



Lemminkäinen

# Merger of YIT and Lemminkäinen

June 19, 2017



[yitgroup.com](http://yitgroup.com)

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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 cost 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 cost 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 cost 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.

### **Note 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.

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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.

# Agenda today



## Today's speakers

- **Matti Vuoria**  
Chairman of the Board, YIT Corporation
- **Berndt Brunow**  
Chairman of the Board,  
Lemminkäinen Corporation
- **Kari Kauniskangas**  
President and CEO, YIT Corporation

## Questions and answers

# 1

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## Summary of the merger

# Summary of the merger

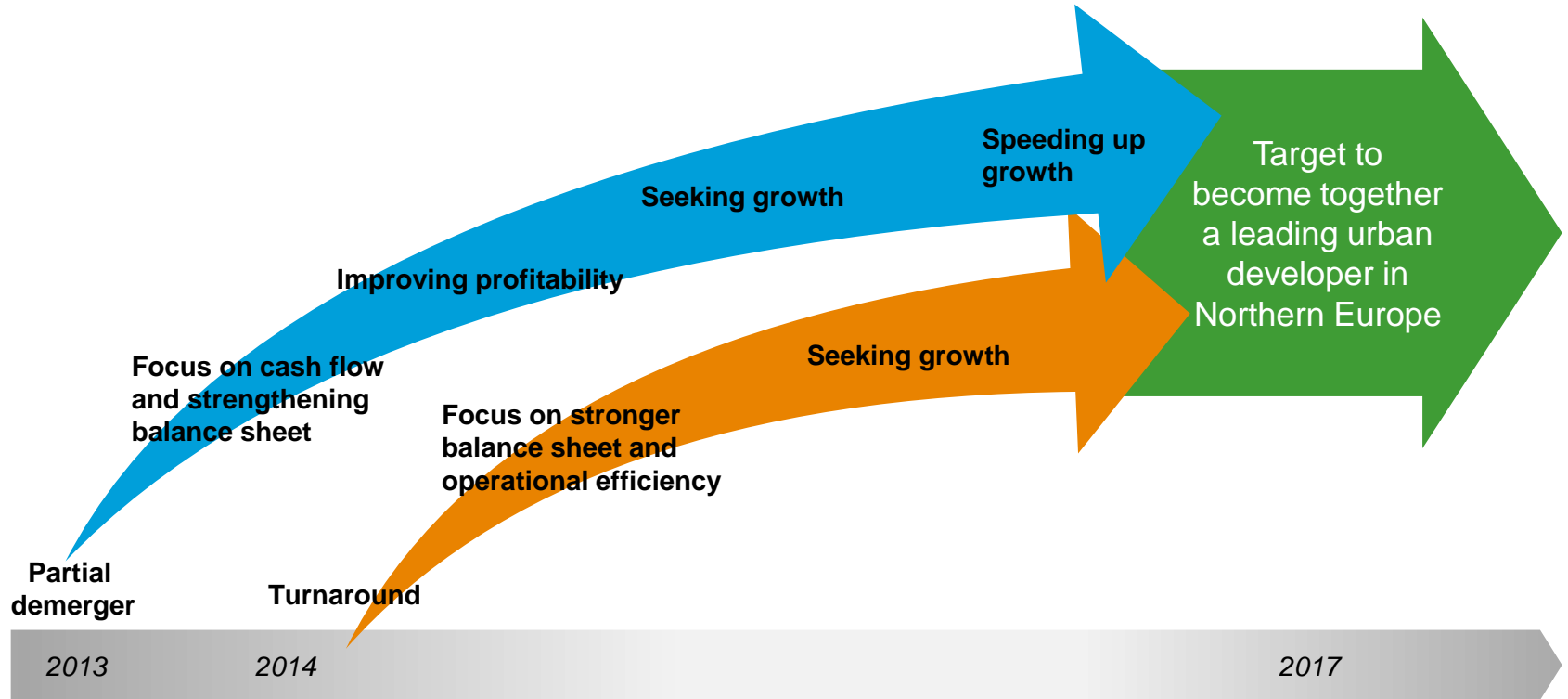
Structure	<ul style="list-style-type: none"><li>• The combination would be completed via an all-share absorption merger whereby Lemminkäinen would be merged into YIT</li><li>• Issuance of new YIT shares as merger consideration to Lemminkäinen's existing shareholders results in a post-transaction ownership of 60% of the combined company for YIT's shareholders and 40% for Lemminkäinen's shareholders (assuming none of Lemminkäinen shareholders demands redemption of his/her shares)</li></ul>
Decision-making	<ul style="list-style-type: none"><li>• Merger plan and combination agreement between the parties (signed by YIT's and Lemminkäinen's BoD on June 19)</li><li>• The final decision on the merger is made by the extraordinary general meetings (EGM; 2/3 majority) of both companies</li><li>• Prospectus to be published before the EGMs</li></ul>
Corporate Governance	<ul style="list-style-type: none"><li>• Proposed Board of Directors: 4 x YIT and 4 x Lemminkäinen</li><li>• Proposed CEO: Kari Kauniskangas (YIT) and CFO: Ilkka Salonen (Lemminkäinen)</li><li>• The rest of the management group of the combined entity will include current representatives of both YIT and Lemminkäinen (TBA)</li><li>• Appointments conditional on the successful completion of the merger</li></ul>
Deal certainty	<ul style="list-style-type: none"><li>• Voting undertakings from the largest shareholders of both companies representing approximately 20% of shares and votes in YIT and approximately 64% of shares and votes in Lemminkäinen</li><li>• Final decision on the merger to be made in EGMs later in the Autumn</li></ul>
Valuation consideration	<ul style="list-style-type: none"><li>• The shareholders of Lemminkäinen will receive 3.6146 new YIT shares for each share in Lemminkäinen as the merger consideration whereby the shareholders of Lemminkäinen will receive 40% ownership in the combined company (assuming no redemption of opposing shareholders)</li><li>• Based on the volume weighted average share prices of YIT and Lemminkäinen during the last three months YIT's shareholders would receive 67.1% and Lemminkäinen's shareholders would receive 32.9% of the combined entity</li></ul>
Timing	<ul style="list-style-type: none"><li>• Announcement on Monday, June 19</li><li>• Targeted publication of prospectus in late August</li><li>• Planned date for YIT's and Lemminkäinen's EGMs is Tuesday, September 12</li><li>• Closing on either November 1, 2017 or January 1, 2018, as possible</li></ul>

# 2

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Merger of YIT and  
Lemminkäinen

# YIT's and Lemminkäinen's recent years in brief



# Deal rationale

## 1 | Strong platform for growth

- Target to become a leader in urban development
- More balanced business portfolio (Infra, Housing, Business Premises, Partnership Properties)
- Wider geographical presence in several economic regions

## 2 | Synergies and improved competitiveness

- Good references and wide pool of professional people
- Potential for profitability improvement
- Wider opportunities for specialization and scale

## 3 | Improved financial position and reduced risk profile

- Counter cyclicity of businesses and geographies
- Lower financing costs
- Lower dependency on investment demand

## 4 | Enhanced investment case

- Significant market value, good liquidity of the share
- Balanced and improved risk profile
- Growing dividend expectation



# Transaction overview



The transaction would be executed as an absorption merger whereby Lemminkäinen is merged into YIT and thereafter dissolved

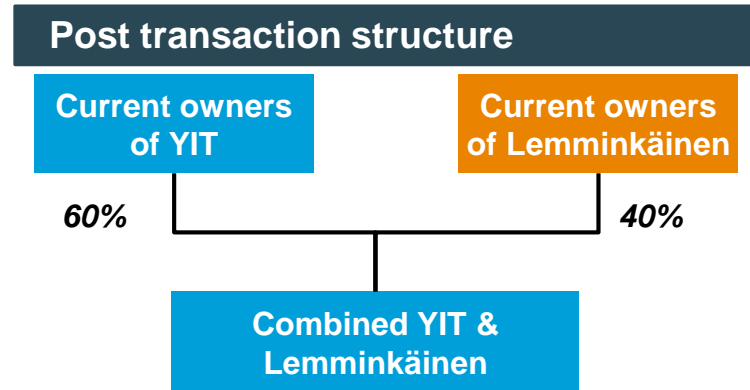
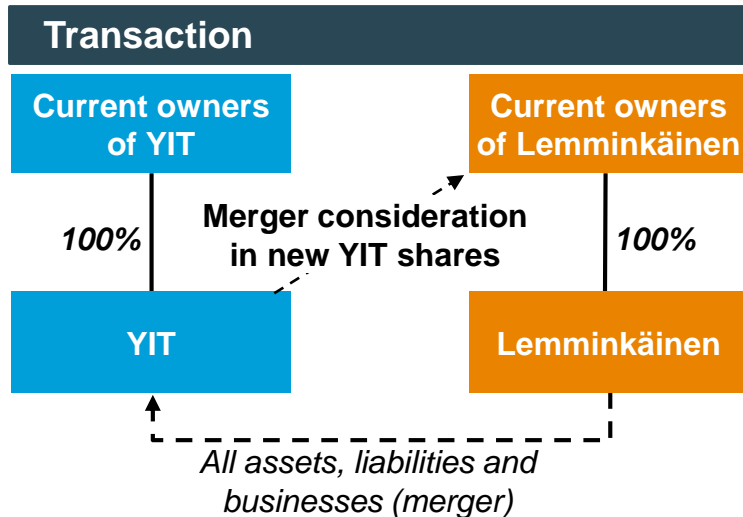
**3.6146** new YIT shares

3.6146 new YIT shares would be issued for each share in Lemminkäinen as merger consideration to the shareholders of Lemminkäinen in exchange for all assets, liabilities and businesses of Lemminkäinen

**60%**

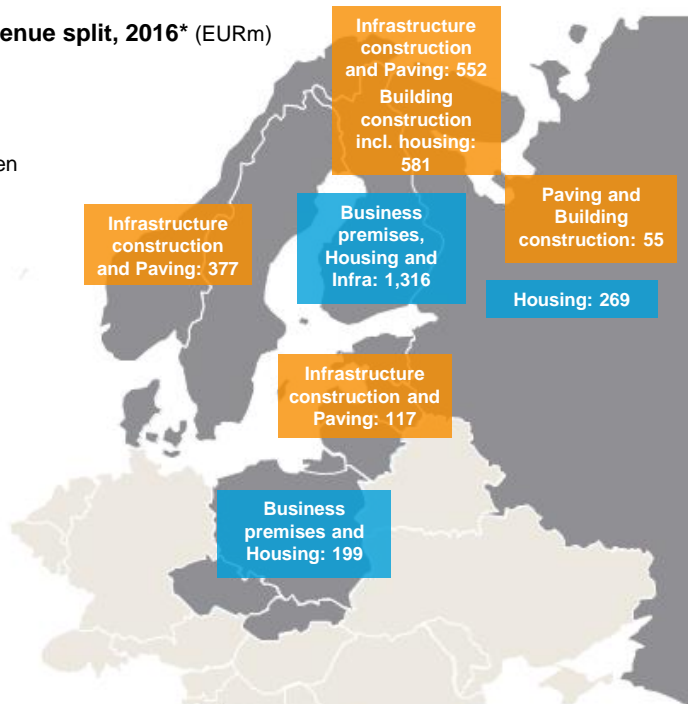
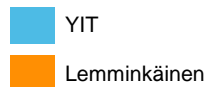
**40%**

After the transaction the current shareholders of YIT would own 60% of the combined entity whereas the current shareholders of Lemminkäinen would own 40% (assuming no redemption of opposing shareholders)



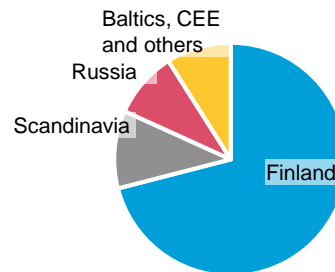
# Combined portfolio 2016

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

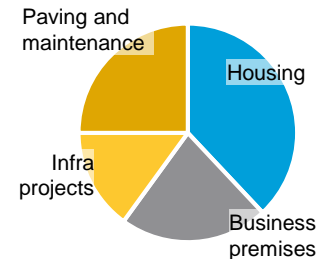


## Illustrative combined revenue splits 2016\*

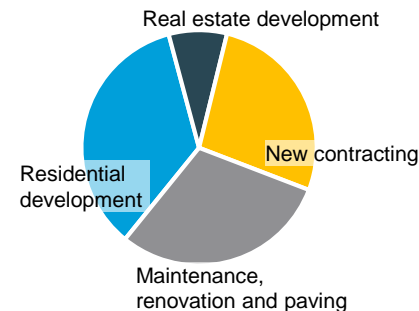
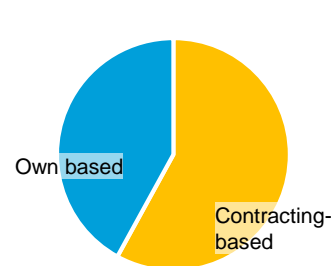
### Geographic split\*



### Operational split\*



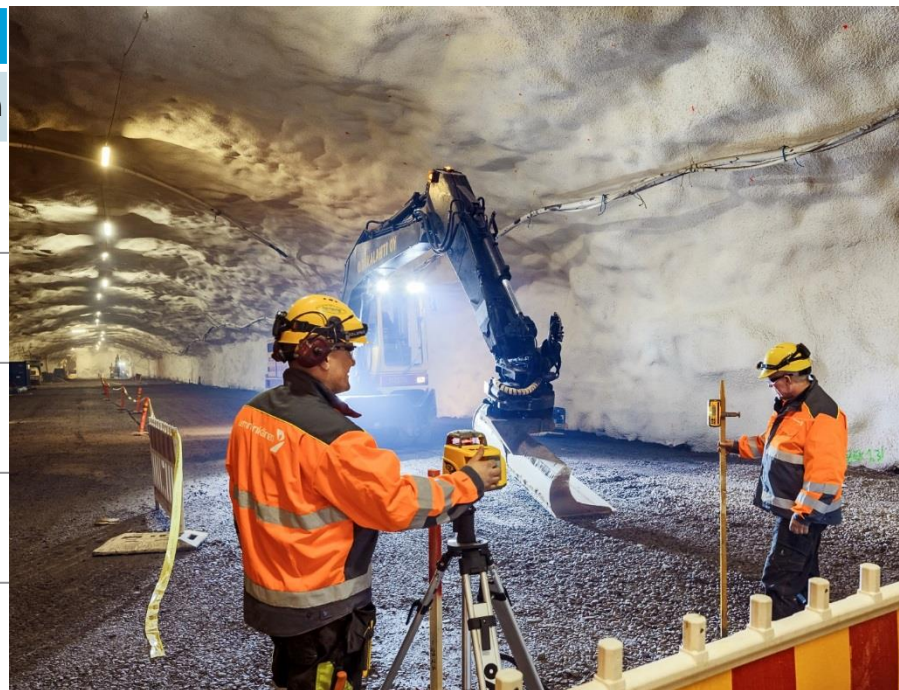
### Business logic splits\*



\* 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.

## Combined income statement information (IFRS)

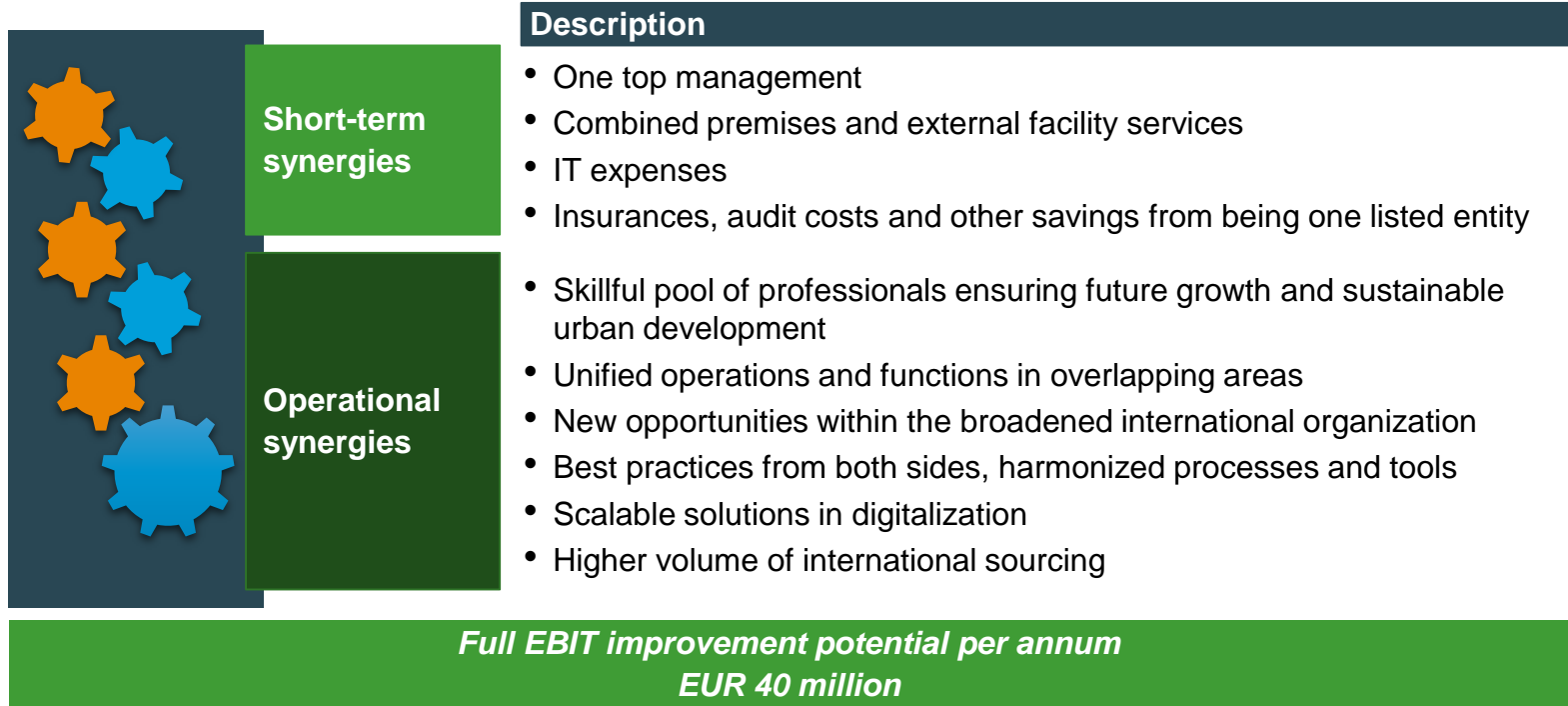
IFRS	1-12/2016		
	Combined	YIT	Lemminkäinen
Revenue	3,361.0	1,678.3	1,682.7
Operating profit	85.2	17.7	67.6
<i>Operating profit %</i>	2.5%	1.1 %	4.0%
Adjusted operating profit	89.7	44.7	45.1
<i>Adjusted operating profit %<sup>1</sup></i>	2.7%	2.7%	2.7%



The combined illustrative financial information is presented for illustrative purposes only and they should not be regarded as pro forma financial information. The combined illustrative income statement information and key figures are presented as if the business operations would have been in the same Group starting from the beginning of the year 2016.

<sup>1)</sup> Adjustments in the Combined adjusted operating profit are based on YIT's and Lemminkäinen's published financial statement information.

# Synergy potential



# Need for stability over economic cycles

## CURRENT CHALLENGES

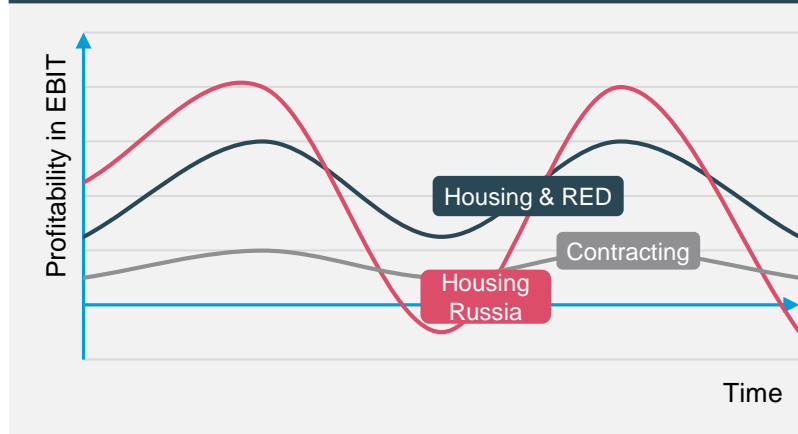
Economic uncertainty

Business  
cyclicality

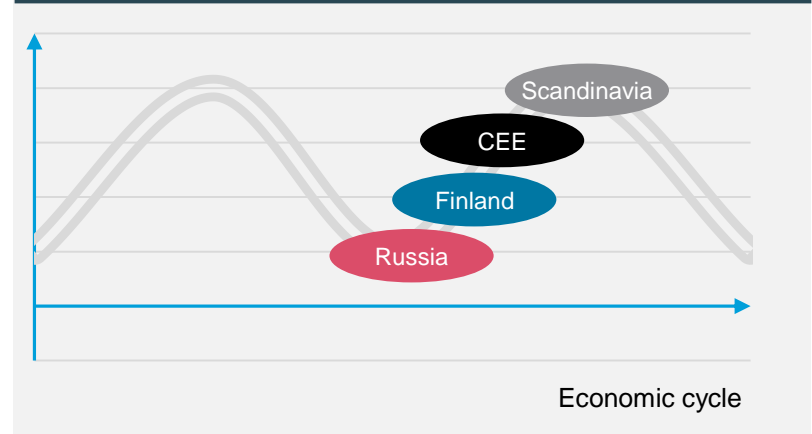
Risk aversion of  
creditors

Unbalanced capacity

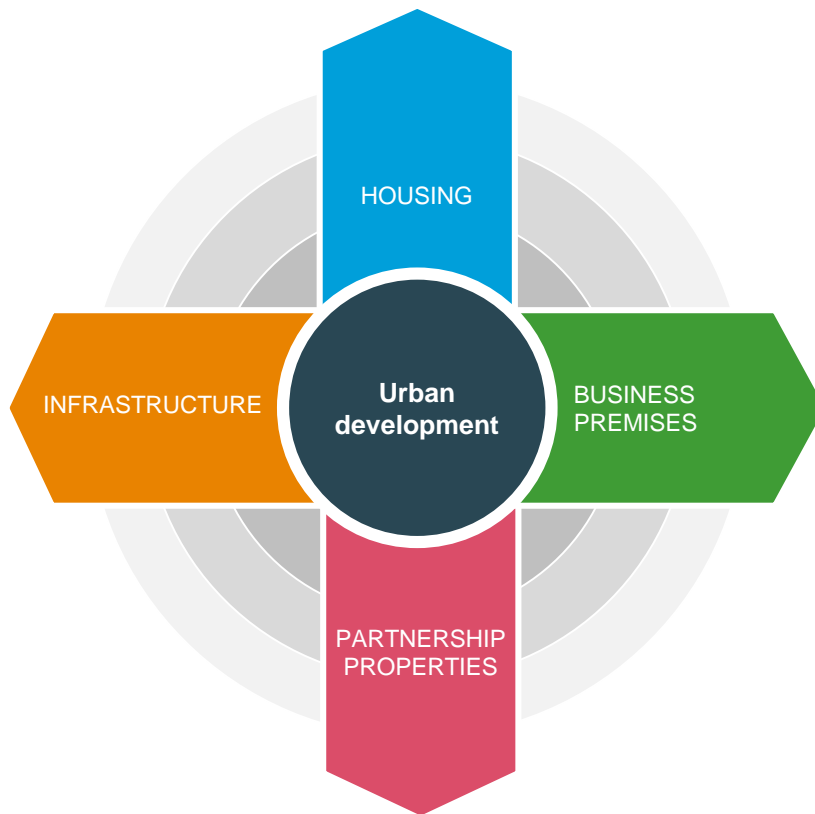
## NATURE OF BUSINESSES



## MARKETS & ECONOMIC CYCLES



# Urban development boosts the growth of balanced business portfolio



## Aspects of Urban development

Ownership & services

Execution

Project development



# 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*



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Helsinki, Finland

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## Corporate governance and schedule



# The combined company Nominees for the Board of Directors

## Board of Directors

**Matti Vuoria**  
YIT  
(Chairman)

**Berndt Brunow**  
Lemminkäinen  
(Vice Chairman)

**Erkki Järvinen**  
YIT

**Harri-Pekka Kaukonen**  
Lemminkäinen

**Inka Mero**  
YIT

**Juhani Mäkinen**  
Lemminkäinen

**Kristina Pentti-von Walzel**  
Lemminkäinen

**Tiina Tuomela**  
YIT

## Management

**Kari Kauniskangas**  
President and CEO

**Ilkka Salonen**  
CFO

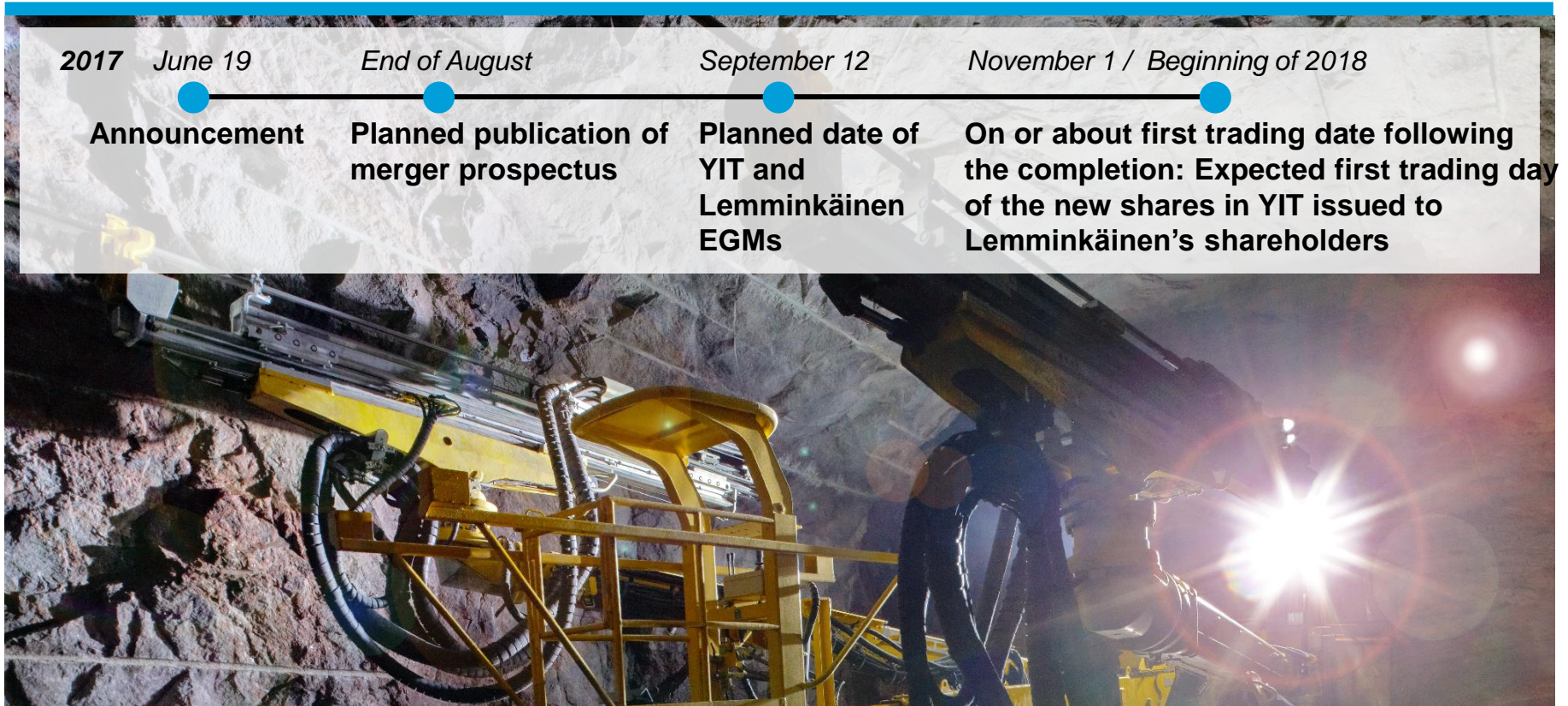
## Post transaction ownership base (based on shareholders on May 31 )

Shareholder	Shares	%-of total shares
1 Varma Mutual Pension Insurance Company	15,945,976	7.6 %
2 PNT Group Oy	15,296,799	7.2 %
3 Pentti Heikki Oskari Estate	8,146,217	3.9 %
4 OP funds	5,125,392	2.4 %
5 Forstén Noora Eva Johanna	5,115,530	2.4 %
6 Herlin Antti	4,710,180	2.2 %
7 Pentti Lauri Olli Samuel	4,198,846	2.0 %
8 Elo Mutual Pension Insurance Company	3,549,055	1.7 %
9 Ilmarinen Mutual Pension Insurance Company	3,192,535	1.5 %
10 Fideles Oy	3,188,800	1.5 %
11 The State Pension Fund	2,975,000	1.4 %
12 Vimpu Intressenter Ab	2,873,607	1.4 %
13 Danske Invest funds	2,821,025	1.3 %
14 Pentti-Von Walzel Anna Eva Kristina	2,749,192	1.3 %
15 Pentti-Kortman Eva Katarina	2,715,410	1.3 %
16 Etera Mutual Pension Insurance Company	2,662,224	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	2,100,557	1.0 %
Top 20 total	94,433,900	44.7 %
Nominee registered	40,090,483	19.0 %
Other	76,575,470	36.3 %
<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
- As a result of the conversion, the current shareholders of YIT (excluding shares owned by YIT Corporation) would own 60% and the current shareholders of Lemminkäinen (excluding shares owned by Lemminkäinen Corporation) would own 40% of the combined entity assuming none of Lemminkäinen shareholders demands redemption of his/her shares

# Timetable



# 4

## Questions and answers



Ranta-Tampella  
Tampere, Finland

Lemminkäinen



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## Appendix

# New business model – More out of urban development

## KEY ACTIONS

### Step A

- Group development unit
- Plot factory

*More ideas*

### Step B

- Partnership Properties segment
- Improved risk tolerance

*More projects*

*More investment capacity*

### Step C

- Residential services
- Renovation services
- Data for value creation

*More stable cashflow*

Long-term customerships

Ownership and quarterly reporting

Faster turnover of plot portfolio

Wider portfolio of development projects

**NEW APPROACH**