



# YIT – More life in sustainable cities

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Roadshow USA  
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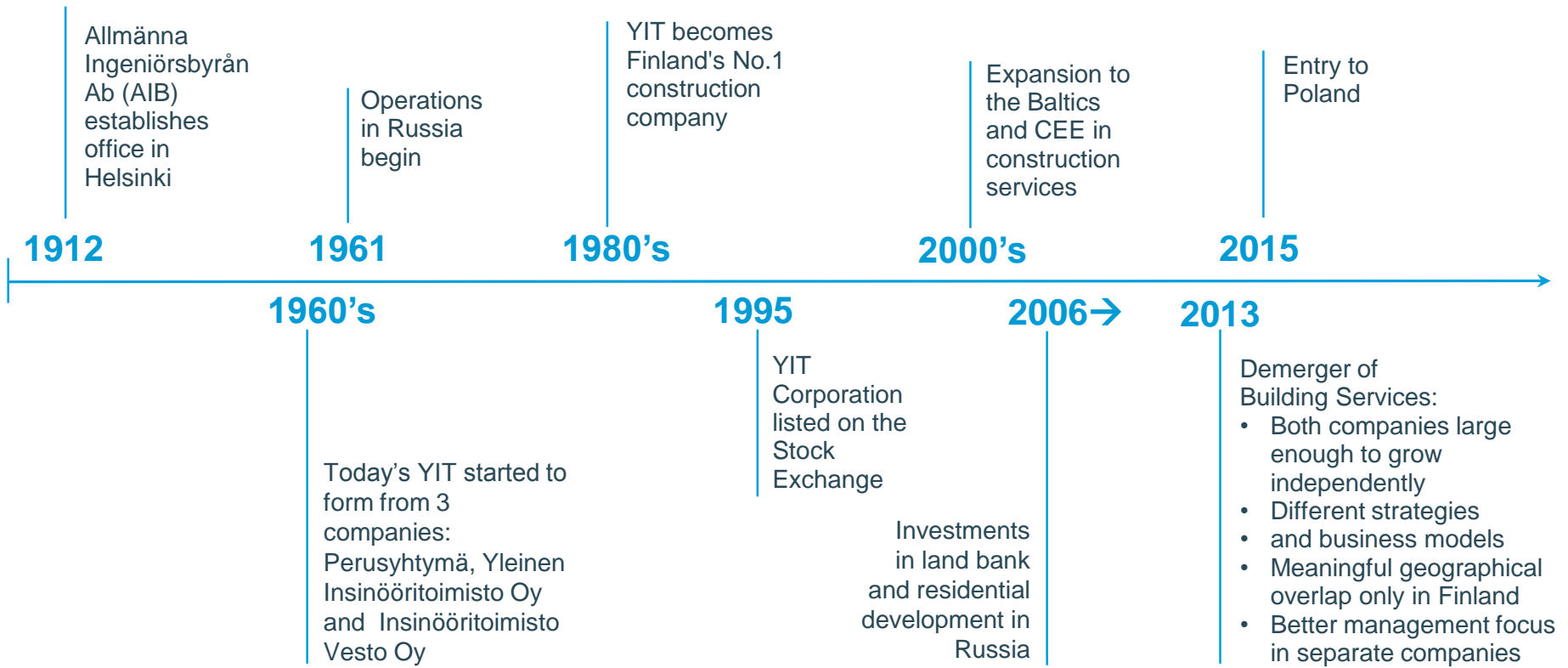
# 1

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## YIT in brief

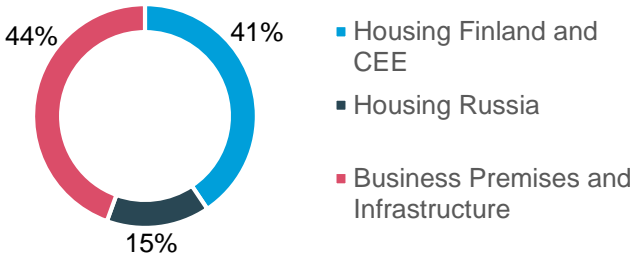


# Over 100 years in Finland, over 50 in Russia, growing presence in CEE

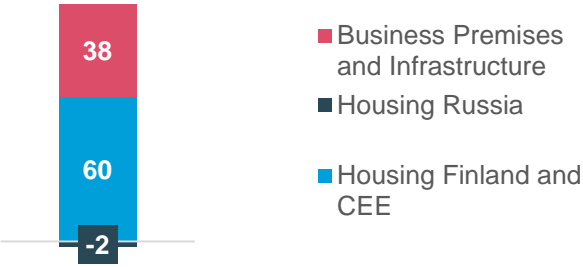


# A real estate developer and construction company with solid track record

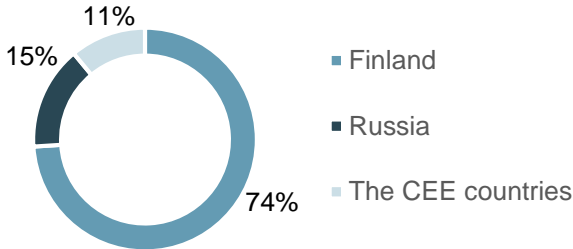
Revenue by segment, EUR 1.8 bn



Operating profit\* by segment, EUR 80 million



Revenue by geographical area



# Balanced business portfolio



**Housing Finland and CEE**



**Housing Russia**



**Business Premises and Infrastructure**

**BUSINESS**

We construct and develop apartments and entire residential areas.

We construct and develop apartments and entire residential areas, we operate in service- and maintenance business.

We build offices, commercial spaces, care facilities, logistics buildings, roads, bridges, rail and metro stations, harbours and do road maintenance.

**OPERATING COUNTRIES**

Finland, Estonia, Latvia, Lithuania, Slovakia, the Czech Republic and Poland

7 regions in Russia: St. Petersburg, Moscow, Moscow region, Yekaterinburg, Tyumen, Kazan, Rostov-on-Don

Business Premises: Finland, Estonia, Latvia, Lithuania, Slovakia  
Infrastructure: Finland

**CUSTOMERS**

Households, private and institutional investors

Mostly households

Companies, public sector, institutional investors

**MAIN COMPETITORS**

Lemminkäinen, SRV, Skanska, Bonava, Lehto Group, Lapti, Merko Ehitus, local players in different countries

PIK, LSR, Etalon, SU-155, Lemminkäinen, NCC, local players in different cities

Lemminkäinen, SRV, Skanska, NCC, Merko Ehitus, Destia, Kreate, Peab etc.

# Our vision – More life in sustainable cities

OUR VISION

OUR GROWTH ENGINE

OUR DNA

OUR MISSION

OUR VALUES



CARE

A STEP AHEAD

COOPERATION

PERFORMANCE

# 2

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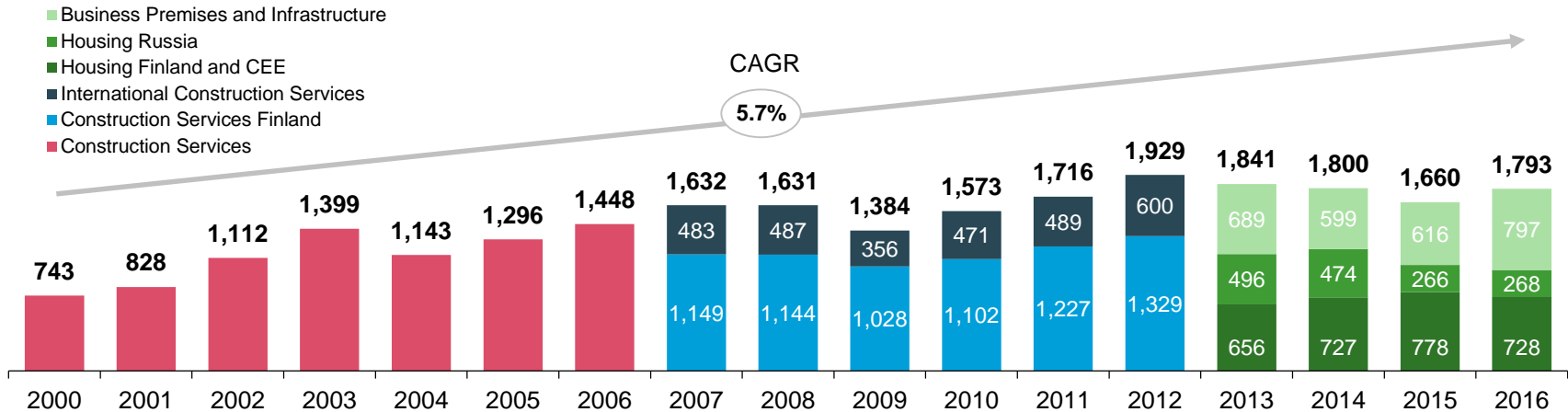
## Strategy



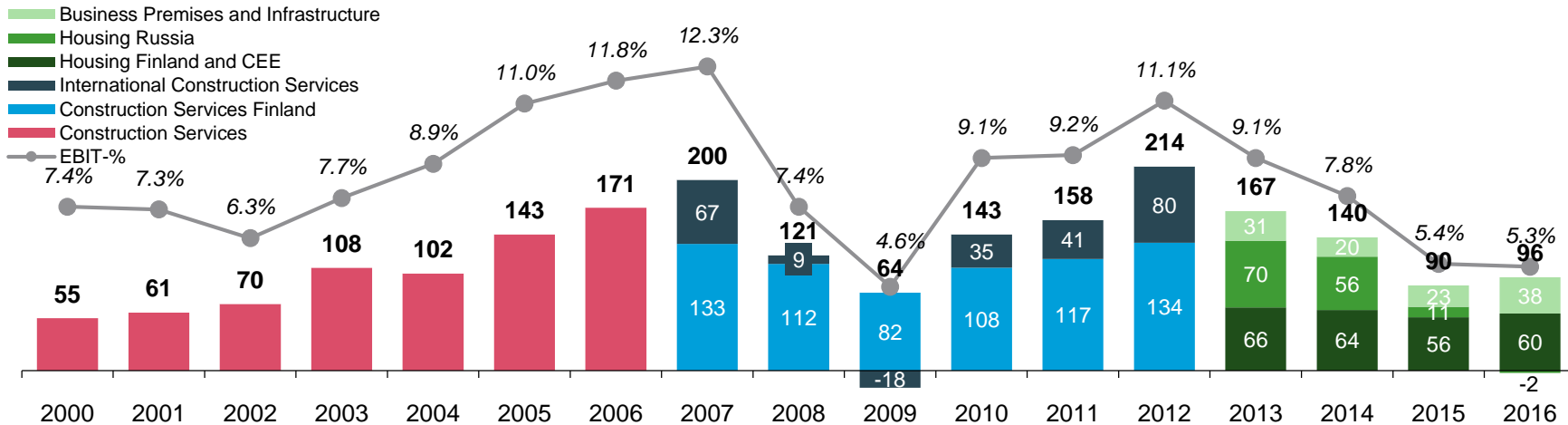


# Revenue growth and healthy profitability through economic cycles

## Revenue development (EUR million) by business segment



## Adjusted operating profit (EBIT) development (EUR million) by business segment, excluding group costs



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.

# Focus on reforming our operations

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**Coach, encourage  
and train people**

**Improve internal  
agility**

**Provide  
easy-to-use services**

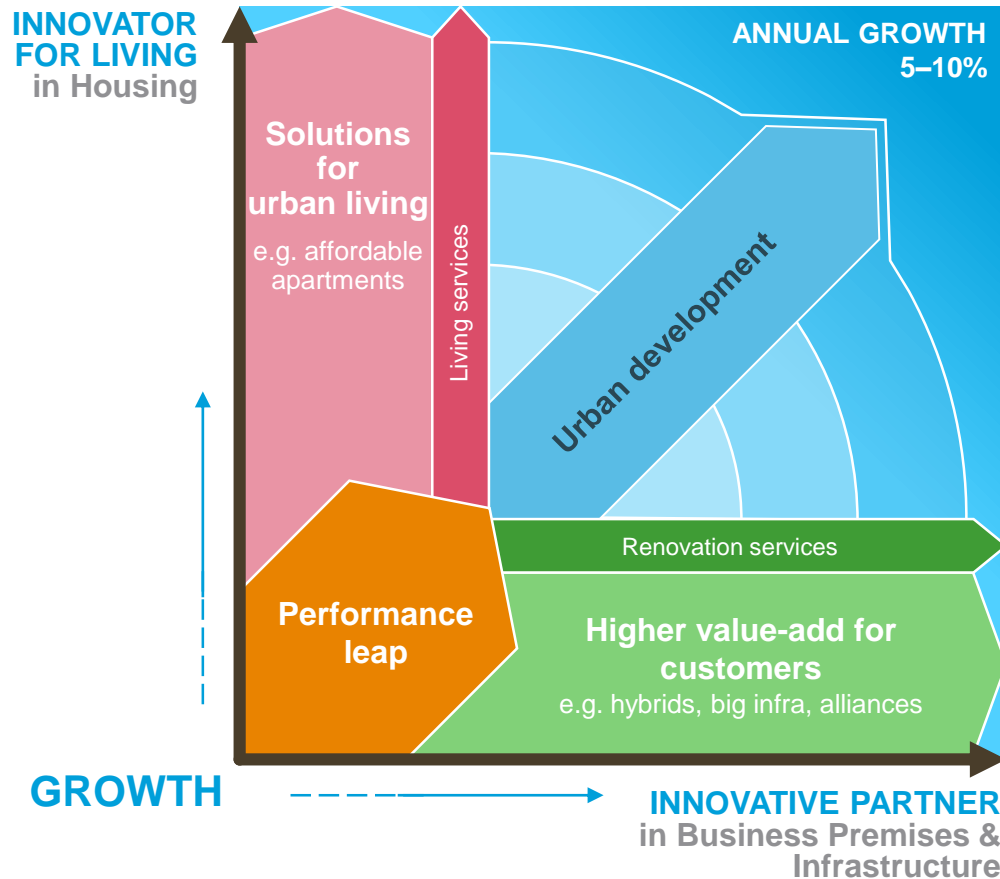
**Reduce  
construction costs**

**Build true  
partnerships**

**Improve  
capital efficiency**

# Renewed strategy for 2017–2019

## More life in sustainable cities



# We are making a difference

## CARE FOR CUSTOMERS



- Proactive customer experience management
- WOW service attitude
- Digital customer journey

## VISIONARY URBAN DEVELOPMENT



- Strengthened long-term city development
- Hybrid and area development
- Concepts

## PASSIONATE EXECUTION



- Latest knowledge and more diversity
- Empowered teams
- Standardisation and pre-fabrication

## INSPIRING LEADERSHIP



- Involving and encouraging people
- Network excellence
- Preferred employer

# Clearly higher EBIT needed to reach the targeted ROI

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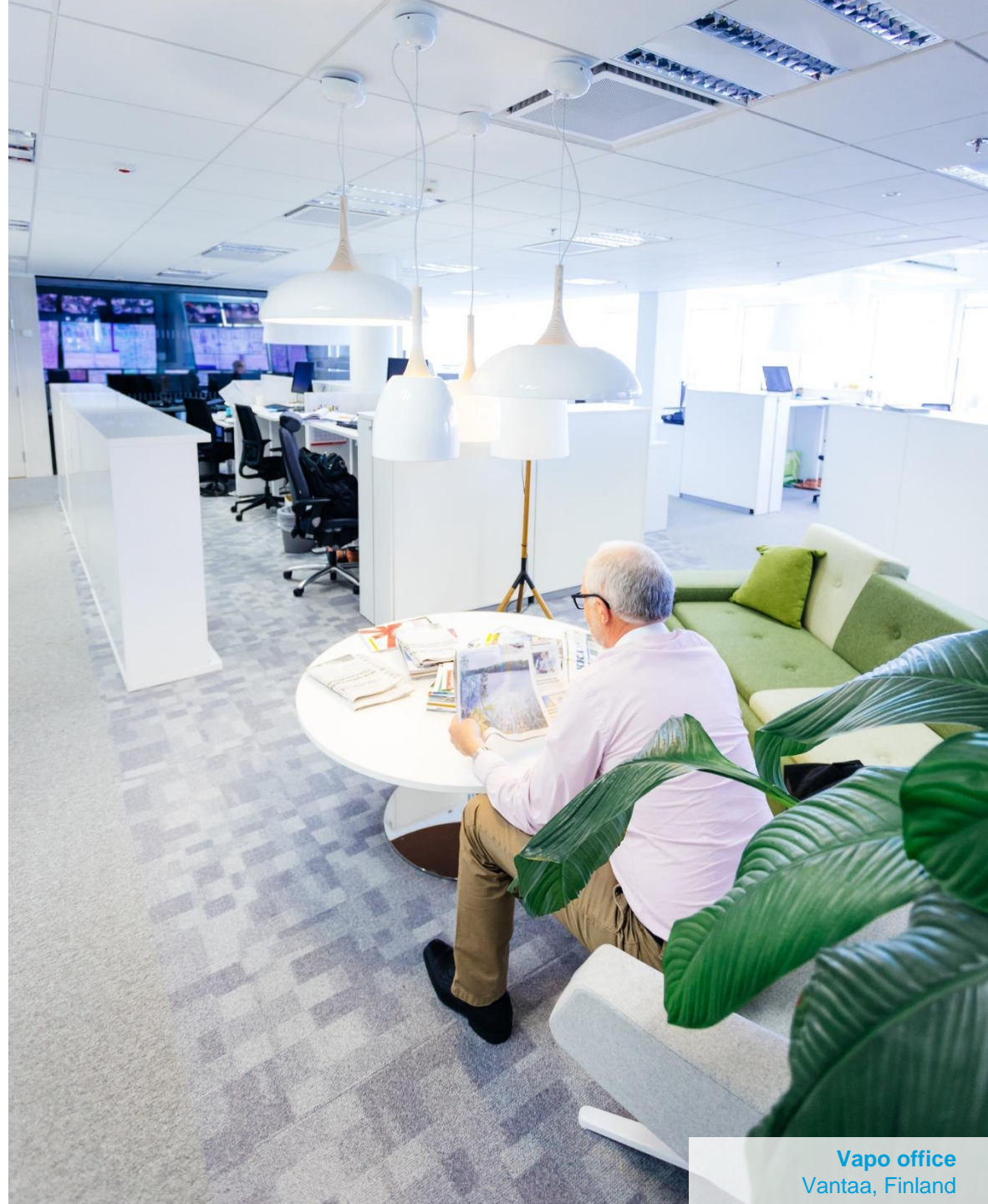


Dependence on market development

# 3

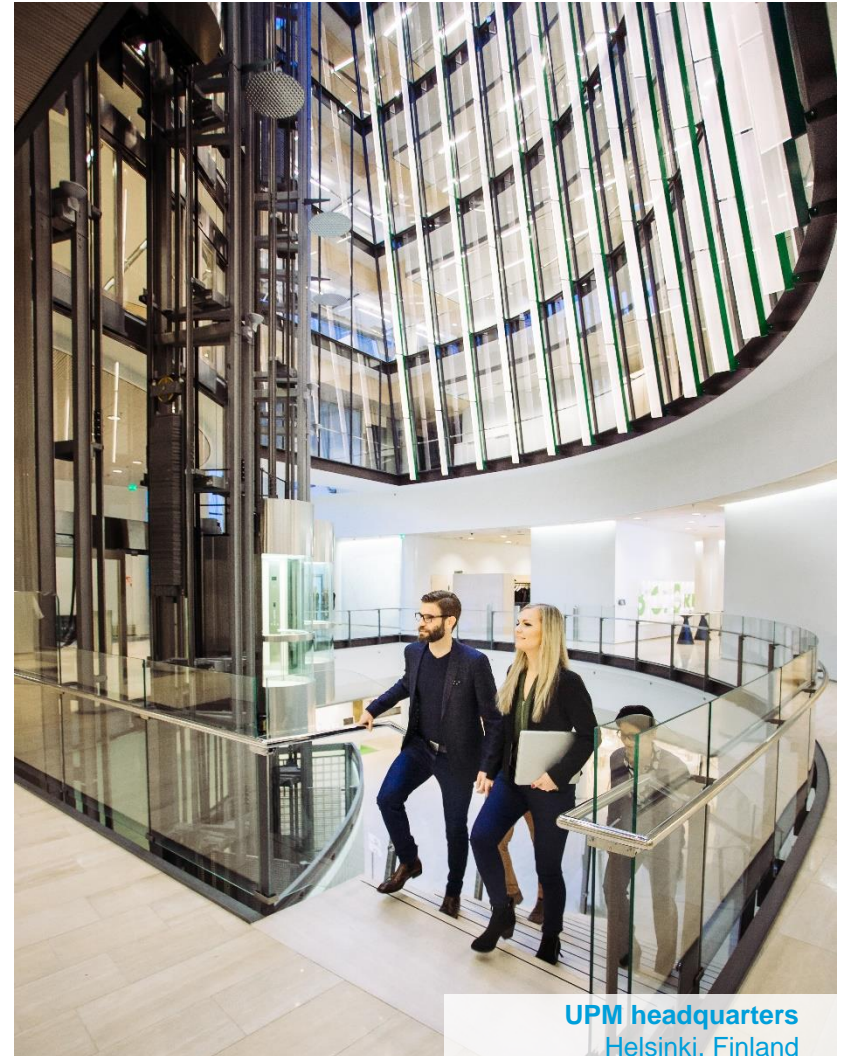
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## Latest highlights



# Key messages in Q4/2016

- Exceptionally strong residential sales to consumers in new projects in Finland and the CEE countries
- Good progress in ongoing projects and a solid order backlog in Business Premises and Infrastructure
- Operating profit positive in Russia due to good sales and high number of completions
- Despite the improvement, financial key ratios still on an unsatisfactory level



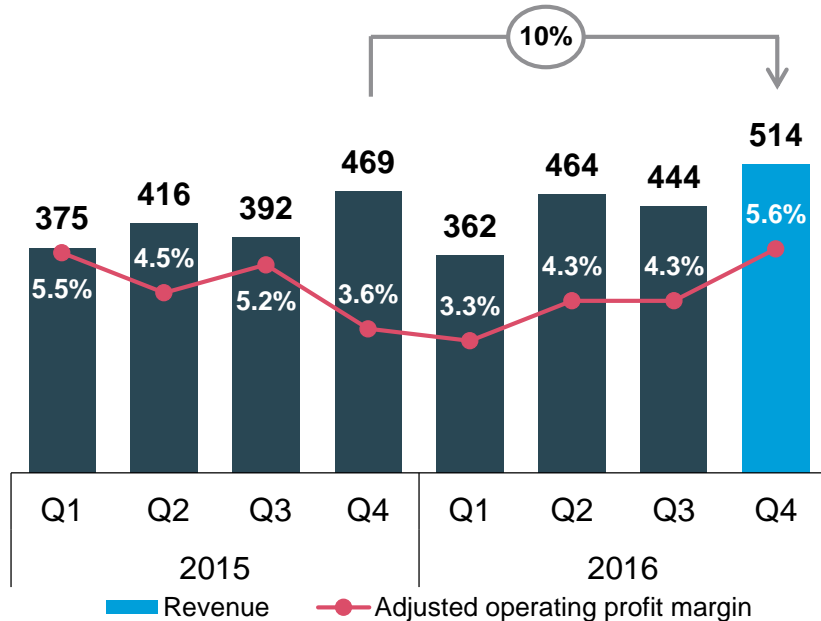
# Group: Revenue grew and profitability improved in Q4

- Revenue increased by 10% y-o-y, 9% at comparable exchange rates
- Operating profit margin improved y-o-y in all segments
- Order backlog remained stable q-o-q, share of sold backlog continued to increase

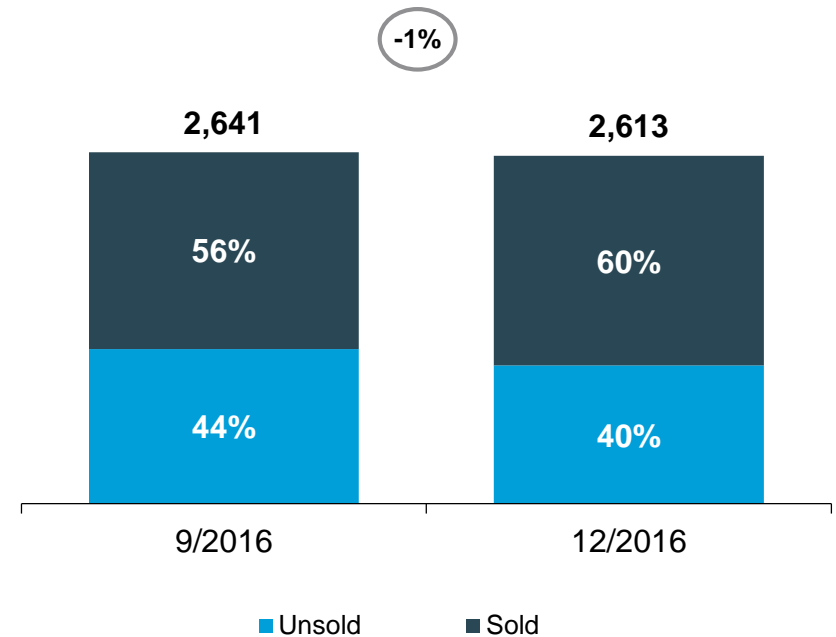
Revenue and adjusted operating profit margin (EUR million, %)

2015: EUR 1,651 million, 4.6%

2016: EUR 1,784 million, 4.5%



Order backlog (EUR million)



All figures according to segment reporting (POC)

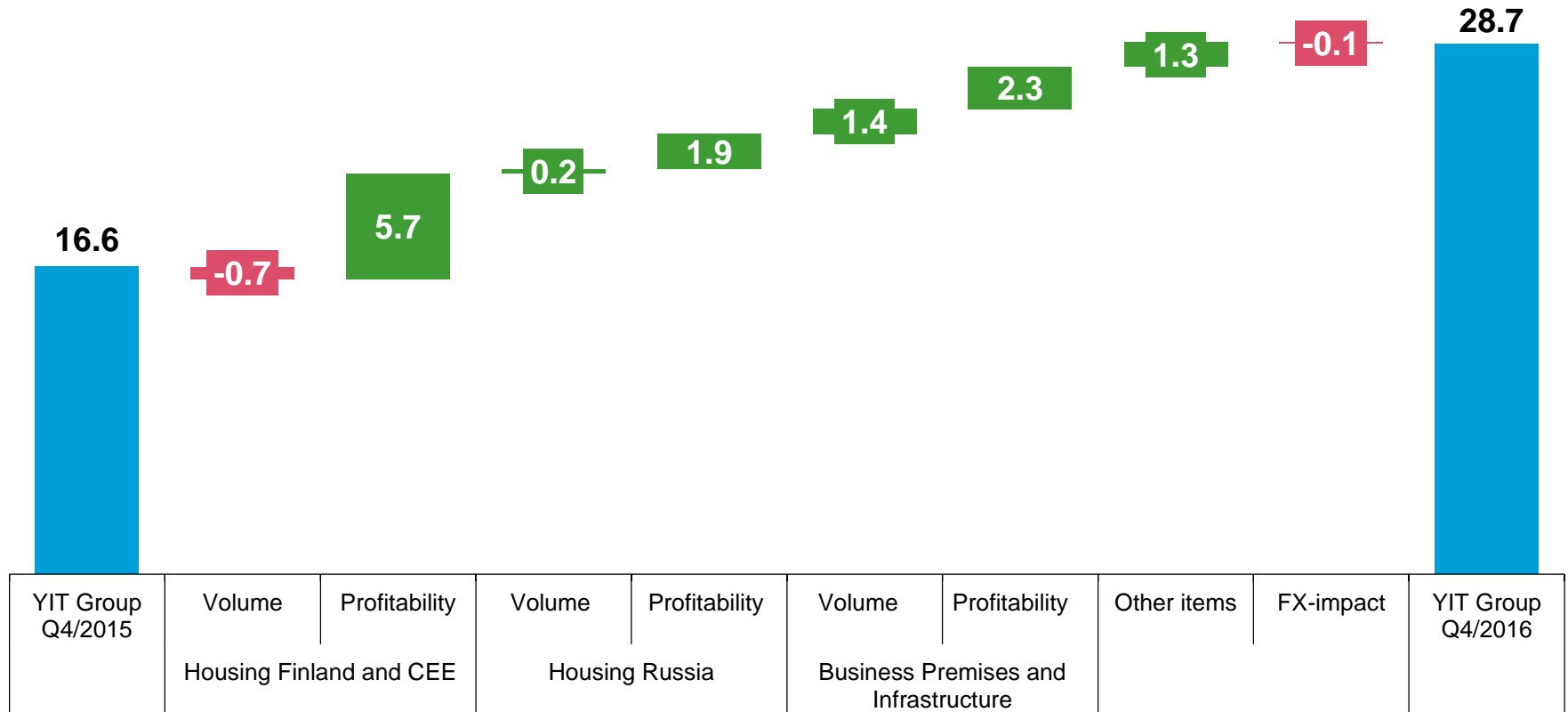
Note: The adjusted operating profit margin does not include material reorganisation costs, impairment or other items impacting comparability



# EBIT-bridge Q4/2015–Q4/2016

- Positive profitability development in Housing Finland and CEE due to less capital release actions and shift in the sales mix

Adjusted operating profit (EUR million), change Q4/2015–Q4/2016: 72%



# Several successes recently

- Letter of intent signed on the implementation of the Tripla hotel
- The implementation agreement on Tampere light rail project signed, ~EUR 110 million booked in the order backlog
- Several new projects won in Business Premises and Infrastructure segment
- Regenero, a JV formed by YIT and HGR Property Partners, acquired its first property in Espoo for a development project in January
- Residential sales to consumers started to pick up in Finland – Smartti concept launched and 9 projects started
- Expansion in the CEE countries proceeding well, a housing fund established to support the growth in the area in a capital-efficient way



Ranta-Tampella residential area  
Tampere, Finland

# 4

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## Housing Finland and CEE

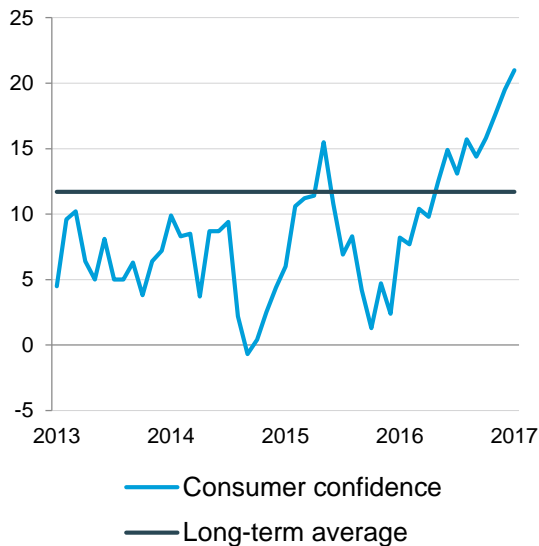


# Housing Finland and CEE

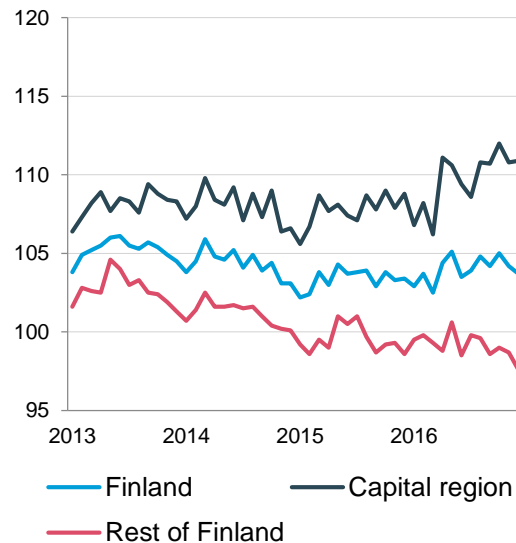
## Operating environment in Finland in Q4

- Consumer confidence improved in Q4
- Investor demand remained on a good level
- Good demand especially for small, affordable apartments in the growth centres
- Some improvement in demand for larger apartments
- Mortgage interest rates stayed on a low level and margins continued to decrease
- The volume of new housing loans continued to increase y-o-y

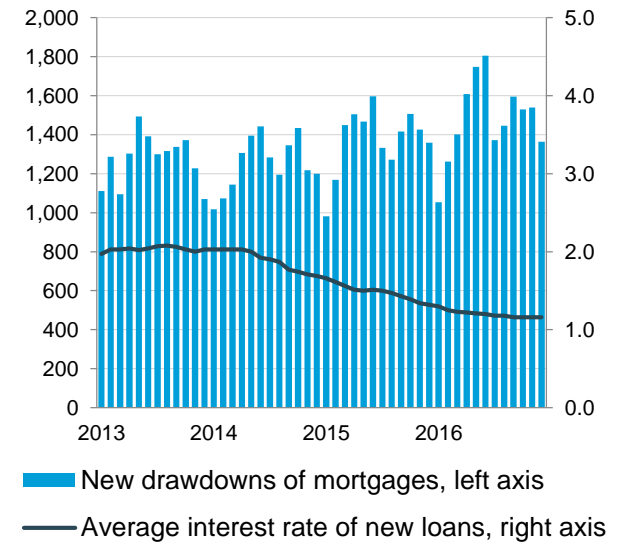
### Consumer confidence



### Prices of old apartments (index 2010=100)



### New drawdowns of mortgages and average interest rate (EUR million, %)



Sources: Statistics Finland and Bank of Finland

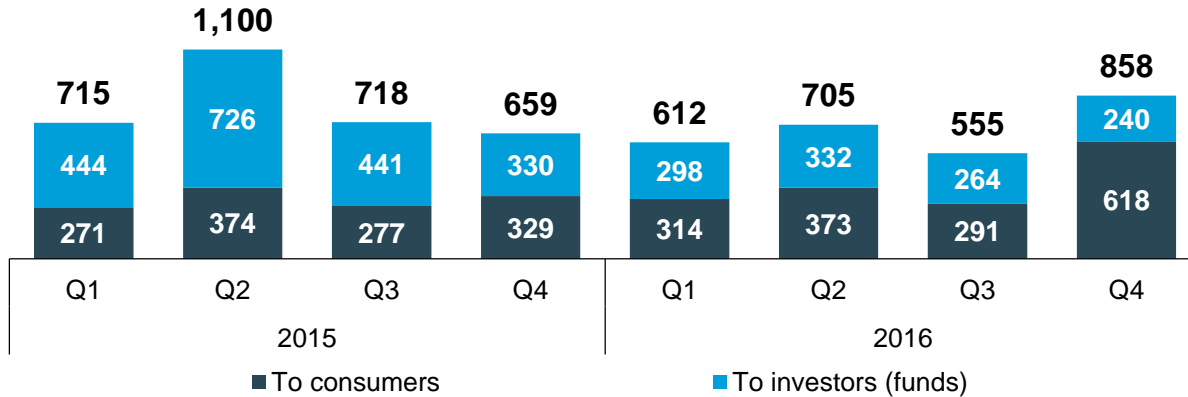
# Housing Finland and CEE

## Sales and start-ups in Finland

### Sold apartments (units)

2015: 3,192

2016: 2,730

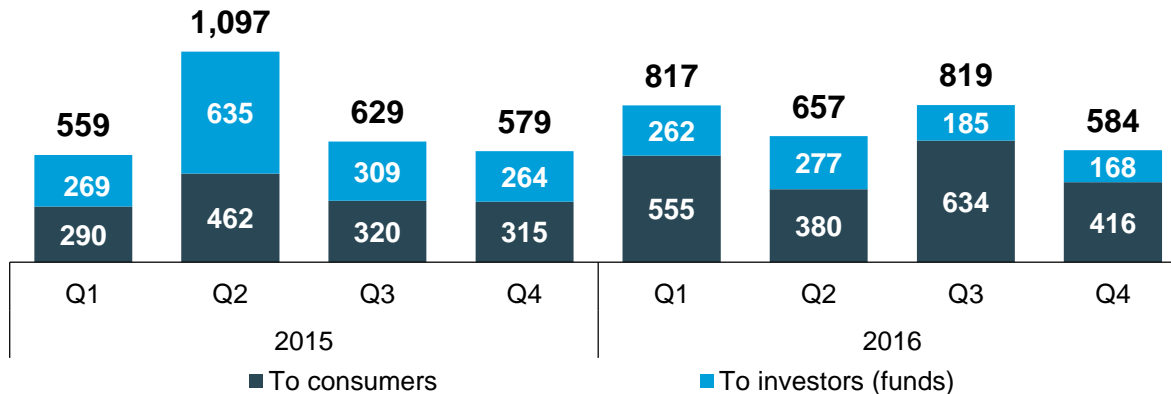


- Strong consumer sales in Q4, number of units sold to consumers grew by 88% y-o-y
- Share of units sold to consumers in Q4/2016: 72% (Q4/2015: 50%)
- In 2016, consumer sales grew by 28% y-o-y, share of units sold to consumers 58% (2015: 39%)
- In January, sales to consumers around 150 units (1/2016: around 70 units)

### Apartment start-ups (units)

2015: 2,864

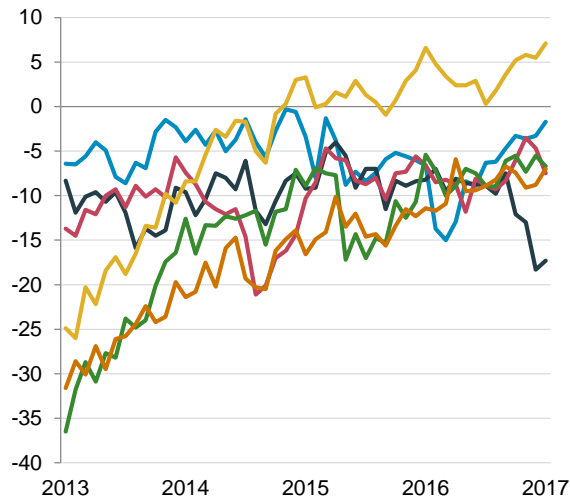
2016: 2,877



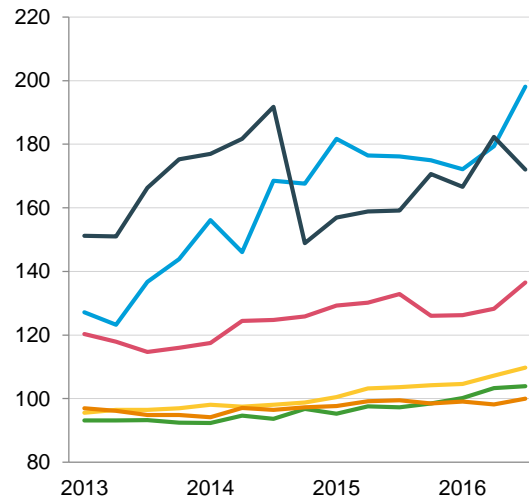
## Operating environment in the CEE countries in Q4

- Macro environment remained positive
- Residential demand on a good level
- Prices of new apartments remained relatively stable or increased slightly in the CEE countries
- Interest rates of mortgages on a low level
- Consumers' access to financing remained good

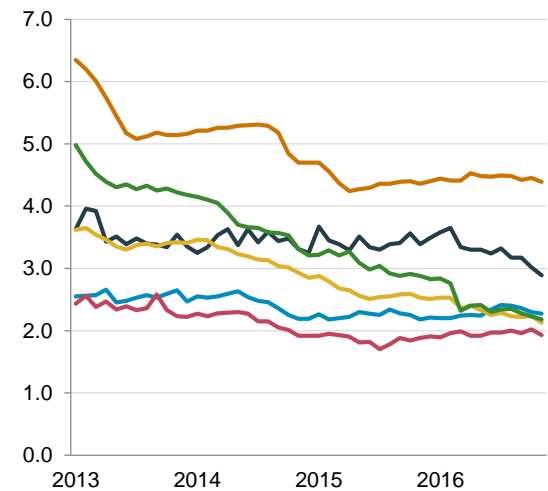
### Consumer confidence



### House price index, new dwellings (2010=100)



### Average interest rate of mortgages (%)



— Estonia — Latvia — Lithuania — The Czech Republic — Slovakia — Poland

Sources: European Commission, Eurostat and National Central Banks

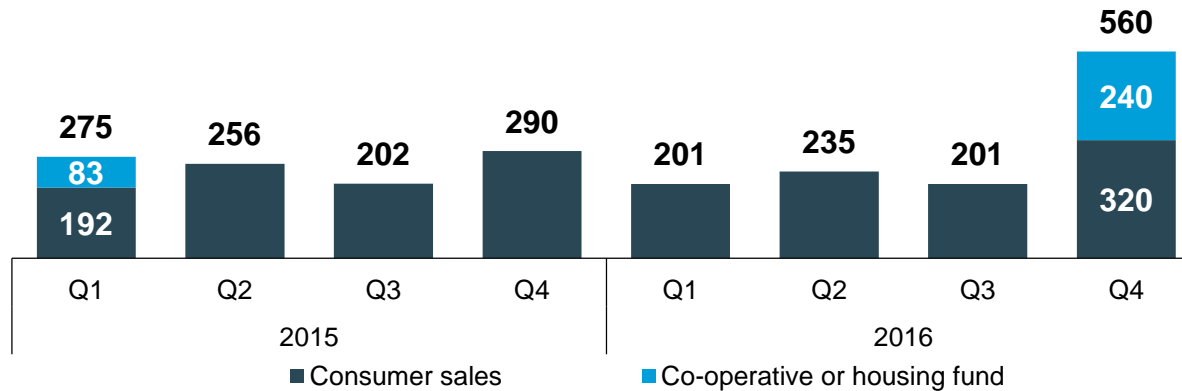
# Housing Finland and CEE

## Sales and start-ups in the CEE countries

### Sold apartments (units)

2015: 1,023

2016: 1,197

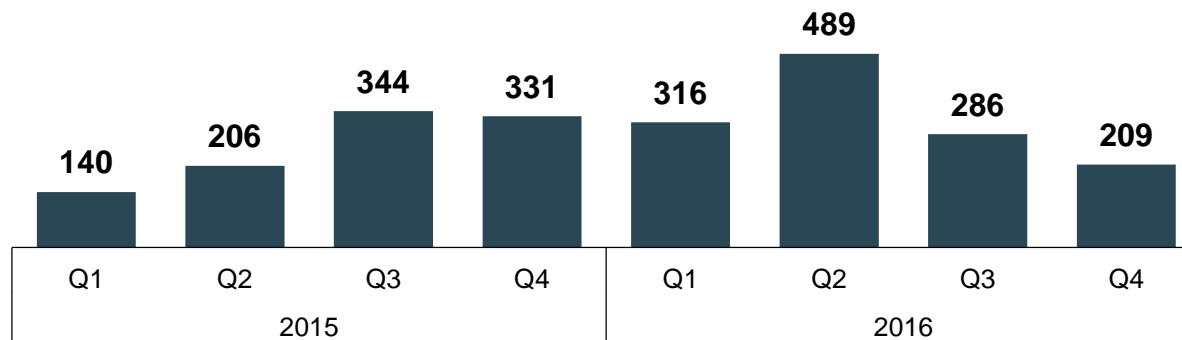


- In Q4, number of units sold to consumers grew by 10% y-o-y
- Apartment building project of 90 apartments was sold to a private co-operative in Prague
- Two apartment building projects in Tallinn and Prague with a total of 150 units were sold to a newly established housing fund, YCE Housing I

### Apartment start-ups (units)

2015: 1,021

2016: 1,300

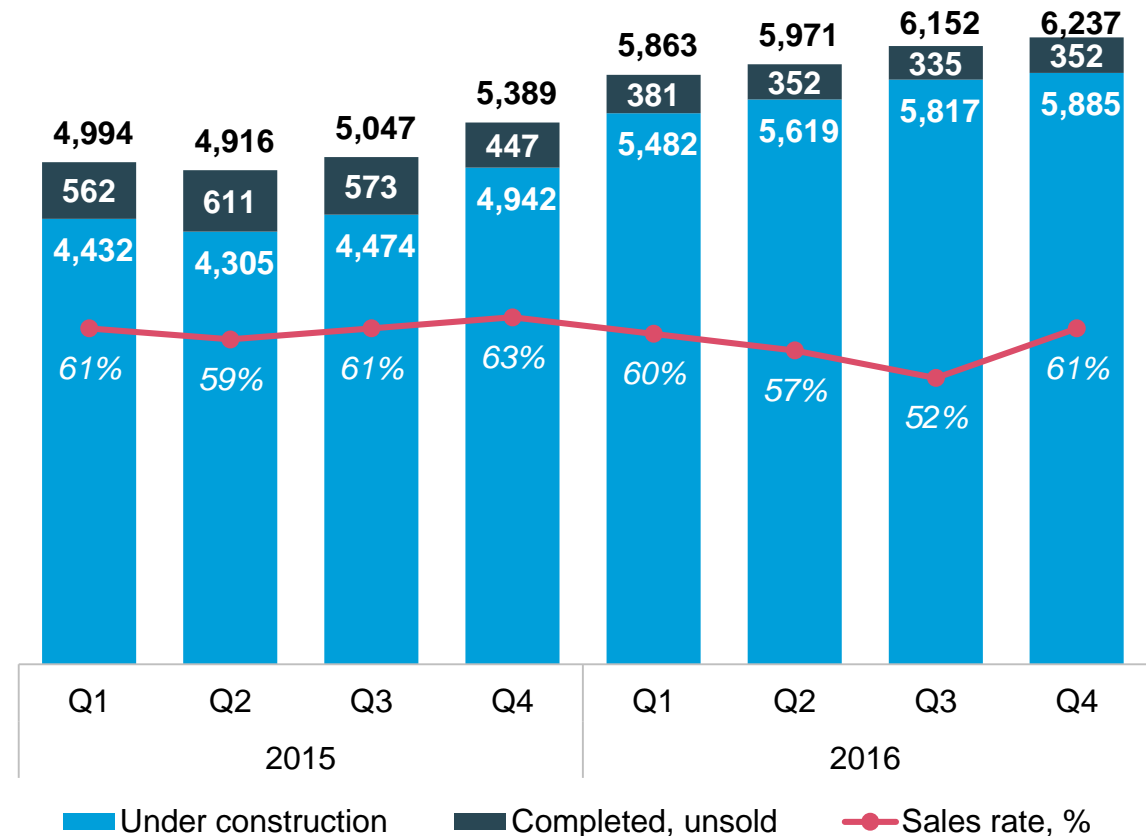


- In 2016, number of start-ups grew by 27% y-o-y
- In January, sales to consumers around 80 units (1/2016: around 50 units)

## The production volume (units) continued to grow in Q4

- Number of unsold completed apartments on a low level
- Sales rate of the inventory increased in Q4 due to strong sales in recently started projects
- The share of CEE of the sales portfolio (units) 47% (12/2015: 45%)

Apartment inventory (units)



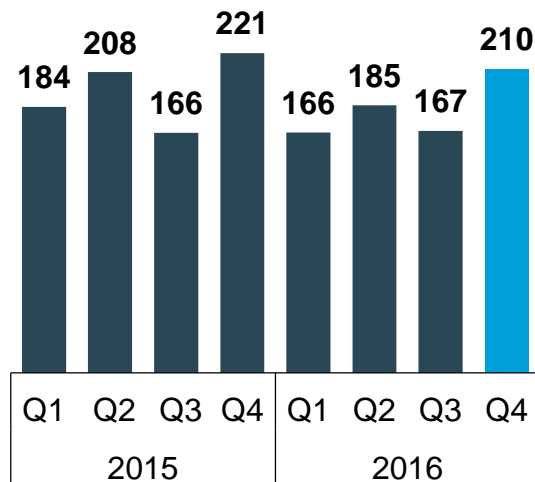


# Housing Finland and CEE

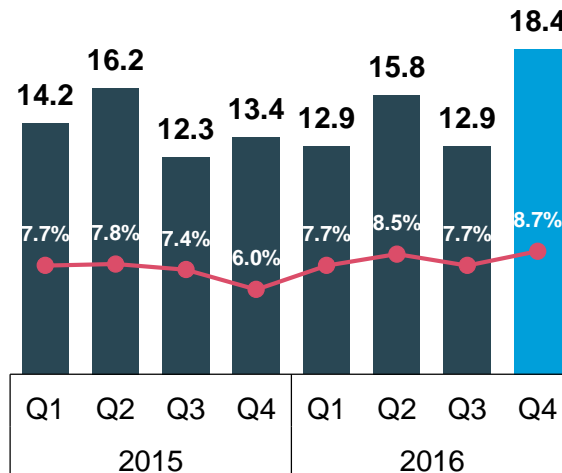
## Revenue, adjusted operating profit and ROI in Q4

- Revenue declined by 5% y-o-y due to less capital release actions in Finland, profitability improved due to less capital release actions in Finland and positive change in sales mix
- Exceptionally high share of unit sales for consumers was from recently started projects
- ROI continued to improve due to improving operating profit

Revenue (EUR million)

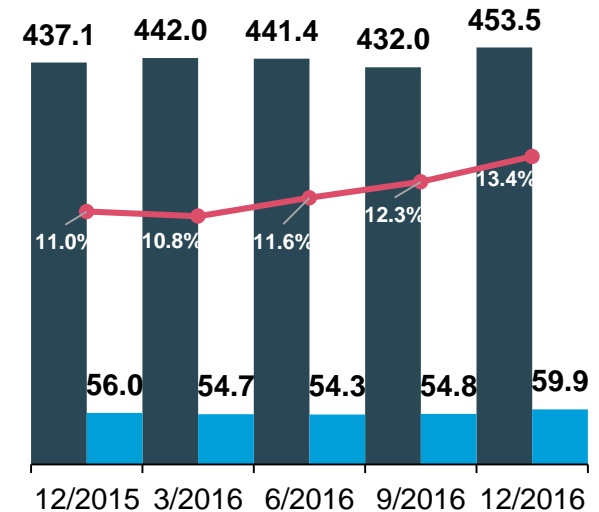


Adjusted operating profit and adjusted operating profit margin (EUR million, %)



Adjusted operating profit  
Adjusted operating profit margin

Return on operative invested capital (EUR million, %)



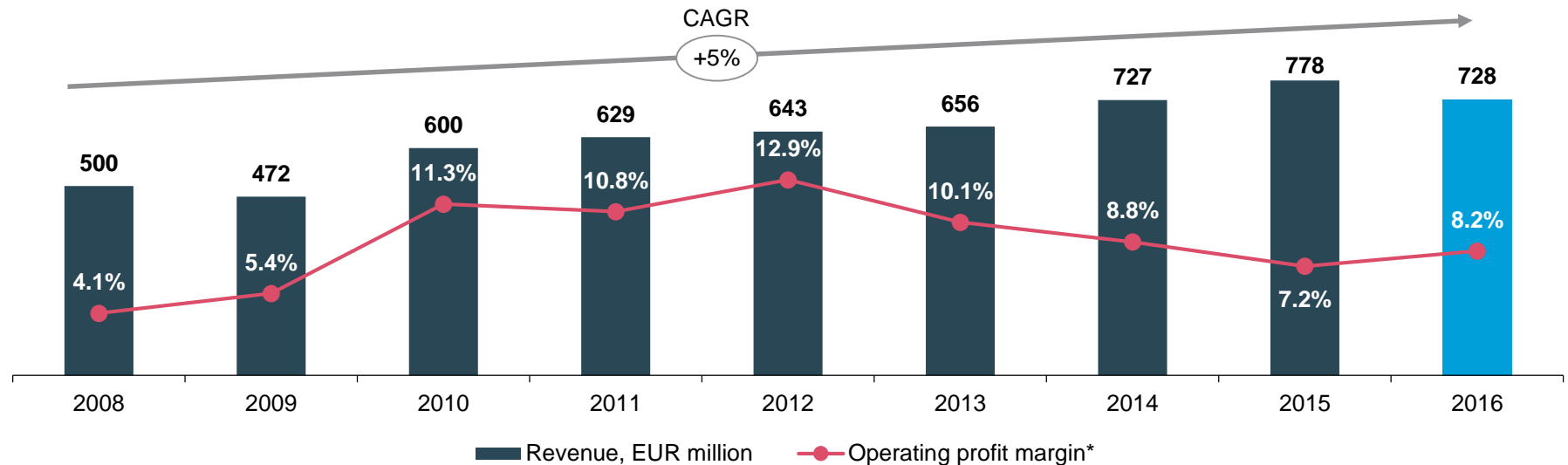
Operative invested capital  
Operating profit, 12 month rolling  
Return on operative invested capital

All figures according to segment reporting (POC)

# Housing Finland and CEE

## Profitability started to improve in 2016

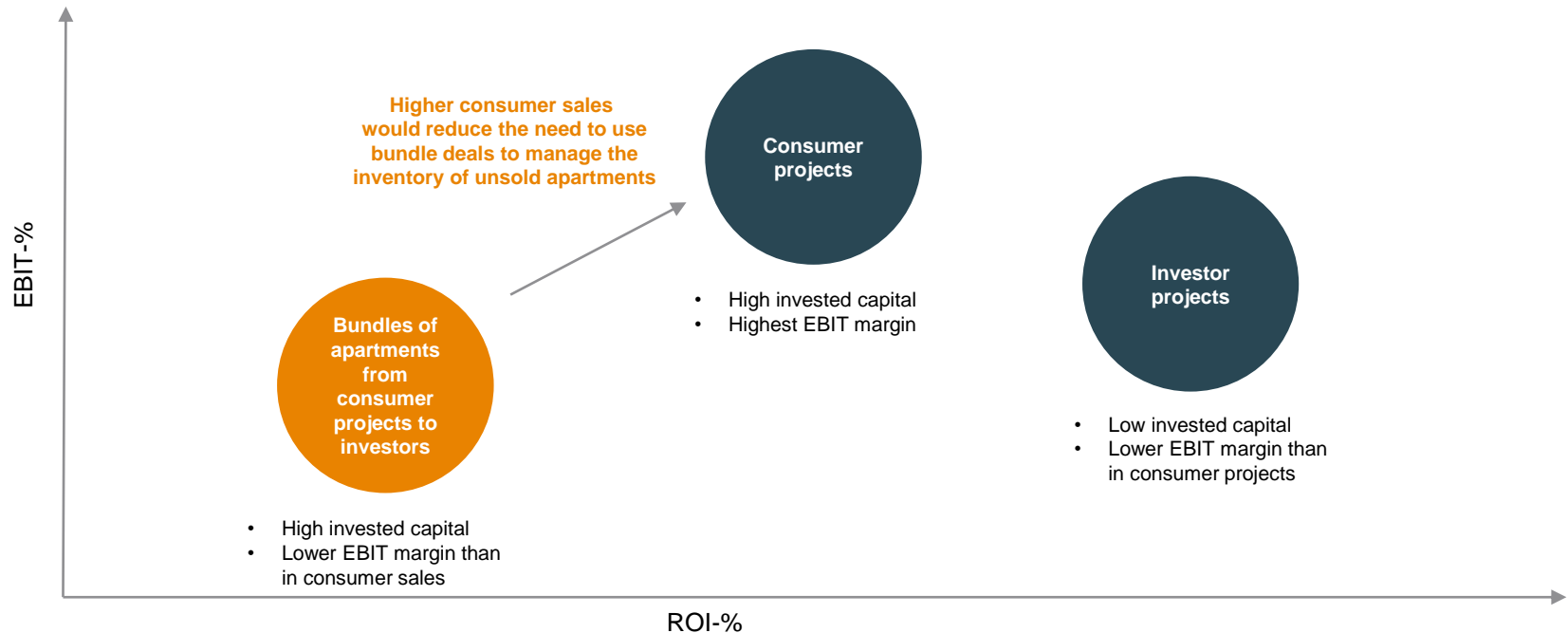
- In 2016, revenue declined by 6% and profitability improved y-o-y due to reduction in capital release actions in Finland and sales mix shifting to consumers from investors
- Residential sales to consumers started to pick up in Finland – Smartti concept launched and 9 projects started
- Expansion in the CEE countries proceeded well, a housing fund established to support the growth in the area in a capital-efficient way



\* Excluding adjustments. Note: The historical figures for 2008-2012 are calculated for illustrative purposes and are not completely comparable with YIT's segment structure. The main difference is in the division of fixed costs, which in the historical figures are weighted according to revenue and in the official figures are more accurately allocated according to each segment's estimated true share of the fixed costs.

# Impact of the mix in Finnish housing

- Target to increase the share of consumer sales by improving affordability of the apartments



# Smartti concept launched and nine projects started in 2016



- Smartti, a new affordable and flexible housing concept successfully launched in spring 2016
- Affordable, yet stylish homes with standardized modularity and pre-fabrication
- Nine Smartti projects started in Finland in H2/2016 according to targets
- Demand for the projects has been promising in pre-marketing
- The Smartti innovations will also be utilised in more traditional production
- Ambition to introduce “Smartti ideology” to other operating countries

# 5

## Housing Russia

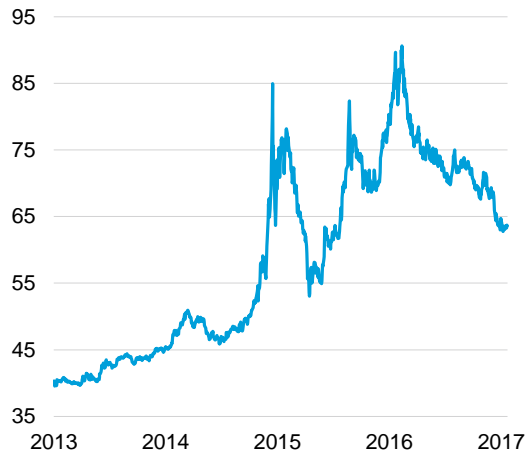


# Housing Russia

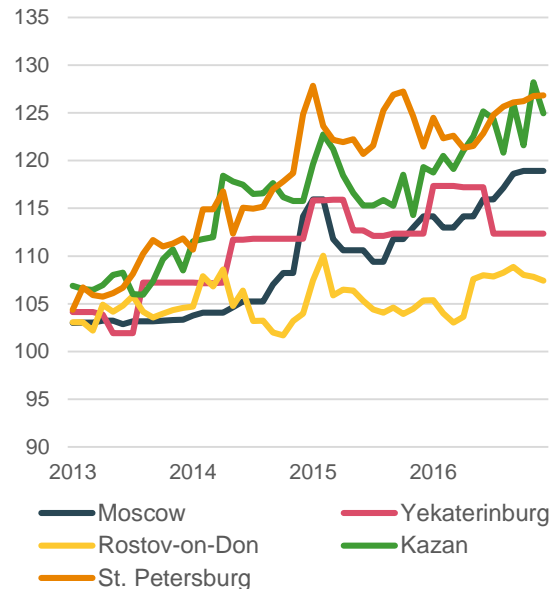
## Operating environment in Q4

- The ruble continued to strengthen during the quarter
- Demand focused especially on small apartments
- Residential prices remained stable
- Mortgage subsidy program was in effect until the end of 2016
- Mortgage interest rates for new apartments at around 12%

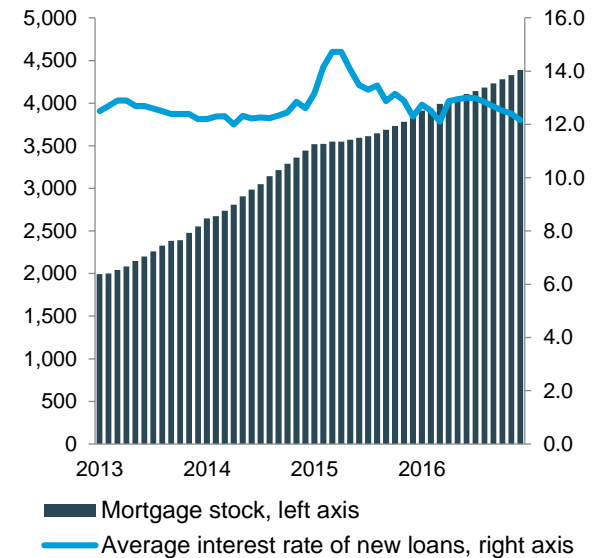
EUR/RUB exchange rate



Prices of new apartments  
(index 2012=100)



Mortgage stock and average interest rate,  
(RUB billion, %)



Sources: Bloomberg, YIT and Central Bank of Russia

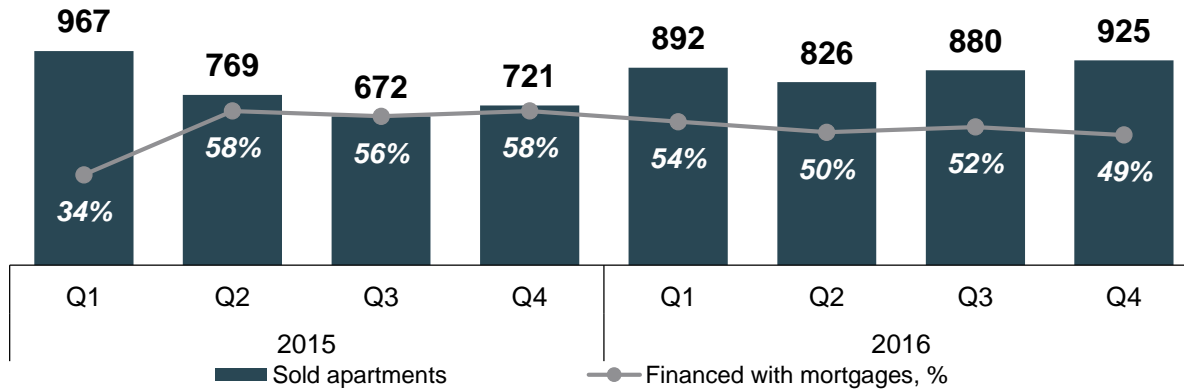
# Housing Russia

## Sales and start-ups in Q4

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

2015: 3,129 (50%)

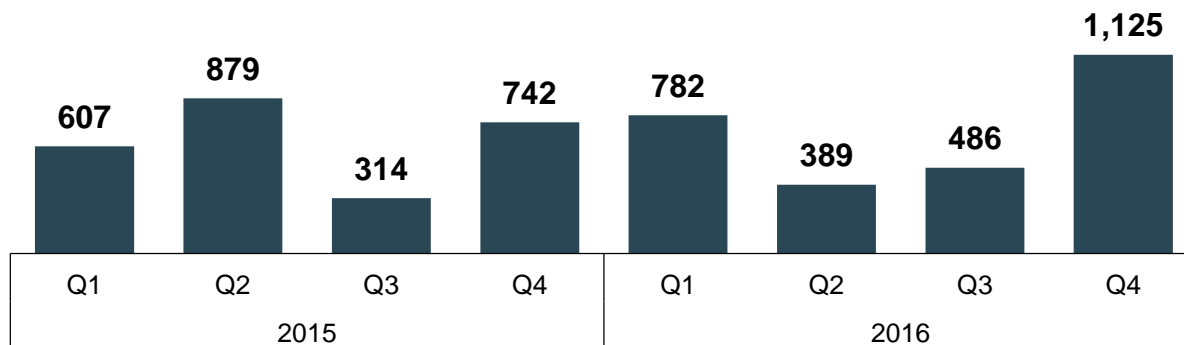
2016: 3,523 (51%)



### Apartment start-ups (units)

2015: 2,542

2016: 2,782



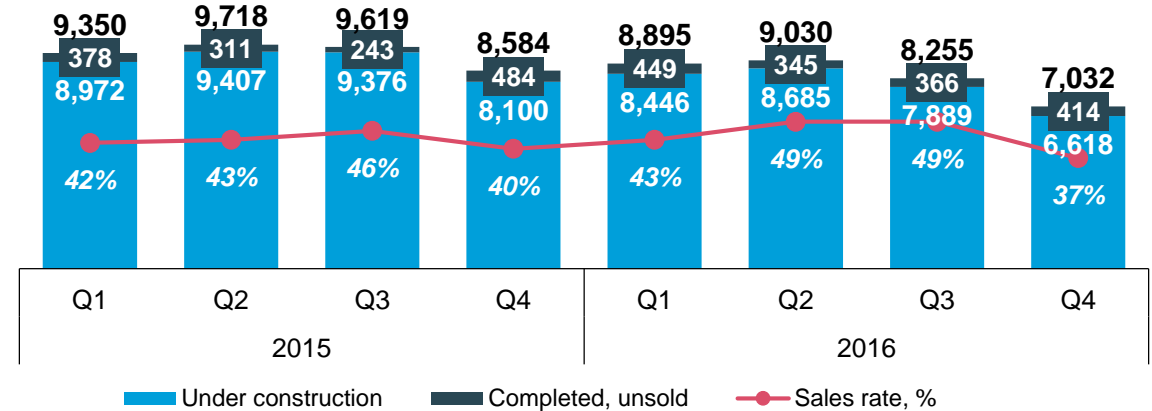
- Number of sold units grew by 28% y-o-y in Q4
- Full-year start-ups in the level of 2015
- Share of sales financed with mortgages on a high level
- In January, consumer sales around 150 units (1/2016: around 200 units)

# Housing Russia

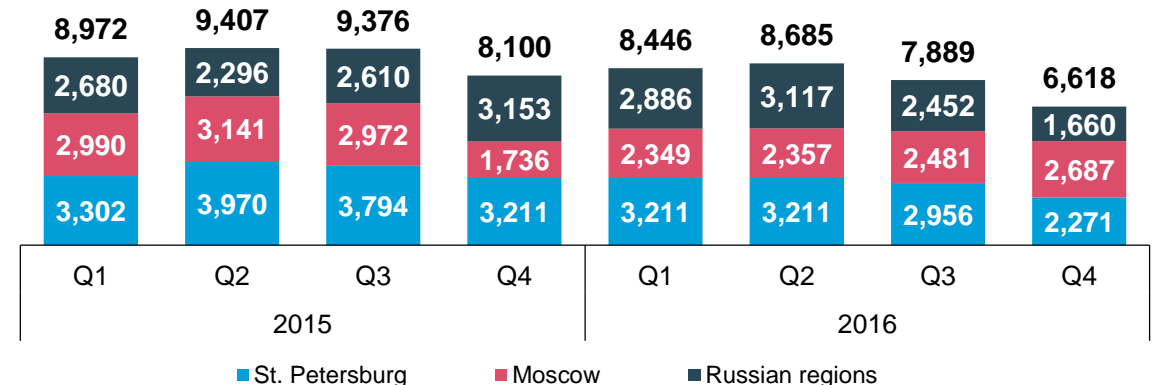
## Apartment inventory decreased due to high completions

- Exceptionally high completions in Q4 resulted in decreased inventory
- Sales rate declined due to high completions and start-ups
- At the end of December, YIT Service is responsible for the maintenance and the living services of over 26,000 apartments (9/2016: over 24,000)

Apartment inventory (units)



Apartments under construction by area (units)



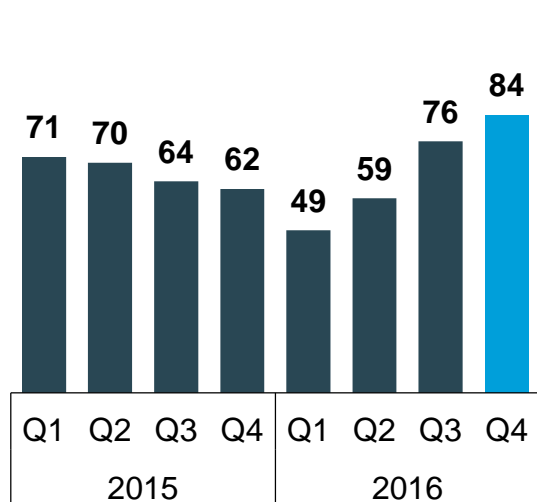


# Housing Russia

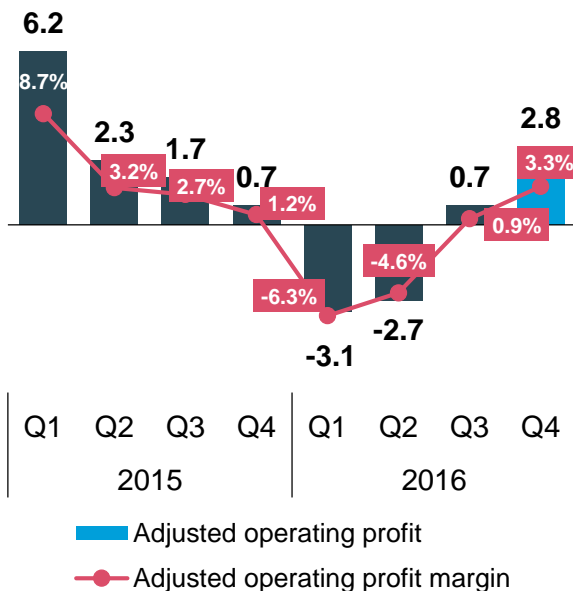
## Revenue, adjusted operating profit and ROI in Q4

- Revenue increased by 32% y-o-y at comparable exchange rates due to strong sales and high completion rate of sold apartments, operating profit was positive and profitability continued to improve due to good sales and high completions
- ROI unsatisfactory, target to reduce the operative invested capital and continue to improve operating profit

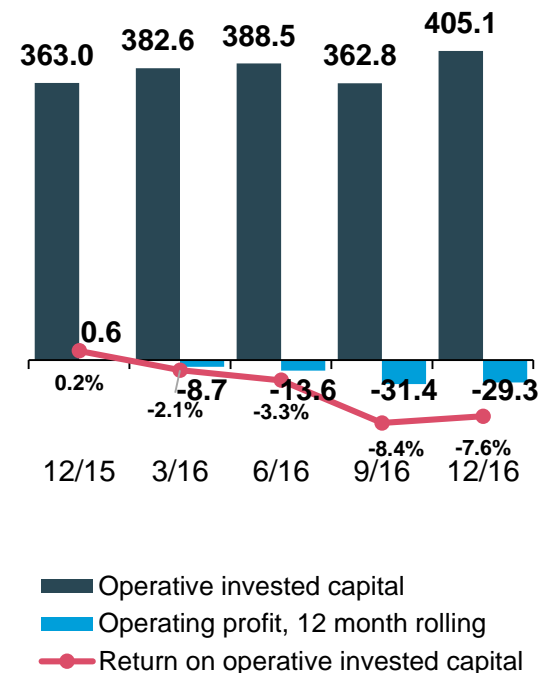
Revenue (EUR million)



Adjusted operating profit and adjusted operating profit margin (EUR million, %)



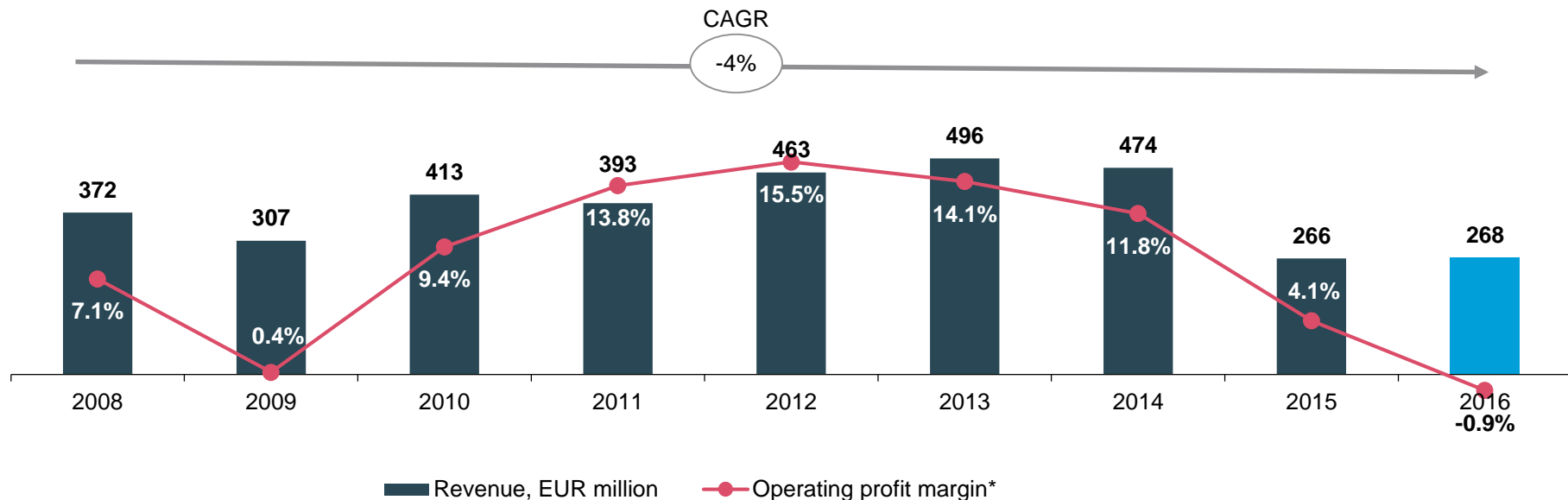
Return on operative invested capital (EUR million, %)



All figures according to segment reporting (POC)

## Profitability burdened by lower projects margins in 2016

- Revenue grew slightly in 2016 due to good sales and high number of completions
- Profitability still under pressure, but H2 adjusted operating profit was positive
- Target to reduce the operative invested capital by continuing active sales
  - Target by the end of 2018: RUB 6 billion (approx. EUR 80 million)



\*Excluding adjustments

Note: The historical figures for 2008-2012 are calculated for illustrative purposes and are not completely comparable with YIT's segment structure. The main difference is in the division of fixed costs, which in the historical figures are weighted according to revenue and in the official figures are more accurately allocated according to each segments estimated true share of the fixed costs.

# 6

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## Business Premises and Infrastructure

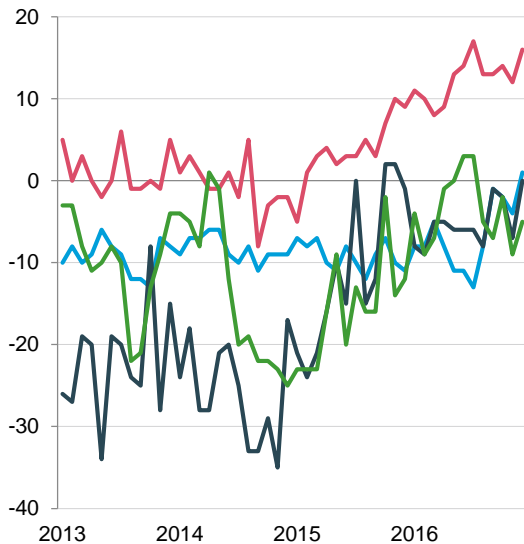


# Business Premises and Infrastructure

## Operating environment in Q4

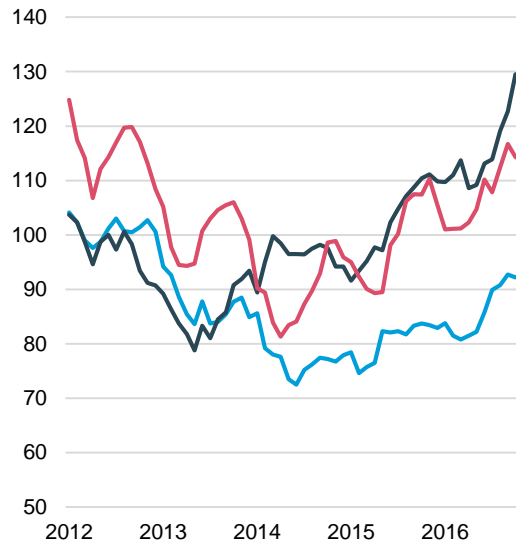
- Investor demand stable on a good level
- Several large tenants looking for new premises in Helsinki region
- The contracting market was active and several large projects were in tendering phase
- The volume of construction increased
- Positive macro outlook supported the business premises market in the CEE countries

### Confidence indicators in Finland



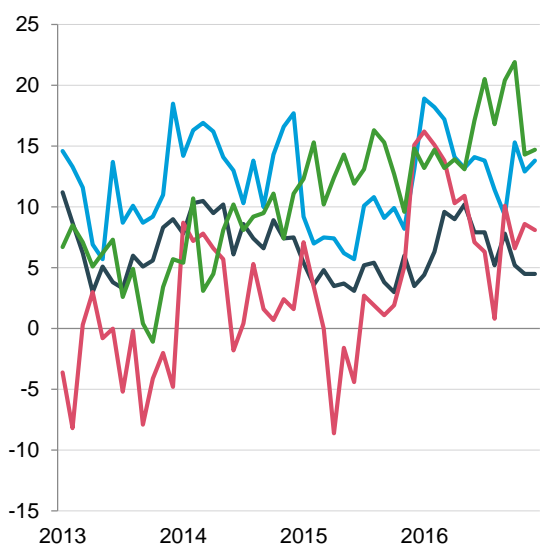
— Manufacturing      — Construction  
 — Services            — Retail trade

### Volume of new construction (index 2010=100)



— Commercial and office premises  
 — Public service premises  
 — Industrial and warehouse

### Retail trade confidence in the Baltic countries and Slovakia



— Estonia                — Latvia  
 — Lithuania            — Slovakia

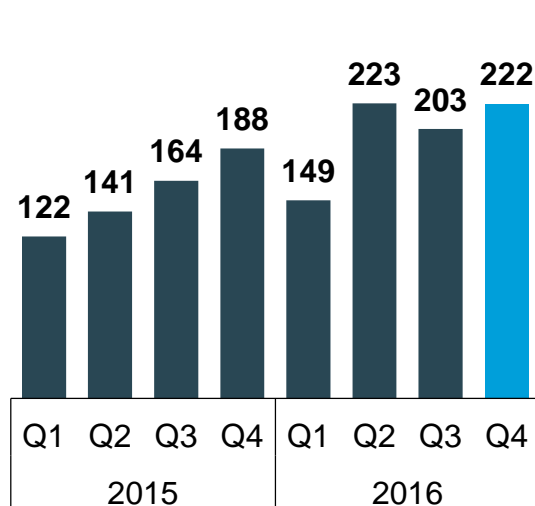
Sources: EK Confederation of Finnish Industries, Statistics Finland and European Commission

# Business Premises and Infrastructure

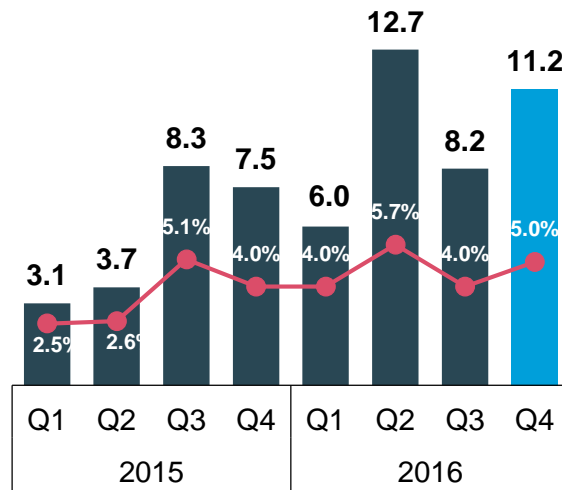
## Revenue, adjusted operating profit and ROI in Q4

- Revenue increased by 18% y-o-y, growth due to construction of Mall of Tripla and the sale of Duetto I office premises in Vilnius
- Profitability improved y-o-y due to strong performance both in Business Premises and Infra Services
- ROI improved due to solid operating profit of the segment

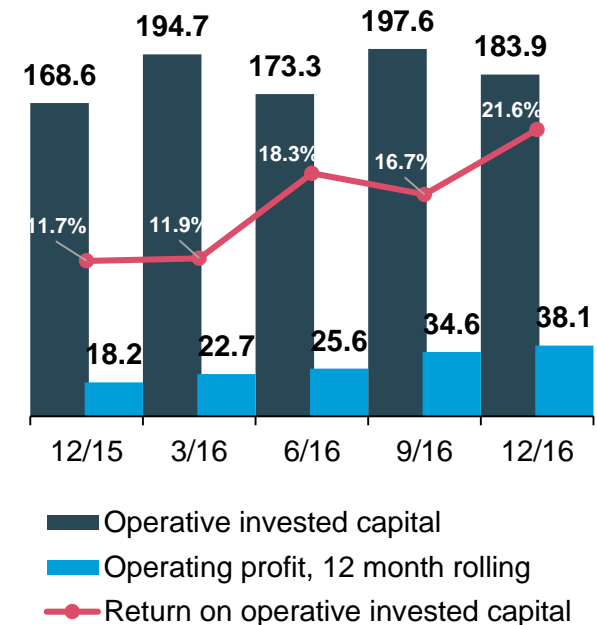
Revenue (EUR million)



Adjusted operating profit and adjusted operating profit margin (EUR million, %)



Return on operative invested capital (EUR million, %)



Adjusted operating profit

Adjusted operating profit margin

Operative invested capital

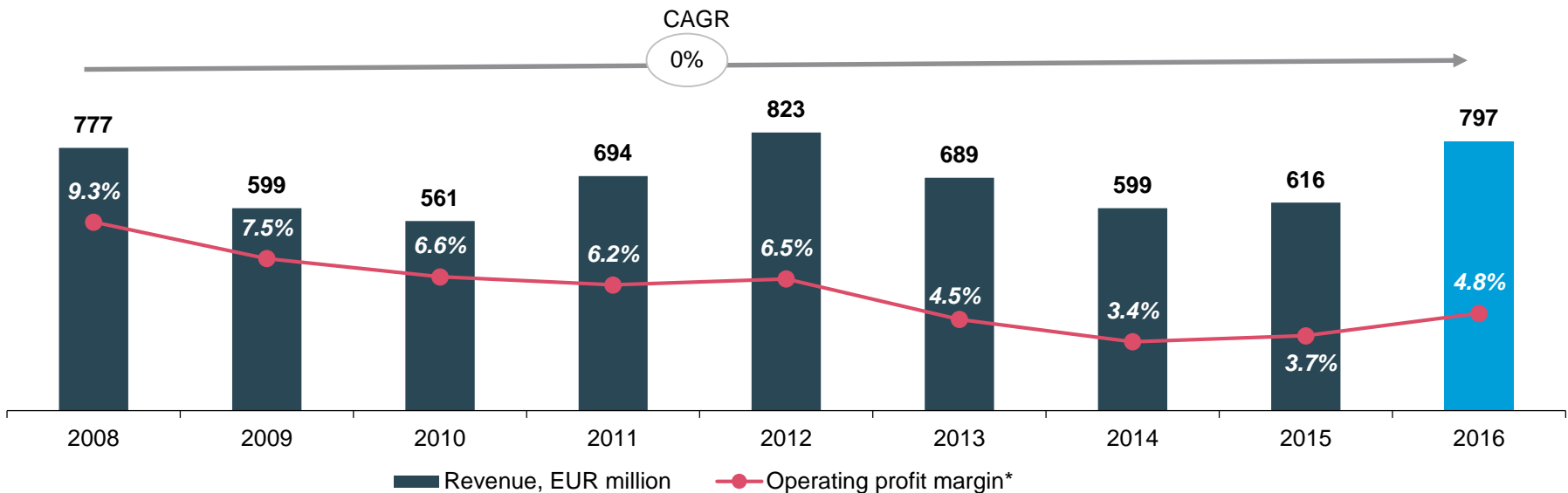
Operating profit, 12 month rolling

Return on operative invested capital

# Business Premises and Infrastructure

## Revenue grew clearly in 2016

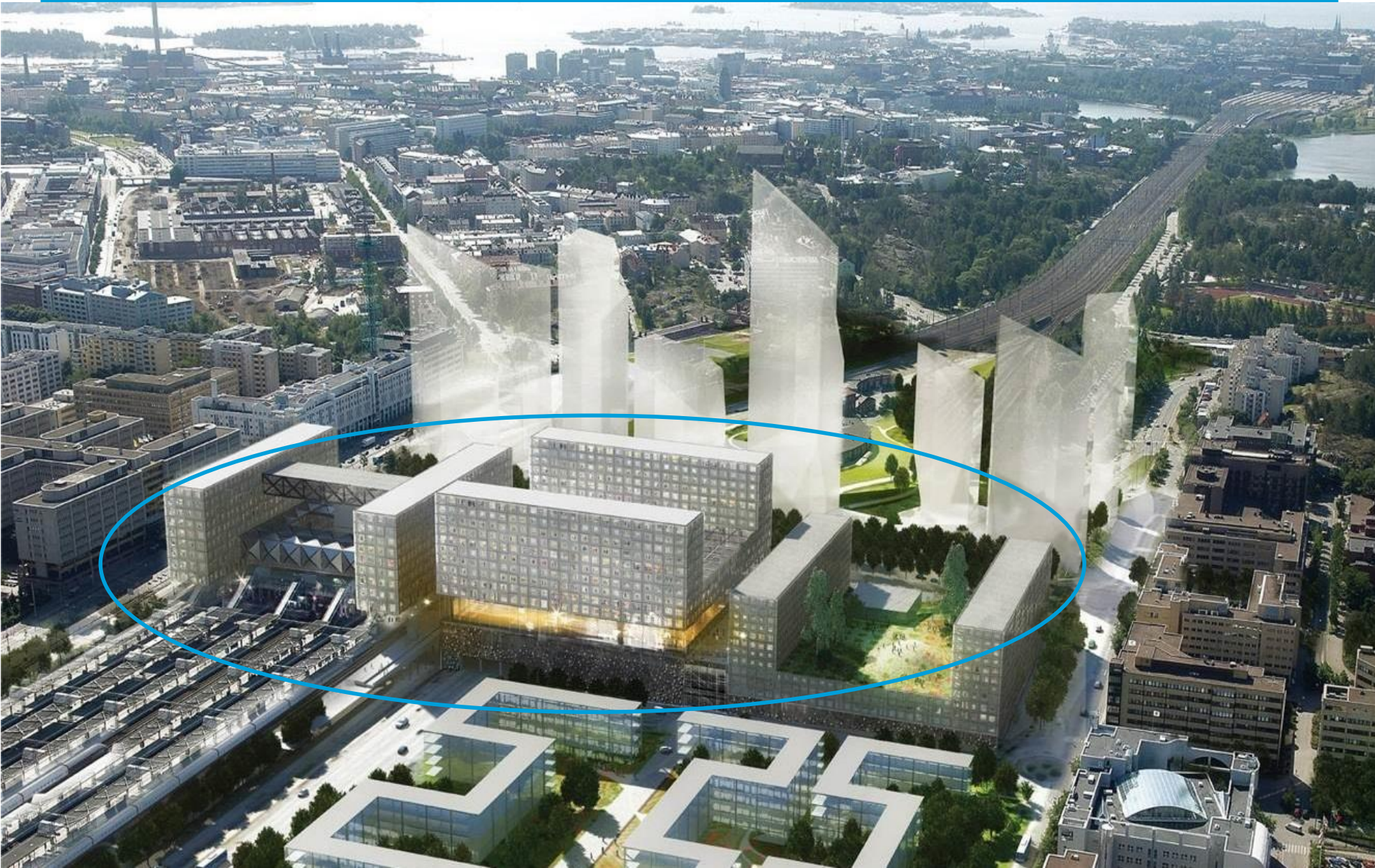
- Good progress in the segment, increased revenue and improved profitability in 2016
- Solid order backlog, +53% y-o-y, supports growth and profitability improvement
- Success in tenders recently



\* Excluding adjustments

Note: The historical figures for 2008-2012 are calculated for illustrative purposes and are not completely comparable with YIT's segment structure. The main difference is in the division of fixed costs, which in the historical figures are weighted according to revenue and in the official figures are more accurately allocated according to each segment's estimated true share of the fixed costs.

# Tripla project: Pasila in the future



# Tripla project supports growth in the coming years

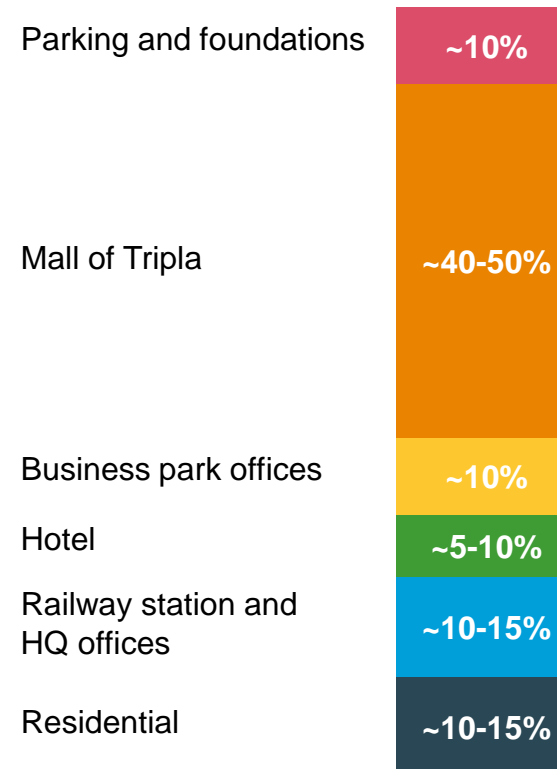
## Tripla project in brief

- EUR 1 billion hybrid project consisting of offices, shopping and congress center, hotels, public transport terminal and apartments
- Combines the breadth of YIT know-how in different areas of construction
- Project length ~ 10 years, constructed in phases

## The location

- Located in Pasila ~3.5 km away from the Central Railway Station of Helsinki
- Connection point for all rail traffic in HMA
- Daily people flow through Pasila railway station ~80,000
- 500,000 persons within the reach of 30 min by public transportation

## Indicative value split



Note: The charts are an illustration of YIT's perception on a general level and do not reflect the actualized figures of YIT Group.



# Mall of Tripla in a nutshell

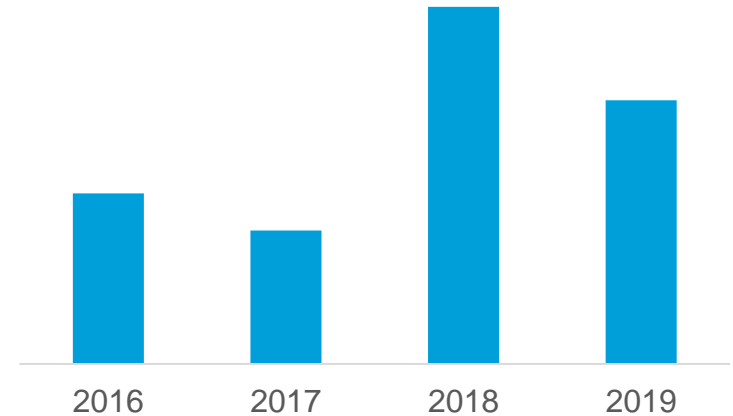
## What has been achieved so far?

- Valid building permits and required decisions from public authorities obtained
- Financing package of ~EUR 300 million secured
- Investor deals closed, value ~EUR 600 million
- Foundation works, excavation and piling done
- Revenue and profit recognition started
- Over 40% of the premises rented out, anchor tenants secured

### JOINT VENTURE PARTNERS (JV)



## Illustration of revenue recognition\*



\*Based on the assumption that YIT won't reduce its shareholding during the construction. Figures illustrative.

## Revenue recognition principles

- Revenue and EBIT recognition in line with construction progress
- However, 38.75% will be recognised as revenue and EBIT after YIT sells its share in the JV
- YIT has the right to reduce its shareholding to 20% during the construction
- YIT may sell the remainder of its shareholding at the earliest 3 years after the shopping centre is completed

# The largest ongoing projects in the segment

## The largest ongoing self-developed business premises projects

Project, location	Value, EUR million	Project type	Completion rate, %	Estimated completion	Sold/ for sale	Leasable area, sq.m.
Mall of Tripla, Helsinki	~600	Retail	23%	2019	YIT's ownership 38,75%	85,000
Kasarmikatu 21, Helsinki	n/a	Office	36%	12/17	YIT's ownership 40%	16,000
Dixi II, Tikkurila Railway Station, Vantaa	n/a	Office	87%	4/17	Sold	8,900
Extension of Business Park Rantatie, Helsinki	~25	Office	49%	11/17	Sold	6,000

## The largest ongoing business premises and infrastructure contracts

Project	Value, EUR million	Project type	Completion rate, %	Estimated completion
E18 Hamina-Vaalimaa motorway	~260	Infra	66%	12/18
Tampere light railway	~110	Other	0%	12/21
Myllypuro Campus, Metropolia	~70	Infra	0%	8/19
Helsinki Central Library	~50	Other	5%	9/18
Naantali CHP power plant	~40	Infra	86%	9/17

# 7

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## Key financials



# Key figures

EUR million	10–12/2016	10–12/2015	Change	1–12/2016	1–12/2015	Change
Revenue	513.7	468.5	10%	1,783.6	1,651.2	8%
Operating profit	28.7	16.6	72%	52.9	65.7	-19%
Operating profit margin, %	5.6%	3.6%		3.0%	4.0%	
Adjusted operating profit	28.7	16.6	72%	79.9	76.0	5%
Adjusted operating profit margin, %	5.6%	3.6%		4.5%	4.6%	
Order backlog	2,613.1	2,172.9	20%	2,613.1	2,172.9	20%
Profit before taxes	21.3	6.1	249%	13.8	27.0	-49%
Profit for the review period <sup>1</sup>	16.1	4.6	253%	7.4	20.0	-63%
Earnings per share, EUR	0.13	0.04	253%	0.06	0.16	-63%
Operating cash flow after investments	-21.4	43.4		-43.1	183.7	
Return on investment, last 12 months, %	4.7%	5.3%		4.7%	5.3%	
Equity ratio, %	35.1%	35.5%		35.1%	35.5%	
Interest-bearing net debt (IFRS)	633.1	529.0	20%	633.1	529.0	20%
Gearing (IFRS), %	112.3%	101.1%		112.3%	101.1%	
Personnel at the end of the period	5,261	5,340	-1%	5,261	5,340	-1%

<sup>1</sup>Attributable to equity holders of the parent company

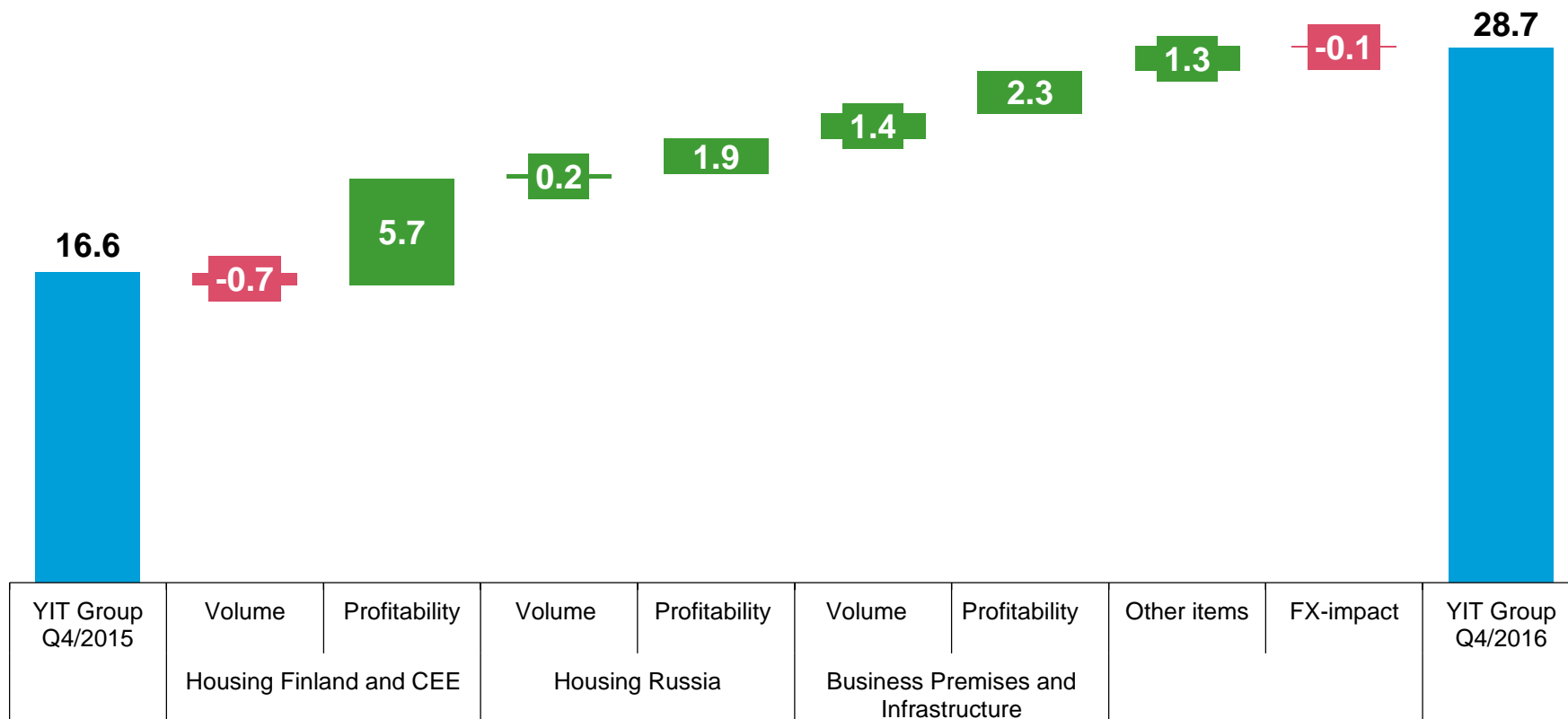
All figures according to segment reporting (POC), unless otherwise noted

Note: The adjusted operating profit does not include material reorganisation costs, impairment or other items impacting comparability

# EBIT-bridge Q4/2015–Q4/2016

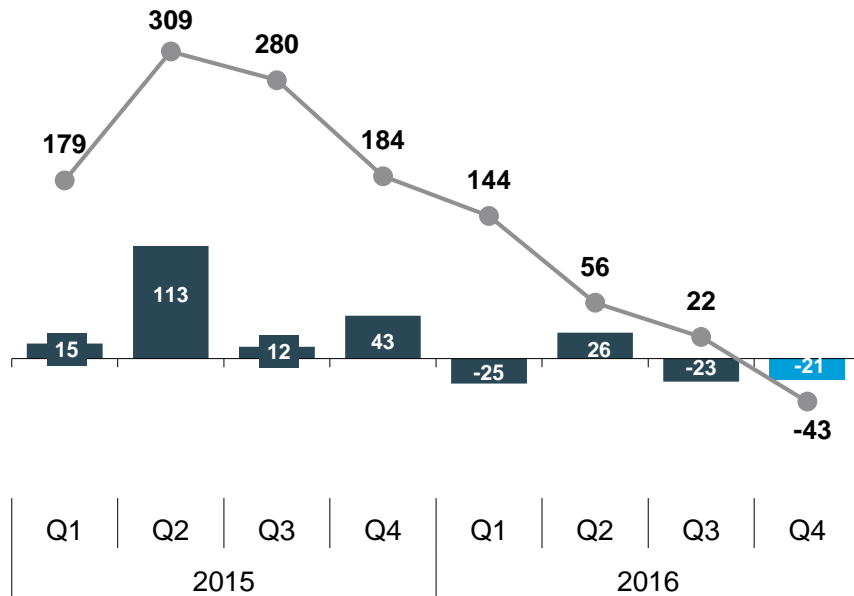
- Positive profitability development in Housing Finland and CEE due to less capital release actions and shift in the sales mix

Adjusted operating profit (EUR million), change Q4/2015–Q4/2016: 72%



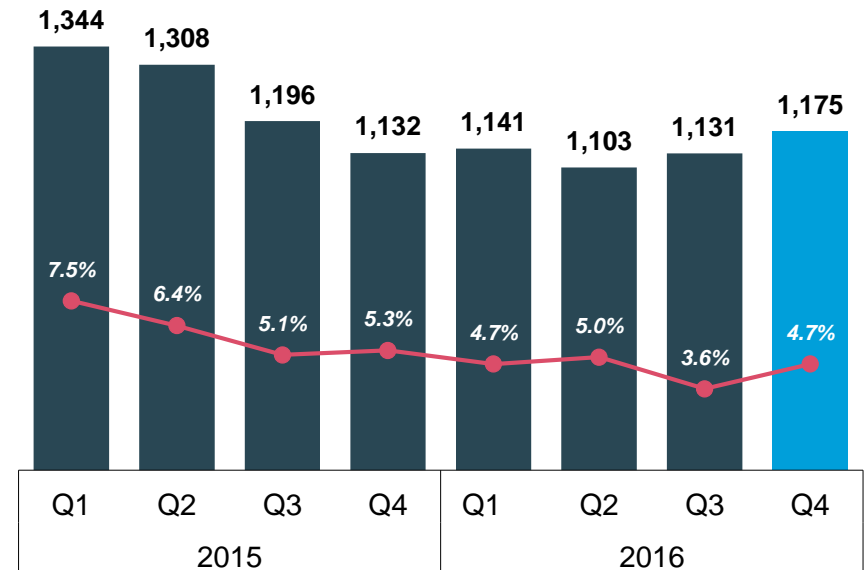
# Cash flow and invested capital

Operating cash flow after investments (EUR million)



Operating cash flow after investments    Rolling 12 months

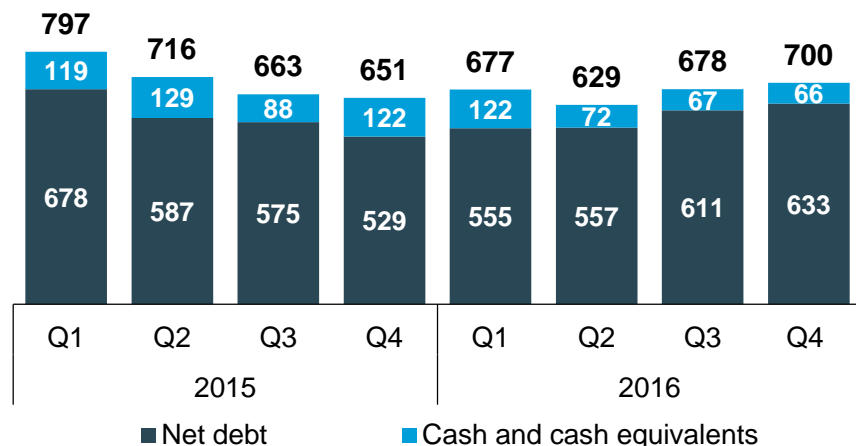
Invested capital and ROI (EUR million, %)



Invested capital    ROI

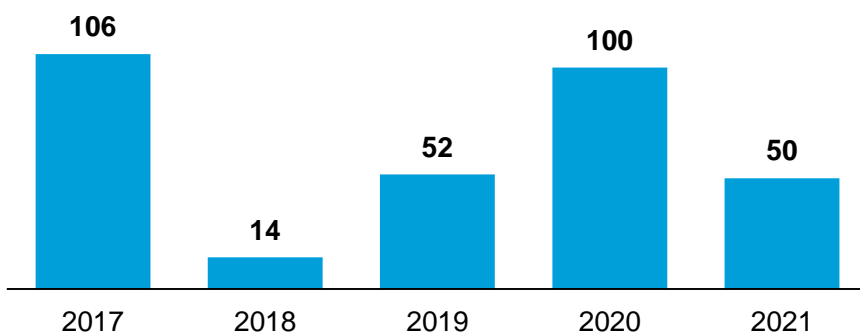
# Negative cash flow led to increase in net debt

## Interest-bearing debt (EUR million), IFRS



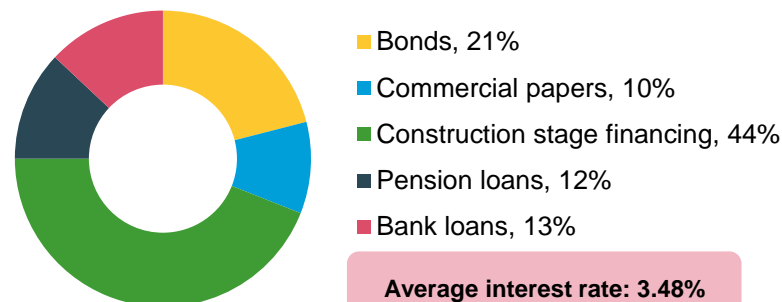
- Increase of net debt due to negative cash flow during the year
- Capital efficiency in focus going forward
- Strong liquidity buffer
  - Cash and cash equivalents of EUR 66.4 million
  - Overdraft facilities of EUR 74.6 million of which EUR 74.6 million undrawn
  - Undrawn committed revolving credit facility of EUR 200 million
- Maturities in 2017 moderate, solid plan for refinancing

## Maturity structure of long-term debt 12/2016 (EUR million)<sup>1</sup>



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

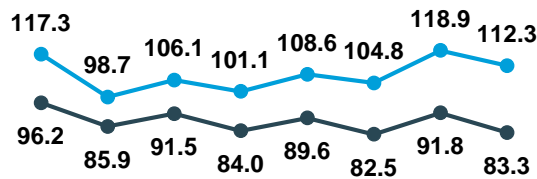
## Debt portfolio at the end of the period 12/2016, EUR 700 million



# Despite the improvement, financial key ratios still on an unsatisfactory level

- Improvement in key ratios despite of increase in net debt
- Positive translation difference in equity of EUR 35 million q-o-q

Gearing (%)

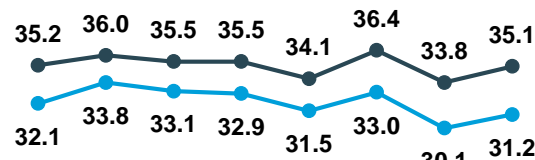


Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2015				2016			

—●— POC —●— IFRS

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

Equity ratio (%)

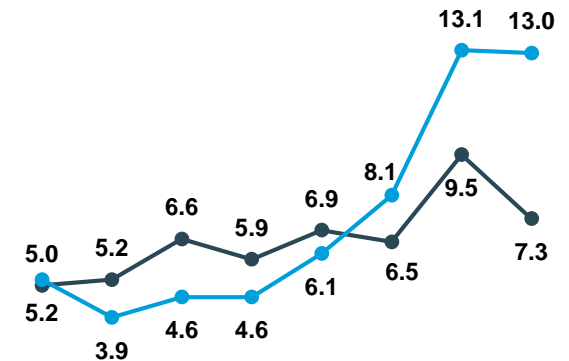


Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2015				2016			

—●— POC —●— IFRS

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

Net debt/EBITDA (Multiple, x)



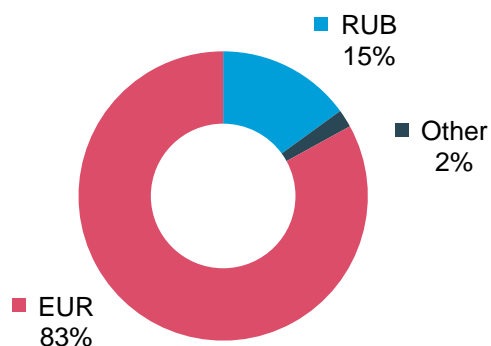
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2015				2016			

—●— POC —●— IFRS



# Ruble strengthened in Q4

## Revenue split 1-12/2016 (POC)



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

	Q4/2016	1-12/2016
Revenue, POC <sup>1</sup>	2.7	-24.0
Adjusted EBIT, POC <sup>1</sup>	-0.1	0.3
Order backlog, POC	40.6 <sup>2</sup>	93.6 <sup>3</sup>
Equity, IFRS (translation difference)	35.2 <sup>2</sup>	75.2 <sup>3</sup>

<sup>1</sup> Compared to the corresponding period in 2015

<sup>2</sup> Compared to the end of previous quarter

<sup>3</sup> Compared to the end of 2015

- EUR/RUB exchange rates:
  - Average EUR/RUB rate in 1-12/2016: 74.15 (1-12/2015: 67.99)
  - Year-end EUR/RUB rate: 64.30 (12/2015: 80.68)

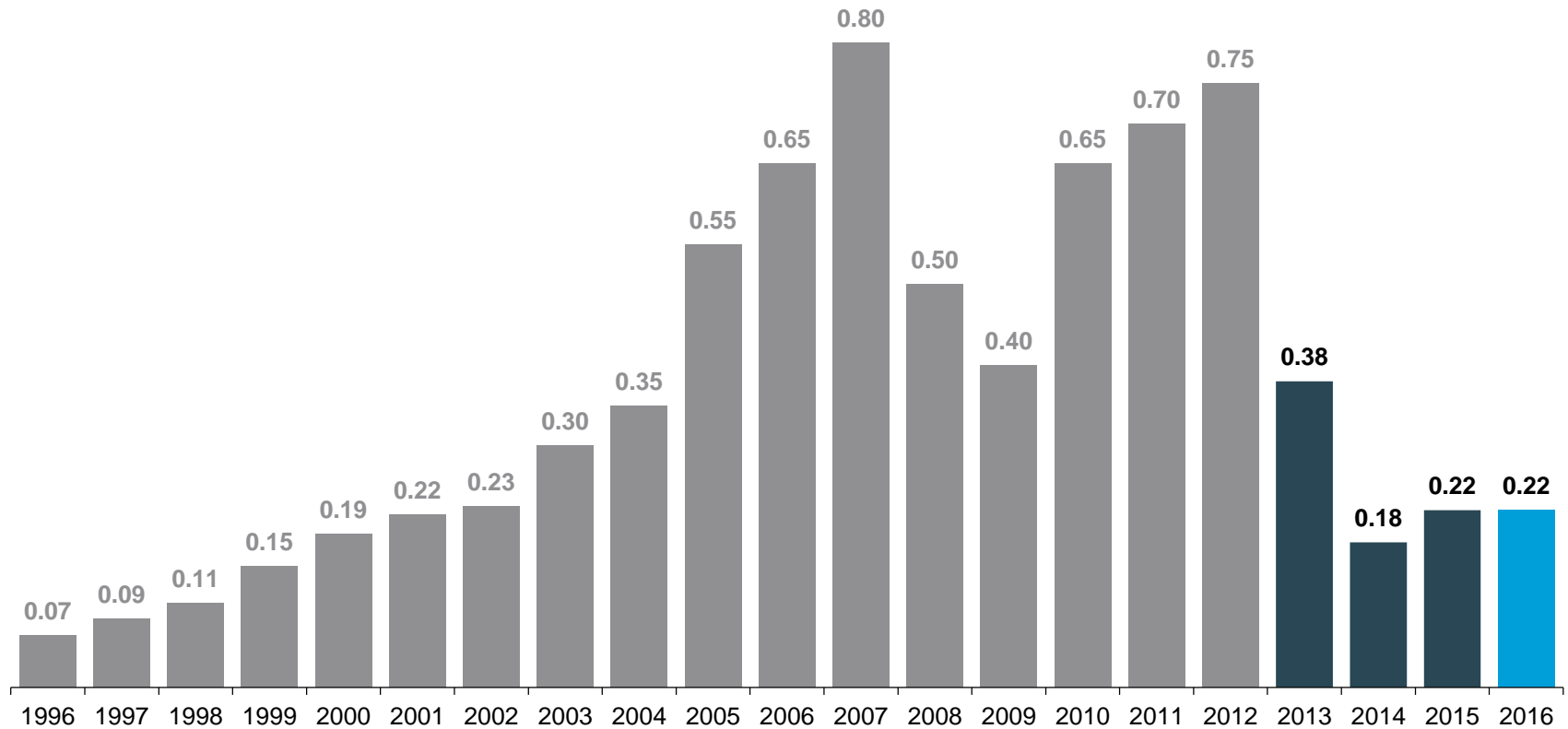
## Principles of managing currency risks:

- Sales and project costs typically in same currency, all foreign currency items hedged → no transaction impact
- Currency positions affecting the income statement are hedged
  - Loans to subsidiaries in local currency, 12/2016: EUR 26.2 million to Russian subsidiaries
- Equity and equity-like investments in foreign currency not hedged
  - Considered to be of permanent nature
  - FX changes recognized as translation difference in equity
  - Exposure in Russian subsidiaries in 12/2016: EUR 362.4 million

# Proposal to AGM: Dividend of EUR 0.22

## Dividend / share (EUR)

Note: Historical figures prior to 2013 are YIT Group pre demerger



# 8

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Looking  
ahead and  
conclusions



# Market outlook, expectations for 2017

## Finland

- Consumer demand to remain on a good level and to focus on small, functional and affordable apartments
- Investor activity to decline slightly, even more focus will be paid on the location
- Residential price polarisation between growth centres and other Finland to continue
- Availability of mortgages to remain good
- Tenant interest for business premises to pick up slightly in the growth centres. Investor activity on a good level, focus on prime locations in the Capital region
- Business premises contracting to remain active
- New infrastructure projects to revitalise the market
- Construction costs expected to increase slightly
- Construction volume growth expected to moderate
- Bank regulation and increased capital requirements might have an impact on the construction and real estate development
- The increased competition for skilled labour due to high construction activity expected to continue



## Russia

- Macro environment to remain stable on the current level, the stabilization of the economy to have a moderate positive impact on the residential market
- Residential prices stable
- Residential demand to focus on small and affordable apartments
- The ending of the state mortgage subsidy program will create uncertainty, however the significance of the program has diminished due to decreased interest rate levels
- Construction cost inflation to moderate



## CEE

- Residential demand to remain on a good level
- Good access to financing, low interest rates to support the residential demand
- Residential prices to remain stable or increase slightly
- Construction costs to increase slightly
- Business premises tender market estimated to pick-up in most of the CEE countries



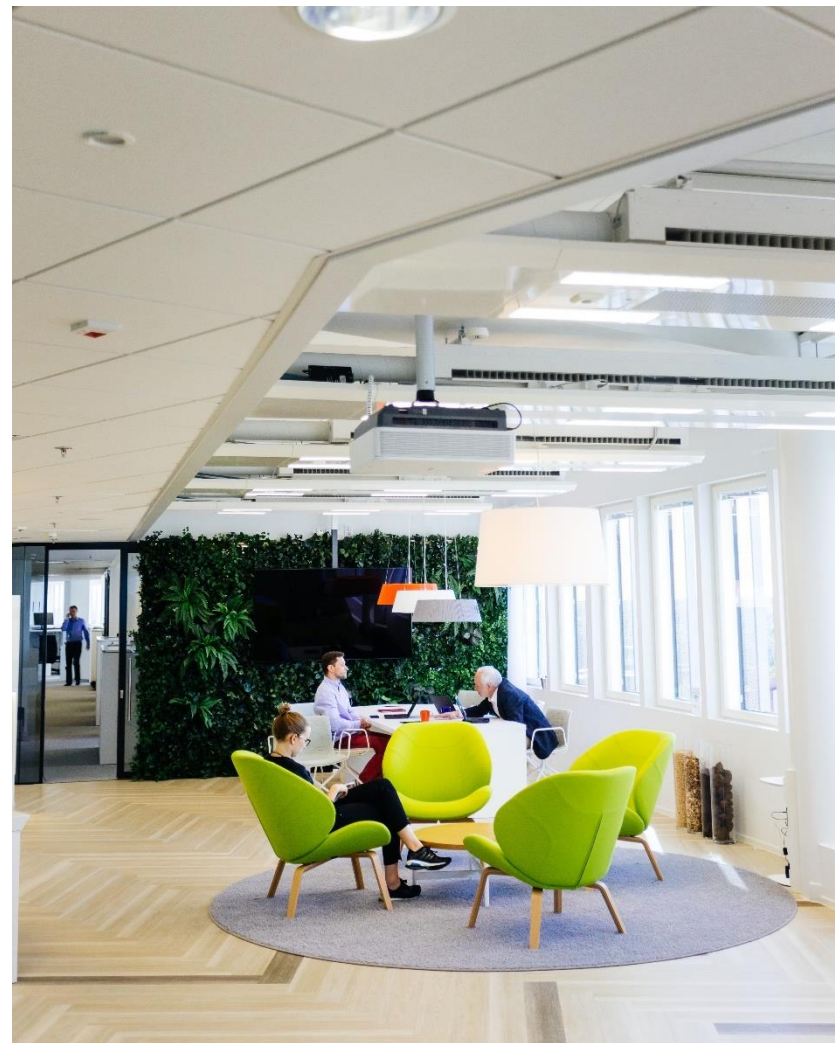
# Guidance for 2017 (segment reporting, POC)

**The Group revenue** is estimated to **grow by 0%-10%**.

**The adjusted operating profit<sup>1</sup>** is estimated to be in the range of **EUR 90-105 million**.

In addition to the market outlook, the 2017 guidance is based on the following factors:

- At the end of 2016, 60% of the Group order backlog was sold.
- Projects already sold or signed pre-agreements are estimated to contribute nearly 50% of 2017 revenue.
- The increased share of consumer sales in Housing Finland and CEE is likely to have a moderate positive impact on the adjusted operating profit of the segment but the impacts of the shift to consumers will be visible in the result gradually.
- In Housing Russia, the adjusted operating profit is estimated to be positive but to remain on a low level. Capital release actions in Russia are likely to have a negative impact on the profitability.
- Q1 expected to be the weakest quarter in terms of the adjusted operating profit but to improve slightly y-o-y.



<sup>1</sup>The adjusted operating profit does not include material reorganisation costs, impairment or other items impacting comparability

# 9

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Why invest  
in YIT?



# Key investment propositions

- ✓ **Good track record**

One of the most profitable construction companies in Europe throughout the business cycle, clearly the most profitable in Finland

- ✓ **Getting back to the profitable growth trend**

EBIT expected to start to improve already in 2016, trends and drivers provide long-term growth opportunities

- ✓ **Firm dividend payer**

Dividend payout target 40-60% of net profit for the period

- ✓ **Strong market position and long experience**

Market leader in Finland, biggest foreign residential developer in Russia and one of the top players in CEE, over 100 years in Finland and over 50 years in Russia

- ✓ **Solid corporate governance**

and high ethical standards in all operating countries



# Trends and drivers provide long-term growth opportunities

## Growing need for new apartments, services and infrastructure

### Urbanisation

Metropolitan areas growing and becoming denser, migration to growth centres

Need for infrastructure and mixed use construction

### Demographic Changes

Ageing population  
Smaller family sizes and growing number of households

## New business opportunities

### Digitalisation

Consumers demand services 24/7 online

New services for occupancy time increase

Need for more flexible work premises

### Poor condition of buildings and infrastructure

Significant need for renovation construction

The emptying of office properties in Finland creates opportunities for changing the uses of buildings

## Divergent economic development in our operating countries

### Positive economic development in the CEE countries

In Europe's fastest-growing economies, residential demand is growing and business premises construction activity is picking up

### Recession in Russia

The challenging economic situation in Russia creates uncertainty in residential demand

Fundamental need for new apartments

## Our answers

We focus on growth centres in all of our operating countries

We invest in hybrid projects

We are active in the construction of care facilities

We focus on small and affordable apartments

We develop the digital YIT Plus service

We focus on building and developing concepts for flexible premises

We invest in renovation construction

In infrastructure projects, we develop our alliance and PPP project expertise

We focus on growth in the CEE countries in both residential and business premises construction

We reduce our sales risk in Russia and focus on building small, affordable apartments



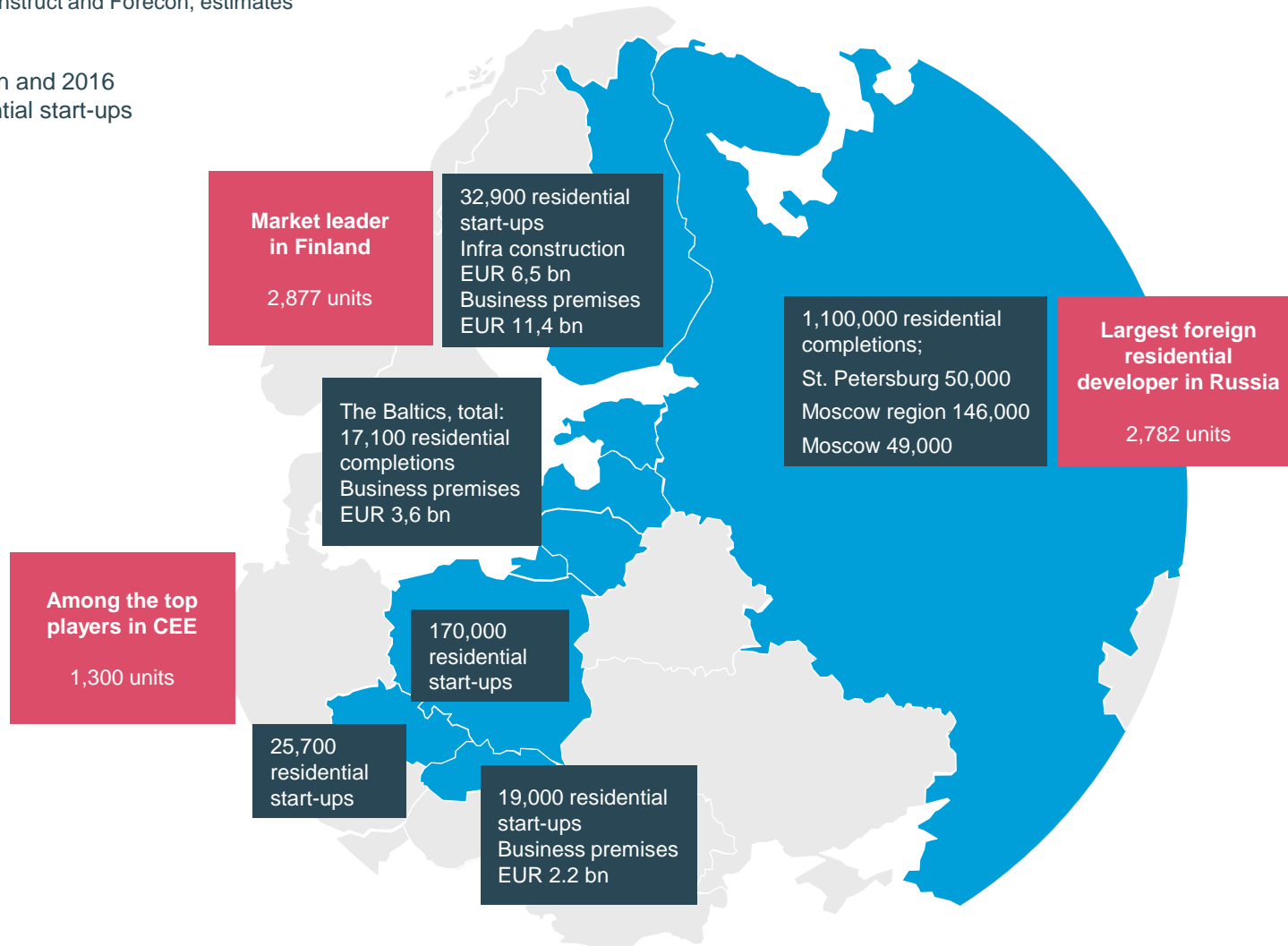
# Strong market position in all markets

## Market sizes in 2016

Euroconstruct and Forecon, estimates

## YIT

Position and 2016 residential start-ups



# YIT's competitive edges



- ✓ High-quality brand and reputation as a reliable company
- ✓ Innovative concepts and effective design management
- ✓ Strong plot reserve and development capabilities
- ✓ Broad special expertise and strong references
- ✓ Ability to construct demanding projects that combine housing, business premises and infrastructure
- ✓ Broad partner network and excellent cooperation with stakeholders

**“Best developer in Finland”,**  
Euromoney Real Estate Survey 2015

**“Developer of the year 2014”**  
in the Czech Republic

**”Real estate developer  
of the year 2015”** in Slovakia

**“Best Housing Project 2014”**  
in Latvia, Lithuania and Slovakia

# 10

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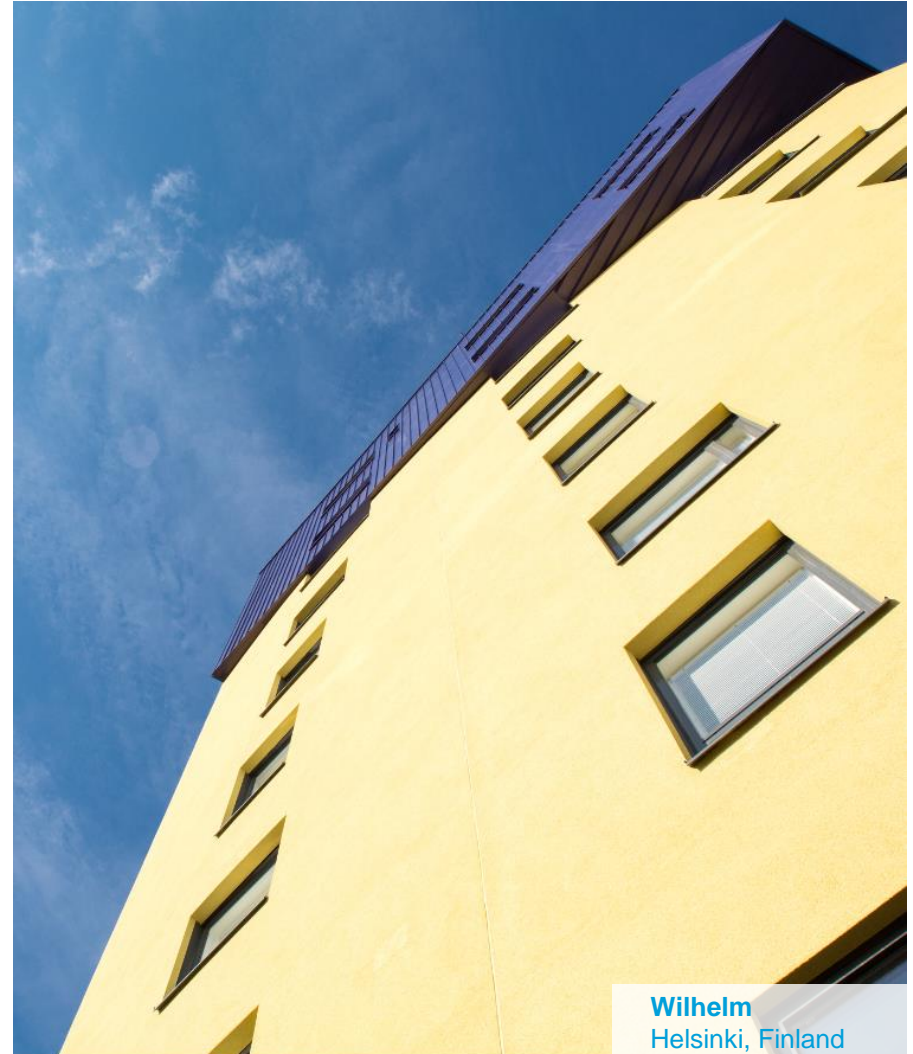
## Appendices



Konepaja residential area  
Helsinki, Finland

# Appendices

- I. Additional financial information
- II. Housing indicators
- III. Business premises and infrastructure construction indicators
- IV. Ownership





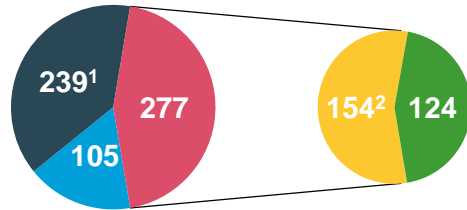
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## Additional financial information



# Solid plot portfolio, a basis for growth and financial flexibility

## Plot reserves in the balance sheet 12/2016, EUR 621 million



- Business Premises and Infrastructure
- Housing Russia
- Housing Finland and CEE
- Finland
- The CEE countries

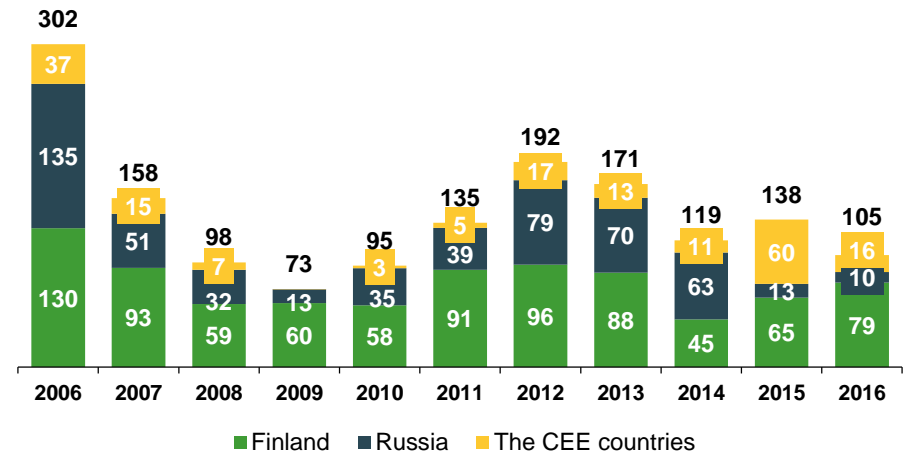
## Use of plot reserves in 2016, EUR 91 million

Housing Finland and CEE	60
Finland	35
The CEE countries	25
Housing Russia <sup>***</sup>	21
Business Premises and Infrastructure	11

## Plot reserve in thousand floor sq. m 12/2016

Housing Finland and CEE	2,529
Finland <sup>**</sup>	2,044
The CEE countries	485
Housing Russia <sup>*</sup>	2,115
Business Premises and Infrastructure	686

## Cash flow of plot investments 2006-2016 (EUR million)



<sup>1</sup>Includes Gorelovo industrial park

<sup>2</sup>In Finnish housing, several projects are being constructed on rental plots, thus the balance sheet value and use of plot reserves in the balance sheet don't give accurate picture of the usable plot reserves.

<sup>3</sup>Calculated at the 12/2016 EUR/RUB exchange rate: 64.30

# 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
  - Due upon completion
  - Sold in line with the progress of the project
- Customers' down payments 15% of value

### → Financing for construction

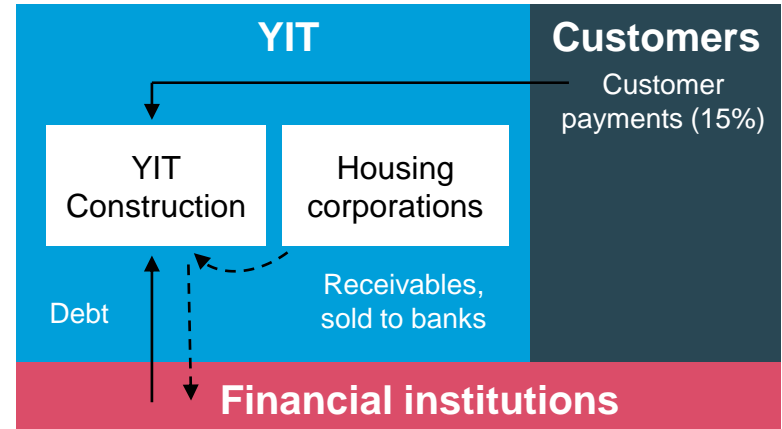
### Limited refinancing risk:

- 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

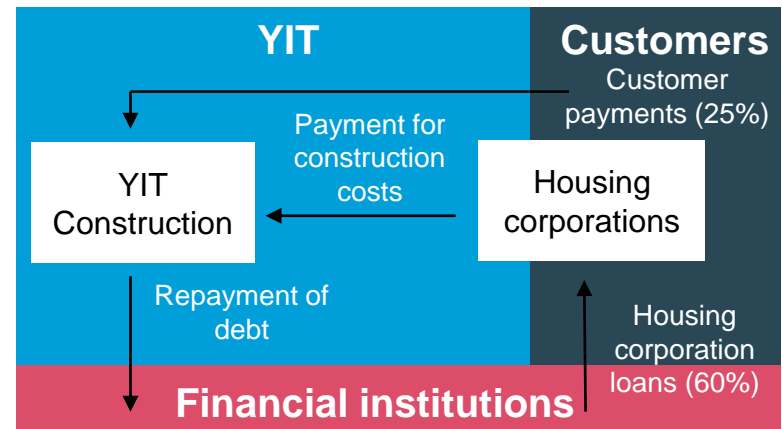
### → Refinancing of the sold receivables

- 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.

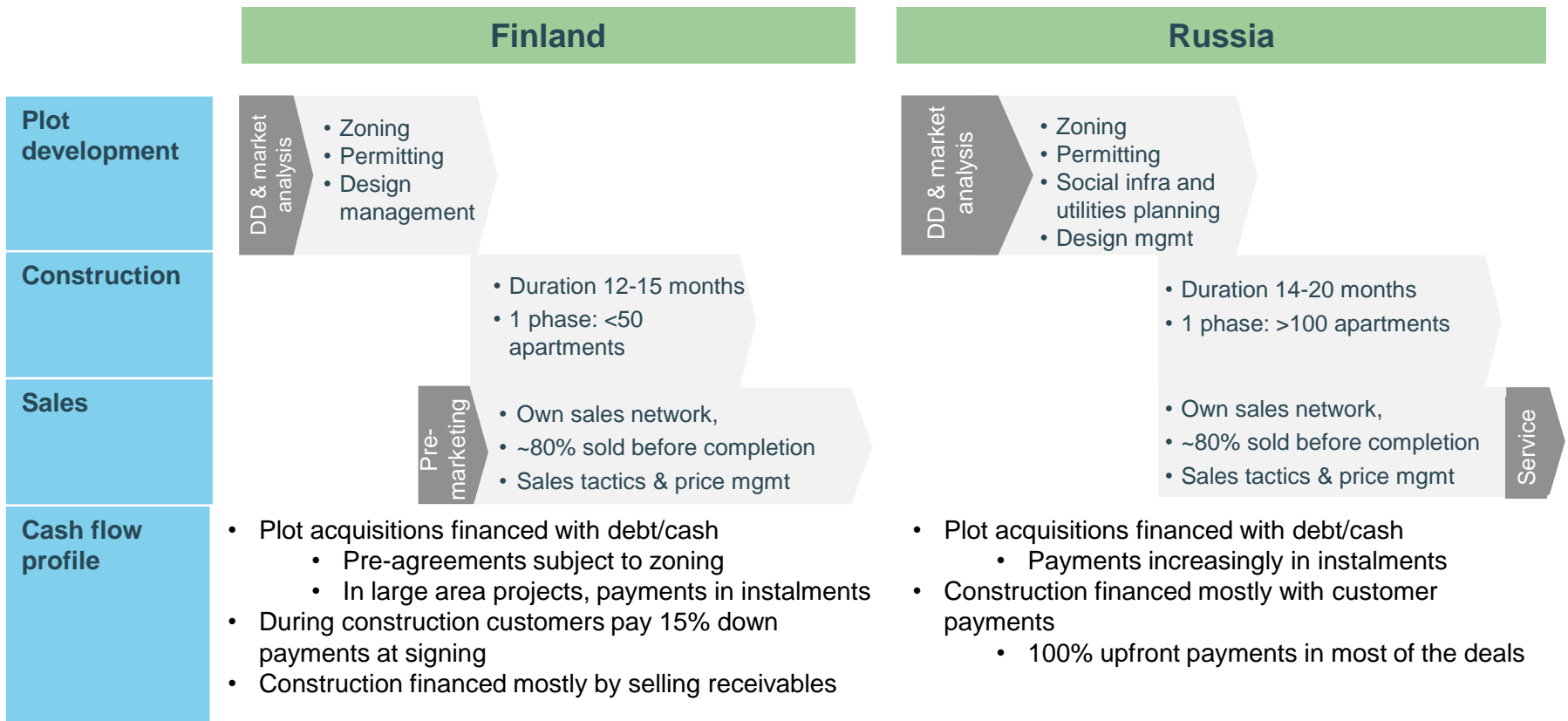
## During construction:



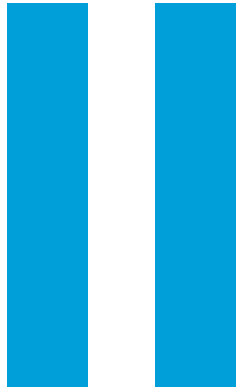
## Upon completion:



# Business model in self-developed housing varies between countries







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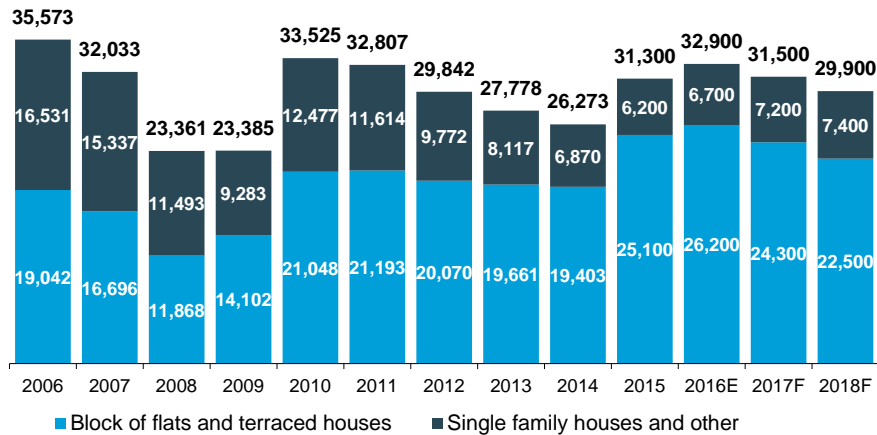
# Housing indicators



# Finland

## Start-ups expected to decrease slightly in 2017

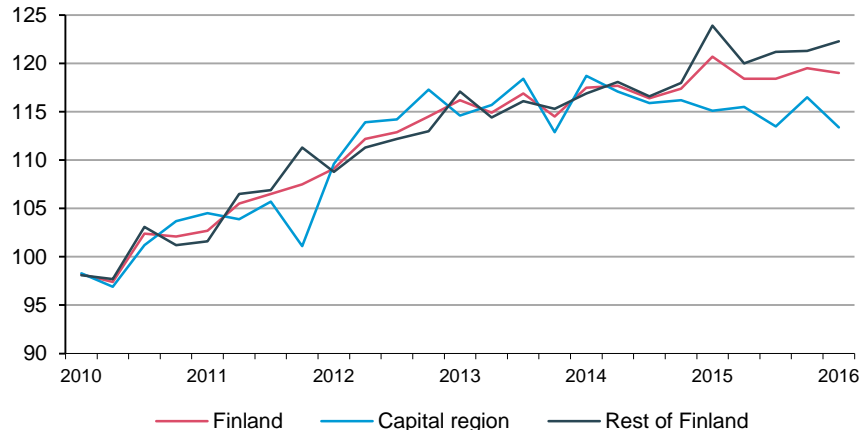
Residential start-ups (units)



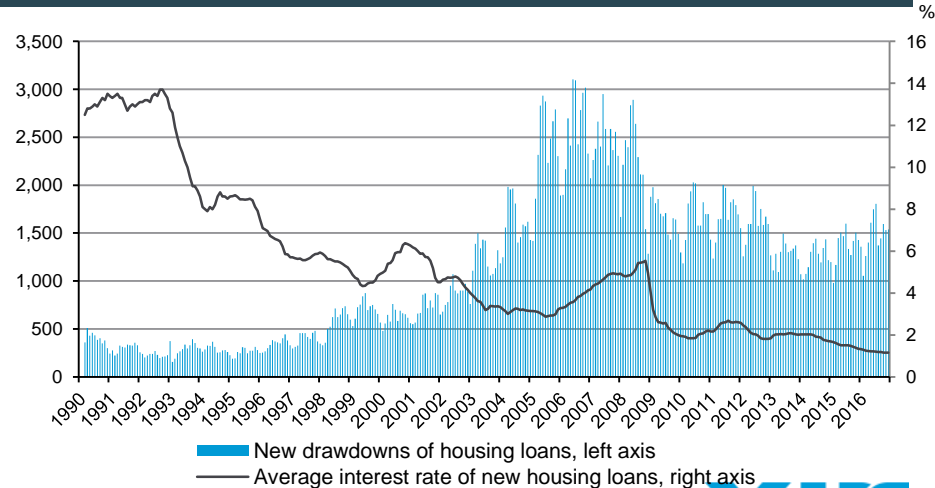
Consumers' views on economic situation in one year's time (balance)



Prices of new dwellings (index 2010=100)



Volume of new mortgages and average interest rate (EUR million, %)



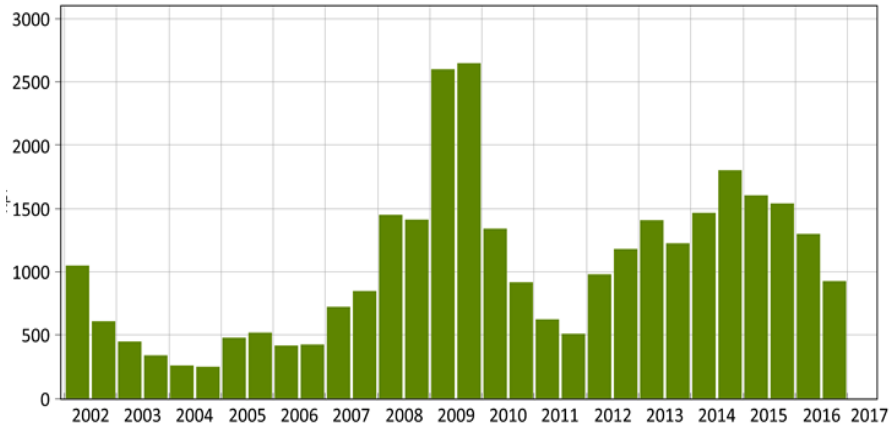
Sources: Residential start-ups: 2006-2014 Statistics Finland; 2015 – 2018F Euroconstruct, December 2016, Consumer confidence: Statistics Finland, Residential prices: Statistics Finland, Loans and Interest rates: Bank of Finland



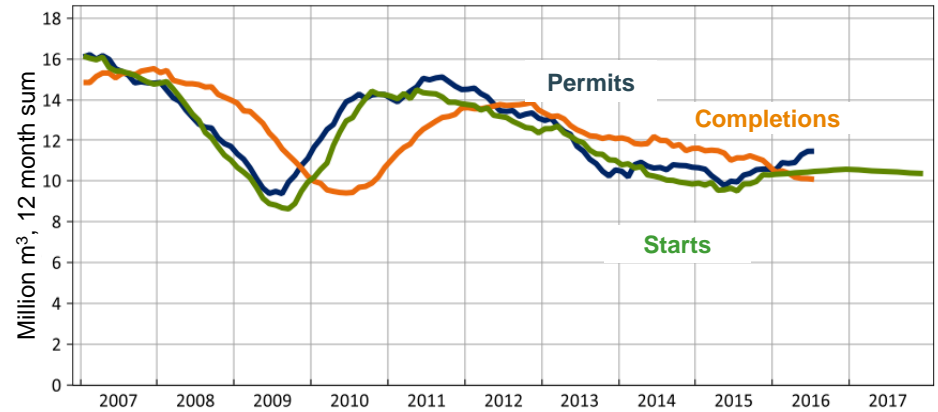
# Finland

## Housing indicators have improved slightly

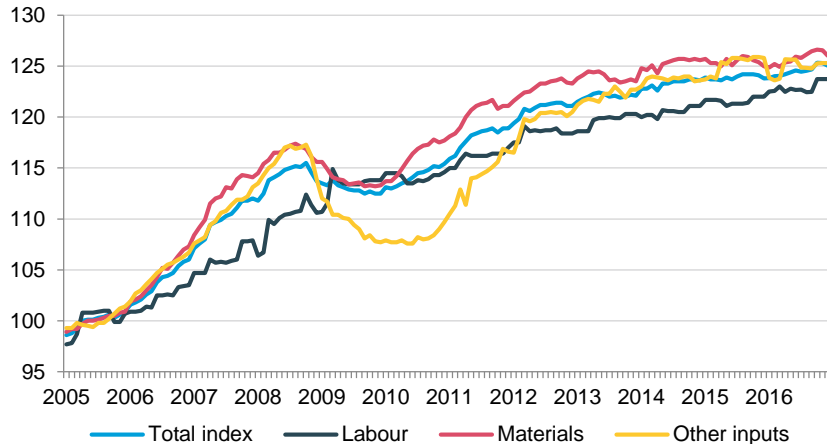
Unsold completed units (residential development projects)



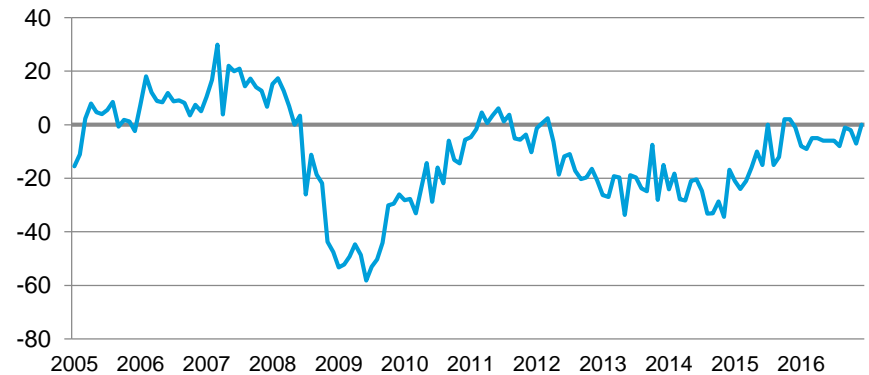
Residential building permits, start-ups and completions (million m3)



Construction cost index (2005=100)



Construction confidence (balance)



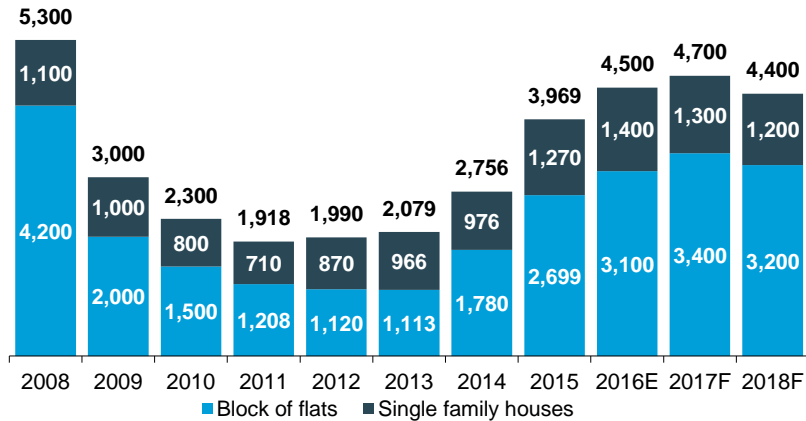
Unsold completed units: Confederation of Finnish Construction Industries RT, Residential building permits, Start-ups and completions: Confederation of Finnish Construction Industries RT,  
 Construction cost index: Statistics Finland, Construction confidence: Confederation of Finnish Industries EK  
 YIT | 67 | Investor presentation, February 2017



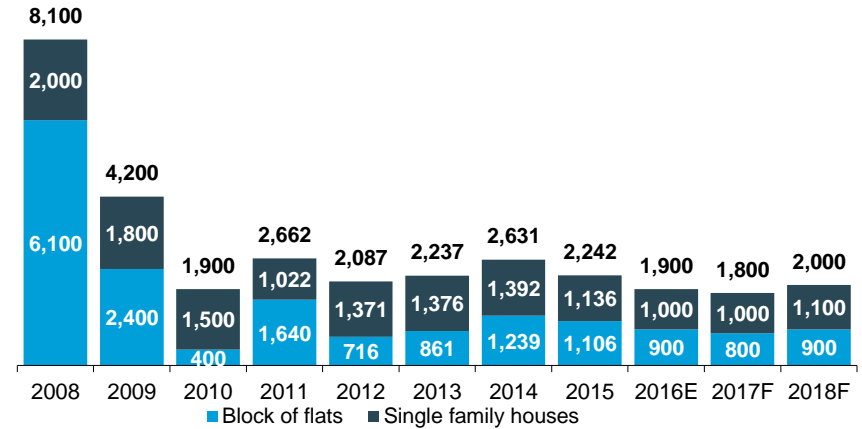
# The Baltic Countries

## Residential construction is expected to level off

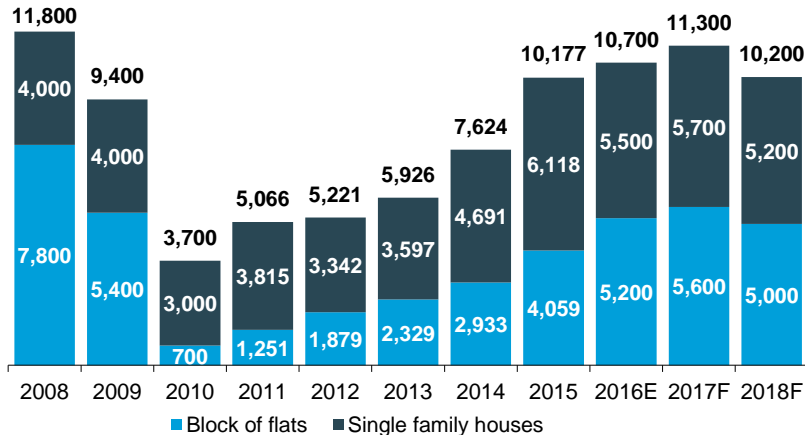
Residential completions in Estonia (units)



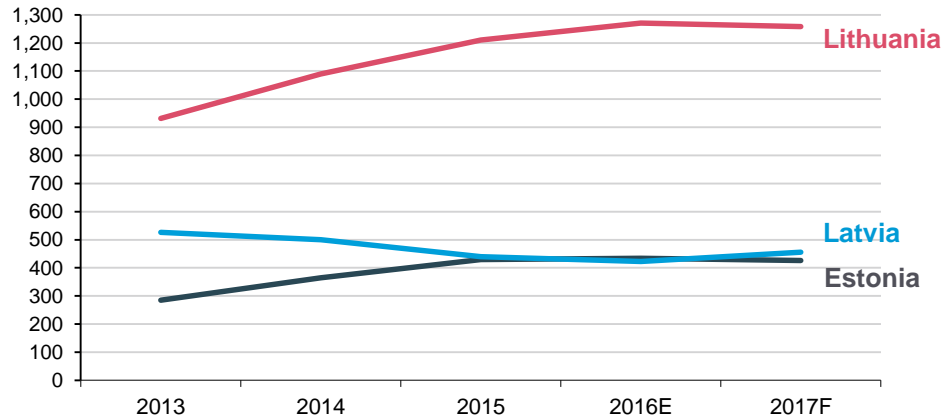
Residential completions in Latvia (units)



Residential completions in Lithuania (units)



New residential construction volume (EUR million)



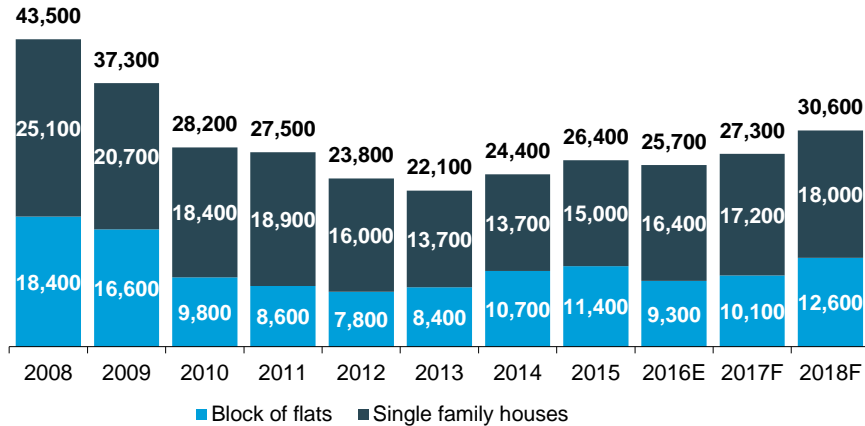
Source: Forecon, December 2016



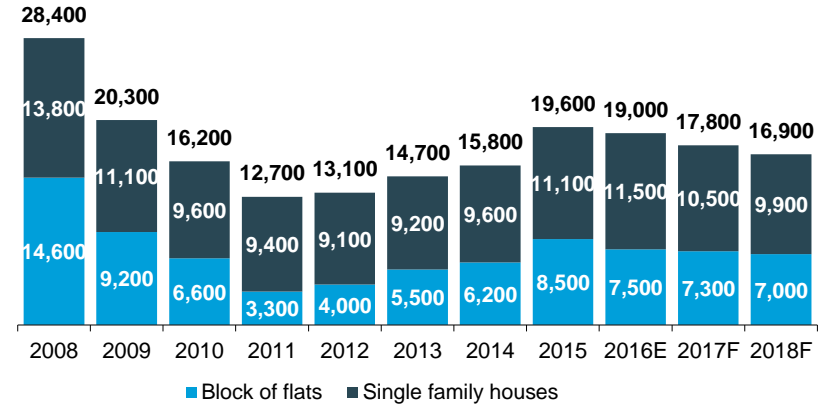
# The Czech Republic, Slovakia and Poland

## Start-ups forecasted to grow in the Czech Republic and Poland

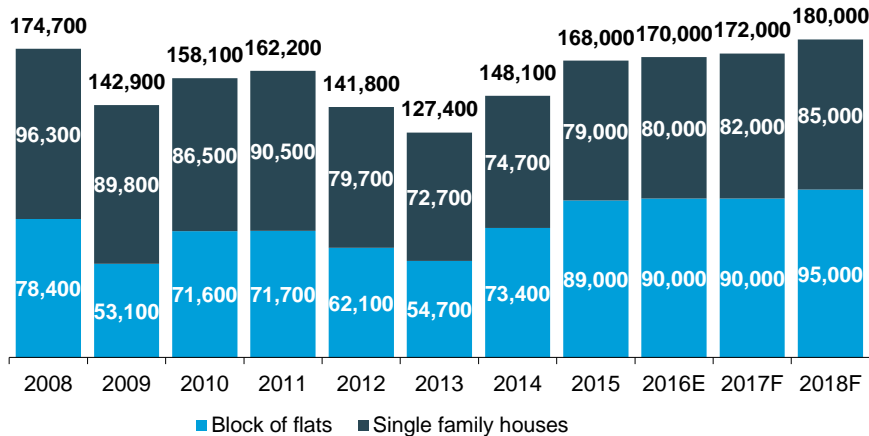
Residential start-ups in the Czech Republic (units)



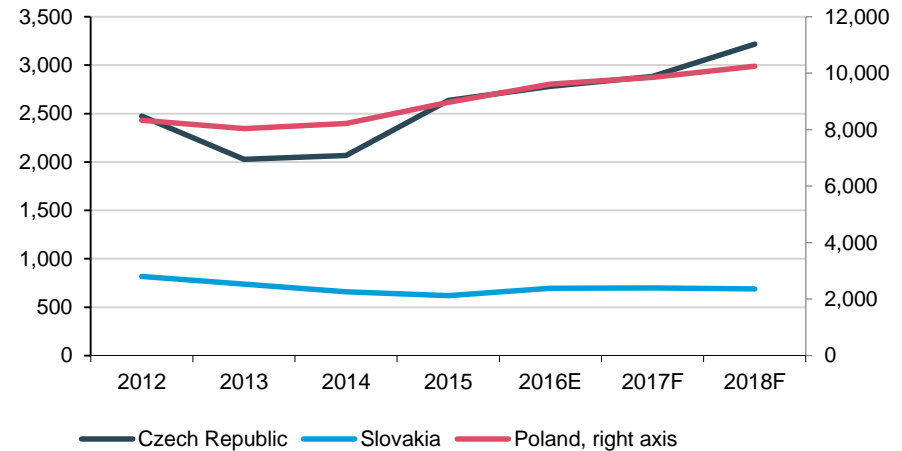
Residential start-ups in Slovakia (units)



Residential start-ups in Poland (units)



New residential construction volume (EUR million)



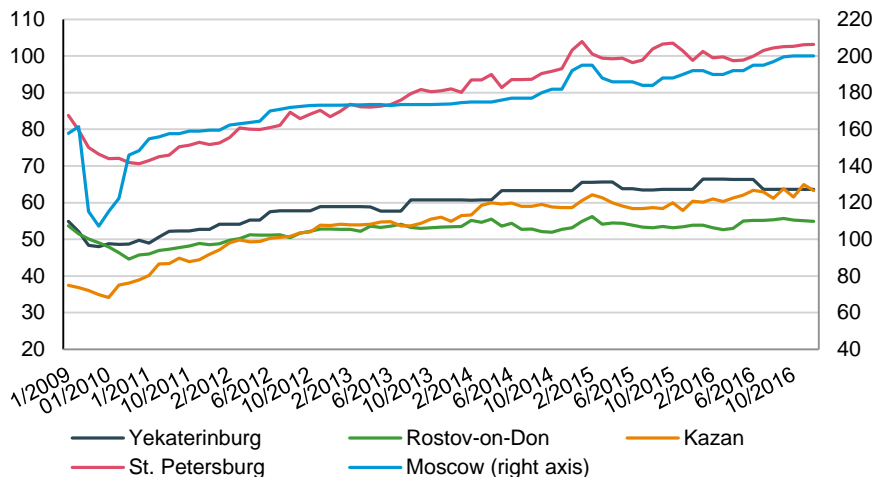
Source: Euroconstruct, December 2016



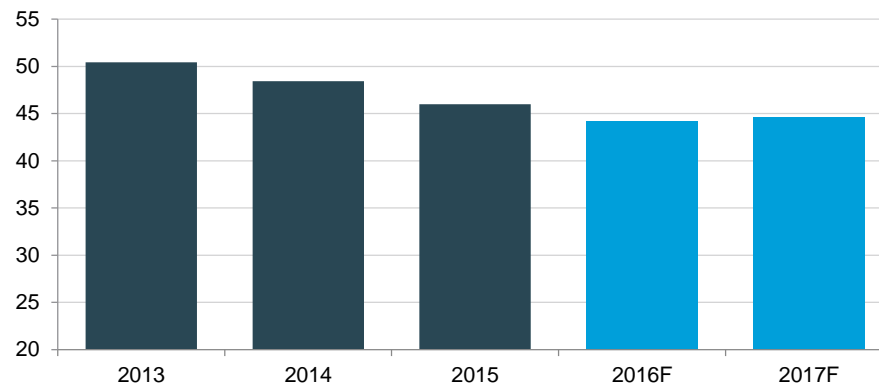
# Russia

## Housing indicators

House prices in primary markets (thousand RUB per sq. m.)

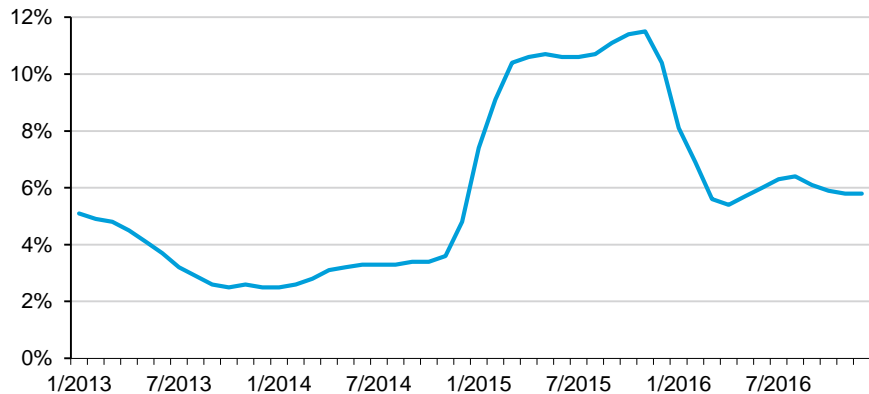


New residential construction volume (EUR billion\*)

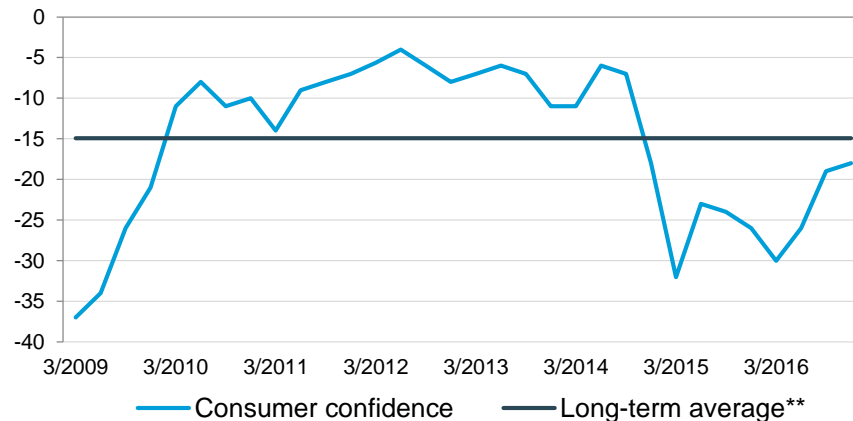


\*Fixed EUR/RUB exchange rate of 68.072

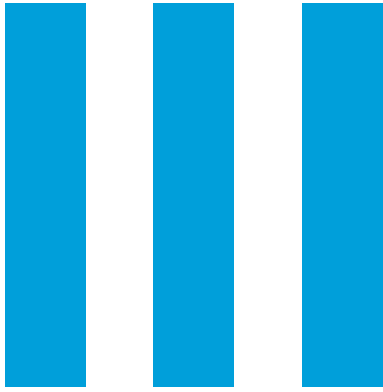
Inflation in building materials (%)



Consumer confidence



Sources: House prices: YIT, New residential construction volume: December 2016, Inflation in building materials: PMR Construction review, January 2017, Consumer confidence: Bloomberg  
 \*\*Average 12/1998-12/2016



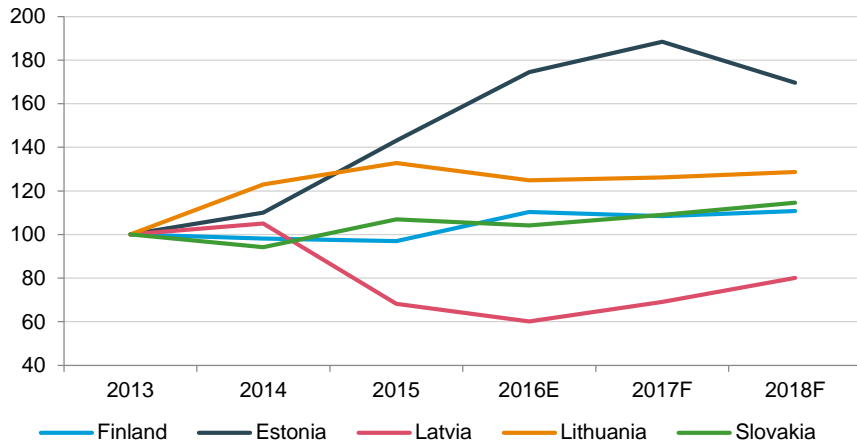
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## Business premises and infrastructure construction indicators

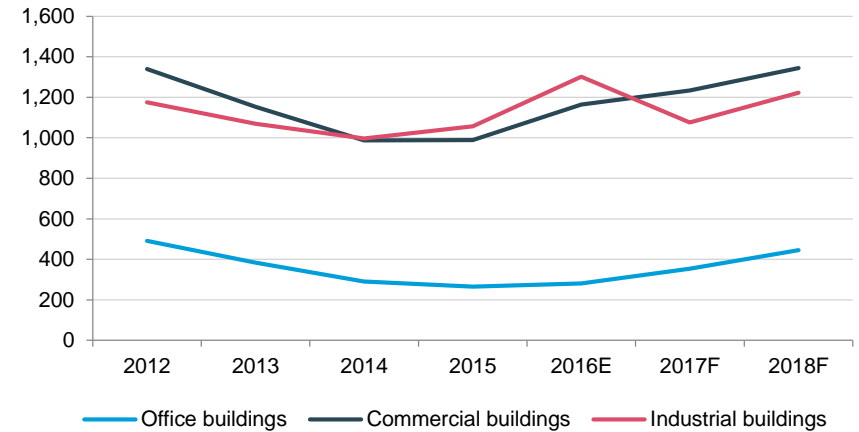


# New non-residential construction forecasted to pick up slightly in the Baltic countries in 2017

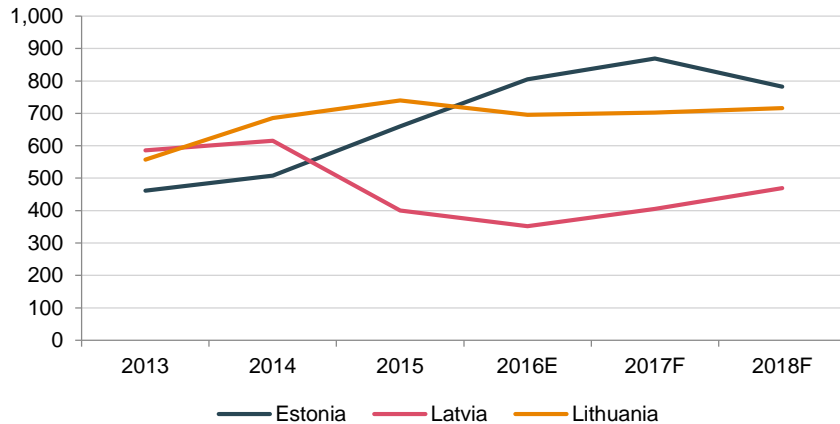
New non-residential construction volumes (index 2012=100)



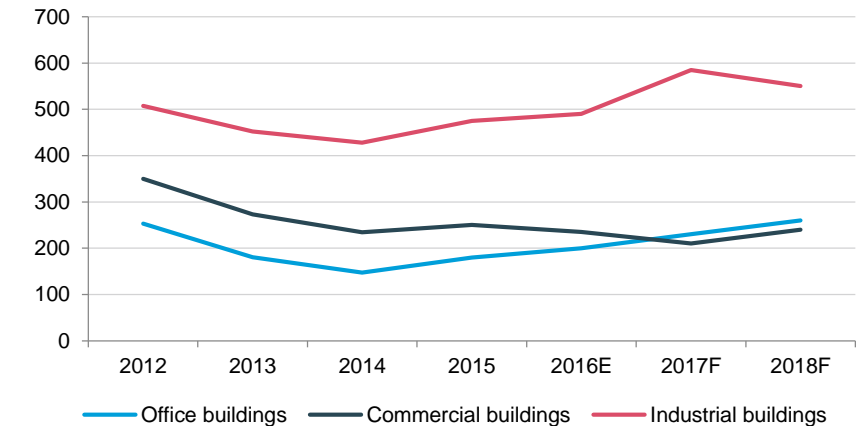
New non-residential construction in Finland (EUR million)



New non-residential construction in the Baltic countries (EUR million)



New non-residential construction in Slovakia (EUR million)



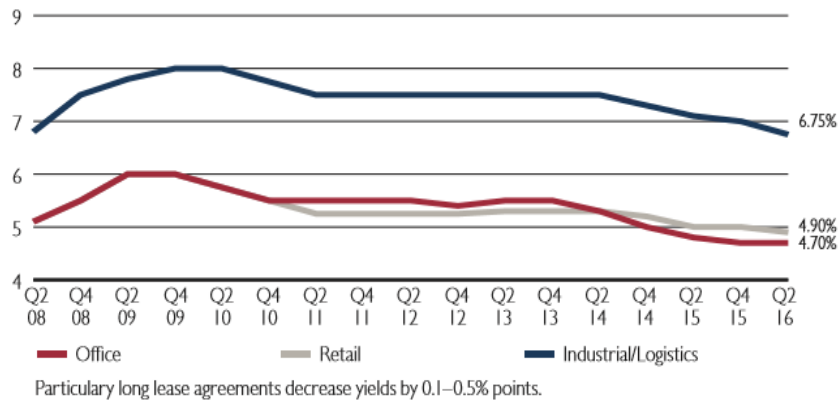
Sources: Euroconstruct and Forecon, December 2016



# Finland

## Prime yields expected to decrease slightly

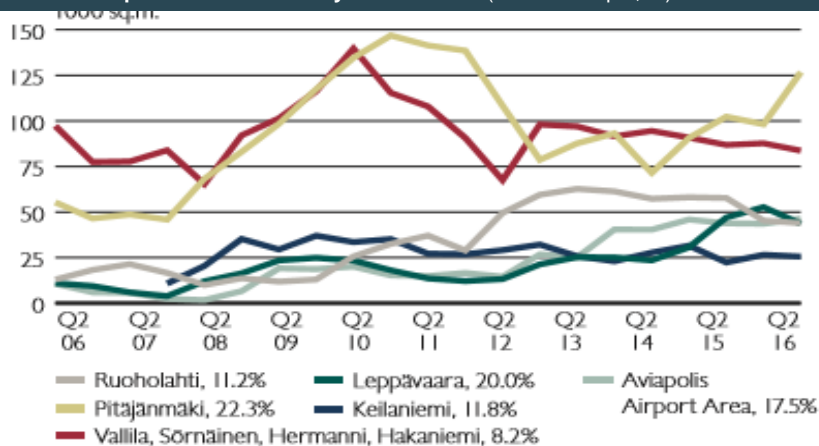
Prime yields in Helsinki Metropolitan Area (%)



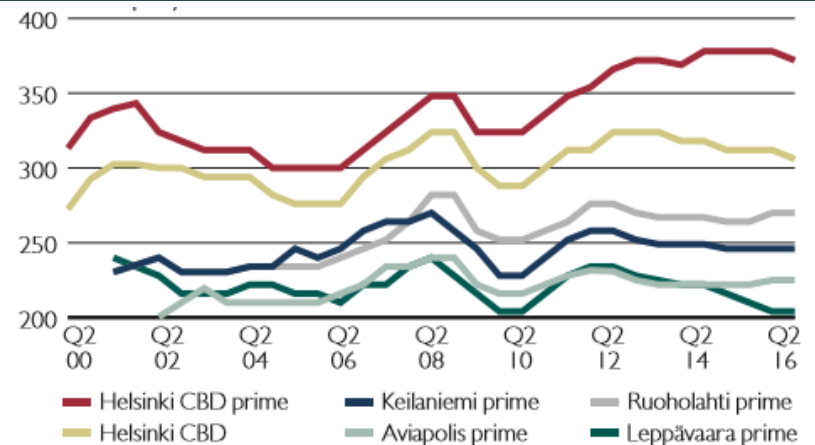
Vacancy rates in Helsinki Metropolitan Area (%)



Vacant office space and the vacancy rate Q2/2016 (thousand sq.m., %)



Rental levels of office premises (excl. VAT), new agreements (EUR / sq. m. / year)

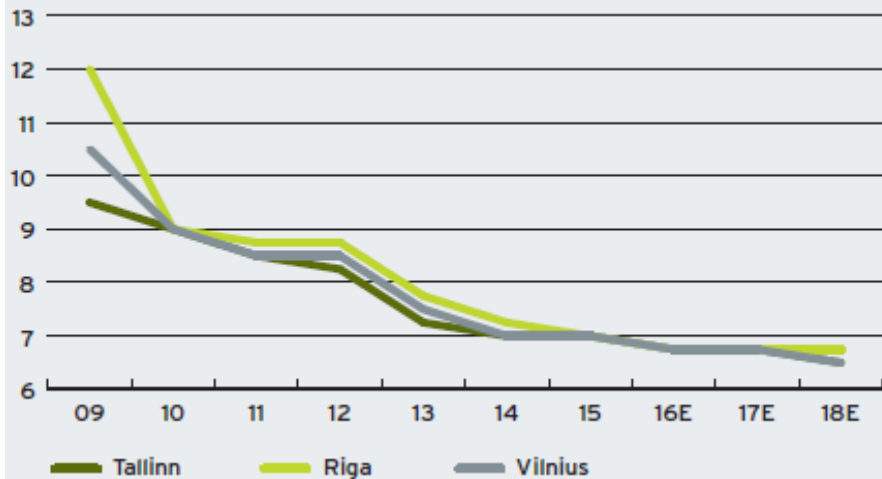


Source: Catella Finland Market Indicator, September 2016

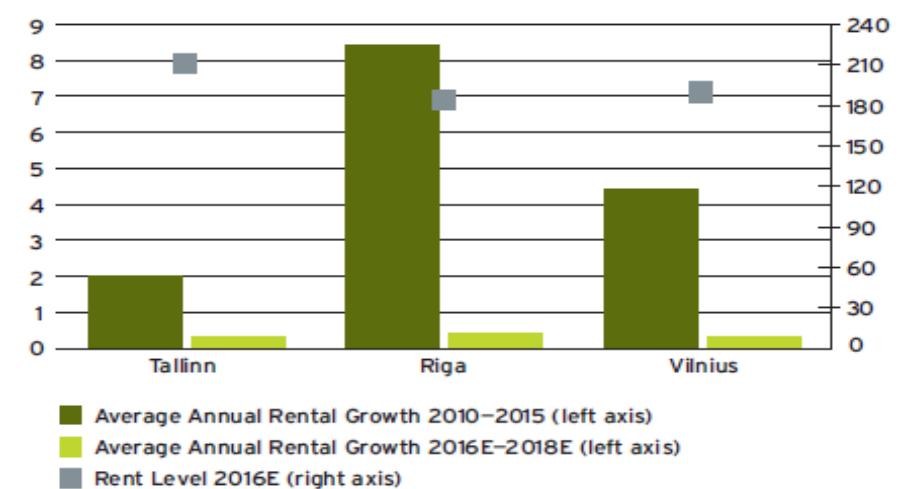
# The Baltic countries

## Yields are expected decrease slightly

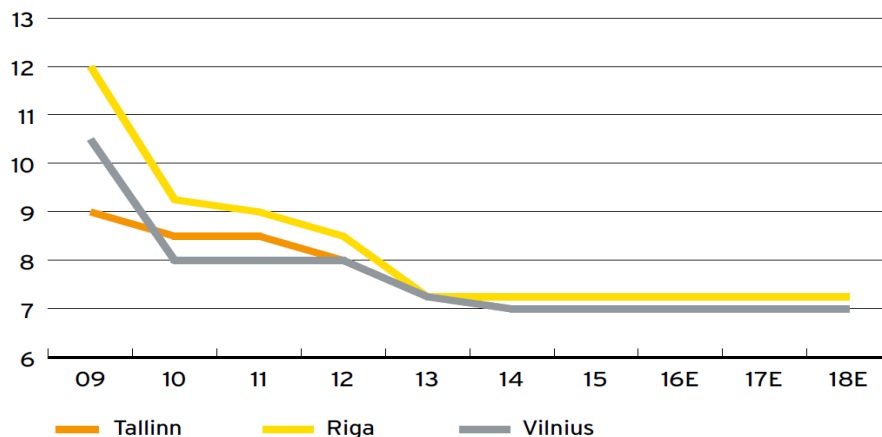
Prime office yields in the Baltic countries (%)



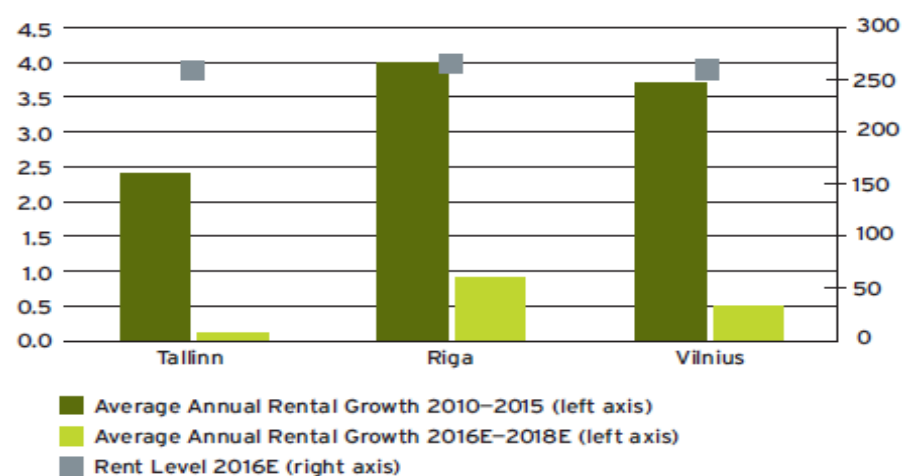
Prime office rents in the Baltic countries, (% , EUR / sq. m. / year)



Prime retail yields in the Baltic countries (%)



Prime retail rents in the Baltic countries, (% , EUR / sq. m. / year)

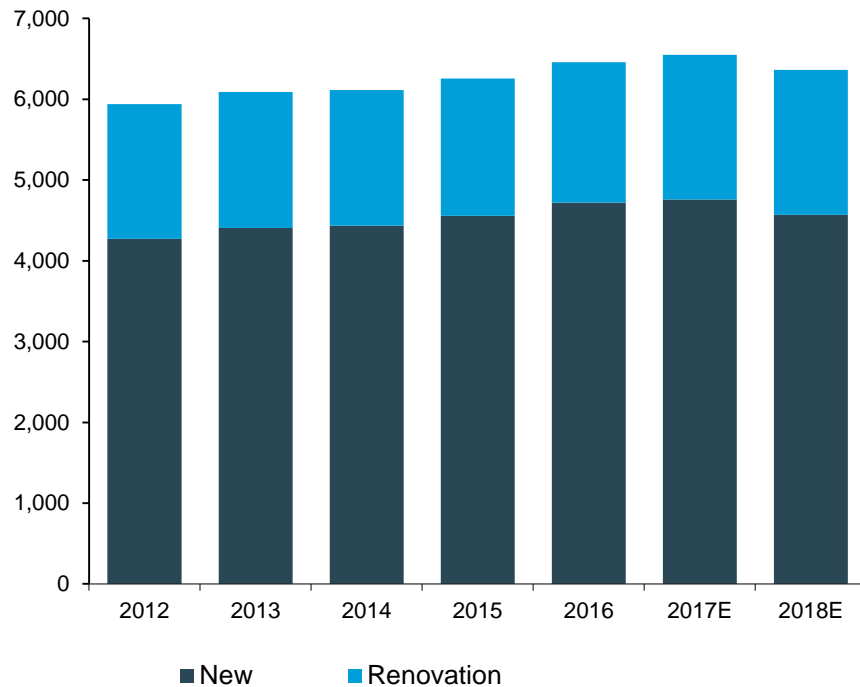


Source: Newsec Property Outlook, October 2016

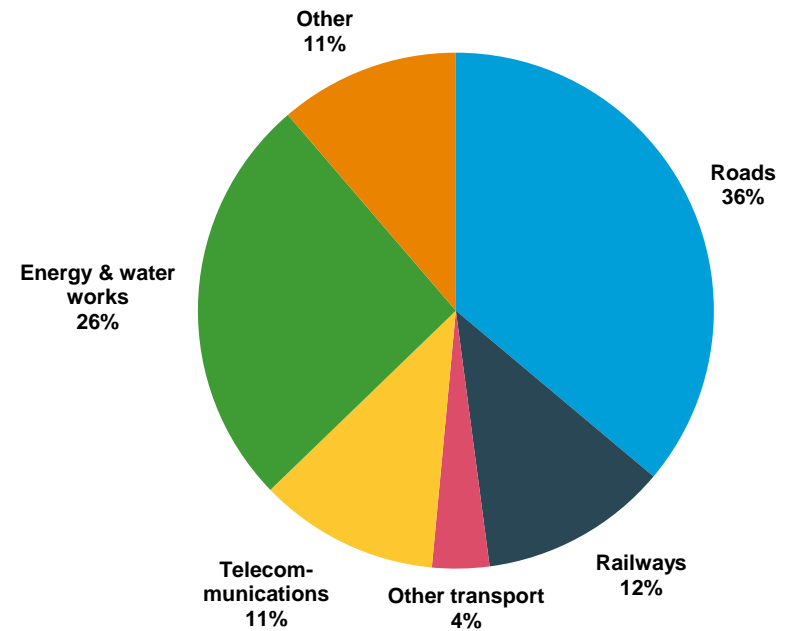
# Infrastructure construction in Finland

## Market expected to remain stable in 2017

Infrastructure market in Finland (EUR million)



Infrastructure sectors in Finland (2016)



Sources: Euroconstruct, December 2016

# IV

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Ownership

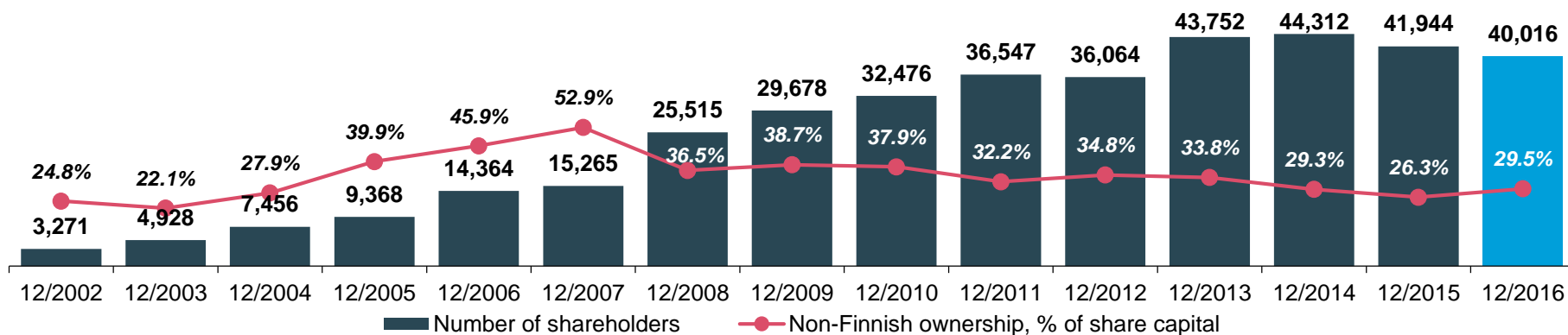


# YIT's major shareholders

December 31, 2016

Shareholder	Shares	% of share capital
1. Varma Mutual Pension Insurance Company	12,000,000	9.43
2. Herlin Antti	4,710,180	3.70
3. OP funds	3,556,859	2.80
4. Elo Mutual Pension Insurance Company	3,335,468	2.62
5. The State Pension Fund	2,600,000	2.04
6. Danske Invest funds	2,583,762	2.03
7. Nordea funds	1,894,419	1.49
8. YIT Corporation	1,646,767	1.29
9. Etera Mutual Pension Insurance Company	1,410,000	1.11
10. Aktia funds	1,217,663	0.96
Ten largest total	34,955,118	27.47
Nominee registered shares	36,810,954	28.93
Other shareholders	55,457,350	43.60
<b>Total</b>	<b>127,223,422</b>	<b>100.00</b>

Number of shareholders and share of non-Finnish ownership, December 31, 2016



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we can  
do it.**