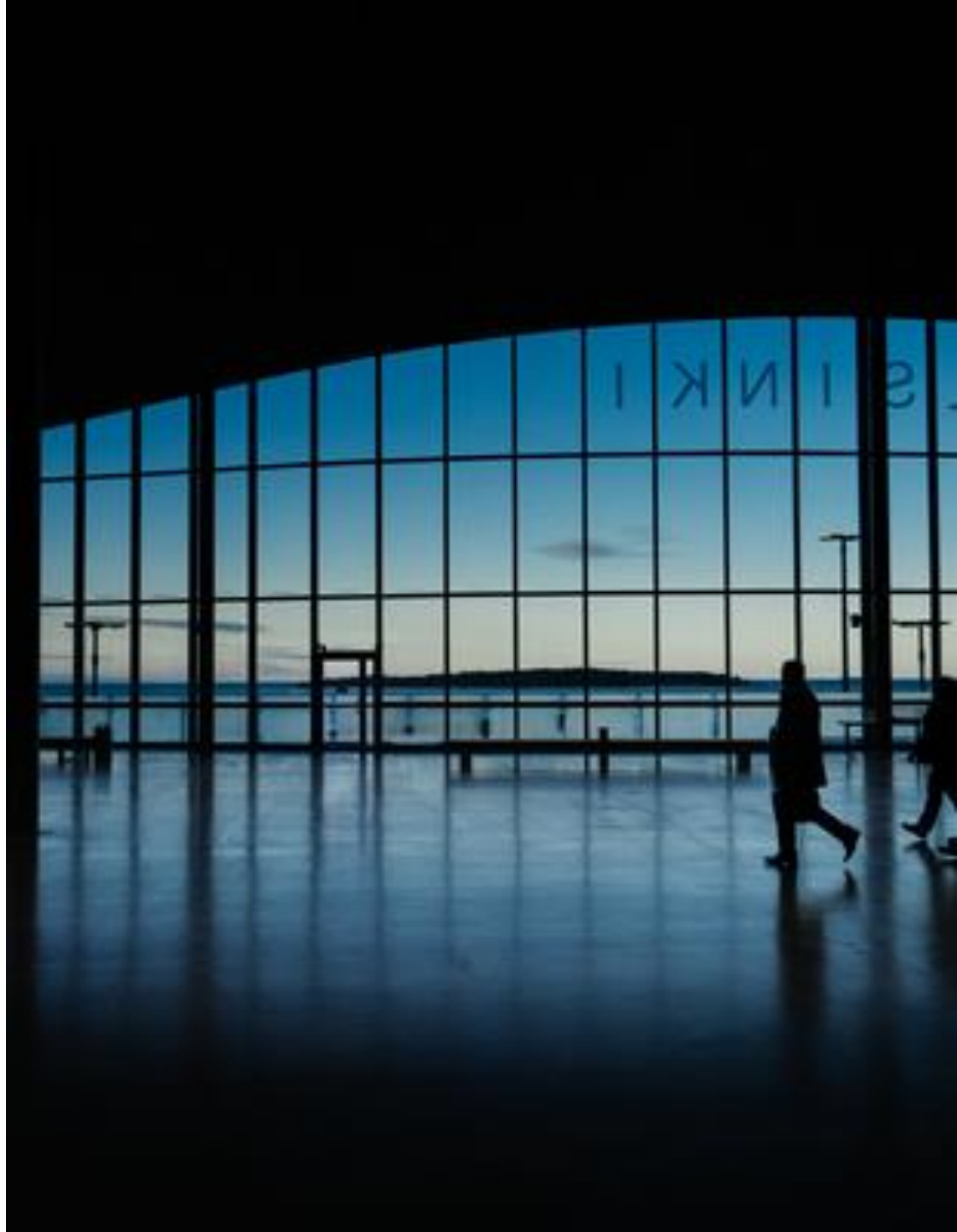




# Analyst Christmas Lunch - Going forward

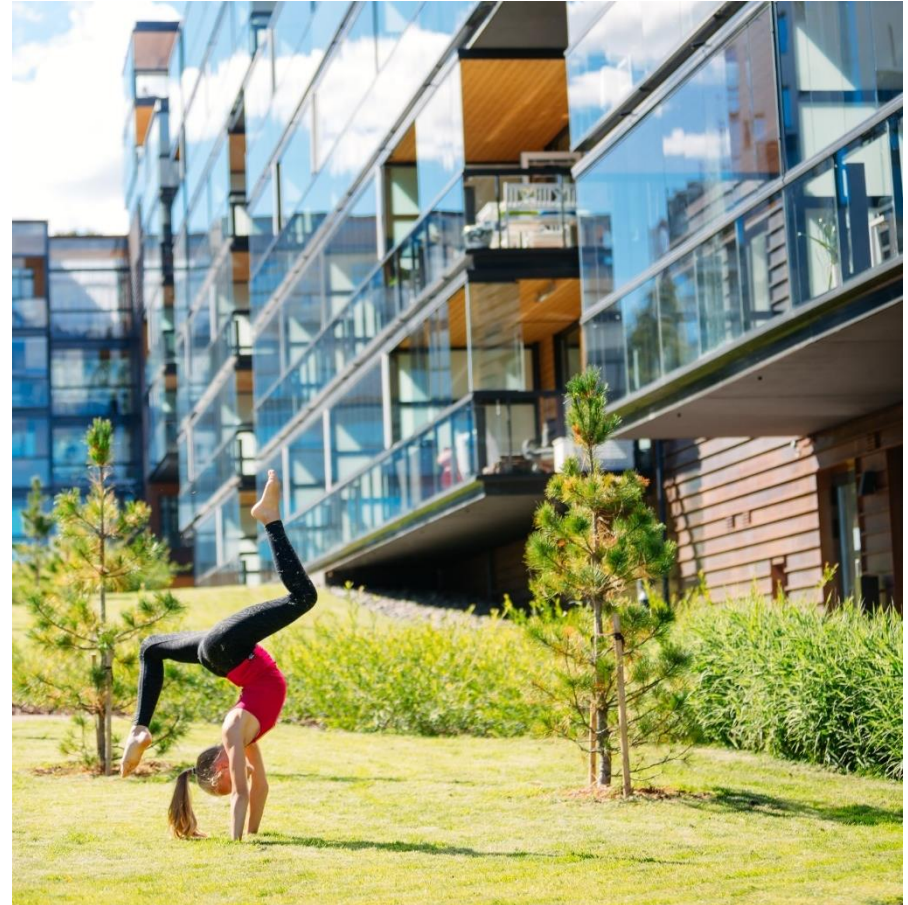
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Kauniskangas / Neuvonen  
November 2017



# Contents

1. Market update
2. Large projects
3. Partnership Properties
4. Financing update



# 1

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## Market update

# Market dynamics

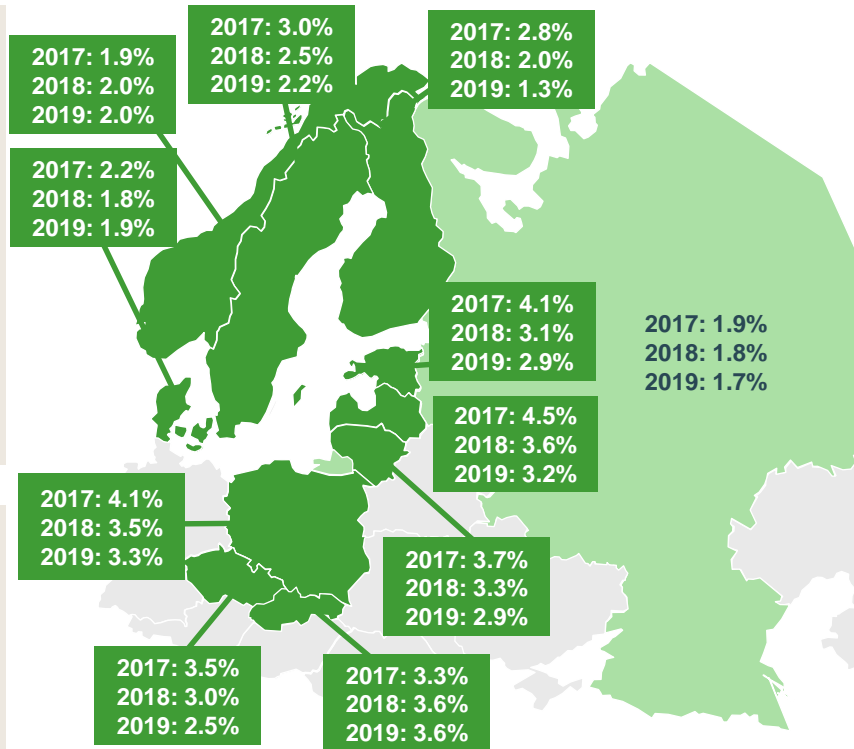
## Development of macro environment

### FINLAND

- Acceleration in demand boosts exports, investments increasing rapidly, recovery broad-based
- Growth in construction to continue solid, record-high unit start-ups in residential construction
- Households are saving less as consumption has been encouraged by low interest rates and confidence is high

### NORDIC COUNTRIES

- Growth picked up in 2017, drivers include housing investment, private consumption and exports
- Sweden: rapidly declining residential prices, economy benefits from global growth
- Norway: rapid growth in housing investments, weak NOK supports exports
- Denmark: economy recovering in a full force but ensuring continuity is a challenge



### BALTIC COUNTRIES

- Economic growth accelerating, pace expected to moderate towards 2019
- Baltic property market still attractive for investors
- Wages increasing due to tight labor market
- EU fund inflow boosts public investment in Latvia and Lithuania

### RUSSIA

- Economy recovering, gradually recovering domestic private demand expected to drive growth
- Inflation extremely low but CBR expects it to be only a short-term issue
- Oil price has increased rapidly, presidential elections next spring a major determinant of the economy

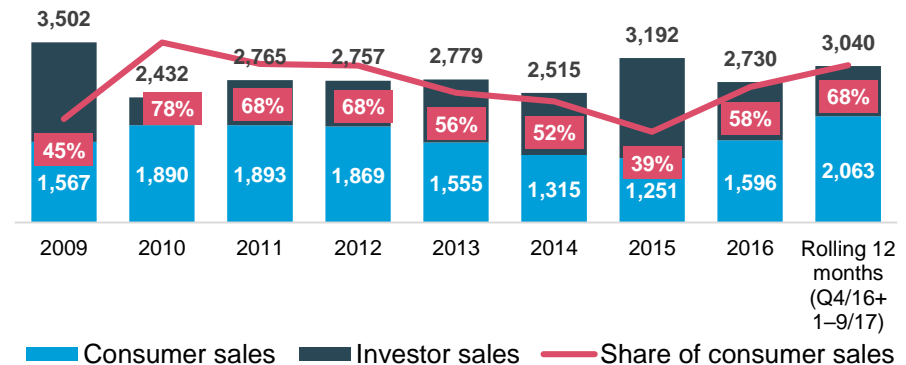
### CEE COUNTRIES

- GDP growth has remained rapid this year and it is expected to continue solid also in 2018
- Mortgage interest rates still low
- Residential prices have increased in 2017 especially in the Czech Republic

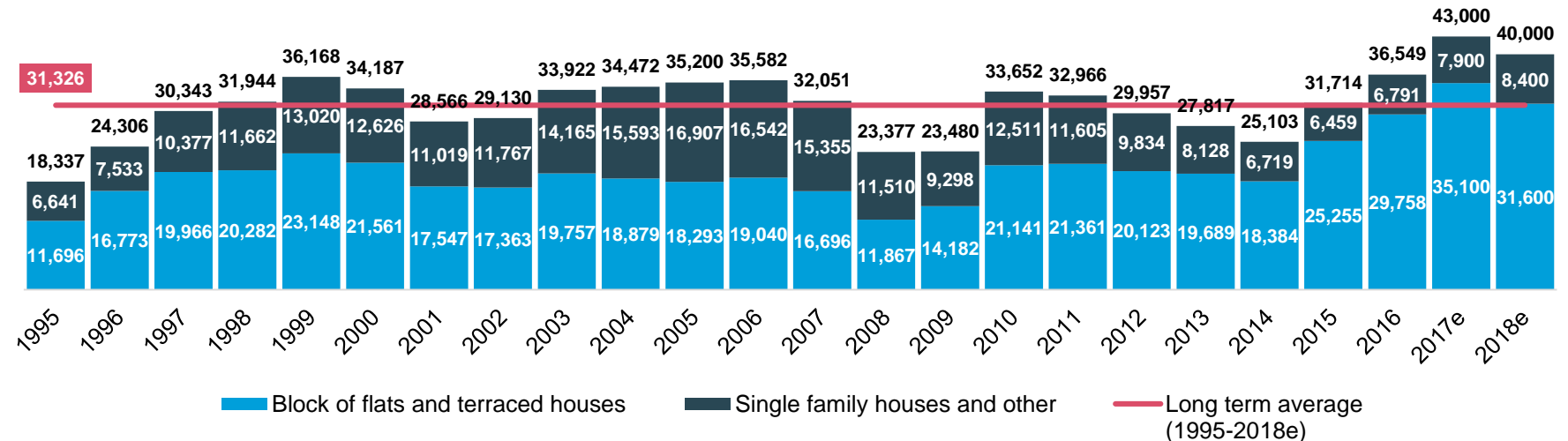
# High construction volumes compensating quiet years in the past

- Sales are proceeding well, clear change in mix from investors to consumers at YIT
- Good development in growth areas in Finland
- Urbanisation trend favours blocks of flats
  - 500,000-600,000 people to move from countryside to cities by 2030

Change in YIT's sales mix in Finland (pcs)



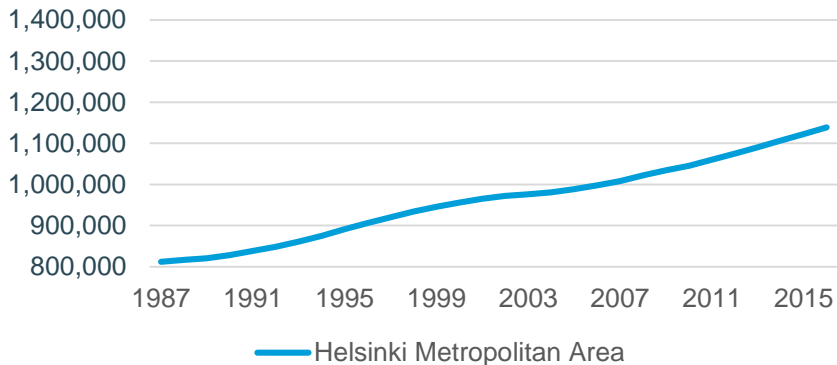
Housing start-ups in Finland in general (pcs)



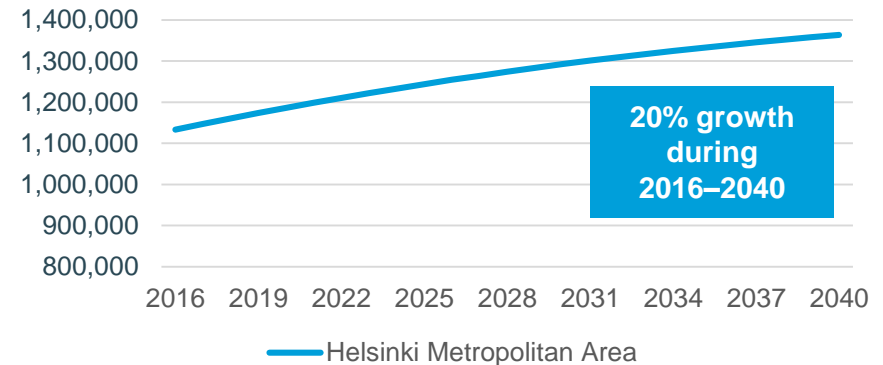
# Urbanisation is supporting growth

- Population growth continues in growth centres despite the overall slowing trend in Finnish population growth

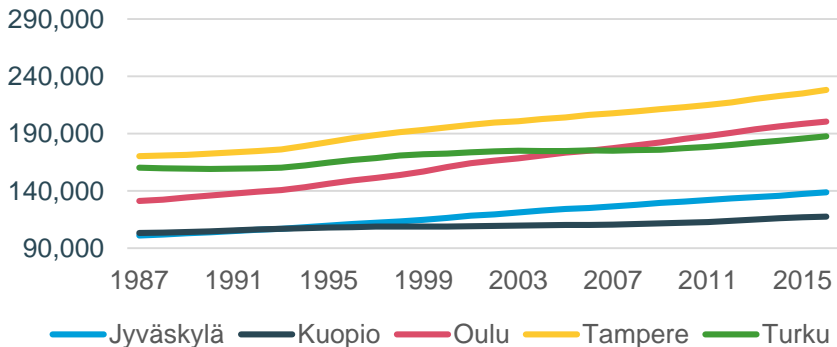
Population development in HMA



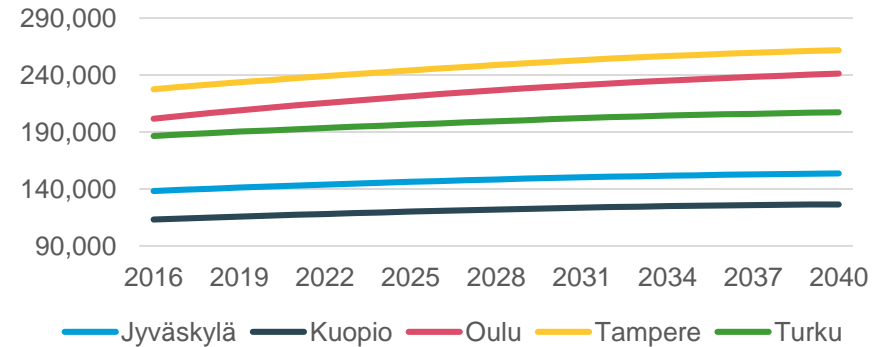
Population development forecast until 2040 in HMA



Population development in other growth centres



Demographic growth trend until 2040



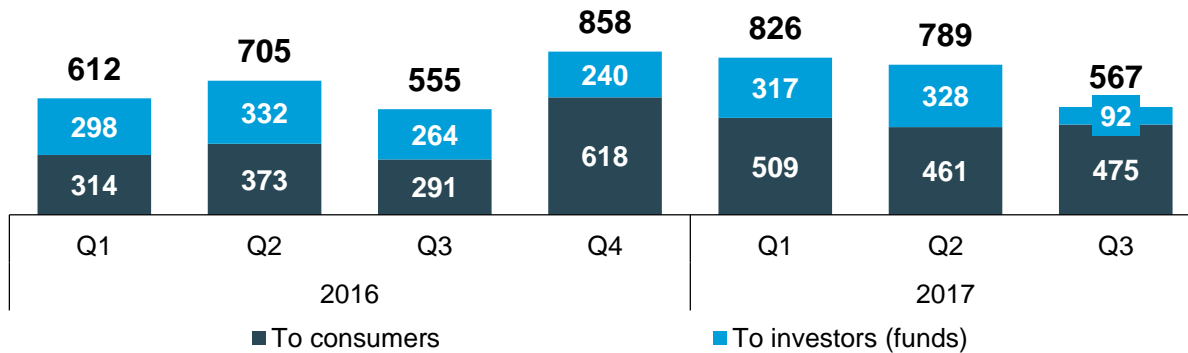
# Housing Finland and CEE

## Sales and start-ups in Finland in Q3

### Sold apartments (units)

2016: 2,730

1-9/2017: 2,182

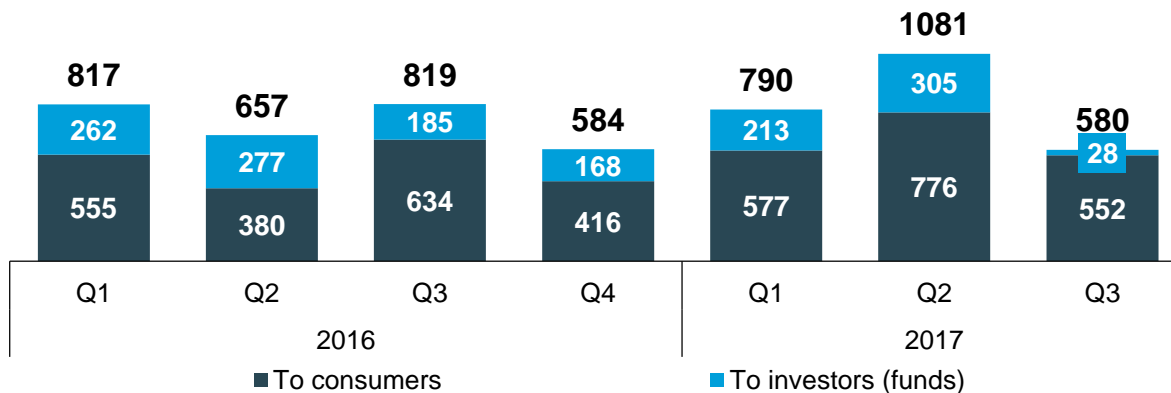


- Consumer sales increased by 63%
- Share of units sold to consumers record-high: 84% (Q3/2016: 52%)
- 64 apartments sold in bundles to investors (Q3/2016: 80 units)

### Apartment start-ups (units)

2016: 2,877

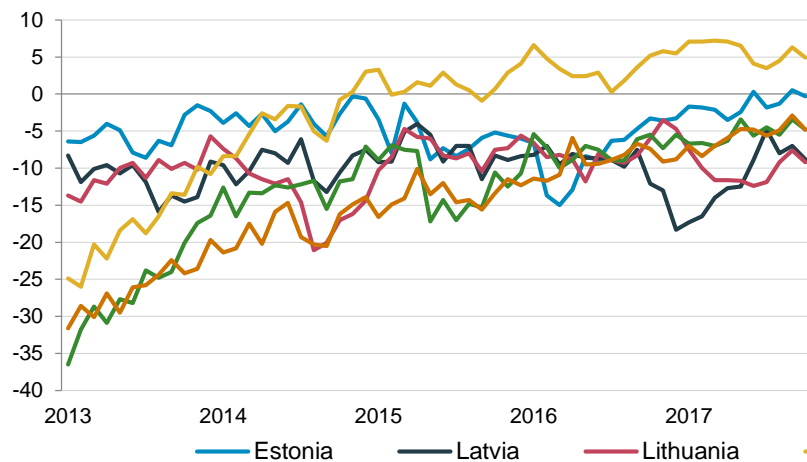
1-9/2017: 2,451



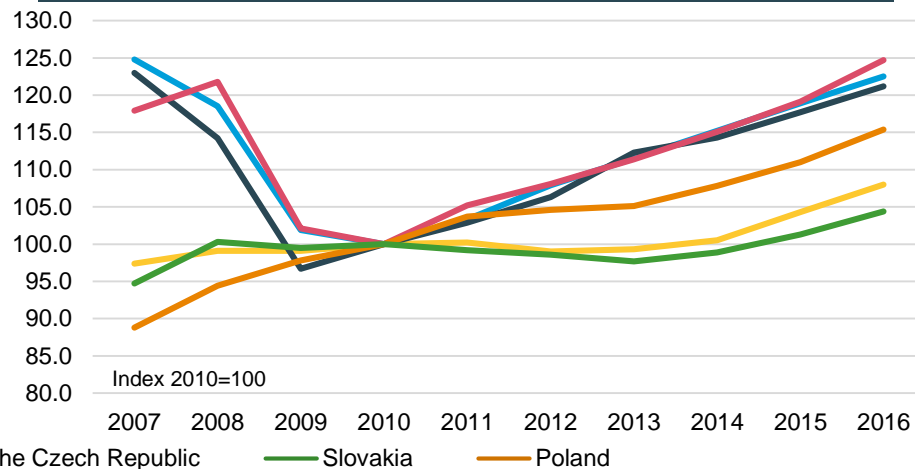


# CEE's economic outlook

## Consumer confidence has developed favourably



## Household consumption on a solid uptrend



## Positives

- + The GDP growth expectations for 2018 still solid supported by Germany
- + High migration in the CEE capital cities, especially in Bratislava, supporting the residential market
- + Region benefits from EU funds

## Downside risks

- Wage pressure
- Political uncertainties e.g. in Poland
- Risk of a real estate bubble in the Czech Republic

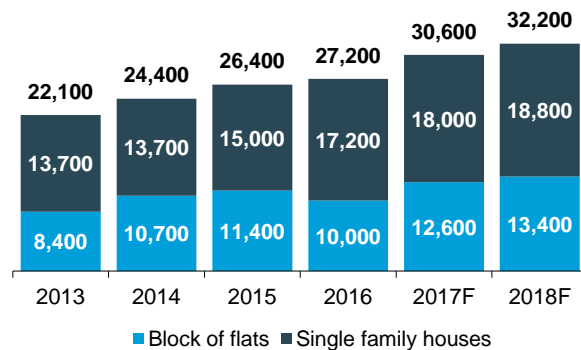
Source: Eurostat, Euroconstruct



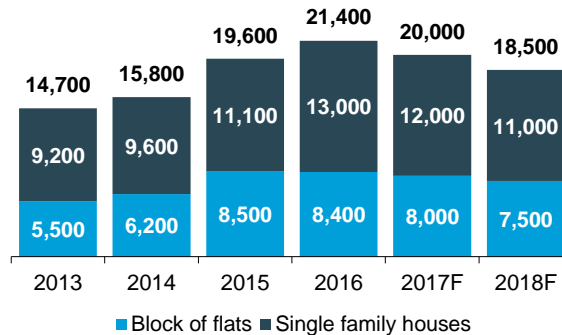
# Market update: CEE countries

## Residential market in the CEE countries

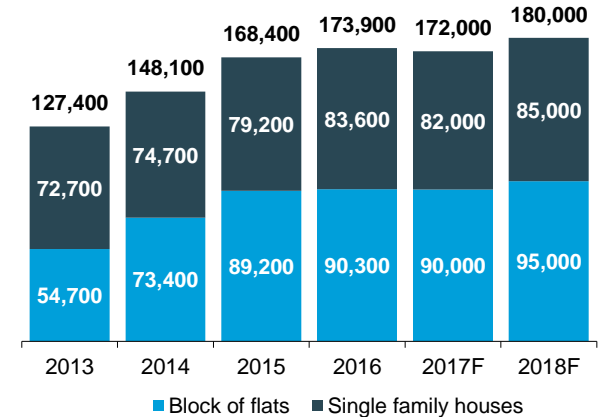
**Residential start-ups in the Czech Republic (units)**



**Residential start-ups in Slovakia (units)**



**Residential start-ups in Poland (units)**



- Prague supply lower than demand for years to come due to slow city planning and permitting process
- Price increase will continue
- Increased cost inflation due to good macro performance
- Lack of resources also in construction

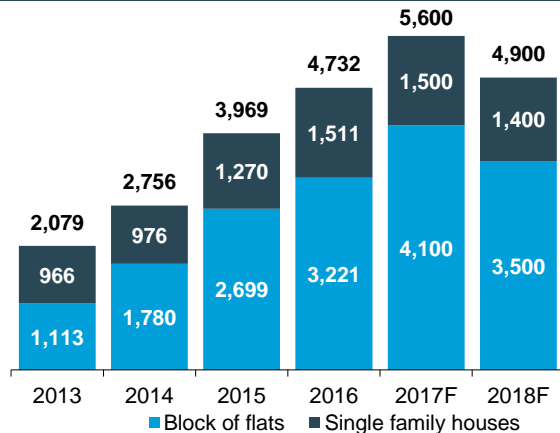
- Bratislava housing volumes on high level due to migration and good macro situation
- Supply has been able to adjust to the demand
- Moderate price increase expected to continue
- Lack of skilled workforce and increasing cost level

- Warsaw demand will stay high due to urbanisation and migration
- Supply in balance with demand due to capacity – prices stable
- Political risks which could impact foreign investments
- Krakow, Gdansk and Wroclaw interesting opportunities

# Market update: CEE countries

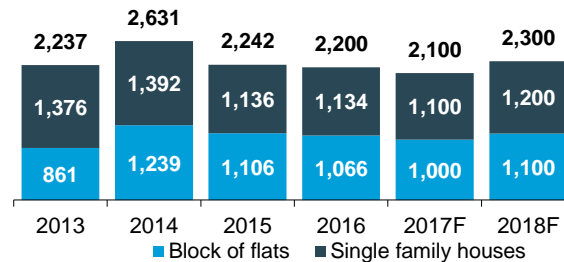
## Residential market in the Baltic countries

Residential start-ups in the Estonia (units)



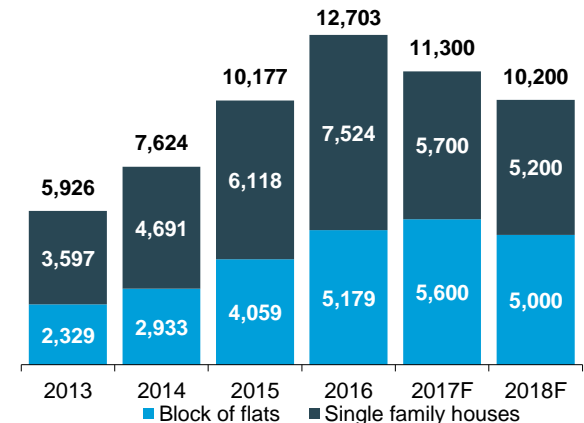
- Tallinn price level almost on 2008 pre-crisis level
- 15-20% of flat buyers are Finnish
- Moderate price increase expected to continue due to increasing purchase power
- Supply and demand in balance

Residential start-ups in Latvia (units)



- Market changed - demand and prices in suburbs increasing
- Consumers are still cost sensitive - demand in prime locations low
- Legal changes to improve permitting and balance tenant's and landlord's position in flat rental
- Prices still close to after crisis level

Residential start-ups in Lithuania (units)

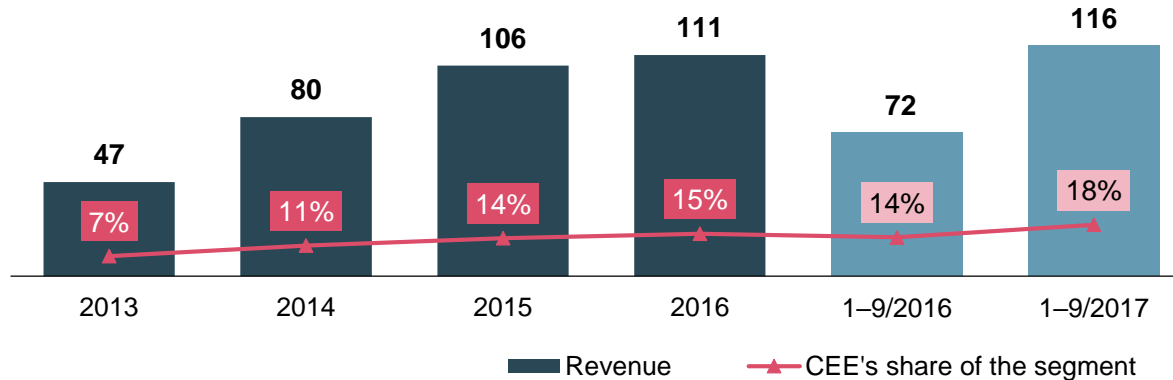


- Healthy national economy
- Vilnius has taken big part of international shared service centers – stable housing market 4,000-5,000 flats
- Moderate price growth
- Kaunas will be the next in line to grow in volumes

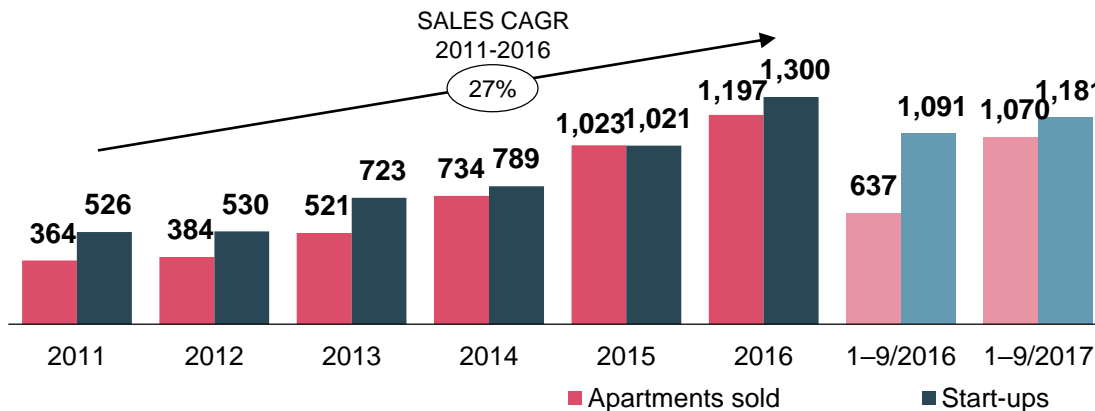
# Operations in the CEE countries

## Financials update on housing in CEE

Revenue, EUR million, the CEE countries' share of the segment's revenue, %



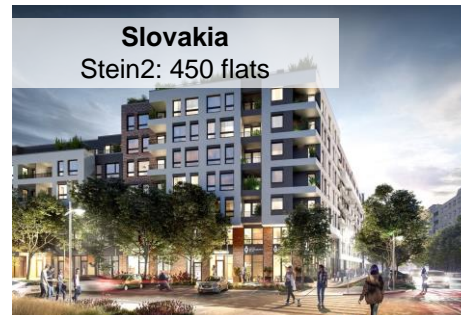
Apartment sales and start-ups, units



- The revenue during 1–9/2017 has already exceeded full year 2016
- EBIT-% above the Housing Finland and CEE segment's average since 2015
- Growth in residential sales volume every year since 2010
  - In 1–9/2017, unit sales grew by 68% y-o-y
  - In 2016, unit sales grew by 17% y-o-y
- The number of start-ups has been limited in 2017 due to slow permitting processes
- Residential prices in a growing trend on average

All figures according to segment reporting (POC).

# Examples of YIT's projects under construction in the CEE countries





# Finnish brand highly valued in the CEE countries

- Suomi Hloubetin area development project in the Czech Republic named after Finnish towns
- In total 900 apartments to be completed by 2023



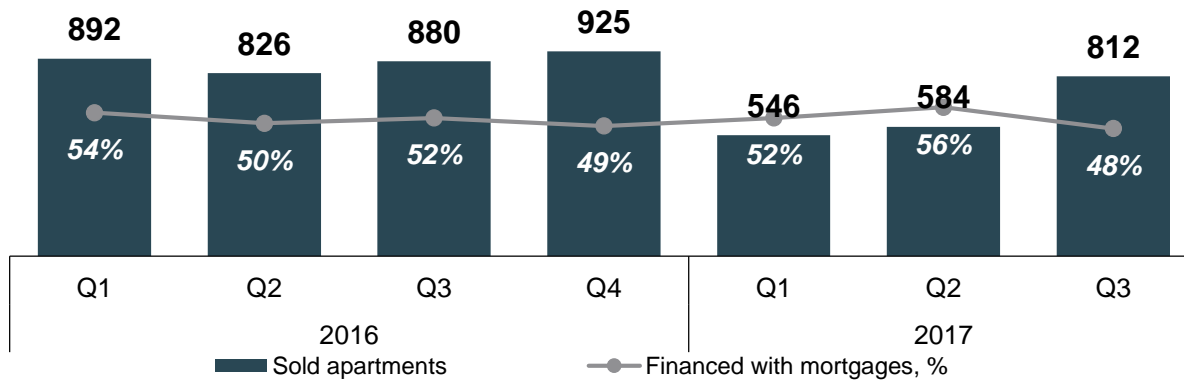
# Housing Russia

## Sales and start-ups in Q3

### Sold apartments (units) and share of sales financed with a mortgage (%)

2016: 3,523 (51%)

1-9/2017: 1,942 (52%)

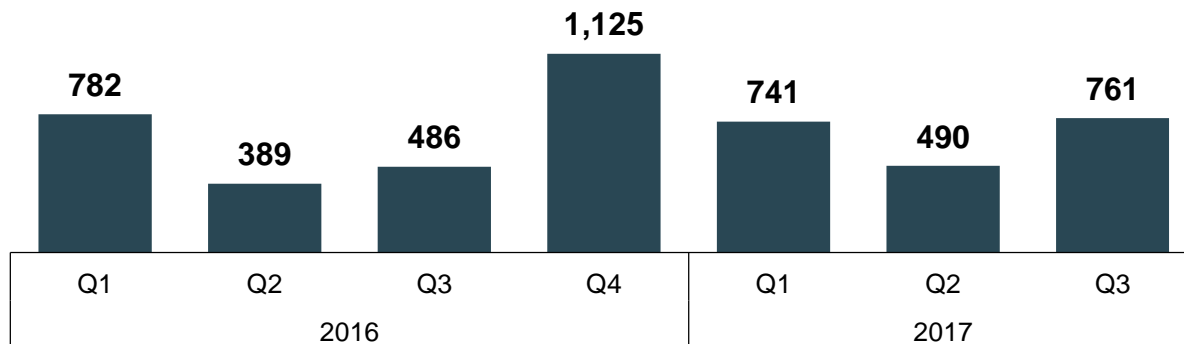


- Number of sold units decreased by 8% y-o-y
  - No changes in price lists
  - Sales increased by 39% from Q2, growth especially in economy segment
- Start-ups were increased in order to maintain the critical construction volume, target to release capital remains

### Apartment start-ups (units)

2016: 2,782

1-9/2017: 1,992



# 2

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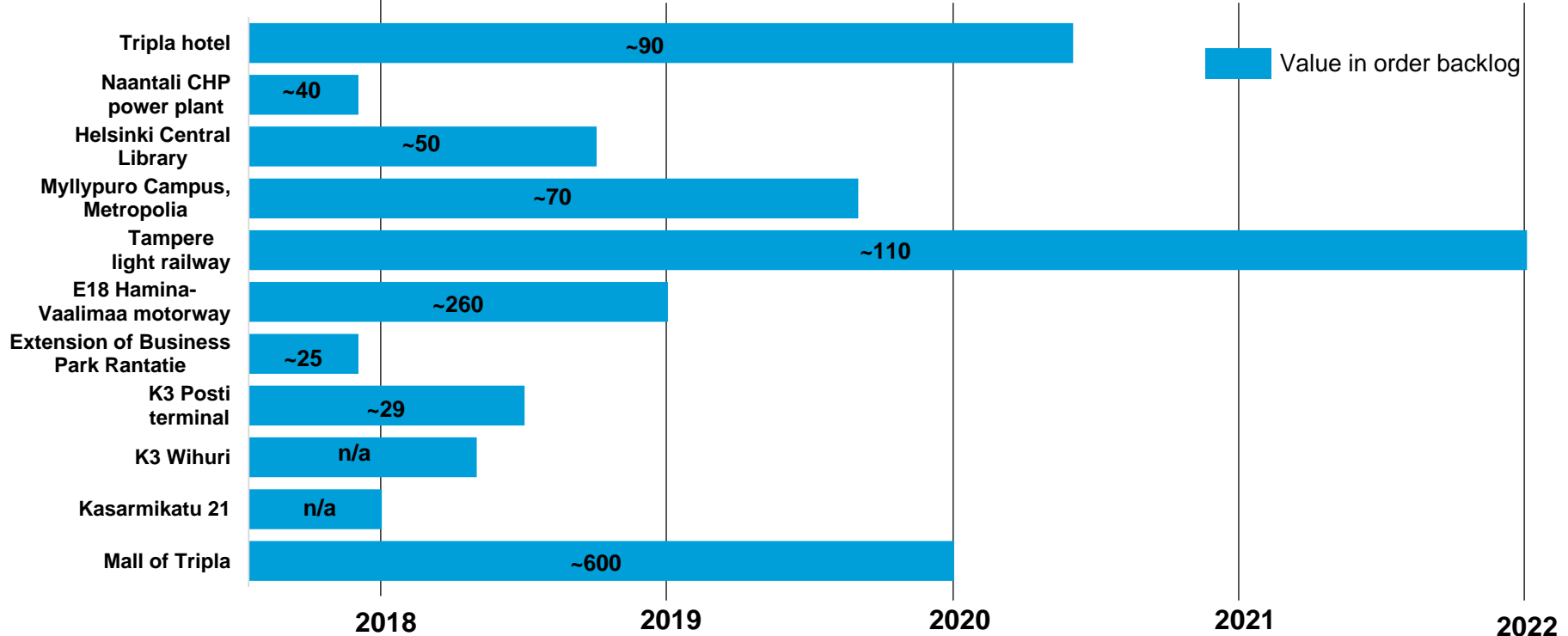
## Large projects



# Market update: Business Premises and Infrastructure

## Large projects in order backlog

Estimated completions of 5 largest self-developed business premises projects and 5 largest business premises and infrastructure contracts



### Announced (not yet in order backlog)

- Raide-Jokeri planning phase (2017-2018)
- Fortum headquarters
- Tripla offices (2017->)
- Kuopion Kuntolaakso

### Potential

- Raide-Jokeri construction phase 2019->
- Hippos 2020 (2018-2023)
- Helsinki High-Rise (2020/2021->)

### Upcoming projects

- Several infrastructure contracts coming to the market, such as roads, bridges, tunnels, refineries, metro stations...

## Fortum headquarters – A development project by Regenero

- Entity comprising the Fortum's headquarters: the high-rise building, the Keilalampi office building and unused residential building rights
  - YIT has the right to purchase the new residential construction rights from Regenero
- Target to develop mixed-use urban environment near excellent public transportation connections
- YIT will implement the construction work related to the project as a turnkey contract and is responsible for the implementation planning of the project
- Regenero is a joint-venture formed by YIT and HGR Property Partners

## Hippos2020

- A hybrid project with various recreation facilities in Jyväskylä, Finland
- Keva and OP in a consortium, chosen to innovation development phase
- The final decision regarding the constructor of the project will be chosen by the end of 2017
- Total investment in the area will be approximately EUR 200–300 million
- **Planned time of construction: 2018–2023**

Targeted number of  
visitors when  
completed

**3–5 million**

per annum

Total floor space  
of buildings

**122,000  
sq.m**

Area to be  
refurbished

**42,000  
sq.m.**



## Helsinki High Rise

- YIT's proposal was chosen for the second phase of international High Rise design-build competition
- Design area covers 150,000–200,000 square metres of residential, office and commercial premises
- The winner and approval of the implementation will be decided in autumn 2018
- Winner of the competition has an opportunity to start the construction work in 2020–2021 if city planning process proceeds as promised



# 3

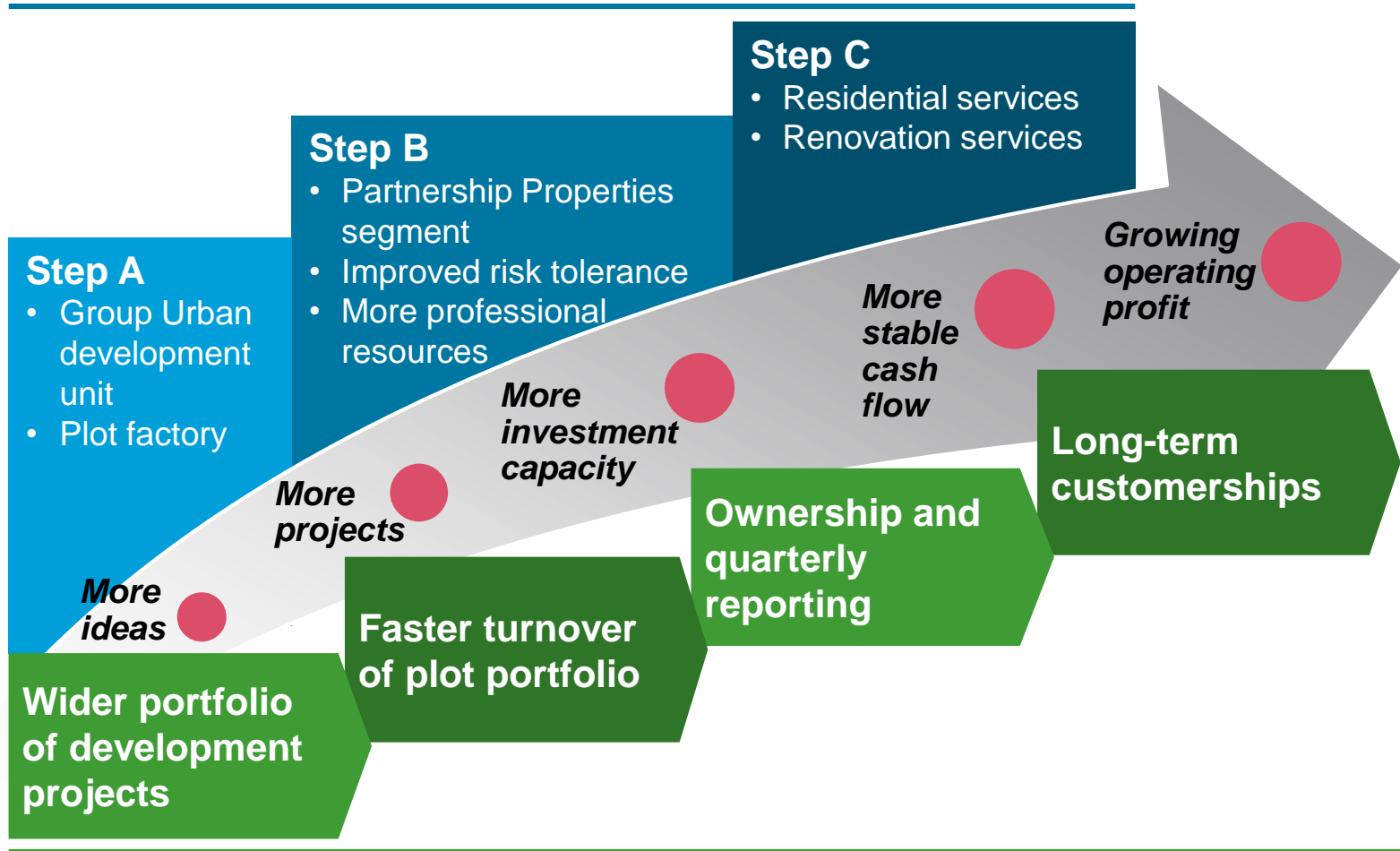
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## Partnership Properties

# Partnership Properties

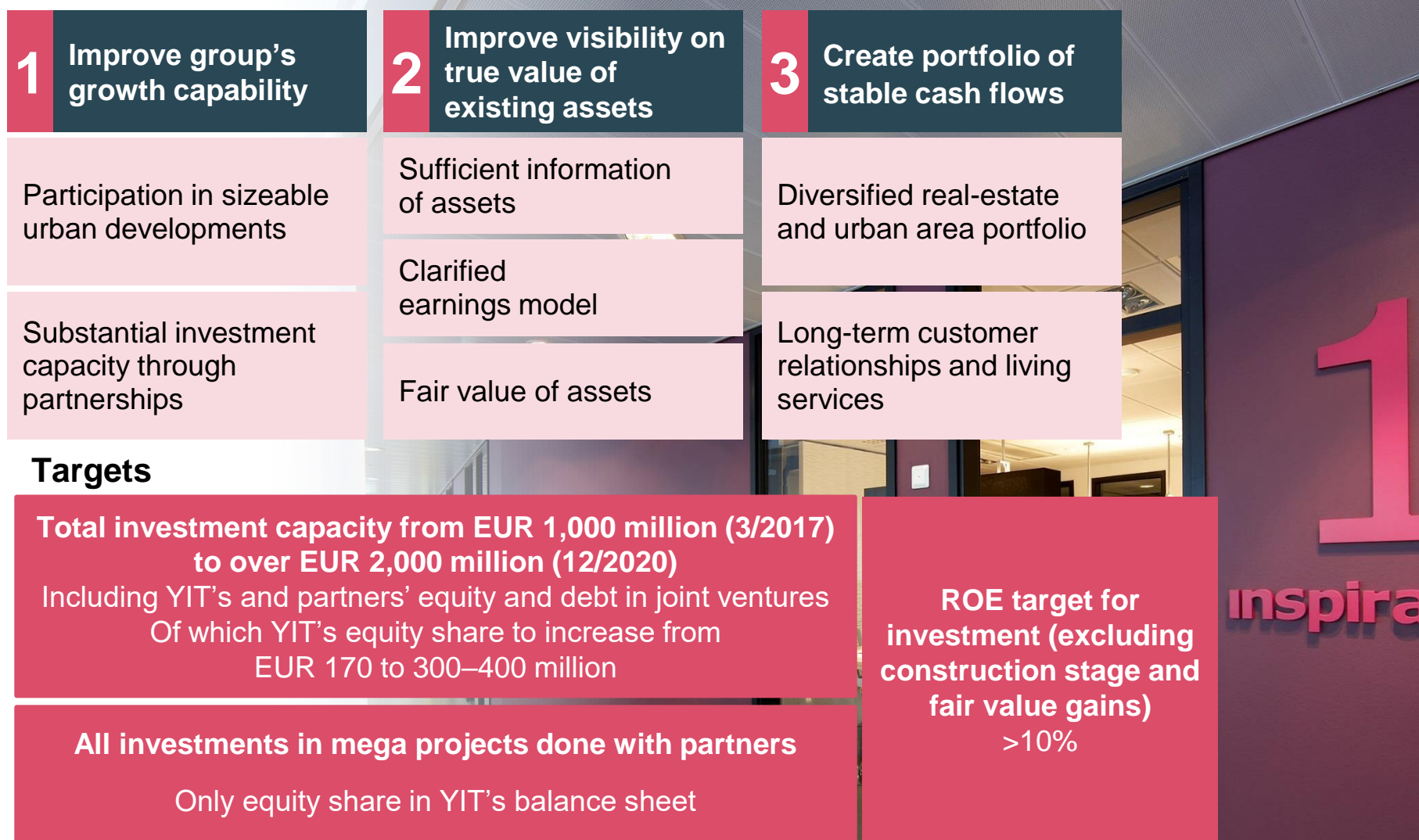
## More out of urban development

### KEY ACTIONS



### NEW APPROACH

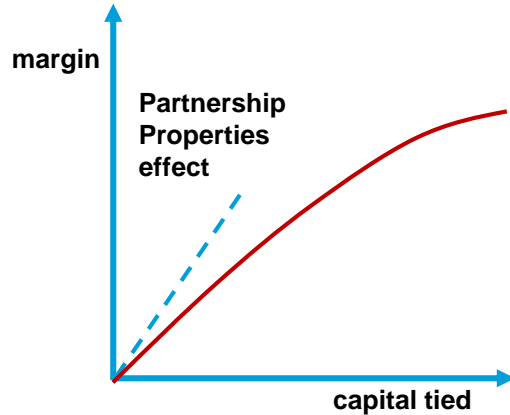
# Targets of the new business area





# Own-based vs. tender-based business model

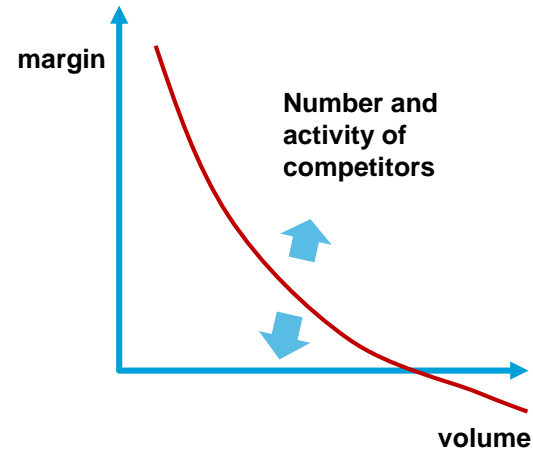
## Own-based business



### Risks

Schedule  
Demand  
Sales price level  
Interest level

## Tender-based business



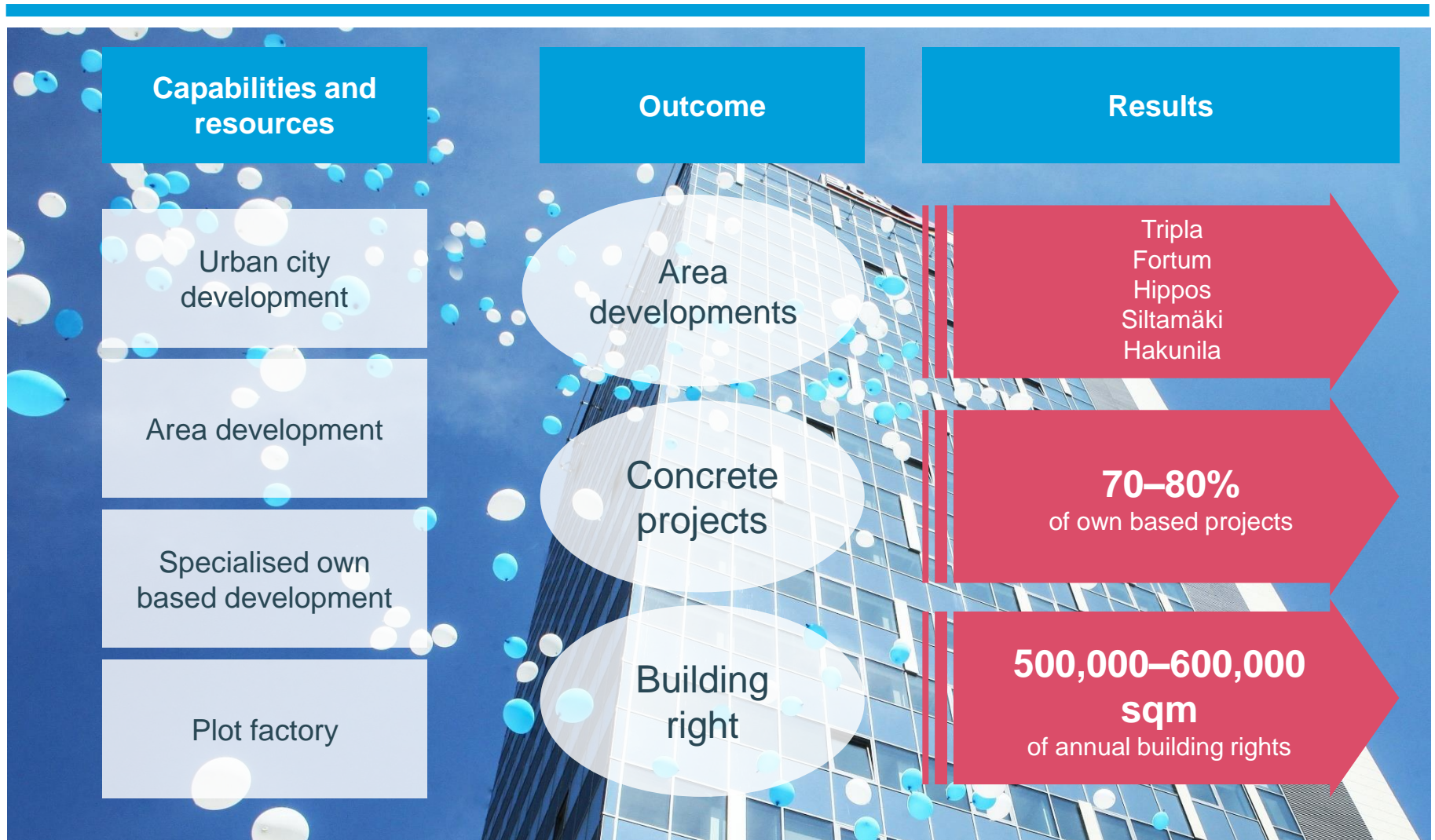
### Risks

Costs  
Intensity of competition  
Employer's behaviour

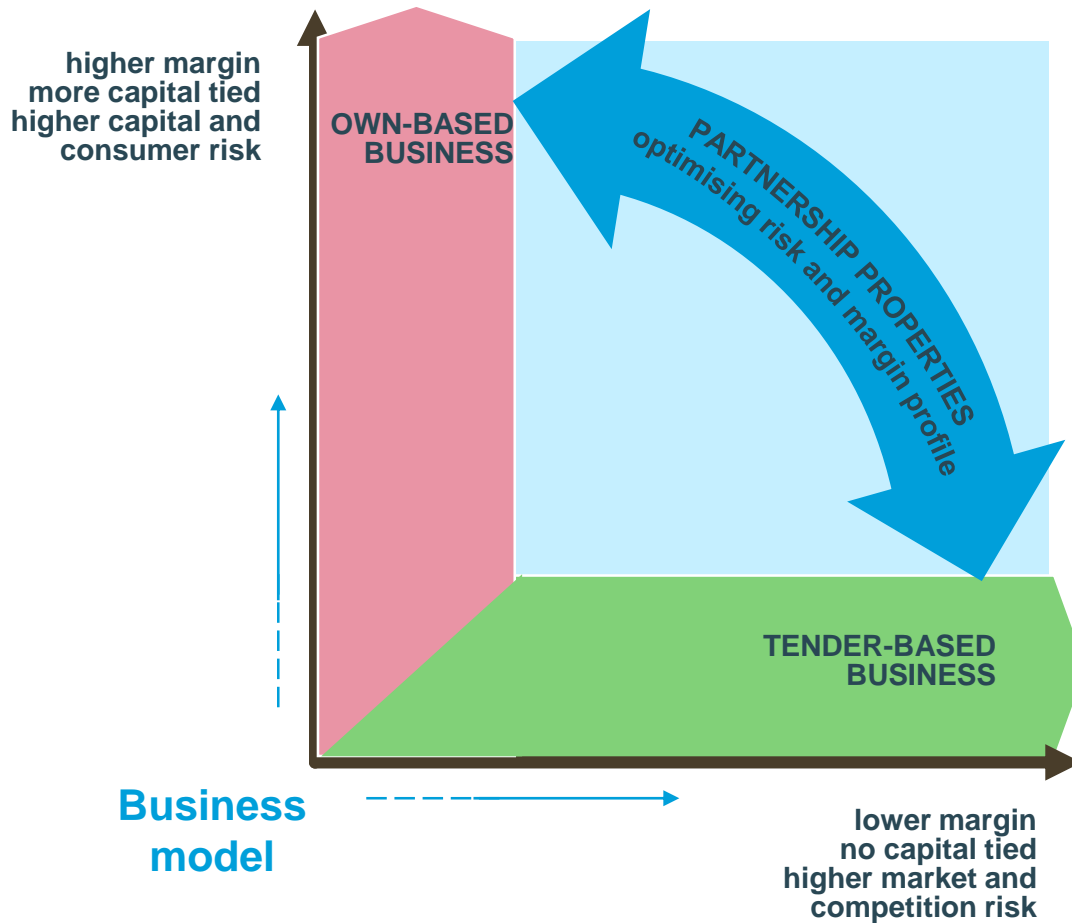
- Through partnerships it is possible to achieve the best sides of both business models
  - Lower capital intensiveness
  - Higher margins than in traditional tendering
  - Take more out of YIT's development capability
  - Better visibility on future revenue sources
  - Creation of partnership network

→ Dynamic business model in different market conditions

# Value creation process



# Balanced risk profile and operating model

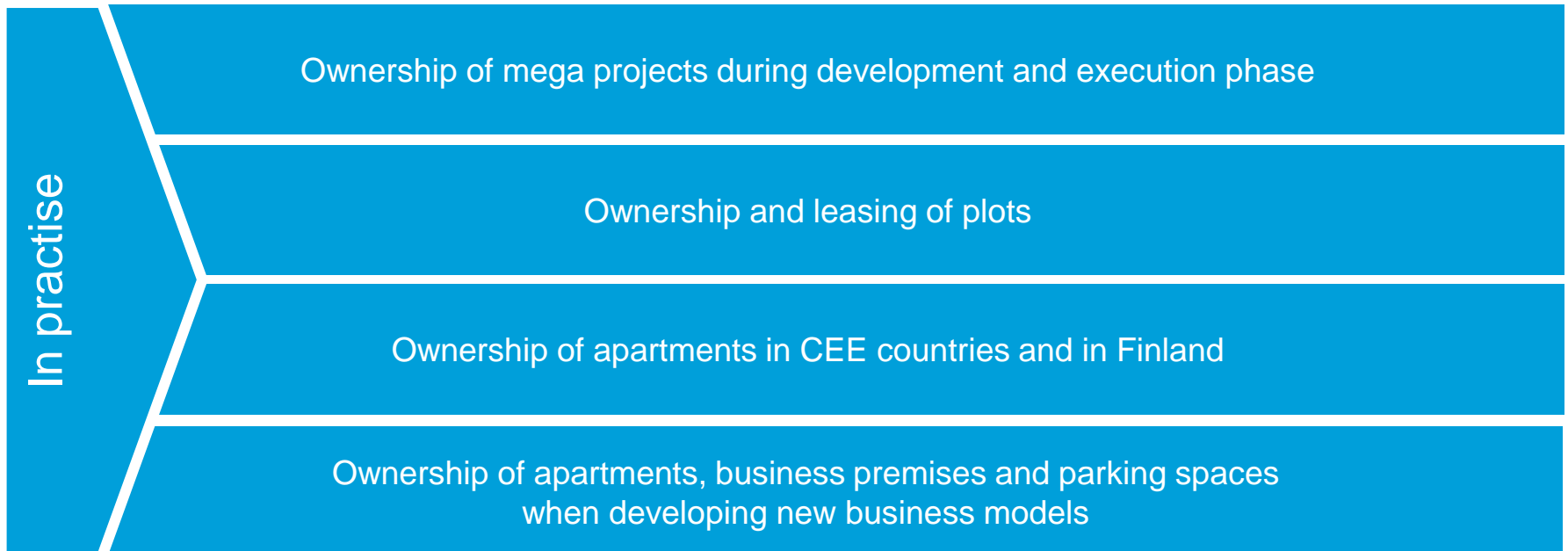


- Balanced risk profile boosted with Partnership Properties offers opportunities to vary between:
    - different business models
    - capital structures
    - products and services
- Dynamic business model in different market conditions

# Business model offering new earnings potential

## Different sources of earnings

<b>Sales of developed projects to a fund</b> Market valuation	<b>Turn key contract</b> Recognition 100% when finished	<b>Cash flow / market based valuation of the asset after completion</b>	<b>Steady cash flow through ownership</b>	<b>Optimal timing of disposal</b>
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# Examples of created projects in different asset classes

## Mall of Tripla

- Value: EUR ~600 million
- Unique concept
- Unique location
- 40 million visitors\* annually



## E18 Hamina-Vaalimaa Highway

- PPP-project with Meridiam
- EUR 220 million investment
- 20 years maintenance contract with Finnish Transportation agency



## Tietotie renovation

- Detail design ongoing
- Long-term contract under negotiation
- Good location in Otaniemi Campus, 100 m from metro entrance



\*Estimation

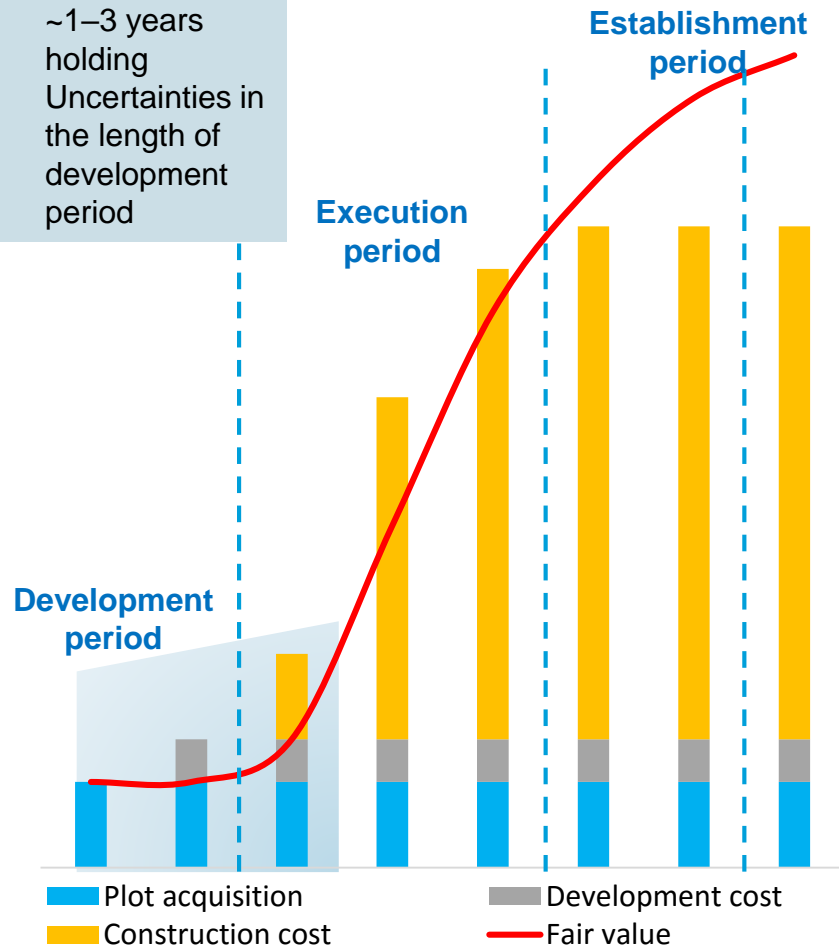


# Partnership properties

## YIT's role extended from development to establishment

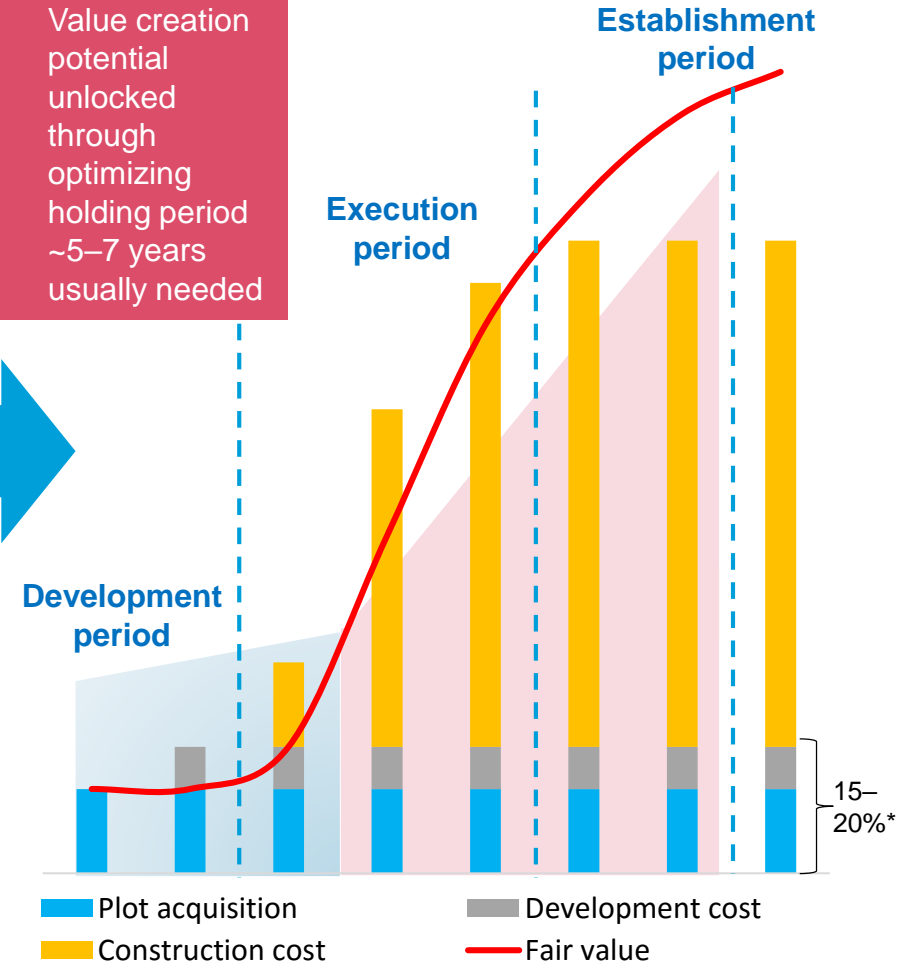
### Current model

- ~1–3 years holding
- Uncertainties in the length of development period



### New model

- Value creation potential unlocked through optimizing holding period
- ~5–7 years usually needed



# Partnership properties

## Roles of the new segment

Segment involved only in large and/or long-term development projects financed with partners

### Key roles

- Investment case preparation
- Legal structuring
- Funding
- Asset valuation (external valuation to create transparency)
- Care on assets during the ownership period
- Divestment preparation

### Through internal partnerships

- Project development and construction
- Leasing & divestment
- Customer care
- Renovations

### Through external partnerships

- Maintenance and facility management

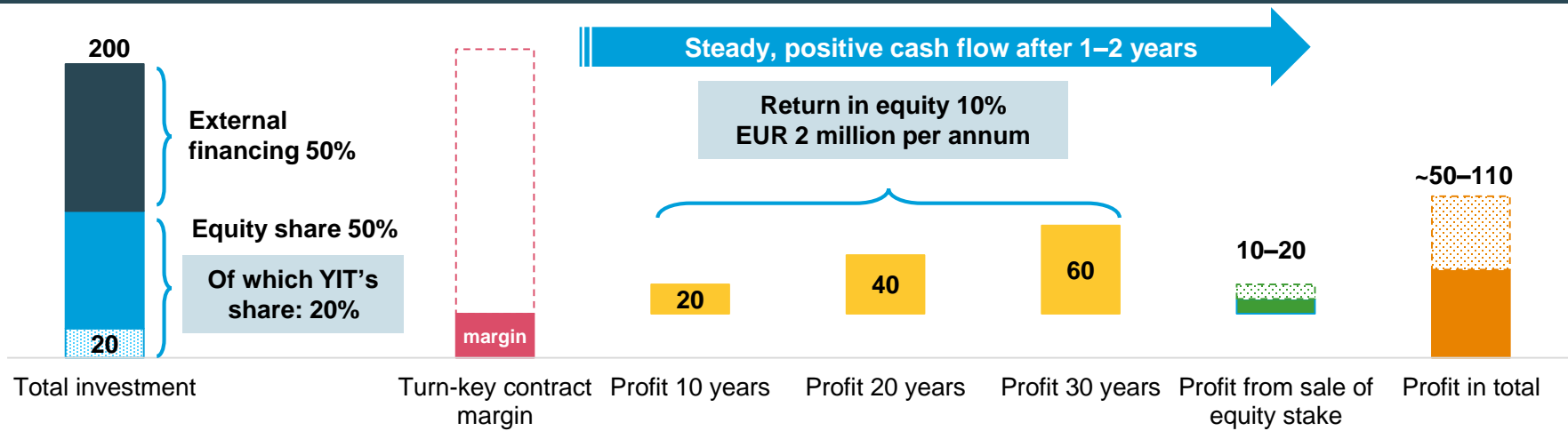




# ROE vs. cash flow in different models in own-based business

	YIT alone	Joint-venture
<b>Development only</b>	<ul style="list-style-type: none"> <li>• High capital employed</li> <li>• High EBIT</li> <li>• High risk</li> </ul>	<ul style="list-style-type: none"> <li>• Lower capital employed</li> <li>• Lower EBIT</li> <li>• Shared risk</li> </ul>
<b>Long-term cash-flow generating investment</b>	Not possible	<ul style="list-style-type: none"> <li>• Lower capital employed</li> <li>• Lower EBIT</li> <li>• Shared risk</li> <li>• Annual cash-flow</li> </ul>

## Illustrative case example



ROCE-% with 10 years (20,1%), 20 years (16,8%), 30 years (15,5%) ownership period

# 4

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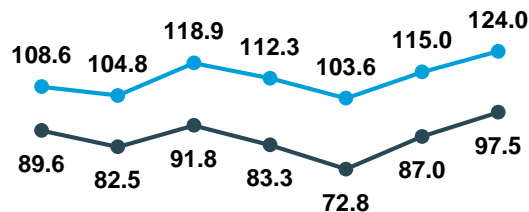
## Financing update

# Financial position

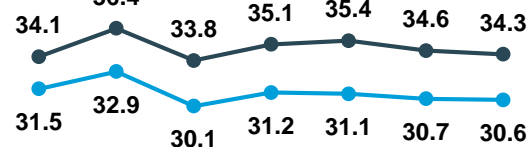
## Financial key ratios in Q3

- Gearing and equity ratio impacted by temporarily increased net debt
- Net debt/EBITDA (IFRS) continued to improve

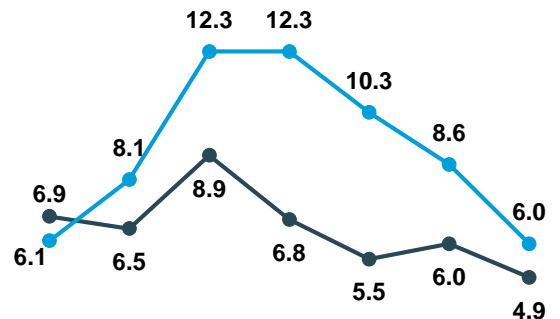
Gearing (%)



Equity ratio (%)



Net debt/EBITDA (Multiple, x)



Q1	Q2	Q3	Q4
2016			
Q1	Q2	Q3	
2017			

— POC — IFRS

Financial covenant tied to gearing (maximum level of 150.0%, IFRS) in the syndicated RCF agreement and in bank loans.

Q1	Q2	Q3	Q4
2016			
Q1	Q2	Q3	
2017			

— POC — IFRS

Financial covenant tied to the equity ratio (minimum level of 25.0%, IFRS) in bank loans, the syndicated RCF agreement and the bonds issued in 2015 and 2016.

Q1	Q2	Q3	Q4
2016			
Q1	Q2	Q3	
2017			

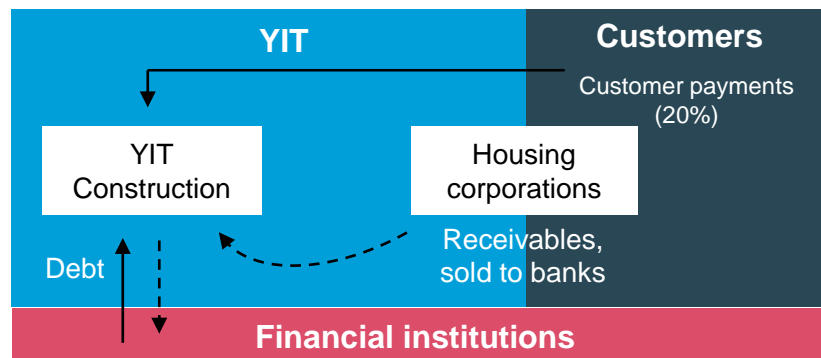
— POC — IFRS

# Residential construction stage financing to meet market practice

- Until now, YIT has sold the contract receivables from housing corporations to financial institutions
- This model differs from market practice and doesn't offer similar benefits than before

## Previously used financing model

- YIT's subsidiary YIT Construction sells the contract receivables from Housing corporations (also owned by YIT) to financial institutions
  - Due upon completion
  - Sold in line with the progress of the project

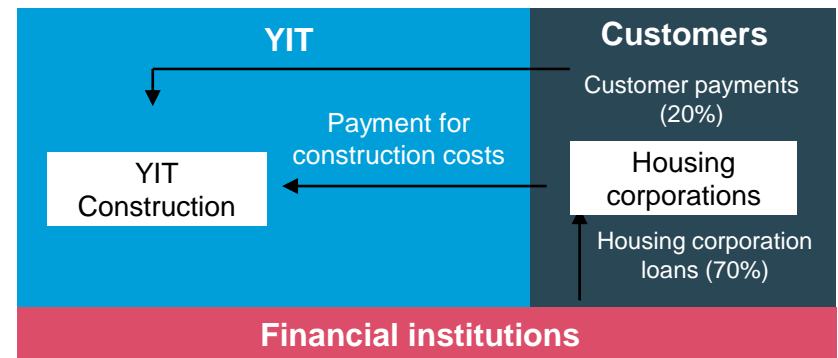


## Current model since Q4 2017

- Housing company debt drawn to finance the construction stage
- Housing corporation loan related to unsold apartments is booked in interest bearing liabilities

### Benefits

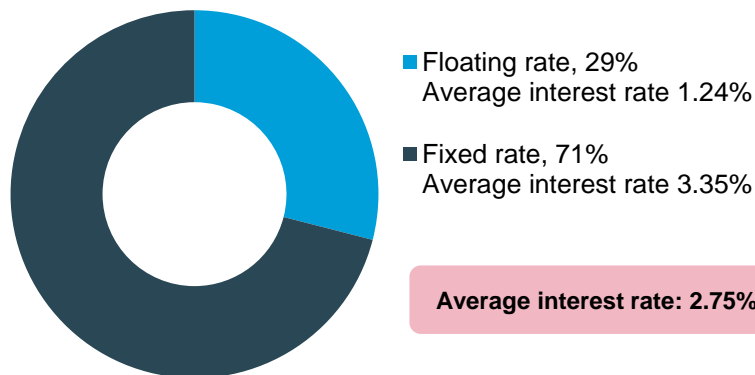
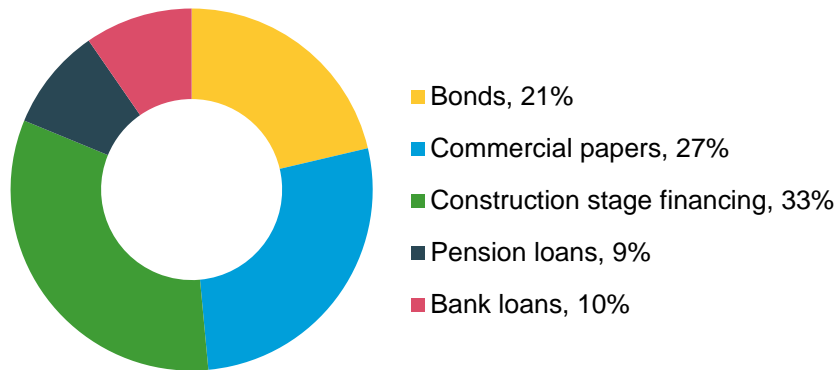
- Housing company loans of sold apartments are not burdening YIT's balance sheet
  - Similar reporting treatment as with POC debt
- Impacting the total amount of net debt



# Financial position

## Balanced debt portfolio

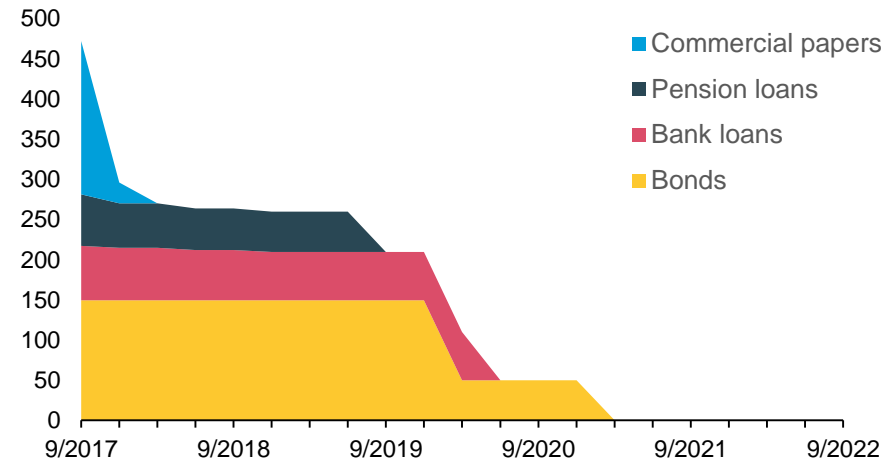
Debt portfolio at the end of the period 9/2017, EUR 701 million



**Average interest rate: 2.75%**

Maturity structure at the end of the period 9/2017

**Maturity profile, excluding construction stage financing (EUR million)**

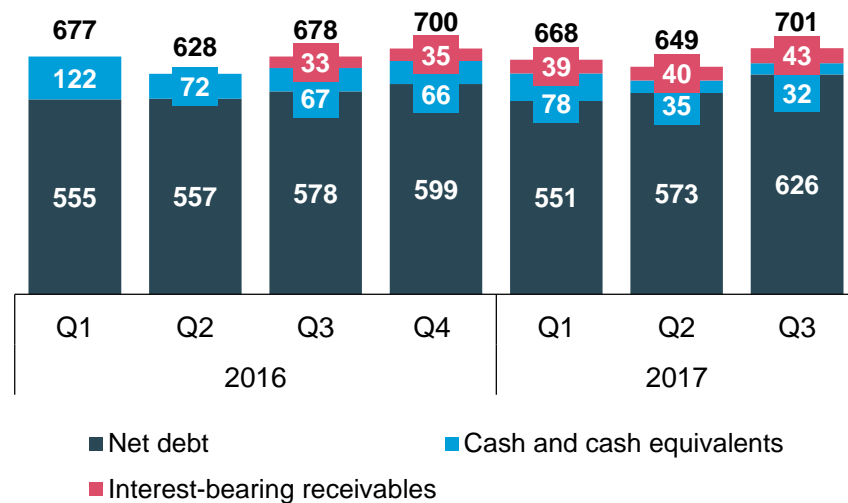


- YIT starts to finance construction stage with housing company loans according to market practice

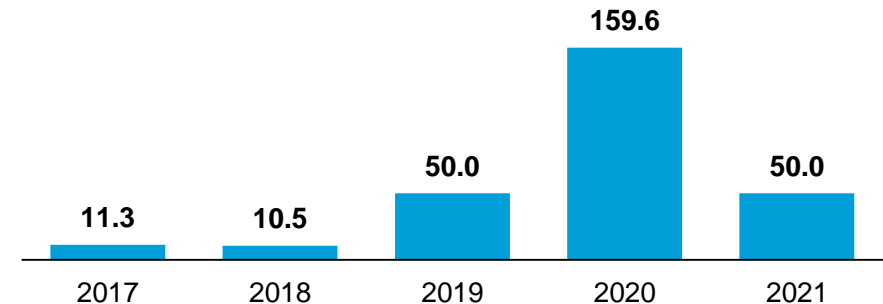
# Net debt and maturity structure in Q3

- Net debt increased temporarily due to negative cash flow from operations
- A new EUR 50 million, 3-year bilateral loan withdrawn after the review period in October

Interest-bearing debt (EUR million), IFRS



Maturity structure of long-term debt 9/2017 (EUR million) <sup>1</sup>



<sup>1</sup> Excluding construction stage financing

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This presentation includes "forward-looking statements." These statements may not be based on historical facts, but are statements about future expectations. When used in this presentation, the words "aims," "anticipates," "assumes," "believes," "could," "estimates," "expects," "intends," "may," "plans," "should," "will," "would" and similar expressions as they relate to YIT, Lemminkäinen, the Merger or the combination of the business operations of YIT and Lemminkäinen identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements are set forth in a number of places in this presentation, including wherever this presentation include information on the future results, plans and expectations with regard to the combined company's business, including its strategic plans and plans on growth and profitability, and the general economic conditions. These forward-looking statements are based on present plans, estimates, projections and expectations and are not guarantees of future performance. They are based on certain expectations, which, even though they seem to be reasonable at present, may turn out to be incorrect. Such forward-looking statements are based on assumptions and are subject to various risks and uncertainties. Shareholders should not rely on these forward-looking statements. Numerous factors may cause the actual results of operations or financial condition of the combined company to differ materially from those expressed or implied in the forward-looking statements. Neither YIT nor Lemminkäinen, nor any of their respective affiliates, advisors or representatives or any other person undertakes any obligation to review or confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this presentation. The combined financial information is presented for illustrative purposes only.

The combined income statement information has been calculated assuming the activities had been included in one entity from the beginning of each period. The preliminary revenue, adjusted operating profit and operating profit of the combined company have been calculated as a sum of combined financial information for the twelve months ended 31 December 2016. The combined financial information is based on a hypothetical situation and should not be viewed as pro forma financial information.

This presentation includes estimates relating to the synergy benefits expected to arise from the Merger and the combination of the business operations of YIT and Lemminkäinen, which have been prepared by YIT and Lemminkäinen and are based on a number of assumptions and judgments. Such estimates present the expected future impact of the Merger and the combination of the business operations of YIT and Lemminkäinen on the combined company's business, financial condition and results of operations. The assumptions relating to the estimated synergy are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause the actual synergy benefits from the Merger and the combination of the business operations of YIT and Lemminkäinen, if any, to differ materially from the estimates in this presentation. Further, there can be no certainty that the Merger will be completed in the manner and timeframe described in this presentation, or at all.

## **Notice to Lemminkäinen Corporation Shareholders in the United States**

The YIT Corporation shares to be issued in connection with the merger have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and are being issued in reliance on the exemption from registration set forth in Rule 802 under the Securities Act.

YIT Corporation and Lemminkäinen Corporation are Finnish companies and the issuance of YIT Corporation shares will be subject to procedural and disclosure requirements in Finland that may be different from those of the United States. Any financial statements or other financial information included on this presentation may have been prepared in accordance with non-U.S. accounting standards that may not be comparable to the financial statements of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

It may be difficult for U.S. shareholders of Lemminkäinen Corporation to enforce their rights and any claims they may have arising under U.S. federal securities laws in connection with the merger, since YIT Corporation and Lemminkäinen Corporation are located in non-U.S. jurisdictions, and some or all of YIT Corporation's and Lemminkäinen Corporation's officers and directors may be residents of countries other than the United States. As a result, U.S. shareholders of Lemminkäinen Corporation may not be able to sue YIT Corporation or Lemminkäinen Corporation or their respective officers and directors in a court in Finland for violations of U.S. federal securities laws. Further, it may be difficult to compel YIT Corporation or Lemminkäinen Corporation to subject themselves to the jurisdiction or judgment of a U.S. court.

Lemminkäinen Corporation's shareholders should be aware that YIT Corporation may purchase Lemminkäinen Corporation's shares otherwise than under the merger, such as in open market or privately negotiated purchases, at any time during the pendency of the proposed merger.

**Together  
we can  
do it.**