

YIT



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

YIT in brief  
2018



# President and CEO's review

YIT and Lemminkäinen merged at the beginning of February to create the new YIT. In addition to focusing on our actual business operations, we allocated significant resources to the brisk integration of the companies and building the foundation for the new YIT.

Establishing a common corporate culture was a priority that took up much of my time personally and the same can be said for the Group Management Team as a whole. One concrete outcome of the many discussions we had throughout our operating area was the creation of the company's shared values and leadership principles, which were published in October. They will guide our efforts to strengthen our common culture in areas such as occupational safety, quality, performance and participatory leadership this year.

Our initial approximation of the total quantifiable cost savings derived from the merger, or synergies, turned out to be an underestimation. The synergies began to be reflected in the Group's financial performance in 2018 in line with the previously set goals. We adjusted our previous estimate of synergies in excess of EUR 40 million to EUR 45–50 million by the end of 2020. Furthermore, the sharing of best practices and expertise creates benefits that will be gradually reflected in improved competitiveness and project-specific profitability.

In September, we announced our new strategy for 2019–2021, the target of which is to improve profitability and to strengthen financial stability. The core of the strategy is urban development and it is built on the foundation of YIT's key strength,



which is the development and implementation of self-developed projects. The strategic priorities, sources of growth and structural profitability are urban development and non-cyclical businesses. To execute our strategy and enhance our progress in our chosen priorities, we also launched three development programmes: Performance, Customer Focus and Green Growth.

In the Housing Finland and CEE segment, Business premises segment and Partnership properties segment, self-developed projects and their successful sale brought in the lion's share of the segments' revenue and profit, and also the entire Group's profit in 2018. The Infrastructure projects and Housing Russia segments posted a weak result, and the Paving segment's result was modest. There were, however, several successes within these segments. We enter the new year with confidence with regard to these segments as well, having implemented a large number of measures, starting in early 2018, to improve our profit performance in these areas. In addition to the measures we have taken, our robust and healthier order backlog and strong financial position give us a solid foundation for the new year.

I would like to take this opportunity to thank our customers for their trust and cooperation, as well as our personnel and partners for their commitment to achieving our goals.

Handwritten signature of Kari Kauniskangas in black ink.

Kari Kauniskangas  
President and CEO

# YIT in brief

## YIT IS THE LARGEST FINNISH AND SIGNIFICANT NORTH EUROPEAN CONSTRUCTION COMPANY.

We develop and build apartments and living services, business premises and entire areas. We are also specialised in demanding infrastructure construction and paving. Together with our customers, we create more functional, more attractive and more sustainable cities and environments.

YIT employs nearly 10,000 professionals in 11 countries: Finland, Russia, Scandinavia, the Baltic States, the Czech Republic, Slovakia and Poland. The new YIT was born when over 100-year-old YIT Corporation and Lemminkäinen Corporation merged on February 1, 2018. Our pro forma revenue for 2018 was approximately EUR 3.8 billion. YIT Corporation's share is listed on Nasdaq Helsinki Oy.

## GEOGRAPHICAL DISTRIBUTION OF REVENUE

EUR million, 2018

### SCANDINAVIA

Revenue: 333  
Personnel: 757



### CEE COUNTRIES

Revenue: 164  
Personnel: 290



### FINLAND

Revenue: 2,578  
Personnel: 5,034



### RUSSIA

Revenue: 314  
Personnel: 1,740



### BALTIC COUNTRIES

Revenue: 300  
Personnel: 1,249



Paving



Infrastructure projects



Business premises



Partnership properties



Housing



# Key figures

REVENUE\*

**3.8**

EUR billion in 2018

NET PROMOTER SCORE (NPS)

**52%**

scale: -100%–100%

ADJUSTED OPERATING PROFIT\*

**134.5**

EUR million in 2018

EMPLOYEES

**10,000**

in 11 countries

ACCIDENT FREQUENCY

**9.7**

accidents per one million hours worked

ORDER BACKLOG

**4.4**

EUR billion at the end of the period

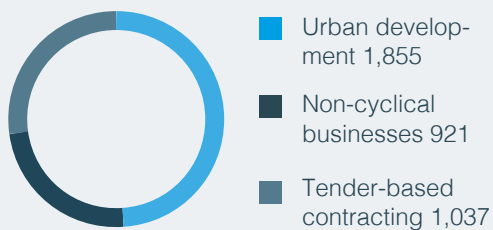
DIVIDEND PROPOSAL

**EUR 0.27**

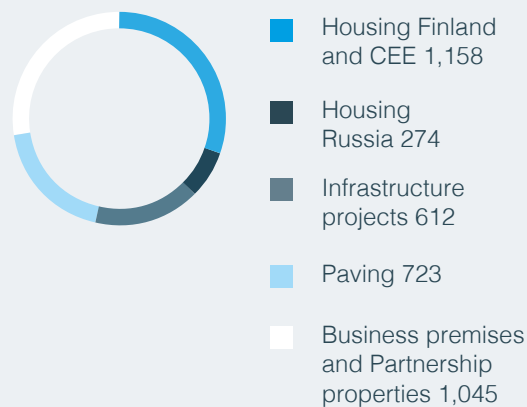
per share

\* Pro forma

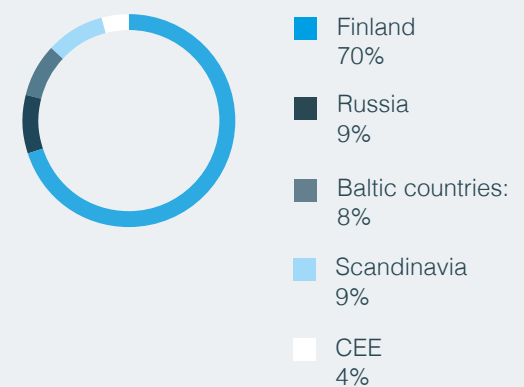
REVENUE BY BUSINESS IDEA, EUR MILLION



REVENUE BY SEGMENT, EUR MILLION



REVENUE BY GEOGRAPHICAL AREA



# Integration progressed in line with targets

The parent companies YIT Corporation and Lemminkäinen Corporation merged on February 1, 2018. The new YIT is the largest Finnish and significant North European construction company, with nearly 10,000 employees and operations in 11 countries.

Following the merger, we began the process of organising into the new YIT. Our business in the various countries of operation continued in 2018 under the YIT brand, but in the name of the subsidiaries carried over from YIT and Lemminkäinen in a legal sense. For Finland, Estonia and Lithuania, the mergers of subsidiaries took place at the turn of the year 2018–2019, with Latvia and Russia to follow in the first half of 2019. There were no overlapping

functions requiring mergers in Scandinavia and the CEE countries.

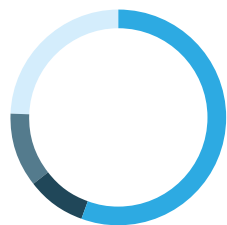
A large group of our personnel representing various businesses, functions and operating countries have participated in the development of the operating methods of the new YIT. The integration has also been guided by our new strategy and the Group's shared values and leadership principles. They create a strong foundation for developing the operating methods of the new YIT.

The focus of the integration effort has been on establishing a smooth operating environment and operating conditions. We have harmonised operations and developed common operating methods, combined online and system environments and reporting, and

created the conditions for the merger of subsidiaries, which also enables the harmonisation of the terms of employment and employee benefits. Going forward, the integration work will be incorporated into the Performance development programme and our day-to-day operations.

We have measured our integration performance in four areas: satisfied customers; employee satisfaction; smooth operations during the integration process for our personnel, customers, partners and stakeholders; and the achievement of the targeted synergies. The success of the integration measures during the past year was in line with our targets. We have adjusted the estimate of overall synergies to EUR 45–50 million annually by the end of 2020.

## MAIN SOURCES OF SYNERGIES



- Changes in operating model, eliminating overlap
- Facilities
- IT systems
- Other



# Performance through cycles

Together with our highly skilled personnel, our vision is to bring more life in sustainable cities. The target of YIT's strategy is to improve profitability and to strengthen financial stability.

External factors, or megatrends, have a significant impact on our operations and strategic choices. Urbanisation is continuing and people are moving to growth centres. Urban structures are becoming concentrated around public transport. Digitalisation enables us to improve the customer experience and enhance productivity. Sustainable development is influenced by people's changing attitudes as well as legislation. The circular economy is growing and the demand for services is increasing.

**WE ENGAGE IN COMPETITIVE BIDDING FOR CONSTRUCTION CONTRACTS WITH THE AVAILABLE RESOURCES AND A HEALTHY LEVEL OF PROFITABILITY WITHOUT ANY GROWTH OR REVENUE TARGETS. OUR STRATEGY DICTATES THAT EACH SEGMENT IS RESPONSIBLE FOR ENSURING THAT IT REMAINS COMPETITIVE IN ITS MARKET.**

## WE HAVE TWO STRATEGIC PRIORITIES

We seek growth and the structural improvement of profitability through our strategic priorities.

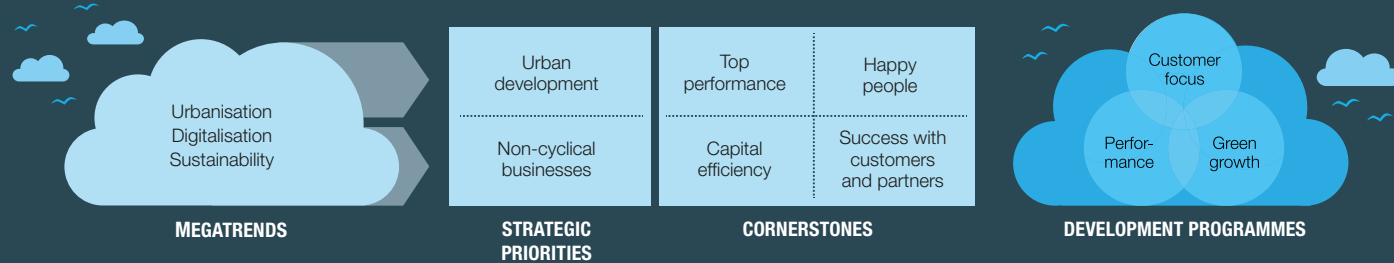
- Urban development is focused on demanding urban development projects and complex turnkey contracts or cooperative projects that require versatile competencies and strong expertise in project management. Effective cooperation and the customer experience are particularly significant in these types of projects. In addition, the added value we create for customers and profitability benefits are at their highest in these projects.
- Non-cyclical businesses are based on long-term service contracts and lease agreements as well as on stable or increasing demand. Paving, the excavation of construction aggregates, road maintenance, renovation projects, real estate investment, property management and living services are good examples of these kinds of businesses.

## THE FOUR CORNERSTONES OF YIT'S SUCCESS

1. Top performance is pursued through the meticulous implementation of our integration plan and the improvement of productivity at sites.
2. Capital efficiency is sought by reducing net working capital in specific businesses, selling slow moving assets, reducing the risk level and capital employed of the Group's business in Russia and by further developing the business model.
3. We achieve success with customers and partners. Better customer insight, the use of data, conceptualisation and active daily customer work enable us to improve the customer experience. By collaborating with our partners, we increase innovation, speed and financing.
4. Happy people gravitate towards working communities where the company culture, leadership practices, tools, compensation and benefits together with the overall atmosphere foster commitment and satisfaction. Our target is to be the most desired employer in our field among current employees, students and professionals.

# More life in sustainable cities

STRATEGY SUMMARY 2019–2021:  
**PERFORMANCE THROUGH CYCLES**  
– A profitable and financially stable YIT –



**We create better living environments**

## FUNDAMENTS

SAFETY FIRST  
QUALITY ALWAYS



## OUR VALUES

RESPECT  
COOPERATION

CREATIVITY  
PASSION

# Development programmes support execution

We support our strategy execution with three Group-wide development programmes

EFFECTS  
VISIBLE FROM

1-3 YEARS

2-5 YEARS

5-10 YEARS

## PERFORMANCE

We ensure that the synergies sought through the merger will be achieved while supporting the development of productivity at project level by decreasing waste and turnaround times, without compromising quality.

## CUSTOMER FOCUS

We achieve growth by improving products, services and the customer experience as well as through active work with our customers.

## GREEN GROWTH

We support growth and the development of productivity by applying the principles of sustainable development. We seek new business opportunities in non-cyclical businesses and businesses based on the circular economy.



# Our values guide our work

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## RESPECT

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

## COOPERATION

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

## CREATIVITY

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

## PASSION

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

## CORPORATE CULTURE IS WHAT SETS COMPANIES APART.

YIT's culture is reflected in its values, its transparent and participatory leadership style, general conduct, recruitment, agility and result orientation. As proof of our appreciation for our customers and employees, occupational safety and quality are the highest priorities in everything we do.



## LEADERSHIP PRINCIPLES

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

## MANAGEMENT PHILOSOPHY

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Management by key results, MBKR

# Housing Finland and CEE



IN LITHUANIA, WE ARE DEVELOPING PILIAMISTIS, A RIVERSIDE RESIDENTIAL AREA ONLY A BRIDGE AWAY FROM THE OLD TOWN OF KAUNAS.

We develop and build apartments and living services as well as entire areas, and we provide services to our customers during their residence. Our customers include households as well as private and institutional investors.

**MARKET AREA**

We operate in Finland, Estonia, Latvia, Lithuania, Poland, the Czech Republic and Slovakia. We are the market leader in Finland and a major player in the CEE countries, excluding Poland, where our operations began in 2016.

**RESULT IN 2018**

Revenue grew to EUR 1,157.9 million (1,156.2) and adjusted operating profit improved to EUR 103.3 million (83.0). Consumer demand remained at a good level in Finland, but the demand for residential investment properties turned to a decline. In the CEE countries, the demand for apartments remained strong throughout.

**KEY PROJECTS**

Tripla, Helsinki, Finland; Ranta-Tampella, Tampere, Finland; Nuppu, Bratislava, Slovakia; Zwirn, Bratislava, Slovakia; Suomi Hloubetin, Prague, Czech Republic

**FOCUS AREAS**

The focus areas of our operations are development of living services, improving the customer experience and productivity, increasing the use of prefabricates in construction and implementing harmonised operating methods in the merged company.



# Housing Russia

We construct and develop apartments and entire residential areas on a self-developed basis in Russia. In addition to property management and maintenance services, we offer services to our customers to make their daily life easier, such as cleaning and moving services. Our contracting business consists of the development and construction of industrial facilities as well as residential contracting.



FINSKIY ZALIV IS A RESIDENTIAL AREA BEING DEVELOPED IN TYUMEN, RUSSIA, WITH 500 MODERN APARTMENTS AND PLEASANT OUTDOOR AREAS UNDER CONSTRUCTION.

## MARKET AREA

In Russia, we operate in St. Petersburg, Moscow and its surroundings, Kazan, Yekaterinburg, Tyumen and Rostov-on-Don. We are the most significant foreign housing developer in Russia and a growing provider of living services. YIT has operated in Russia for nearly 60 years. YIT also has industrial park projects in the St. Petersburg area and Kaluga.

## RESULT IN 2018

Revenue at comparable exchange rates amounted to EUR 274.1 million (421.0) and the adjusted operating profit at comparable exchange rates was EUR -32.8 million (4.9). YIT completed 2,974 (4,523) apartments in Russia in 2018 and was responsible for the maintenance and services for more than 38,000 apartments, 7,400 parking places and 2,400 commercial premises, or more than 48,000 customers in total.

## KEY PROJECTS

Tarmo, St. Petersburg; Finskiy zaliv, Tyumen; Aalto, Moscow

## FOCUS AREAS

The focus areas of our operations are developing and growing living services into a diverse platform business and reducing the amount of capital employed by increasing capital efficiency; for example, by developing partnerships in residential construction. In addition, we focus on improving profitability significantly.



# Business premises

We focus on the construction and renovation of offices, retail, production and logistics premises and public buildings as well as property development and life-cycle projects.

## MARKET AREA

We are the leading developer of business premises in Finland and a significant player in the Baltic countries and Slovakia. Our focus is on capital regions.

## RESULT IN 2018

Revenue grew to EUR 1,045.2 million (902.2) and adjusted operating profit improved to EUR 67.8 million (51.5). The growth was attributable to the recognition of revenue from major office projects as well as the synergies derived from integration. The order backlog stood at EUR 1,326.9 million (1,306.8) at the end of the year.

## KEY PROJECTS

Keilaniemenranta, Espoo, Finland; startup campus

Maria O1, Helsinki, Finland; Mall of Tripla, offices, hotel and apartments, Helsinki, Finland; Lapland Central Hospital expansion, Rovaniemi, Finland; Duetto II, Vilnius, Lithuania; Central Library Oodi, Helsinki, Finland

## FOCUS AREAS

The focus areas of our operations are urban development projects and renovation. The development of operations is focused on understanding customer needs and the harmonisation of planning, design and production processes.



HELSINKI  
CENTRAL LIBRARY OODI  
WAS COMPLETED IN LATE 2018  
AND IMMEDIATELY EMBRACED  
BY THE CITY'S RESIDENTS. FOR  
MANY PEOPLE, IT HAS BECOME A  
SECOND LIVING ROOM IN THE  
HEART OF HELSINKI.



# Partnership properties

We implement large and long-term projects in cooperation with partners, which increases our investment capacity and risk-carrying capacity. We aim for stable yield in our projects.



**SCHEDULED TO  
OPEN IN AUTUMN  
2019, MALL OF TRIPLA  
WILL OFFER EXPERIENCES,  
FLAVOURS, CULTURE AND  
SHOPPING TO DELIGHT ALL  
VISITORS.**

## MARKET AREA

We operate in Finland, the Baltic countries, Slovakia, the Czech Republic and Poland.

## RESULT IN 2018

The Partnership properties segment reported an operating profit of EUR 26.9 million in 2018. The Partnership properties segment earns revenue through asset ownership, meaning rental income, and future appreciation in the value of assets. The segment also earns revenue from various service agreements. The segment began its operations on January 1, 2018.

## KEY PROJECTS

Mall of Tripla, Helsinki, Finland; Keilaniemenranta, Espoo, Finland; Tietotie 6, Espoo, Finland; Telia Campus, Helsinki, Finland; YCE Housing 1 fund

## FOCUS AREAS

The focus areas of our operations are innovative urban development and capital-efficient partnerships.

The ownership, rental income and sales gains of partnership projects are reported in the Partnership properties segment. The actual construction of the projects is carried out, and revenue recognised, under the Business premises segment and the Housing Finland and CEE segment.



# Infrastructure projects

We are a comprehensive infrastructure construction partner that provides customers with the best solutions for demanding infrastructure projects.



## MARKET AREA

We are the leading infrastructure developer in Finland and, in the Baltic states, we focus on road construction and demanding infrastructure projects. In Sweden, we engage in rock construction and industrial projects, amongst others. In Norway, we focus on renewable energy construction.

## RESULT IN 2018

Adjusted revenue was EUR 612.4 million (686.0) and the adjusted operating profit was EUR -7.6 million (17.4). The order backlog was strong at EUR 579.6 million (471.0) at the end of the year.

## KEY PROJECTS

Tampere light rail, Tampere, Finland; Blominmäki wastewater treatment plant, Espoo, Finland; Jokeri Light Rail, Helsinki-Espoo, Töölön pysäköintilaitos parking facility, Helsinki, Finland; Finnoo station excavation, Espoo, Finland; Henriksdal wastewater treatment plant, Stockholm, Sweden; Jølstra hydropower plant, Hordaland, Norway; Via Baltica A5, Lithuania

## FOCUS AREAS

The focus areas of our operations are demanding projects that require versatile expertise and risk management, particularly in tendering phases and during construction.

# Paving

We enable safe and smooth mobility throughout the road lifecycle. We pave roads and take responsibility for their maintenance. We also provide services ranging from opencast mining to crushing and the sale of mineral aggregates.

## MARKET AREA

We are the largest paving operator and mineral aggregate supplier in Finland and a significant player in road maintenance. In Scandinavia, we are a significant paving operator and supplier of mineral aggregates. In Russia, we specialise in demanding paving projects.

## RESULT IN 2018

Adjusted revenue was EUR 723.2 million (768.9) and the adjusted operating profit was EUR 2.7 million (4.7). The result of the final quarter was particularly strong, supported by measures taken earlier in the year. The order backlog remained strong at EUR 449.2 million (411.8).

## HIGHLIGHTS

In 2018, we carried out demanding paving projects at locations such as harbours and airports in Finland, Sweden and Norway. We have also made good progress towards our goal of increasing the use of recycled asphalt in our asphalt production. Recycled asphalt accounted for 16% (14) of our raw materials in asphalt production in 2018. We conducted a study on the durability of recycled asphalt in cooperation with the Danish Research Agency. Based on the results of the study, the Danish Ministry of Environment and Food recommends increasing the recycling rate.

## FOCUS AREAS

The focus areas of our operations are investing in customer relationships and personnel, increasing the use of automation and digital solutions, providing renewed and sustainable products and services and ensuring an efficient fleet network.





# Two champions together. Double the opportunities.

In the new YIT, we work together – in a team twice as big as before, with respect for everyone's individual strengths. The competence of our personnel is key to the success of our projects.

Last year, we were honoured to receive the Construction Site of the Year 2018 award for our Tripla project in Helsinki and the IPMA Project of the Year 2018 award for the Suomenlinna tunnel alliance. The competence, commitment and team spirit of our personnel also played a key role in the success of the merger.

## 1,000 TRAINEE AND SUMMER JOB POSITIONS

Our career paths are increasingly diverse and we support the development of our personnel by investing in training as well as by sharing best practices and knowledge. We also invest in helping young talents gain access to the diverse

careers offered by the construction industry. Last year, we helped 1,000 students in trainee and summer job positions develop their skills in accordance with our systematic learning paths.

## HAPPY PEOPLE

Happy people are one of the cornerstones of our success. The results of our 2018 personnel survey indicate that our people are committed and satisfied with the quality of leadership at YIT. They also feel that their work is meaningful and give high marks to their teamwork with colleagues.



### YIT CORPORATION

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