



“ORANGE IS THE NEW BLUE” – Merger and integration reflections

KARI KAUNISKANGAS

**MISSION:
WE CREATE
BETTER LIVING
ENVIRONMENTS**



Stronger together

GROWTH ECOSYSTEM

WIDER GROWTH OPPORTUNITIES

Strong possibilities for self-initiated growth in urban development

INCREASED STABILITY

1,000

EUR million businesses, which are stable or growing through economic cycles

ENGAGED PROFESSIONALS

COMMITMENT AND COMPETENCES

Excellent project management skills and resources for complex projects

STRENGTHENED EQUITY

+552

EUR million addition to YIT's equity at December 31, 2017

SOLID FINANCIAL POSITION

53.6%

Pro forma gearing at December 31, 2018

HIGH SYNERGY POTENTIAL

45–50

EUR million synergies by the end of 2020



YIT Strategy 2019–2021 – Performance through cycles

Profitable and financially stable YIT

STRATEGIC PRIORITIES

URBAN DEVELOPMENT

Focus in self-developed, longer value chain and negotiation based projects

NON-CYCLICAL BUSINESSES

Annual EBIT EUR >100 million from non-cyclical businesses from 2019 on



CORNERSTONES OF SUCCESS

TOP PERFORMANCE

- Synergies EUR 45–50 million
- Focus on productivity improvement

CAPITAL EFFICIENCY

- Leaner operating model in Russia
- Annual free cashflow EUR +150 million

SUCCESS WITH CUSTOMERS AND PARTNERS

- Improving customer experience and NPS
- Deeper partnerships, higher value, more speed

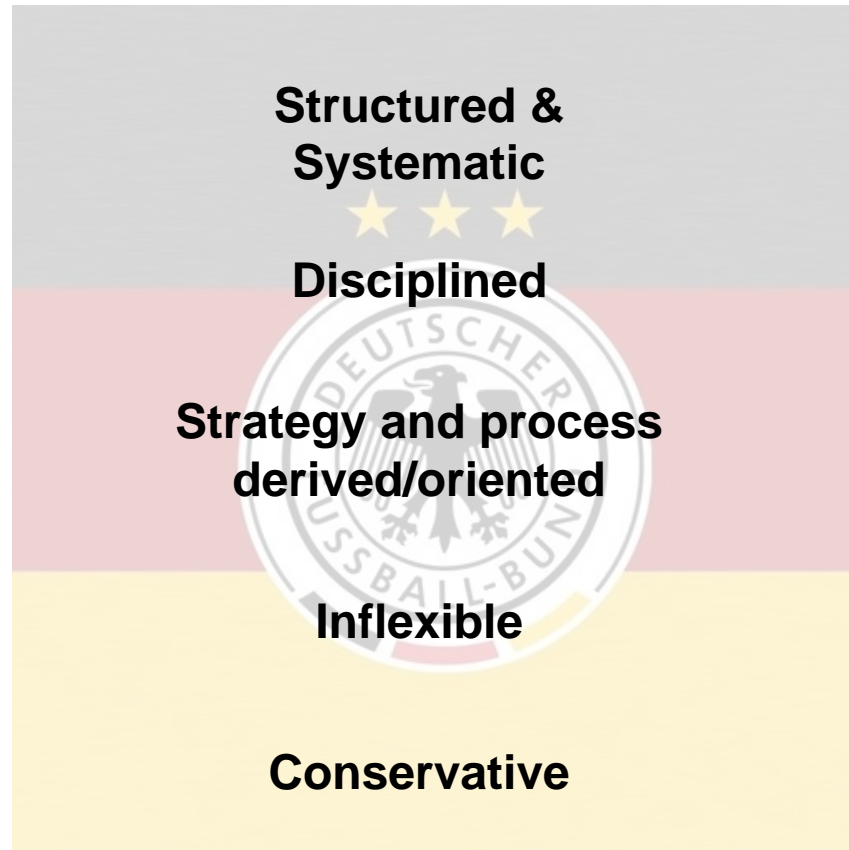
HAPPY PEOPLE

- Common culture, open and involving way to lead
- Most preferred employer in the field

Simplified picture of ways of working: YIT is said to have the characteristics of the German national football team while Lemminkäinen is more of the Brazilian team



Characteristics of ways of working



Lemminkäinen

Characteristics of ways of working



Implementation plans based on four key inputs

**Legal
mergers**



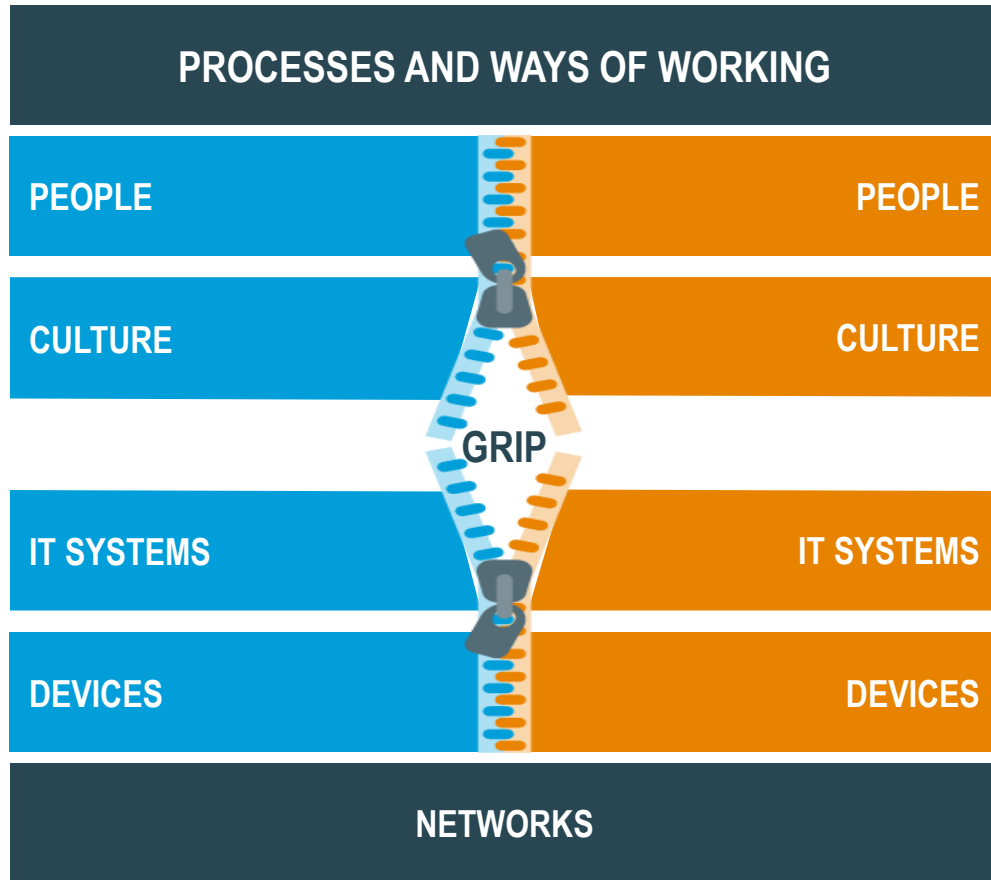
**Harmonisation to
common ways of
working**

**Underlying realities
in business
(e.g. resources,
seasonality and market outlook)**

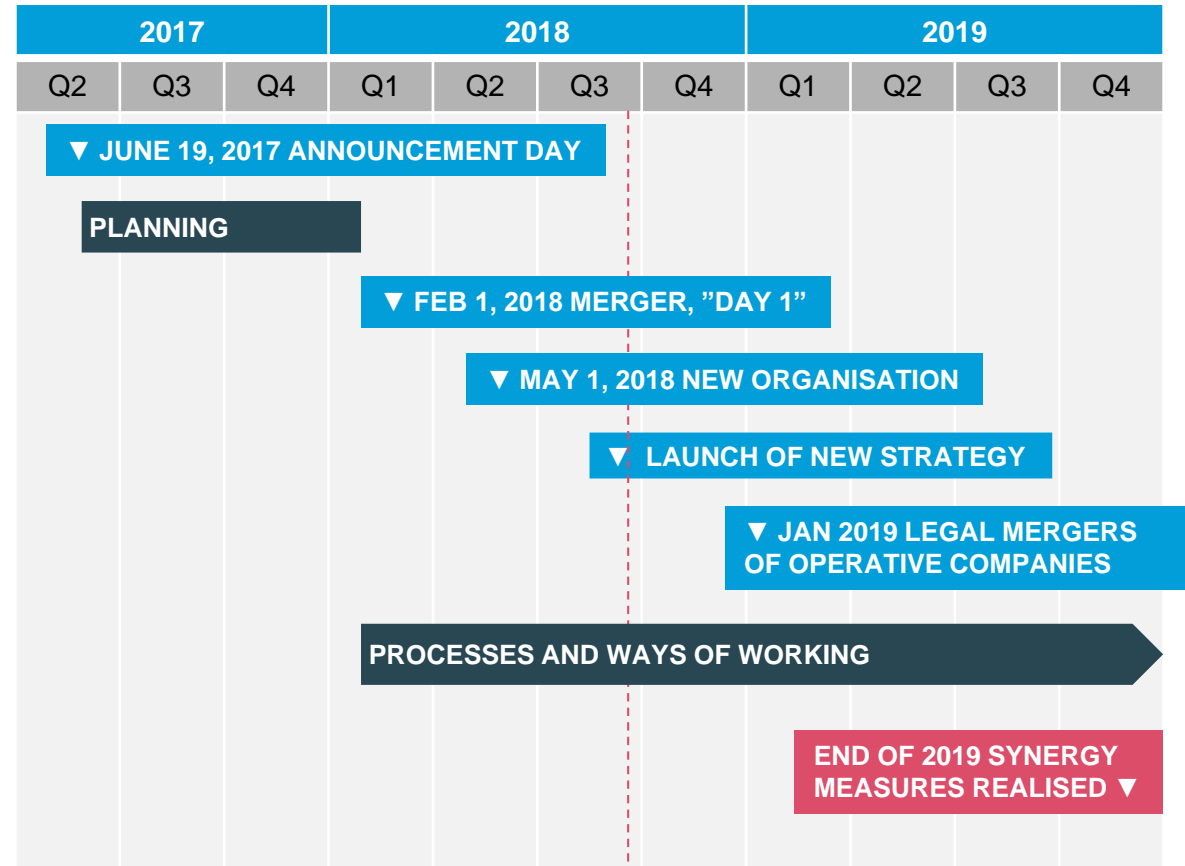


**Synergies and
strategic choices**

“Act as one team”

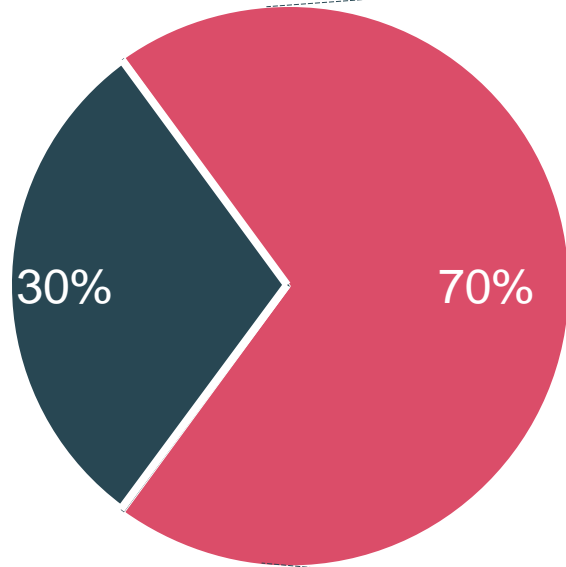


TIMELINE



Why do most change programs fail? Because of the “soft stuff”

- Achieve targets
- Fail to achieve targets

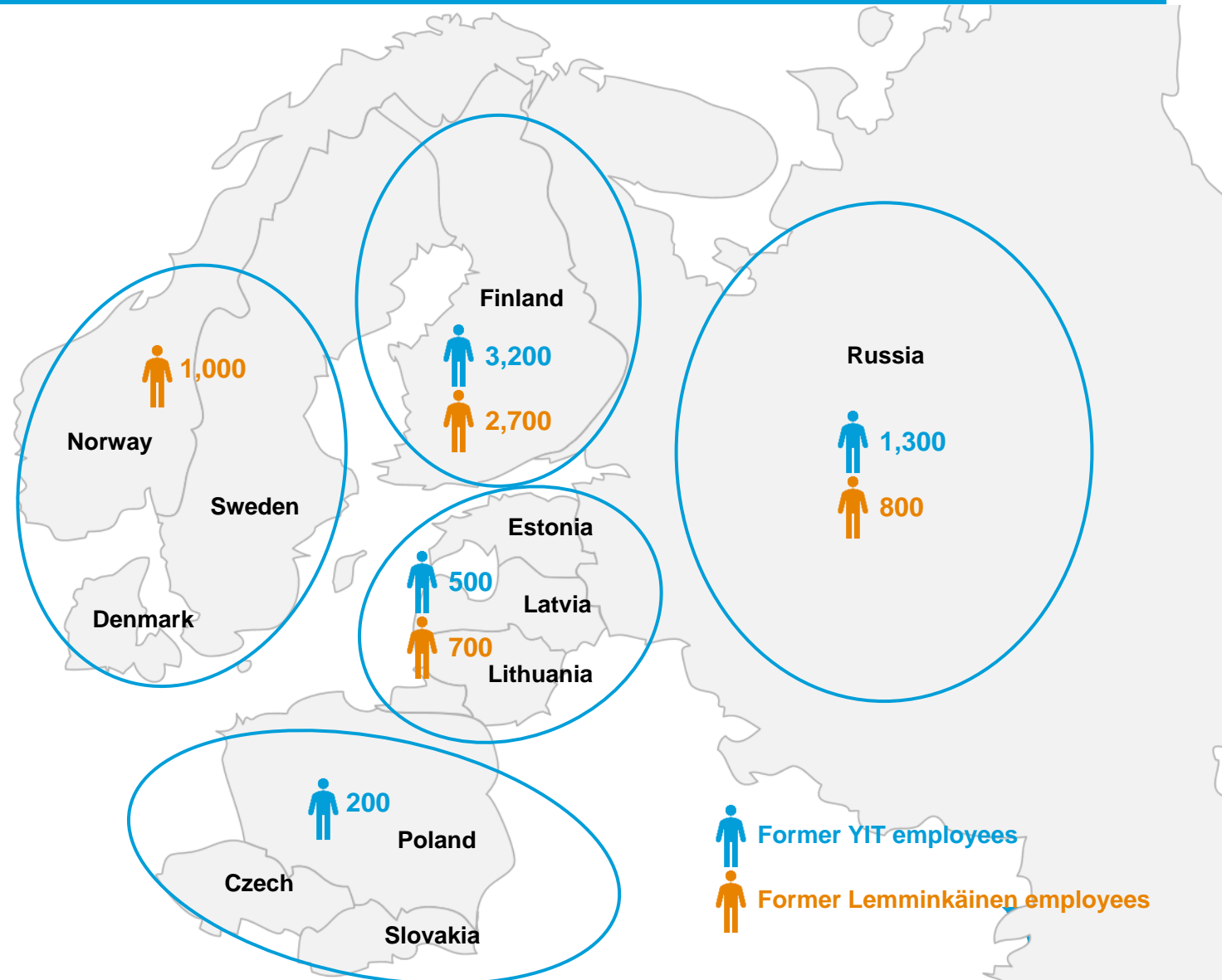
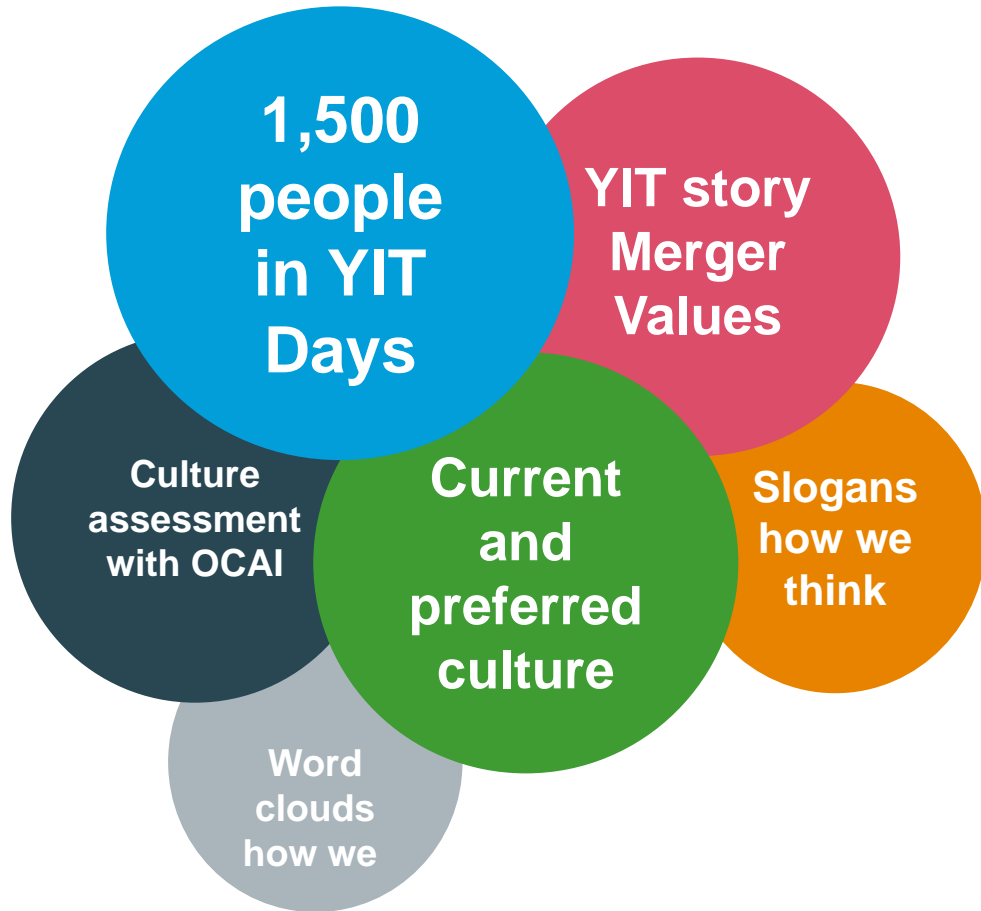


Organizational resistance



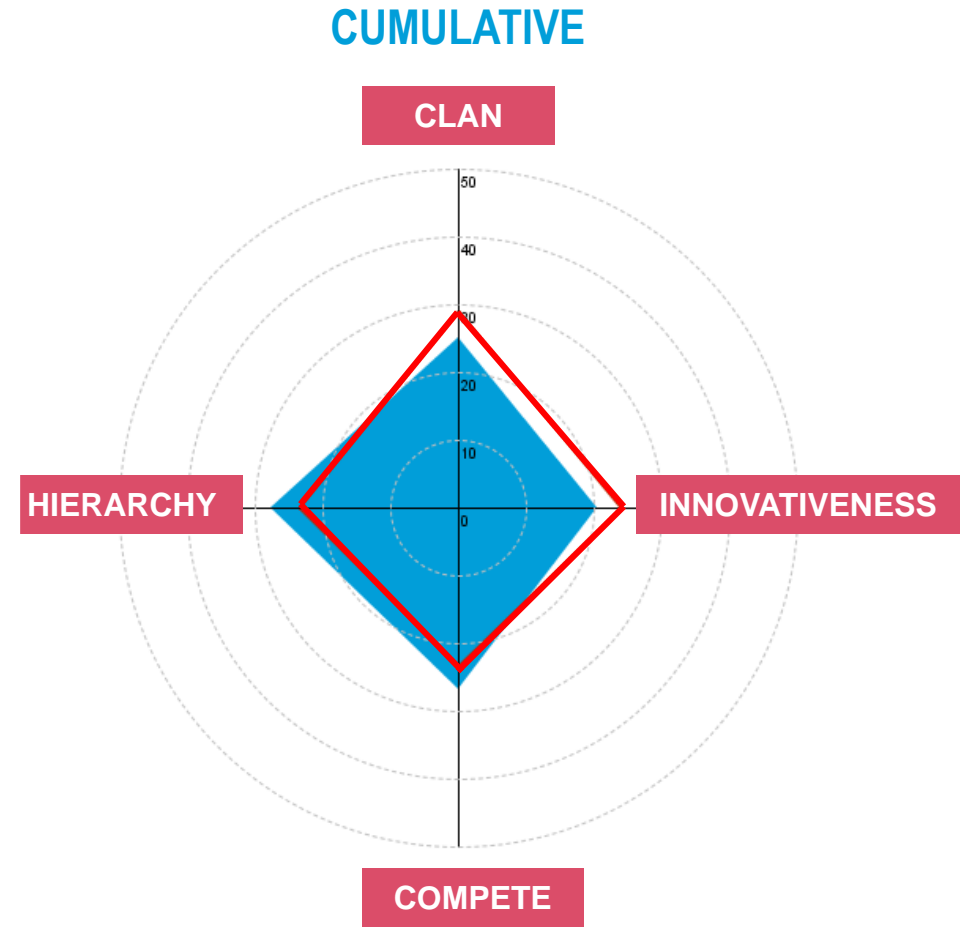
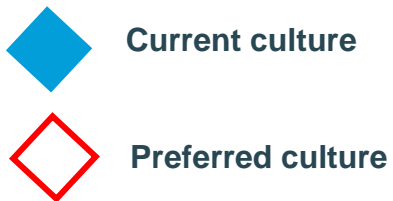
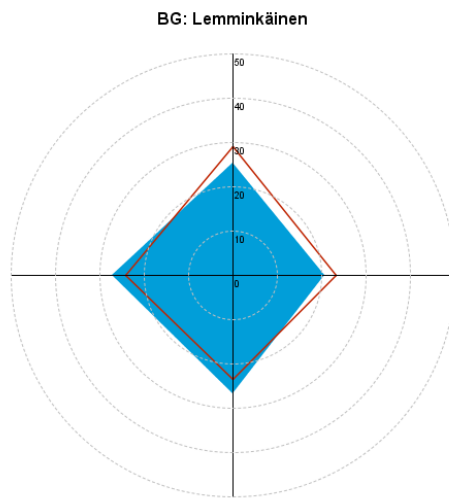
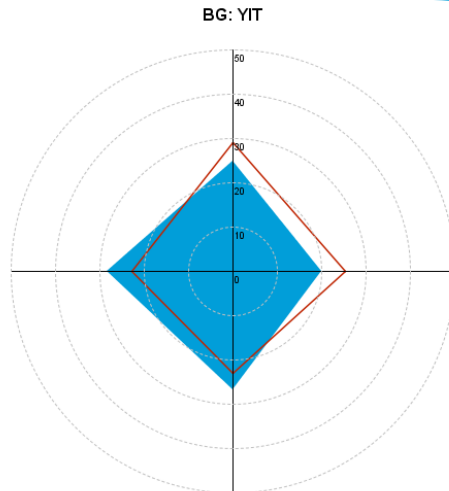
70% of transformations fail to achieve target mainly because the required change is not supported

”Asking costs nothing”



“Great minds think alike”

ORGANISATIONAL CULTURE
ASSESSMENT OCAI
CUMULATIVE RESULTS:
ALL (N=876), YIT (N=380),
LMK (N=496)



ARTEFACTS



Things we can touch, see, feel

VALUES

Ethical statement of being right

BASIC ASSUMPTIONS

Unconscious and taken for granted

“Plan – do – act”

Building a common culture

TO KNOW 2018

- Current and preferred culture
 - Define values as guidelines
-

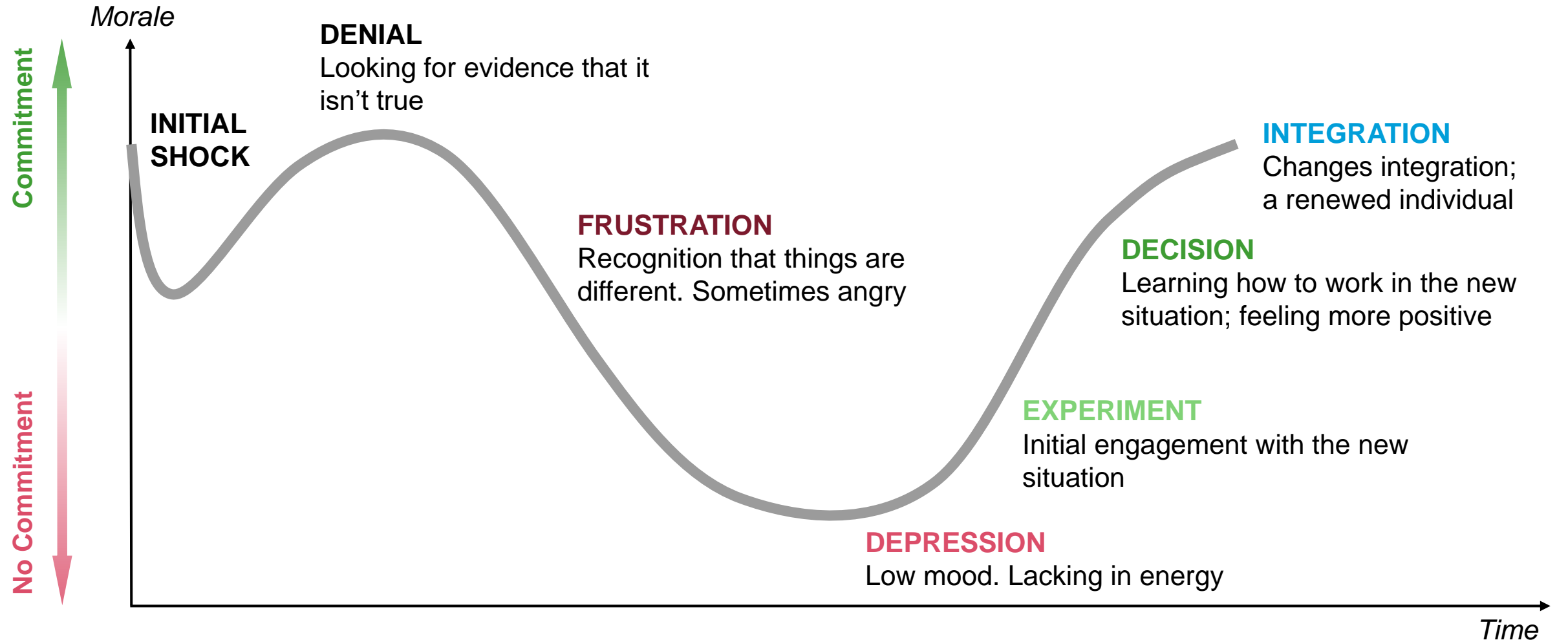
TO UNDERSTAND 2019

- Meaning of values discussed broadly
 - Management widely showing example
-

TO BEHAVE 2020

- Values visible in daily decision making
- Values taken into account in all key forums, processes and planning

“Keep calm and be YIT”



Source: Adapted from the Kübler-Ross change curve

Integration targets – approved KPIs

1 **CUSTOMER** satisfaction and activity towards customers are increased

- Net Promoter Score (NPS)
- Margin backlog

2 **OUR PEOPLE** form a new, stronger organisation

- Spirit
- Exit-%

3 **FINANCIAL** synergies are realised

- Synergies realised
- Cumulative integration costs

4 **INTEGRATION PROCESS** successfully carried out

- Day 1 success
- One company identity and practices created



KEY ELEMENTS OF YIT CULTURE

VALUES

RESPECT

- We care about our customers and personnel
- We look for environmentally sustainable solutions

COOPERATION

- We are open and share knowledge
- We involve and partner to succeed

CREATIVITY

- We trust and build a positive spirit
- We empower people to innovate and challenge

PASSION

- We aim high with quality, expertise and results
- We work ethically and keep our promises



LEADERSHIP PRINCIPLES

- Act as one YIT team
- Lead by example
- Welcome change and new ideas
- Be available, listen and ask
- Celebrate success and learn from mistakes

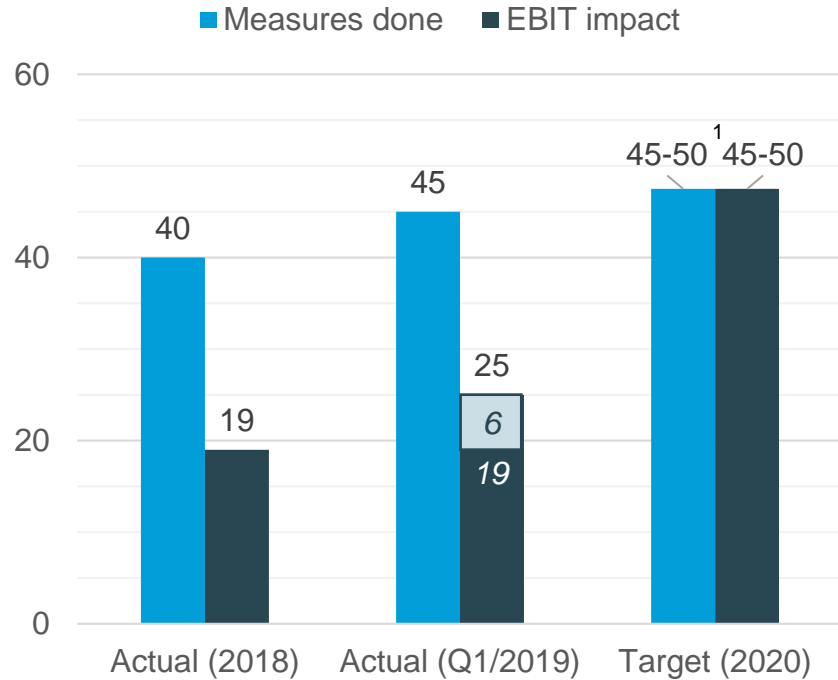
MANAGEMENT PHILOSOPHY

- Management By Key Results, MBKR

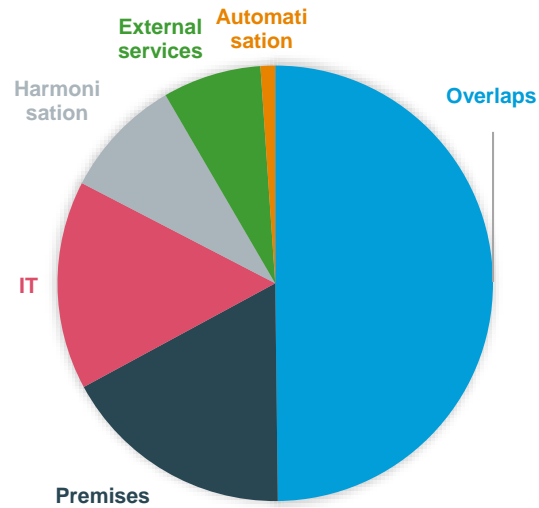
TOGETHER WE CAN DO IT.

Synergies and integration costs

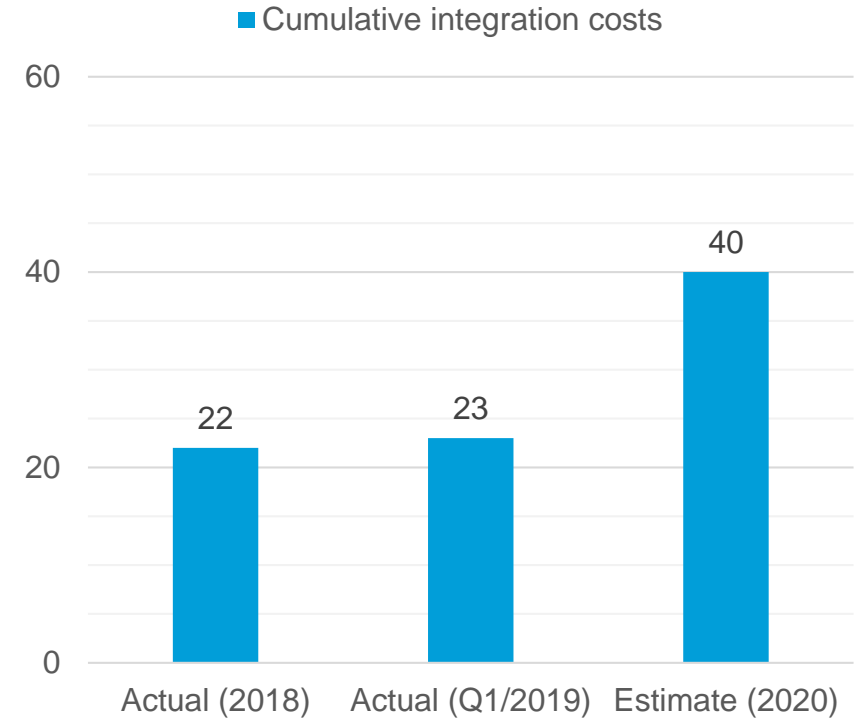
CUMULATIVE SYNERGIES



MAIN SOURCES OF SYNERGIES



INTEGRATION COSTS²



Additional synergy benefits expected from refinancing

¹ According to the original target, full EBIT improvement potential per annum by the end of 2020, original target was set in June 2017. The target was raised in connection with Interim Report January–March 2018.

² Integration costs for 2017, EUR 4 million included in the cumulative figure

Finnish residential market outlook

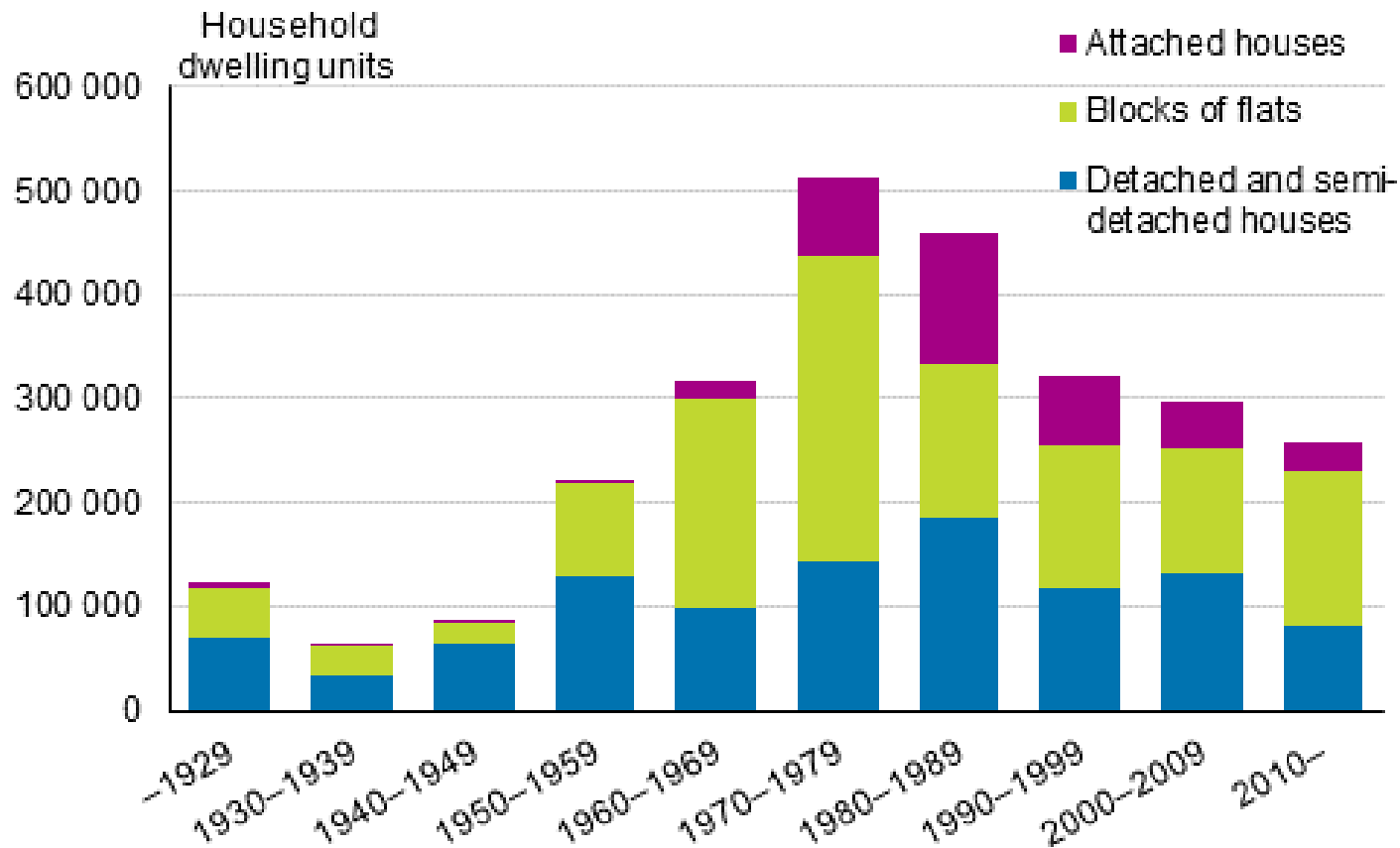


(Short-term) outlook in Finland

- Consumer and investor demand expected to remain stable at autumn 2018 level
 - Private residential investment on lower level than in previous year
 - Consumer confidence remaining above long-term average – families investing
- Population concentrating in urban centers with excellent public transport connections
 - Walking and cycling also important
 - Proximity to services and jobs
- Forms of housing changing
 - Owning vs renting
 - Service business potential
- Difference between growth centers and rest of Finland continues to widen

Finnish housing stock statistics

Household-dwelling units by building type and completion decade in 2018

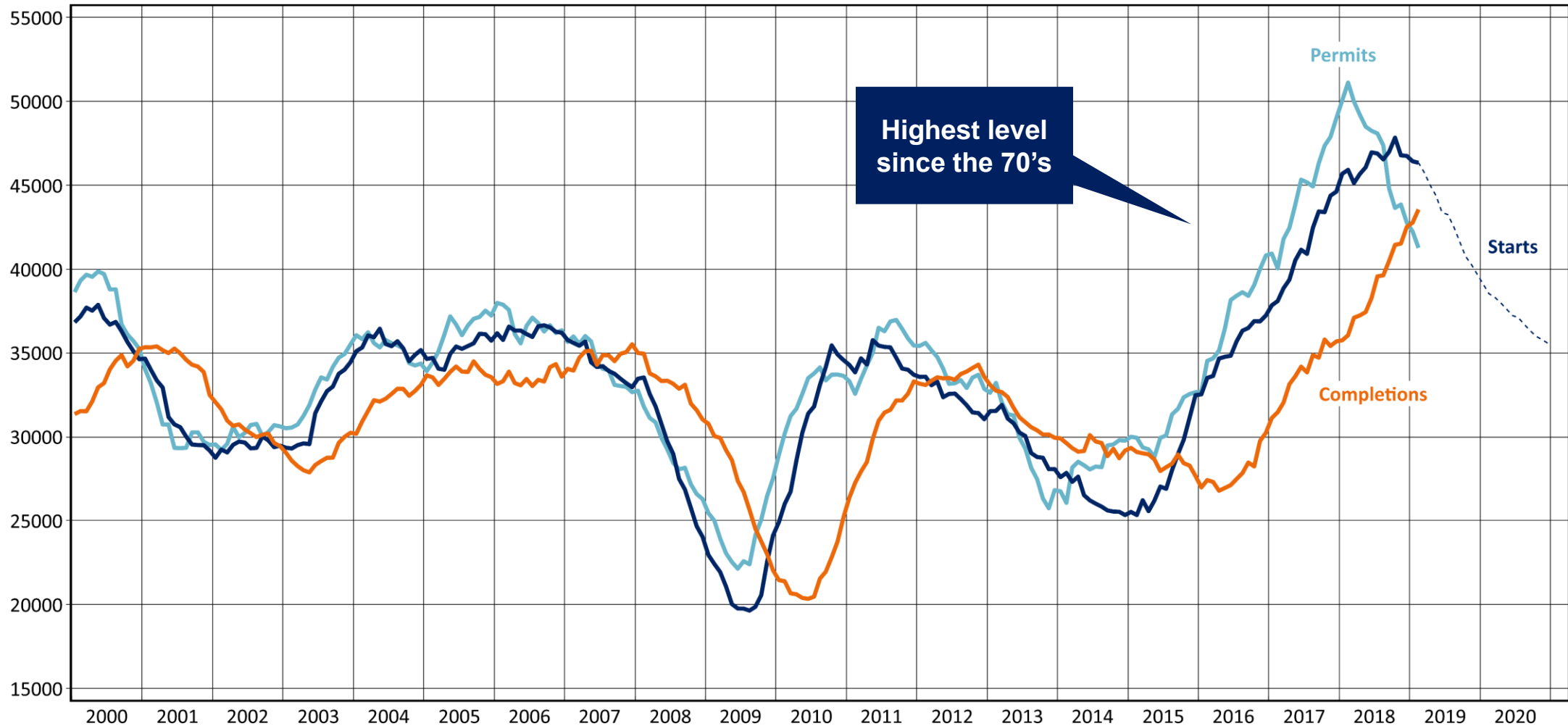


- ~20% live in dwellings from the 70's
- 50% live in dwellings completed after 1980
- Only 10% live in dwellings built in 2010's
- In 2018 statistics, 614,000 dwellings completed in the 2000's
- 1/3 of those located in Uusimaa
- In 2018, nearly 1.2 million persons lived alone (44% of all household-dwelling units)

Residential construction started to decline

-10,000 apartments from 2018 high level 2019-2020

Residential building, apartments, million m³, yearly sum



Source: Macrobond/Confederation of Finnish Construction Industries RT, Statistics Finland

Source: Rakennusteollisuus RT, April 2019

Housing Finland and CEE

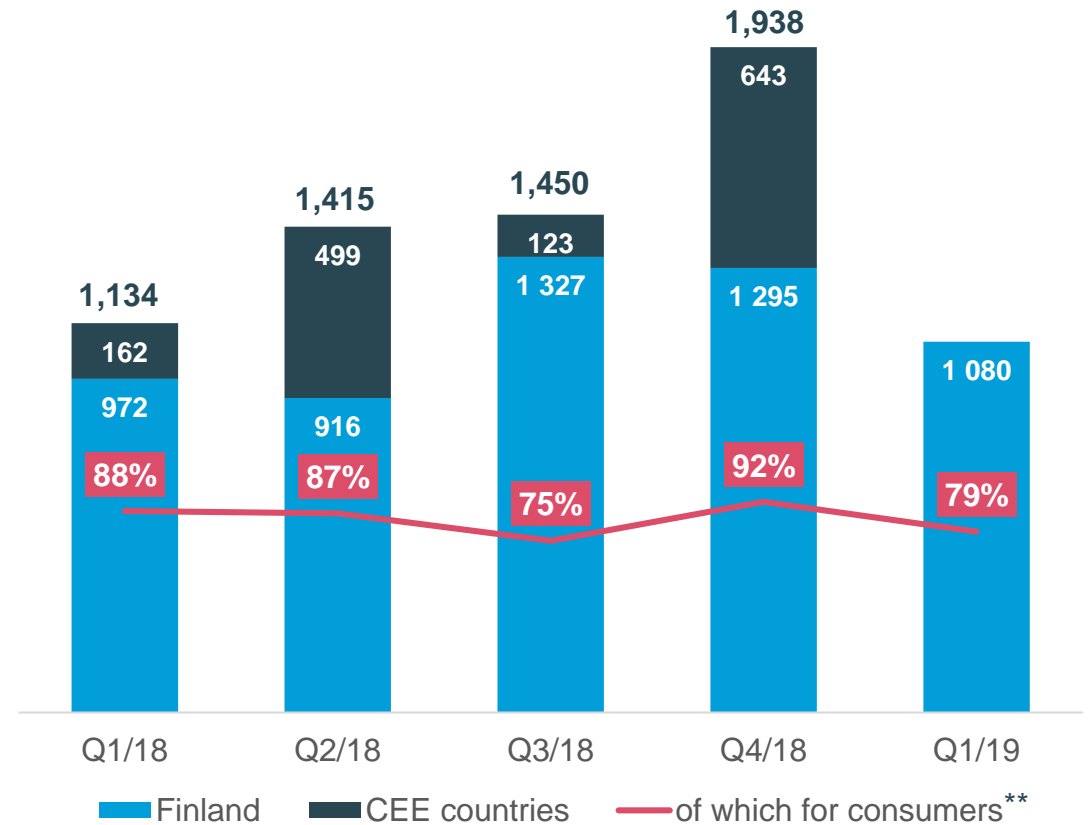
Risk level adjusted for current demand

- Operating profit declined due to no completions in the CEE countries and a lower year-on-year number of completed apartments in the Helsinki metropolitan area.
- The segment sold almost 600 completed apartments or apartments in the final stage of construction in Finland to a new joint venture partly owned by YIT.
 - The revenue impact was approximately 40 M€ and it had a weakening impact on profitability.
- Number of unsold completed units at the end of the period was 216 in Finland (12/18: 422) and 73 in CEE countries (12/18: 130).

EUR million	Q1/2019 reported	Q1/2018 pro forma
Revenue	256	243
Adjusted operating profit	9.3 (3.6%)	20.5 (8.5%)
Order backlog	1,607	1,720
Capital employed	679	571 [*]

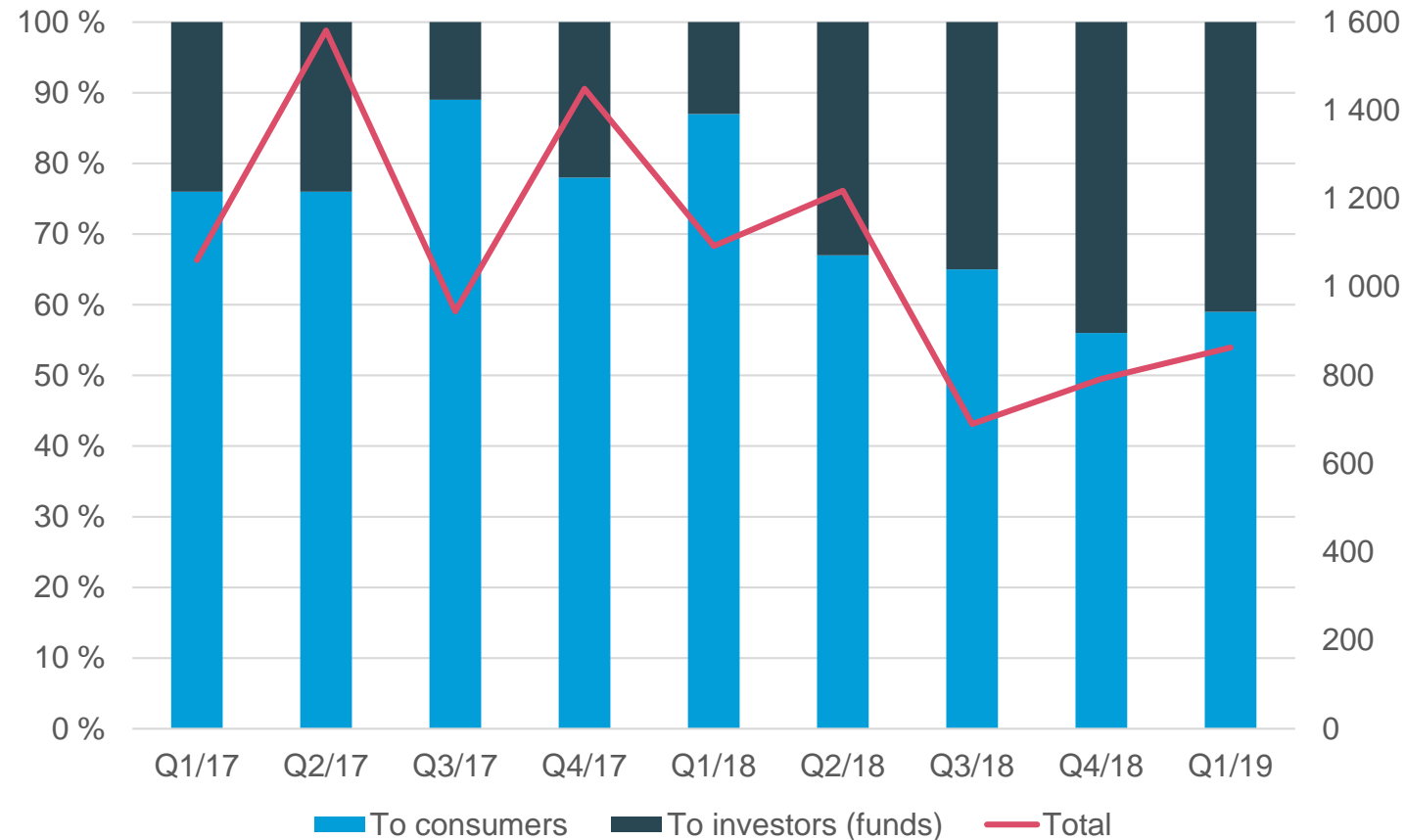
^{*} Reported, excl. IFRS 16 impact

COMPLETED APARTMENTS, units



^{**} Includes projects in the CEE sold to YCE housing I fund that is reported in the Partnership properties segment

YIT's housing starts 2017-2019



- Adapted offering already Q2/18
- Activity in housing started to increase at end of Q1/19
- Started more residential projects in 2019 than on average in the second half of 2018
- Increased sales to investors
- In Q1/19, established a JV with a group of investors and sold almost 600 completed apartments or apartments in the final stage to the JV

Consumer sales: innovative concepts

- Large variety of interior design solutions and materials in ready-made packages
- YIT yard concept for well-being and sense of community while increasing density
- Benefits for first-time buyers:
 - First year without maintenance charge
 - No transfer tax for first-time buyers
- "Kotietu" (home benefit):
 - Reserve by end of June, pay only EUR 10,000, rest upon completion
- Optional purchase right model:
 - Buy apartment directly or take a tenancy and buy on a fixed price within 5 years after completion
- Also rental apartments available



Our residential construction projects

Number of projects per region



- Helsinki, Espoo, Vantaa
- Greater Helsinki area
- Turku, Tampere, Hämeenlinna
- Rest of Finland



Estimated completions of consumer apartment projects under construction

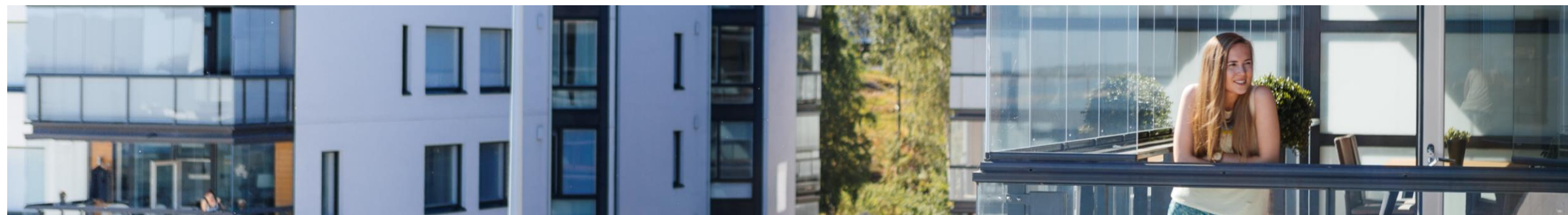
Apartments under construction in total on March 31, 2019: 13,350. The table below shows the company's current estimate of completed consumer apartment projects under construction. In addition, the company has 2,364 apartments (12/18: 1,429) that are recognised in accordance with percentage of completion. The timing of the commissioning permit may deviate from the technical completion of a building, and the company cannot fully influence the reported completion date. Also other factors may influence the completion date.

	FY 2018 Actual	Q1/2019 Actual	Q2/2019 Estimate	Q3/2019 Estimate	Q4/2019 Estimate	Q1/2020 Estimate	Later
Finland ¹	3,657	858	1,000	300	600	400	1,305
CEE ²	1,427	0	500	700	400	200	905
Russia ³	2,974	437	400	600	2,400	400	1,760
In total	8,058	1,295	1,900	1,600	3,400	1,000	3,970

¹ In Finland, the estimate of completions may deviate with tens apartments depending on the construction schedule.

² In CEE countries, the estimate of completions may vary with tens apartments, a deviation of over 100 apartments is possible depending on authorities' decisions. The figure includes projects sold to YCE housing fund I.

³ In Russia, the estimate of completions may vary with hundreds apartments, a deviation of over 500 apartments is possible depending on authorities' decisions.



Guidance for 2019

The Group revenue 2019 is estimated to be in the range of +5% – -5% compared to revenue 2018 (pro forma 2018: EUR 3,759.3 million).

In 2019, the adjusted operating profit¹ is estimated to be EUR 170–230 million (pro forma 2018: EUR 134.5 million).

GUIDANCE RATIONALE

- The guidance for 2019 is based, among others, on the completion of Mall of Tripla in the last quarter, the estimated timing of completion of the residential projects under construction and the company's solid order backlog. At the end of March, 73% of the order backlog was sold.
- Significant fluctuation is expected between the quarters due to normal seasonal variation, sales of business premises projects and the timing of completions of residential projects as well as Mall of Tripla. As in 2018, the last quarter of the year is expected to be clearly the strongest.
- The company estimates that the adjusted operating profit for the second quarter of 2019 will improve slightly from the comparison period (pro forma).

¹ The adjusted operating profit reflects the result of ordinary course of business and does not include material reorganisation costs, impairment charges or other items affecting comparability. Adjusted operating profit is disclosed to improve comparability between reporting periods. Adjusting items are defined more precisely in bulletin's the tables section.

Additional information

Hanna Jaakkola
Vice President,
Investor Relations

+358 40 566 6070
hanna.jaakkola@yit.fi


Follow YIT on Twitter
@YITInvestors



Thank you!



 [facebook.com/](https://facebook.com/yit)

 [linkedin.com/
company/yit](https://linkedin.com/company/yit)

 [twitter.com/
YITGroup](https://twitter.com/YITGroup)

 [instagram.com/](https://instagram.com/yitgroup)

 yitgroup.com