is less than the revenue recognised based on the measured progress of the project. Similarly advance payments and project expense liabilities are recorded, if the project billing exceeds the revenue recognised based on the measured progress of the project. Payments of most projects are fixed to defined stages of physical completion. Project income receivables are recognised as sales receivables as construction project progresses and reaches agreed stage of physical completion that trigger invoicing.

Advance payments received include significant amounts of advance payments relating to residential development projects of which apartments sales are recognised at completion of constructing.

Advance payments received and project expense liabilities are recognised as revenue as project's measure of progress increase and at latest as the project completes. Most projects take around one year to complete, and as advance payments are received and project progresses, the balance between performance obligations satisfied and advance payments received shifts resulting either in project income receivables or project expense liabilities.

Balance sheet

EUR million	31 Jan 2018	31 Dec 2017	1 Jan 2017
Contract assets			
Trade receivables	88,1*	122.2	120.3
Project income receivables	124.6	125.5	66.9
Contract assets total	212.7	247.7	187.2
Contract liabilities			
Advance payments received	137.9	123.7	119.0
Project expense liabilities	40.6	43.1	48.4
Contract liabilities total	178.5	166.8	167.4

* See note 14 for remeasurement due to adoption of IFRS 9.

Transaction price allocated to performance obligations that are partially or fully unsatisfied as at the end of reporting period

EUR million	31 Jan 2018	31 Dec 2017
Allocated transaction price*	1.3	1.3

* Includes unsold apartments in residential development until projects' completion.

Lemminkäinen expects that of the transaction price allocated to the unsatisfied performance obligations as of 31 January 2018 will be recognised as revenue

EUR million	2018	Later
Allocated transaction price expected to be recognised as revenue	0.9	0.4

PAVING

Paving service is paving roads, bridges, yards, parking areas, warehouses, industrial floors etc. Performance obligation is the scope of work whether it is paving a motorway, a parking garage or a farmhouse courtyard. Customers are the public sector, construction companies, private companies and private customers. Revenue from paving service is recognised over time. Most of the paving service is short term with invoicing after completion. As payment terms are also short, there is no significant timing difference between satisfying the performance obligation and receiving payment. In the long term paving services Lemminkäinen receives payments based on paving service's progress, which corresponds to satisfying the performance obligation. Most paving services include variable elements in transaction prices in form of indices, delay penalties and quality penalties. Lemminkäinen has no obligations for returns, refunds or other similar obligations. Lemminkäinen provides warranties that are mainly assurance-type and have no effect on revenue recognition as they are accounted as provisions in Paving. In Finland, the General Conditions for Building Contracts YSE 1998 are mostly applied in which warranty period is two years or longer, i.e. assurance-type warranties with no extra services sold separately. In other countries, warranty period is determined by requirements of legislation or the general terms and conditions. In paving services, the measure of progress is defined by input or output method. The measure of progress using the input method is based on cost-to-cost. The measure of progress using the output method is based on realised units, such as produced asphalt mass tonnes in proportion to estimated total tonnes, or achieved milestones compared to determined milestones of the whole paving service. Revenue from short term paving services is recognised over time using output method based on milestones.

Paving also includes supplying mineral aggregates and asphalt mass in addition to services of quarrying and crushing of mineral aggregates and screening contracting. In supplying mineral aggregates and asphalt mass, the performance obligation is goods sold, such as crushed gravel, screened sand, cobblestones or asphalt mass. Revenue from supplying mineral aggregates and asphalt mass is recognised at a point in time. In providing services performance obligation is the scope of work such as quarrying customer's rock. Screening, quarrying and crushing services are short term with invoicing after completion. As payment terms are also short, there is no significant timing difference between satisfying performance obligation and receiving payment. Measure of progress is based on units produced which is an output method.

INFRA PROJECTS

Infra projects are road and street construction, bridge building and repairing, railway building, hydraulic and foundation engineering, underground construction, excavation, other earthworks and public utilities such as cemeteries, sports halls, landfills, electric grids as well as infrastructure for wind power stations. Infra projects in the Baltic countries also include paving services such as paving roads. Infra and paving services' customer is mainly the public sector. Revenue is recognised over time and payments received based on construction project's progress, which corresponds to satisfying performance obligation. Most infra projects include variable elements in transaction prices i.e. delay penalties, performance bonuses and quality penalties. Lemminkäinen has no obligations for returns, refunds or other similar obligations for any type of infra projects. Lemminkäinen provides warranties that are mainly assurance-type and have no effect on revenue recognition as they are accounted as provisions also in Infra projects. In Finland General Conditions for Building Contracts YSE 1998 are applied in which warranty period is two years or longer i.e. assurance-type warranties with no extra services sold separately. In other countries warranty period is determined by requirements of legislation or the general terms and conditions. Additionally there are service-type warranties in Baltics but based on management's materiality assessment, they have not been accounted for as separate performance obligations. Measure of progress is based on cost-to-cost which is an input method. Infra projects in Baltics includes supplying asphalt mass where performance obligation is goods sold. The revenue from sales of asphalt mass is recognised at a point in time.

BUILDING CONSTRUCTION, FINLAND

Construction projects include constructing residential, commercial, industrial and public buildings, renovations and life cycle projects. Lemminkäinen has no obligations for returns, refunds or other similar obligations for any type of construction projects. Lemminkäinen provides warranties which are mainly assurance-type and have no effect on revenue recognition as they are accounted for as provisions. In Finland, the General Conditions for Building Contracts YSE 1998 are applied, in which warranty period is two years. Most construction projects include variable elements in transaction prices in form of delay penalties. Also performance bonuses and quality penalties exist, but these are not as common as delay penalties.

Residential construction's customers are private consumers and investors and institutional investors. Private consumers and investors purchase one or a few apartments from residential development construction as institutional investors purchase several apartments from residential development construction or a residential building or multiple residential buildings that are constructed specialised to each customer.

Commercial and industrial buildings are constructed to institutional investors, developers and owner-occupiers. Construction is tailored for each customer and sometimes includes constructing more than one building. If contract includes constructing more than one building each building is separate performance obligation unless buildings do not fulfil criteria for being separate.

Renovation construction services ranging from small-scale surface renovation to wholesale refurbishment of entire buildings are provided to property owners. Performance obligation is the scope of work whether it is office renovation, apartment-block height-raising or extensive refurbishment of a shopping centre. Revenue is recognised over time and payments are received based on construction project's progress which corresponds to satisfying performance obligation. Building construction's projects are mainly negotiated contracting that includes both constructing new buildings and renovations.

In construction projects, excluding residential development projects, revenue is recognised over time. In most cases Lemminkäinen receives payments based on construction project's progress which corresponds to satisfying performance obligation and no significant financing component exist. Measure of progress is based on cost-to-cost which is an input method.

Residential development projects

In residential development projects, separate apartments are distinct performance obligations. In Finland Lemminkäinen provides all residential development projects with a one year regular warranty period as well as a 10 year warranty which is required by the Housing Transactions Act. These warranties do not affect revenue recognition. Revenue from Lemminkäinen's residential development construction is recognised at a point in time on completion when control of the apartment is transferred to the customer, i.e. the apartment is completed and handed over to the customer. Revenue is recognised by sales percentage i.e. ratio of sold apartments' area to total residential area in the construction project and after completion by each sold apartment.

Lemminkäinen receives advance payments for apartments sold prior to completion as payments are based on the construction project's progress. If timing difference between receiving advance payments and revenue recognition is less than a year, Lemminkäinen does not recognise time value of money for payments due to applying practical expedient IFRS 15.63. If the time period exceeds the one year period, time value of money is recognised based on management's materiality assessment. For apartments sold after construction is completed, Lemminkäinen receives full payment as the control transfers, i.e. apartment is handed over to the customer. Residential development projects include variable elements in transaction prices, i.e. delay penalties.

Life cycle projects

In life cycle projects construction expands into a comprehensive long-term service as Lemminkäinen builds or renovates a building and afterwards provides upkeep and maintenance services. Life cycle projects are used in major private or public construction and renovation projects.

Revenue is recognised over time from construction phase as well as from service period as separate performance obligations. Lemminkäinen receives payments based on the construction project's progress, which corresponds to satisfying the performance obligation. In the service period Lemminkäinen receives payments monthly, which corresponds to services provided. Life cycle projects have availability deductions that are accounted for as variable considerations.

In all life cycle contracts, the municipality has the right to terminate the contract during the service period under certain terms and conditions taking into consideration the interests of the service provider, i.e. Lemminkäinen. Consideration for construction phase is tied to a building cost index and service periods are tied to a maintenance index. Indices are reviewed annually. Lemminkäinen does not have a significant right to organise supplementary use for any of the properties.

Project	Contract date	Construction phase	Service phase	Total value*
Kuopio, schools and a day-care center	14 Dec 2009	completed	ends 2036	EUR 94 mill.
Oulu, Kastelli community center	1 Jun 2012	completed	ends 2039	EUR 86 mill.
Pudasjärvi, school campus	13 Mar 2014	completed	ends 2041	EUR 41 mill.
Pudasjärvi, care facility	06 Nov 2015	completed	ends 2036	EUR 12 mill.
Hollola, Heinsuo and Kalliola schools	05 Jun 2015	completed	ends 2037	EUR 49 mill.
Porvoo, schools and day-care centers	16 Dec 2015	ends 2018	ends 2038	EUR 61 mill.
Kuopio, Jynkkä and Karttula schools	22 Jan 2016	ends 2018	ends 2038	EUR 37 mill.
Parkano, school campus	31 Mar 2017	ends 2019	ends 2039	EUR 25 mill.
Sodankylä Health center	20 Jun 2017	ends 2019	ends 2039	EUR 31 mill.
Kuopio, Hiltulanlahti school	22 Dec 2017	ends 2019	ends 2039	EUR 26 mill.

* Based on estimate of the total value of the contract.

RUSSIAN OPERATIONS

Russian operations include building construction and paving. Lemminkäinen operates in negotiated contracting in Russia. Accounting policies are similar to those in Building construction, Finland. Lemminkäinen has no obligations for returns, refunds or other similar obligations in Russian construction projects. Lemminkäinen provides short term paving services and asphalt mass sales in Russia. Revenue from Russian paving service is recognised over time using an output method based on milestones and asphalt mass sales at a point in time.

3 OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Gain on sales of property, plant and equipment	0.1	2.9
Gain on sales of available-for-sale financial assets		0.0
Rental income	0.3	2.2
Gain from hedging purchases and sales*	0.0	1.8
Grants and compensation on damages received	0.1	0.6
Others	0.0	0.9
	0.5	8.3

* Gain from hedging purchases and sales includes realised gains and changes in fair values of commodity derivatives which are used for hedging bitumen purchases and currency derivatives which are used for hedging purchases and sales.

OTHER OPERATING EXPENSES

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Loss on the sale of property, plant and equipment and intangible assets	0.1	0.4
Voluntary personnel expenses	0.8	9.5
Rental expenses	2.1	26.9
Losses from hedging purchases and sales*	0.3	1.8
Credit losses	0.2	0.5
Other expenses	10.3	94.2
	13.7	133.4

* Losses from hedging purchases and sales include realised losses and changes in fair values of commodity derivatives which are used for hedging bitumen purchases and currency derivatives which are used for hedging purchases and sales.

The following table shows the fees of the audit firm elected by the General Meeting of the parent company. The fees have been recorded in other operating expenses.

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Statutory audit fees	0.2	0.4
Tax consulting*		0,0
Other consulting*	0.1	0.6
	0.2	1.1

* Other than statury audit fees from PricewaterhouseCoopers Oy amounts to EUR 0.1 million (0.6). Other consulting is caused by consulting costs of the merger of Lemminkäinen Oyj and YIT Oyj.

4 DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Depreciation of property, plant and equipment		
Buildings and structures	0.0	0.9
Machinery and equipment	0.5	16.4
Leased machinery and equipment	0.4	8.6
Other tangible assets	0.1	1.4
	0.9	27.3
Amortisation of intangible assets		
Intangible rights	0.1	3.7
Other intangible assets	0.0	0.4
	0.1	4.1
Depreciation and amortisation, total	1.1	31.5
Impairment		
Intangible rights		0.1
Other intangible assets		0.2
		0.3

5 FINANCE INCOME AND COSTS

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Finance income		
Interest income from loans and receivables	0.0	0.4
Other finance income	0.0	0.0
	0.0	0.4
Finance costs		
Interest expenses for financial liabilities recognised at amortised cost	1.9	10.8
Foreign exchange rate losses	0.2	1.9
Other interest and finance costs	1.9	3.8
	4.0	16.5
Finance income and costs, total	-4.0	-16.0

EXCHANGE RATE DIFFERENCES RECOGNISED IN THE INCOME STATEMENT

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Exchange rate differences on sales	0.0	0.0
Exchange rate differences on purchases	0.0	0.0
Exchange rate differences on hedging purchases and sales	-0.1	0.4
Exchange rate differences on financial items	-0.2	-1.9
Exchange rates differences, total	-0.3	-1.5

6 TAXES

INCOME TAXES

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Income taxes on ordinary business operations	0.0	-0.3
Income taxes in respect of prior years	0.0	1.5
Deferred taxes	2.0	-20.5
	2.0	-19.3

Reconciliation of taxes in the income statement and taxes calculated at the Finnish tax rate	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Profit before income taxes	-31.5	25.7
Taxes calculated on the above at the Finnish tax rate (20%)	6.3	-5.1
Differing tax rates of foreign subsidiaries	0.0	0.7
Tax-exempt income in income statement	0.0	0.2
Non-deductible expenses in income statement	-0.2	-1.8
Deductible non-income statement items		0.7
Unrecognised tax on loss for the period**	-2.9	-5.7
Effect of change in the corporate tax rate	0.0	
Other items*	-1.3	-9.7
Taxes for the previous financial year	0.0	1.5
Taxes in the income statement, total	2.0	-19.3

* In accounting period 2018 the item was mainly affected by the write-down of deferred taxes of Lemminkäinen Group's parent company related to tax losses. The tax losses in Lemminkäinen Group's parent company cannot be utilized because of the merger of the parent company to YIT Oyj.
In accounting period 2017 the item was mainly affected by the write-down of deferred tax assets in Norway and Sweden.
** In accounting periods 2018 and 2017, Norway and Sweden did not book deferred taxes related to tax losses.

DEFERRED TAXES

EUR million	1 Jan 2018	Exchange rate difference	Recognised in income statement	Recognised in other comprehen-sive income	Transactions with owners of the parent company and other changes in equity	31 Jan 2018
Deferred tax assets						
Deferred taxes from negative results	4.2		-0.3			3.8
Provisions	4.1		-0.2			4.0
Financial instruments			0.0			0.0
Property, plant and equipment and intangible assets	0.9	0.0	0.0			0.9
Temporary difference from revenue recognition of construction projects	2.0	0.0	0.4			2.4
Other temporary differences	1,2*	0.0	1.5			2.7
Deferred tax assets, gross	12.4	0.0	1.4			13.8
Offsetting	-5.0	-0.1	-0.6			-5.7
Deferred tax assets	7.4	0.0	0.8			8.2

* Includes an IFRS 9 adjustment.

EUR million	1 Jan 2018	Exchange rate difference	Recognised in income statement	Recognised in other comprehen-sive income	Transactions with owners of the parent company and other changes in equity	31 Jan 2018
Deferred tax liabilities						
Property, plant and equipment and intangible assets	2.8	0.0	-0.1			2.7
Financial instruments	0.6	0.0	-0.1			0.5
Accelerated depreciations and voluntary provisions	9.1	0.0	0.0			9.1
Other temporary differences	1.5	0.0	-0.2			1.3
Deferred tax liabilities, gross	14.0	0.1	-0.5			13.6
Offsetting	-5.0	-0.1	-0.6			-5.7
Deferred tax liabilities	9.0	0.0	-1.1			7.9

EUR million	1 Jan 2017	Exchange rate difference	Recognised in income statement	Recognised in other comprehen-sive income	Transactions with owners of the parent company and other changes in equity	31 Dec 2017
Deferred tax assets						
Deferred taxes from negative results	29.0	-0.4	-24.4			4.2
Provisions	4.8	-0.1	-0.6			4.1
Financial instruments	0,0	0.0	-0.6		0.6	
Property, plant and equipment and intangible assets	1.0	0.0	-0.1			0.9
Temporary difference from revenue recognition of construction projects	5.5	-0.3	-3.2			2.0
Other temporary differences	0.1	0.0	0.8	0.1		0.9
Deferred tax assets, gross	40.3	-0.8	-28.1	0.1	0.6	12.1
Offsetting	-9.7	0.3	4.4			-5.0
Deferred tax assets	30.7	-0.5	-23.7	0.1	0.6	7.1

EUR million	1 Jan 2017	Exchange rate difference	Recognised in income statement	Recognised in other comprehen-sive income	Transactions with owners of the parent company and other changes in equity	31 Dec 2017
Deferred tax liabilities						
Property, plant and equipment and intangible assets	2.7	-0.1	0.2			2.8
Financial instruments	0.5	0.0	0.2			0.6
Accelerated depreciations and voluntary provisions	11.5	0.0	-2.3			9.1
Temporary difference from revenue recognition of construction projects	4.9	-0.1	-4.8			
Other temporary differences	2.4	-0.1	-0.8	-0.1		1.5
Deferred tax liabilities, gross	22.0	-0.3	-7.6	-0.1		14.0
Offsetting	-9.7	0.3	4.4			-5.0
Deferred tax liabilities	12.3	-0.1	-3.1	-0.1		9.0

In accounting period 2018, deferred tax liabilities are mainly recognised in full. The Group's parent company has, in accounting period 2018, written down EUR 1.6. million accumulated tax losses of deferred tax assets due to the merger that happened after the accounting period. In accounting period 2017, deferred tax liabilities are recognised mainly in full, except in Norway and Sweden where deferred tax assets were written down in 2017 to the extent that the company has taxable temporary differences. In 2017, the write-downs related to Norway and Sweden increased the tax expense in the income statement in total EUR 10.2 million. Acccumulated tax losses, of which no deferred tax asset is not recognised, amouted to EUR 19.3 million (16.5). Additionally, in Estonia the company is able to determine a reversal of the temporary difference, and hence the deferred tax has not been recognised for the time being.

7 EARNINGS PER SHARE

	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Profit for the year attributable to the ordinary equity holders, EUR million	-29.5	6.4
Interest of the hybrid bonds calculated on accrual basis less tax, EUR million	0.6	-2.5
Profit for the year for the purpose of calculating earnings per share, EUR million	-28.9	3.9
Weighted outstanding basic average number of shares, shares	23,204,900	23,204,535
Earnings per share, basic	-1.25	0.17
Potentially dilutive shares of share based incentive plans, shares	57,432	57,432
With dilutive shares adjusted weighted-average shares	23,262,332	23,261,966
Earnings per share, diluted	-1.25	0.17

Operating capital

8 INVENTORIES

EUR million	31 Jan 2018	31 Dec 2017
Materials and supplies	37.5	37.3
Building plots and real estate	118.2	111.5
Housing under construction	128.5	126.4
Commercial property under construction	9.5	9.0
Advance payments	3.4	3.1
Completed apartments	40.3	38.7
Completed commercial property	16.1	16.1
Products and goods	24.8	24.2
	378.4	366.4

In 2018, the company recorded costs, other than those arising from sale, reducing the carrying amount of inventories a total of EUR 0.0 million (5.6). Paving segment's share of the write-downs totalled EUR 0.0 million (0.5), and it was mainly due to write-downs of mineral aggregates inventory. The Infra projects segment did not have write-downs in accounting period 2018 (EUR 0.1 million). Building construction, Finland segment did not have write-downs in accounting period 2018 (EUR 5.0 million).

9 TRADE AND OTHER RECEIVABLES

EUR million	31 Jan 2018	31 Dec 2017
Interest-bearing receivables		
Non-current other receivables	0.0	0.0
	0.0	0.0
Non-interest-bearing receivables		
Non-current trade receivables	0.3	0.4
Current trade receivables	87.8	121.7
Contract assets	124.6	125.5
Accrued personnel expenses	2.4	1.1
Other accrued income	7.5	6.7
Derivative assets	0.8	1.3
Receivables from real estate companies under construction	6.0	6.0
Non-current other receivables	0.0	0.0
Current other receivables	41.2	39.8
	270.6	302.6
Non-current receivables, total	0.3	0.4
Current receivables, total	270.3	302.2

In accounting period 2018, the net amount of trade receivable credit losses was EUR 0.2 million (0.5).

10 TRADE AND OTHER PAYABLES

EUR million	31 Jan 2018	31 Dec 2017
Non-current liabilities		
Other non-current liabilities	0.0	0.0
	0.0	0.0
Current liabilities		
Advance payments received	137.9	123.7
Liabilities to owners of housing under construction	2.0	3.2
Trade payables	57.2	94.2
Contract expense liabilities	40.6	43.1
VAT	15.1	19.7
Accrued interest	1.7	3.7
Accrued personnel expenses	56.9	58.5
Other accrued liabilities	23.9	16.9
Derivative liabilities	1.4	0.8
Other current liabilities	20.7	19.8
	357.4	383.6
Non-interest bearing liabilities, total	357.4	383.6

11 PROVISIONS

EUR million	Warranty provisions	10 year liability provisions	Environ-mental provisions	Lease commit-ment provisions	Litigation provisions	Other provisions	Onerous customer contracts	Total 31 Jan 2018	Total 31 Dec 2017
Provisions, 1 Jan	11.4	9.3	2.7	1.7	3.1	0.0		28.2	32.5
Exchange rate differences	0.1		0.1					0.1	-0.2
Increases in provisions	1.7		0.0	0.8	0.0		0.1	2.6	18.7
Expensed provisions	-1.7	-0.2		-2.0		0.0		-3.9	-20.5
Reversals of unused provisions									-2.2
Provisions 31 Jan 2018	11.4	9.1	2.7	0.6	3.1		0.1	27.1	
Provisions 31 Dec 2017	11.4	9.3	2.7	1.7	3.1	0.0			28.2
Provisions categorised as									
Non-current	0.7	6.3	2.7	0.6	3.1			13.4	15.4
Current	10.8	2.8					0.1	13.7	12.8
	11.4	9.1	2.7	0.6	3.1		0.1	27.1	28.2

12 PROPERTY, PLANT AND EQUIPMENT

EUR million	Land	Buildings and structures	Machinery and equipment	Leased machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost, 1 Jan 2018	12.8	37.8	232.4	75.5	36.1	1.9	396.7
Exchange rate differences	0.0	0.1	0.9	0.7	0.2	0.0	1.9
Increases		0.0	0.5	0.3		0.2	1.0
Disposals	0.0	0.0	-0.3	0.0	-0.1	0.0	-0.5
Cost, 31 Jan 2018	12.9	37.9	233.5	76.6	36.2	2.1	399.1
Accumulated depreciation and impairment, 1 Jan 2018		-28.1	-173.8	-49.2	-19.5		-270.5
Exchange rate differences		0.0	-0.6	-0.5	-0.1		-1.3
Accumulated depreciation on decreases		0.0	0.3	0.0	0.0		0.3
Depreciation for the financial year		0.0	-0.5	-0.4	-0.1		-0.9
Accumulated depreciation and impairment, 31 Jan 2018		-28.2	-174.7	-50.0	-19.6		-272.4
Carrying amount 31 Jan 2018	12.9	9.7	58.8	26.6	16.6	2.1	126.7
Carrying amount 1 Jan 2018	12.8	9.7	58.7	26.4	16.7	1.9	126.2

EUR million	Land	Buildings and structures	Machinery and equipment	Leased machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost, 1 Jan 2017	13.3	39.5	230.2	85.1	39.5	1.3	409.0
Exchange rate differences	-0.1	-0.3	-3.7	-2.1	-0.6	0.0	-6.8
Increases		0.3	8.3	6.0	0.6	8.7	24.0
Disposals	-0.4	-2.2	-10.0	-13.3	-3.4	-0.2	-29.5
Transfers between items		0.4	7.6	-0.1		-7.9	
Cost, 31 Dec 2017	12.8	37.8	232.4	75.5	36.1	1.9	396.7
Accumulated depreciation, 1 Jan 2017		-29.4	-168.5	-53.1	-21.4		-272.4
Exchange rate differences		0.1	2.5	1.4	0.3		4.4
Accumulated depreciation on decreases		2.2	8.7	10.9	3.2		25.1
Transfers between items			-0.1	0.1			
Depreciation for the financial year		-0.9	-16.4	-8.6	-1.4		-27.3
Impairment					-0.2		-0.2
Accumulated depreciation, 31 Dec 2017		-28.1	-173.8	-49.2	-19.5		-270.5
Carrying amount 31 Dec 2017	12.8	9.7	58.7	26.4	16.7	1.9	126.2
Carrying amount 1 Jan 2017	13.3	10.1	61.7	32.0	18.1	1.3	136.6

The Group has no capitalised interest expenses in fixed assets.

13 INTANGIBLE ASSETS

EUR million	Goodwill	Intangible rights	Other intangible assets	Advance payments	Total
Cost, 1 Jan 2018	52.9	33.2	7.0		93.1
Exchange rate differences	0.3	0.1	0.1		0.5
Increases		0.0		0.0	0.0
Cost, 31 Jan 2018	53.2	33.2	7.1	0.0	93.6
Accumulated amortisation and impairment, 1 Jan 2018		-27.1	-6.7		-33.8
Exchange rate differences		0.0	-0.1		-0.2
Amortisation for the financial year		-0.1	0.0		-0.1
Accumulated amortisation and impairment, 31 Jan 2018		-27.3	-6.8		-34.1
Carrying amount 31 Jan 2018	53.2	6.0	0.3	0.0	59.5
Carrying amount 1 Jan 2018	52.9	6.0	0.3		59.2

EUR million	Goodwill	Intangible rights	Other intangible assets	Advance payments	Total
Cost, 1 Jan 2017	53.9	34.1	7.9	0.2	96.0
Exchange rate differences	-1.0	-0.2	-0.4		-1.5
Increases		0.3		0.5	0.8
Disposals		-1.7	-0.5		-2.2
Transfers between items		0.6		-0.6	
Cost, 31 Dec 2017	52.9	33.2	7.0		93.1
Accumulated amortisation and impairment, 1 Jan 2017		-25.0	-7.2		-32.1
Exchange rate differences		0.1	0.4		0.4
Accumulated amortisation on disposals		1.6	0.5		2.1
Amortisation for the financial year		-3.7	-0.4		-4.1
Impairment		-0.1			-0.1
Accumulated amortisation and impairment, 31 Dec 2017		-27.1	-6.7		-33.8
Carrying amount 31 Dec 2017	52.9	6.0	0.3		59.2
Carrying amount 1 Jan 2017	53.9	9.1	0.8	0.2	63.9

GOODWILL

At the date of acquisition, goodwill is allocated to cash-generating units, or groups of cash-generating units, that are expected to benefit from synergies arising from the business combination. The reportable operating segments correspond to the business based management model. Furthermore, the operating segments are the lowest level at which the company management monitors goodwill and the level on which the goodwill is tested.

Goodwill by segment

EUR million 31 Jan 2018	Goodwill	Discount rate, % (pre-tax WACC)
Paving	38.7	7.7*
Infra projects	7.7	8.2*
Building construction, Finland	6.2	5.6
Russian operations	0.6	20.2
	53.2	

EUR million 31 Dec 2017	Goodwill	Discount rate, % (pre-tax WACC)
Paving	38.4	7.7*
Infra projects	7.7	8.2*
Building construction, Finland	6.2	5.6
Russian operations	0.6	20.2
	52.9	

* Country-specific operating capital-weighted average

Goodwill impairment tests

Goodwill is tested for impairment annually and whenever there are indications of possible impairment. Goodwill impairment tests were carried out in the process of Financial Statement 2017. The tests are carried out as value-in-use calculations of individual businesses in accordance with the smallest cash-generating unit principle. In impairment testing the discounted present value of the recoverable cash flows of each cash-generating unit is compared with the carrying amount of the unit in question. If the present value is lower than the carrying amount, the difference is recognised through profit or loss as an expense in the current year.

The goodwill impairment tests carried out during the fourth quarter of 2017 showed that the present values of the future cash flows exceed the carrying amounts in all segments.

Forecasts and key assumptions used in goodwill impairment testing

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

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

Sensitivity analysis

In connection with the impairment tests, sensitivity analyses are made to determine how possible changes in key assumptions of the unit-specific impairment tests would affect the results of those tests. The key assumptions affecting the present value of cash flows are the development of market and competitive conditions, and the discount factor. In the sensitivity analyses the calculation variables affecting these assumptions are varied and the effects of the changes on the margin between the carrying value and present value of the cash flows are examined. Sensitivity analysis prepared in 2017 shows that reasonable and ordinary variation to key assumptions used in the testing would not cause a need for impairment. Figures describing the goodwill impairment risk of units subject to impairment testing by business segment are presented below.

EUR million 2017	Paving	Infra projects	Building construc-tion, Finland	Russian operations
Goodwill allocated to the business sector, total	38.4	7.7	6.2	0.6
Goodwill impairment if annual growth over the				
long term were 1 percentage point lower	0.0	0.0	0.0	0.0
long term were 2 percentage points lower	0.0	0.0	0.0	0.0
Goodwill impairment if the dicount rate				
were half a percentage point higher	0.0	0.0	0.0	0.0
were one percentage point higher	0.0	0.0	0.0	0.0

Funding and financial risks

14 FINANCIAL RISK MANAGEMENT

In its business operations, Lemminkäinen Group is exposed to financial risks, mainly funding, liquidity, foreign exchange rate, interest rate and credit risks. The aim of the Group's financial risk management is to reduce uncertainty concerning the possible impacts that changes in fair values on the financial markets could have on the Group's result, cash flow and value. The management of financial risks is based on principles of the treasury policy approved by the Board of Directors. The treasury policy defines the principles and division of responsibilities with regard to financial activities and the management of financial risk. The policy is reviewed and if necessary updated at least annually.

Execution of the treasury policy is the responsibility of the Group Treasury, which is mainly responsible for the management of financial risks and handles the Group's treasury activities on a centralised basis. The Group's treasury policy defines the division of responsibilities between the Group Treasury and business units in each subarea. The Group companies are responsible for providing the Group Treasury with up-to-date and accurate information on treasury-related matters concerning their business operations. The Group Treasury serves as an internal bank and co-ordinates, directs and supports the group companies in treasury matters such that the Group's financial needs are met and its financial risks are managed effectively in line with the treasury policy.

FUNDING AND LIQUIDITY RISK

The Group seeks to ensure the availability of funding, optimise the use of liquid assets in funding its business operations and to minimise interest and other finance costs. The Group Treasury is responsible for managing the Group's overall liquidity and ensuring that adequate credit lines and a sufficient number of different funding sources are available. It also ensures that the maturity profile of the Group's loans and credit facilities is spread sufficiently evenly over coming years as set out in the treasury policy. The maturity schedule of the interest-bearing liabilities, as per the Group's accounting, is front-loaded. The reason for this is the EUR 64.9 million (61.7) borrowings of companies included in inventory, which are recorded in current interest-bearing liabilities. These liabilities consist mainly of non-current loans of housing companies, which are under construction or completed, and these borrowings will be transferred to the buyers of the co-op shares when the units are handed over. Regarding unsold housing units, the group will bear the liability by paying financial consideration for the units in question during a long loan period.

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

Liquidity reserve of the Group consists of a commercial paper programme, committed credit limits, bank overdraft facilities, and liquid funds. The total amount of the Group's commercial paper programme is EUR 300 million (300.0), which was unused at 31 January 2018 and at 31 December 2017. At the end of the reporting period, the Group had available committed credit facilities amounting to EUR 200 million (200.0) and overdraft limits amounting to EUR 12.4 million (12.4). The amount of liquid funds at 31 January 2018 was EUR 21.6 million (57.9).

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

CONTRACTUAL CASH FLOWS OF FINANCIAL LIABILITIES AND DERIVATIVE INSTRUMENTS

EUR million 31 Jan 2018	2018	2019	2020	2021	2022	2023–	Total
Interest-bearing liabilities	111.5	118.8	4.1	2.3	1.5	0.7	238.9
Interest rate derivatives	0.2						0.2
Forward foreign exchange contracts							
Cash flows payable	96.7						96.7
Cash flows receivable	-96.0						-96.0
Commodity derivatives							
Cash flows payable	0.1	0.0	0.0				0.1
Cash flows receivable	-0.3	0.0					-0.3
Other financial liabilities	143.8	0.0	0.0	0.0			143.8
Trade payables	57.2						57.2
Financial guarantees given	2.5	0.7	0.1				3.3
	315.8	119.5	4.2	2.3	1.5	0.7	444.0

EUR million 31 Dec 2017	2018	2019	2020	2021	2022	2023–	Total
Interest-bearing liabilities	80.5	116.6	4.2	2.1	1.4	0.5	205.3
Interest rate derivatives	0.2						0.2
Forward foreign exchange contracts							
Cash flows payable	86.6						86.6
Cash flows receivable	-86.8						-86.8
Commodity derivatives							
Cash flows payable	0.0	0.0	0.0				0.0
Cash flows receivable	-0.4	0.0					-0.4
Other financial liabilities	142.0	0.0	0.0	0.0			142.0
Trade payables	94.2						94.2
Financial guarantees given	2.7	0.7	0.1				3.5
	319.1	117.3	4.3	2.1	1.4	0.5	444.7

FOREIGN EXCHANGE RATE RISK

The aim of foreign exchange rate risk management is to reduce uncertainty concerning the possible impacts that changes in exchange rates could have on the future values of cash flows, business receivables and liabilities, and other items in the statement of financial position. Exchange rate risk mainly consists of translation risk and transaction risk.

Translation risk consists of foreign exchange rate differences arising from the translation of the income statements and the statement of financial position of foreign group companies into the Group's functional currency. Translation risk recorded in accounting is caused by equity investments in foreign entities and their retained earnings, the effects of which are recorded under translation differences in shareholders' equity. Lemminkäinen Group has foreign net investments in several currencies. The key currencies in which the Group was exposed to translation risk during the reporting period were the Russian rouble and the Norwegian krone. The change in translation differences in 2018 was EUR 0.5 million (–2.8), of which EUR –0.2 million (–1.9) was attributable to the Russian rouble and EUR 0.6 million (–1.0) to the Norwegian krone. Reportable translation risk is also caused by the reporting period's income statement, the impact of which can be seen, among others, directly in the Group's reportable net sales and operating profit in euros. On the reporting period, the impact of exchange rate changes (January 2018 actuals compared to January 2018 actuals recalculated with foreign exchange rates of corresponding period in 2017) on the Group's net sales was EUR –0.8 million (7.4), of which EUR –0.4 million (10.3) was attributable to the Russian rouble and EUR –0.3 million (–0.8) to the Norwegian krone, and their impact on the operating profit was EUR 0.7 million (0.1), of which EUR 0.2 million (–0.1) was attributable to the Russian rouble and EUR 0.4 million (0.1) to the Norwegian krone. In accordance with the treasury policy, Lemminkäinen Group protects itself from translation risks primarily by keeping equity investments in foreign entities at an appropriately low level, and thus does not use financial instruments to hedge the translation risks.

Transaction risk consists of cash flows in foreign currencies from operational and financial activities. The Group seeks to hedge business currency risks primarily by operative means. The remaining transaction risk is hedged by using instruments such as foreign currency loans and foreign currency derivatives. The group companies are responsible for identifying, reporting, forecasting and hedging their transaction risk positions internally. The Group Treasury is responsible for hedging the group's risk positions as external transactions in accordance with the treasury policy. The transaction risk positions of the Group were mainly due to sales and purchases within the next 12 months, and receivables and liabilities in the statement of financial position.

The key currency pairs in which the group was exposed to transaction risk on the reporting period were EUR/SEK and EUR/RUB. During the reporting period the Group did not apply hedge accounting to transaction risk hedging.

SENSITIVITY ANALYSIS OF TRANSACTION RISK

The following assumptions have been made when calculating the sensitivity caused by changes in exchange rates:

- the exchange rate change is assumed to be +/- 10%
- the position includes both external and intra-group financial assets and liabilities denominated in Swedish kronas and Russian roubles and derivatives hedging these items
- the position does not include forecasted future cash flows
- taxes are excluded in sensitivity analysis

EUR million 31 Jan 2018	Open transaction risk position	10% strengthening of EUR	10% weakening of EUR
EUR/SEK	-1.5	0.1	-0.2
EUR/RUB	-1.6	0.1	-0.2

EUR million 31 Dec 2017	Open transaction risk position	10% strengthening of EUR	10% weakening of EUR
EUR/SEK	-1.4	0.1	-0.2
EUR/RUB	-1.6	0.1	-0.2

INTEREST RATE RISK

The aim of Lemminkäinen Group's interest rate risk management is to minimise changes affecting the result, cash flows and value of the Group due to interest rate fluctuations. The Group Treasury manages and monitors the interest rate position. The Group's interest rate risk primarily comprises fixed-rate and variable-rate borrowings, interest-bearing financial assets and interest rate derivatives. Interest rate changes have an effect on items in the income statement and consolidated statement of financial position.

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

The Group can have both variable- and fixed-rate long-term borrowings. The ratio of fixed- and variable-rate borrowings can be changed by using interest rate derivatives. The Group has used interest rate swaps for managing interest rate risks, but has not used hedge accounting for these hedges during the reporting period.

Interest rate fluctuations during the reporting period did not have any unusual effect on the group's business, but a significant rise in the level of interest rates may have a detrimental effect on the demand for apartments.

SENSITIVITY ANALYSIS OF INTEREST RATE RISK

The following assumptions are made when calculating the sensitivity caused by a change in the level of interest rates:

- the interest rate change is assumed to be 1 percentage point
- interest rate changes have been calculated for a 12 month period
- the position includes variable-rate financial liabilities, variable-rate financial assets (including cash and cash equivalents) and interest rate derivatives
- market interest rate is assumed to be positive at the start of the year for all other instruments except for interest rate derivatives
- all factors other than the change in interest rates remain constant
- taxes have not been taken into account when calculating sensitivity

EUR million 31 Jan 2018	Interest rate risk position	Impact on profit or loss (+1%)	Impact on profit or loss (-1%)
Variable-rate financial liabilities	-89.8	-0.9	0.9
Variable-rate financial assets	21.6	0.2	-0.2
Interest rate derivatives	20.0	0.2	-0.2
	-48.1	-0.5	0.5

EUR million 31 Dec 2017	Interest rate risk position	Impact on profit or loss (+1%)	Impact on profit or loss (-1%)
Variable-rate financial liabilities	-86.5	-0.9	0.9
Variable-rate financial assets	47.9	0.5	-0.5
Interest rate derivatives	20.0	0.2	-0.2
	-18.5	-0.2	0.2

COMMODITY PRICE RISK

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

CREDIT RISK

Credit risks arise when a counterparty is unable to meet its contractual obligations, causing the other party to suffer a financial loss. Lemminkäinen has defined a credit policy for customer receivables that aims to boost profitable sales by identifying credit risks in advance and controlling them. The credit policy sets the minimum requirements concerning trade credit and collections for Lemminkäinen Group. The Group's credit control function defines credit risks, and the business units are responsible for managing them.

Most of the Group's business is based on established and trustworthy customer relationships and on contractual terms generally observed in the industry. The Group is exposed to credit risk mainly through the Group's trade receivables and receivables associated with deposits and derivatives. The maximum amount of credit risk is the combined total values of the aforementioned items as presented in the consolidated statement of financial position. The amounts and due dates of the Group's trade receivables are presented in the following table. The Group does not have any significant credit risk concentrations, as trade receivables are distributed among many different customers in a number of market areas. The business unit that made the contract actively monitors the receivables situation. If the business units renegotiate the terms of the receivables, they must do so in accordance with the requirements of the group's credit policy. The risk of credit losses can be reduced by means of guarantees, mainly bank guarantees and bank deposits. In addition, Lemminkäinen uses factoring arrangements, which also mitigates the credit risk. Lemminkäinen's credit losses have been minimal in relation to the scale of its operations. The main risks are associated with business in Russia. As a general rule, construction projects in Russia are only undertaken against receipt of advance payments. If, in exceptional situations, a credit risk is taken, the amount permitted is always proportional to the expected margin on the project in question. Receivables transferred for legally enforceable collection are recognised as credit losses.

The Group is exposed to a counterparty risk when investing liquid assets and using derivative instruments. Liquid assets are invested in short-term bank deposits, certificates of deposit issued by solvent partner banks, and commercial papers issued by corporations with a good credit rating. The Group Treasury is responsible for the management of the Group's counterparty and credit risks related to cash, financial investments and financial transactions. The treasury policy specifies the approved counterparties and their criteria. At the end of the reporting period, the counterparty risk was considered to be low.

AGEING ANALYSIS OF TRADE RECEIVABLES*

EUR million	31 Jan 2018	31 Dec 2017
Not due	61.2	87.7
Past due 1–30 days	11.4	23.0
Past due 31–60 days	7.1	2.2
Past due 61–90 days	0.8	1.2
Past due over 90 days	8.2	8.0
	88.8	122.2

* The impact of expected credit losses is not taken into consideration.

EXPECTED CREDIT LOSSES

The group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and customer contracts in accordance with IFRS 15. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Expected credit losses also incorporate forward looking information. Expected credit losses from customer contracts in accordance with IFRS 15 are defined with the same percentage as undue trade receivables.

	Undue	1–60 days due	61–90 days due	91–180 days due	Over 180 days due
Expected credit losses, average %	1.1	1.8	17.9	18.8	18.8

	Trade receivables	Contract assets
Gross carrying amount 31 Jan 2018	88.8	125.1
Loss allowance provision	0.8	0.4
Carrying amount after provision 31 Jan 2018	88.1	124.6

Reconciliation calculation of opening balance	31 Dec 2017	Adjustment on adoption of IFRS 9	1 Jan 2018
Deferred tax receivables	7.1	0.2	7.4
Trade receivables	122.2	-0.7	121.5
Customer contracts in accordance with IFRS 15	125.5	-0.4	125.1
Total assets	926.8	-0.9	925.9
Retained earnings	168.3	-0.9	173.8
Profit fot the period	6.4		
Total equity	319.3	-0.9	318.5

MANAGEMENT OF CAPITAL AND THE CAPITAL STRUCTURE

Capital refers to the equity and interest-bearing liabilities shown on Lemminkäinen's consolidated statement of financial position. Lemminkäinen Group's capital management ensures cost-effectively that all of the Group's business sectors maintain their business viability at a competitive level in all cyclical conditions, that risk-carrying capacity is adequate, for example in construction contracts, and that the company is able to service its borrowings and to pay a good dividend.

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

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

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

The noteholders' meeting which was held in the third quarter of 2017 approved the Company's proposal relating to granting consents and waivers concerning the merger of Lemminkäinen Corporation and YIT Corporation, and took decisions to amend the terms and conditions of the bond which were related to the merger. The consents and waivers became effective immediately, and the amendments became effective at the completion of the merger of Lemminkäinen Corporation and YIT Corporation.

On 31 January 2018, the company announced that it will redeem the outstanding share of the EUR 70 million hybrid bond. The outstanding nominal amount is EUR 35.2 million. As a result of the redemption decision, the hybrid bond was derecognised from equity and transferred to interest-bearing liabilities. The redemption will be made on 30 March 2018 in accordance with the terms and conditions of the hybrid bond, and as a result thereof the payment will take place on 3 April 2018.

The Group's EUR 200 million revolving credit facility includes two financial covenants, the ratio of net debt to EBITDA and the equity ratio, which are monitored quarterly and calculated as an average of four previous quarters. The company has met its covenants.

EUR million	31 Jan 2018	31 Dec 2017
Interest-bearing liabilities	224.3	185.8
Liquid assets	21.6	57.9
Interest-bearing net debt	202.7	127.9
Equity, total	254.5	319.3
Equity ratio, %	34.8	39.9
Gearing, %	79.6	40.0

15 INTEREST-BEARING LIABILITIES

EUR million	31 Jan 2018	31 Dec 2017
Non-current		
Borrowings from financial institutions	0.4	0.2
Finance lease liabilities	13.9	15.1
Bonds	99.4	99.4
	113.7	114.6
Current		
Borrowings from financial institutions	0.2	0.2
Finance lease liabilities	10.3	9.3
Bonds	35.2	
Borrowings of companies included in inventory	64.9	61.7
	110.6	71.2

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

FINANCE LEASE LIABILITIES

EUR million	31 Jan 2018	31 Dec 2017
Finance lease liabilities and interest on them is due as follows		
In one year or earlier	10.8	9.8
Over one year, but less than five years	13.8	15.1
Over five years	0.6	0.5
	25.3	25.4
Maturity of present value of minimum leases		
In one year or earlier	10.3	9.3
Over one year, but less than five years	13.3	14.6
Over five years	0.6	0.5
	24.2	24.4
Accumulated future finance costs from finance lease liabilities	1.0	1.0

RECONCILIATION OF INTEREST-BEARING LIABILITIES

EUR million	Current liabilties	Non-current liabilities	Finance lease liabilities	Total
31 Dec 2017	61.9	99.5	24.4	185.8
Proceeds from interest bearing liabilities	19.3	0.3		19.5
Repayments of interest bearing liabilities	-0.1	-0.2	-0.7	-0.9
Finance lease investments			0.3	0.3
Share of borrowings concerning sold apartments	-16.0			-16.0
Hybrid bond reclassi-fication	35.2			35.2
Other non-cash changes*	0.0	0.2	0.2	0.5
31 Jan 2018	100.3	99.8	24.2	224.3

* Foreign exchange rate differences have been included in Other non-cash changes.

16 CASH AND CASH EQUIVALENTS

EUR million	31 Jan 2018	31 Dec 2017
Cash in hand and at banks	21.6	57.9

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

17 DERIVATIVE FINANCIAL INSTRUMENTS

EUR million 31 Jan 2018	Nominal value	Fair value, positive	Fair value, negative	Fair value, net
Foreign exchange derivatives	96.7	0.6	-1.1	-0.5
Interest rate derivatives	20.0		-0.2	-0.2
Commodity derivatives	6.8	0.3	-0.1	0.2
	123.5	0.8	-1.5	-0.6

EUR million 31 Dec 2017	Nominal value	Fair value, positive	Fair value, negative	Fair value, net
Foreign exchange derivatives	86.6	1.0	-0.5	0.4
Interest rate derivatives	20.0		-0.2	-0.2
Commodity derivatives	3.7	0.4	0,0	0.3
	110.3	1.3	-0.8	0.5

The fair value of derivative instruments is the gain or loss arising from the settlement of the contract at the market price prevailing on the reporting date.

Hedge accounting has not been applied to derivative instruments. Nevertheless, these derivative instruments have been utilised for hedging purposes. The derivatives are used in order to reduce business risks, interest rate risks and to hedge balance-sheet items denominated in foreign currencies. Changes in the fair value of derivatives are recognised through profit or loss in accordance with their nature either in financial items or as other operating income and expenses.

Financial derivatives are subject to master netting or similar arrangements which are enforceable in some circumstances. According to these arrangements, above mentioned derivative assets and derivative liabilities could be settled on a net basis. Netting arrangements are enforceable according to typical negligence events or other events of default as the general terms for derivative transactions applies. Items, to which settlement on a net basis could be applied under certain conditions, are recognised on gross basis in the statement of financial position. Net figures would have been EUR 0.7 million (0.5) smaller than the gross figures presented in the table.

18 EQUITY INVESTMENTS

EUR million	2018	2017
Equity investments, 1 Jan	1.8	2.3
Disposals		-0.4
Equity investments, 31 Jan 2018 and 31 Dec 2017	1.8	1.8

Equity investments include several different unquoted shares of which majority are real estate shares. The value of one individual investment is not significant in relation to the total of all other investments. The fair value of unquoted shares are assessed on each reporting date, and due to missing public quotations the value determined at cost less possible impairments represents the Company's best estimate about the fair value of such instrument. Write-downs were not recognised during the reporting period (EUR 0.3 million).

19 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The table below presents categories and measurement of financial instruments and reclassifications of those items on adoption of IFRS 9. The reclassification of the financial instruments on adoption of IFRS 9 did not result in any changes to measurement.

Original measurement category (IAS 39)	Financial assets / liabilities recognised at fair value through profit and loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amortised cost		
New measurement category (IFRS 9)	**Financial assets / liabilities recognised at fair value through profit and loss**	**Financial assets recognised at amortised cost**	**Financial assets recognised at fair value through other comprehensive income**	**Financial liabilities recognised at amortised cost**		
EUR million 31 Jan 2018					**Carrying amount**	**Fair value**
Non-current financial assets						
Equity investments			1.8		1.8	1.8
Other non-current receivables		0.3			0.3	0.2
Current financial assets						
Trade and other receivables		265.8			265.8	265.8
Derivative assets	0.8				0.8	0.8
Cash and cash equivalents		21.6			21.6	21.6
Financial assets total	0.8	287.8	1.8		290.5	290.3
Non-current financial liabilities						
Interest-bearing liabilities				113.7	113.7	123.5
Other non-current liabilities				0.0	0.0	0.0
Current financial liabilities						
Interest-bearing liabilities				110.6	110.6	110.6
Trade payables and other financial liabilities*				200.9	200.9	200.9
Derivative liabilities	1.4				1.4	1.4
Financial liabilities total	1.4			425.3	426.7	436.5

EUR million 31 Dec 2017	**Financial assets / liabilities recognised at fair value through profit and loss**	**Loans and other receivables**	**Available-for-sale financial assets**	**Financial liabilities recognised at amortised cost**	**Carrying amount**	**Fair value**
Non-current financial assets						
Available-for-sale financial assets			1.8		1.8	1.8
Other non-current receivables		0.4			0.4	0.3
Current financial assets						
Trade and other receivables		297.9			297.9	297.9
Derivative assets	1.3				1.3	1.3
Cash and cash equivalents		57.9			57.9	57.9
Financial assets total	1.3	356.3	1.8		359.4	359.3
Non-current financial liabilities						
Interest-bearing liabilities				114.6	114.6	124.3
Other non-current liabilities				0.0	0.0	0.0
Current financial liabilities						
Interest-bearing liabilities				71.2	71.2	71.2
Trade payables and other financial liabilities*				239.4	239.4	239.4
Derivative liabilities	0.8				0.8	0.8
Financial liabilities total	0.8			425.3	426.0	435.7

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

FAIR VALUE MEASUREMENT

Other non-current receivables include trade receivables and other interest-free receivables. Fair values are based on future cash flows discounted using risk free market yields plus appropriate credit spreads. The carrying amount of current trade and other receivables is equal to their fair value due to their short maturity.

The most significant part of the non-current financial liabilities is a EUR 100 million senior bond, the fair value of which is based on the market price at the reporting date. The carrying amount of current financial liabilities is assumed to be close to their fair value due to their short maturity.

A FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES RECOGNISED AT FAIR VALUE

The Group has categorised financial instruments recognised at fair value by using a three-level fair value hierarchy. Financial instruments within Level 1 of the hierarchy are traded in active markets, hence prices are obtained directly from the efficient markets. Fair values of instruments within Level 2 are based on observable market inputs and generally accepted valuation methods. Fair values within Level 3 are not based on observable market data but on quotations provided by brokers and market valuation reports.

EUR million 31 Jan 2018	**Level 2**	**Level 3**	**Total**
Financial assets recognised at fair value through other comprehensive income			
Equity investments		1.8	1.8
Financial assets and liabilities recognised at fair value through profit and loss			
Derivative assets	0.8		0.8
Derivative liabilities	1.4		1.4

EUR million 31 Dec 2017	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets			
Equity investments		1.8	1.8
Financial assets and liabilities recognised at fair value through profit and loss			
Derivative assets	1.3		1.3
Derivative liabilities	0.8		0.8

LEVEL 3 RECONCILIATION STATEMENT

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

EUR million	**Financial assets recognised at fair value through other comprehensive income**
Opening balance 1 Jan 2018	1.8
Fair values 31 Jan 2018	1.8

EUR million	**Financial assets recognised at fair value through other comprehensive income**
Opening balance 1 Jan 2017	2.3
Disposals	-0.1
Gains and losses recognised in profit or loss, total	-0.3
Fair values 31 Dec 2017	1.8
Gains and losses on level 3 financial instruments held at the end of the accounting period	
In other operating income and expenses	-0.3

20 SHAREHOLDERS' EQUITY AND DIVIDENDS

SHARES AND SHARE CAPITAL

Lemminkäinen Corporation had one share class. On 31 January 2018, the company had a total of 23,219,900 (23,219,900) shares, of which 15,000 (15,000) treasury shares.

HYBRID BONDS ELIGIBLE FOR EQUITY CLASSIFICATION

On 31 January 2018, the company announced that it will redeem the outstanding share of the EUR 70 million hybrid bond. The outstanding nominal amount is EUR 35.2 million. As a result of the redemption decision, the hybrid bond was derecognised from the equity and transferred to the interest-bearing liabilities.

TRANSLATION DIFFERENCES

At the end of the reporting period, the translation difference amounted to EUR -20.9 million (-21.4), of which the share of Russian operations was EUR -20.2 million (-20.0). The change of the translation difference was EUR 0.5 million during the reporting period (-2.8). The impact of Russian rouble exchange rate changes on the translation difference was a total of EUR -0.2 million (-1.9) and the impact of Norwegian krone exchange rate changes was a total of EUR 0.6 million (-1.0).

DIVIDEND PAID AND PROPOSED

	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Dividend paid during the financial year		
Per share for the previous year, EUR	0.00	0.66
In total for the previous year, EUR million	0.0	15.3
Proposed for approval by the AGM		
Per share for the financial year, EUR	0.00	0.00
In total for the financial year, EUR million	0.0	0.0

Employee benefits

21 EMPLOYEE BENEFITS AND NUMBER OF EMPLOYEES

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Personnel expenses		
Wages and salaries	18.3	258.2
Share-based expenses	0.0	0.0
Pension expenses, defined contribution plans	2.5	35.7
Other personnel-related expenses	1.0	16.4
	21.8	310.3
The wages and salaries of the Group companies' managing directors and Board of Directors	1.7	3.8

Remunerations of key management personnel are explained in more detail in note 22 and defined benefit pension expenses in note 23.

SHARE-BASED PAYMENTS YEARS 2016–2018

At the end of 2015, the Board of Directors of Lemminkäinen Corporation decided on a new share-based incentive plan for the Group's key personnel. The plan included three one-year earning periods, calendar years 2016, 2017 and 2018. The earning period of 2018 is on-going, but it is not presented in the table below since the earning period has lasted a month and it does not have a significant impact. The company's Board of Directors decides on the earning criteria, the set targets and participants and the amount of shares given at the beginning of each earning period. The potential reward for each earning period will be paid in four parts. Each part is equal to 25 per cent of total reward. The rewards will be paid out during the following four years of the earning period. If the employment or service contract of a person participating in the plan ends during the earning or paid out period, they are not generally eligible to unpaid rewards. The reward is paid out as a combination of shares and cash. The purpose of the proportion to be paid in cash is to cover the taxes and tax-related costs arising from the reward. For paid out Lemminkäinen Corporation can use, at its own discretion, one or several of the following: new issued shares, current treasury shares of the company, shares acquired from markets or cash. The first part reward of year 2016 was paid entirely in cash based on the decision of Board of directors.

Information concerning share-based incentive plans is presented below:

	Performance-based reward			Performance-based reward
	2017	2016	2015	2014
Grant date	9 Feb 2017	2 Mar 2016	4 Feb 2015	13 Feb 2014
Earning period start date	1 Jan 2017	1 Jan 2016	1 Jan 2015	1 Jan 2014
Earning period end date	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2016
Commitment period end date	30 Sep 2018/30 Sep 2019/ 30 Sep 2020/30 Sep 2021	30 Sep 2017/30 Sep 2018/ 30 Sep 2019/30 Sep 2020	31 Dec 2016	30 Apr 2017
Vesting conditions	ROCE, operating profit	ROCE, operating profit	Equity ratio, ROCE	Share ownership requirement
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity
Share price at grant date, EUR	18.46	13.80	13.96	13.41
Fair value of share at grant date, EUR**	16.21	12,57*	13.86	12.81
Amount of granted shares during period, maximum	221,680	291,600	266,074	
Changes in number of granted shares, maximum	-33,040	-19,200	-12,686	
Number of granted shares at the end of period, maximum	188,640	272,400	253,388	
Number of shares earned				
Matching shares subscribed at grant year				860
Number of plan participants at end of earning period	112	113	32	1
Assumed fulfilment of earning criteria at the end of earning period, %	0.0	75.0	30.0	
Fulfilment of earning criteria, %	0.0	75.0	0,0	
Estimated number of shares returned prior to the end of commitment period, %	10.0	10.0	10.0	10.0

* Comparison figure is adjusted.
** The fair value of share at grant date is the share's grant date value less estimated dividend payments during the earning period.

The accrued expenses from the share based incentive plans recognised in the income statement in 2018 were a total of EUR 0.0 million (1.3). The net liability recognised in the statement of financial position in respect of share-based incentive plan at the end of 2018 was EUR 0.7 million (0.7). The company estimates that expenses to be recognised in 2018 from incentive plans realised before 2018 will be approximately EUR 0.4 million. The actual amount may differ from the estimated amount.

NUMBER OF PERSONNEL

	31 Jan 2018	31 Dec 2017
Personnel at the end of period		
White-collars	1,946	2,005
Blue-collars	2,084	2,627
	4,030	4,632
Personnel by business segment at the end of period		
Paving	1,104	1,400
Infra projects	1,144	1,298
Building construction, Finland	1,023	1,041
Russian operations	635	769
Parent company and others	124	124
	4,030	4,632

22 REMUNERATIONS OF KEY MANAGEMENT PERSONNEL

Lemminkäinen Group's related parties comprise associates and joint ventures as well as members of the key management personnel including their related parties. Members of the key management personnel comprise the Board of Directors, the President and CEO as well as the Executive Team.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

On the basis of a proposal submitted by the HR Committee, the company's Board of Directors decides on the basic salary and fringe benefits as well as on both short-term and long-term remuneration of the President and CEO and of the Executive Team. In addition, the Board of Directors decides annually both short and long-term indicators for management remuneration and the target values for the indicators which are designed to support achievement of the strategic goals. On the basis of the President and CEO's proposal, the Board of Directors decides on the amount of fees and whether the indicator-based goals have been reached.

According to the management remuneration policy approved by the Board of Directors, the remuneration of the President and CEO and members of the Group's Executive Team consists of a fixed basic salary, fringe benefits, other benefits, annual short-term incentives (performance-based pay) as well as long-term share based incentive plans and pension plans. In addition, the company has agreed with certain members of the key management personnel that they are entitled to a transaction bonus related to the merger that is conditional to the completion of the merger of Lemminkäinen Corporation and YIT Corporation.

Costs related to remuneration of the President and CEO and the Executive Team are presented in the following table. In 2018, the company booked social security costs of EUR 0.3 million (0.5) from key management personnel's salaries, fees and other employee benefits. Social security costs are not included in the table's figures below. The table's figures are calculated on accrual basis, and the performance and share-based rewards included in the figures are based on a year-end estimate.

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Short-term employee benefits	0.1	2.1
The President and CEO	0.0	0.6
Key management personnel other than the President and CEO	0.1	1.4
Post-employment benefits	0.3	0.4
The President and CEO	0.2	0.1
Key management personnel other than the President and CEO	0.0	0.3
Share-based payments	0.0	0.4
The President and CEO	0.0	0.2
Key management personnel other than the President and CEO	0.0	0.2
Termination benefits*	1.1	0.1
The President and CEO	0.8	
Key management personnel other than the President and CEO	0.3	0.1
Other long term benefits	0.9	0.1
The President and CEO	0.6	0.0
Key management personnel other than the President and CEO	0.3	0.0
Remuneration of key management personnel, total	2.4	3.1

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

Short-term employee benefits

Short-term employee benefits include fixed basic salary which is determined by the requirements of the position as well as the performance and experience of the person holding the position. In addition, short-term employee benefits include the use of a car benefit, mobile phone benefit, meal benefit and an extended insurance cover for accidents and travel in their leisure time.

The amount of the management's performance-related reward is based on financial and operational profit targets specified at the beginning of the year. Lemminkäinen's top management is divided into two performance-related reward groups which define the maximum performance-related reward percentage for each person. Defining a person's reward group is based on organisation level as well as the requirements and operational influence of the position. In 2017 the level of performance-related reward of the management was based on Group's operating profit, the return on capital employed as well as efficiency and reaching goals related to other development targets. The reward for members of the Executive team representing segment management was in addition based on the segment's operating profit and segment's return on capital employed. Achieving targets set on performance-related rewards were assessed quarterly by the Executive team. The maximum performance bonus payable to the President and CEO was 80 per cent of the annual salary and 60 per cent for other members of the Group Executive Team.

Lemminkäinen Corporation's Annual General Meeting elects each year the members to serve on the company's Board of Directors and decides on their fees on the basis of proposal submitted by Nomination Committee. The fees are paid fully in cash. The term of office of the Board members lasts until the end of the first Annual General Meeting held after their election. The members of Lemminkäinen's Board of Directors do not belong to the share-based incentive plan, and they are not employees of Lemminkäinen. The 2017 Annual General Meeting decided on fixed annual fee to be paid for Board members. This fixed annual fee ends after the next Annual General Meeting. A fee of EUR 120,000 (2016: EUR 10,000 per month) would be paid to the Chairman, EUR 54,000 (2016: EUR 3,000 per month) to the Vice Chairman of the Board and the Chairman of the Audit Committee and EUR 42,000 (2016: EUR 3,000 per month) to the members of the Board of Directors. In addition, the Board members and the Audit Committee members shall be paid an attendance fee of EUR 500 (500). Board members living outside Finland receive an extra EUR 1,000 (1,000) to their attendance fees.

Post-employment benefits

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

Share-based payments

The share-based incentive plan during 2016–2018

In the end of 2015, the Board of Directors of Lemminkäinen Corporation decided on a new share-based incentive plan for the Group's key personnel.

The incentive plan comprises of three earning periods, which are calendar years 2016, 2017 and 2018. The company's Board of Directors decides on the earning criteria and the set targets and also participants and the amount of shares to be given at the beginning of each period. In 2017, the reward was based on return on capital employed (ROCE).

The maximum share reward in 2017 for the President and CEO was 27,800 gross shares and for other members of the Executive Team 9,150 gross shares. The rewards paid according to the incentive plan amount up to 1,200,000 Lemminkäinen Corporation's shares (including also part paid in cash). The Board of Directors recommends that the President and CEO and the members of the Executive Team own 50 per cent of shares they have received through the incentive plan as long as the value is equal to their six months' salary. This ownership should be maintained during employment or service term. More detailed information about share-based incentive plans is found in note 21.

Termination benefits

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

Other long term benefits

In 2015, a performance bonus agreement has been made for the President and CEO and the Executive Team for 2016–2018. The aim of the bonus agreement is to ensure long term continuity and profitability of the business. Because of rearrangements, the bonus agreement was altered in 2016 in such a way that a possible bonus will be paid in 2018 if the person still has an employment contract. The possible bonus is equivalent to a maximum of 12 months' cash salary. The bonus criteria include, among other things, the success of the Group's financing arrangements as planned. The President and CEO and members of Group's Executive Team during June 2016 are entitled to this bonus agreement.

Other long term benefits expenses arose from service year awards to related party that comply with the Group's HR practices.

23 PENSION OBLIGATIONS

The company has in its operating countries several defined contribution pension plans which are subject to local regulation and practices. The company's one most significant pension plan is the Finnish Employees Pensions Act (TyEL), in which the benefits are determined directly on the basis of the level of the beneficiary's earnings level. The TyEL pension plan is mainly arranged through pension insurance companies and it is treated as a defined contribution plan.

At the end of reporting period 2018 as well as in the comparison period, the company had defined benefit pension plans only in Finland. The plans were final salary defined benefit plans, they supplement the statutory pensions or enable retirement before the statutory retirement age. Defined benefit plans' assets consist entirely of qualifying insurance policies. Defined benefit pension obligations do not involve minimum funding requirements or they do not include investments to Lemminkäinen or to real estate or other assets used by the company. The expected return on the plan assets is an estimate of a life insurance company's future long term total rebate. Number of plan participants at the end of period were total of 79 (79), of which 77 (77) were pensioners.

The company estimates that, likewise in 2017, in 2018 it will not have to make any payments with material impact regarding defined benefit pension plans. The estimate may vary from actual figures.

EUR million	31 Dec 2018 (forecast)	31 Jan 2018	31 Dec 2017
Recognised in the statement of financial position			
Present value of funded obligations	12.3	12.9	12.9
Fair value of plan assets	-12.0	-12.6	-12.6
Total amount recognised in the statement of financial position (-asset / +liability)	0.3	0.3	0.3

	31 Jan 2018	31 Dec 2017
Actuarial assumptions		
Discount rate, %	1.5	1.5
Inflation rate, %	1.1	1.1
Customer refund of life insurance company, %	1.7	1.7
Future pension increases, %	1.9	1.9

	31 Jan 2018	31 Dec 2017
Sensitivity analysis, impact to present value of funded obligations		
Inflation rate, % +0.5 percentage point	5.90	5.90
Inflation rate, % -0.5 percentage point	-5.40	-5.40
Discount rate, % +0.5 percentage point	-5.20	-5.20
Discount rate, % -0.5 percentage point	5.70	5.70

The above analyses are based on a 0.5 percentage point change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit pension obligation, the same method has been applied as when measuring the defined benefit pension obligation recognised in the statement of financial position.

The weighted average duration of the pension liability is approximately 10.7 years.

Other notes

24 INVESTMENTS

SUBSIDIARIES

31 Jan 2018	Consolidated shareholding, %	Parent company shareholding, %	Parent company shareholding, shares
Lemminkäinen Talo Oy, Helsinki	100.0	100.0	2,183,663
Lemminkäinen Infra Oy, Helsinki	100.0	100.0	1,338
Lemcon Networks Oy, Helsinki	100.0	100.0	392,000
UAB Lemcon Vilnius, Lithuania	100.0	100.0	
UAB Lemminkainen Lietuva, Lithuania	99.9	99.9	3,747,989
Lemminkäinen International Oy, Helsinki	100.0		
Lemminkäinen Russia Oy, Helsinki	100.0		
Lemminkäinen Co., Ltd, China	100.0		
Lemminkäinen Construction (India) Private Limited, India	100.0		
Lemcon HR Oy, Helsinki	100.0		
Lemminkäinen Polska Sp.Z O.O, Poland	100.0		
OOO Lemminkäinen Service, Russia	100.0		
OOO Lemminkäinen Stroy, Russia	100.0		
Lemcon Argentina S.R.L, Argentina	100.0		
Lemcon Venezuela C.A., Venezuela	100.0		
Pasila Telecom Oy, Helsinki	100.0		
Asfalt Remix AS, Norway	75.0		
Lemminkäinen A/S, Denmark	100.0		
Lemminkäinen Industri AS, Norway	100.0		
Lemminkäinen Eesti AS, Estonia	100.0		
Lemminkäinen Norge AS, Norway	100.0		
Lemminkäinen Sverige Ab, Sweden	100.0		
SIA Lemminkainen Latvija, Latvia	100.0		

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

Non-controlling interest in the consolidated statement of financial position totalled EUR 0,0 million (0.0) at 31 January 2018, and it is not material to the company.

The company is not aware of any restrictions on its recorded assets at 31 January 2018.

JOINT VENTURES

The Group's joint ventures are not individually material.

31 Jan 2018	Consolidated shareholding, %
Genvej A/S, Denmark	50.0
Nordasfalt AS, Norway	50.0

EUR million	31 Jan 2018	31 Dec 2017
Shares in joint ventures 1 Jan	4.5	5.4
Exchange rate difference	0.1	-0.4
Dividends received		-0.7
Share of the profit for the period	-0.5	0.1
Shares in joint ventures at the end of the period	4.1	4.5

OTHER SHARES AND HOLDINGS

The company has other shares and holdings, which are mainly real estate shares. The company's other shares and holdings are recorded as equity investmets in the statement of financial position. Changes in other shares and holdings are presented in note 18.

25 OPERATING LEASE COMMITMENTS

EUR million	31 Jan 2018	31 Dec 2017
Minimum leases of irrevocable lease contracts due within		
One year or less	14.9	15.1
Over one year, but less than five years	31.6	31.6
Over five years	6.9	4.7
	53.4	51.4
Minimum leases of irrevocable lease contracts include operating lease commitments due within		
One year or less	7.9	7.9
Over one year, but less than five years	15.3	15.0
Over five years	0.2	0.2
	23.5	23.1

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

26 CONTINGENT ASSETS AND LIABILITIES

GUARANTEES AND COMMITMENTS

EUR million	31 Jan 2018	31 Dec 2017
Collateral notes of companies included in inventory*	136.6	132.0
Pledged assets		
For own commitments	4.0	3.7
Guarantees		
On behalf of consortiums and real estate companies	0.4	0.4
On behalf of others**	3.3	3.5
	3.7	3.8
Investment commitments***		
Property, plant and equipment	0.6	0.8
Building plots and real estates	39.0	41.3
	39.6	42.1

* Collateral notes for companies included in inventories are given for collateral security for their debts.
** The guarantees have been granted on behalf of the building construction business in Sweden (Rekab Entreprenad AB) which was divested on 1 September 2015. The acquiring parties have set a counter-commitment for part of these guarantees.
***The amounts of presented commitments are minimum commitments based on the contract. Purchase commitments of property, plant and equipment are machinery investments of Paving and Infra projects segments. Purchase commitments of building plots and real estates are related to business of Building Contruction, Finland. Purchase commitments of building plots and real estates might contain contracts with terms for for example about enforcement of zoning. Comparison period figures are adjusted.

DAMAGES RELATED TO THE ASPHALT CARTEL

On 6 September 2017, the Supreme Court announced that it had granted leave to appeal to Lemminkäinen and the city of Vantaa regarding the legal proceedings concerning the damages related to the asphalt cartel. Concerning Lemminkäinen, there were 13 pending requests for leave to appeal submitted by Lemminkäinen as well as 19 requests for leave to appeal submitted by municipalities in the Supreme Court concerning the Helsinki Court of Appeal's decisions on 20 October 2016 regarding damages related to the asphalt cartel.

Lemminkäinen was granted leave to appeal in the cases concerning the cities of Mikkeli and Rovaniemi. The leave to appeal concerns the question whether the liability for compensation of Lemminkäinen has decreased due to the fact that the other parties' liability was time barred. The other applications for leave to appeal by Lemminkäinen will await the decisions to be rendered in the cases where leave to appeal was granted.

The leave to appeal granted to the city of Vantaa concerns the question whether Skanska Asfaltti Oy, NCC Industry Oy and Asfaltmix Oy were liable for damages caused by the cartel to the city based on the fact that the companies had acquired businesses from companies involved in the cartel. The question whether leave to appeal will be granted to Lemminkäinen and to the city of Vantaa, concerning other than the above mentioned issues, will be resolved in connection with the appeal.

According to the Supreme Court's decisions on 6 September 2017, the applications for leave to appeal of 16 cities or municipalities concerning Lemminkäinen were dismissed entirely. The application for leave to appeal by the city of Espoo will await the decisions to be rendered in the cases where leave to appeal was granted.

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

Of these reimbursements, Lemminkäinen is entitled to receive refunds (based on Lemminkäinen's own share and those shares of other defendants that Lemminkäinen has paid) in total approximately EUR 19 million consisting of capital as well as interest and legal expenses. Lemminkäinen recorded the reimbursement as income in its fourth-quarter result in 2016.

Lemminkäinen has as such deemed the claims for damages unfounded. After Helsinki Court of Appeal's decisions, Lemminkäinen has settled with 17 municipalities and the State of Finland. The parties agreed not to request leave to appeal from the Supreme Court or to withdraw their leave to appeal concerning the Helsinki Court of Appeal's decisions.

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 approximately EUR 3.1 million based on the Helsinki Court of Appeal's decisions and the subsequent Supreme Court's decisions regarding the applications for leave to appeal.

QUALITY CONCERNS RELATED TO READY-MIXED CONCRETE

In its construction business Lemminkäinen uses as a raw material, among other things, ready-mixed concrete. During the year 2016, especially in some infrastructure projects, suspicions have arisen that the ready-mixed concrete used in Finland would not entirely fulfill the predetermined quality requirements. As discussed in public in Finland, some quality problems have arisen for example during the construction of the concrete deck of the T3 building of Turku University Hospital, where Lemminkäinen is the project management contractor. It is claimed that the ready-mixed concrete would not fulfill the quality requirements, which even has led to the demolition of some structures.

The Hospital District of Southwest Finland, as client in the project for the construction of the concrete deck of the T3 building of Turku University Hospital, has presented claims for damages to Lemminkäinen relating to the quality of the ready-mixed concrete. The capital amount of these claims is currently approximately EUR 17 million.

According to Lemminkäinen, the responsible party for the quality of the concrete is the supplier. Consequently, Lemminkäinen has filed a claim to the District Court of Helsinki for compensation from the supplier, Rudus Oy, regarding the expenses relating to possible quality deviations. The capital amount of the claim is currently approximately EUR 20 million.

Lemminkäinen has not made any provisions for the claims.

In addition to the above, 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.

27 TRANSACTIONS WITH RELATED PARTIES

Lemminkäinen Group's related parties comprise associates and joint ventures as well as members of the key management personnel including their related parties. Members of the key management personnel comprise the Board of Directors, the President and CEO as well as the Executive Team.

TRANSACTIONS WITH RELATED PARTIES

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Sales of goods and services to associates and joint ventures	0.0	0.6
Purchases of goods and services from associates and joint ventures	0.0	1.8

EUR million	31 Jan 2018	31 Dec 2017
Trade receivables from associates and joint ventures	0.0	0.0
Trade payables to associates and joint ventures		0.0
Loan receibables from associates and joint ventures	0.3	0.3

Related party transactions with associates and joint ventures are mainly asphalt works and mineral aggregate deliveries. Transactions were made at a market price. Company's related party transactions with key management personnel and board of directors have consisted of ordinary salaries and remuneration during 2017 and 2018.

28 ADJUSTMENTS TO CASH FLOWS

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Depreciation and impairment of goodwill	1.1	31.8
Share of the profits of associates and joint ventures	0.5	-0.1
Finance income and costs recognised in the income statement	4.0	16.0
Change in provisions	-1.3	-4.0
Credit losses on trade receivables	0.2	0.5
Gains and losses on sale of fixed assets and other income and expenses not involving payments	0.0	-2.5
Others	0.0	8.9
	4.4	50.7

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

29 OTHER COMPREHENSIVE INCOME ITEMS

EUR million 2018	**Before taxes**	**Taxes**	**After taxes**
Translation differences	0.5		0.5

EUR million 2017	**Before taxes**	**Taxes**	**After taxes**
Translation differences	-2.8		-2.8
Defined benefit pension obligations	-0.7	0.1	-0.6
	-3.5	0.1	-3.4

30 NEW IFRS STANDARDS

NEW STANDARDS, INTERPRETATIONS AND ANNUAL IMPROVEMENTS AND AMENDMENTS TO IFRSS APPLIED BY THE COMPANY IN 2018

On 1 January 2018 the company adopted IFRS 9 and IFRS 15 standards. The information related to these standards is found in notes 2, 14 and 19.

STANDARDS, INTERPRETATIONS, ANNUAL IMPROVEMENTS AND AMENDMENTS TO IFRSS APPLIED BY THE COMPANY AFTER 2018

IFRS 16 Leases

Nature of the change

IFRS 16 Leases standard was issued in January 2016. The standard significantly changes the lessee's accounting, because the distinction between operating lease agreements and finance lease agreements is removed. Thus almost all lease agreements are recognised in balance sheet, except for low value leases and short-term lease agreements. According to the new standard, a right-of-use asset (right to use the leased asset) and financial liability concerning lease payments is recognised.

Estimated impacts

According to the current estimate, the adoption of the standard will increase the amount of property, plant and equipment as well as the amount of financial liabilities. The company also has land lease agreements related to construction business, which, according to the preliminary analysis, will be recognised to inventories and financial liabilities. Assets related to land lease agreements and financial liabilities are derecognised when the property under construction is sold. According to the preliminary analysis, the standard is not expected to have significant impact on profit for the accounting period or equity.

Date of application and transition period

The effective date of the standard is a period beginning on or after 1 January 2019. The company will not adopt the standard prior the effective date.

OTHER STANDARDS, INTERPRETATIONS, ANNUAL IMPROVEMENTS AND AMENDMENTS TO IFRSS APPLIED BY THE COMPANY AFTER 2018

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.

31 EVENTS AFTER THE REPORTING PERIOD

MERGER OF LEMMINKÄINEN AND YIT

The Boards of Directors of Lemminkäinen and YIT approved the merger on 31 January 2018 and the merger was completed on 1 February 2018.

CHANGES TO THE TERMS AND CONDITIONS OF LEMMINKÄINEN'S EUR 100 MILLION SENIOR UNSECURED NOTES

In the third quarter 2017, the noteholders' meeting approved the changes to the terms and conditions of Lemminkäinen's EUR 100 million senior unsecured notes. The changes became effective at the completion of the merger of Lemminkäinen and YIT on 1 February 2018.

Parent company income statement (FAS)

EUR million	Note	1 Jan–31 Jan 2018	1 Dec–31 Dec 2017
Net sales	1	2.2	35.2
Other operating income	2	0.5	1.4
Materials and services	3	0.1	0.2
Personnel expenses	4	3.7	11.2
Depreciation and reduction in value	5	0.2	4.3
Other operating expenses	6	2.5	21.5
Operating profit/loss		-3.7	-0.5
Finance income and costs	7	-2.3	-10.1
Profit before appropriations and taxes		-6.0	-10.6
Appropriations	8		64.2
Income taxes	9	-1.6	-10.7
Profit for the financial year		-7.7	42.8

Parent company balance sheet (FAS)

EUR million	Note	31 Jan 2018	31 Dec 2017
ASSETS			
Non-current assets	10		
Intangible assets		10.4	5.5
Property, plant and equipment		9.7	9.9
Investments in Group companies	11	154.2	154.2
Other investments		0.5	0.5
		174.8	170.1
Current assets	12		
Non-current receivables		130.7	126.1
Deferred tax asset		0,0	1.7
Current receivables		82.7	79.0
Cash in hand and at banks		12.0	44.3
		225.4	251.0
		400.2	421.1
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	13		
Share capital		34.0	34.0
Share premium account		5.7	5.7
Invested non-restricted equity fund		90.6	90.6
Retained earnings		102.2	59.4
Profit for the financial year		-7.7	42.8
		224.9	232.6
Provisions	14		
Other provisions		3.1	3.1
Liabilities	15		
Non-current liabilities		100.0	135.2
Current liabilities		72.2	50.3
		172.2	185.5
		400.2	421.1

Parent company cash flow statement (FAS)

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Cash flows from operating activities		
Profit/loss before appropriations and taxes	-6.0	-10.6
Adjustments		
Depreciation and reduction in value	0.2	4.3
Finance income and costs	2.3	10.1
Other adjustments	0.1	-1.6
Cash flow before change in working capital	-3.4	2.2
Change in working capital		
Increase(-)/decrease(+) in trade and other receivables	9.7	7.6
Increase(+)/decrease(-) in current liabilities	1.7	-5.0
Cash flow from operations before financial items and taxes	8.0	4.8
Interest and other finance costs paid	-5.8	-24.2
Interest and other finance income received	0.8	15.8
Income tax paid		0.0
Cash flow from operating activities	3.0	-3.5
Cash flows from investing activities		
Purchases of tangible and intangible assets		-3.6
Proceeds from sale of other investments		0.1
Cash flow from investing activities		-3.5
Cash flows from financing activities		
Increase(-)/decrease(+) of long-term loan receivables	-4.7	-46.8
Group contributions received	64.2	37.8
Change in Group receivables/liabilities	-94.9	-39.9
Dividends paid		-15.3
Cash flow from financing activities	-35.4	-64.1
Increase(+)/decrease(-) in cash and cash equivalents	-32.4	-71.2
Cash and cash equivalents at begining of financial year	44.3	115.5
Cash and cash equivalents at end of financial year	12.0	44.3

Parent Company's Accounting Policies, 31 Jan 2018

Lemminkäinen Corporation's financial statements are prepared in accordance with Finnish accounting standards (FAS).

FOREIGN CURRENCY ITEMS

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Receivables and liabilities are translated at the exchange rates prevailing on the balance sheet date.

DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The derivatives are used in order to reduce business risks, interest rate risks and to hedge balance sheet items denominated in foreign currencies. Derivative financial instruments are measured at fair value and categorised by using a three-level fair value hierarchy. Financial instruments within Level 1 of the hierarchy are traded in active markets hence prices are obtained directly from the efficient markets. Fair values of instruments within Level 2 are based on observable market inputs and generally accepted valuation methods. Fair values within Level 3 are not based on observable market data but on quotations provided by brokers and market valuation reports. All the Company's derivatives are categorised into level 2 of the hierarchy.

Foreign exchange derivatives are used to hedge against changes in forecasted foreign currency-denominated cash flows and changes in value of receivables and liabilities in foreign currencies. The company has used foreign exchange forward contracts which are re-measured at the balance sheet date by using the foreign exchange forward rates prevailing on the balance sheet date.

Interest rate derivatives are used to hedge against changes affecting the result, balance sheet and cash flows due to interest rate fluctuations. The company has used interest rate swaps which are re-measured by discounting the contractual future cash flows to the present value.

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

The Company has not applied hedge accounting to derivative instruments. Nevertheless, these derivative instruments have been utilised for hedging purposes. Fair value changes from derivative financial instruments are recognised according to the nature of the derivative, either in financial items or in other operating income and expenses in the income statement. Fair value changes are presented in section 7 of the notes to the financial statements.

VALUATION AND DEPRECIATION OF FIXED ASSETS

Fixed assets are shown on the balance sheet at their original acquisition costs less planned depreciation over their expected economic lifetimes. In addition, the values of some land, buildings and shareholdings include revaluations, against which no depreciation is charged. The depreciation periods are as follows:

- Buildings and structures 10–40 years
- Machinery and equipment 3–15 years
- Other fixed assets 3–10 years

PENSION LIABILITY

The pension security of employees, inclusive of additional benefits, is covered by policies taken out from a pension insurance company.

RESEARCH AND DEVELOPMENT EXPENSES

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

INCOME TAXES

Taxes calculated on the basis of the result for the financial year, adjustments to the taxes of earlier financial years, and the change in the deferred tax liability and asset are recorded as income taxes on the income statement.

Notes to the Parent Company Financial Statements (FAS)

Notes to the Parent Company Financial Statements (FAS)

1 NET SALES BY MARKET AREA

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Finland	2.0	31.7
Scandinavia	0.2	2.2
Baltic countries	0.1	0.8
Russia		0.5
	2.2	35.2

2 OTHER OPERATING INCOME

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Gain on sales of fixed assets		0,0
Others	0.5	1.4
	0.5	1.4

3 MATERIALS AND SERVICES

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Raw materials and consumables	0.0	0.1
External services	0.0	0.1
	0.1	0.2

4 NOTES CONCERNING PERSONNEL, MANAGEMENT AND BOARD MEMBERS

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Personnel expenses		
Salaries, wages and renemunerations	2.9	8.9
Pension expenses	0.5	1.8
Other staff costs	0.3	0.5
	3.7	11.2
Management salaries and renemunerations		
The President and CEO	1.5	0.6
Board of Directors	0.0	0.4
Average number of employees		
Salaried employees	124	135

Pension commitments concerning Board of Directors and the President and CEO

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

5 DEPRECIATION AND REDUCTION IN VALUE

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Depreciation		
Intangible rights	0.1	3.5
Other intangible assets	0.0	0.1
Buildings and structures	0.1	0.7
Machinery and equipment	0,0	0.0
	0.2	4.3
Depreciation and reduction in value	0.2	4.3

6 AUDIT FEES

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Audit fees	0.2	0.1
Other consulting		0.0
	0.2	0.1

7 FINANCE INCOME AND COSTS

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Other interest and finance income		
From Group companies	0.6	5.3
From others	0.0	0.0
	0.6	5.3
Interest expenses and other finance costs		
To Group companies	-0.1	0.4
To others	3.0	15.0
	2.9	15.4
Net finance income/costs	-2.3	-10.1
Finance income and costs include:		
Exchange gains and losses (net)	-0.2	-1.8
Change in fair value of currency derivatives (net)	-0.9	0.8
Change in fair value of interest rate derivatives (net)	0.0	0.4

8 APPROPRIATIONS

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Group contributions		64.2

9 INCOME TAXES

EUR million	1 Jan–31 Jan 2018	1 Jan–31 Dec 2017
Income taxes in respect of previous years		0.0
Change in the deferred tax assets	-1.6	-10.7
	-1.6	-10.7

10 NON-CURRENT ASSETS

INTANGIBLE ASSETS

EUR million	Intangible rights	Other intangible assets	Advance payments and work in progress	Total
Cost 1 Jan 2018	25.0	5.3		30.3
Increases		4.9		4.9
Cost 31 Jan 2018	25.0	10.2		35.2
Accumulated amortisation and impairment 1 Jan 2018	-22.7	-2.0		-24.8
Amortisation for the financial year	-0.1	0.0		-0.1
Accumulated amortisation and impairment 31 Jan 2018	-22.8	-2.0		-24.9
Carrying amount 31 Jan 2018	2.2	8.2		10.4

EUR million	Intangible rights	Other intangible assets	Advance payments and work in progress	Total
Cost 1 Jan 2017	25.6	2.6	0.1	28.3
Increases	0.1	3.2	0.5	3.7
Decreases	-1.2	-0.5		-1.7
Transfers between items	0.5		-0.5	
Cost 31 Dec 2017	25.0	5.3		30.3
Accumulated amortisation and impairment 1 Jan 2017	-20.4	-2.4		-22.8
Accumulated amortisation on disposals and transfers	1.2	0.5		1.7
Amortisation for the financial year	-3.5	-0.1		-3.6
Accumulated amortisation a nd impairment 31 Dec 2017	-22.7	-2.0		-24.8
Carrying amount 31 Dec 2017	2.3	3.3		5.5

PROPERTY, PLANT AND EQUIPMENT

EUR million	Land	Building and structures	Machinery and equipment	Other tangible assets	Total
Cost 1 Jan 2018	2.8	17.3	0.5	0.2	20.8
Decreases				-0.1	-0.1
Cost 31 Jan 2018	2.8	17.3	0.5	0.1	20.7
Accumulated depreciation and impairment 1 Jan 2018		-13.5	-0.4		-14.0
Depreciation for the financial year		-0.1	0.0		-0.1
Accumulated depreciation 31 Jan 2018		-13.6	-0.4		-14.0
Revaluations 1 Jan 2018	3.1				3.1
Revaluations 31 Dec 2017	3.1				3.1
Carrying amount 31 Jan 2018	5.8	3.7	0.1	0.1	9.7

EUR million	Land	Building and structures	Machinery and equipment	Other tangible assets	Total
Cost 1 Jan 2017	2.9	18.8	0.6	1.3	23.6
Decreases	-0.2	-1.5	0.0	-1.1	-2.9
Cost 31 Dec 2017	2.8	17.3	0.5	0.2	20.8
Accumulated depreciation and impairment 1 Jan 2017		-14.4	-0.4	-1.1	-16.0
Accumulated depreciation on decreases and transfers		1.5		1.1	2.7
Depreciation for the financial year		-0.7			-0.7
Accumulated depreciation 31 Dec 2017		-13.5	-0.4		-14.0
Revaluations 1 Jan 2017	3.1				3.1
Revaluations 31 Dec 2017	3.1				3.1
Carrying amount 31 Dec 2017	5.8	3.7	0.1	0.2	9.9

INVESTMENTS

EUR million	Holdings in group companies	Shares in real estate	Other shares and holdings	Shares in housing companies	Total
Cost 1 Jan 2018	159.4	0.7	0.1	0.1	160.3
Cost 31 Jan 2018	159.4	0.7	0.1	0.1	160.3
Accumulated impairment 1 Jan 2018	-5.3	-0.3	-0.1		-5.7
Accumulated impairment 31 Jan 2018	-5.3	-0.3	-0.1		-5.7
Carrying amount 31 Jan 2018	154.2	0.4	0.0	0.1	154.7

EUR million	Holdings in group companies	Shares in real estate	Other shares and holdings	Shares in housing companies	Total
Cost 1 Jan 2017	159.4	0.7	0.2	0.1	160.4
Decreases			-0.1		-0.1
Cost 31 Dec 2017	159.4	0.7	0.1	0.1	160.3
Accumulated impairment 1 Jan 2017	-5.3		-0.1		-5.4
Impairment		-0.3			-0.3
Accumulated impairment 31 Dec 2017	-5.3	-0.3	-0.1		-5.7
Carrying amount 31 Dec 2017	154.2	0.4	0.0	0.1	154.7

11 INVESTMENTS IN GROUP COMPANIES

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

12 CURRENT ASSETS

EUR million	31 Jan 2018	31 Dec 2017
NON-CURRENT RECEIVABLES		
Loan receivables from Group companies	130.7	126.1
	130.7	126.1
Deferred tax assets		
From accruals and temporary differences	0.6	2.3
	0.6	2.3
Deferred tax liabilities		
From revaluations	0.6	0.6
	0.6	0.6
Deferred tax assets (+) and liabilities (–), total	0.0	1.7
CURRENT RECEIVABLES		
Receivables from parties outside the Group		
Trade receivables	0.0	0.1
Other receivables	0.9	1.3
Accrued receivables	1.6	2.5
	2.5	3.9
Receivables from Group companies		
Trade receivables		8.9
Other receivables	79.3	66.0
Accrued receivables	0.8	0.1
	80.2	75.1
Current receivables, total	82.7	79.0
Items included in accrued receivables		
Accrued personnel expenses	0.4	0.1
Others*	1.2	2.4
	1.6	2.6

* Includes capitalised transaction costs related to bond issuances, total EUR 0.6 million (1.0)

13 SHAREHOLDERS' EQUITY

EUR million	31 Jan 2018	31 Dec 2017
Share capital 1 Jan	34.0	34.0
Share capital 31 Jan and 31 Dec	34.0	34.0
Share premium account 1 Jan	5.7	5.7
Share premium account 31 Jan and 31 Dec	5.7	5.7
Invested non-restricted equity fund 1 Jan	90.6	90.6
Assignment of own shares		0.0
Invested non-restricted equity fund 31 Jan and 31 Dec	90.6	90.6
Retained earnings 1 Jan	102.2	74.7
Dividends paid		-15.3
Retained earnings 31 Jan and 31 Dec	102.2	59.4
Profit for the financial year	-7.7	42.8
Shareholders' equity, total	224.9	232.6
Distributable funds 31 Jan and 31 Dec	185.2	192.8

14 PROVISIONS

EUR million	31 Jan 2018	31 Dec 2017
Litigation provision	3.1	3.1

15 LIABILITIES

EUR million	31 Jan 2018	31 Dec 2017
Non-current liabilities		
Bonds	100.0	100.0
Hybrid bonds		35.2
	100.0	135.2
CURRENT LIABILITIES		
Liabilities to parties outside the Group		
Trade payables	0.0	1.6
Other liabilities	46.6	10.8
Accrued liabilities	14.1	8.2
	60.7	20.6
Liabilities to Group companies		
Trade payables	0.0	0.0
Other liabilities	11.4	29.2
Accrued liabilities	0.1	0.4
	11.5	29.6
Items included in accrued liabilities		
Accrued interests	1.6	4.4
Accrued personnel expenses	5.7	3.1
Others	6.8	1.2
	14.1	8.7

16 GUARANTEES AND COMMITMENTS

EUR million	31 Jan 2018	31 Dec 2017
Guarantees		
On own behalf*	25.1	25.1
On behalf of Group companies	394.5	404.9
On behalf of others**	3.3	3.5
	422.9	433.5

In addition, Lemminkäinen Corporation has set one guarantee without maximum amount on behalf of its subsidiary.

* As a result of the creditor hearing process related to the merger, EUR 25.0 million guarantees have been given to certain creditors that originally opposed the merger.
** 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.

EUR million	31 Jan 2018	31 Dec 2017
Lease liabilities		
Payable next year	4.9	5.2
Payable in subsequent years	14.7	14.9
	19.6	20.1
Derivative contracts		
Forward foreign exchange contracts		
Nominal value	105.1	94.9
Fair value	-0.4	0.5
Interest rate swap contracts		
Nominal value	20.0	20.0
Fair value	-0.2	-0.2
Commodity derivatives		
Nominal value	6.6	2.8
Fair value	0.0	0.0

Financial indicators (IFRS)

EUR million	2018	2017	2016	2015	2014
Net sales	68.2	1,847.2	1,682.7	1,879.0	2,044.5
Operations outside Finland	17.5	631.4	550.0	761.0	971.2
% of net sales	25.7	34.2	32.7	40.5	47.5
Operating profit	-27.5	41.8	67.6	37.3	36.3
% of net sales	-40.3	2.3	4.0	2.0	1.8
Profit before taxes	-31.5	25.7	49.2	16.7	-1.7
% of net sales	-46.19	1.39	2.92	0.89	-0.08
Profit for the financial year attributable to the equity holders of the parent company	-29.5	6.4	38.0	7.2	18.2
% of net sales	-43.3	0.3	2.3	0.4	0.9
Non-current assets	200.6	199.3	239.6	261.0	307.9
Inventories	378.4	366.4	359.3	402.0	524.0
Financial assets	293.0	361.1	369.1	372.5	425.9
Equity	254.5	319.3	333.7	377.6	412.5
Non-controlling interest	0.0	0.0	0.0	0.1	0.1
Interest-bearing liabilities	224.3	185.8	212.5	254.7	347.8
Interest-free liabilities	393.2	421.7	421.7	403.1	497.5
Balance sheet total	872.0	926.8	968.0	1,035.5	1,257.8
Return on equity, %	-10.3	2.0	10.7	1.8	4.9
Return on capital employed, %		8.1	11.3	5.3	4.5
Equity ratio, %	34.8	39.9	39.5	40.6	37.1
Gearing, %	79.6	40.0	24.3	33.6	51.8
Interest-bearing net liabilities	202.7	127.9	81.1	126.8	213.6
Gross investments	1.0	24.8	20.8	10.3	30.0
% of net sales	1.5	1.3	1.2	0.5	1.5
Order book at the end of period, continuing operations	1,299.0	1,305.6	1,265.2	1,180.3	1,456.1
Personnel at the end of period, continuing operations	4,030	4,632	4,244	4,059	4,748

The effects of changes in accounting principles to the financial indicators have been adjusted for the period when the new accounting principle became applicable as well as for the preceding accounting period. Correspondingly, discontinued operations have been adjusted from the income statement items for the accounting period in which they are classified as discontinued operations, as well as for the preceding accounting period.

Financial indicators are not part of audited financial statements. .

Share-related financial indicators (IFRS)

	2018	2017	2016	2015	2014
Earnings per share, basic, EUR	-1.25	0.17	1.27	-0.15	0.40
Earnings per share, diluted, EUR	-1.25	0.17	1.26	-0.15	0.40
Equity per share, EUR	10.97	13.76	14.38	16.28	19.33
Dividend per share, EUR	0.00	0,00*	0,66	0,12	0,00
Dividend per earnings, %	0.0	0.0	40.3	38,5	0.0
Effective dividend yield, %	0.0	0.0	3.2	0.9	0.0
Price per earnings (P/E)	-19.2	134.9	16.1	-93.3	23.6
Share price, EUR					
lowest	21.70	17.75	12.32	9.55	9.50
highest	25.00	29.00	20.79	13.91	15.89
at end of financial year	23.90	22.87	20.40	13.79	9.52
Market capitalisation at year end, EUR million	554.6	530.7	473.3	320.0	220.9
Share trading (Nasdaq Helsinki), 1,000 shares	1,211	5,352	2,674	2,612	1,096
% of shares issued	5.2	23.0	11.5	11.2	4.7
Weighted average number of shares, 1,000 shares	23,205	23,205	23,203	23,193	21,329
Number of shares at end of period, 1,000 shares	23,220	23,220	23,220	23,220	23,220
Number of treasury shares	15,000	15,000	16,687	16,687	16,687

The effects of changes in accounting principles to the financial indicators have been adjusted for the period when the new accounting principle became applicable as well as for the preceding accounting period. Correspondingly, discontinued operations have been adjusted from the income statement items for the accounting period in which they are classified as discontinued operations, as well as for the preceding accounting period.

Share-related financial indicators are not part of audited financial statements.

* Due to the merger, The Board of Directors proposes that no dividend is distributed for the financial year ended 31 December 2017.

Calculation of key ratios

KEY FIGURE	DEFINITIONS	BASIS OF ALTERNATIVE PERFORMANCE MEASURES ADOPTED
OPERATING PROFIT	Result for the period from countinuing operations before income taxes and net finance income and costs.	Operating profit shows result generated by operating activities.
OPERATING MARGIN, %	$\frac{\text{Operating profit}}{\text{Net sales}} \times 100$	Operating margin measures operational efficiency of the Company.
ADJUSTED OPERATING PROFIT	Operating profit + transaction costs related to the planned combination + costs, combensations and reimbursements related to the court proceedings + write-downs related to non-core businesses	Adjusted operating profit reflects the underlying business performance and to enhance comparability from period to period. Management believes that this alternative performance measure provides meaningful supplemental information by excluding items outside ordinary course of business, which reduce comparability from period to period.
ADJUSTED OPERATING PROFIT, %	$\frac{\text{Adjusted operating profit}}{\text{Net sales}} \times 100$	Adjusted operating margin is presented to enhance comparison of the result from period to period by excluding items outside ordinary course of business out of the computation.
RETURN ON CAPITAL EMPLOYED, %	$\frac{\text{Operating profit}}{\text{Total equity (quaterly average) + interest-bearing liabilities (quaterly average)}} \times 100$	Return on Capital Employed measures relative profitability of the Company.
EQUITY RATIO, %	$\frac{\text{Total equity}}{\text{Balance sheet total - advance payments received}} \times 100$	Gearing helps to indicate financial risk and it is a useful measure for management to monitor the level of the Company's indebtedness.
LIQUID ASSETS	Cash and cash equivalents + short-term available-for-sale financial assets	Liquid assets is part of the Company's liquidity.
GEARING, %	$\frac{\text{Interest-bearing liabilities - cash and other liquid assets}}{\text{Total equity}}$	Gearing helps to indicate financial risk and it is a useful measure for management to monitor the level of the Company's indebtedness.
INTEREST-BEARING NET DEBT	Interest-bearing debt - liquid assets	Interest-bearing net debt indicates the total net financing of the Company.
BASIC EARNINGS PER SHARE	$\frac{\text{Profit for the financial year attributable to owners of the parent company - accrual basis interest of the hybrid bond adjusted with tax effect}}{\text{Weighted average number of ordinary shares in issue}}$	
DILUTED EARNINGS PER SHARE	$\frac{\text{Profit for the financial year attributable to owners of the parent company - accrual basis interest of the hybrid bond adjusted with tax effect}}{\text{Weighted average number of ordinary shares in issue + dilutive potential ordinary shares}}$	
RETURN ON EQUITY, %	$\frac{\text{Profit for the period}}{\text{Total equity (average)}} \times 100$	Return on Equity % descripes the Company's ability to generate income from the total equity available.
EQUITY PER SHARE	$\frac{\text{Equity attributable to owners of the parent company}}{\text{Weighted average number of ordinary shares in issue}}$	
DIVIDEND PER SHARE	$\frac{\text{Dividend for the financial year}}{\text{Total number of shares - treasury shares}}$	
DIVIDEND PER EARNINGS, %	$\frac{\text{Dividend for the financial year}}{\text{Profit for the financial year attributable to owners of the parent company}} \times 100$	Dividend per earnings reflects the Company's ability to yield dividends to its owners.
EFFECTIVE DIVIDEND YIELD, %	$\frac{\text{Dividend per share}}{\text{Share price at the end of period}}$	
PRICE PER EARNINGS (P/E)	$\frac{\text{Share price at the end of period}}{\text{Basic earnings per share}}$	
MARKET CAPITALISATION	Number of shares in issue x share price at the end of period	
ORDER BOOK	Order boook includes alla work ordered by customers of which revenue has not been recognised. In residental building projects, the project is included in the order book once the so called RS capacity, according to the Housing Transactions Act, has been reached and the sale of the apartments can begin. The residental housing projects are excluded from the order book once they are completed.	

Auditor's Report (Translation of the Finnish Original)

To the Shareholders' meeting of Lemminkäinen Oyj

Lemminkäinen Oyj (business identity code 0110775-8) has prepared closing accounts for the period 1-31 Jan 2018 in relation to merger. The closing accounts contain the financial statements and report of the Board of Directors.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Board of Directors.

What we have audited

We have audited the financial statements of Lemminkäinen Oyj (business identity code 0110775-8) for the period 1-31 Jan 2018. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

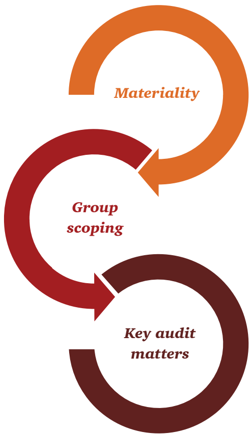
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 2 to the Financial Statements.

OUR AUDIT APPROACH
Overview



- Overall group materiality: € 4,6 million (2017: € 11 million)

- Audit scope: The group audit scope consisted of six entities in four countries. In Addition to Finnish entities, the group audit team performed centrally procedures relating to the in-scope entities in Sweden, Norway and Russia. The coverage obtained through the scoping utilized is within the commonly acceptable range.

- Timing of revenue recognized over time
- Valuation of goodwill
- Valuation of inventory

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 4,6 million (2017: € 11 million)
How we determined it	The determination of materiality was based on two components: 0,75 % of total revenue and 1 % of total assets.
Rationale for the materiality benchmark applied	We considered the development of the company's balance sheet structure and profitability in the last several years and concluded that a combination of total revenue and total assets in our view properly reflects the volume of the company's operations. We also considered other benchmarks that are relevant to users of the financial statements. We applied professional judgement in determining the percentages utilized in materiality determination. The percentages used are within the normal limits as set out in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Our group audit scope included the financially most significant group companies in Finland, Sweden, Norway, Denmark and Russia. Our group audit scope included the most significant group companies operating in each segment. Through the audit procedures performed in the aforementioned group companies and the procedures performed at group level, we have obtained sufficient relevant audit evidence regarding the financial information of the group as a whole as a basis of our audit opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP

TIMING OF REVENUE RECOGNIZED OVER TIME

Refer to the Accounting principles and notes 2, 9 of the financial statements

When determining the pattern of revenue recognition for Building construction and Infra project contracts, the company applies criteria described under the Revenue recognition section of the Accounting policies of the financial statements.

For projects that meet the criteria, the company recognizes revenue over time, in which case progress towards complete satisfaction of a performance obligation is measured through the ratio of incurred costs to estimated total costs.

The calculation involves estimates, which create particular risk factors for revenue recognized through this method.

The key estimation uncertainties relate to

- the total value of the contract, which can be subject to changes in scope, discounts, penalties, bonuses and other such matters that may be unknown or uncertain at the time of preparing the financial statements.
- the costs needed to complete the contract

Due to the aforementioned factors we consider the timing of revenue recognized over time a key audit matter.

This matter is a significant risk of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We tested the company's process for and results of revenue recognition over time. As part of the testing we

- obtained an understanding of the processes and controls that have material impact on revenue recognition over time
- tested the mathematical accuracy of calculations relating to recognition of revenue over time
- reconciled contract values used in the calculations against actual customer contracts
- obtained an understanding of contracts to assess whether any terms with unaccounted risk factors are present
- tested the Company's methodology for estimating costs to complete a project
- obtained an understanding of and tested the company's Investment Board function, which is used for review and approval of contracts, including sales contracts recognized in revenue, with potential significant financial impacts
- analysed the Company's project portfolio to identify projects with particular risk characteristics.
- challenged management estimates relating to projects with particular risk characteristics
- performed retrospective analysis of the accuracy of project-related estimates in prior periods by comparing them against actual subsequent outcomes.

VALUATION OF GOODWILL

Refer to the accounting principles and note 13 of the financial statements

The balance sheet of the company includes goodwill in the amount of € 53,2 million. Management is responsible for performing goodwill impairment tests to assess the carrying value of Goodwill as set out in the relevant accounting standards. There is a risk that assumptions used in the impairment test such as forecasted cash flows, discount rates and growth rates are inappropriate and that goodwill is overstated.

Due to the amount of goodwill in the balance sheet and the significant management judgements involved in impairment testing, goodwill valuation is considered a key audit matter.

Our testing of goodwill included testing of management's impairment testing model. As part of the procedures performed we

- obtained an understanding of management's approach to impairment testing comparing it against applicable accounting standards and the approach used in prior years
- critically assessed the inputs used in the impairment testing model for each Cash Generating unit (CGU) by reference to internal and external data as well as the strategy and budgets approved by the board
- tested the mechanical accuracy of the calculations used in management's impairment testing
- assessed the reasonableness of assumptions used in the testing
- we performed our own sensitivity analysis to assess how much each of the key assumptions in the model would have to change to trigger impairment
- utilized our own valuation specialists for assessing the discount rates used by management against the cost of capital for the company and it's peers

VALUATION OF INVENTORY

Refer to the accounting principles and note 8 of the financial statements

The Balance sheet of the company contains inventories in the amount of € 378,4 million, constituting a significant portion of the overall balance sheet value.

Inventories are measured at the lower of acquisition cost and net realisable value. The estimated net realisable value of an asset is dependent management's assumptions of future market development and construction activities in the geographical locations where the assets are located. These assumptions contain particular uncertainties in geographical areas where market activity is low. These characteristics are present namely in some Building plots and real estate assets belonging to the Building construction business as well as some mineral aggregates belonging to the paving business.Due to the uncertainties described above, the valuation of inventory constitutes a key audit matter.

In our audit of inventory valuation we

- obtained an overall understanding of the assets recognized under inventories in the balance sheet
- identified inventory assets with increased risk characteristics relating to overvaluation.
- obtained an understanding of the Company's assessment of the net realizable value of the inventory assets with identified risk characteristics
- challenged the judgements made by management in relation to net realizable values
- performed retrospective analysis of the accuracy of estimates made in prior periods by comparing them against subsequent selling prices.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

APPOINTMENT

We have been appointed as auditor of the company by the general meeting for an uninterrupted period of 32 years since an auditor at our company was appointed on 9.1.1987. We have been the auditor of Lemminkäinen Oyj for the entire period of time that it has been a Public Interest Entity.

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report. Lemminkäinen Oyj does not publish an Annual report in connection with the closing accounts.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 9 March 2018

PricewaterhouseCoopers Oy

Authorised Public Accountants

Markku Katajisto

Authorised Public Accountant (KHT)

Shares and shareholders

Lemminkäinen had one share class (LEM1S). Each share carried one vote at a general meeting of shareholders and entitled an equal right to dividend.

SHARE CAPITAL AND NUMBER OF SHARES

Lemminkäinen's share capital remained unchanged, amounting to EUR 34,042,500 on 31 January 2018. The number of Lemminkäinen's shares was 23,219,900 at the end of January 2018.

SHARE PRICE AND TRADING VOLUME

The price of Lemminkäinen Corporation's share on Nasdaq Helsinki Ltd. was on 1 January 2018 EUR 22.87(20.40) and EUR 23.90 (18.06) on 31 January 2018. The highest share price quoted in January 2018 was EUR 25.00 and the lowest EUR 21.70. On 31 January 2018, the market capitalisation of Lemminkäinen's shares stood at EUR 554.6 million (530.7).

In addition to the Nasdaq Helsinki Ltd., Lemminkäinen's share was also traded on alternative markets. The total trading volume during January 2018 was 1,288,549 shares (6,371,409), of which alternative markets accounted for 10% (4) (Source: Fidessa Fragmentation Index, http://fragmentation.fidessa.com).

The shares of Lemminkäinen Corporation were for the last time on the list of Nasdaq Helsinki Ltd on 31 January 2018.

SHAREHOLDERS

At the end of January 2018, the company had 3,916 shareholders (3,928). Nominee-registered and non-Finnish shareholders held 9.2% (8.2) of all Lemminkäinen Corporation shares and voting rights.

FLAGGING NOTIFICATIONS

Lemminkäinen did not receive any flagging notifications in January 2018.

TREASURY SHARES

On 31 January 2018, Lemminkäinen held 15,000 of its own shares, which accounted for 0.06% of all shares.

SHAREHOLDER AGREEMENTS

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

LEMMINKÄINEN'S SHARE (LEM1S)

Listing:	Nasdaq Helsinki Ltd
Listing date:	2 January 1997
Delisting date:	31 January 2018
Trading currency:	EUR
List:	Nordic Mid Caps
Sector:	Industrials, Construction & Engineering
Symbol:	LEM1S
ISIN:	FI0009900336
Reuters symbol:	LEM1S.HE
Bloomberg symbol:	LEM1S FH

BOARD OF DIRECTORS' AND GROUP EXECUTIVE TEAM'S SHAREHOLDINGS

	No. of shares on 30 Jan 2018	No. of shares on 31 Dec 2017
Board of Directors[1)]	7,334,425	7,334,425
President and CEO[1)]	6,979	6,979
Group Executive Team, excluding the President and CEO	15,075	15,075
Board of Directors' and Group Executive Team's shareholdings, total	7,356,479	7,356,479
% of all shares	32%	32%

[1)] Includes personal holdings and holdings of closely associated persons and controlled entities, if any.

MAJOR SHAREHOLDERS ON 30 JANUARY 2018

		Number of shares	% of share capital
1	PNT Group Oy	4,231,948	18.2
2	Onvest Sijoitus Oy	2,458,447	10.6
3	Pentti Heikki Oskari Estate	2,253,698	9.7
4	Forstén Noora Eva Johanna	1,415,241	6.1
5	Pentti Lauri Olli Samuel	1,161,635	5.0
6	Varma Mutual Pension Insurance Company	1,091,677	4.7
7	Fideles Oy	882,200	3.8
8	Virala Oy Ab	791,028	3.4
9	Pentti-Von Walzel Anna Eva Kristina	760,580	3.3
10	Pentti-Kortman Eva Katarina	751,234	3.2
11	Pentti Timo Kaarle Kristian	655,280	2.8
12	Ilmarinen Mutual Pension Insurance Company	590,292	2.5
13	Mandatum Life Unit-Linked	458,868	2.0
14	Mariatorp Oy	350,000	1.5
15	Wipunen varainhallinta Oy	300,000	1.3
	15 major shareholders, total	18,152,128	78.2
	Other owners	2,992,173	12.9
	Nominee-registered shareholders	2,075,599	8.9
	Total	23,219,900	100.0

SHAREHOLDERS BY SECTOR ON 30 JANUARY 2018

	Number of shareholders	% of owners	Number of shares	% of shares
Finnish private investors	3,625	92.6	8,901,346	38.3
Public sector institutions	4	0.1	1,741,531	7.5
Financial and insurance institutions	9	0.2	3,433,110	14.8
Corporations	212	5.4	6,712,055	28.9
Non-profit institutions	38	1.0	289,461	1.2
Foreign and nominee registered owners	28	0.7	2,142,397	9.2
Total	3,916	100.0	23,219,900	100.0

SHAREHOLDER DISTRIBUTION BY NUMBER OF SHARES ON 30 JANUARY 2018

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	1,649	42.1	72,643	0.3
101–500	1,514	38.7	364,005	1.6
501–1000	333	8.5	239,369	1.0
1001–5000	323	8.2	636,782	2.7
5001–10000	33	0.8	246,684	1.1
10001–50000	39	1.0	769,372	3.3
50001–100000	6	0.2	390,567	1.7
100001–500000	5	0.1	1,423,665	6.1
500001–	14	0.4	19,076,813	82.2
Total	3,916	100.0	23,219,900	100.0
of which nominee registered	9	0.2	2,075,599	8.9

Information for shareholders and investors

ANNUAL GENERAL MEETING 2018

The merger of Lemminkäinen Corporation into YIT Corporation was implemented on 1 February 2018, whereby Lemminkäinen merged into YIT and Lemminkäinen Corporation ceased to exist. Due to the merger, no Annual General Meeting will be organized in 2018.

SHAREHOLDERS' MEETING

Following the merger of Lemminkäinen Corporation into YIT Corporation on 1 February 2018, a notice is given to the shareholders of the company to a Shareholders' meeting to be held on Wednesday, 11 April 2018 at 3 P.M. at the premises of Varma Mutual Pension Insurance Company, Salmisaarenranta 11, Helsinki, Finland.

RIGHT TO PARTICIPATE

Lemminkäinen's last shareholders, i.e. shareholders listed in the company's register of shareholders maintained by Euroclear Finland Oy as at the end of the last trading day on 31 January 2018 (i.e. such shareholders who were entitled to receive merger consideration), have the right to participate in the Shareholders' meeting. A shareholder whose shares are registered on his/her personal Finnish book-entry account is registered in the shareholders' register of the company.

A holder of nominee-registered shares and who wishes to participate in the Shareholders' meeting and exercise his/her right to vote, must be temporarily entered into the shareholders' register of the company in order to participate in the Shareholders' meeting at the latest on 6 April 2018 at 10:00 A.M.

REGISTRATION

A shareholder who is registered in the shareholders' register of Lemminkäinen and who wants to participate in the Shareholders' meeting shall register for the meeting no later than on 6 April 2018 at 4:00 P.M. by giving a prior notice of participation, which shall be received no later than on the above mentioned date. Such notice can be given:

a. at YIT's website www.yitgroup.com;
b. by telephone + 358 2071 53378; or
c. by regular mail to YIT Corporation, Pirjo Favorin, P.O. Box 36, 00621 Helsinki, Finland.

In connection with the registration, a shareholder shall notify his/her name, personal identification number, address, telephone number and the name of a possible assistant or proxy representative and the personal identification number of the proxy representative. The personal data given in connection with the registration is used only in connection with the Shareholders' meeting and the processing of related registrations.

The shareholder, his/her authorised representative or proxy representative shall, where necessary, be able to prove his/her identity and/or right of representation.

FINANCIAL REPORTING IN 2018

In 2018, financial reports are published as follows:

1 February 2018	Financial statements bulletin 2017
Week 8	Annual report 2017
Week 12	Financial statements 1 January–31 January 2018