DESTIA Q2

INTERIM REPORT

JANUARY-JUNE 2012

BUILDING THE BIGGER PICTURE

DESTIA GROUP'S INTERIM REPORT FOR JANUARY–JUNE 2012

January−June 2012

- Revenue increased by 10.3% on the previous year to MEUR 216.5.
- Operating result was clearly better than the previous year at MEUR 4.1 (-3.4).
- The strongly positive development of cash flow continued.
- The Group prematurely amortised its MEUR 30 loan.
- The comparable order book increased by 12.1% to MEUR 751.2 (670.1).
- Destia forecasts that the revenue for the full year will increase slightly over the previous year, and that the operating result will be clearly positive.

GROUP'S KEY FIGURES (IFRS), MEUR	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011
Revenue, continuing operations	118.4	108.3	216.5	196.2	492.5
Operating result, continuing operations	3.9	2.2	4.1	-3.4	8.4
% of revenue	3.3	2.0	1.9	-1.7	1.7
Result for the period, continuing operations	2.1	1.8	2.0	-4.2	3.5
% of revenue	1.8	1.7	0.9	-2.1	0.7
Result for the period	2.7	-6.0	1.9	-13.0	-13.0
Equity ratio, %			34.2	29.5	25.7
Net gearing, %			6.4	97.1	17.5
Average personnel			1 605	1 857	1 813
Order book at the end of period			751.2	670.1	805.1

Operating Environment

With regard to market and cost development in civil engineering, 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 expected to level out. There is uncertainty involved in, for example, the costs of oil-based commodities. Demand in the infrastructure sector is expected to remain steady in the coming year, with major projects ongoing, and also some starting up as decreed in the latest government budget proposal.

According to Statistics Finland, the costs of the civil engineering industry rose 3.3% from July 2011 to July 2012. The costs of traditional civil engineering machinery increased by 3.0%, and those of maintenance machinery by 3.9%. The costs of mobile cranes rose by 1.9%. Costs were particularly forced up by a rise in labour costs and the increase in fuel prices during the year. (Civil engineering machinery cost index, Statistics Finland, 20 August 2012.)

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

The Ministry of Transport and Communications' 2013 budget contains the major government projects approved for the period 2012−2016 in the government discussion on spending limits. The scale of the programme is €1 billion, and features the following projects significant from Destia's point of view: E18 Hamina−Vaalimaa, E18 Vaalimaa truck waiting area, National Road 3 Tampere−Vaasa (Laihia section), National Road 5 Mikkeli−Juva, National Road 6 Taavetti−Lappeenranta, National Road 8 Turku−Pori, Riihimäki wye, upgrading and electrification of Ylivieska−Iisalmi−Kontiomäki railway section, the Rauma coastal road, upgrading of Ring I, increase in capacity of Helsinki−Riihimäki track section, development of Ring III (E18), National Road 22 Oulu−Kajaani, National Road 4 Rovaniemi section, the renewal of road, sea and rail control systems, and the upgrading of the Helsinki Railway Yard. (Ministry of Transport and Communications, 8 August 2012.)

Economic uncertainty continues both in Finland and elsewhere in Europe. The eurozone crisis is causing uncertainty and weakening the economic operating environment and the availability of finance and, in that, infrastructure construction is no exception.

Order book and orders received

The Group's comparable order book grew by 12.1% and was MEUR 751.2 at the end of June (30 June 2011: 670.1). The margin level of the order book also improved.

In the spring rounds of the public request for tenders for the regional contracts of main road maintenance, Destia won eight regional contracts out of 15. The five-year contracts won were at Sastamala, Kiuruvesi, Heinola, Lahti, Pello and Siikalatva and the seven-year contracts won were at Kitee and Kokkola.

Destia is building a 700 metre-long street near the Teivo Trotting Track at Ylöjärvi in Häme, as well as providing the related municipal engineering work. The construction contract began at the end of April, and is expected to be completed by the end of September this year.

Destia won the Finnish Transport Agency contract for the Karkkila−Loukku section of National Road 2. This includes road-widening, groundwater protection, interchanges and the construction of animal fences. The work begun in May will continue until November 2012.

Destia is the contractor for the Kuninkaanväylä quarrying work commissioned by the City of Raisio, in which about 130,000 cubic metres of rock is quarried and a 500 metre-long stretch of road built. On the construction side, work begun in June will be completed in November 2012. The sale of the crushed materials will continue until May 2013.

Revenue

Destia's revenue from continuing operations was MEUR 216.5 (196.2) in the first half of the year. The increase over the previous year was 10.3%.

Result

The operating result for the report period from continuing operations was MEUR 7.5 greater than the corresponding period the previous year at MEUR 4.1 (-3.4). The volume of business has increased, and the profitability of projects has improved. In the first quarter, the profitability of maintenance contracts was encumbered by the exceptional temperature variations during the winter and by the large amount of snow. In the second quarter, poor margins for track maintenance contracts continued to depress the consolidated operating result for the report period.

In March, Destia's Norwegian subsidiary Alpha Veg AS decided to file for bankruptcy, because the company's operations had for a long time been heavily loss-making. The effect on the result of the Norwegian business of MEUR -0.1 (-8.8) is shown in discontinued operations.

Statement of Financial Position, and Cash Flow

At the end of June, the sum total of the consolidated statement of financial position was MEUR 218.8 (237.9). The equity ratio was 34.2% (29.5%), net gearing 6.4% (97.1%) and return on investments 7.4% (3.8%).

The development of the consolidated cash flow was strongly positive. The net cash flow for January−March 2012 comprised operating cash flow of MEUR 5.0 (-10.7), investment cash flow of MEUR -0.9 (2.1) and finance cash flow of MEUR -30.3 (-9.5). At the end of June, the Group prematurely amortised its MEUR 30 loan. The cancellation of an interest rate swap connected to the loan caused a non-recurring item of MEUR 1.4, which is included in the 'other financial items' section of operating cash flow. The cash and cash equivalents at the end of the report period according to the statement of financial position were MEUR 27.5 (8.2). The Group's liquidity continued to be very good.

The Group's interest-bearing liabilities decreased by MEUR 32.6 during the first half of the year to MEUR 31.5 (64.1 on 31 December 2011). Net finance costs increased as a result of the cancellation of the interest rate swap and totalled MEUR 2.8 (1.3), which was 1.3% (0.7%) of revenue. Interest- bearing net liabilities at the end of the report period were MEUR 4.0 (58.5). The Group has MEUR 31.1 of unused account limits, and a commercial paper limit of MEUR 150, which was unused during the report period.

Investments and Company Acquisitions

The total amount of gross investments in the report period was MEUR 2.4 (1.7). The investments were mainly equipment-related ones.

Personnel

The Group's average number of personnel during the report period was 1,605 (1,857). At the end of June, the number of personnel was 1,687 (1,914), of which permanent staff totalled 1,460 (1,652) and temporary employees 227 (262). The change from the previous year was a result of previously implemented adjustments in personnel, the transfer of staff 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.

On 14 June 2012, Destia Ltd concluded redundancy negotiations following the Act on Co-operation within Undertakings aimed at reducing the number of employees working in regional maintenance contracts, as a consequence of the results of the tendering of regional contracts. As a result of the negotiations, Destia Ltd will make ten drivers redundant. The redundancies are being implemented this year.

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 environment. For the time being, public sector demand for infrastructure projects seems stable. The competitive situation in core business areas is expected to continue to be fierce. Success in the tenders for major investment projects is important to Destia. The opening to competition of the railway market is a prerequisite for the success of Destia's Railways business.

Among the risks related to normal project business, a potential 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 methods and technologies and in new fields of business. Weather and other similar factors may also cause risks in the implementation of infrastructure projects. Risks may also stem from a lack of skilled project personnel in areas where projects simultaneously concentrate.

Decisions of the General Meeting

Destia'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 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

The charges against Destia's former President & CEO, Jukka Laaksovirta, were rejected by the Helsinki Court of Appeal on 2 July 2012. According to the Court's decision, Laaksovirta was not guilty of abusing his position of trust when he was Destia's President & CEO from 2008 to 2009.

After the report period, Destia sold to Ykkösasfaltti Oy the asphalt station machinery and equipment located at Maantiekylä in Tuusula.

Prospects for 2012

Estimates about the development trend in the overall infrastructure market vary greatly between research institutes and participants in the sector. However, the company expects the overall market in 2012 to be better than the previous year. Demand in the infrastructure sector is expected to remain steady in the coming year, with major projects ongoing, and also some starting up as decreed in the latest government budget proposal. Uncertainty related to global and European economic development may, however, be reflected in the development of demand in the infrastructure sector.

Destia's order book has clearly grown since last year. Measures aimed at improving profitability are positively affecting the prospects for 2012. The consolidated cash flow has continued to develop positively, supporting the idea that the profitability of core business projects has improved on average.

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

Vantaa, 29 August 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 Q3 30 October 2012.

CONSOLIDATED INCOME STATEMENT AND
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
IFRS

MEUR	4-6/2012	4-6/2011	1-6/2012	1-6/2011	1-12/2011
Continuing operations					
Revenue	118.4	108.3	216.5	196.2	492.5
Other operating income	1.2	3.7	1.9	4.3	10.7
Materials and services	81.7	71.3	147.9	131.7	339.1
Employee benefit expenses	20.0	22.0	40.5	42.9	88.1
Depreciations	3.4	4.6	6.9	9.2	17.9
Impairments	0.0	0.0	0.0	0.0	1.2
Goodwill impairment	0.0	0.0	0.0	0.0	1.6
Other operating expenses	10.6	11.9	19.0	20.1	46.9
Operating result	3.9	2.2	4.1	-3.4	8.4
Financial income	0.1	0.1	0.1	0.3	0.7
Financial expenses	2.2	1.0	2.9	1.6	4.3
Result before taxes	1.7	1.3	1.3	-4.7	4.8
Income taxes	-0.4	-0.5	-0.7	-0.5	1.3
Result for the period of continuing operations	2.1	1.8	2.0	-4.2	3.5
Discontinued operations					
Result for the period of discontinued operations	0.6	-7.8	-0.1	-8.8	-16.5
Result for the period	2.7	-6.0	1.9	-13.0	-13.0
Other comprehensive income					
Cash flow hedges	1.1	-0.6	0.8	0.6	-1.7
Actuarial profit and loss from benefit-based pension arrangements	0.0	0.0	0.0	0.0	1.0
Translation differences	0.0	-0.1	0.0	0.0	0.0
Taxes relating to other comprehensive income items	-0.3	0.1	-0.2	-0.2	0.1
Other comprehensive income, total	0.8	-0.5	0.6	0.4	-0.6
Comprehensive income for the period	3.6	-6.5	2.5	-12.6	-13.6

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

Earnings per share, EUR	4.03	-8.89	2.73	-19.16	-19.12

CONSOLIDATED BALANCE SHEET
IFRS

MEUR	30.6.2012	30.6.2011	31.12.2011
ASSETS			
Non-current assets			
Tangible assets	63.9	90.0	71.8
Goodwill	17.0	20.2	17.0
Other intangible assets	2.5	3.0	2.7
Pension receivable	1.0	0.0	1.1
Available-for-sale financial assets	1.7	2.1	1.7
Other financial assets	0.0	0.6	0.0
Deferred tax assets	6.0	7.2	5.1
Non-current assets, total	92.1	123.1	99.4
Current assets			
Inventories	25.2	27.4	25.4
Accounts and other receivables	74.0	79.2	83.5
Cash and cash equivalents	27.5	8.2	53.7
Current assets, total	126.8	114.8	162.6
Assets, total	218.8	237.9	262.0

	30.6.2012	30.6.2011	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	-0.6	0.4	-1.2
Retained earnings	-10.9	-13.5	-12.8
Equity, total	61.9	60.3	59.4
Non-current liabilities			
Deferred tax liabilities	2.4	4.2	2.4
Pension liabilities		0.2	
Provisions	7.4	8.7	7.6
Financial liabilities	31.1	64.3	63.3
Non-current liabilities, total	40.9	77.4	73.3
Current liabilities			
Accounts payable and other liabilities	62.7	54.0	76.5
Provisions	15.0	10.0	18.5
Financial liabilities	0.4	2.5	3.0
Advances received	37.9	33.7	31.3
Current liabilities, total	116.0	100.2	129.3
Equity and liabilities, total	218.8	237.9	262.0

CONSOLIDATED CASH FLOW STATEMENT
IFRS

MEUR	1-6/2012	1-6/2011	1-12/2011
OPERATING CASH FLOWS			
Cash receipts from customers	221.3	192.9	490.8
Expenses paid to suppliers and personnel	-212.0	-202.2	-460.5
Interests paid	-1.2	-1.2	-2.5
Interests received	0.1	0.3	0.6
Other financial items	-1.6	-0.4	-0.6
Tax paid	-0.3	0.0	-0.1
Net operating cash flow, continuing operations	6.3	-10.6	27.7
Net operating cash flow, discontinued operations	-1.3	-0.1	1.3
Net operating cash flow	5.0	-10.7	29.0
INVESTMENT CASH FLOW			
Investments in intangible and tangible assets	-2.4	-1.7	-4.7
Sale of intangible and tangible assets	1.5	3.8	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, continuing operations	-0.9	2.1	10.7
Net investment cash flow, discontinued operations	0.0	0.0	0.0
Net investment cash flow	-0.9	2.1	10.7
FINANCIAL CASH FLOWS			
Decrease in non-current debt (-)	-30.0	0.0	0.0
Increase in short-term financing (+)	0.0	1.9	5.1
Decrease in short-term financing (-)	-0.3	-10.8	-16.4
Repayments of financial leasing liability	0.0	0.0	0.0
Net financial cash flow, continuing operations	-30.3	-8.9	-11.3
Net financial cash flow, discontinued operations	0.0	-0.6	-1.0
Net financial cash flow	-30.3	-9.5	-12.3
Change in cash and cash equivalents	-26.2	-18.1	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	27.5	8.2	53.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MEUR	Share capital	Hedqe instrument fund	Invested unrestricted equity fund	Translation differences	Retained earnings	Total
	Equity attributable to equity holders of the parent company					
Equity 1 Jan 2011	17.0	0.1	56.4	-0.1	-0.5	72.9
Other comprehensive income						
Result for the period					-13.0	-13.0
Other comprehensive items:						
Translation differences						
Cash flow hedges		0.4				0.4
Comprehensive income for the period, total		0.4			-13.0	-12.6
Equity total 30 June 2011	17.0	0.5	56.4	-0.1	-13.5	60.3

	Share capital	Hedqe instrument fund	Invested unrestricted equity fund	Translation differences	Retained earnings	Total
	Equity attributable to equity holders of the parent company					
Equity 1 Jan 2012	17.0	-1.2	56.4	0.0	-12.8	59.4
Other comprehensive income						
Result for the period					1.9	1.9
Other comprehensive items:						
Translation differences						
Cash flow hedges		0.6				0.6
Comprehensive income for the period, total		0.6			1.9	2.5
Equity total 30 June 2012	17.0	-0.6	56.4	0.0	-10.9	61.9

NOTES TO THE REPORT

This Interim Report has been prepared in accordance with the IFRS recognition and accounting principles and complies with IAS 34 – Interim Financial Reporting. The Interim Report should be read together with the financial statement 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	1-6/2012	1-6/2011	1-12/2011
Revenue, continuing operations	216.5	196.2	492.5
Change from previous year, %	10.3		
Result for the period, continuing operations	4.1	-3.4	8.4
% of revenue	1.9	-1.7	1.7
Result for the period, continuing operations	2.0	-4.2	3.5
% of revenue	0.9	-2.1	0.7
Result for the period	1.9	-13.0	-13.0
Gross investments	2.4	1.7	5.2
% of revenue	1.1	0.9	1.1
Balance sheet total	218.8	237.9	262.0
Equity	61.9	60.3	59.4
Equity ratio, % 1)	34.2	29.5	25.7
Net gearing, % 2)	6.4	97.1	17.5
Interest-bearing liabilities	31.5	66.7	64.1
Current Ratio 3)	1.1	1.2	1.3
Quick Ratio 4)	1.1	1.0	1.3
Return on equity, % 5)	3.1	4.5	-19.6
Return on investment, % 6)	7.4	3.8	-5.4
Earnings per share, EUR	2.73	-19.16	-19.12
Equity per share, EUR	91.0	88.7	87.3
Average personnel	1 605	1 857	1 813
Order book	751.2	670.1	805.1
Research and development expenses	1.0	0.3	1.1
% of other operating expenses	5.3	1.5	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	30.6.2012	30.6.2011	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
Bank quarantees	85.6	82.0	86.1
Leasing liabilities			
Within one year	2.7	3.7	2.8
Within more than one year and less than five years	4.6	5.4	4.8
Within more than five years	0.1	0.1	0.2

GROUP´S DERIVATIVE CONTRACTS

MEUR	30.6.2012	30.6.2011	31.12.2011
Currency derivatives			
Nominal value	2.2	4.2	3.0
Fair value	-0.1	-0.1	0.0
Interest rate derivatives			
Nominal value	30.0	60.0	60.0
Fair value	-1.4	0.2	-2.1
Commodity derivatives			
Nominal value	1.4	1.2	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.