



# Extraordinary General Meeting

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September 12, 2017



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## Background and rationale of the merger

Matti Vuoria  
Chairman of the Board

# Background to the merger of YIT and Lemminkäinen

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The execution of the strategic targets requires:

- Balanced growth
- Improved results
- Stronger balance sheet
- Financially and geographically more stable structure

With help of structural arrangement the execution of the strategy can be expedited

The merger of YIT and Lemminkäinen proved to be the best alternative for YIT:

- The companies have significant strengths and business areas that complement each other
- Skilled labour
- Implementation via absorption merger - the way that strengthens the balance sheet and improves the key figures without increasing the leverage
- Strengthens the ownership base with private anchor owners

# Deal rationale

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- Balanced structure and several growth opportunities
- Significant synergies and improved competitiveness
- Improved financial position and more stable structure
- Significant added value to the current owners and attractive investment target also to the new owners

# Post transaction ownership base (based on shareholders on August 22)

Shareholder	Shares	%-of total shares
1 Varma Mutual Pension Insurance Company	15,945,975	7.6%
2 PNT Group Oy	15,296,799	7.2%
3 Pentti Heikki Oskari Estate	8,146,216	3.9%
4 OP funds	5,927,552	2.8%
5 Forstén Noora Eva Johanna	5,115,530	2.4%
6 Herlin Antti	4,710,180	2.2%
7 Pentti Lauri Olli Samuel	4,198,845	2.0%
8 Elo Mutual Pension Insurance Company	3,549,054	1.7%
9 Ilmarinen Mutual Pension Insurance Company	3,392,535	1.6%
10 Fideles Oy	3,188,800	1.5%
11 Danske Invest funds	3,016,115	1.4%
12 The State Pension Fund	2,975,000	1.4%
13 Pentti-von Walzel Anna Eva Kristina	2,749,192	1.3%
14 Pentti-Kortman Eva Katarina	2,715,410	1.3%
15 Vimpu Intressenter Ab	2,710,950	1.3%
16 Etera Mutual Pension Insurance Company	2,662,223	1.3%
17 Pentti Timo Kaarle Kristian	2,368,575	1.1%
18 Mariatorp Oy	2,349,490	1.1%
19 Wipunen Varainhallinta Oy	2,349,490	1.1%
20 Mandatum Life Unit-Linked	2,093,580	1.0%
<b>Top 20 total</b>	<b>95,461,511</b>	<b>45.2%</b>
Nominee registered	40,125,404	19.0%
Other	75,512,938	35.8%
<b>Total shares</b>	<b>211,099,853</b>	<b>100.0%</b>

## Assumptions

- The post transaction shareholders of the combined entity are calculated based on the latest shareholder information and a conversion ratio of 3.6146 YIT shares for each Lemminkäinen share



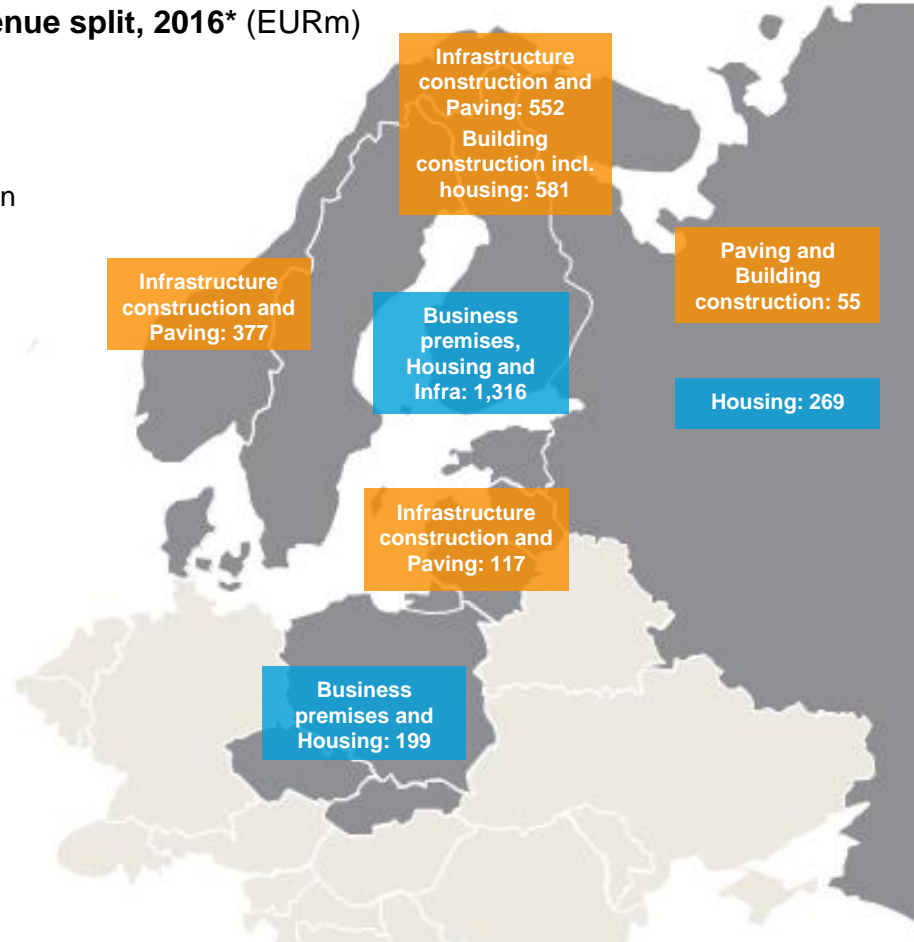
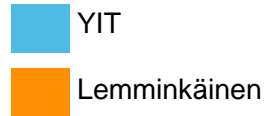
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YIT after the merger

Kari Kauniskangas  
President and CEO

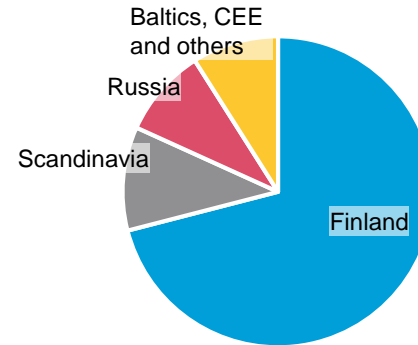
# Combined portfolio 2016

## Geographic revenue split, 2016\* (EURm)

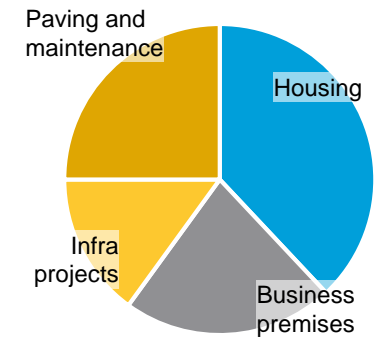


## Illustrative combined revenue splits 2016\*

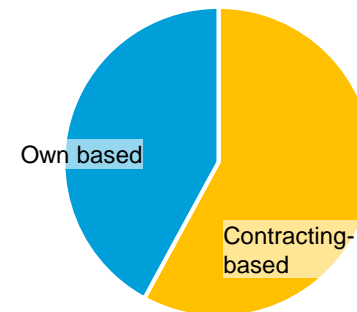
### Geographic split\*



### Operational split\*



### Business logic split\*



\* Preliminary combined high level illustrative estimates for the geographical, operational and business logic splits reflect the external and internal reporting of YIT and Lemminkäinen prepared under both POC and IFRS principles for the year 2016. Illustrative high level estimates of splits presented are based on a hypothetical situation and are not intended to project the revenue split of the Combined entity in the future. The illustrative information should not be viewed as pro forma information.

# Pro forma (IFRS) income statement information

Unaudited	1.1 - 31.12. 2016				1.1 - 30.6.2017			
EURm	Combined	Merger	YIT	Lemminkäinen	Combined	Merger	YIT	Lemminkäinen
Revenue	3 387.0	-11.0 <sup>1</sup>	1 678.3	1 719.7	1 679.4	-2.3 <sup>2</sup>	961.2	720.5
Operating profit	45.3	-38.7 <sup>3</sup>	17.7	66.3	-1.8	-10.2 <sup>4</sup>	25.8	-17.4
Adjusted operating profit <sup>5</sup>	61.7	-26.8	44.7	43.8	1.6	-13.1	26.9	-12.3

Note: More extensive description of the merger-related changes are available in the merger prospectus

<sup>1)</sup> Elimination of transactions between YIT and Lemminkäinen (EUR -11.0 million)

<sup>2)</sup> Elimination of transactions between YIT and Lemminkäinen (EUR -2.3 million)

<sup>3)</sup> Adjustments in Materials and supplies (EUR -3.6 million), Personnel expenses (EUR -0.0 million), Other operating expenses (EUR -12.0 million) and Depreciation, amortisation and impairment (EUR -12.1 million), and including elimination of transactions between YIT and Lemminkäinen in Revenue (EUR -11.0 million)

<sup>4)</sup> Adjustments in Materials and supplies (EUR -5.0 million), Personnel expenses (EUR 0.3 million), Other operating expenses (EUR 2.9 million) and Depreciation, amortisation and impairment (EUR -6.0 million), and including elimination of transactions between YIT and Lemminkäinen in Revenue (EUR -2.3 million)

<sup>5)</sup> Pro forma adjusted operating profit excludes pro forma adjustments that do not have a continuing impact on the Combined Company's results and which are deemed to be material items outside ordinary course of business comprising transaction costs related to the Merger. YIT defines adjusted operating profit as operating profit excluding material items outside ordinary course of business



# Pro forma balance sheet and key figure information

Unaudited EURm	30.6.2017			
	Combined	Merger	YIT	Lemminkäinen
Non-current assets	868.7	374.5 <sup>1</sup>	253.1	241.2
Total current assets excluding cash and cash equivalents	2 674.2	27.4 <sup>2</sup>	1 926.1	720.7
Cash and cash equivalents	77.1	-14.5	35.3	56.2
Total assets	3 620.0	387.5	2 214.5	1 018.0
Total equity	1 122.6	294.9	533.4	294.3
Non-current liabilities	585.4	51.6 <sup>3</sup>	384.8	149.0
Current liabilities	1 912.0	41.0 <sup>4</sup>	1 296.4	574.7
Total equity and liabilities	3 620.0	387.5	2 214.5	1 018.0
Net interest-bearing debt at the end of period	789.7	59.7	573.3	156.8
Gearing ratio at the end of period%	73.9%		115.0%	53.3%
Equity ratio at the end of the period%	37.8%		30.7%	34.7%

Note: More extensive descriptions of the merger-related changes are available in the merger prospectus. Unaudited Pro Forma Financial Information set forth herein has been rounded. Accordingly, in certain instances, the sum of the numbers in a column or row may not conform exactly to the total amount given for that column or row

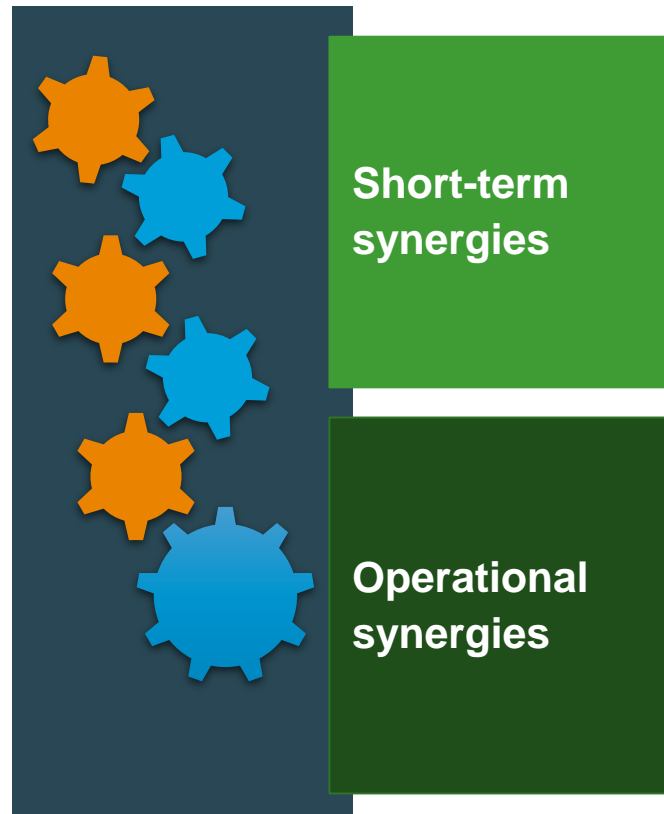
<sup>1)</sup> Adjustments in Property, plant and equipment (EUR 18.8 million), Goodwill (EUR 327.9 million), Other intangible assets (EUR 51.1 million), Other receivables (EUR 1.1 million) and Deferred tax assets (EUR -24.3 million)

<sup>2)</sup> Adjustments in Inventories (EUR 29.3 million) and Trade and other receivables (EUR -1.9 million)

<sup>3)</sup> Adjustments in Deferred tax liabilities (EUR 10.8 million), Provisions (EUR 33.3 million) and Borrowings (EUR 7.5 million)

<sup>4)</sup> Adjustments in Trade and other payables (EUR 3.3 million) and Borrowings (EUR 37.7 million)

# Synergy potential

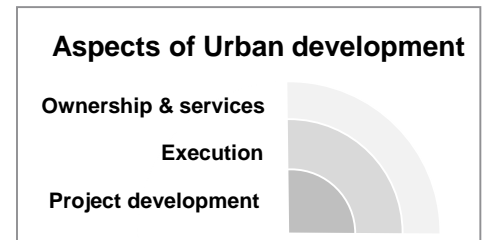
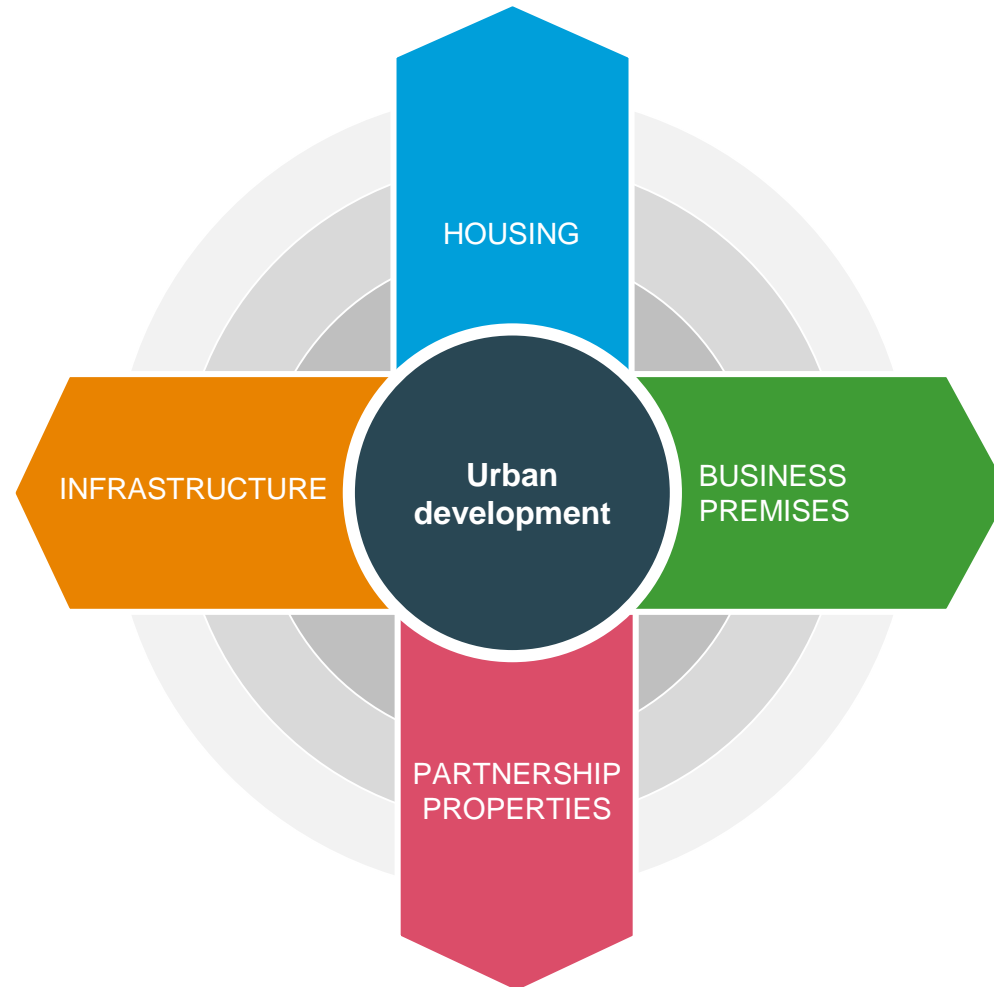


## Description

- One top management and Group administration, savings from being one stock listed company
- Combined premises
- Economies of scale benefits in indirect sourcing
- Harmonizing the IT-systems and diminishing the number of systems
- Unified operations and functions in overlapping areas
- Lowered financing costs based on improved key figures
- The improved turnover of the plot portfolio and enhancement of development capabilities by increasing self developed business
- Best practices from both sides, common processes and tools
- Economies of scale in using digitalization
- Better use and higher volume of international sourcing

*Full EBIT improvement potential per annum EUR 40 by the end of 2020*

# Urban development boosts the growth of balanced business portfolio



# Preliminary financial targets

Long-term financial target	Target level
ROCE	>12%
Dividend per share	Growing annually
Equity ratio	>40%
Cash flow	Positive after dividend payout

*To be specified, when merger is completed and management team starts operation*

# The planning of the integration proceeds in speed

## INTEGRATION PLANNING

Starting from June 19

25.8. Prospectus  
12.9. EGM's of both companies

Competition authority process

Day 1 readiness, organisational structure, leadership model,...

## IMPLEMENTATION OF INTEGRATION

November 1  
2017 or  
January 1  
2018

Spring 2018  
AGM

The Board of  
Directors elected in  
the EGM

The Board of  
Directors elected in  
the AGM

Structural changes, targets, management, follow-up, culture,...

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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.

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