DESTIA

DESTIA Q1

INTERIM REPORT

JANUARY-MARCH 2012

BUILDING THE BIGGER PICTURE

DESTIA GROUP'S INTERIM REPORT FOR JANUARY–MARCH 2012

January−March 2012

- Revenue increased 11.6 per cent on the previous year to MEUR 98.1.
- The operating result was better than the previous year at MEUR 0.2 (-5.5).
- The unprofitable Norwegian operations were discontinued.
- The strongly positive development of the Group's cash flow continued.
- The order book was MEUR 731.4.
- Destia forecasts that the revenue for the full year will increase slightly and that the operating result will be clearly positive.

KEY FIGURES (IFRS), MEUR	1-3/2012	1-3/2011	1-12/2011
Revenue, continuing operations	98,1	87,9	492,5
Operating result, continuing operations	0,2	-5,5	8,4
% of revenue	0,2	-6,3	1,7
Result for the period, continuing operations	-0,1	-6,1	3,5
% of revenue	-0,1	-6,9	0,7
Result for the period	-0,9	-7,0	-13,0
Average personnel	1 580	1 845	1 813
Order book	731,4	636,6	805,1

Operating Environment

With regard to market and cost development in civil engineering, the prospects differ between research institutes. The company forecasts that the civil engineering market will be better than last year from a point of view of Destia's range of services. Last year's rise in costs is now levelling out, with the exception of the costs of oil-based commodities.

The employment effect of infrastructure construction varies by area. The greatest demand is focused in the vicinity of population centres and on Southern and Southeastern Finland. As a result of the concentration of major projects, some of the areas are experiencing scarcity in experienced project management resources.

In the government spending limits discussion, the major projects for the 2012−2016 period were approved, with a total spending of EUR1.0 billion, and including the following projects significant from Destia's point of view: E18 Hamina−Vaalimaa, E18 Vaalimaa truck waiting area, Highway 3 Tampere−Vaasa (Laihia section), Highway 5 Mikkeli−Juva, Highway 6 Taavetti−Lappeenranta, Highway 8 Turku-Pori, Riihimäki wye, upgrading and electrification of the Ylivieska−Iisalmi−Kontiomäki line, Rauma fairway, upgrading of Ring I, increase in capacity of Helsinki−Riihimäki line, development of Ring III (E18), Highway 22 Oulu−Kajaani, Highway 4 Rovaniemi section, the renewal of road-, sea- and rail traffic control systems, and the upgrading of the Helsinki Railway Yard. (Ministry of Transport and Communications, 22 March 2012.)

Order book and orders received

The Group's comparable order book grew 14.9 per cent and was MEUR 731.4 at the end of March (31 March 2011:MEUR 636.6). As a result of the market situation in construction, it was agreed with SRV at the beginning of the reporting period that the Kalasatama project will be divided into separate sub-projects. Because of this, the value of Destia's total order book has been reduced by about MEUR 60.

Destia won the 2012−2013 bridge maintenance contract for which bids were requested by the Uusimaa Centre for Economic Development, Transport and the Environment. This two-year contract also includes the an option for 2014−2015 if both parties so agree. The bridge repair work will focus on the regions of Uusimaa, Kanta-Häme and Päijät-Häme.

Destia won the overall civil engineering contract for the Kotirinne residential district in Hattula. The customers for this contract are the municipality of Hattula, Hämeenlinnan Seudun Vesi Oy, Vattenfall Verkko Oy and AinaCom Oyj. The contract covers the streets and civil engineering in a town-plan area of about 34 hectares. The work began in February and will be completed in October.

Destia will be carrying out the contract for the construction of the Simola−Sieraniemi connecting road for the town of Nilsiä. The road will be a parallel route running from the centre of Nilsiä to the Tahko tourist area. The contract includes the construction of a new carriageway and non-motorised traffic route over a distance of about 2.9 km. This contract will, by and large, be completed by November 2012. The work will reach a full conclusion by August 2013.

In the first round of the public request for bids for main road regional contracts, Destia won four out of five regional contracts, of which the Sastamala and Kiuruvesi contracts will continue for five years and the Kitee and Kokkola contracts for seven years.

Revenue

Destia's revenue stood at MEUR 98.1 (87.9) from continuing operations. The increase over the previous year was 11.6 per cent.

Result

The operating result was MEUR 0.2 (-5.5) from continuing operations. Traditionally, the first quarter is weak due to the low volumes of the winter period. Because of some major projects, revenue increased, as a result of which the operating result became positive. The fluctuating temperatures during the winter and the large volume of snow, however, gave rise to extra costs in maintenance and projects.

In March, Destia's Norwegian subsidiary, Alpha Veg AS, decided to file for bankruptcy, because the company's operations had been heavily unprofitable for a long time. The board of directors of the subsidiary made the decision to file for bankruptcy, because Destia decided to cease capitalising its operations. The effect on the result of the Norwegian business is shown in 'Discontinued operations'.

Balance Sheet and Cash Flow

At the end of March, the sum total of the consolidated balance sheet was MEUR 242.0 (221.8). The equity ratio was 28.7% (33.9%), net gearing -3.9% (71.1%) and return on investments -1.4% (6.5%).

The development of the Group's cash flow was strongly positive. The money flow for January−March 2012 comprised operating cash flow of MEUR 9.8 (2.6), investment cash flow of MEUR 0.7 (-0.1) and financial cash flow of MEUR 0.0 (-10.8). The liquid assets according to the balance sheet were MEUR 64.2 (18.0) at the end of the reporting period.

The Group's interest-bearing liabilities declined by MEUR 2.2 during the first quarter of the year to MEUR 61.9 (65.6). Net financing costs totalled MEUR 0.6 (0.5), which was 0.6% (0.6%) of revenue. Interest-bearing net liabilities at the end of the report period were MEUR -2.3 (47.6), meaning that the company was free of net liabilities.

Investments and Company Acquisitions

The gross investment of the first quarter of the year totalled MEUR 0.3 (0.5). The investments were equipment-related ones.

Personnel

The Group's average number of personnel during the report period was 1,580 (1,845). At the end of March, the number of personnel was 1,551 (1,823), of which permanent staff totalled 1,478 (1,717) and temporary employees 73 (106). The change from the previous year was a result of the previously implemented adjustments in personnel, the transfer of staff to NCC in connection with the sale of the asphalting and surfacing business, and Destia's withdrawal from Northern Norway. Due to the seasonal nature of the business, the number of personnel varies during the year and peaks in the summer.

Collective labour agreements concerning infrastructure industry employees and salaried staff were concluded on 17 November 2011. The contractual period for both agreements is 1 March 2012−31 March 2014.

Near-term risks and uncertainties

The achievement of Destia Group's strategy and near-term objectives may be negatively affected by significant changes in the economic situation. Of fundamental importance from Destia's perspective is the success in the round of area-wide maintenance contracts in spring 2012. Success in the tenders for major investment projects is also important to Destia. The opening to competition of the railway market is a prerequisite for the success of Destia's Railways business.

A possible rise in input prices is creating uncertainty in the profitability of projects, which is in turn being affected by the uncertainty about the costs of oil-based commodities. In project operations, risks are also involved in the execution of projects, particularly when they are implemented using new contract-related methods and technologies and in new fields of business. Risks may also stem from a lack of skilled project personnel in areas where projects simultaneously concentrate.

Decisions of the General Meeting

Destia Ltd's Annual General Meeting was held on 27 March 2012. The meeting confirmed the company's financial statements for 2011 and granted exemption from liability to Board members and the President & CEO for the accounting period 1 January–31 December 2011. The Annual General Meeting decided, in accordance with the proposal of the Board, that no dividends will be paid for the accounting period ending 31 December 2011.

The Annual General Meeting selected Deloitte & Touche Ltd (Authorised Public Accountants) as Destia Ltd's auditor for the accounting period 2012, with Tapani Vuopala (APA) as the main responsible auditor.

The Annual General Meeting ratified the total number of Board members as five and reappointed Karri Kaitue as the Chairperson of the Board and Matti Mantere as the Vice Chairperson. Kalevi Alestalo, Senior Financial Counsellor of the Ownership Steering Department at the Prime Minister's Office was elected as a new member of the Board, and Elina Engman and Solveig Törnroos-Huhtamäki were re-elected to the Board. The Annual General Meeting decided to keep the compensations of the Board members unchanged.

Events Following the Report Period

In the second and third rounds of the public request for bids for the regional contracts of main road maintenance, Destia won four regional contracts out of ten. The five-year contracts won were at Heinola, Lahti, Pello and Siikalatva.

Prospects for 2012

It is estimated that a revival in demand in the infrastructure sector will occur in 2012–2013, at which time major projects like PPP and alliance projects will be in full swing. The overall market in 2012 is expected to be better than the previous year. The public projects plan contains, among other projects, the Tampere lakeside road, Section 2 of the E18 Hamina contract and the Kokkola−Ylivieska rail project. Uncertainty related to global and European economic development may, however, affect the start-up of new planned projects.

Destia's existing strong order book and the measures for improving profitability will exert a positive impact on the prospects for 2012. Based on the continued positive development of cash flow, there are additional signs that the profitability of core business projects has improved on average.

It is forecast that Destia Group's 2012 revenue will increase slightly over the previous year and that the operating result will be clearly positive.

Vantaa, 2 May 2012

Destia Ltd

Board of Directors

Further information is provided by: President & CEO Hannu Leinonen, tel. +358 20 444 4000 and Head of Economics and Financing Pirkko Salminen, tel. +358 50 3022 485

The Destia Group will publish the following 2012 interim reports as follows: Q2 29 August 2012 and Q3 30 October 2012.

CONSOLIDATED INCOME STATEMENT AND
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
IFRS

MEUR	1.1. - 31.3.2012	1.1. - 31.3.2011	1.1. - 31.12.2011
Continuing operations			
Revenue	98,1	87,9	492,5
Other operating income	0,8	0,7	10,7
Materials and services	66,1	60,3	339,1
Employee benefit expenses	20,6	21,0	88,1
Depreciations	3,6	4,6	17,9
Impairments	0,0	0,0	1,2
Goodwill impairment	0,0	0,0	1,6
Other operating expenses	8,4	8,2	46,9
Operating result	0,2	-5,5	8,4
Financial income	0,1	0,2	0,7
Financial expenses	0,7	0,7	4,3
Result before taxes	-0,4	-6,0	4,8
Income taxes	0,3	0,1	1,3
Result of continuing operations	-0,1	-6,1	3,5
Discontinued operations			
Result of discontinued operations	-0,8	-0,9	-16,5
Result for the period	-0,9	-7,0	-13,0
Other comprehensive income			
Cash flow hedges	-0,3	1,2	-1,7
Actuarial profit and loss from benefit-based pension arrangements	0,0	0,0	1,0
Translation differences	0,0	0,0	0,0
Taxes relating to other comprehensive income items	0,1	-0,3	0,1
Other comprehensive income, total	-0,2	0,9	-0,6
Comprehensive income for the period	-1,1	-6,1	-13,6

Result for the period and comprehensive income for the period belong to parent company shareholders.

Earnings per share, EUR	-1,30	-10,27	-19,12

CONSOLIDATED BALANCE SHEET
IFRS

MEUR	31.3.2012	31.3.2011	31.12.2011
ASSETS			
Non-current assets			
Tangible assets	65,3	95,5	71,8
Goodwill	17,0	20,2	17,0
Other intangible assets	2,6	2,7	2,7
Pension receivable	1,1	0,0	1,1
Available-for-sale financial assets	1,6	2,2	1,7
Other financial assets	0,0	1,3	0,0
Deferred tax assets	5,7	7,3	5,1
Non-current assets, total	93,3	129,2	99,4
Current assets			
Inventories	25,1	24,4	25,4
Accounts and other receivables	59,4	50,2	83,5
Cash and cash equivalents	64,2	18,0	53,7
Current assets, total	148,7	92,6	162,6
Assets, total	242,0	221,8	262,0

	31.3.2012	31.3.2011	31.12.2011
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	17,0	17,0	17,0
Invested unrestricted equity fund	56,4	56,4	56,4
Other items	-1,4	0,9	-1,2
Retained earnings	-13,7	-7,5	-12,8
Equity, total	58,3	66,8	59,4
Non-current liabilities			
Deferred tax liabilities	2,4	3,8	2,4
Pension liabilities		0,2	
Provisions	7,4	8,9	7,6
Financial liabilities	61,1	64,6	63,3
Non-current liabilities, total	70,9	77,5	73,3
Current liabilities			
Accounts payable and other liabilities	55,2	42,8	76,5
Provisions	15,8	9,1	18,5
Financial liabilities	3,2	1,1	3,0
Advances received	38,6	24,5	31,3
Current liabilities, total	112,8	77,5	129,3
Equity and liabilities, total	242,0	221,8	262,0

CONSOLIDATED CASH FLOW STATEMENT
IFRS

MEUR	1-3/2012	1-3/2011	1-12/2011
OPERATING CASH FLOWS			
Cash receipts from customers	118,4	112,1	497,0
Expenses paid to suppliers and personnel	-108,3	-109,5	-465,3
Interests paid	0,0	0,0	-2,6
Interests received	0,0	0,2	0,6
Other financial items	-0,1	-0,2	-0,6
Tax paid	-0,2	0,0	-0,1
Net operating cash flow	9,8	2,6	29,0
INVESTMENT CASH FLOW			
Investments in tangible and intangible assets	-0,3	-0,5	-4,7
Sale of tangible and intangible assets	1,0	0,4	15,2
Investments in other assets	0,0	0,0	-0,1
Proceeds from the sale of other investments	0,0	0,0	0,3
Net investment cash flow	0,7	-0,1	10,7
FINANCIAL CASH FLOWS			
Increase in short-term financing (+)	0,2	0,0	5,3
Decrease in short-term financing (-)	-0,1	-10,6	-16,6
Repayments of financial leasing liability	-0,1	-0,2	-1,0
Net financial cash flow	0,0	-10,8	-12,3
Change in cash and cash equivalents	10,5	-8,3	27,4
Cash and cash equivalents at beginning of reporting period	53,7	26,3	26,3
Cash and cash equivalents at end of reporting period	64,2	18,0	53,7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MEUR	Equity attributable to equity holders of the parent company					
	Share capital	Hedqe instrument fund	Invested unrestricted equity fund	Translation differences	Retained earnings	Total
Equity 1 Jan 2011	17,0	0,1	56,4	-0,1	-0,5	72,9
Other comprehensive income						
Result for the period					-7,0	-7,0
Other comprehensive items:						
Translation differences						
Cash flow hedges		0,9				0,9
Comprehensive income for the period, total		0,9			-7,0	-6,1
Equity total 31 March 2011	17,0	1,0	56,4	-0,1	-7,5	66,8

	Equity attributable to equity holders of the parent company					
	Share capital	Hedqe instrument fund	Invested unrestricted equity fund	Translation differences	Retained earnings	Total
Equity 1 Jan 2012	17,0	-1,2	56,4	0,0	-12,8	59,4
Other comprehensive income						
Result for the period					-0,9	-0,9
Other comprehensive items:						
Translation differences						
Cash flow hedges		-0,2				-0,2
Comprehensive income for the period, total		-0,2			-0,9	-1,1
Equity total 31 March 2012	17,0	-1,4	56,4	0,0	-13,7	58,3

NOTES TO THE REPORT

This Interim Report has been prepared in line with the IFRS principles of bookkeeping and assessment, but it does not meet all of the requirements of standard IAS 34 (Interim Financial Reporting). The Interim Report should be read together with the accounts for 2011. The new revised standards or interpretations effective as of 1 January 2012 have no bearing on the figures presented for the report period.

GROUP´S KEY FIGURES

MEUR	1-3/2012	1-3/2011	1-12/2011
Revenue, continuing operations	98,1	87,9	492,5
Change from previous year, %	11,6		
Operating result, continuing operations	0,2	-5,5	8,4
% of revenue	0,2	-6,3	1,7
Result for the period, continuing operations	-0,1	-6,1	3,5
% of revenue	-0,1	-6,9	0,7
Result for the period	-0,9	-7,0	-13,0
Gross investments	0,3	0,5	5,2
% of revenue	0,3	0,6	1,1
Balance sheet total	242,0	221,8	262,0
Equity	58,3	66,8	59,4
Equity ratio, % 1)	28,7	33,9	25,7
Net gearing, % 2)	-3,9	71,1	17,5
Interest-bearing liabilities	61,9	65,6	64,1
Current Ratio 3)	1,3	1,2	1,3
Quick Ratio 4)	1,5	1,0	1,3
Return on equity, % 5)	-11,7	10,2	-19,6
Return on investment, % 6)	-1,4	6,5	-5,4
Earnings per share, EUR	-1,30	-10,27	-19,12
Equity per share, EUR	85,7	98,3	87,3
Average personnel	1 580	1 845	1 813
Order book	731,4	636,6	805,1
Research and development expenses	0,5	0,2	1,1
% of other operating expenses	6,0	2,4	2,3

Formulas:
1) (Equity/(balance sheet total - advances received))*100
2) ((Interest-bearing liabilities - cash, bank deposits and short-term investments)/equity) *100
3) (Inventories + liquid assets)/current liabilities
4) Financial assets without receivables from uncompleted contracts/current liabilities without advance payments
5) (Result for the period/average equity)*100
(opening and closing balance)
6) (Result before taxes + interest costs and other financial expenses)/(invested capital average)*100
(balance sheet total - non-interest-bearing liabilities - provisions, opening and closing balance)

Under points 5 and 6 the result has been converted into yearly result (12 months back).

GROUP´S QUARANTEES AND CONTINGENT LIABILITIES

MEUR	31.3.2012	31.3.2011	31.12.2011
Liabilities with mortgages as collateral			
Loans from financial institutions	0,1	0,1	0,1
Mortgages given	0,4	0,4	0,4
Mortgages pledged		0,1	
Bank quarantees	86,1	78,1	97,8
Leasing liabilities			
Within one year	2,8	3,0	4,0
Within more than one year and less than five years	4,8	7,1	5,6
Within more than five years	0,2	0,1	0,2

GROUP´S DERIVATIVE CONTRACTS

MEUR	31.3.2012	31.3.2011	31.12.2011
Currency derivatives			
Nominal value	4,0	6,8	3,0
Fair value	-0,1	-0,1	0,0
Interest rate derivatives			
Nominal value	60,0	60,0	60,0
Fair value	-2,4	0,8	-2,1
Commodity derivatives			
Nominal value	1,1	1,1	0,9
Fair value	0,1	0,5	0,0

Nominal values and fair values are presented as net amounts. Fair value is an estimate of the gains or losses that would have been realised if the derivative contracts had been terminated at the balance sheet date.

SHARES AND SHAREHOLDERS

Shareholder	Number of shares	EUR / share	%	Voting right	Share capital EUR
State of Finland	680 000	25	100	1 vote/share	17 000 000

The information provided in the Interim Report has not been audited.