



# YIT – Well-managed, profitable growth from emerging markets with Western Corporate Governance

Roadshow, Frankfurt  
March 19, 2014

Timo Lehtinen, CFO  
Sanna Kaje, VP, Investor Relations



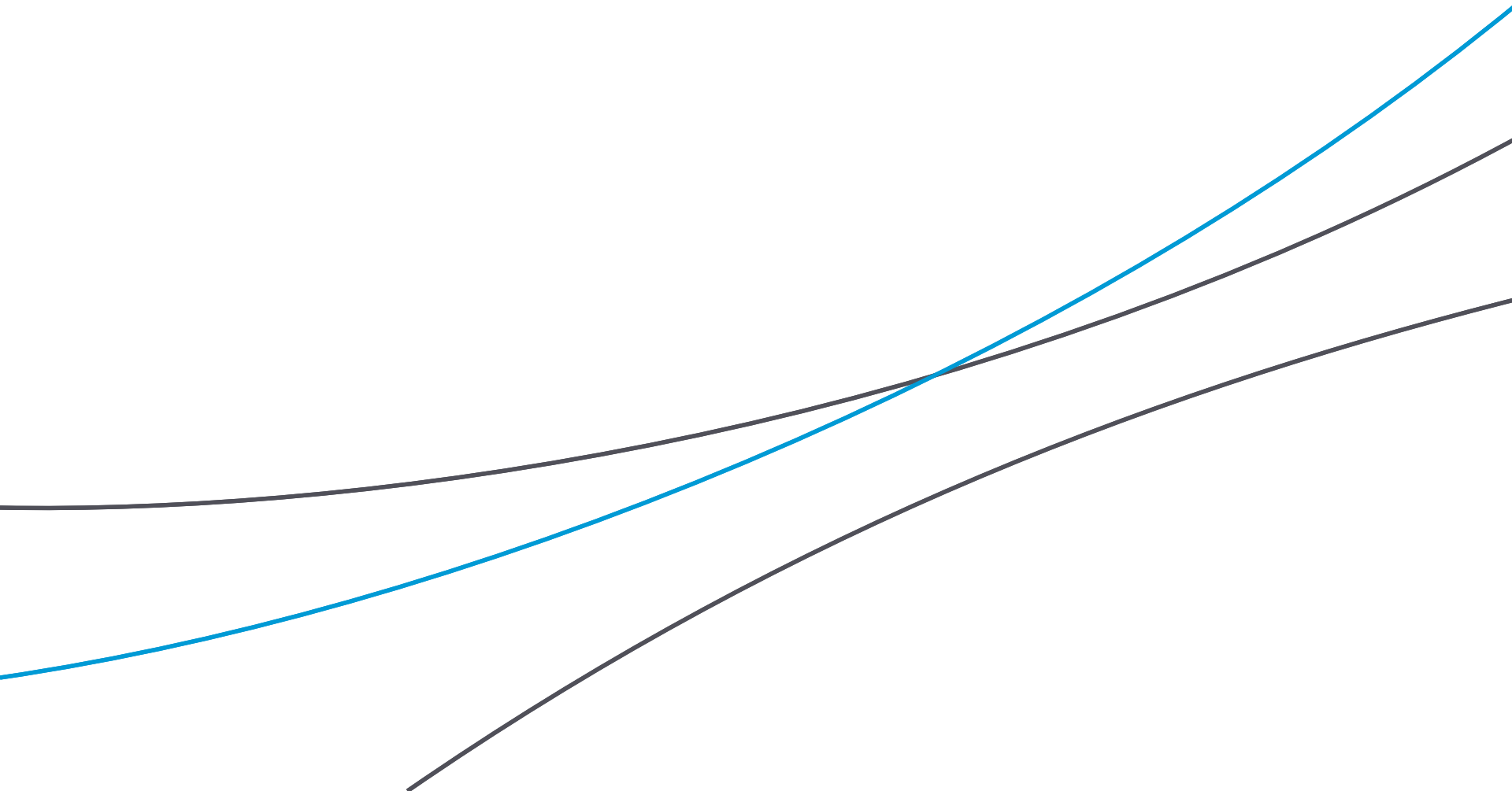
**Novo Orlovsky**  
St. Petersburg, Russia

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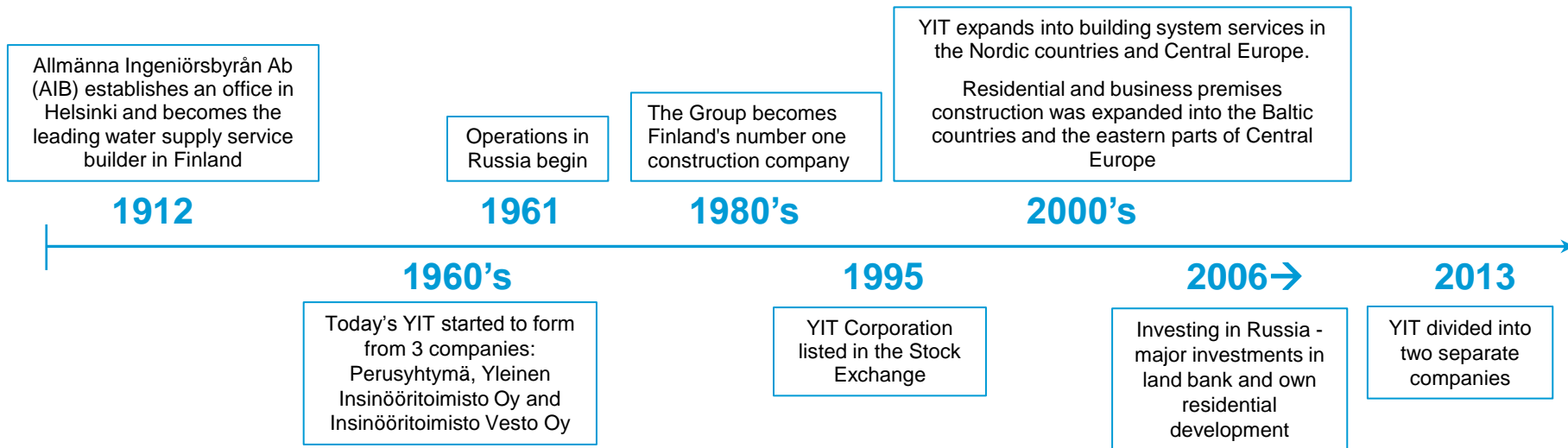
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# Demerger and new YIT



# Right time to move to the next development phase

Over 100 years of experience in Finland, over 50 in Russia



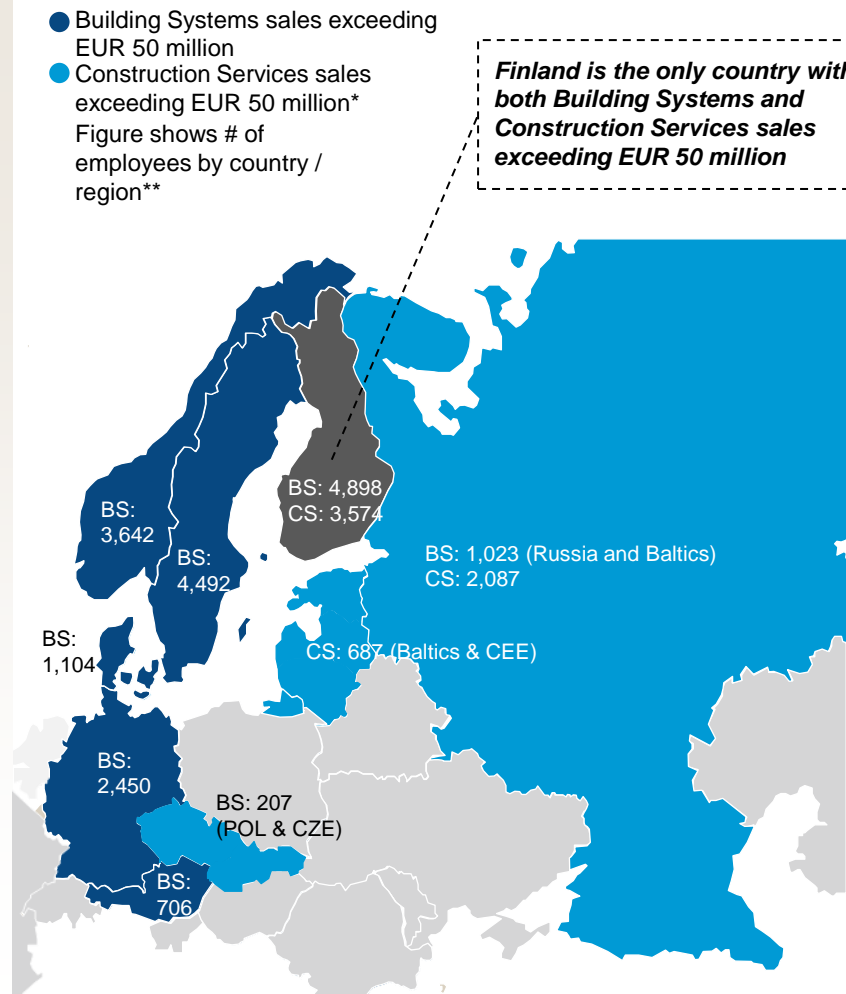
## The demerger

- Building Systems demerged into Caverion on June 30, 2013. YIT continues to provide Construction Services
  - Initiative from the Board of Directors – supported by main owners
- Both companies large enough to grow independently



# Rationale for the partial demerger

- Independent strategies and different business models
  - Capital intensive Construction Services seeking growth from Russia, the Baltic countries and Central Eastern Europe and from Finland
  - Stable Building Systems growing in developed Northern and Central Europe
- Meaningful geographical overlap only in Finland
- Better management focus in separate companies
- Good financing opportunities for both companies, large enough to grow independently
  - Stable cash generation in Building Systems
  - Successful business model development in Construction Services



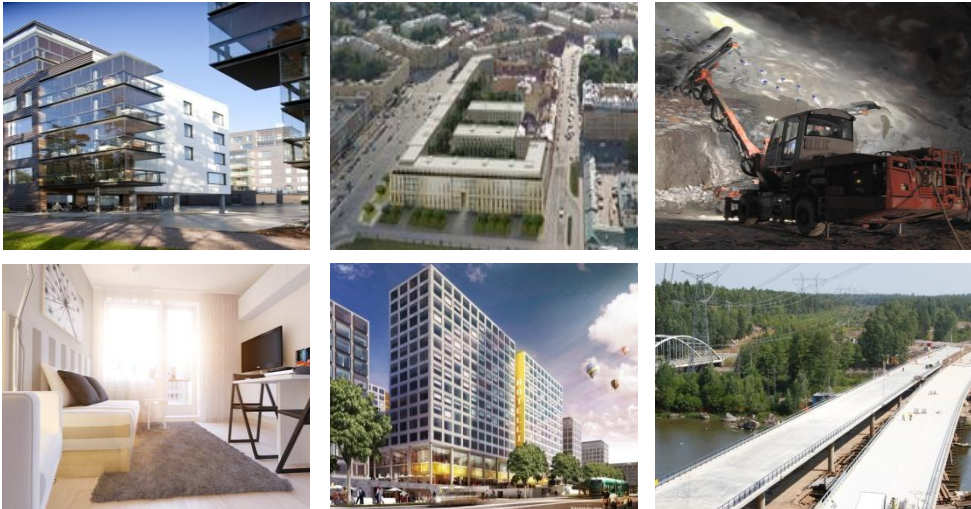
Note: Segment level figures (POC) in the annual report 2012

\*) The Baltic countries, the Czech Republic and Slovakia together have CS sales exceeding EUR 50 million

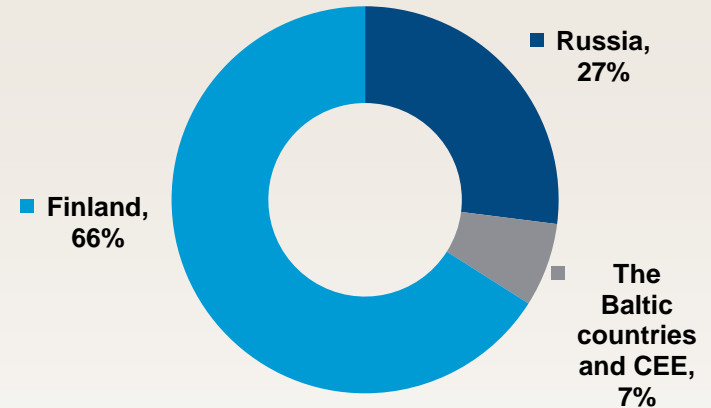
\*\*\*) Number of employees on Dec 31, 2012; In addition 396 employees in YIT Corp. and other Group Service functions and 17 BS employees in Asia

# YIT Group in brief

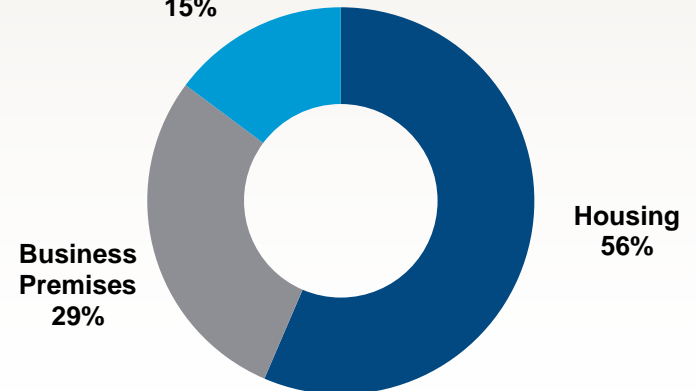
- Residential development, business premises and infrastructure
  - Focus on own-developed projects
- Operations in 7 countries
- Revenue EUR 1.9 billion in 2013
- Operating profit EUR 153 million in 2013
- More than 6,000 employees
- Share quoted on NASDAQ OMX Helsinki (Large cap, Industrials)
- Almost 45,000 shareholders at the end of February 2014



Revenue split 2013\* (EUR 1.9 billion)



Infrastructure 15%



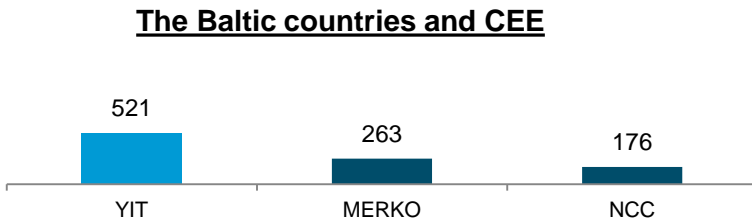
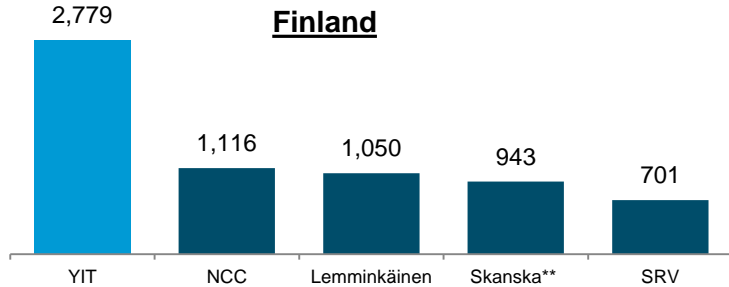
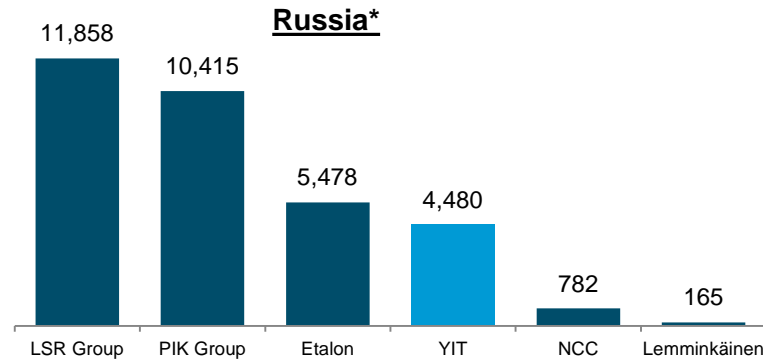
Figures based on segment reporting (POC)  
 \*Business area split according to 2012 figures

# Strong market position in all markets

## Market leader in Finland, biggest foreign residential developer in Russia

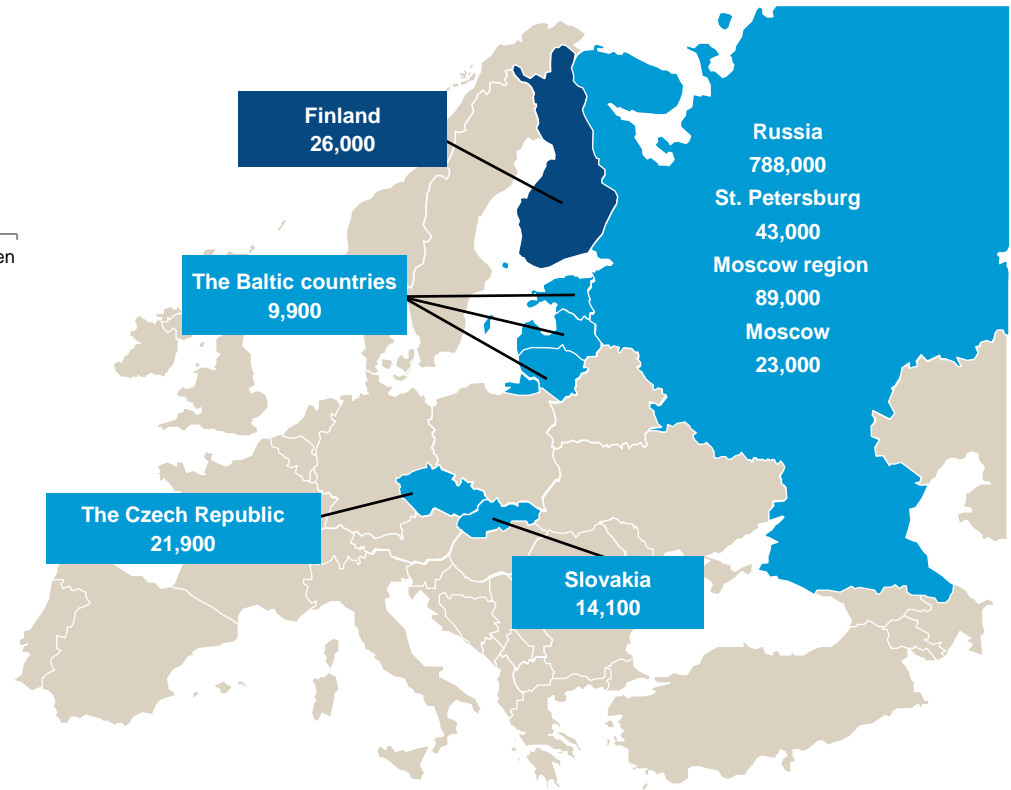
### Construction companies on YIT's markets

Number of apartments sold in 2013

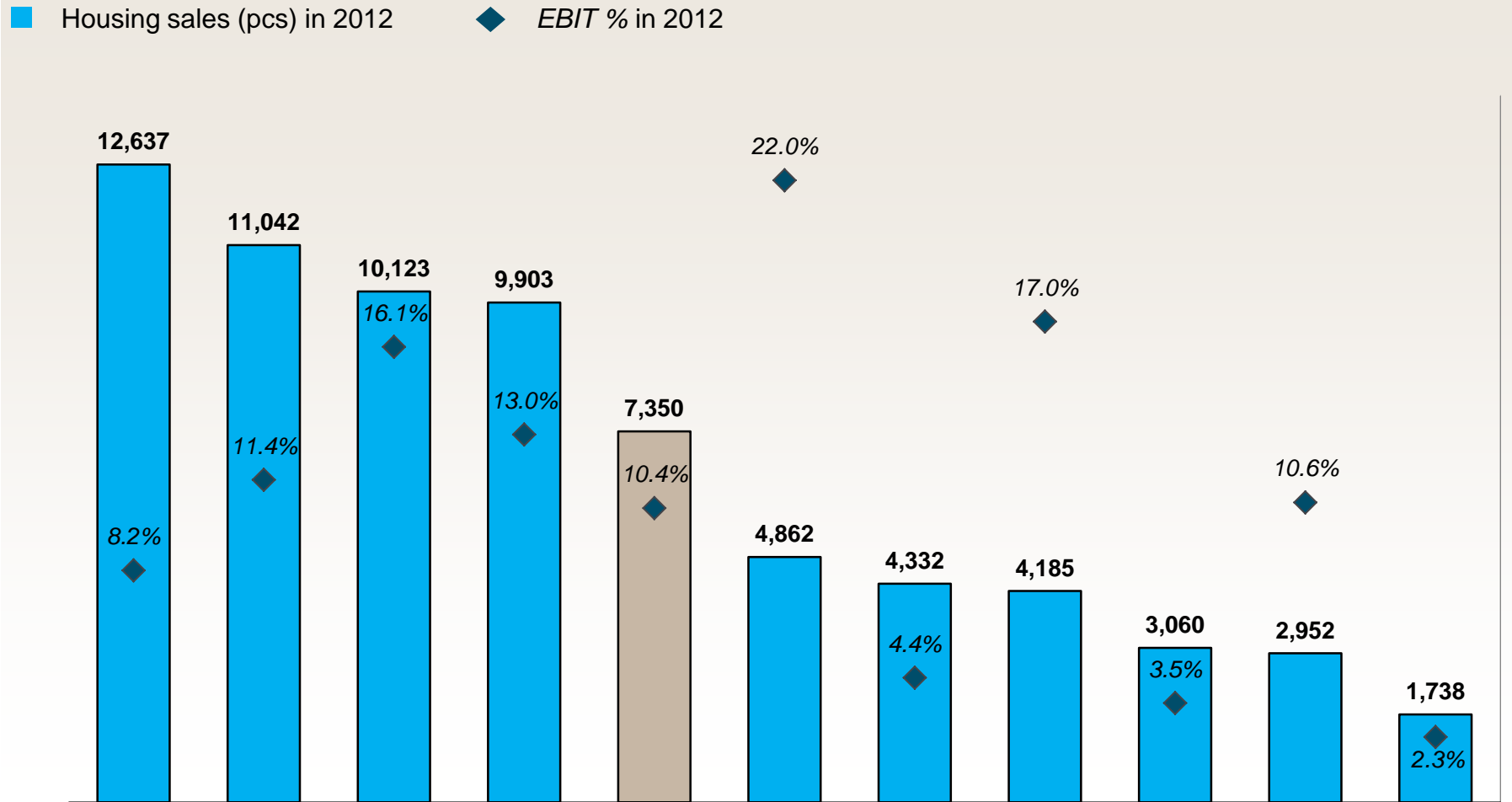


### YIT's markets and market sizes 2013

Number of apartments



# YIT a significant player on European level in housing





# Board of Directors

Versatile expertise on board work, finance, construction industry and Russia



**Reino Hanhinen**  
Chairman

Born 1943  
M.Sc. (Eng.), D.Sc.  
(Tech.) h.c.

Former CEO of YIT

Independent of  
company: YES

Independent of  
owners: YES

Share ownership:  
130,800



**Kim Gran**  
Vice Chairman

Born 1954  
B.Sc. (Econ.)

President and CEO  
of Nokian Tyres Plc.

Independent of  
company: YES

Independent of  
owners: YES

Share ownership:  
7,700



**Satu Huber**  
Board Member

Born 1958  
M.Sc. (Econ.)

Deputy CEO of Elo  
Mutual Pension  
Insurance Company

Independent of  
company: YES

Independent of  
owners: YES

Share ownership:  
3,600



**Erkki Järvinen**  
Board Member

Born 1960  
M.Sc. (Econ.)

President and CEO  
of Tikkurila Group

Independent of  
company: YES

Independent of  
owners: YES

Share ownership:  
0



**Juhani Pitkäkoski**  
Board Member

Born 1958  
LL.M.

President and CEO of  
Caverion Corporation

Independent of  
company: NO

Independent of  
owners: YES

Share ownership:  
48,100



**Teuvo Salminen**  
Board Member

Born 1954  
M.Sc. (Econ.)

Board professional

Independent of  
company: YES

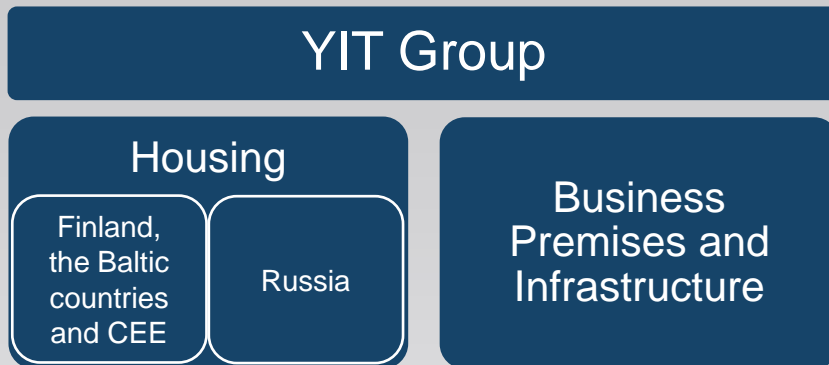
Independent of  
owners: YES

Share ownership:  
0

Ownership on February 28, 2014 including the holdings of the persons themselves, their close associates and their controlled corporations.

# New segment structure and composition of the Group Management Board

- Group structure as of January 1, 2014



- The changes are aimed at facilitating the effective implementation of the company's strategy as well as an increasingly customer-focused operating model
- The 2013 comparison figures for the new segment structure will be published in March 2014



**Kari Kauniskangas**  
President and CEO  
Head of Housing



**Tero Kiviniemi, EVP**  
Head of Business  
Premises and  
Infrastructure



**Teemu Helppolainen**  
Head of business  
area Russia



**Timo Lehtinen**  
CFO



**Juhani Nummi**  
Business  
Development

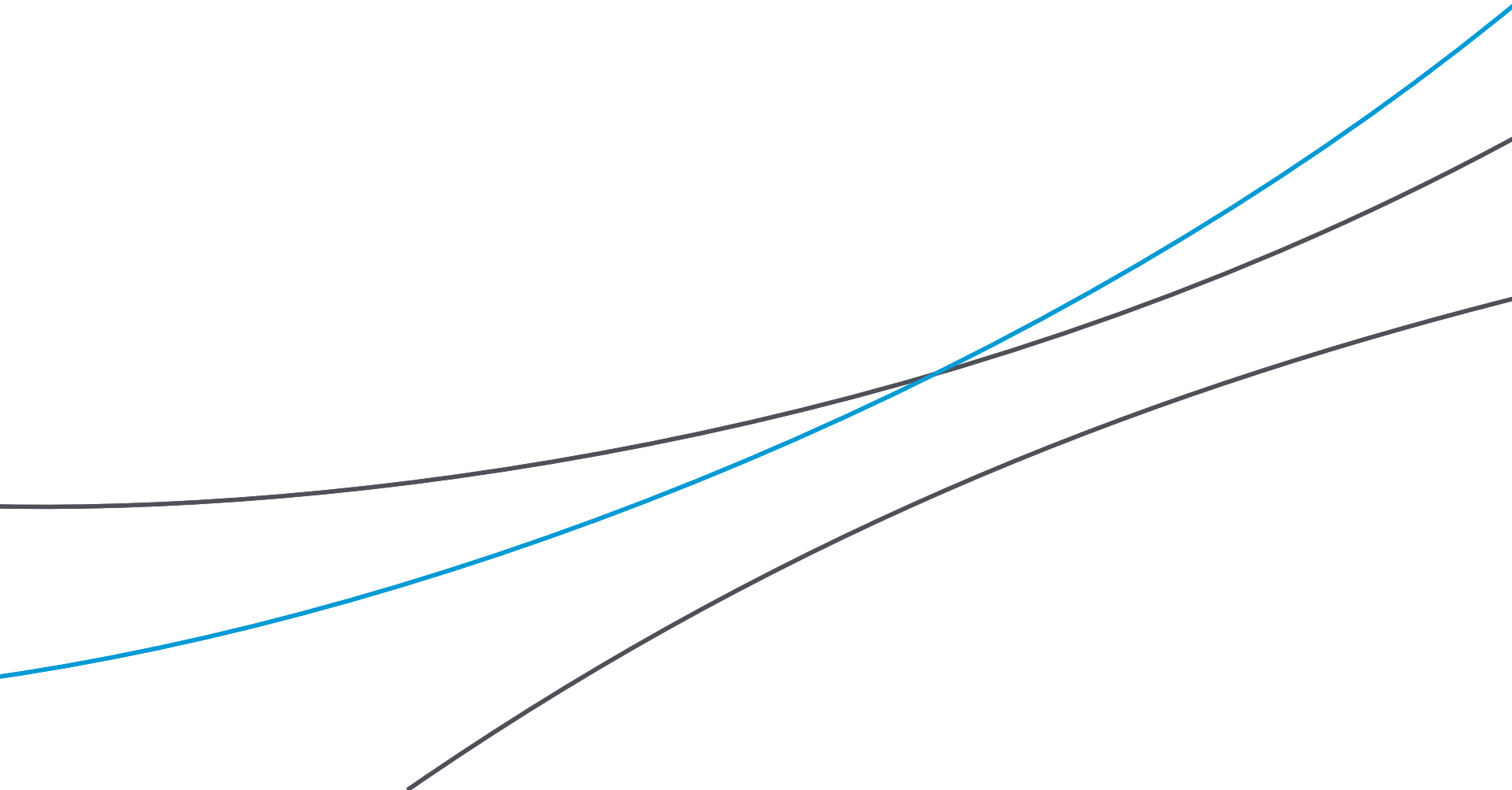


**Pii Raulo**  
HR

**The extended management board additionally includes heads of Business Divisions:**

- Jouni Forsman
- Harri Isoviita
- Pavel Kocherezhkin
- Matti Koskela
- Timo Lehmus
- Tom Sandvik
- Mikhail Voziyanov

# Strategy and business model



# YIT's Strategy 2014-2016

## Well managed and profitable growth



### Growth in own development

5-10% growth per year

- Strong growth in residential development and construction in emerging markets (Russia, the Baltic countries and CEE)
- Further strengthening the position in the Finnish residential market – new concepts and best customer experience with high quality brand
- Increasing the share of own-developed projects in Business Premises and Infrastructure

### Wider financial operating space

Capital for reuse >EUR 250 m

- Releasing capital from slow-moving assets
- New funding sources and increasing utilization of partnerships in large area development
- Diverse financial instruments supporting business and customers

### Solid set up for market cycles

Cash flow annually > EUR 0

- Strengthening sales risk -free and long-term cash flow business
- Agility to quickly react to changes in the market environment
  - Housing production and sales inventory management
  - Flexibility of cost base

# Focused development to improve profitability and strengthen the forerunner position



## Group-wide development programs

Centralized coordination, decentralized development

### *"Best living experience"*

#### **Housing development**

- New housing concepts: mini-apartments, reasonably priced living
- Area development – "creating better living environments"
- Best customer experience through long-term customership
- Cost-efficiency and design management
- New online services

### *"Deeper pocket"*

#### **Wider financial operating space**

- Capital efficiency: Opportunities to grow without increasing the debt
- Financial instruments support affordability and sales of apartments as well as other properties

### *"Inspiring YIT"*

#### **Excellent leadership and balanced values**

- Strong corporate culture through balanced values; Care, A step ahead, Cooperation, Performance
- Common management and leadership principles
  - Active communication
  - Clear promotion and recruiting criteria
  - Training programs
  - Rewarding



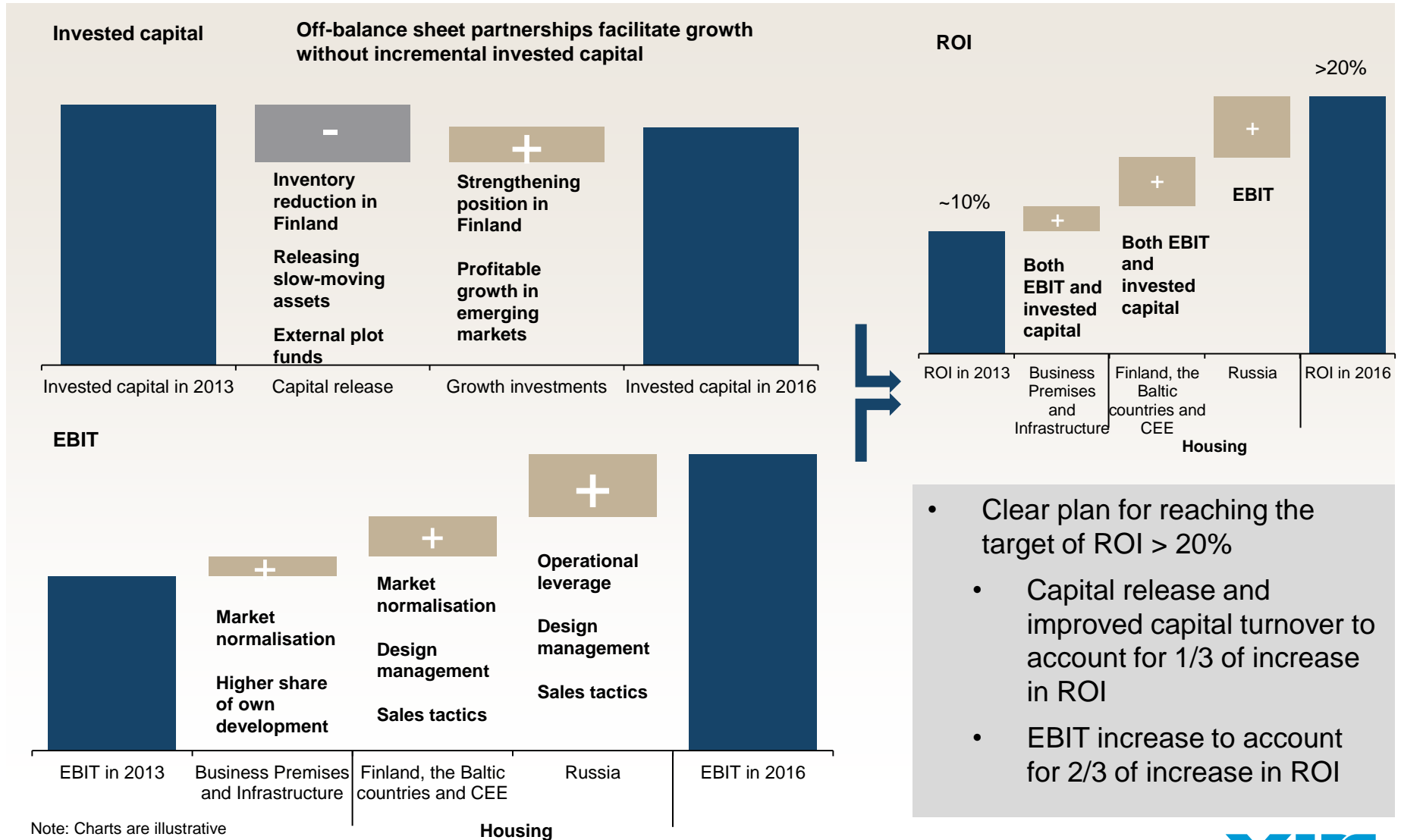
# Financial targets for 2014 – 2016 – Growth target revised

Strategic target	Target level	Status in 2013
Revenue growth	<b>5 - 10% annually on average</b> (Previously: More than 10% annually on average)	-5.1%
Return on investment (rolling 12 months)	20%	10.3%
Cash flow	Operating cash flow after investments sufficient for dividend payout and reduction of debt	EUR -87.9 million
Equity ratio	40%	37.8%
Dividend	Dividend payout 40 to 60% of net profit for the period	50.7%

Segment figures (POC)

- The business is managed according to the current market situation, with focus on:
  - Profitability
  - Improving cash flow and ROI
  - Increasing capital efficiency
- YIT revises its growth target
  - New target: Revenue growth of 5 - 10% annually on average
  - Old target: Revenue growth of more than 10% annually on average
- YIT's other financial targets were kept unchanged

# Roadmap to ROI > 20%



- Clear plan for reaching the target of ROI > 20%
- Capital release and improved capital turnover to account for 1/3 of increase in ROI
- EBIT increase to account for 2/3 of increase in ROI

Note: Charts are illustrative

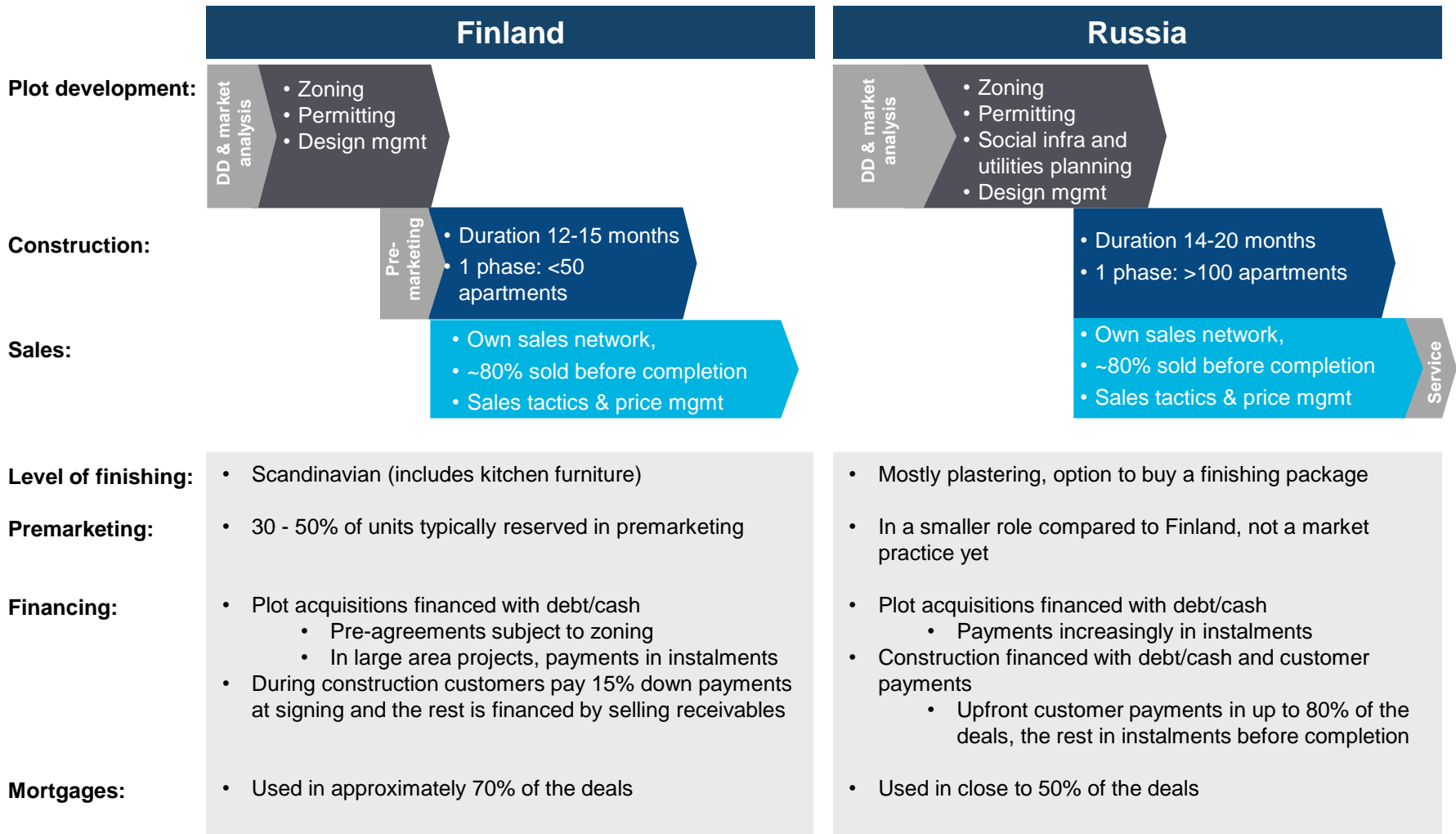


# Value creation: Long value chain with key competences in-house



# Business model

## – Own-developed housing



# Business model – Business Premises and Infrastructure



## Business Premises

- Contracting
  - Schools, hospitals, offices etc.
  - Very low capital employed
  - Cash flow positive, advance payments
- Own development
  - Own concepts
  - E.g. commercial centres, office buildings, logistics hubs, assisted living facilities
  - Anchor tenants and/or investor typically secured before starting construction
  - Financing by selling receivables after the investor is secured, off-balance sheet

## Infrastructure

Different types of projects:

- PPP
  - E.g. major route projects
  - Life-cycle model
  - Low capital employed
  - Financing arranged on a project company level, off-balance sheet
- Contracting
  - E.g. route projects, rail and metro
  - Low capital employed
  - Cash flow positive, advance payments
- Own-development,
  - E.g. wind farms, parking
  - Investor before start-up
  - Project financing
- Road maintenance
  - Long-term contracts

Internal co-operation in large projects

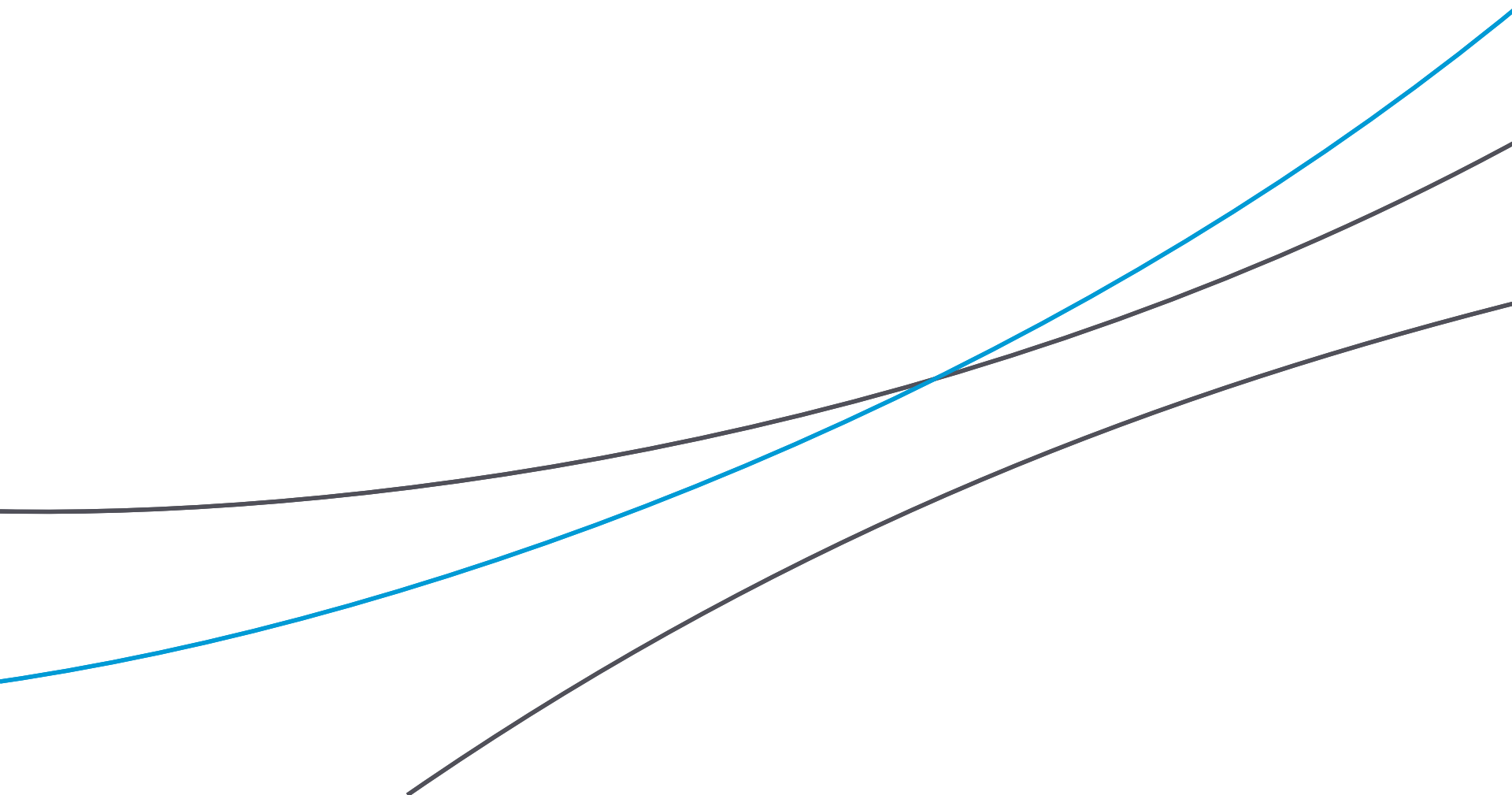


# Market trends and opportunities

The pace of change is accelerating and the complexity increasing

Trends	Implications for YIT
Diverging generations	<ul style="list-style-type: none"><li>• Wealthier middle class desires high quality housing</li><li>• Smaller average size of households → more smaller and effective flats needed</li><li>• Lack of workforce and competition for young talents → employer brand important</li></ul>
Urbanization	<ul style="list-style-type: none"><li>• Major potential in urban growth centres</li><li>• Infrastructure demand in city centers rises, more and more complex solutions in use</li></ul>
Consumerism and lifestyles	<ul style="list-style-type: none"><li>• From apartment sales to living business, long-term customership and life cycle services, online 24/7</li></ul>
Globalization and new financing models	<ul style="list-style-type: none"><li>• New financial instruments for supporting enabling customer' access to financing</li><li>• International sourcing</li><li>• Public Private Partnership -projects</li></ul>
Technological development	<ul style="list-style-type: none"><li>• Online customer relations and improved understanding of customers and their needs</li><li>• Innovations enabled by new technology, integrated systems, smart traffic solutions</li></ul>
Climate change	<ul style="list-style-type: none"><li>• Energy efficient buildings, green image, sustainable solutions</li><li>• Opportunities for YIT in new energy solutions industry (wind power etc.)</li></ul>
The increasing scarcity of valuable minerals	<ul style="list-style-type: none"><li>• Increased demand for construction works in mining industry</li></ul>

# Key financials



# Highlights in Q4/13

## Profitability, sales and order backlog

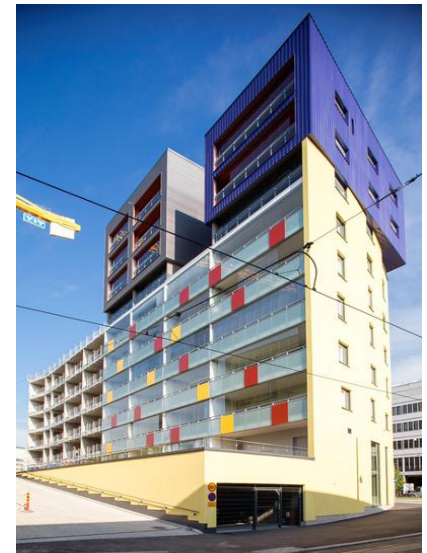
Sales volume in Russia on a good level, Finnish market still demanding

- Sales volume in Russian Housing on a good level, price level remained stable
  - Specification and re-allocation of area costs in projects in Moscow Oblast impacted profitability
  - Excellent development in other regions in Russia
- High activity in investor deals in Finnish Housing
  - Apartment sales to consumers improved towards the end of the year
- Profitability remained on a good level in Infra Services, and the E18 project was selected as “construction site of the year” in Finland
- Weak performance in Business Premises
- Cash flow clearly positive

## Strategy implementation

Good progress in large-scale projects and capital release

- Two large area development projects started in St. Petersburg
- Final decisions by Helsinki City Council, Parliament of Finland and Senate Properties concerning the Tripla project, contract signed in January 2014
- Actions to improve sales, cash flow as well as capital and cost efficiency starting to bear fruit
- Group segment structure renewed according to the Group’s new management structure and business areas as of 2014



# Key figures

EUR million	10–12/13	10–12/12	Change	1–12/13	1–12/12	Change
Revenue	521	555	-6%	1,859	1,959	-5%
Operating profit	41.2	68.0	-39%	152.8	201.1	-24%
% of revenue	7.9	12.2	-	8.2	10.3	-
Operating profit, excluding non-recurring items*	42.4	68.0	-38%	154.0	194.1	-21%
% of revenue, excluding non-recurring items*	8.1	12.2	-	8.3	9.9	-
Order backlog	2,714	2,765	-2%	2,714	2,765	-2%
Profit before taxes	32.5	59.1	-45%	122.8	169.6	-28%
Profit for the review period <sup>1)</sup>	24.3	43.8	-45%	93.9	130.7	-28%
Earnings per share, EUR	0.19	0.35	-46%	0.75	1.04	-28%
Operating cash flow after investments	76.3	8.0	-	-87.9	49.9	-
Equity ratio	37.8	43.1	-	37.8	43.1	-
Personnel at the end of the period	6,172	6,691	-8%	6,172	6,691	-8%
Dividend, EUR				0.38	n/a	

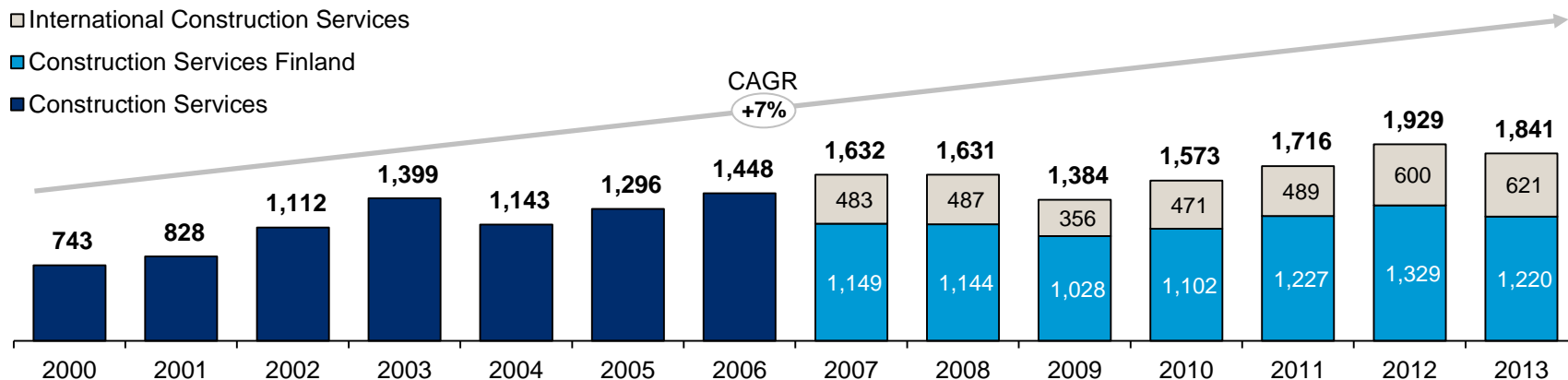
1) Attributable to equity holders of the parent company

Note: A EUR 10.0 million cost provision covering costs related to the ammonia case in St. Petersburg was made in Q3/11. EUR 7.0 million of the provision was released in Q3/12. EUR 1.2 million non-recurring restructuring costs in Q4/13, of which EUR 1.0 million allocated to Construction Services Finland.

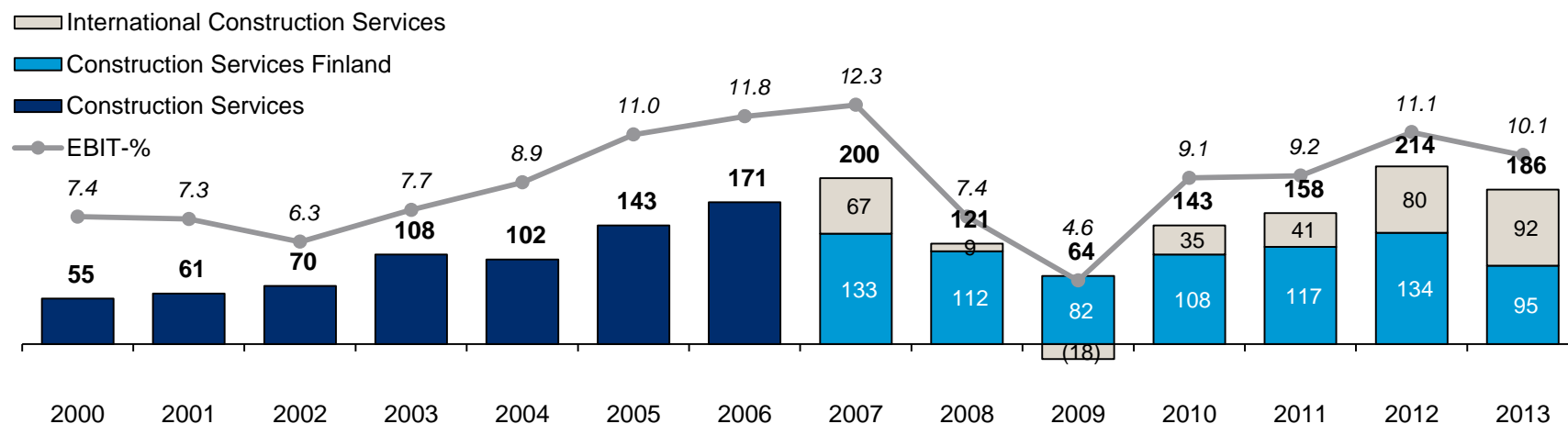
Note: As of January 1, 2013, borrowing costs are included in segments financing costs according to IAS 23. 2012 figures in 2013 reporting and this presentation have been adjusted accordingly. All figures based on segment reporting (POC= Percentage of completion)

# Revenue growth and healthy profitability through economic cycles

## Revenue development (EUR million) by business segment



## Operating profit (EBIT) development (EUR million) by business segment



Note: Segment level figures (POC), i.e. sum of Construction Services related segment figures in YIT financial reporting and thus excluding effect of Other Items; International Construction Services part of Construction Services from 2000 to 2006; 2011 and 2012 figures excluding IAS 23 adjustment, i.e. in line with reporting standards adopted starting from 1 Jan 2013



# Construction Services Finland: Stable profitability through economic cycles

## 2007

- Good residential market
- Good non-residential market, yields at low level

## 2008

- Weakening residential market
- Good development in non-residential due to "old" order backlog

## 2009

- Focus on investor deals in the residential market
- Weakening non-residential market
- Good performance in infra
- Fixed cost cuts

## 2010

- In residential, focus turned to direct consumer sales
- Signs of improvement in non-residential market

## 2011

- Focus on direct consumer sales
- Improvement in non-residential market
- Infra weak in H1, improvement in H2

## 2012

- Favourable residential sales continued
- Stable development in the business and office premises market
- Infrastructure road projects proceeded as planned

## 2013

- Weak non-residential market
- Soft consumer demand in the residential market
- Investor sales compensated for consumer sales
- Good performance in Infra Services

EBIT: EUR 133.4 million (11.6%)

EBIT: EUR 111.7 million (9.8%)

EBIT: EUR 81.9 million (8.0%)

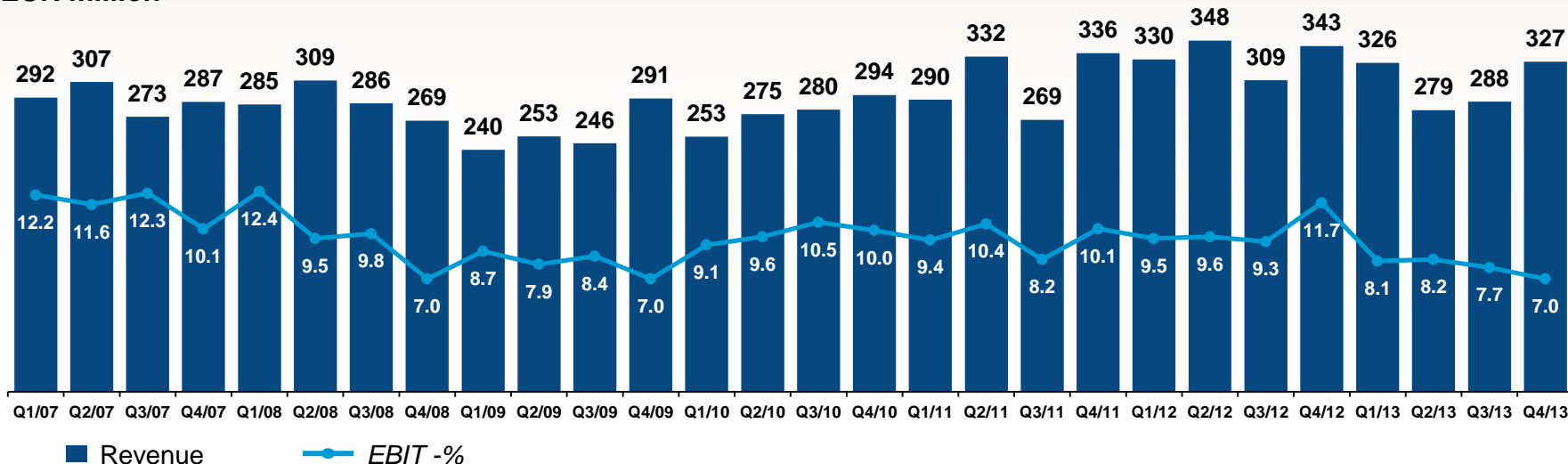
EBIT: EUR 108.1 million (9.8%)

EBIT: EUR 117.3 million (9.6%)

EBIT: EUR 134.1 million (10.1%)

EBIT: EUR 94.5 million (7.7%)

## EUR million



# International Construction Services

## Improving profitability

### 2007

- Good market conditions in Russia and the Baltic countries
- Increasing residential prices especially in Russia

EBIT: EUR 67.2 million (13.9%)

### 2008

- Prices declining in the Baltic countries and Russia (H2)
- Profitability hit particularly in the Baltic countries

EBIT: EUR 9.0 million (1.8%)

### 2009

- Housing prices stabilising in Russia (H2)
- Low business volumes in the Baltic countries
- Fixed cost cuts

EBIT: EUR -17.8 million (-5.0%)

### 2010

- Slight increases in residential prices in Russia
- Low volumes in the Baltic countries and CEE, although the bottom has been passed

EBIT: EUR 34.7 million (7.5%)

### 2011

- Prices increasing in Russia (regional differences)
- Volumes increasing in the Baltic countries and CEE, but still diluting the segment's profitability

EBIT: EUR 40.9 million (8.4%)

### 2012

- Prices increasing and good residential sales in Russia
- Margins improving
- Low volume still in the Baltic countries and CEE

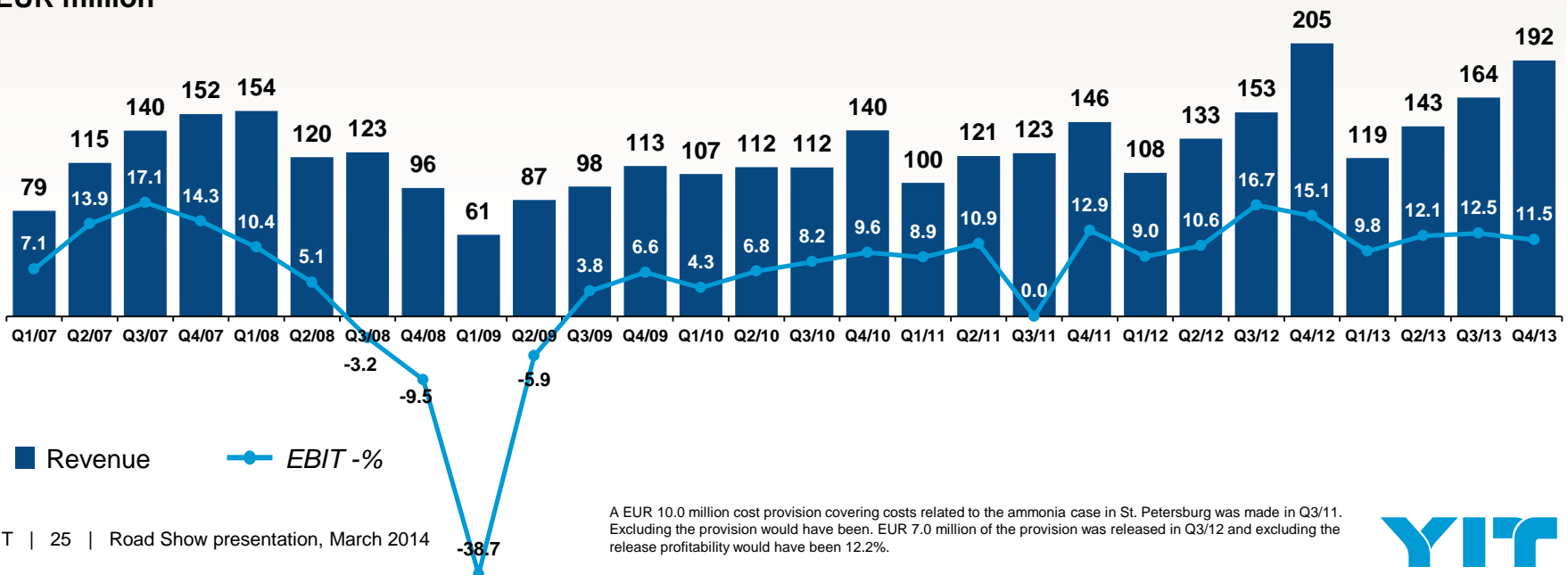
EBIT: EUR 80.4 million (12.3%)

### 2013

- Stable residential prices in Russia
- Sales volume continued to develop positively in Russia
- Focus shifted to own-development in the Baltic countries and CEE

EBIT: EUR 71.9 million (11.6%)

### EUR million



A EUR 10.0 million cost provision covering costs related to the ammonia case in St. Petersburg was made in Q3/11. Excluding the provision would have been EUR 7.0 million of the provision was released in Q3/12 and excluding the release profitability would have been 12.2%.

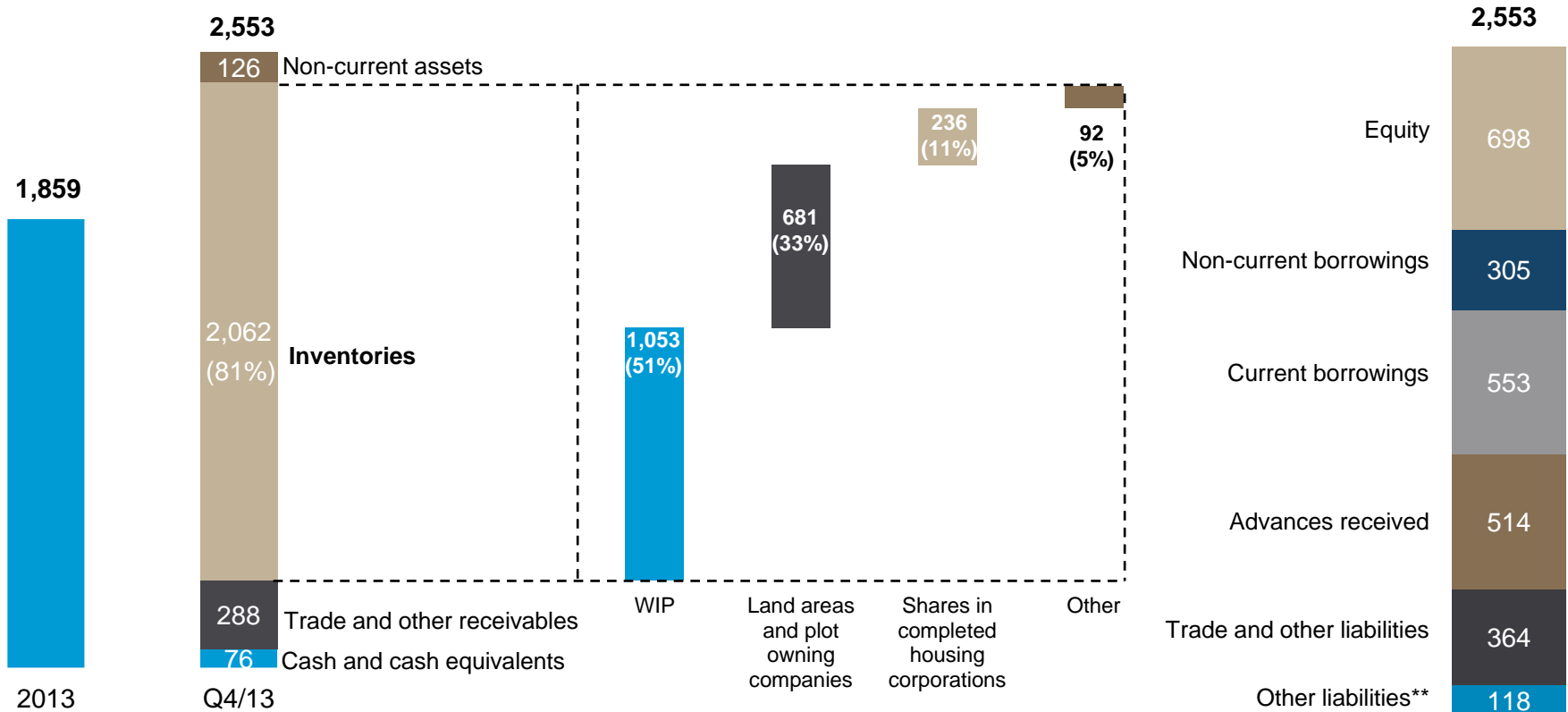
# Consolidated balance sheet

## as of December, 2013 (EUR million)

### Revenue\*

### Assets - Inventories, WIP in particular, account major share

### Equity and liabilities

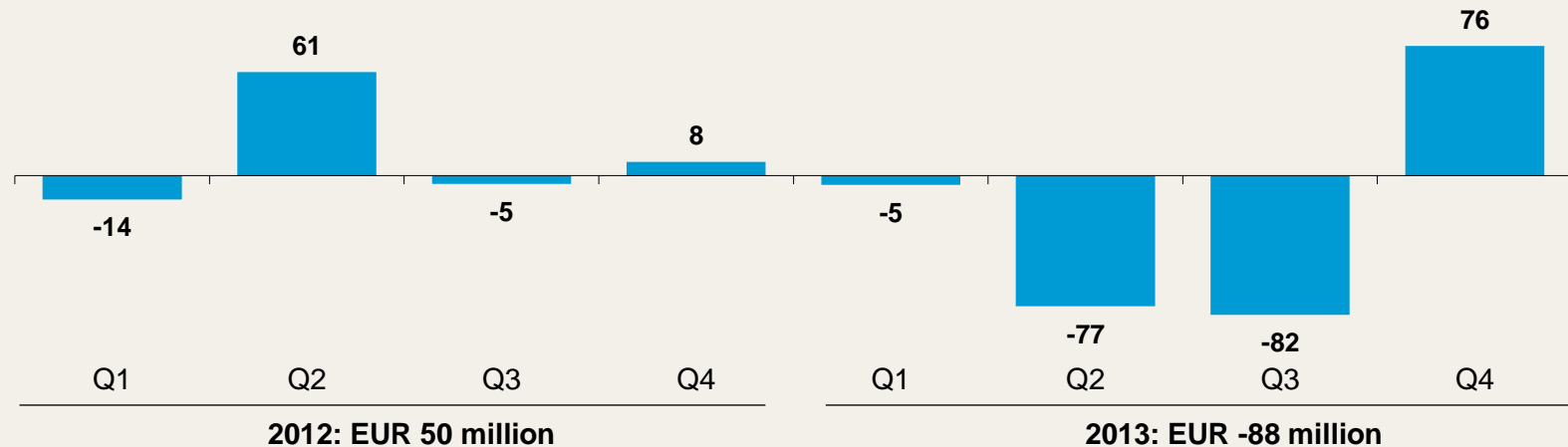


\*) Last 12 months

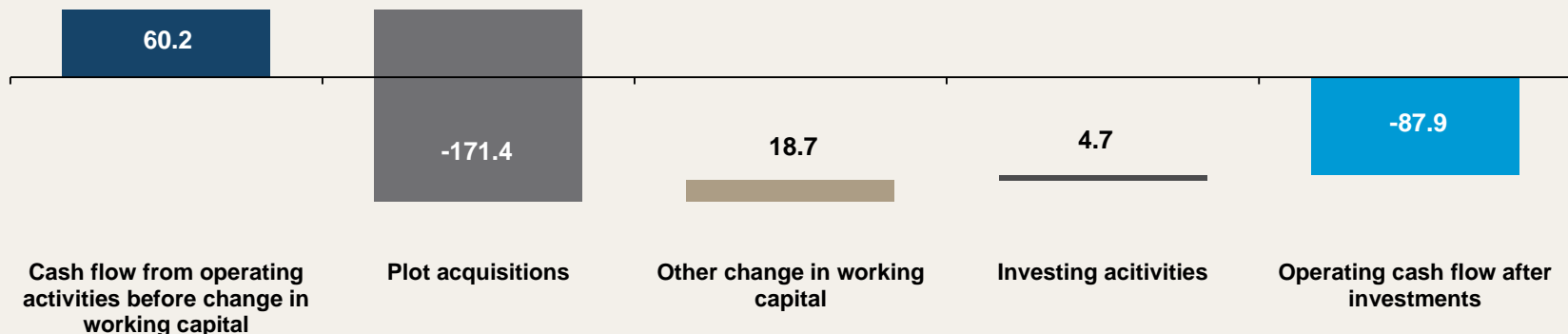
\*\*\*) Includes deferred tax liabilities, pension obligations, provisions and other liabilities

# Cash flow burdened by progress in production

Operating cash flow after investments (EUR million)



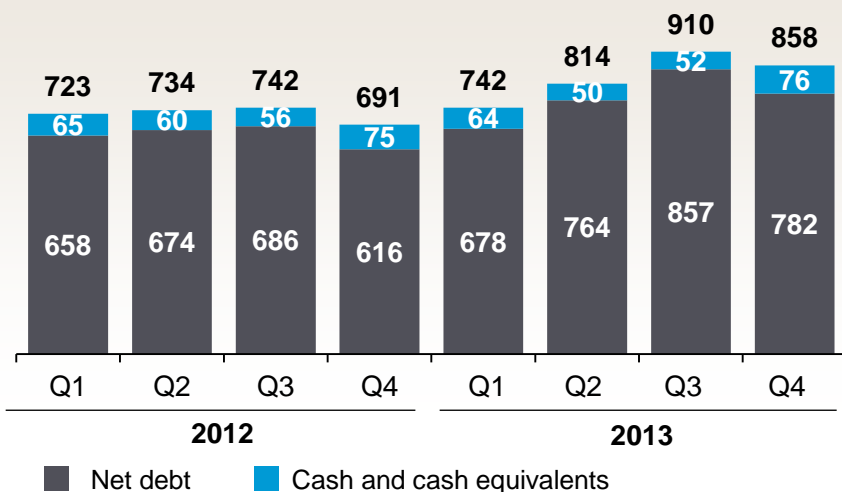
Cash flow bridge 1-12/2013 (EUR million)



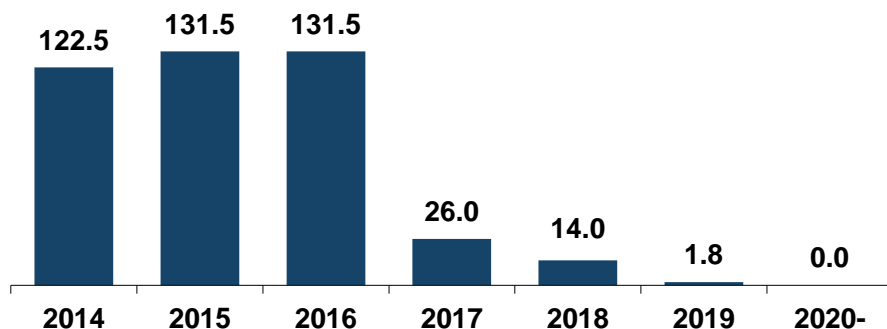
# Net debt increased

## – Liquidity buffer strengthened

Interest-bearing debt (EUR million)



Maturity structure for long-term debt 12/13 (EUR million)

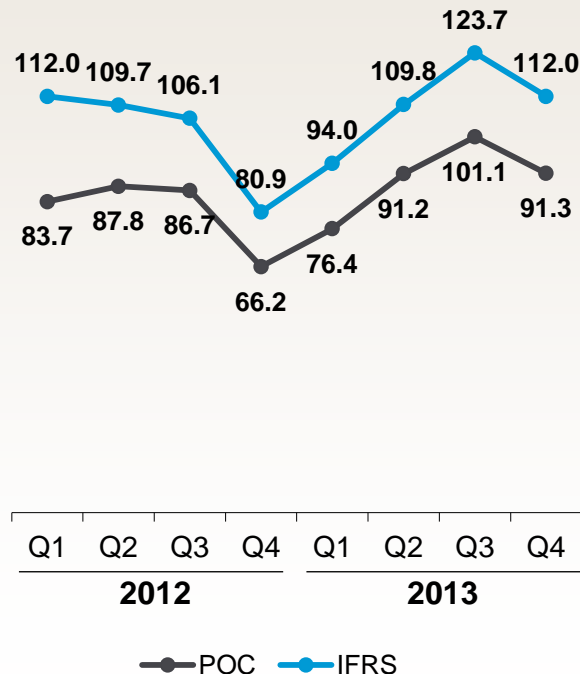


- Large share of the recent increase in debt comes from excess capital tied to
  - Ongoing Business Premises projects
  - Completed unsold apartments
- Debt reduced in Q4/13, mainly due to active investor sales in Finnish Housing and selling of Business Premises projects
- Liquidity buffer increased to EUR 365.3 million (12/13):
  - Undrawn committed credit facilities EUR 330 million
  - RUB 1.6 billion (EUR 35.3 million) undrawn bank loan
- Additional new loan agreement was signed in January to secure 2014 refinancing, undrawn amount approx. EUR 62 million

# Weak cash flow impacting financial position

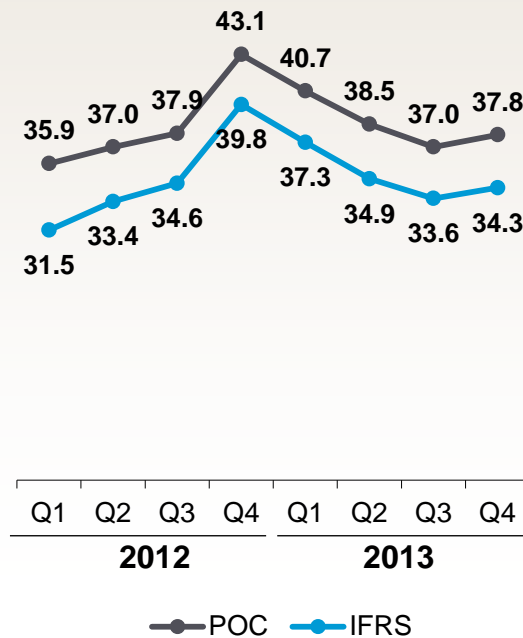
## – Trend turned at the end of the year

**Gearing**  
Percent

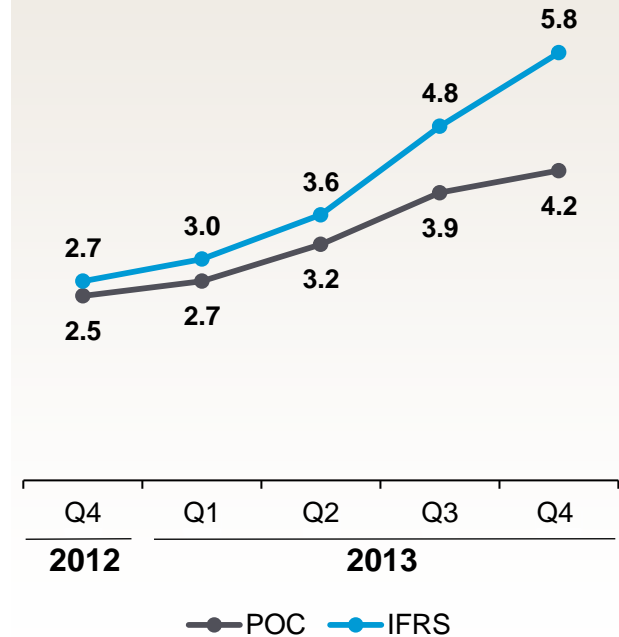


**Equity ratio**  
Percent

Strategic target: Equity ratio 40%



**Net Debt/EBITDA**  
Multiple (x)



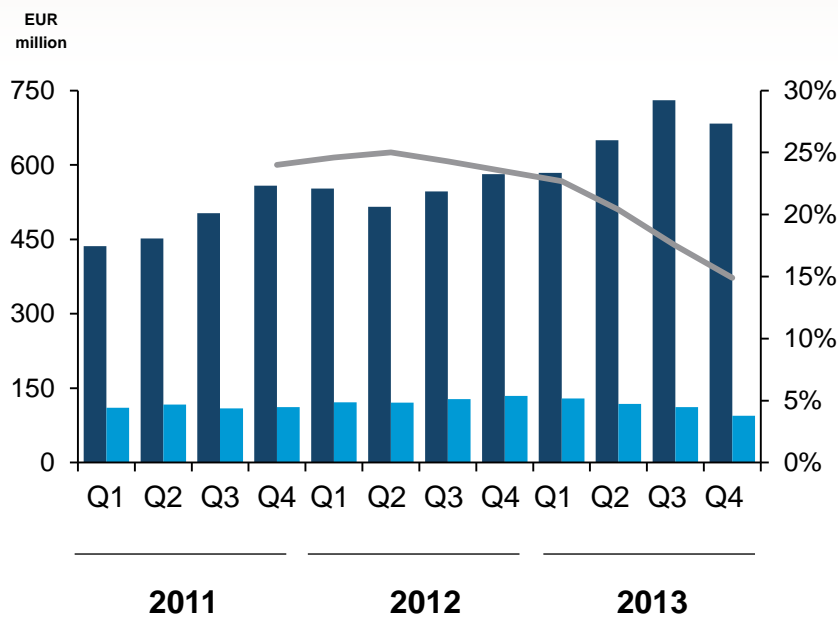
Note: 2012 and Q1/2013 non-IFRS figures published May 21, 2013.

Financial covenant tied to the Group's equity ratio (minimum level of 25.0%) according to Group reporting (IFRS) in bank loans and RCFs

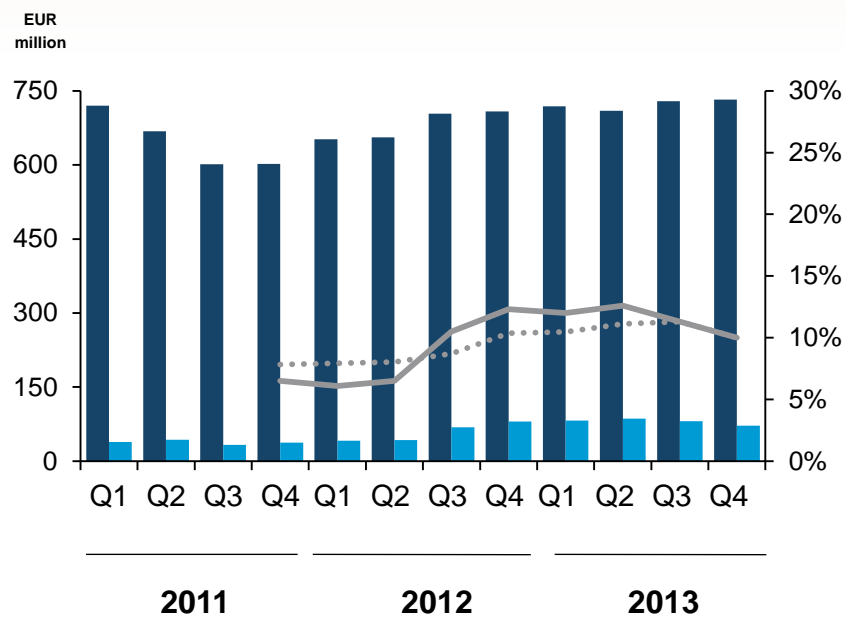


# ROI affected by the increase in invested capital

## Construction Services Finland



## International Construction Services



■ Operative invested capital, EUR million

■ Operating profit, 12 month rolling, EUR million

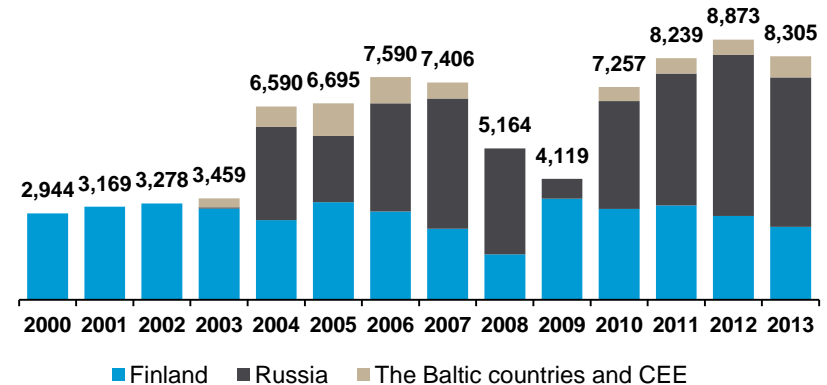
— Return on operative invested capital, 12 month rolling, percent

..... Excluding non-recurring items

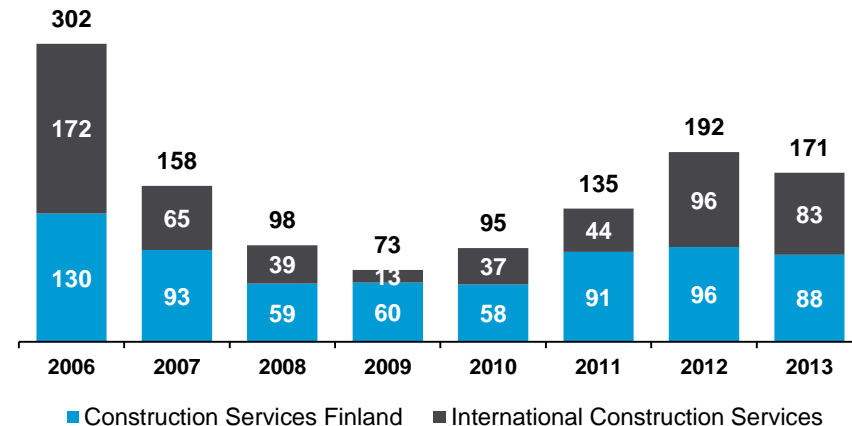
# YIT's ability to manage cash flow is good

- Good ability to manage cash flow
  - Start-ups adjusted according to demand
  - Opportunity to adjust plot investments; current plot reserve provides a good base for growth and profitability for the coming years
- Balanced business portfolio in Finland
  - Investor deals in residential business complement consumer sales
  - Business Premises and Infrastructure counter cyclical by nature
- Improved situation in Russia
  - Project profitability on a good level
  - Flexibility in production costs:
    - Opportunity for salary cuts
    - Possibility to re-negotiate purchasing agreements
    - Relatively high share of outsourcing
  - More stable base load for each unit
  - Payment schedule for plots tied increasingly to permitting process and start-ups

**Housing start-ups 2000-2013**  
Pcs



**Cash flow of plot investments 2006-2013**  
EUR million

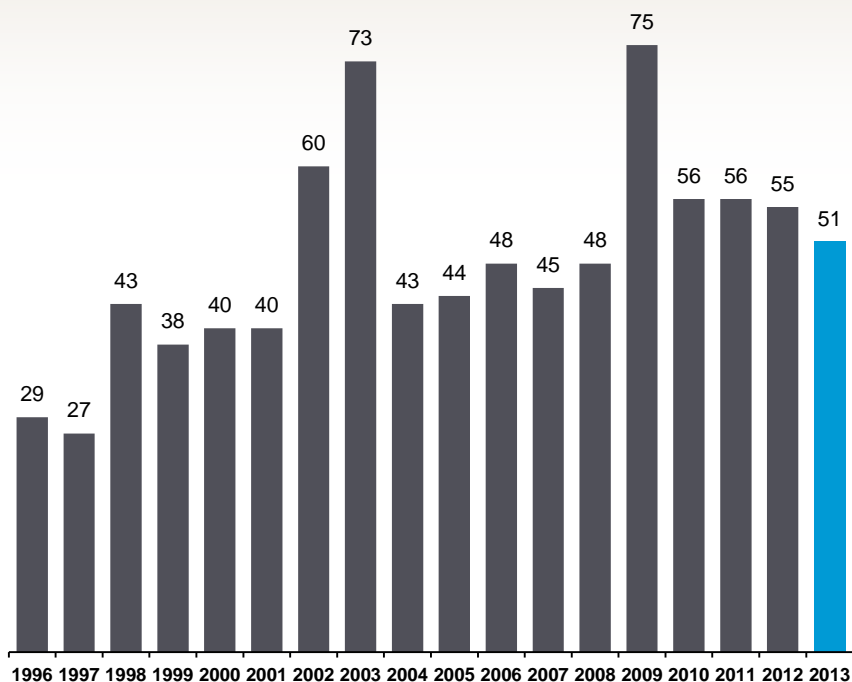


# Board proposal to AGM: Dividend according to strategic target

## Payout ratio

Percent

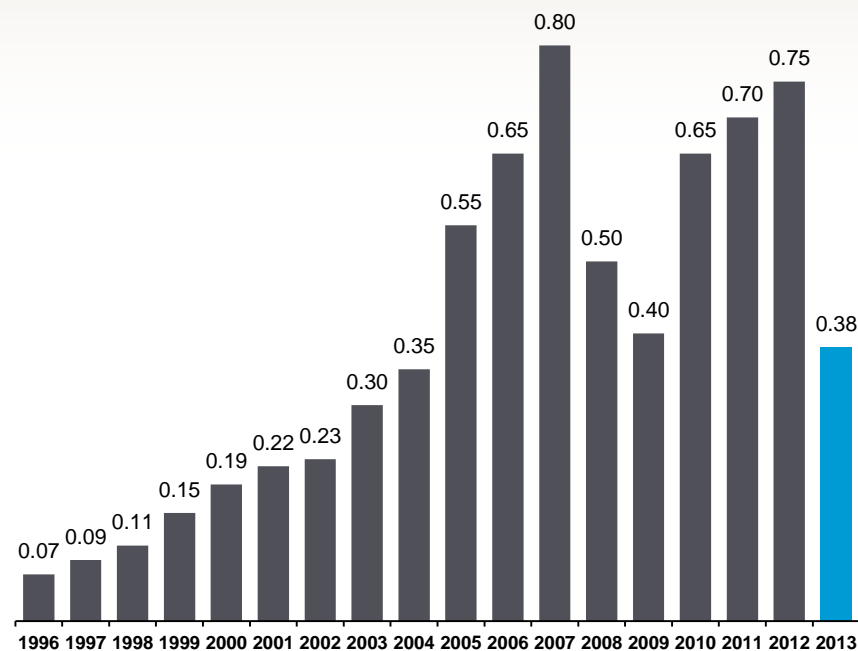
Note: Historical figures are YIT Group pre demerger



## Dividend / share

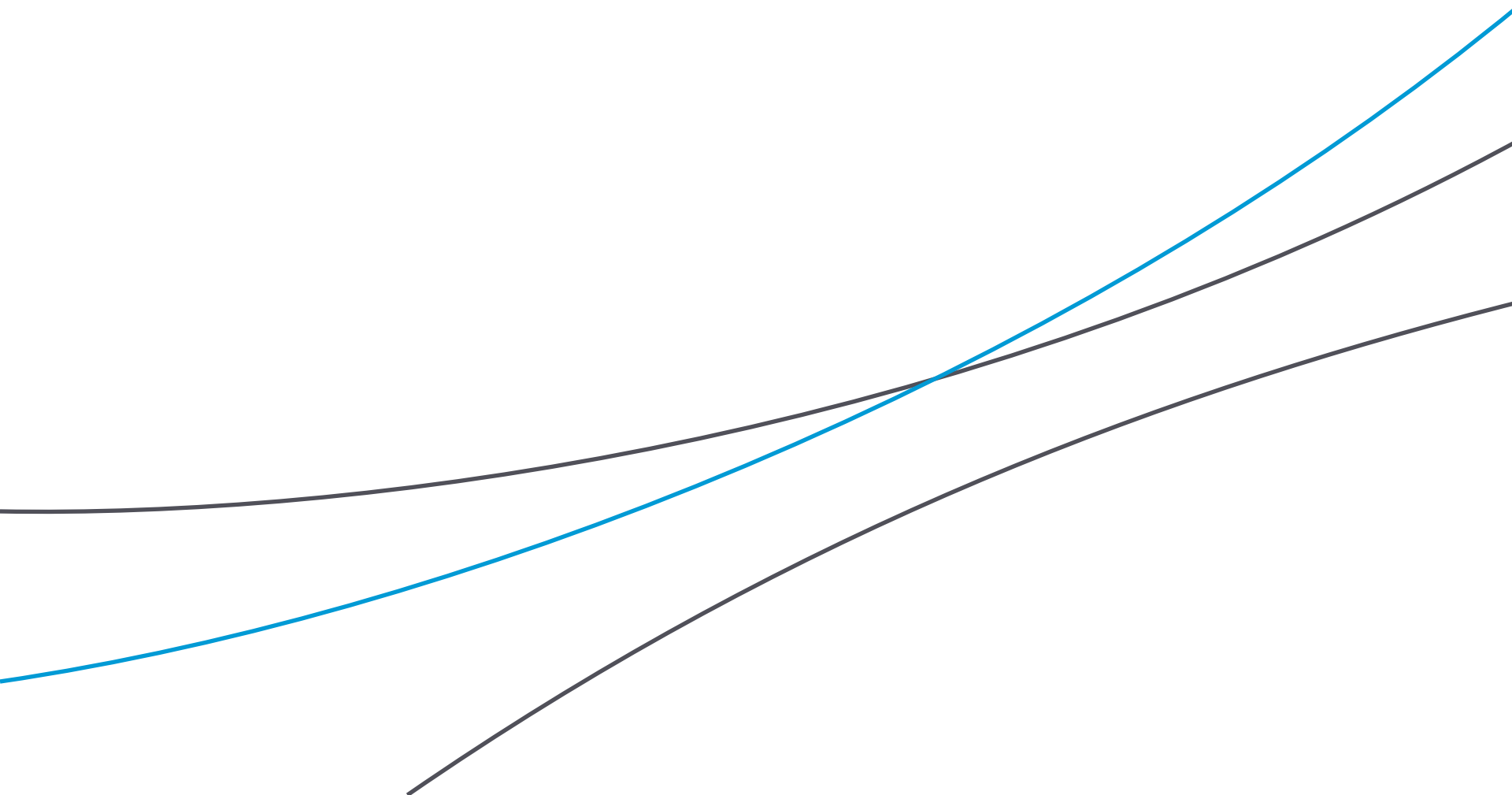
EUR

Note: Historical figures are YIT Group pre demerger



**Strategic target: Dividend payout  
40-60% of net result**

# Construction Services Finland



# Key market drivers in Finland



## Housing

- Internal migration to growth centres
- Decreasing family-sizes
- Ageing population
- Energy efficiency
- Consumerism and lifestyles

## Business Premises

- Concentration to growth centres
- City centre development, area development
- Demand for modern and energy efficient premises
- Modernisation needs, change of purpose

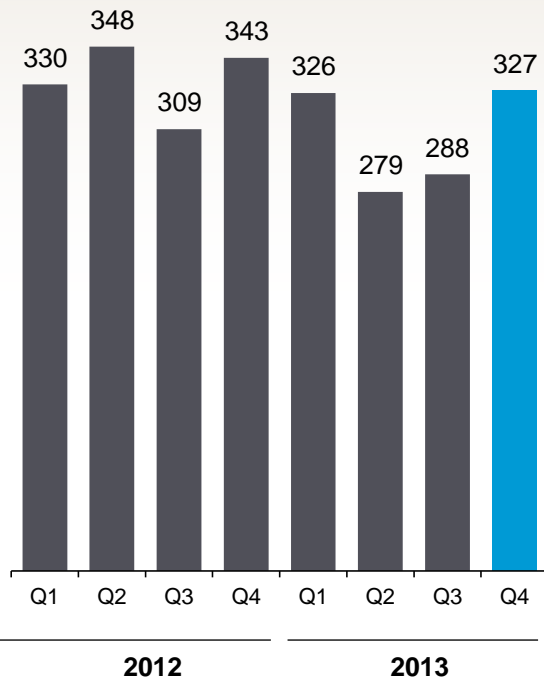
## Infra-structure

- Urbanisation increases need for more complex infrastructure in city centres
- Need to improve the road network
- Sustainable power generation investments

# Investor sales in Housing and weakness in Business Premises impacted results

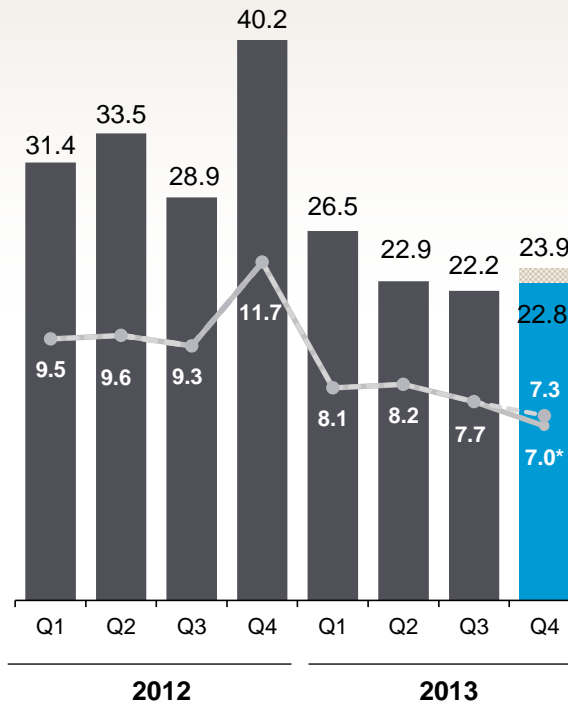
## Revenue (EUR million)

Change 2012 – 2013: -8%



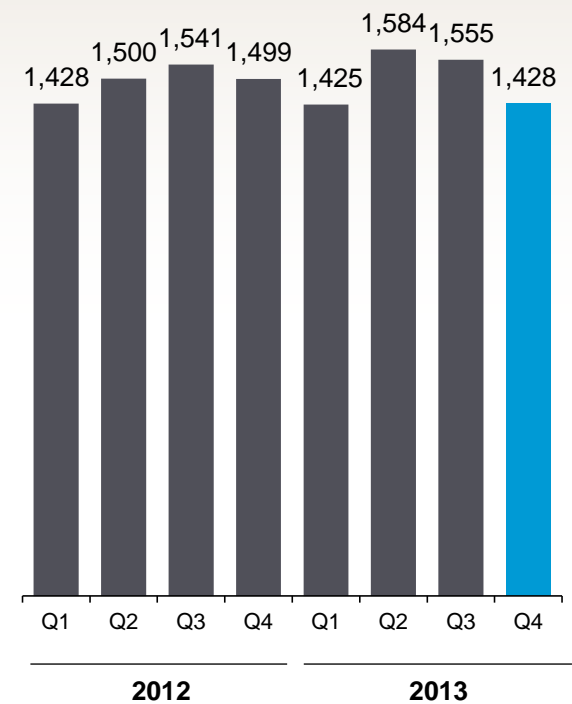
## Operating profit (EUR million)

Change 2012 – 2013: -30%,  
-29% excluding non-recurring items



## Order backlog (EUR million)

Change 2012 – 2013: -5%



All figures according to segment reporting (POC)

■ Operating profit

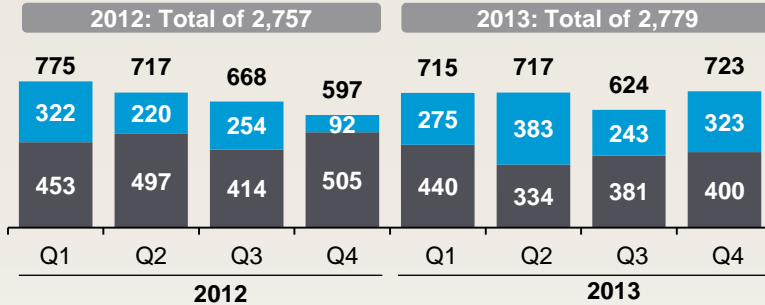
—● % of revenue

\*EUR 1.2 million non-recurring restructuring costs in Q4/13, of which EUR 1.0 million allocated to Construction Services Finland



# Sales volume for consumers low, good activity in investor deals

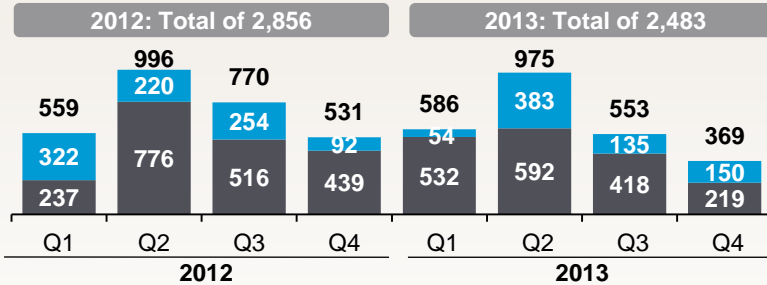
## Sold apartments (pcs)



- To investors (funds)
- To consumers

2013: 56% directly to consumers (68% in 2012)

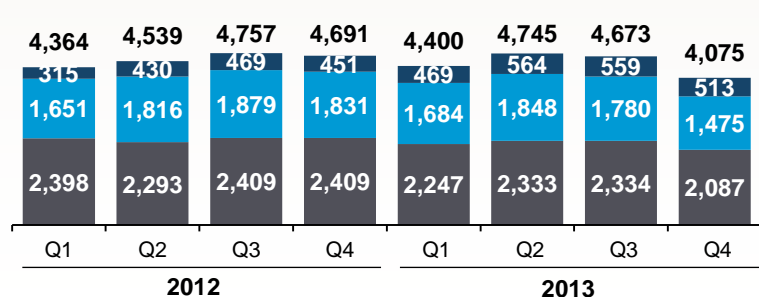
## Apartment start-ups in Finland (pcs)



- For investors
- For consumers

2013: 71% directly to consumers (69% in 2012)

## Apartment inventory (pcs)



- Completed, for sale
- Under construction, for sale
- Under construction, sold

12/13: 59% of apartments under construction sold (12/12: 57%)

- High activity in investor sales
  - Role of housing funds increased
- Consumer prices stable in 2013
- Some improvement in customers' access to financing towards the end of the year
- Consumer sales improved towards the end of the year
- Full year start-ups for consumers reduced by approx. 11% (y-o-y) to adjust volume to demand
  - Focus of new start-ups in blocks of flats, reasonably priced apartments and projects in central locations with high demand
  - Sales portfolio better in line with demand
- Plot acquisitions and development of new projects continued in order to enable flexibility for higher start-ups

At the end of the period

# Highlights in Business Premises and Infrastructure



Road maintenance  
Tervakoski, Finland

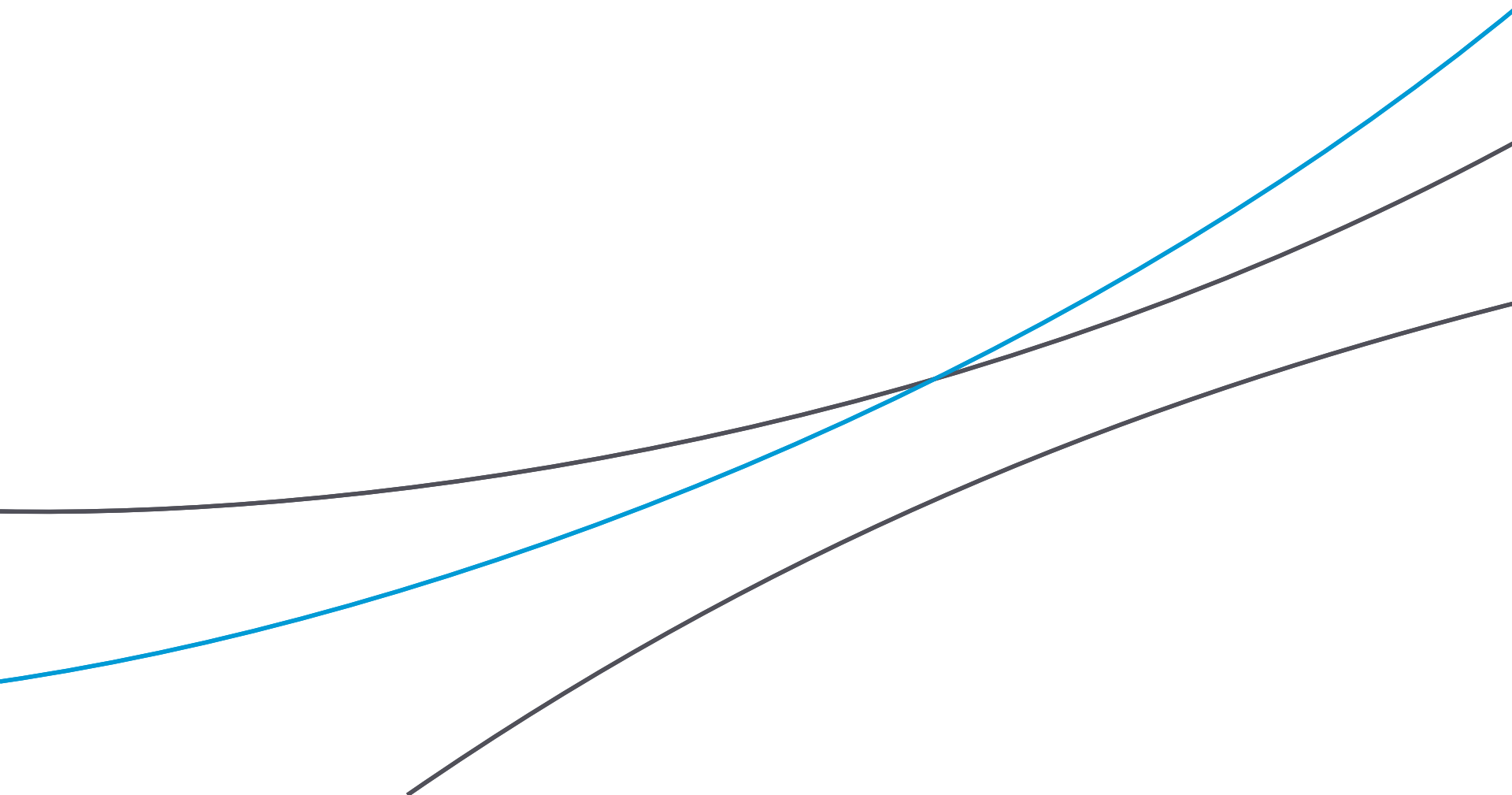
## Low volume and rising investor yields impacted profitability in Business Premises

- Office properties of the commercial centre Dixi and MotorCenter Espoonlahti sold to Etera Mutual Pension Insurance Company (EUR 60 million)
- Sales of other own-developed business premises projects currently under construction continue in 2014
- Final decisions concerning the Tripla project made by Helsinki City Council, Parliament of Finland and Senate Properties, according to schedule
  - The design and build agreement, the preliminary agreement on the real estate transaction and the turnkey contract signed in January 2014

## Good results in Infrastructure

- E18 Koskenkylä – Kotka PPP -project selected as "construction site of the year" in Finland
  - First phase of the project opened for traffic ahead of schedule
- Several road maintenance contracts signed (EUR 70 million)
- Planning of three new own-developed wind parks started in 2013

# International Construction Services



# Key market drivers

## Strong growth in International Construction Services



### Opportunities in Russia

- Internal migration to growth centres
- Increase in number of households due to decreasing family-sizes
- Low living space and poor quality of existing buildings
- Increasing share of middle class with improving purchasing power
- Political support for housing development
- Developing mortgage market

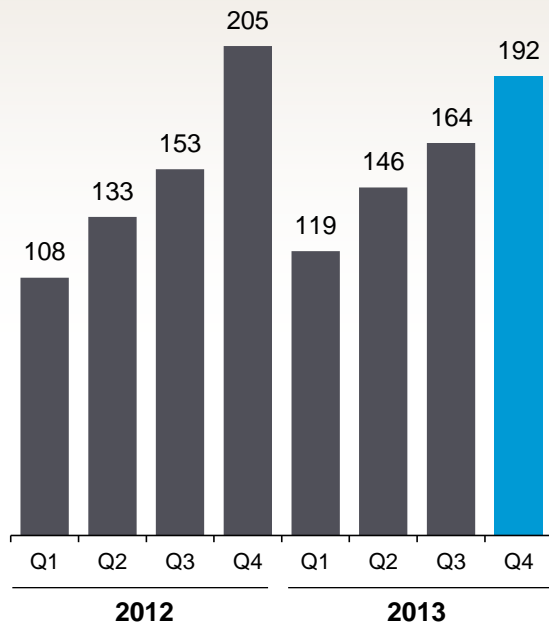
### Opportunities in the Baltic countries, the Czech Republic and Slovakia

- Low living space and poor quality, demand for modern apartments
- Housing markets very fragmented in Central Eastern Europe - only a few bigger players in residential construction
- Improving macro outlook

# Weaker ruble and stable prices impacted results

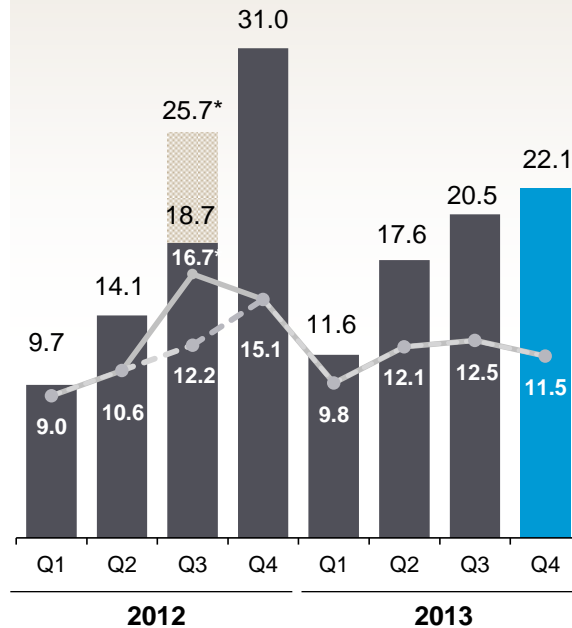
## Revenue (EUR million)

Change 2012 – 2013: 4%



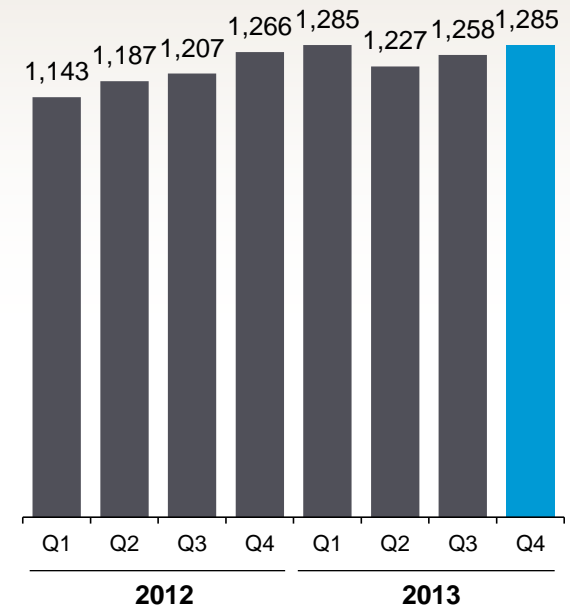
## Operating profit (EUR million)

Change 2012 – 2013: -11%,  
-2% excluding non-recurring items



## Order backlog (EUR million)

Change 2012 – 2013: 2%



All figures according to segment reporting (POC)

■ Operating profit    —●— % of revenue

\*A EUR 10.0 million cost provision covering costs related to the ammonia case in St. Petersburg was made in Q3/11. EUR 7.0 million of the provision was released in Q3/12.

# YIT in Russia

## The largest foreign residential developer

- Russia is one of the cornerstones in YIT's profitable growth strategy
  - Residential development on own plots
  - Maintenance and services to residential buildings, just under 16,000 customers
- Seven local companies
- 5,099 residential start-ups in 2013
- 10,780 apartments under construction (12/2013)
- Strengths of YIT in Russia:
  - Over 50 years experience
  - Strong brand (reliable, Western quality)
  - Local management
  - Plot acquisition skills
  - Efficient design management



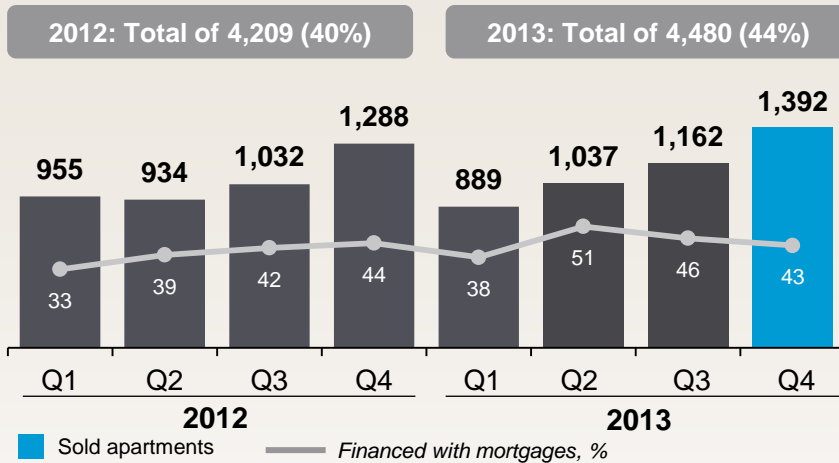
### YIT Russia in figures (2013)

<b>Revenue</b>	<b>EUR 496 million</b>
<b>Plot reserves</b>	<b>EUR 320.1 million</b>

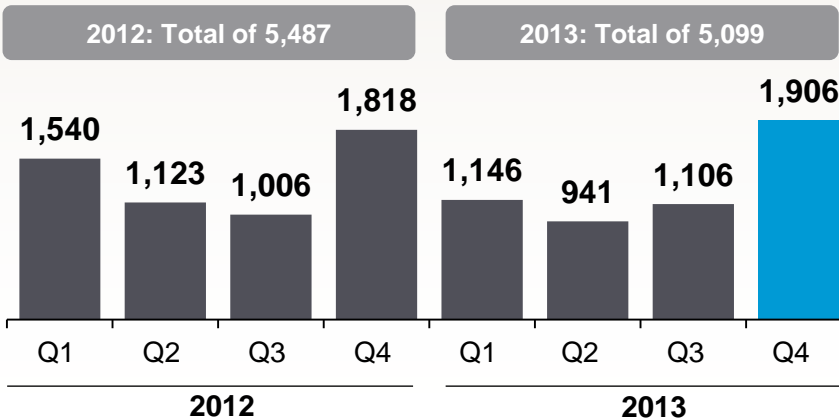


# Growing sales volume in Russia

## Sold apartments in Russia (pcs, %)



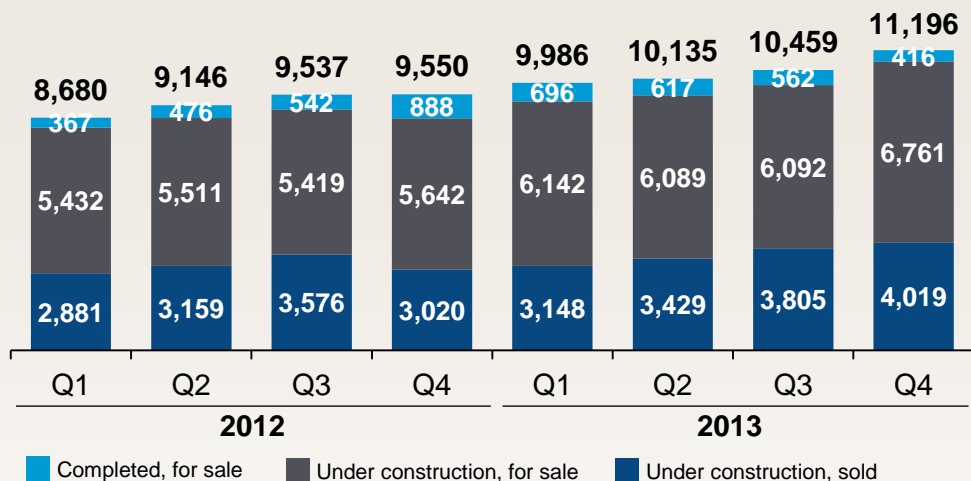
## Start-ups in Russia (pcs)



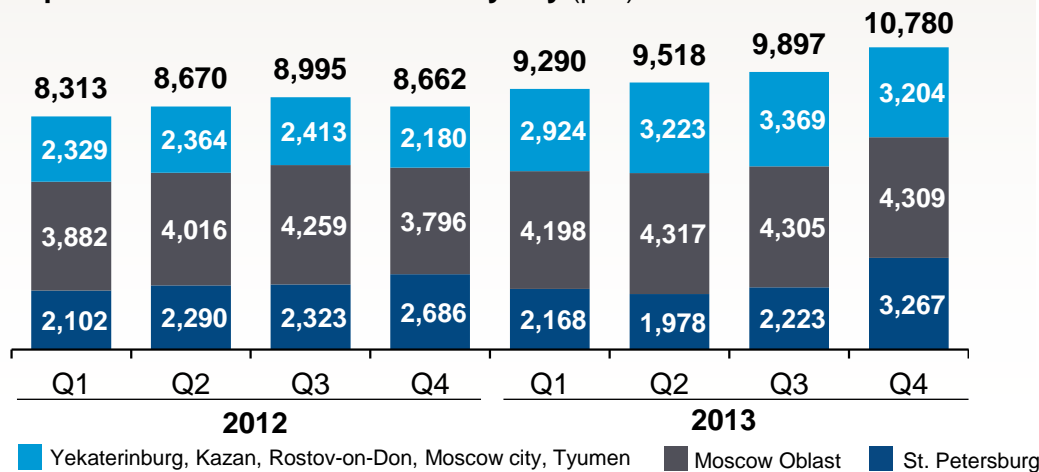
- Prices stable in 2013
- Share of deals financed with mortgages remained on a high level thanks to mortgage cooperation with partner banks
- Several large area development projects started in St. Petersburg
- Promising demand for recently started projects in St. Petersburg
- New plots acquired in several cities

# Balanced portfolio in Russia

Apartments in Russia (pcs)

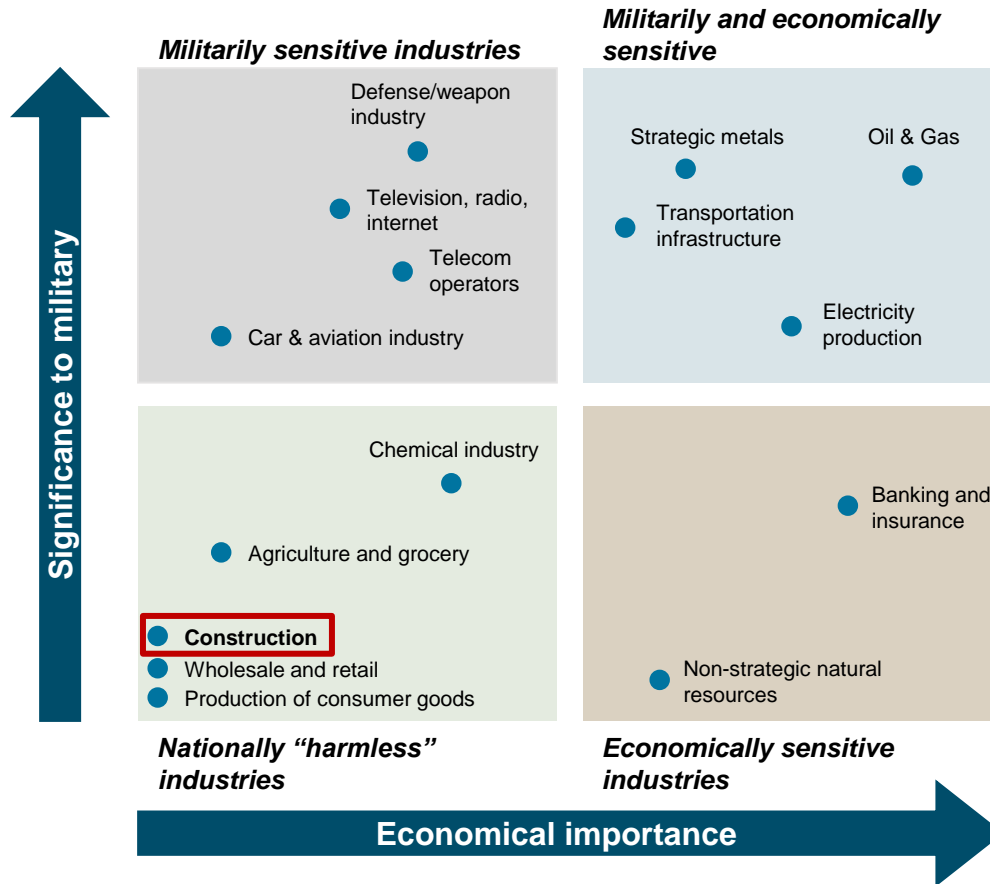


Apartments under construction by city (pcs)



- Strongest y-o-y growth in the regional cities
- 37% of apartments under construction were sold (12/12: 35%)
- Good development in St. Petersburg
  - Portfolio geographically better balanced

# Construction business not politically sensitive sector in Russia



# YIT targets the middle class in Russia

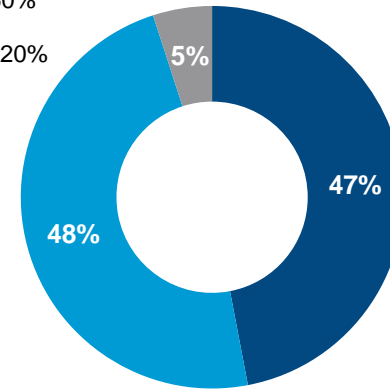
## YIT' focus on Economy segment

### Housing segments in Russia



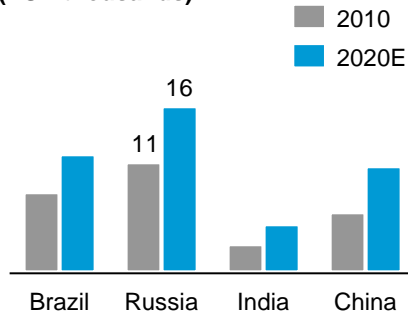
## Equal share of money at top and middle class in Russia

- TOP 20%
- MIDDLE 60%
- BOTTOM 20%

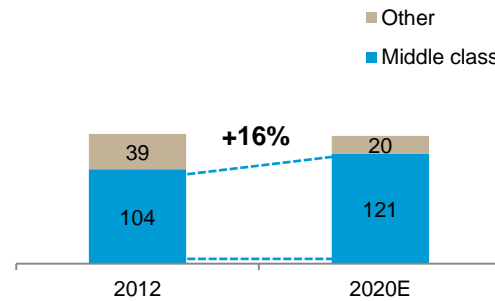


## Russia's middle class is growing rapidly

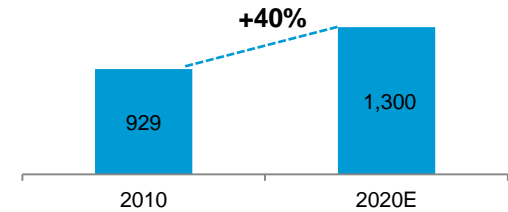
### GDP per capita (EUR thousands)



### Middle class development in Russia (Population in millions)



### Middle class spending in Russia (USD billion)



# YIT's cash flow profile has clearly improved in Russia after the financial crisis

## Before

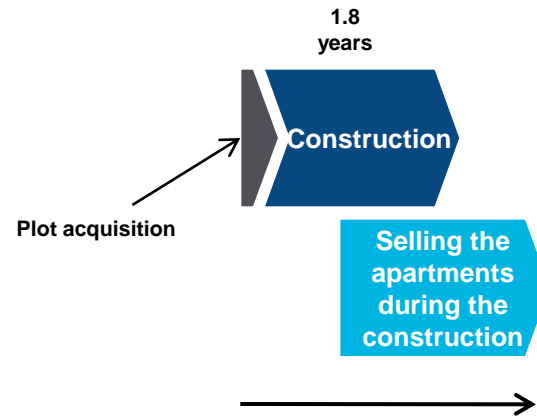


**Total: Cash conversion cycle more than 5 years**

Before the financial crisis, plot acquisitions were typically made several years prior the initiation of construction process

Furthermore the apartments were sold closer to completion or after the completion

## Today



**Total: Cash conversion cycle less than 3 years**

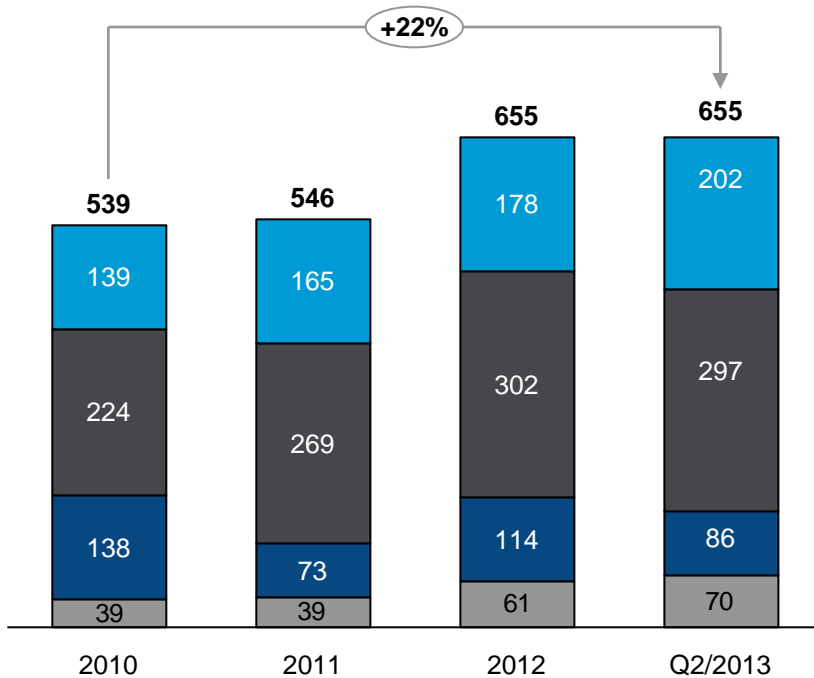
Today, YIT aims to pay for the acquired plots closer to starting construction

Furthermore, today the average completion rate of the apartments sold is approximately 60% - clear impact on cash flow profile

# Inventory development vs. construction volumes in Russia

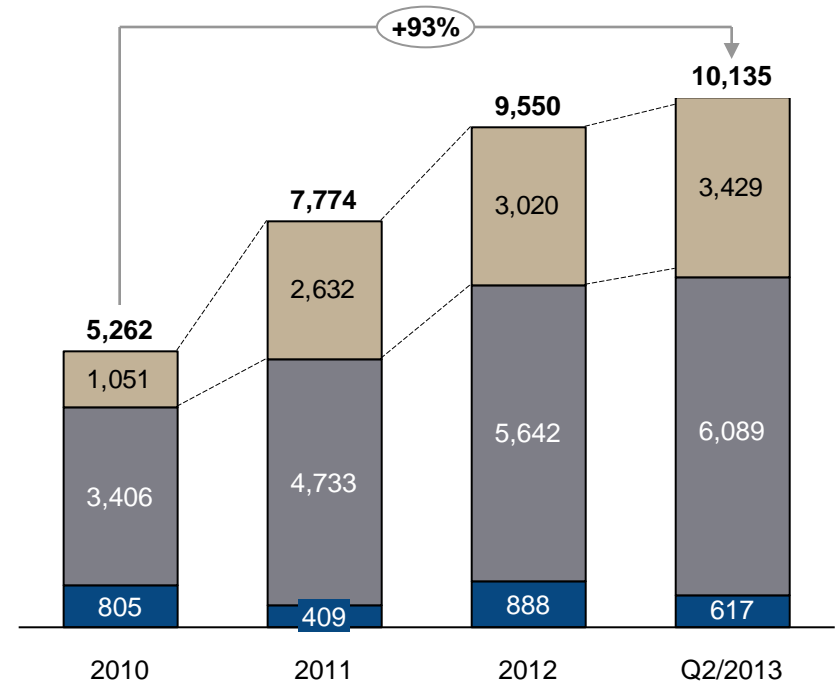
## Inventory development (EUR million\* at the end of the period)

- WIP
- Land + development costs
- Ready apartments
- Other inventory



## Construction volumes (PCS)

- Under construction, sold
- Under construction, unsold
- Finished, unsold



\*) EUR/RUB of 40.8200, 41.7650, 40.3295 and 39.7617 applied for 2010, 2011, 2012 and Q1/2013 respectively



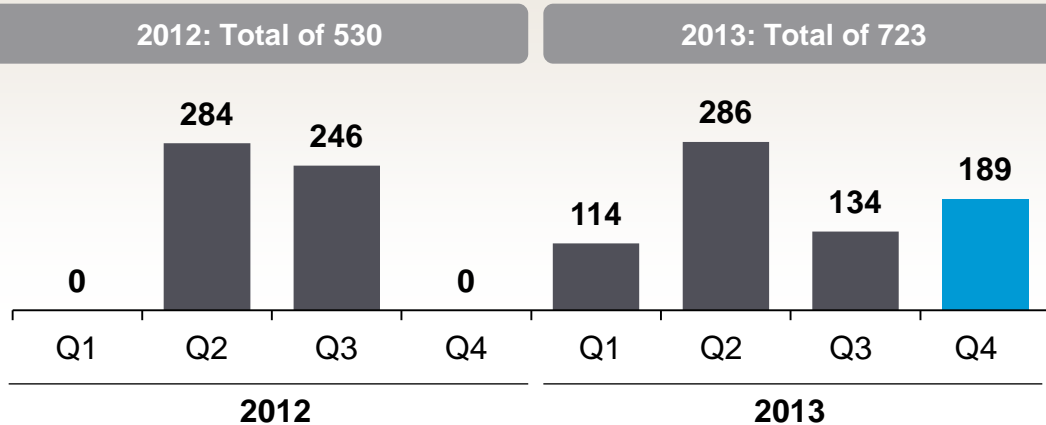
# Framework for YIT's regional expansion strategy



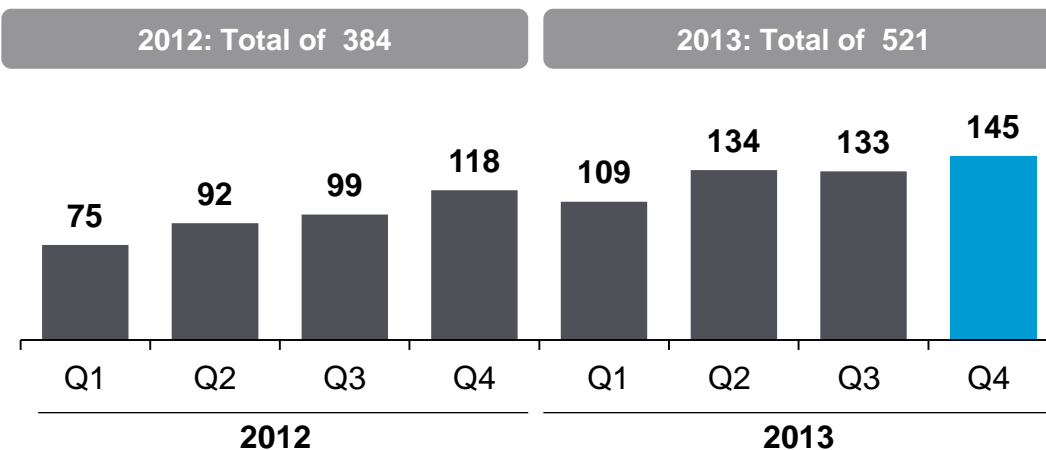
- Target market share in operating cities up to 10%
  - Bigger market share would increase competitive/political risks with major players and uncontrolled volume drop risk
- Expansion strategy based on "triangles"
  - One main city and satellite cities 100-350 km from local head office, population in satellite cities from 0.5 to 1.0 million inhabitants, and in every "triangle" min. 4 million
  - Operational leverage
- Entering new cities: green field through plot acquisitions with thorough legal due diligence
  - Plot acquisition strategy: one bigger plot (7-15 ha) and one small plot (1-3 ha) in production simultaneously
- Entering a market by acquiring companies as an option
  - Faster sales development, but higher risk of potential losses and plots/projects that do not fulfill YIT's commercial requirements

# Growing housing sales in the Baltic countries, the Czech Republic and Slovakia

## Apartment start-ups in the Baltic countries, the Czech Republic and Slovakia (pcs)

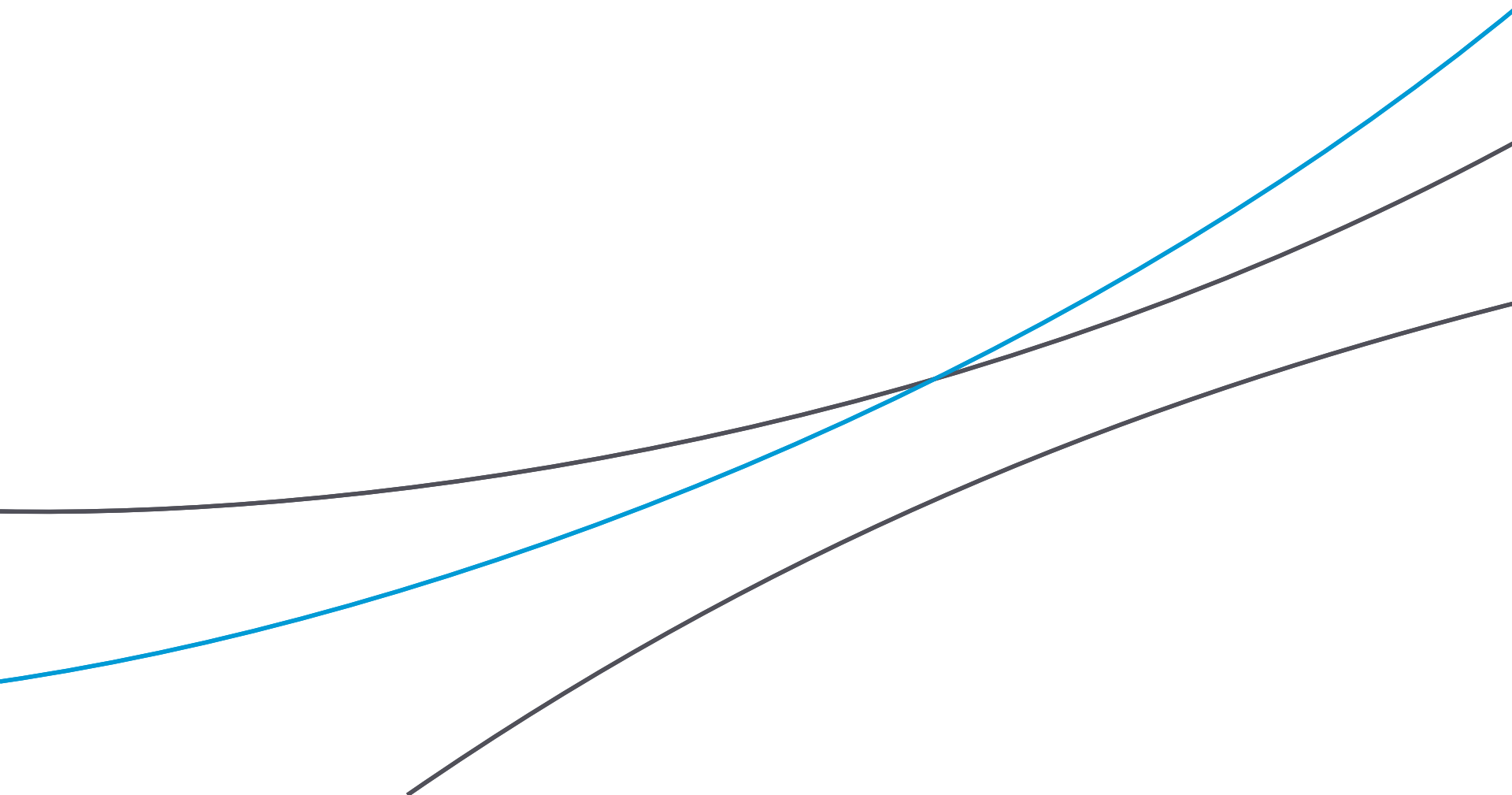


## Apartment sales in the Baltic countries, the Czech Republic and Slovakia (pcs)



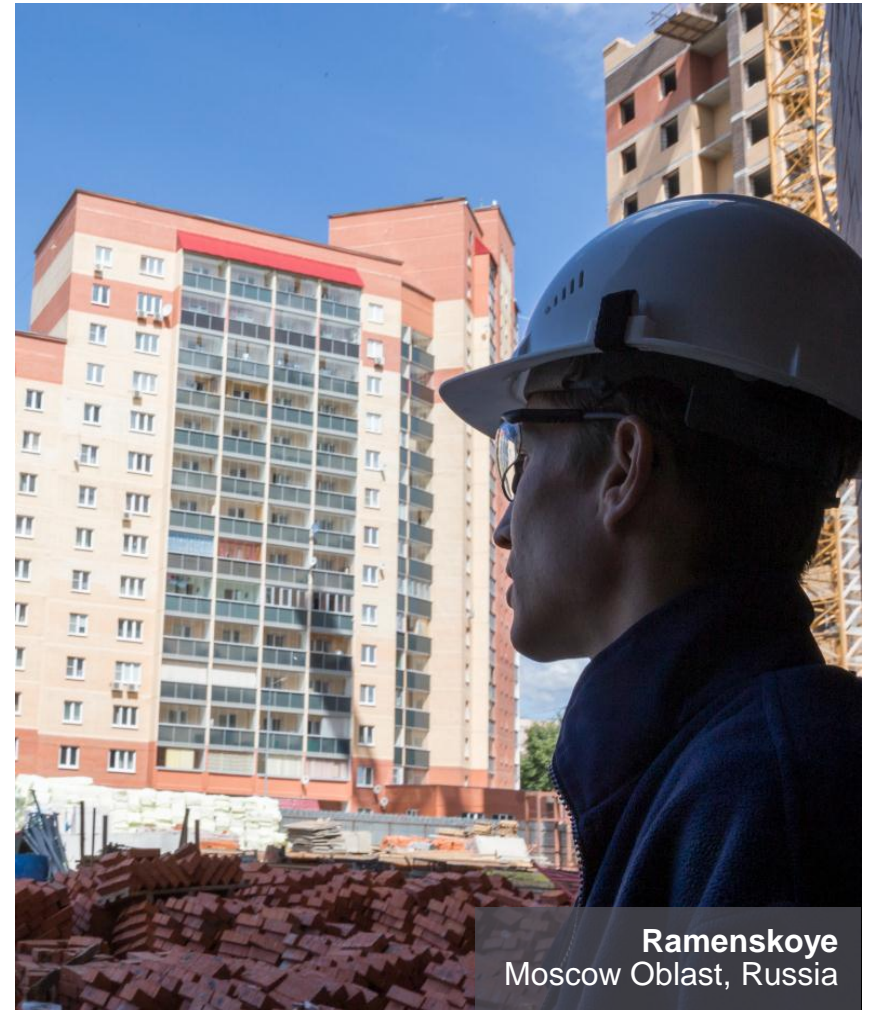
- Housing sales have grown steadily
  - Regional differences in demand
- Housing prices have increased slightly
- Clearly more start ups in 2013 compared to 2012
- Total residential units under construction 12/13: 1,062 (12/12: 715)
- Focus shifted from tender based projects to own development
- Construction of a shopping centre for SOK started in Vilnius

# Outlook and actions going forward



# Key achievements post demerger

- Progress in strategic projects
  - The Tripla project in Pasila, Helsinki
  - Own-developed wind power projects in Finland
  - City plan for several large area development projects in Russian Housing
  - Several key plot acquisitions of new area projects in Finland, Russia and Slovakia
- Organizing the operations and adjusting the cost structure according to the new management structure and current market environment in Finland
- Further development of the land bank
- Specific actions to improve capital efficiency starting to gradually bear fruit
- Foundation for new YIT laid
  - Values and leadership principles as well as vision and mission defined and implementation is ongoing



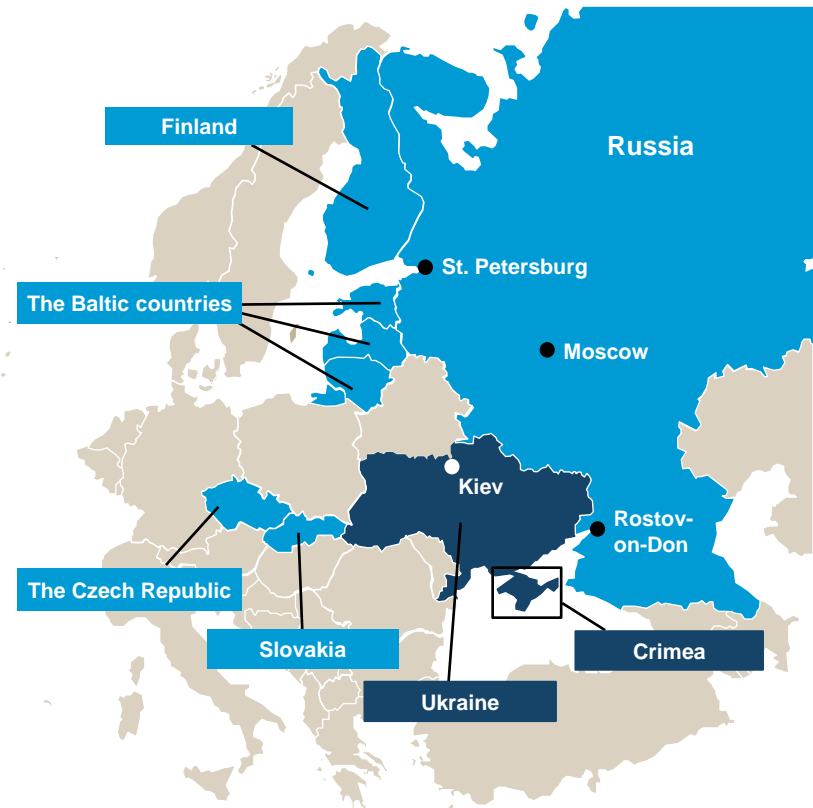
# Measures for capital release accelerated in Q4/13

Target for capital release	Action in Q4/13	Progress
Reducing the inventory of unsold completed apartments in Finland >EUR 50 million	<ul style="list-style-type: none"> <li>Active sales to investors covering a wide variety of apartments</li> </ul>	<ul style="list-style-type: none"> <li>Decrease in inventory of EUR 3.5 million</li> </ul>
Selling own-developed business premises projects (currently under construction) EUR 80 million	<ul style="list-style-type: none"> <li>Phase 1 of the office properties of Tikkurila Commercial Centre Dixi and Motorcenter Espoonlahti sold to Etera Mutual Pension Insurance Company</li> </ul>	<ul style="list-style-type: none"> <li>Sales value of approx. EUR 30 million* (revenue recognized only partly)</li> </ul>
Slow-moving assets >EUR 150 million	<ul style="list-style-type: none"> <li>Slow-moving assets sold in the Moscow Oblast and St. Petersburg</li> </ul>	<ul style="list-style-type: none"> <li>EUR 18 million sold or agreed (revenue recognized only partly)</li> </ul>
New off-balance sheet partnership models in plot acquisitions >EUR 100 million	<ul style="list-style-type: none"> <li>Continuous cooperation with existing partner</li> <li>Discussions with other possible investors and partners initiated</li> </ul>	<ul style="list-style-type: none"> <li>The value of plots financed by external partners EUR 7.8 million</li> </ul>

\*In addition approx. EUR 30 million worth Phase 2 of office properties of Tikkurila Commercial Centre Dixi sold to Etera Mutual Pension Insurance Company

# Impacts of the Ukrainian crisis for YIT

- Effects of the crisis
  - Increased uncertainty
  - The ruble exchange rate (RUB:EUR) has weakened clearly
  - The Central Bank of Russia has increased its benchmark interest rate
  - It is apparent that sanctions, incl. economic sanctions, will be set
- Immediate effects on YIT
  - The devaluation of the ruble decreases YIT's euro-denominated revenue, profit, balance sheet and equity (no impact on profitability)
  - Hedging costs for Russian investments have risen as the interest rate difference has increased
  - Mortgage interest rates for our customers in Russia have so far remained unchanged (ca 11.5–12.0%)
  - So far, the crisis has not had a negative effect on YIT's residential sales in Russia
  - Impacts of the potential sanctions are unpredictable
  - It is apparent that if the crisis continues it will affect YIT's business operations





# Key priorities in 2014

## 1 Customer focus

- Faultless handover
- Improving the customer experience
- Online services
- Concept development

## 2 Cost efficiency

- Development of reasonably priced products
- Improving internal processes
- Continuous education of design management in all operating countries
- Tighter cross-border cooperation in sourcing

## 3 Cash flow and capital efficiency

- Reducing the number of completed unsold apartments
- Executing sales of Business Premises projects
- Utilizing off-balance sheet partnerships in plot acquisitions
- Releasing capital from slow-moving assets



Konepaja residential area  
Helsinki, Finland

# Market outlook 2014

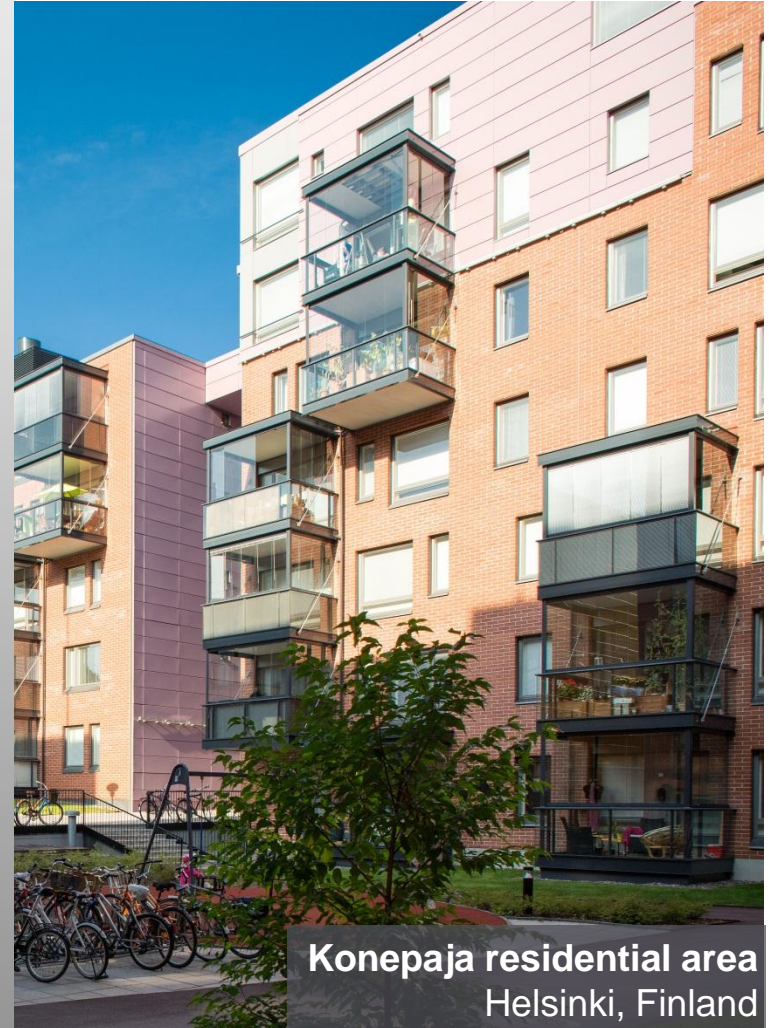
## Housing (1/2)

### Finland

- Housing start-ups expected to decrease. Forecasted start-ups 25,000 units in Finland in 2014 (Euroconstruct, November 2013) while the estimated long-term annual need is 24,000-29,000 units (VTT Technical Research Centre of Finland, January 2012)
- Housing prices expected to remain stable
- Moderate increase in construction costs mainly due to changes in energy norms
- Macro uncertainties and below-average consumer confidence continue to impact the residential market
- Slight improvement in consumer's access to financing
- Plans for legislation on debt ceiling proceeding. Planned limits largely in line with current market practise
- Interest rates are expected to remain low

### The Baltic countries, the Czech Republic and Slovakia

- Housing construction volumes increasing from low levels in the Baltic countries (VTT Technical Research Centre of Finland, December 2013)
- Housing start-ups expected to decrease slightly in the Czech Republic and Slovakia (Euroconstruct, November 2013)
- Housing prices expected to increase slightly

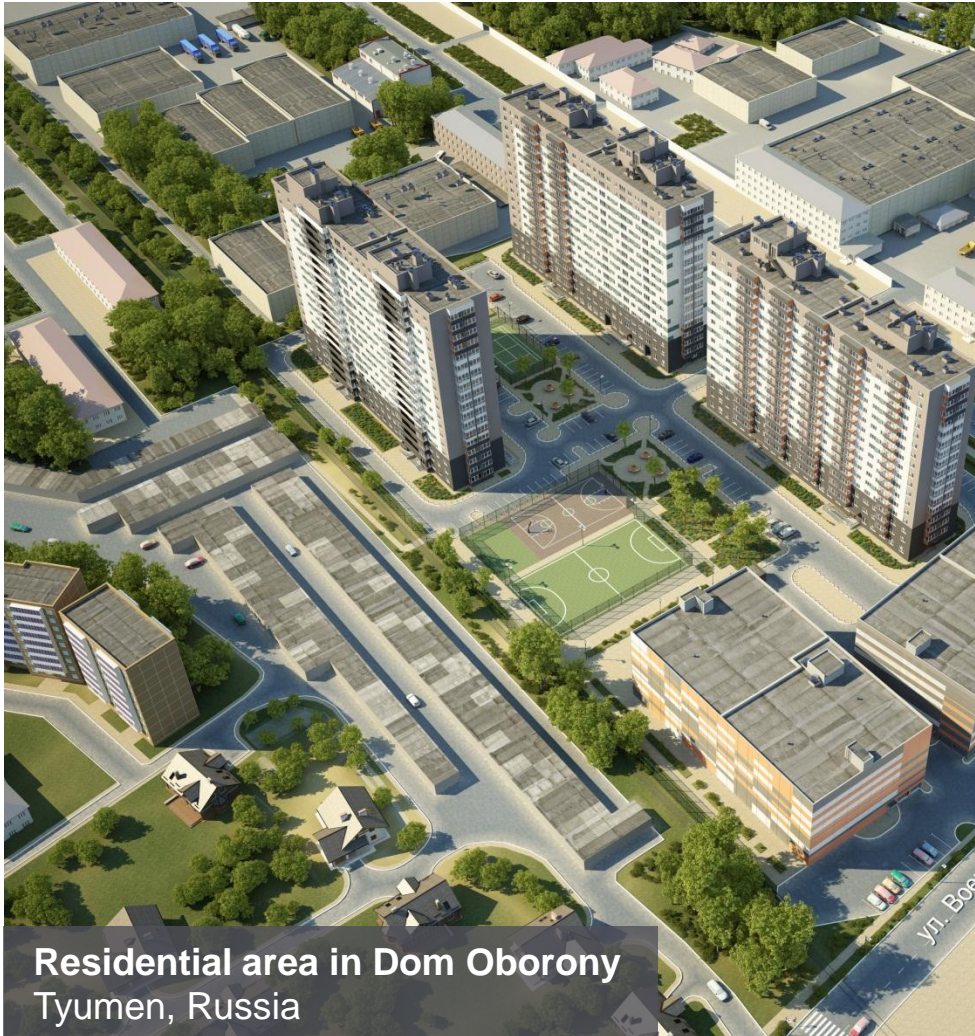


Konepaja residential area  
Helsinki, Finland



# Market outlook 2014

## Housing (2/2)



Residential area in Dom Oborony  
Tyumen, Russia

### Russia

- Housing construction is estimated to increase in 2014, but at a slower pace than in previous years (VTT Technical Research Centre of Finland, December 2013)
- YIT expects housing prices to be stable in 2014 and mortgage rates to stay on the level of 2013
- The Ukrainian crisis has for the time being not affected housing demand
- Macroeconomic weakness might impact the residential market
- GDP growth estimates have been cut recently; ruble has weakened against the euro

# Market outlook 2014

## Business Premises and Infrastructure

### Business Premises in Finland

- Business Premises market expected to remain weak as the market reacts to improvements in the economy with a lag
  - Forecasts vary: commercial construction is expected to increase by 18% and office construction to decrease by 9% (Euroconstruct, November 2013)
- Vacancy rate in the office sector is high, demand will focus on modern and energy-efficient premises

### Business Premises in the Baltic countries and Slovakia

- New non-residential construction is expected to grow by 5% in the Baltic countries (VTT Technical Research Centre of Finland, December 2013)
- New non-residential construction is expected to decrease by 8% in Slovakia (Euroconstruct, November 2013)

### Infrastructure in Finland

- Infrastructure construction forecasted to decrease slightly (Euroconstruct, November 2013)
- Increased competition for smaller contracts



Tikkurila Commercial Centre Dixi  
Vantaa, Finland



# Guidance for 2014

**The Group revenue** based on segment reporting is estimated to grow by **0-10%** at comparable exchange rates.

**The operating profit margin** based on segment reporting is estimated to be in the range of **7.5-8.5%** excluding non-recurring items.

Continuing uncertainty over the general macroeconomic development impacts YIT's business operations and customers.



Kirovogradskaya street  
Moscow, Russia

# Key investment propositions

– Unique growth opportunities, superior profitability

<b>Strengths</b>	<ul style="list-style-type: none"><li>• Strong market knowledge, more than 50 years' experience in Russia and more than 100 years' in Finland</li><li>• Plot acquisitions – local know how</li><li>• Superior sales process – design management, own sales, end user orientation</li><li>• Strong market position: The largest foreign residential developer in Russia, market leader in Finland</li><li>• Solid track record: One of the most profitable construction companies in Europe throughout the business cycle, clearly the most profitable in Finland</li></ul>
<b>Unique opportunities for growth</b>	<ul style="list-style-type: none"><li>• Focused and well-managed growth</li><li>• Russia:<ul style="list-style-type: none"><li>• Migration, urbanization, increasing share of middle class with improving purchasing power, low living space and poor quality of existing buildings</li><li>• Political support for housing and mortgage market development</li></ul></li><li>• The Baltics countries and CEE:<ul style="list-style-type: none"><li>• Low living space and quality of existing buildings, fastest economic growth in Europe</li></ul></li><li>• Finland:<ul style="list-style-type: none"><li>• Migration, decreasing family sizes and changing living needs, smaller and more efficient flats demanded</li><li>• Modern and efficient business premises needed in growth centres, emphasis on location and tenant quality</li><li>• Urbanization requires specialized knowledge in demanding infrastructure construction, new major route projects executed as public-private-partnerships</li></ul></li></ul>
<b>Risk management</b>	<ul style="list-style-type: none"><li>• Good corporate governance and high ethical standards</li><li>• Balanced business portfolio allows opportunities in all market situations</li><li>• Ability and good track record to adjust start-ups</li><li>• Geographical diversification - local management know how</li><li>• Sufficient plot reserve leaves room for cash flow management</li><li>• Flexibility in production costs especially in Russia</li></ul>

# Concluding remarks

Growth from own-developed projects in all business areas, especially residential development and emerging markets

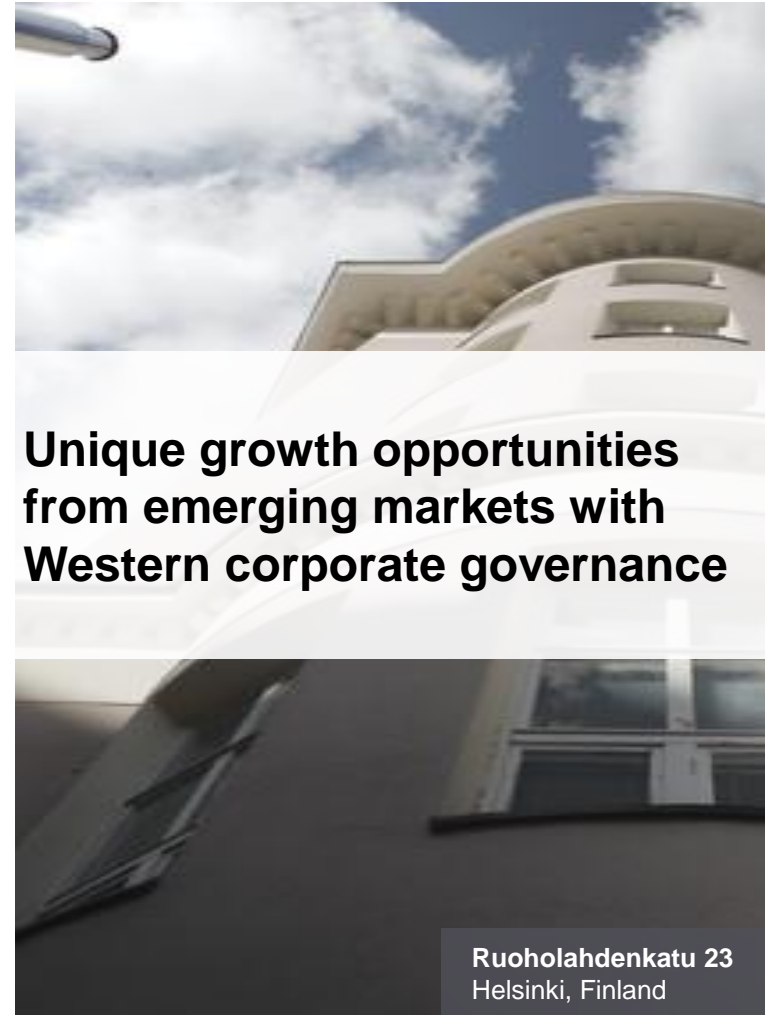
Ability to manage cash flow is good. Focus on improving capital efficiency

Solid track record in profitability through economic cycles due to excellence in risk management and execution. Room for further improvement

Strong market position: largest foreign residential developer in Russia, market leader in Finland

Solid dividend payer (payout target: 40-60%)

2013: strategy execution proceeded well in a demanding market environment





# Appendices



## **Appendix I**

Additional financial information

## **Appendix II**

General economic indicators

## **Appendix III**

Housing indicators

## **Appendix IV**

Business premises

## **Appendix V**

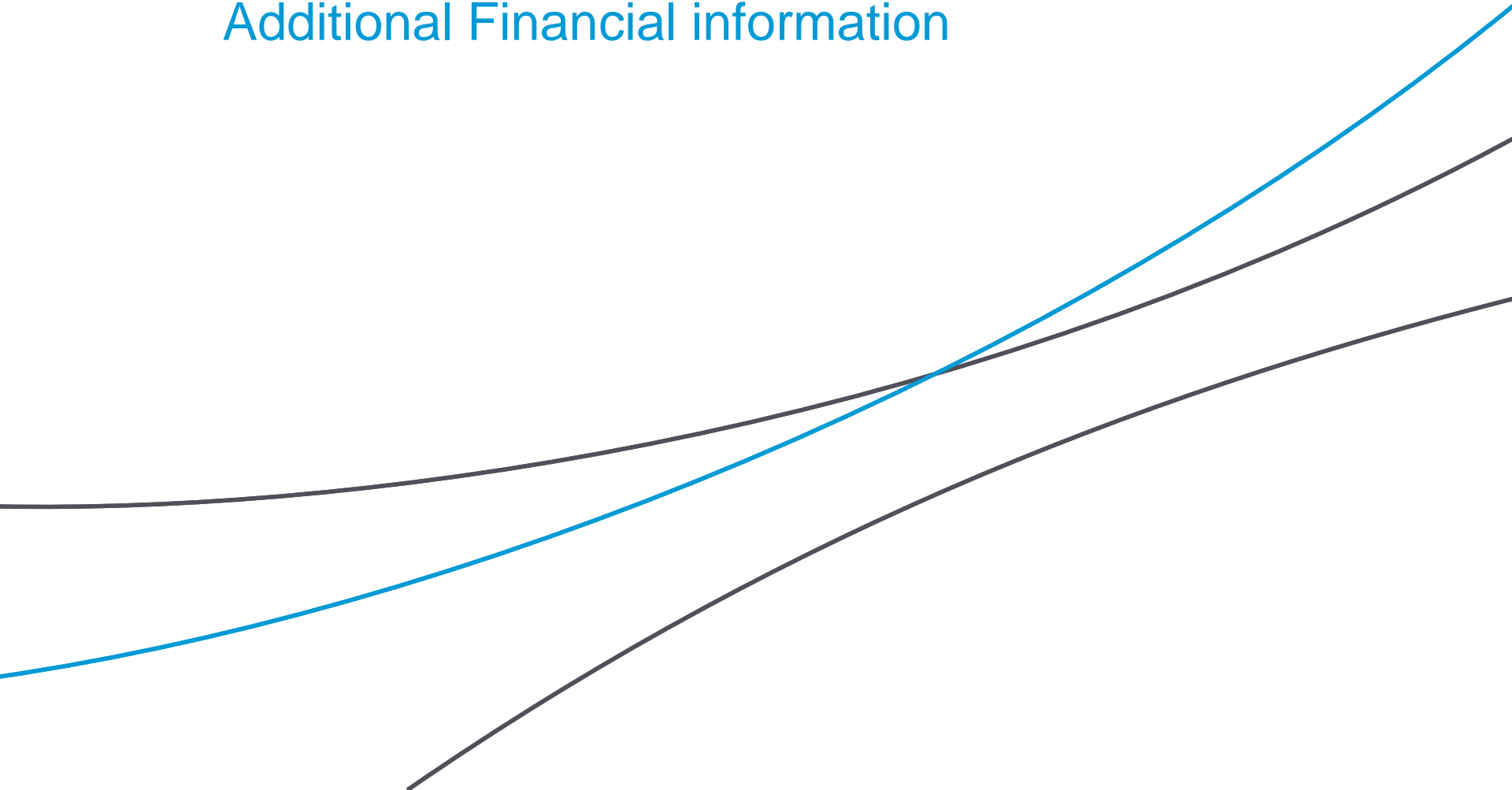
Infrastructure construction and construction costs

## **Appendix VI**

Ownership

# Appendix I

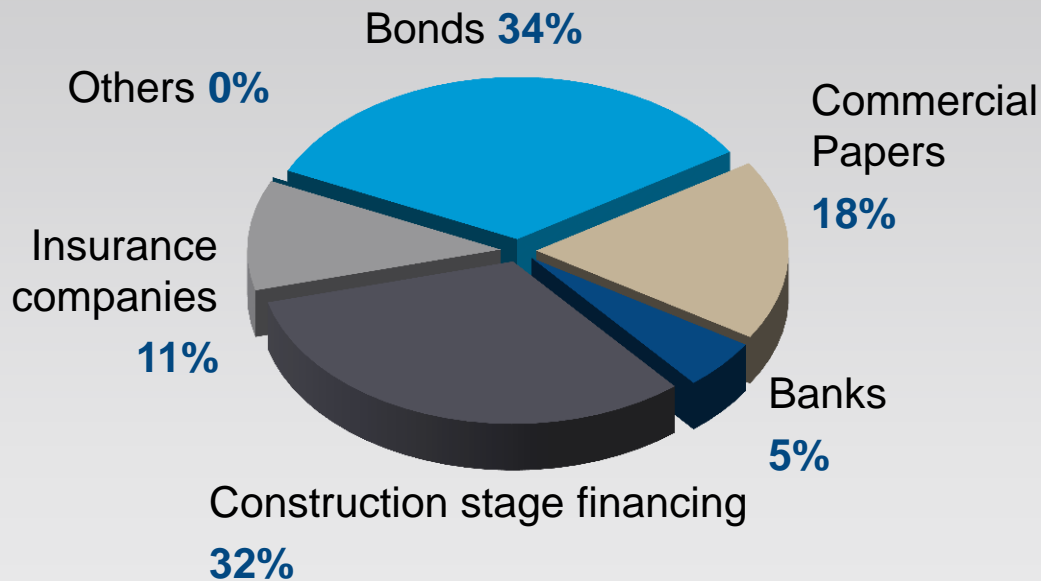
Additional Financial information



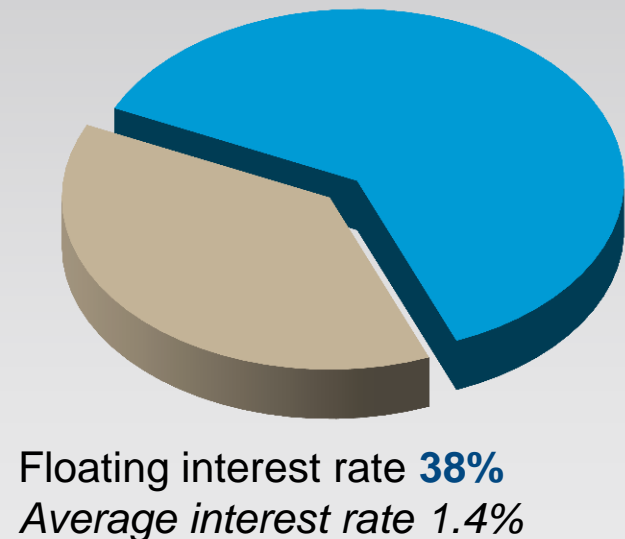
# Versatile financing sources with high hedging ratio

Debt portfolio 12/13, total EUR 858.0 million (9/13: EUR 909.7 million)

Average interest rate 2.7% (9/13: 2.7%)



Fixed interest rate **62%**  
Average interest rate 3.5%





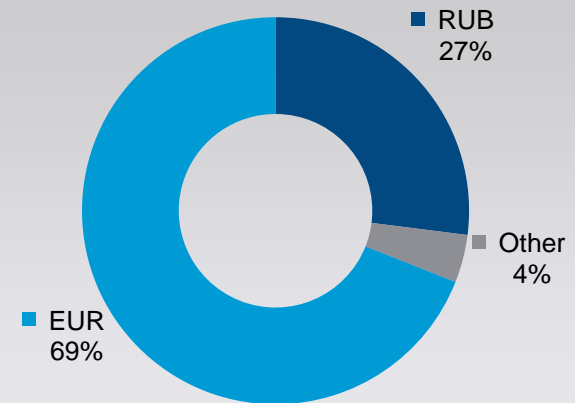
# Weakening of the ruble impacted the 2013 numbers

- The Russian ruble weakened 11% against the euro during 2013
  - The average rate for 2013 (EUR/RUB: 42.34) was 6% weaker than the 2012 average level
  - EUR/RUB 31.1.2014: 47.75

## Principles of managing currency risks

- Main currency risk relates to the Russian ruble
- Sales and costs typically in same currency locally, and all foreign currency items hedged  
→ no transaction impact for the subsidiaries
- Currency positions which affect the income statement are hedged
  - Loans made available to subsidiaries in local currency (excluding equity-like investments in Russia)
  - External loans in foreign currency
  - All purchases in foreign currency
- Equity and equity-like investments in Russia are considered as long term investment of permanent nature and not hedged. FX changes recognized as translation difference in equity
  - Total exposure: EUR 407.7 million in 12/13

## Revenue split 2013



## Impact of changes in foreign exchange rates (EUR million)\*

	Q4/2013	2013
Revenue, POC	-14.1	-30.6
EBIT, POC	-2.1	-4.7
Order backlog, POC	-140.1	-140.1
Equity, IFRS (translation difference)	-13.6	-50.3

\* Compared to the corresponding period in 2012

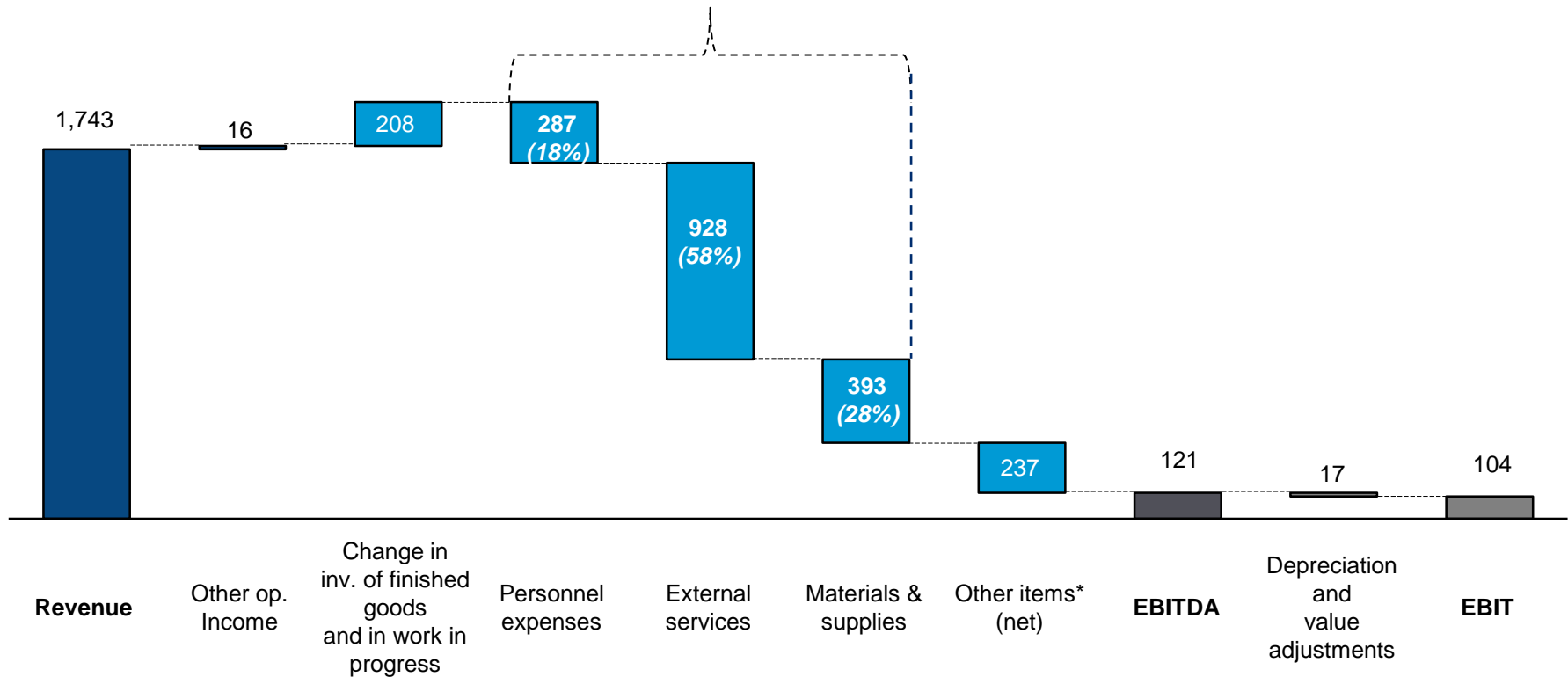
# YIT's cost base in 2013

## External services account major share of YIT's costs

EUR million

(% of cost base before EBITDA)

Total cost base of  
EUR 1,608 million

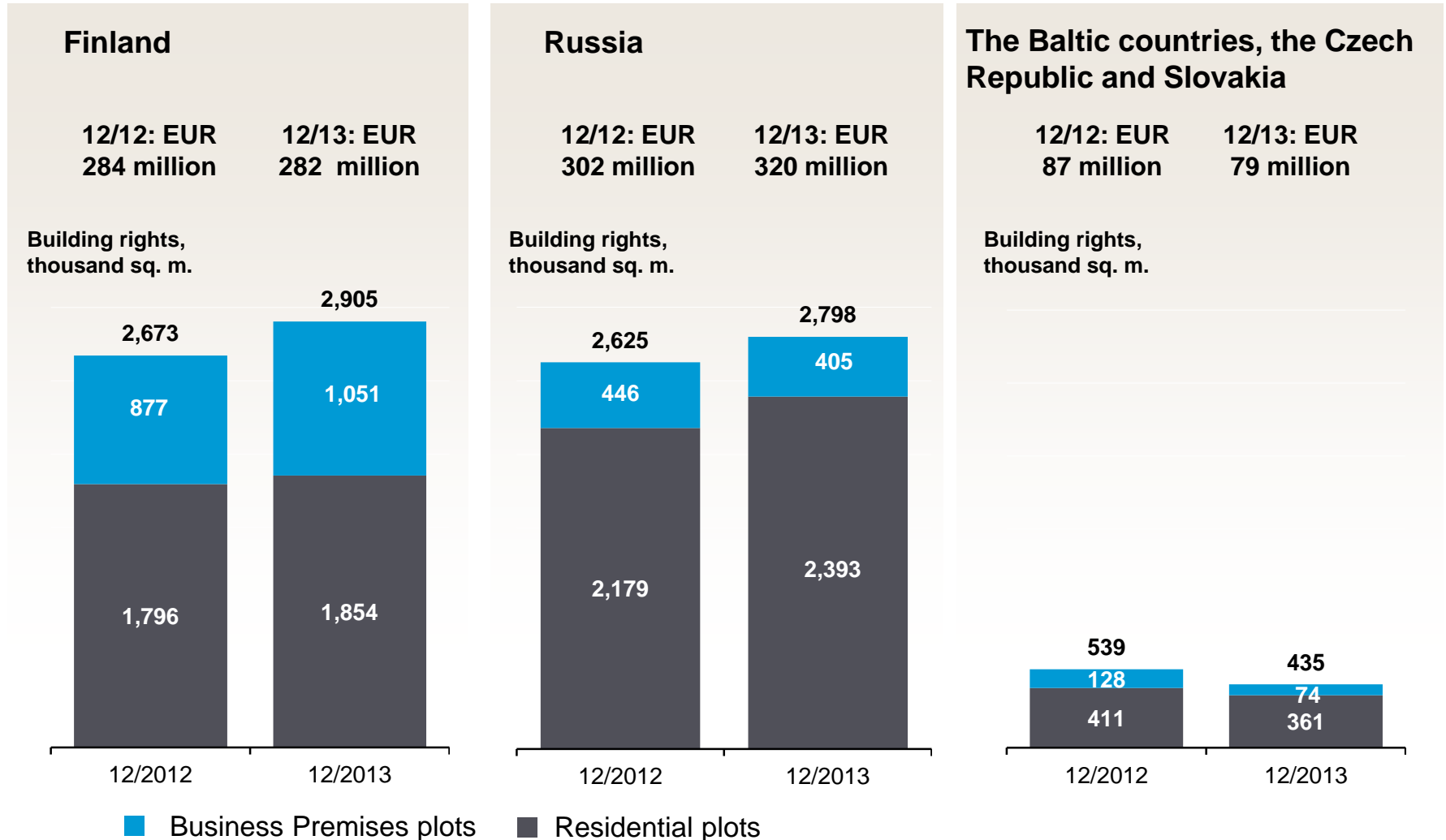


\*) Includes: Other operating expenses, share of results in associated companies and production for own use

NOTE: Figures based on Group reporting (IFRS)

# Capital invested in plot reserves

at the end of December, 2013



# Construction stage financing

## Financing of construction in a typical residential development project in Finland:

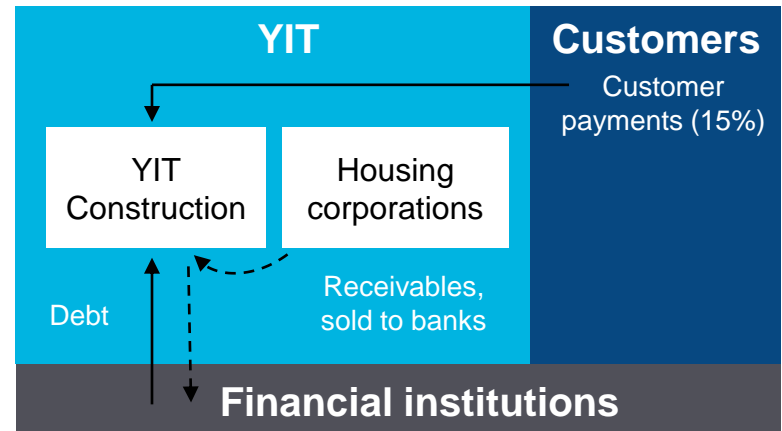
- YIT's subsidiary YIT Construction sells the contract receivables from Housing corporations (also owned by YIT) to financial institutions
  - The receivables are due upon completion
  - Sold in line with the progress of the project
- Customers' down payments 15% of value

### → Financing for construction

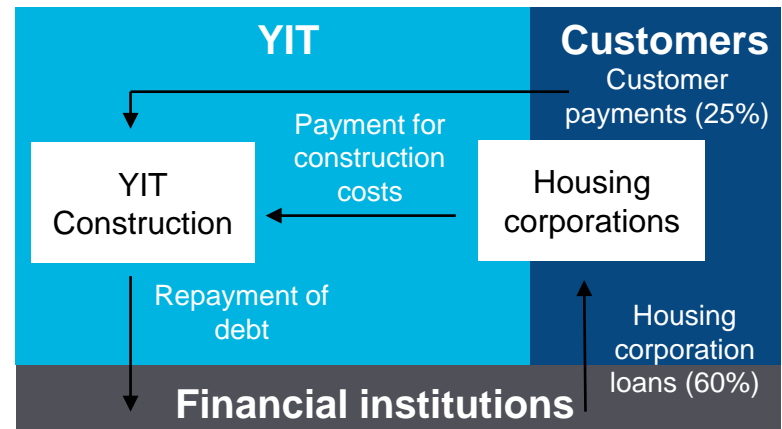
### Limited refinancing risk:

- Sold receivables are included in current borrowings as they are linked to current assets. However, there is limited refinancing risk:
  - Upon completion, Housing corporations pay for the construction by drawing housing corporation loans
    - 50-70% loan-to-value
    - +20 year maturities
    - The terms and conditions are agreed upon already when starting construction
  - Customers pay the rest of the sales price
- **Refinancing of the sold receivables**
- After completion the unsold apartments are in YIT's balance sheet as shares in housing corporations. Their share in the housing corporation loans is included in current borrowings as the loans are linked to current assets.

### During construction:

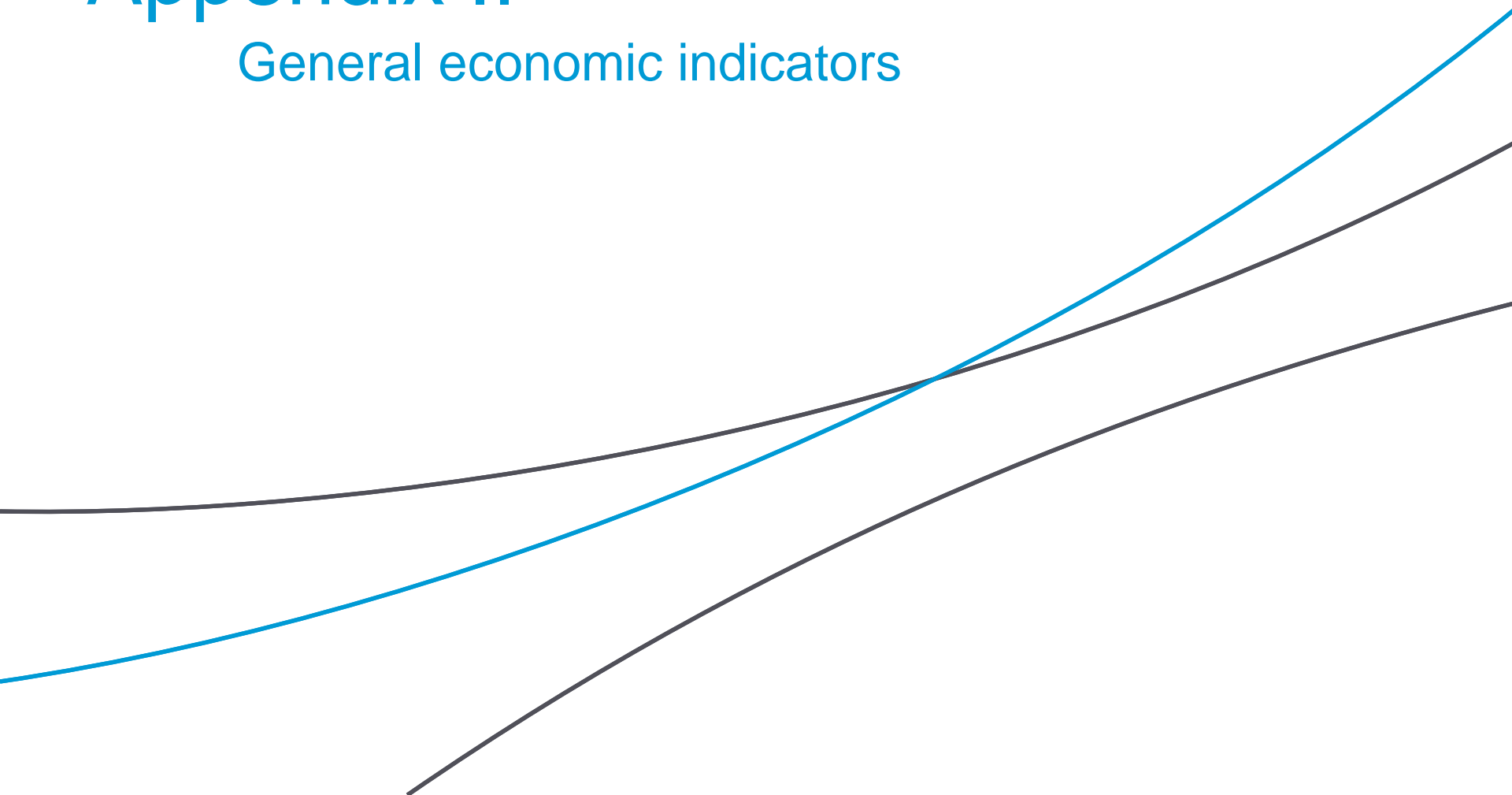


### Upon completion:



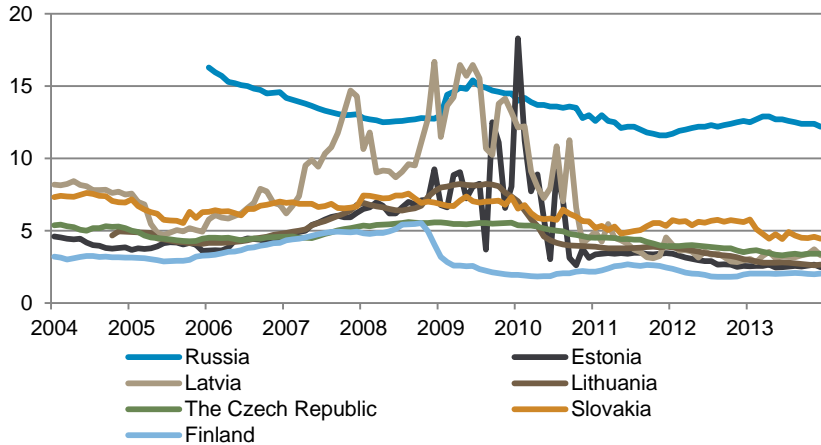
# Appendix II

## General economic indicators

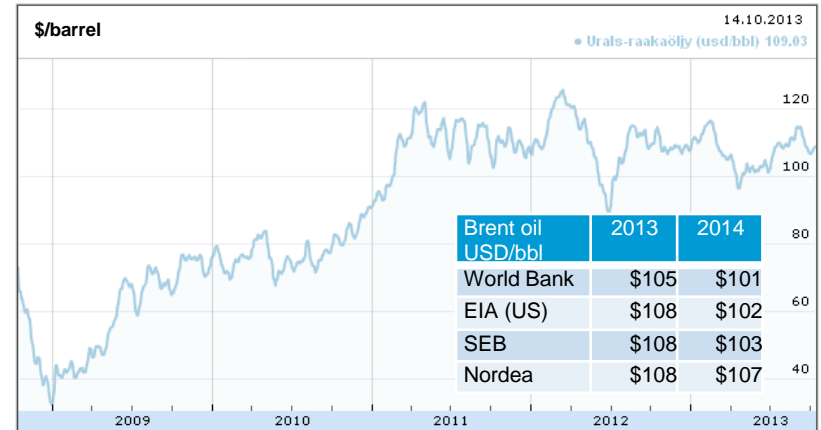


# Economic outlook

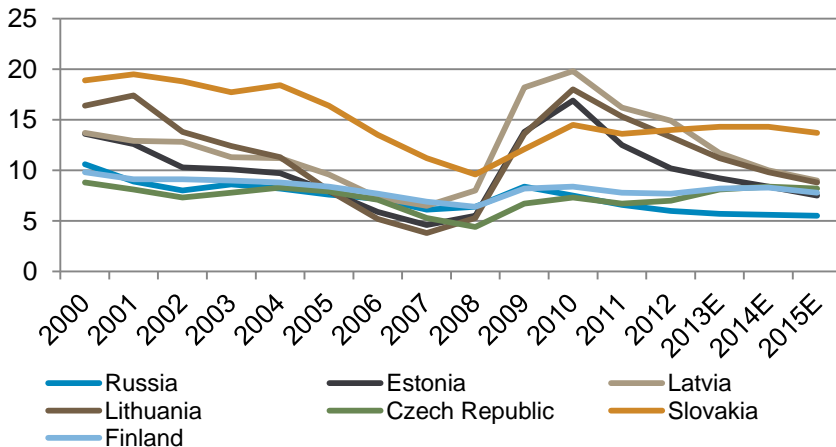
## Average interest rates of mortgages (local curr., %)



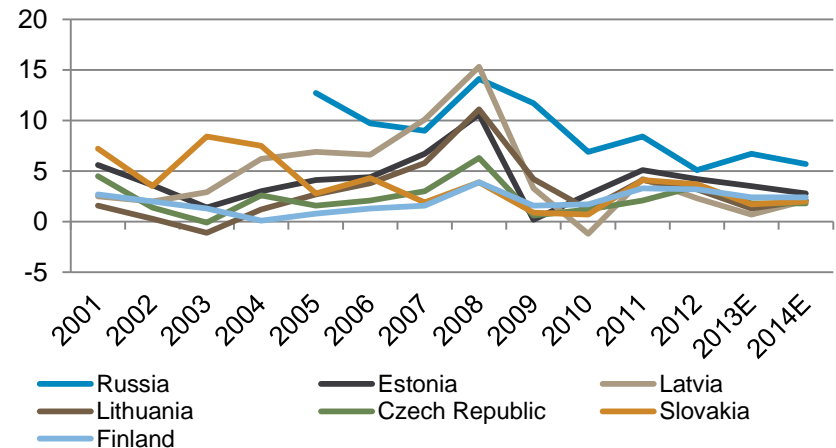
## Price of Urals oil in Russia



## Unemployment (%)



## Inflation (consumer prices, %)



# Macro Economics - Market outlook

Finland		H1 2013	2013	2014
	Consumption	→	↘	→
	Investment	↘	↘	→
	Industry	→	↘	→
	Exports	→	↘	↗
	Imports	→	↘	↗
<b>Growth rate</b>	GDP (% p.a.)		-0.7-0.5	1.0-2.0

Forecast for 2015 slight growth (1.5-2.0%)

Russia		H1 2013	2013	2014
	Consumption	→	↗	→
	Investment	→	↘	↗
	Industry	→	→	↗
	Exports	→	↘	→
	Imports	→	↘	↗
<b>Growth rate</b>	GDP (% p.a.)		1.5-2.2	2.5-3.5

Forecast for 2015 moderate growth (2.7-3.5%)

CEE		H1 2013	2013	2014
	Consumption	→	→	↗
	Investment	↘	↘	→
	Industry	↘	↘	→
	Exports	↘	↗	↗
	Imports	↘	↗	↗
<b>Growth rate</b>	GDP (% p.a.)		0.0-1.7	1.7-2.5

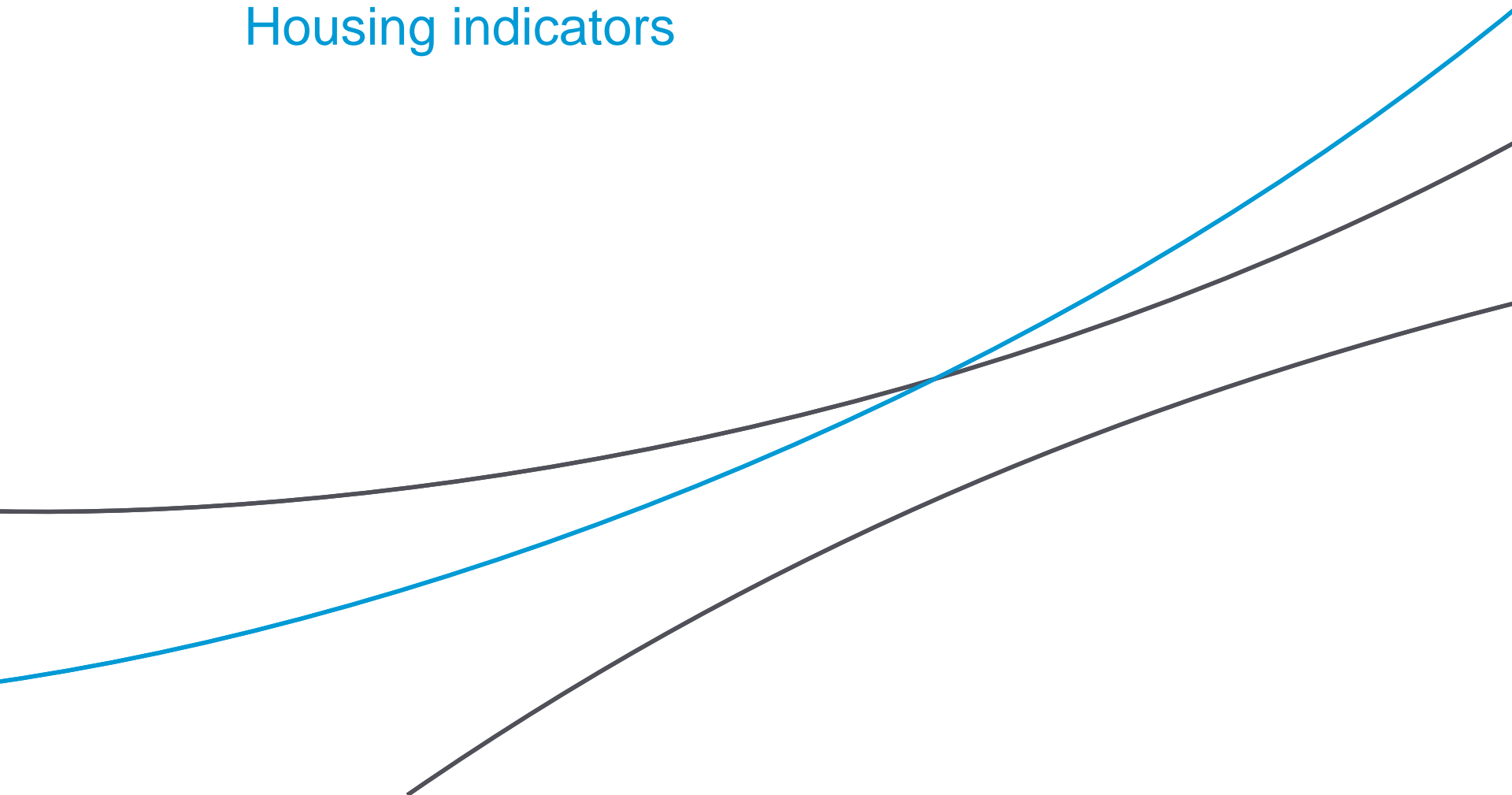
Forecast for 2015 moderate growth (2.3-2.8%)

Baltic Countries		H1 2013	2013	2014
	Consumption	→	↗	↗
	Investment	↘	→	↗
	Industry	→	↗	→
	Exports	→	→	↗
	Imports	→	↗	↗
<b>Growth rate</b>	GDP (% p.a.)		2.0-4.0	3.5-4.5

Forecast for 2015 moderate growth (3.0-4.0%)

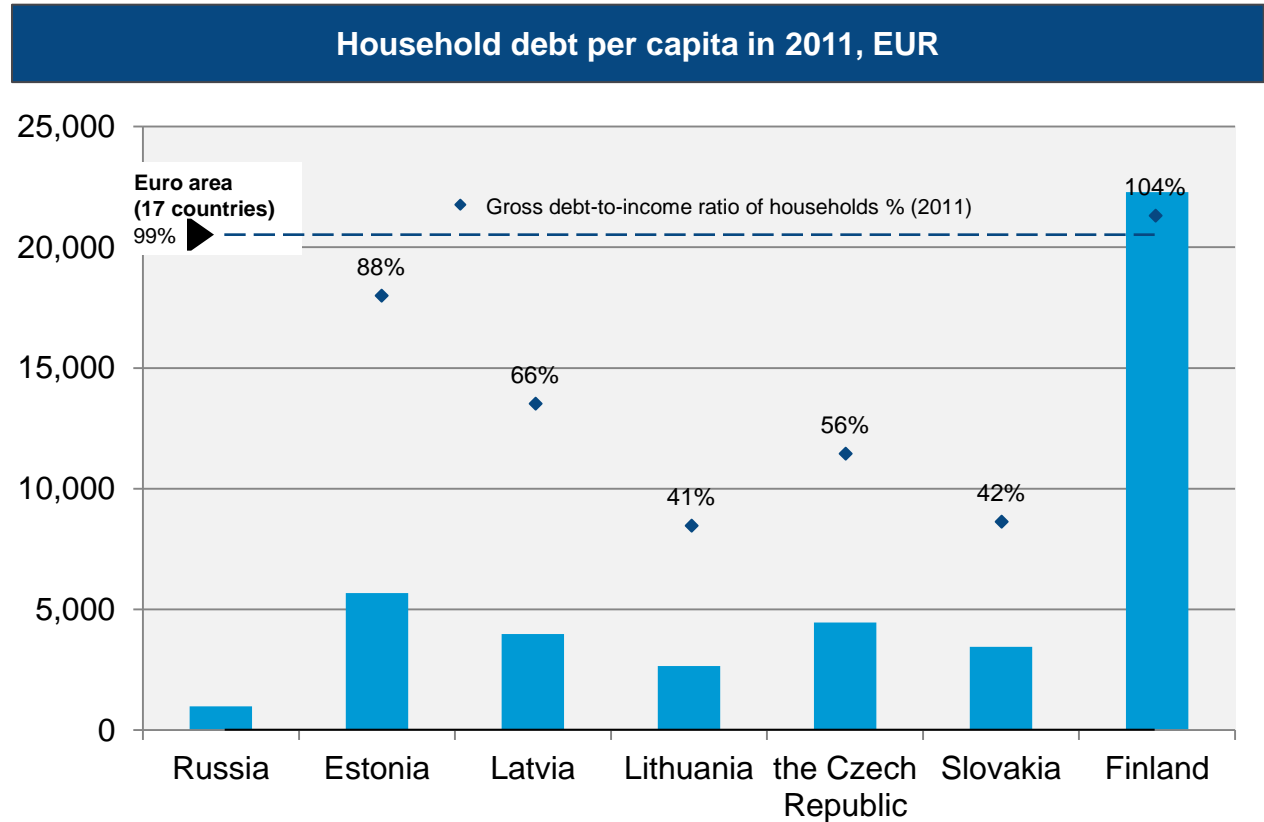
# Appendix III

## Housing indicators





# Household indebtedness

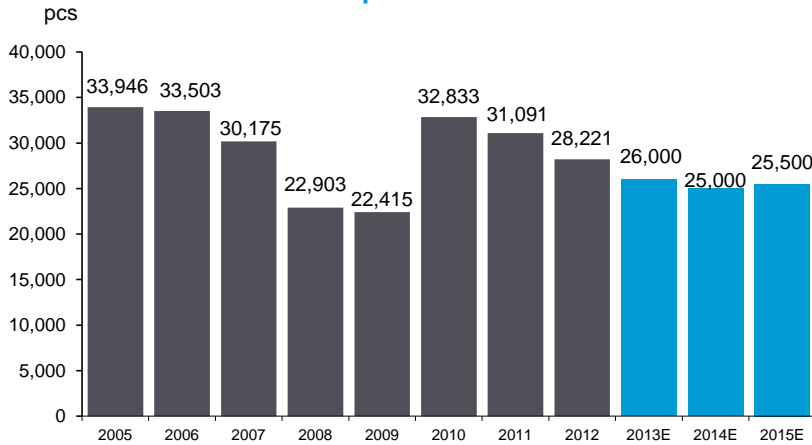


Sources: Eurostat and East Capital; No comparable data for Gross debt-to-income ratio of households % for Russia available

# Finland

## Housing start-ups expected to decrease in 2014

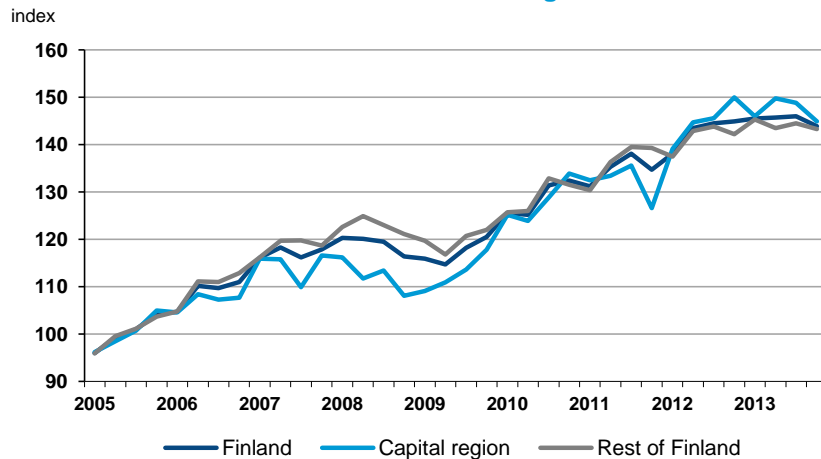
Residential start-ups are estimated to decrease



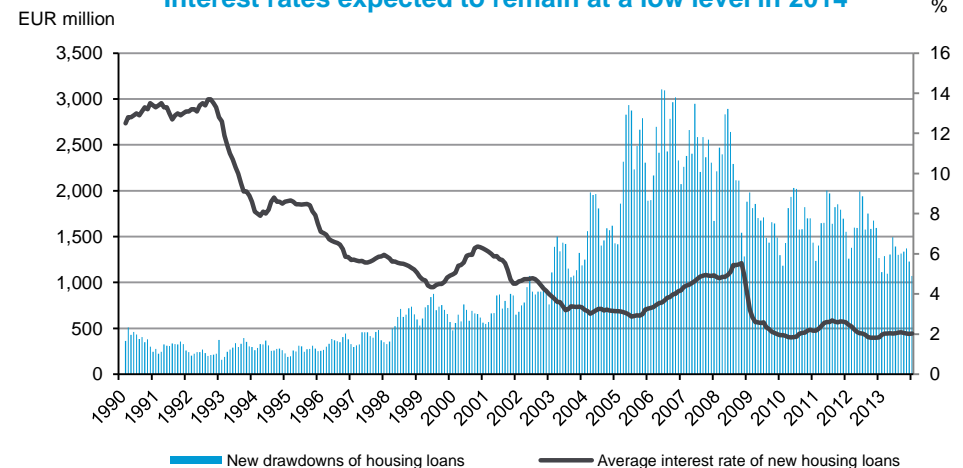
Consumer confidence - Views on economic situation in one year



Prices of new dwellings



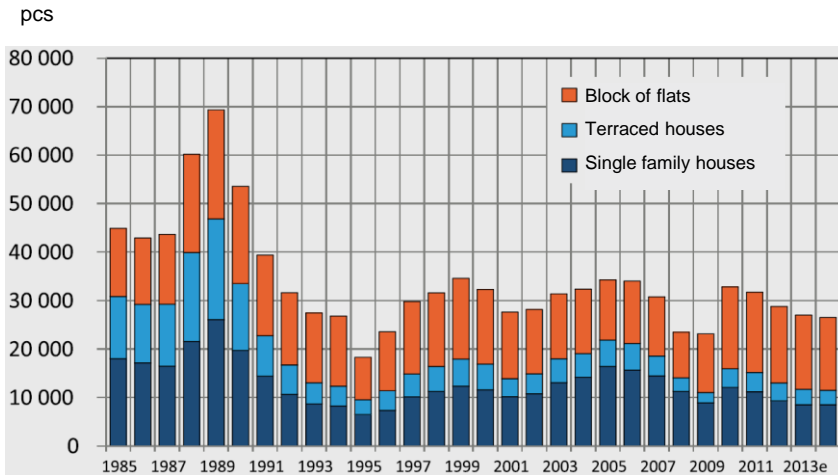
Interest rates expected to remain at a low level in 2014



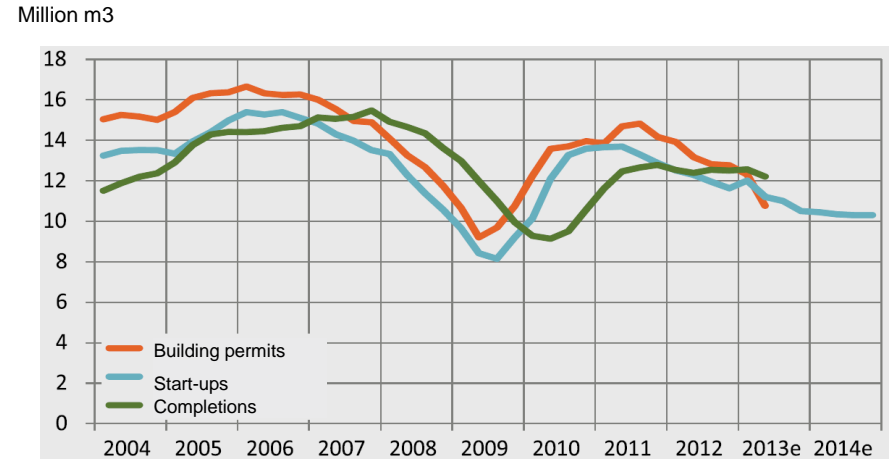
# Finland

## Housing indicators have weakened slightly

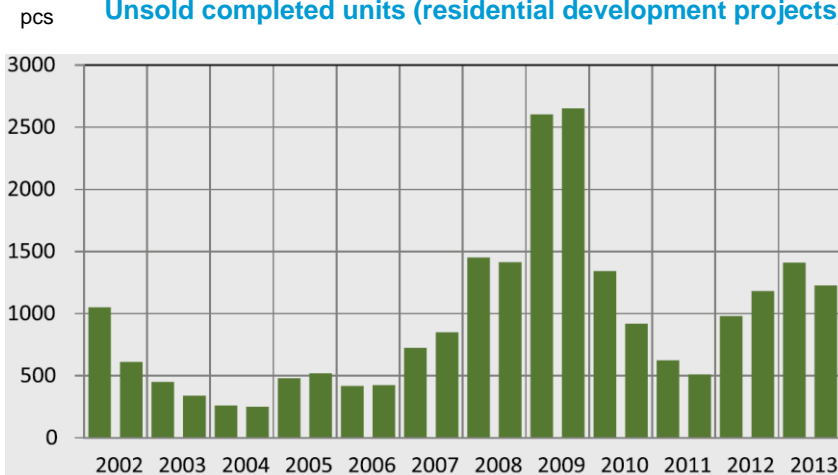
Housing start-ups by building type



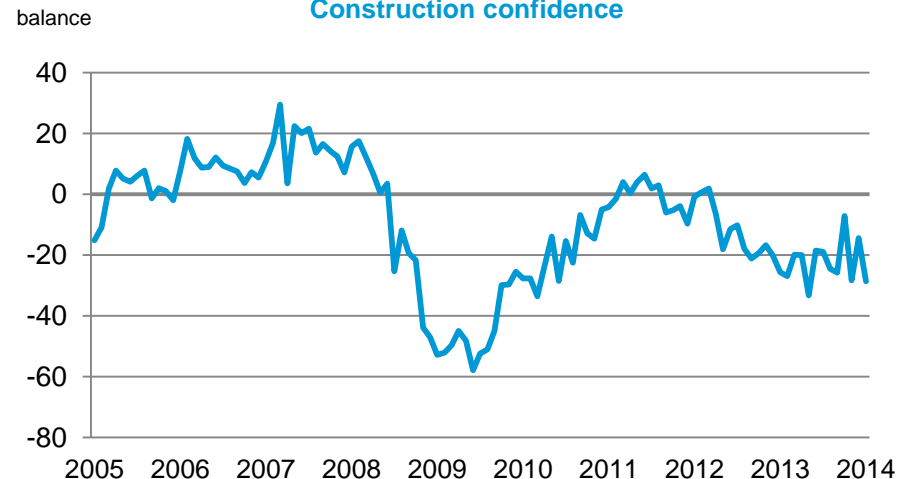
Housing: building permits, start-ups and completions



Unsold completed units (residential development projects)



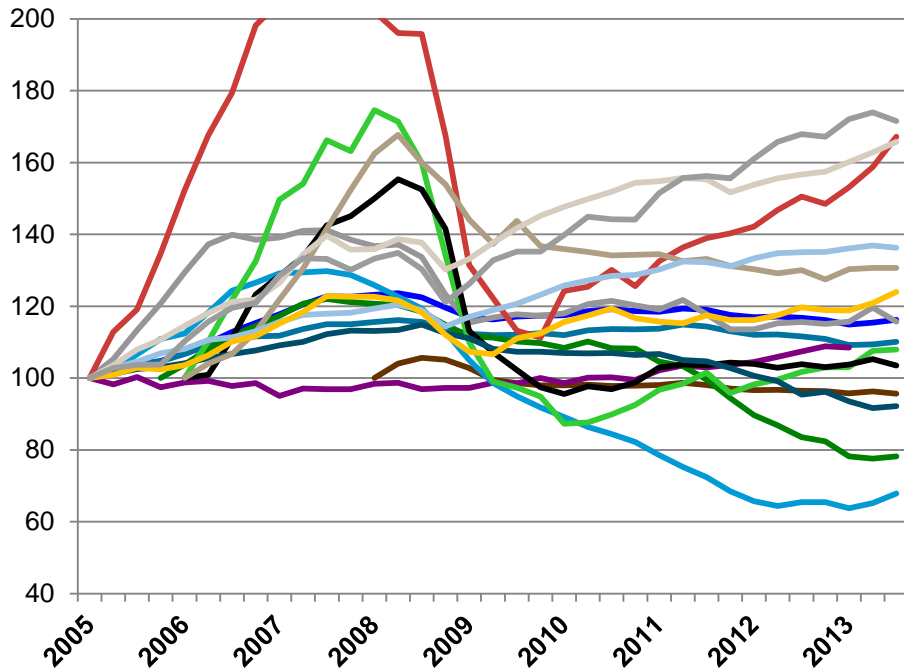
Construction confidence



# Finland

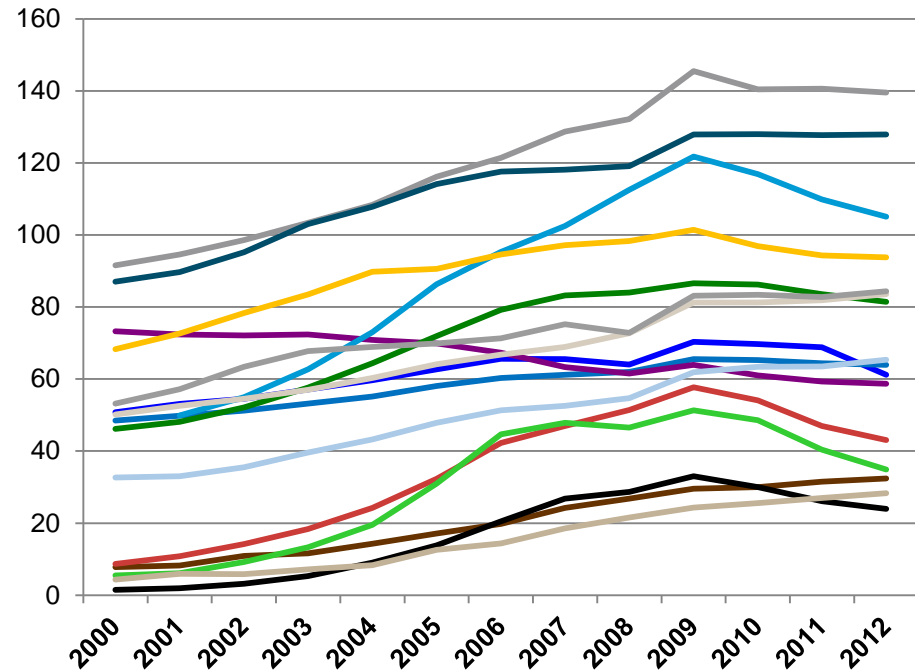
## Household debt relatively low in Finland

### House price index in different countries



- European Union
- Denmark
- Ireland
- Lithuania
- Finland
- Norway
- Euro area
- Germany
- Netherlands
- Sweden
- The Czech Republic
- Estonia
- Latvia
- Slovakia
- United Kingdom

### Households debt to GDP (%)

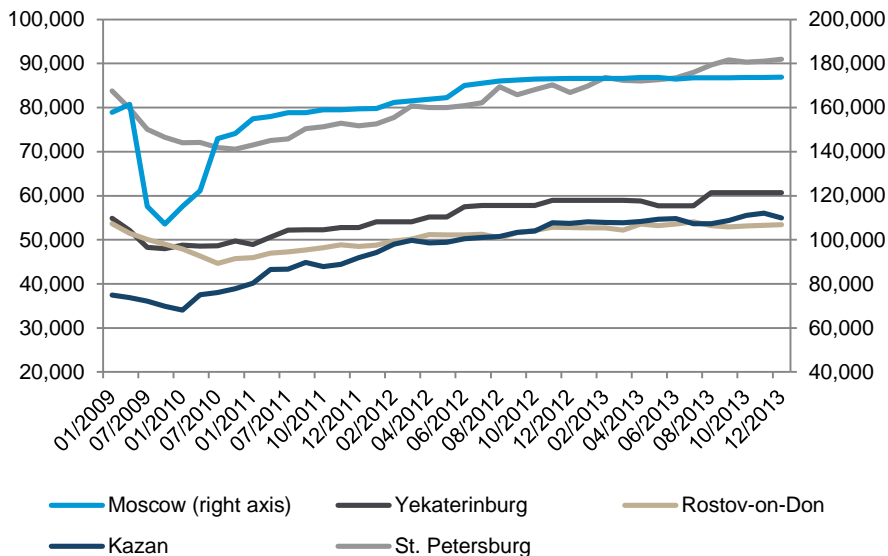


- European Union
- Denmark
- Ireland
- Lithuania
- Finland
- Norway
- Euro area
- Germany
- Netherlands
- Sweden
- The Czech Republic
- Estonia
- Latvia
- Slovakia
- United Kingdom

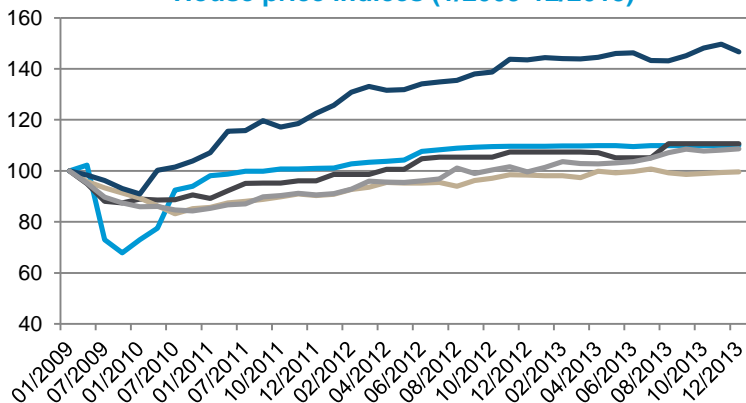
# Russia

## Housing indicators support demand

House prices in primary markets, RUB (1/2009-12/2013)



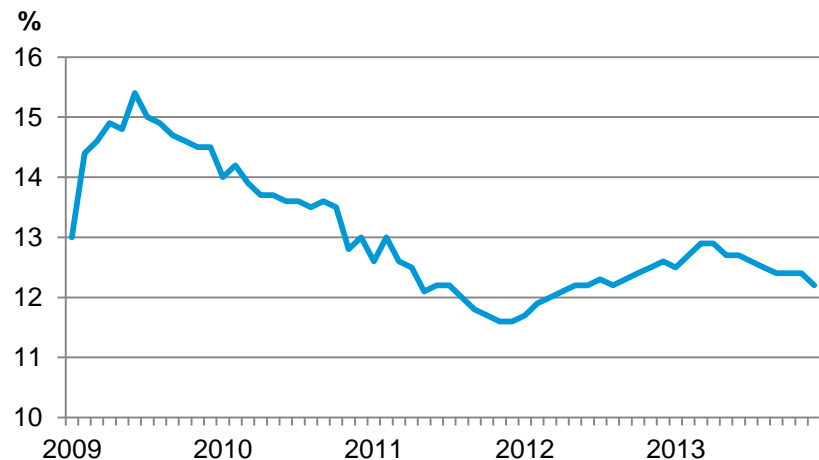
House price indices (1/2009-12/2013)



Price of Urals oil in Russia (1/2009-1/2014)



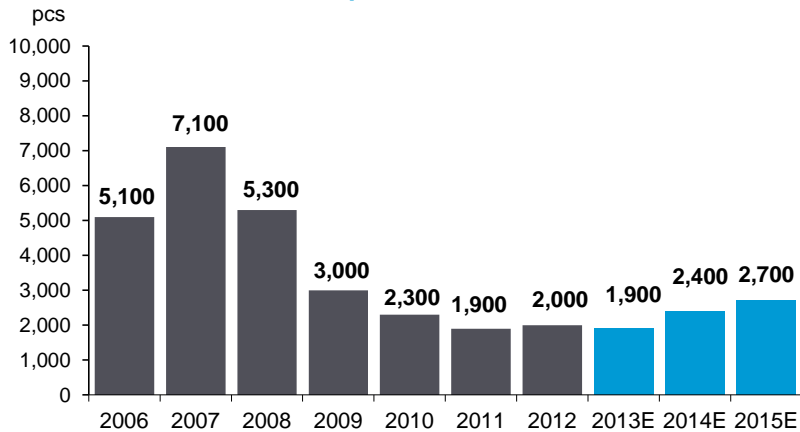
Weighted average interest rate on mortgage loans, RUB (1/2009-12/2013)



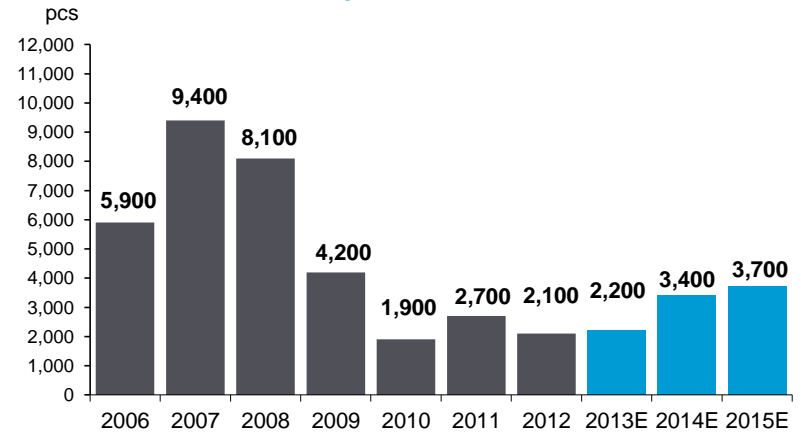
# The Baltic countries

## Growth is expected in residential construction

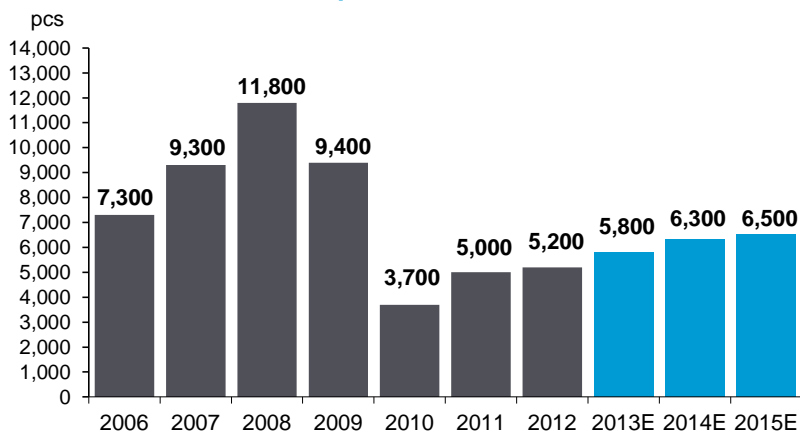
### Residential completions in Estonia



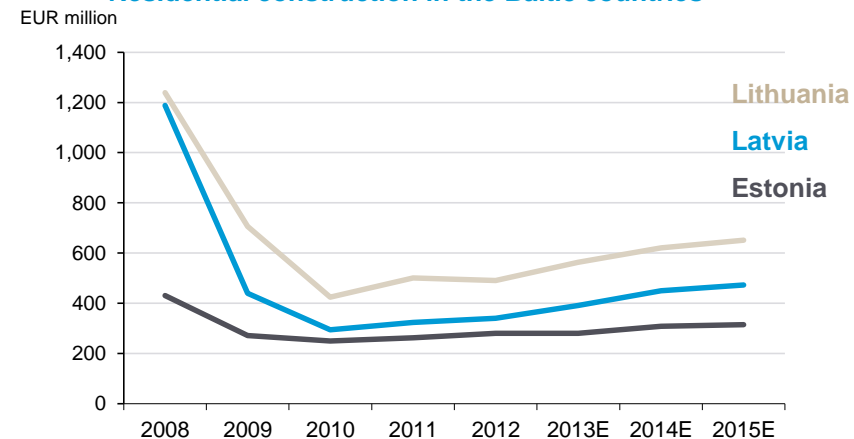
### Residential completions in Latvia



### Residential completions in Lithuania



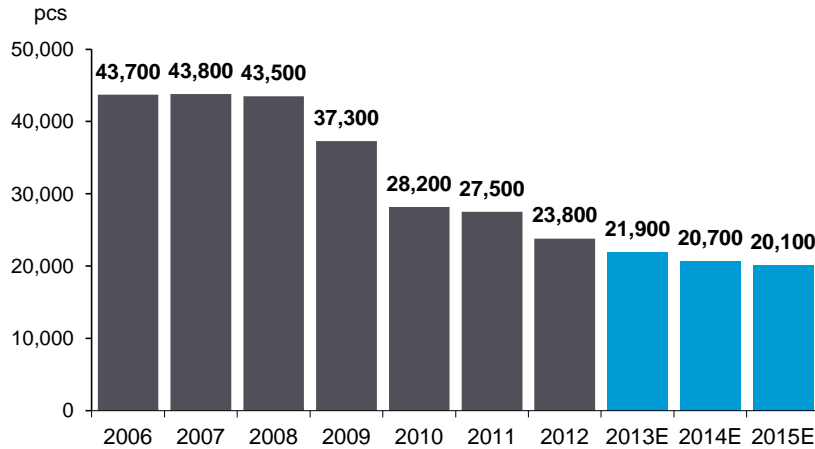
### Residential construction in the Baltic countries



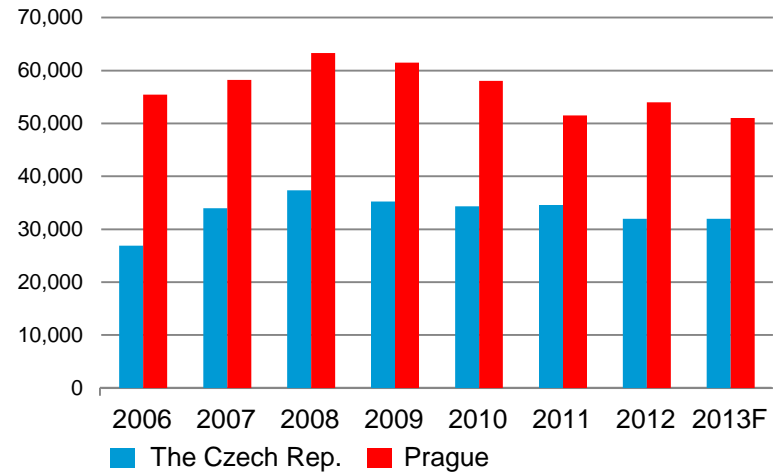
# The Czech Republic and Slovakia

## Start-ups forecasted to remain relatively low

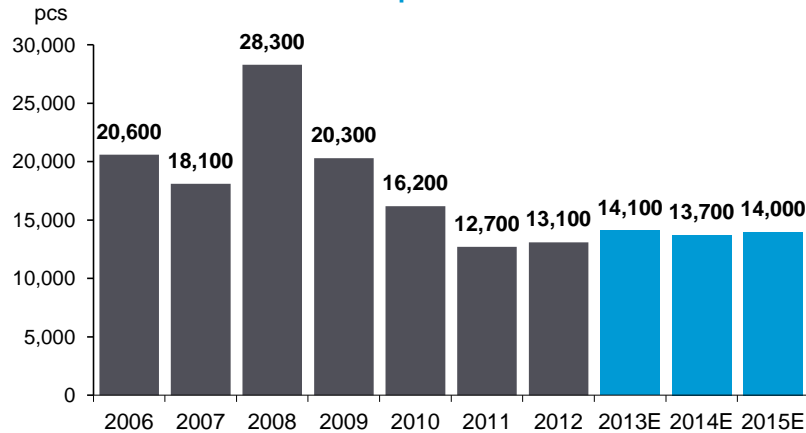
Residential start-ups in the Czech Republic



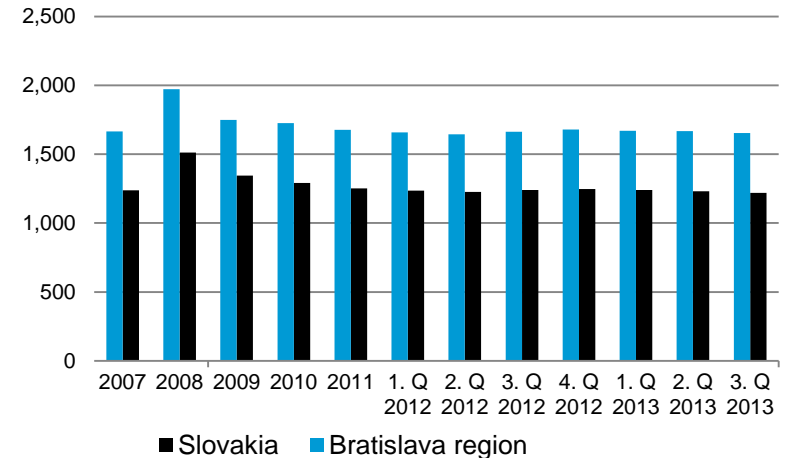
CZK/Sq. m. Housing prices in the Czech Republic and Prague



Residential start-ups in Slovakia

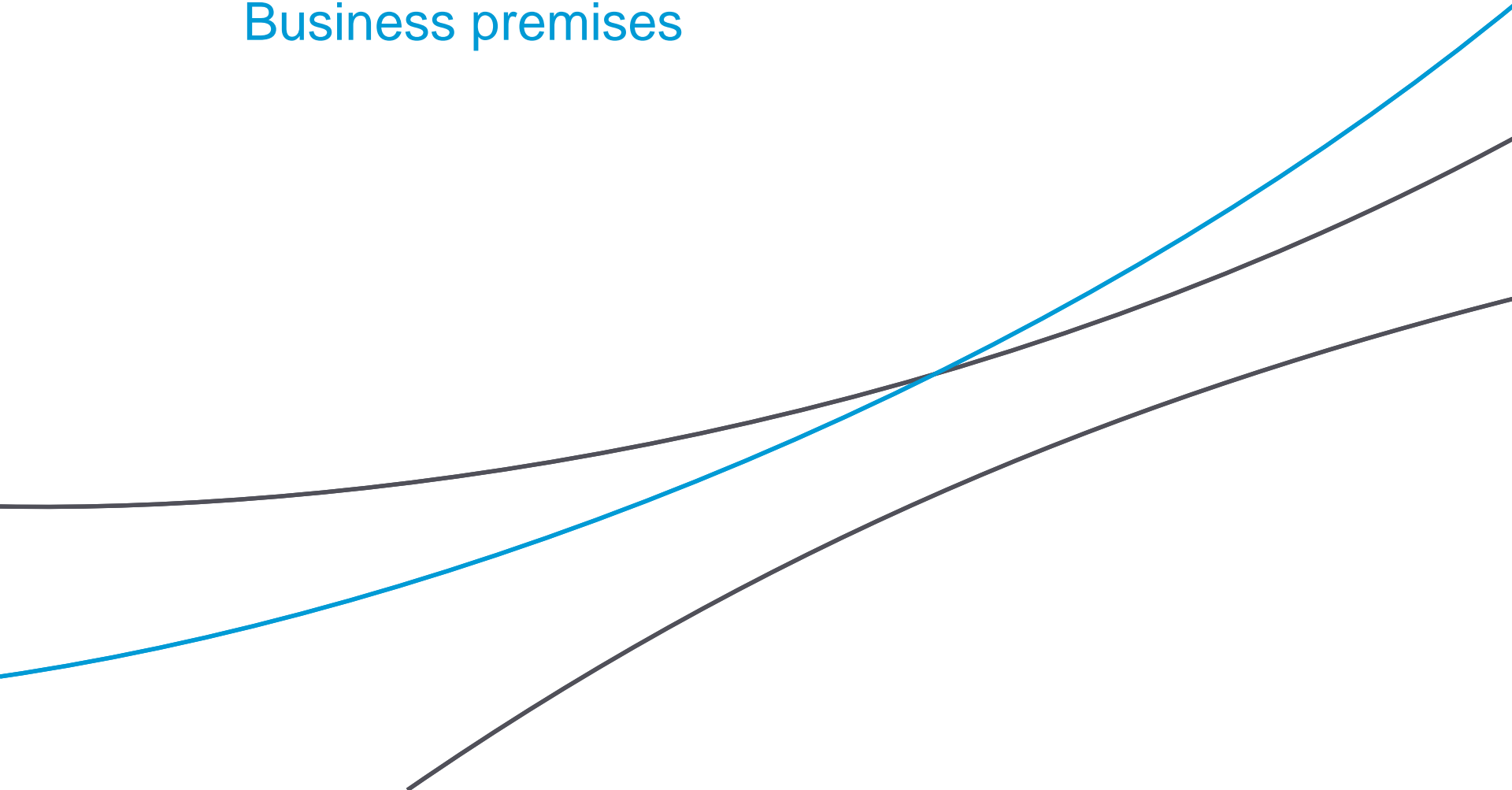


EUR/Sq. m. Housing prices in Slovakia and Bratislava



# Appendix IV

Business premises

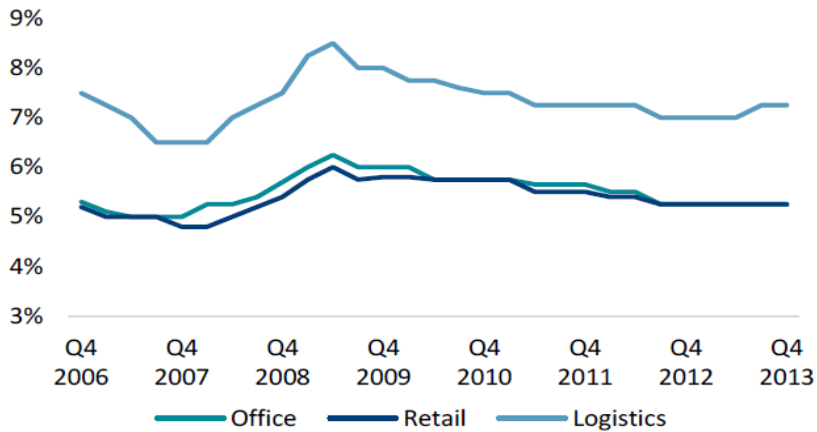




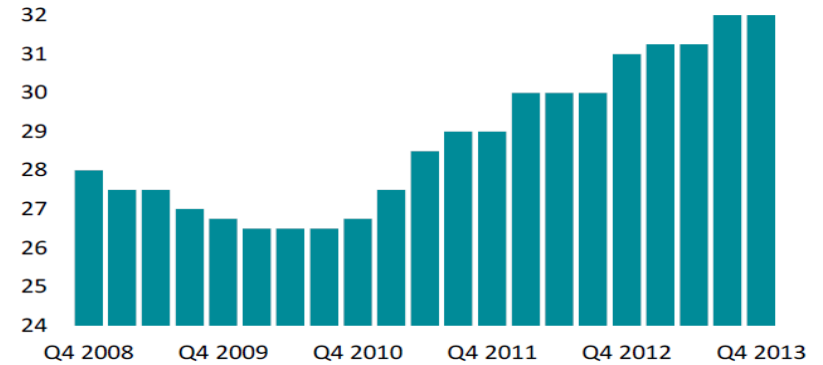
# Finland

## Yields have increased slightly

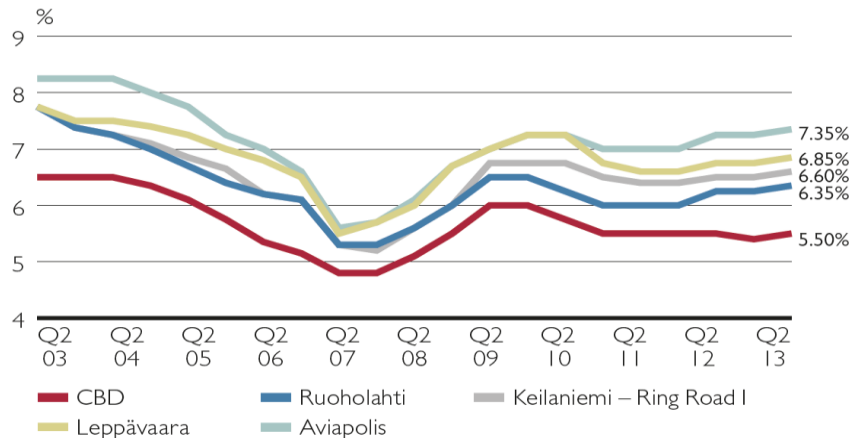
Prime yields in Helsinki Metropolitan Area



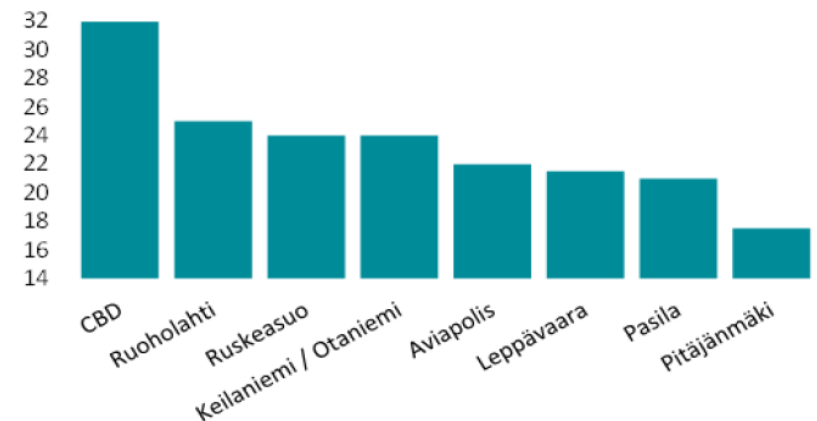
Prime office rents in Helsinki Metropolitan Area, EUR/sq. m./month



Office yields in Helsinki Metropolitan Area



Prime office rents in Helsinki Metropolitan Area in Q4/13, EUR/sq. m./month

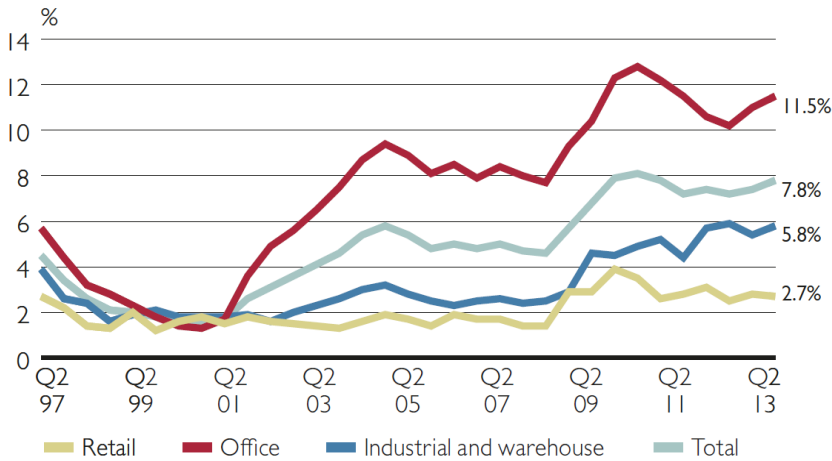


Particularly long lease agreements decrease yields by 0.1–0.3% points.

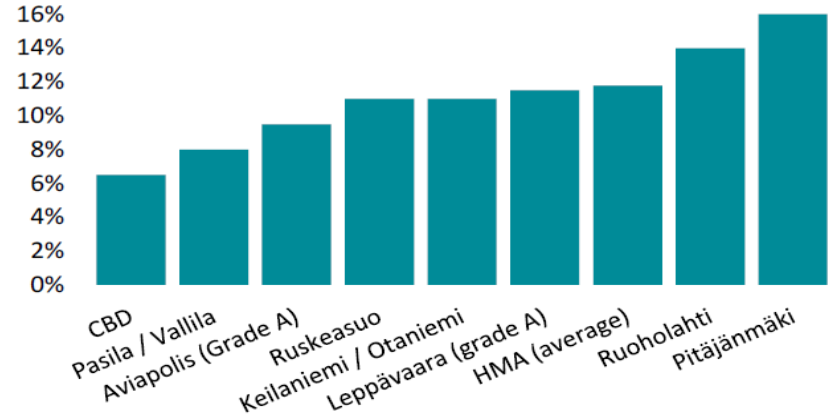
# Finland

## Vacancy rates vary between sub-sectors in Helsinki

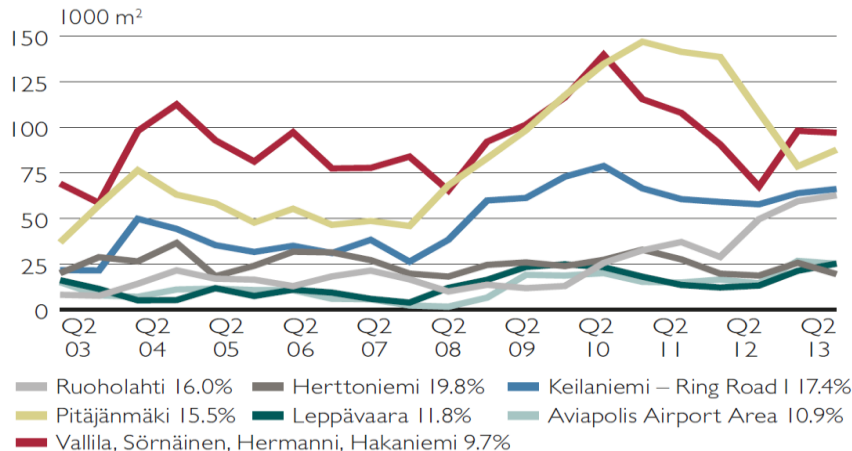
Vacancy rates in Helsinki Metropolitan Area



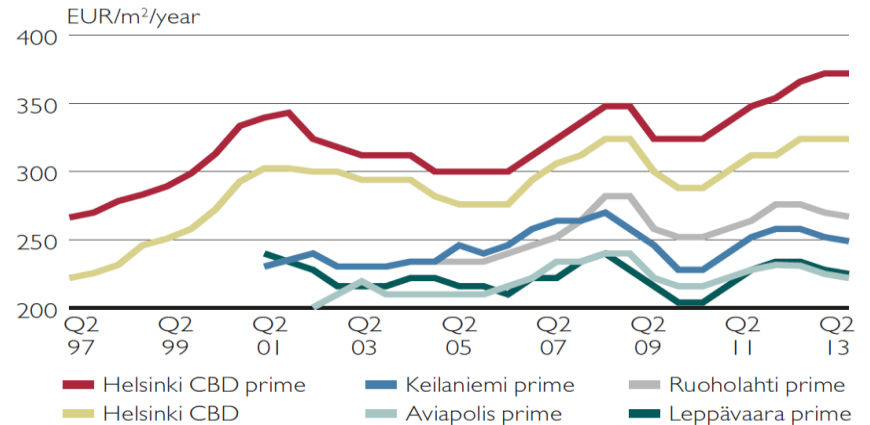
Office vacancy in Helsinki Metropolitan Area in Q4/13



Office vacancy in Helsinki Metropolitan Area

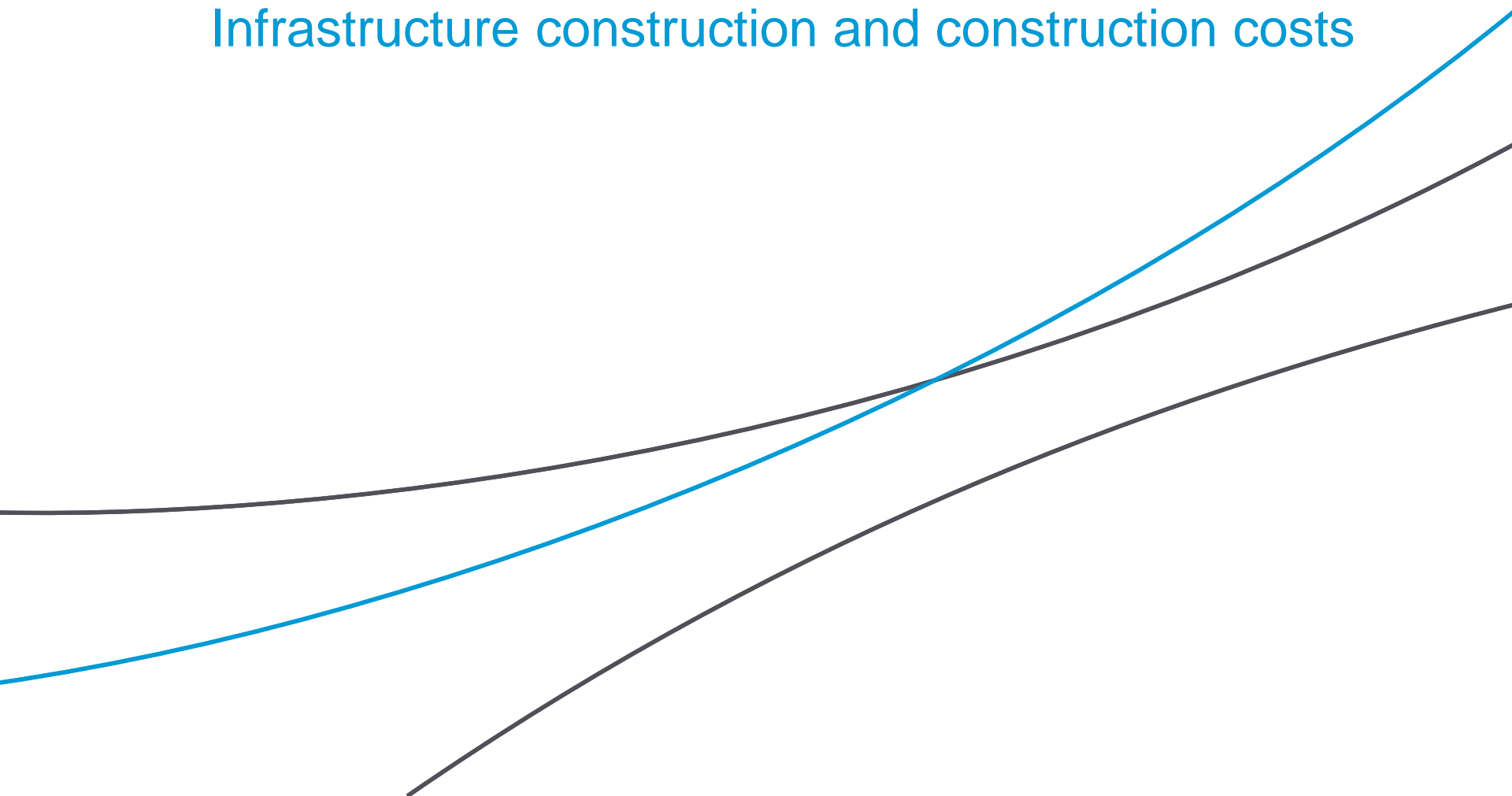


Rental levels of office space in Helsinki Metropolitan Area



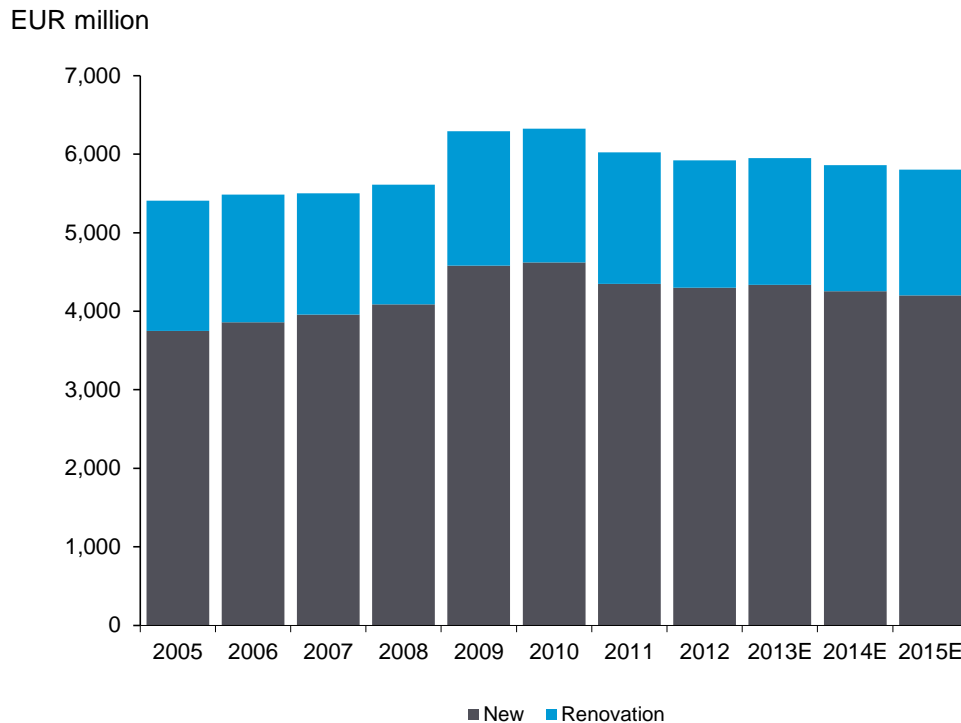
# Appendix V

Infrastructure construction and construction costs

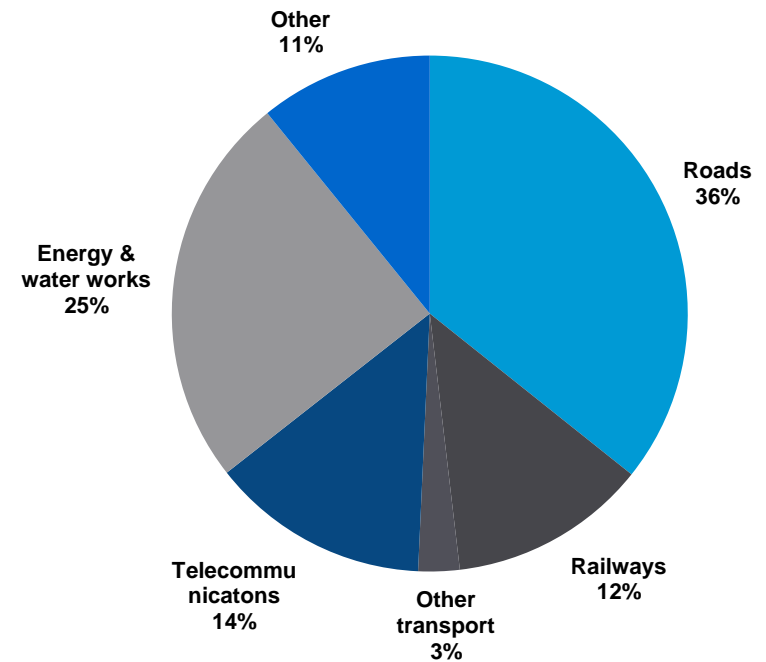


# Infrastructure construction Market expected to decrease slightly in 2014

## Infrastructure market in Finland



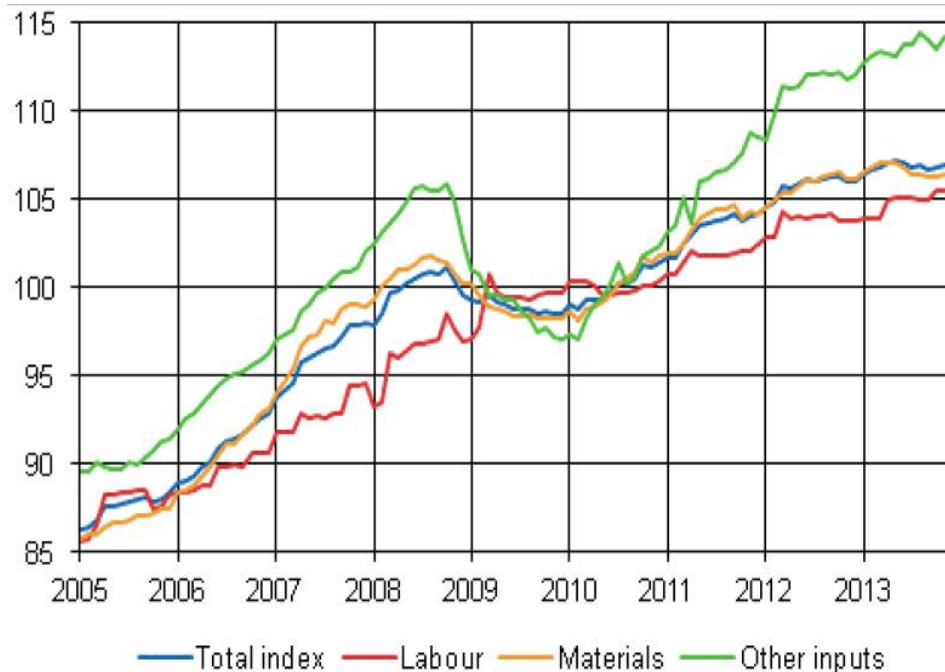
## Infrastructure sectors in Finland (2013E)



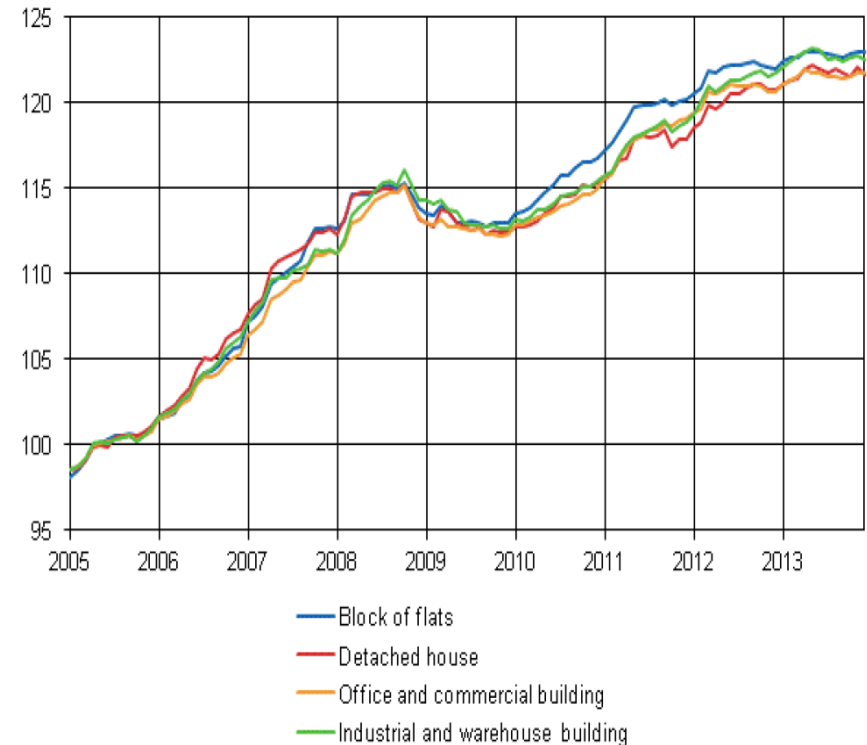
# Finland

## Construction costs have increased

### Construction cost index



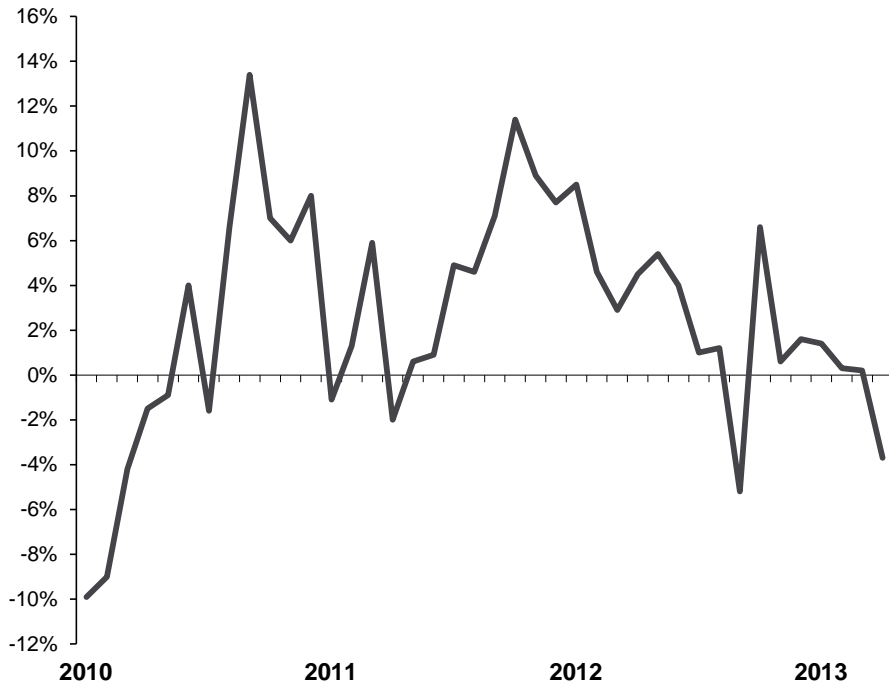
### Construction costs by building type index



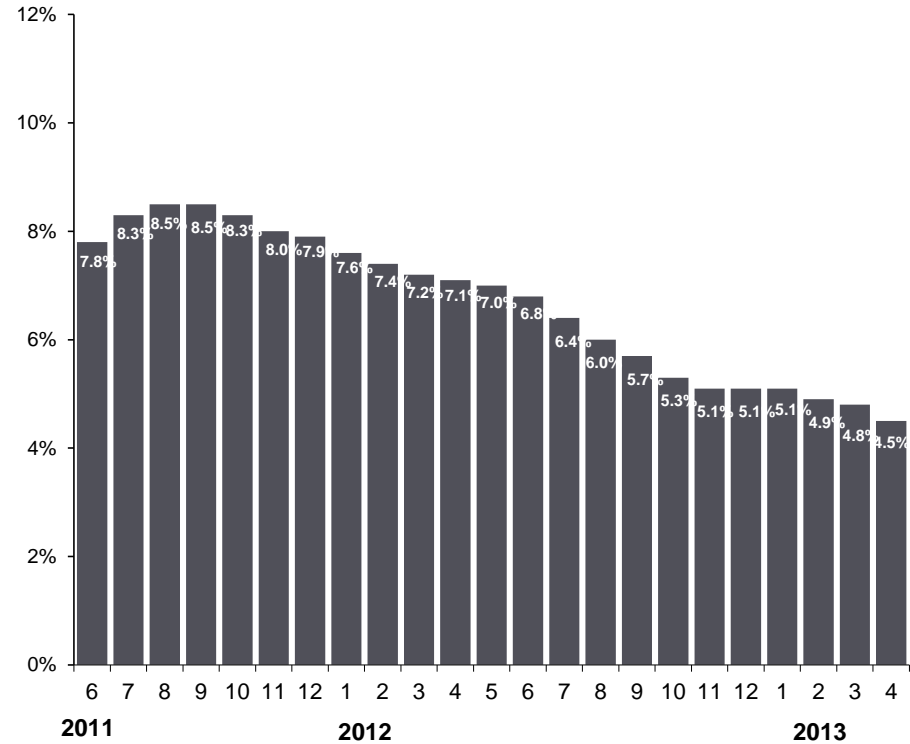
- Building costs increased by 0.8% y-o-y
- Labour costs increased by 1.6%, prices of materials by 0.1% and other costs by 1.9% y-o-y

# Russia Construction output and construction costs

**Construction output 1/2010-4/2013  
(change compared to previous year)**

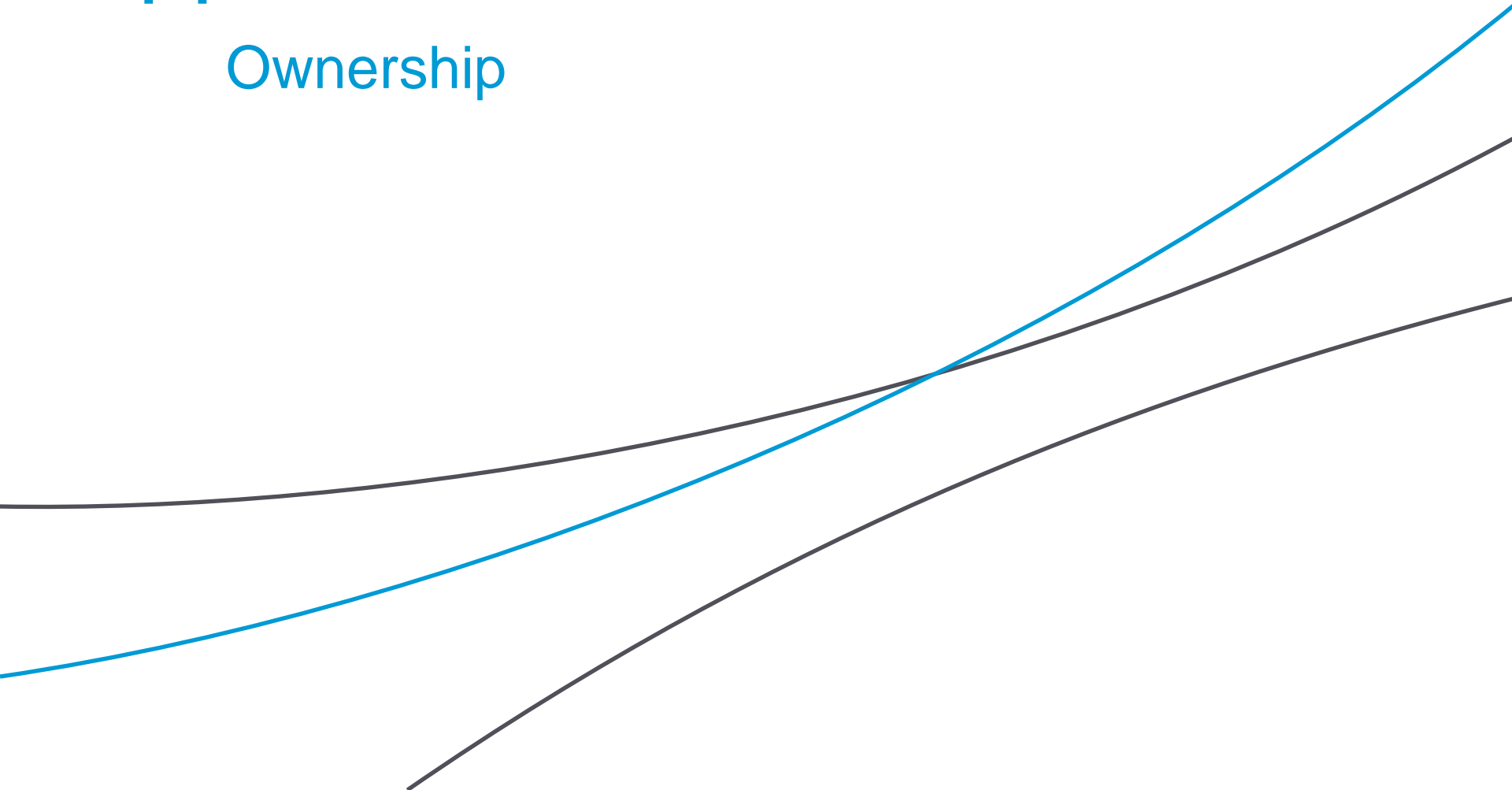


**Construction costs:  
Inflation in building materials 6/2011-4/2013**



# Appendix VI

## Ownership

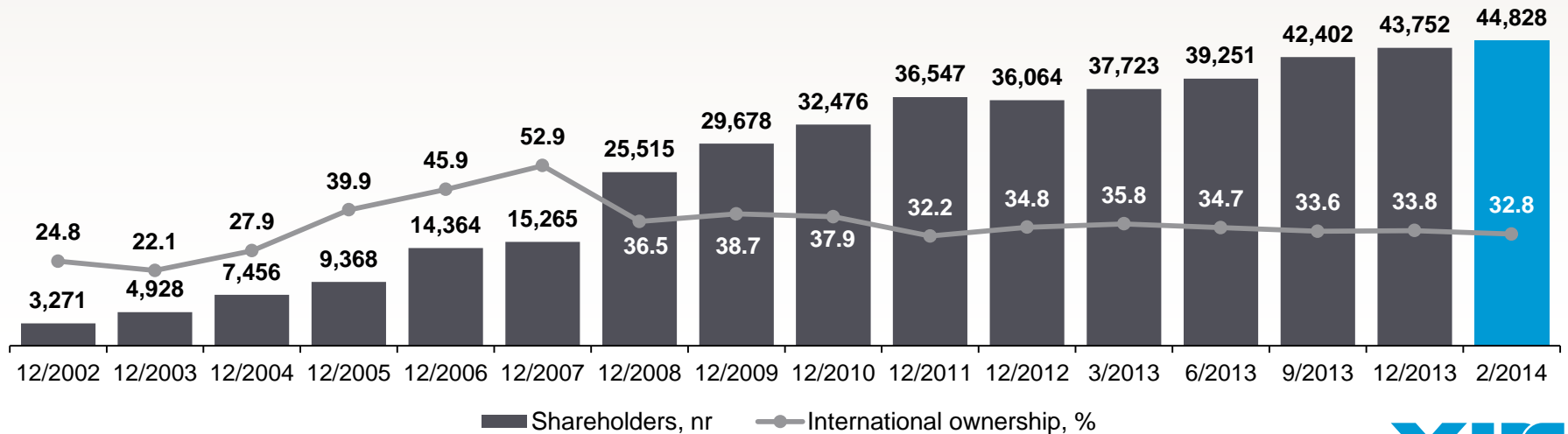




# Ownership

## on February 28, 2014

Shareholder	Shares	% of share capital
1. Structor S.A.	12,930,000	10.16
2. Varma Mutual Pension Insurance Company	8,432,100	6.63
3. Herlin Antti	4,274,180	3.36
4. Mandatum Life Insurance Company Limited	4,171,675	3.28
5. Elo Mutual Pension Insurance Company	3,335,468	2.62
6. Odin funds	1,772,095	1.39
7. Svenska Litteratursällskapet i Finland r.f.	1,680,400	1.32
8. YIT Corporation	1,633,286	1.28
9. Nordea funds	1,589,561	1.25
10. The State Pension Fund	1,570,000	1.23
Ten largest total	41,388,765	32.52
Nominee registered shares	26,012,699	20.45
Other shareholders	59,821,958	47.03
<b>Total</b>	<b>127,223,422</b>	<b>100.00</b>



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we can  
do it.**