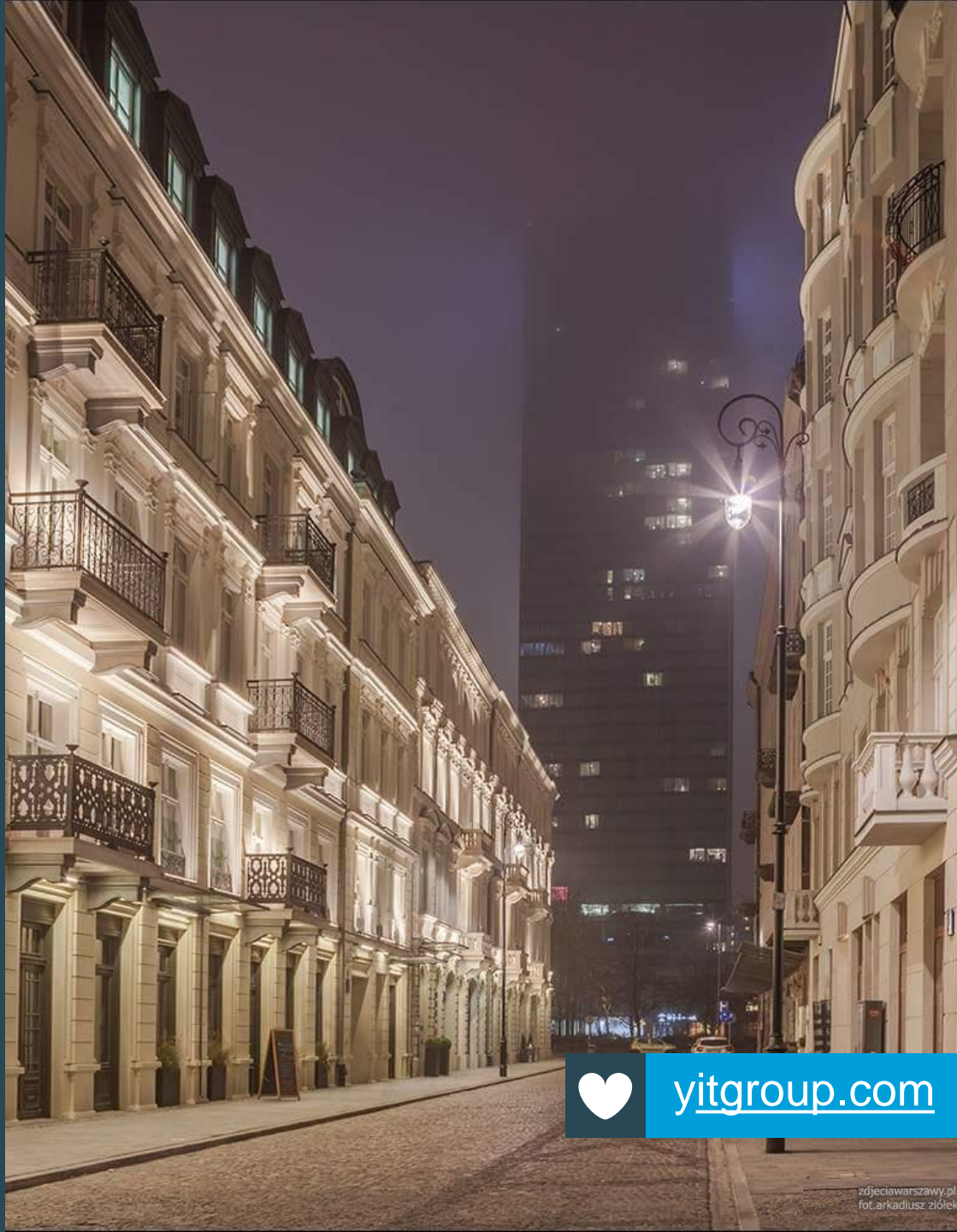




Opportunities in Poland

Analyst lunch
December 15, 2015
Tomasz Konarski
Managing Director
YIT Development sp. z o.o.



yitgroup.com

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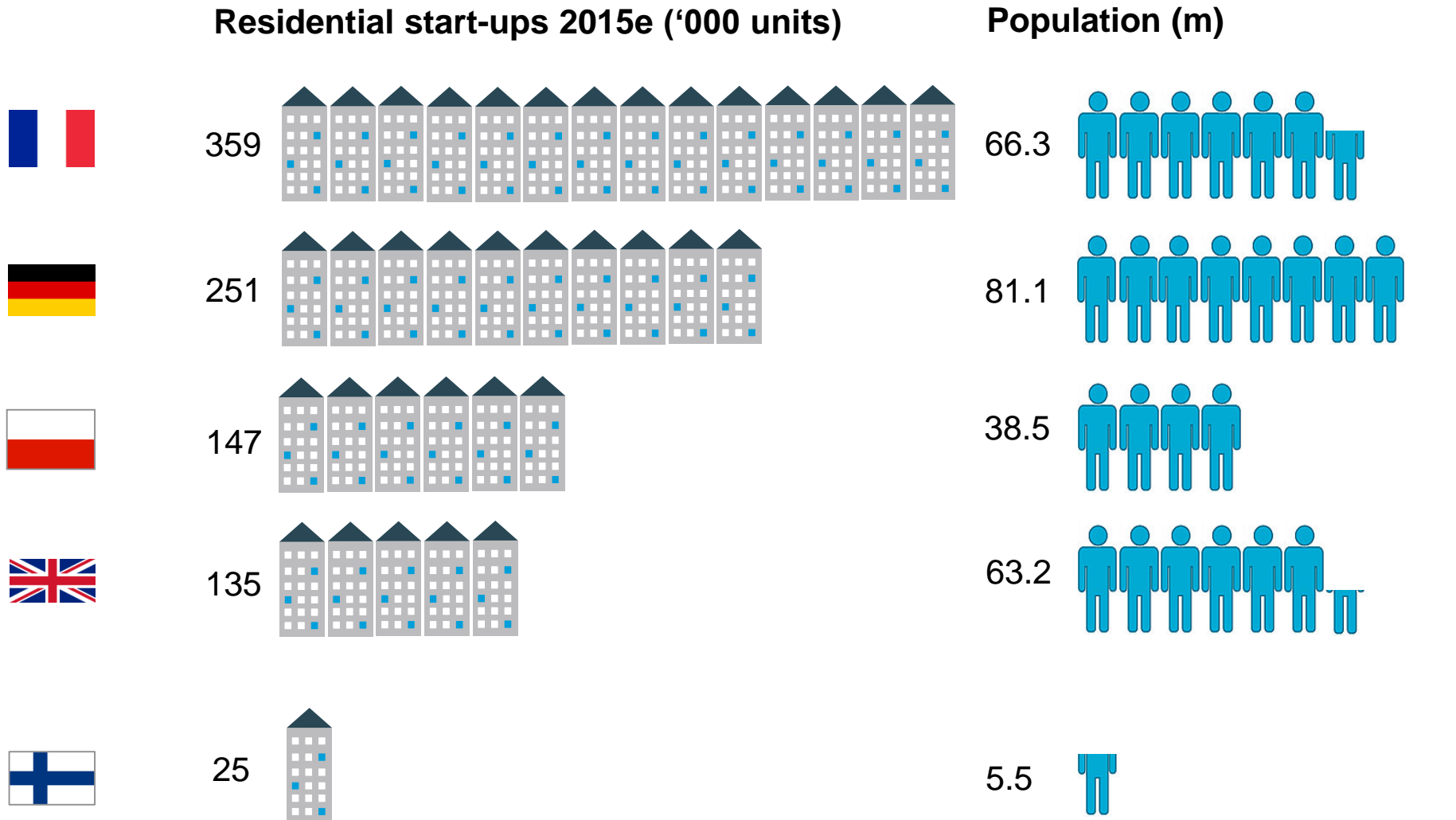
- Why Poland?
- Structure of the residential market
- Housing market outlook
- Business model and competitive advantages in Poland
- Summary



1

Why Poland?

One of Europe's biggest residential markets

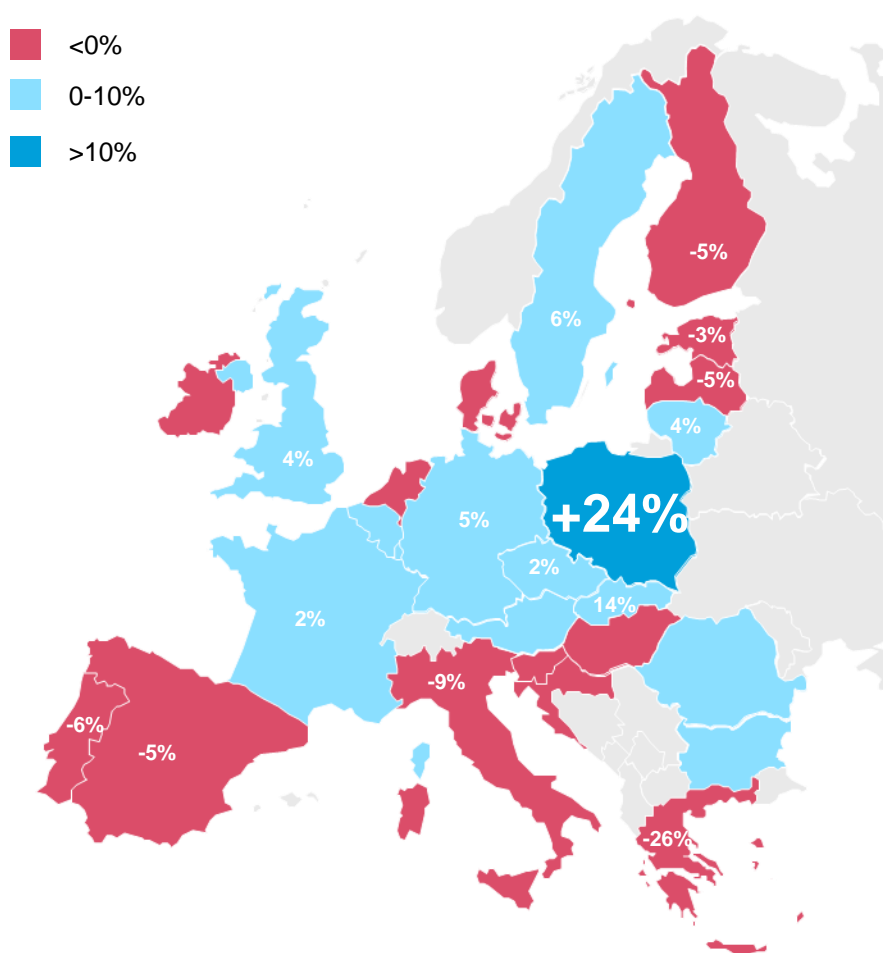


Source: Bloomberg

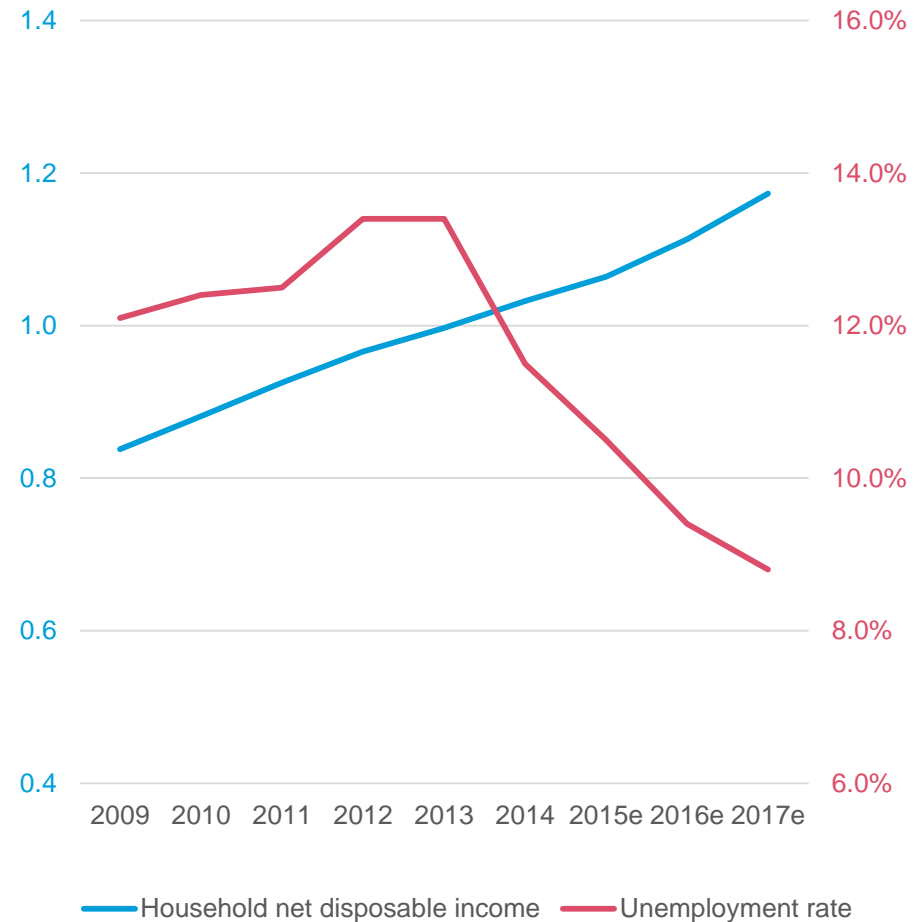
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Purchasing power improving

Cumulated GDP growth in EU, 2008-2014

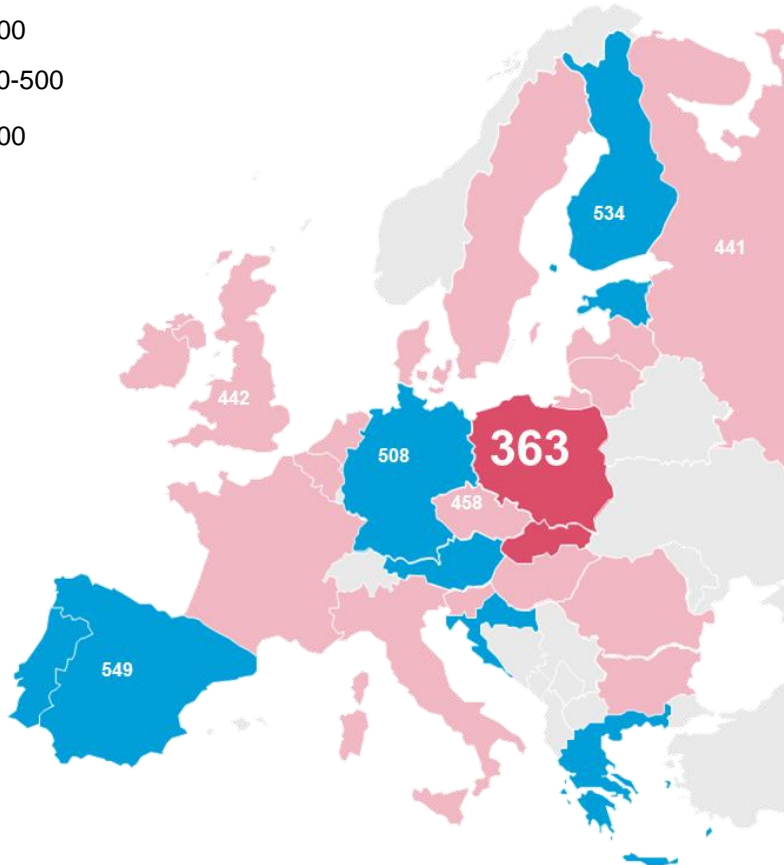
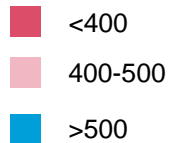


Household net disposable income (bn PLN) and unemployment



Fundamental need for new apartments

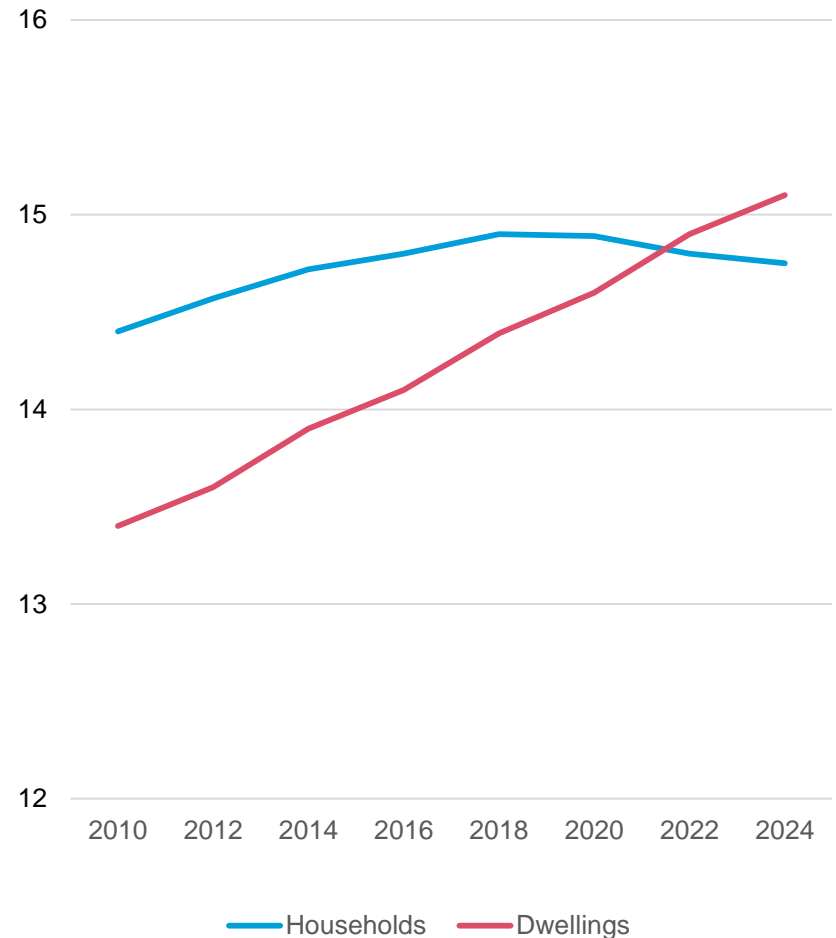
Number of residential units per 1,000 inhabitants, 2014



44% of Polish people still live in an overcrowded dwelling according to Eurostat

Source: Deloitte and Housing Europe (for some countries statistics are for 2013 or 2012)

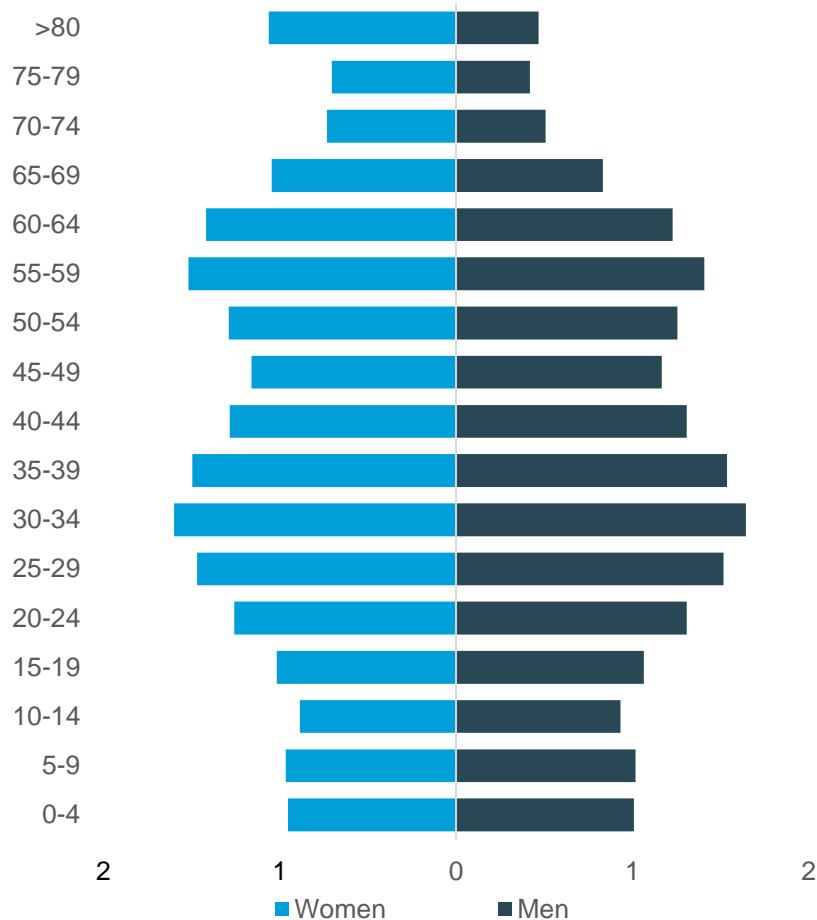
Number of households vs. number of dwellings (millions)



Source: Statistics Poland, BZ WBK

Demographics support residential demand

Age distribution, million persons

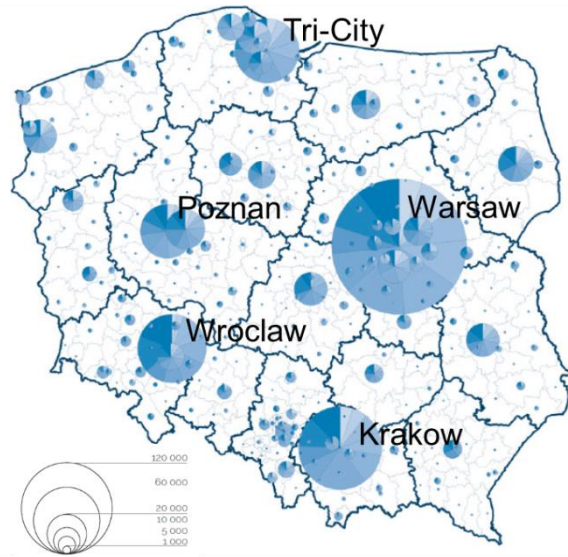


- >9 million Poles aged between 25 and 39 most of which need to improve their housing conditions
 - Governmental program “Home for the Young” supports demand
- Warsaw agglomeration’s share of Poland’s total population low at only 6%
 - London: 23%
 - Paris: 18%
 - Helsinki 23%

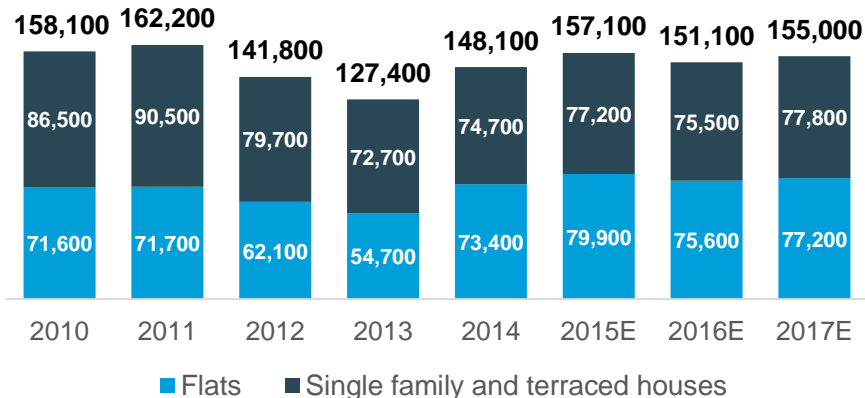
2

Structure of the
residential
market

Warsaw clearly the biggest market



Residential start-ups in Poland, units



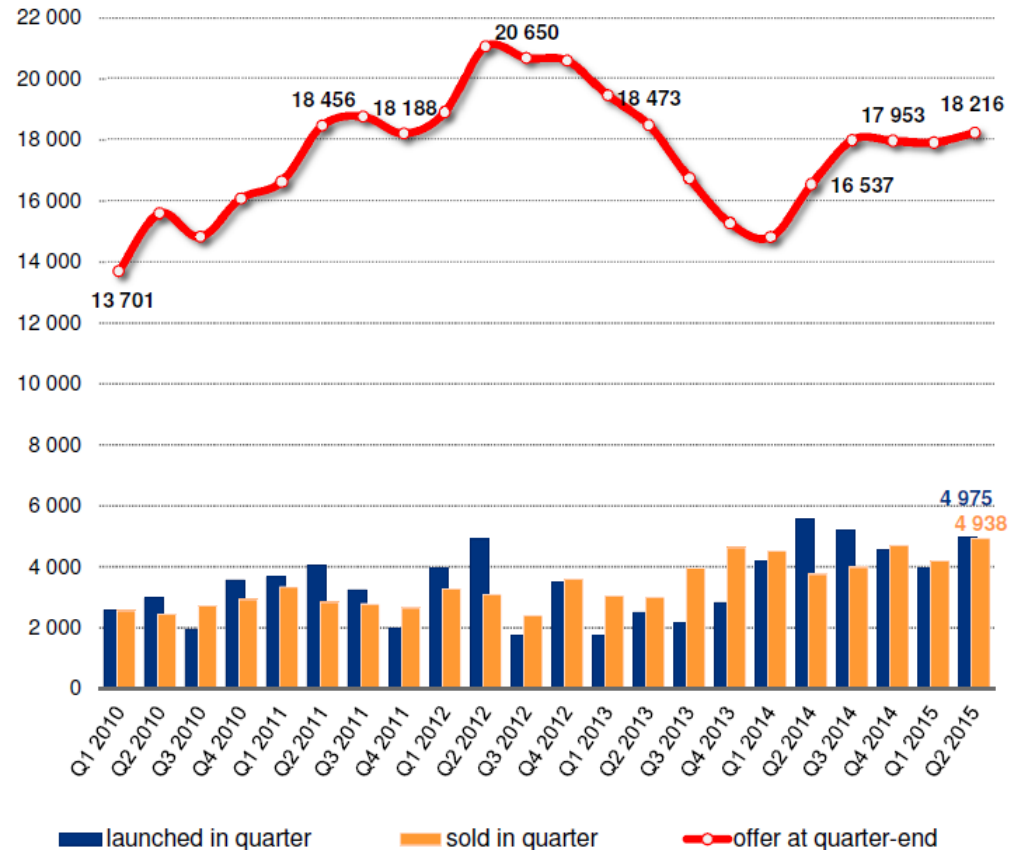
Source: Euroconstruct and REAS

- Total size of the Polish primary market: around 150,000 units per year
 - Start-ups of flats: around 75,000 units per year
- Warsaw's share roughly 25% of the relevant market (flats)
 - Around 18,000 units/year
- Activities of developers concentrated in Warsaw, Krakow, Tri-City, Wroclaw and Poznan

Supply and demand in balance in Warsaw

- Increasing amount of smaller and affordable flats eligible for state support launched recently
- Investors' interest increasing
 - Rental yields in Warsaw: 4-6%

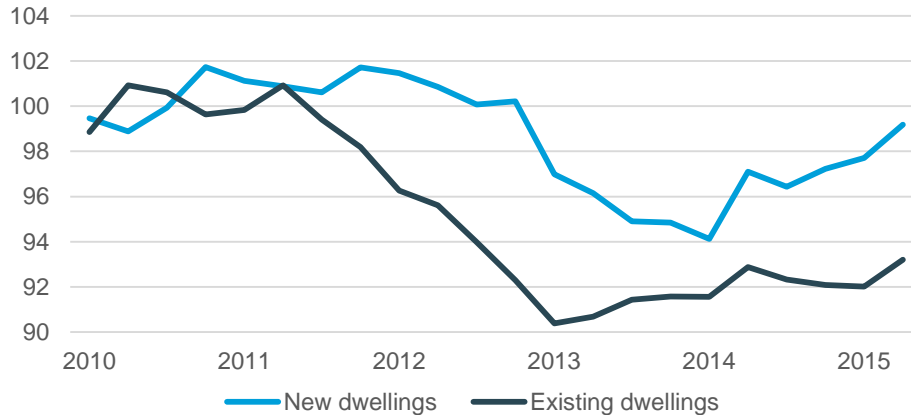
New residential units launched for sale, sold and for sale in Warsaw



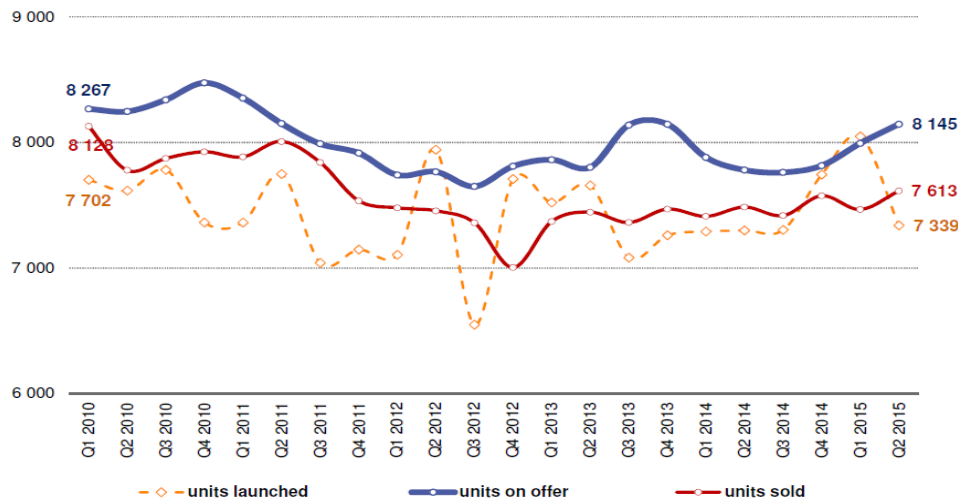
Source: REAS

Residential prices have started to increase slightly

Residential prices in Poland, 2010=100



Average price / sq. m. of new apartments in Warsaw, PLN

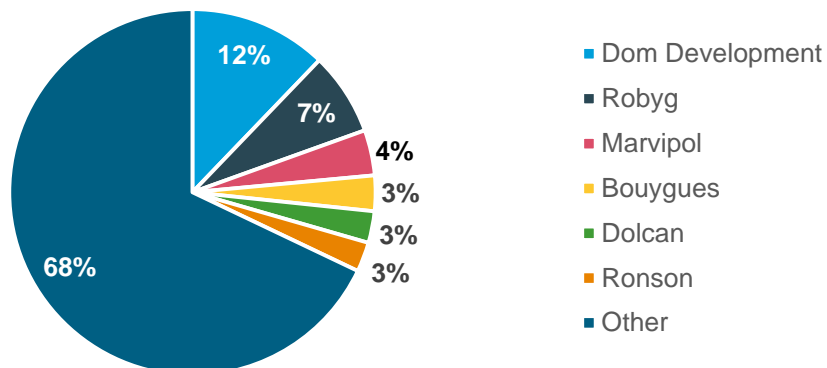


Sources: Eurostat, REAS and Statistics Poland
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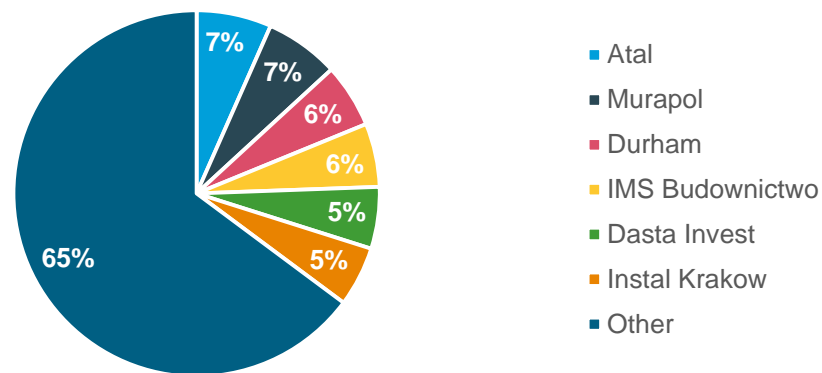
- Residential prices have been in a slump since 2008 up until recently
- Average price in Warsaw around 1,800 EUR/sqm (incl. 8% VAT)
- Average monthly wage in Warsaw in 2014 was ~ 6,000 PLN (1,400 EUR)
 - ~33% higher than the national average
- Affordability has improved as a result of the growth in disposable income and decreasing residential prices

Competition very fragmented, several listed developers

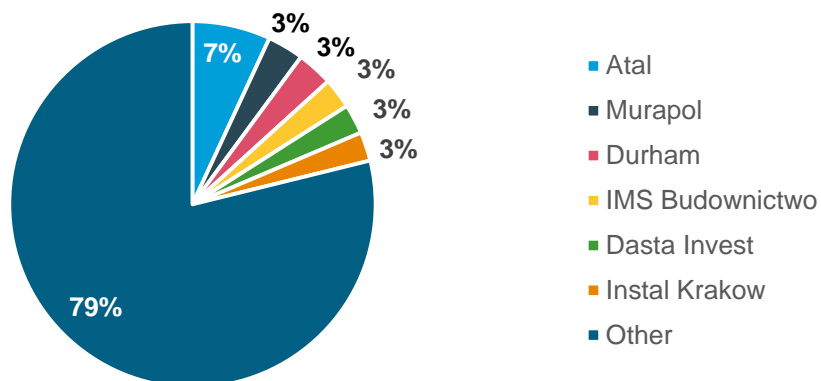
Warsaw, market shares*



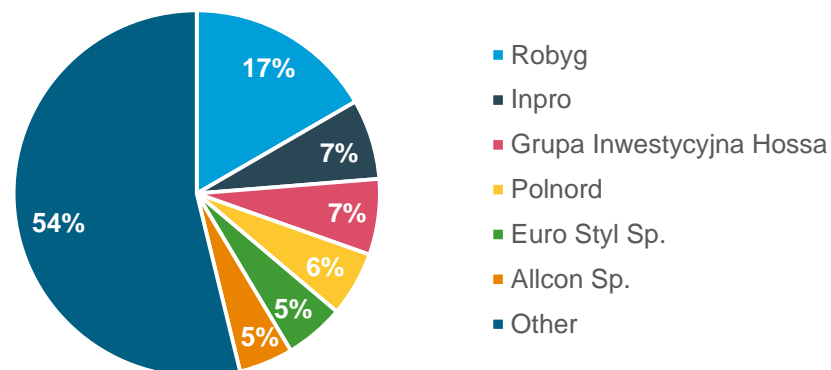
Wroclaw, market shares*



Krakow, market shares*



Tri-City, market shares*



Source: REAS

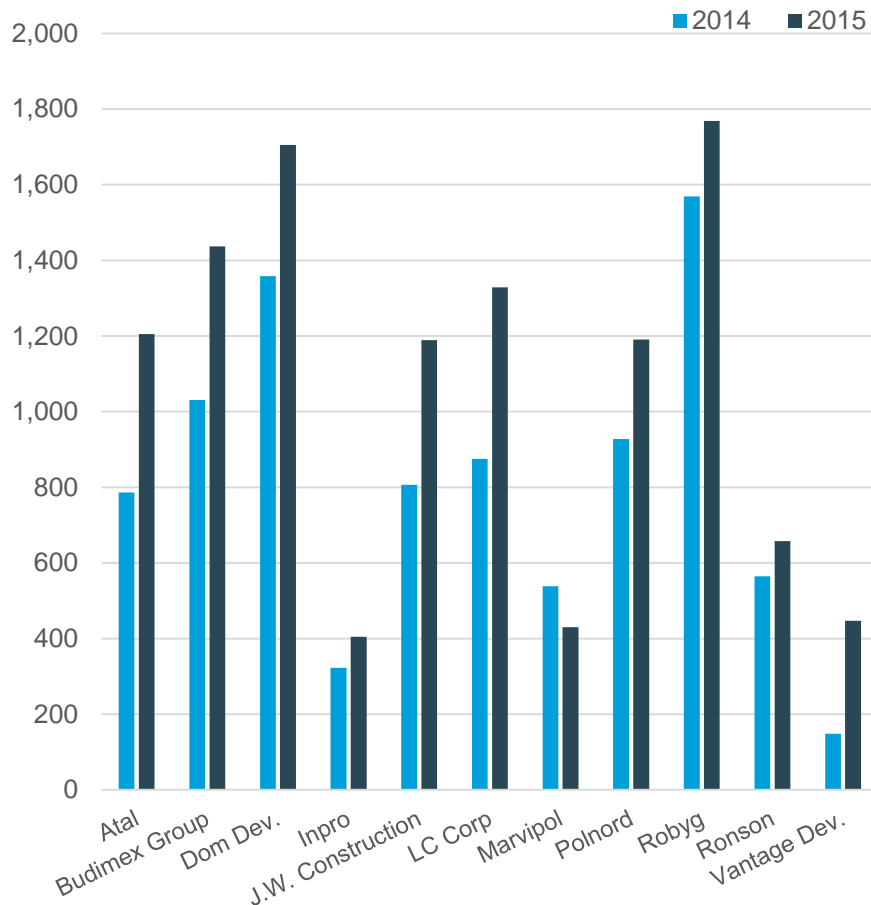
* completions 2014-2015

3

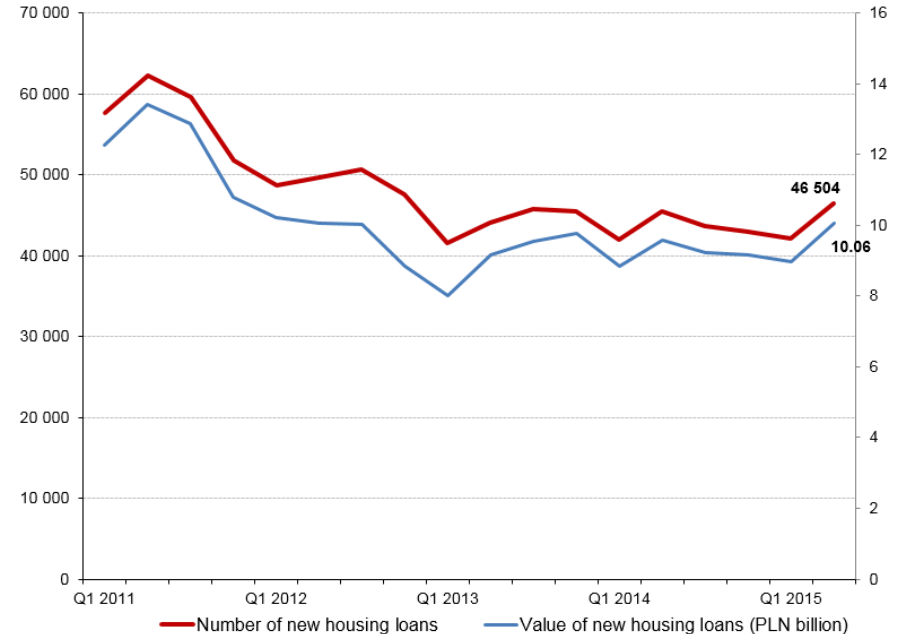
Housing market outlook

Residential sales on a record level stimulated by affordable loans

Housing unit sales in Jan.-Sept. – Total growth +32% y-o-y



Number and value of new housing loans Q1 2011 – Q2 2015

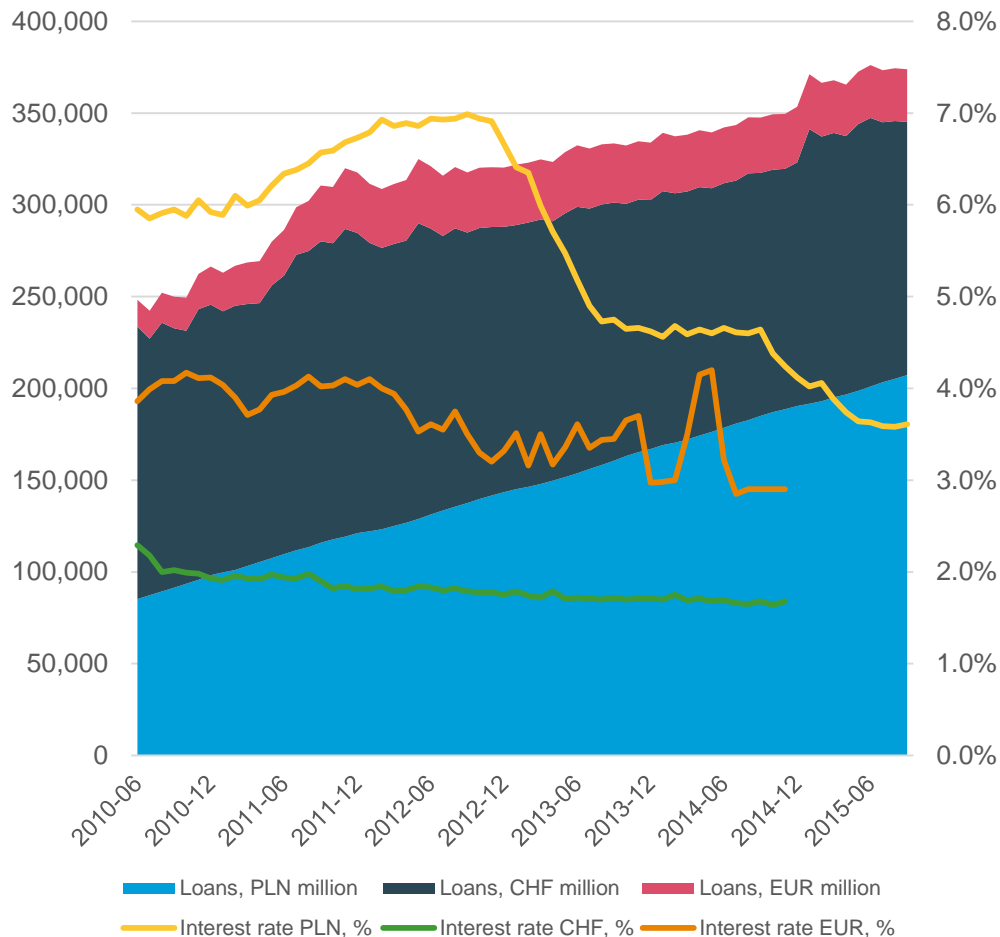


Source: AMRON-SARFIN

Sources: Company releases and Bloomberg

Mortgage market growing

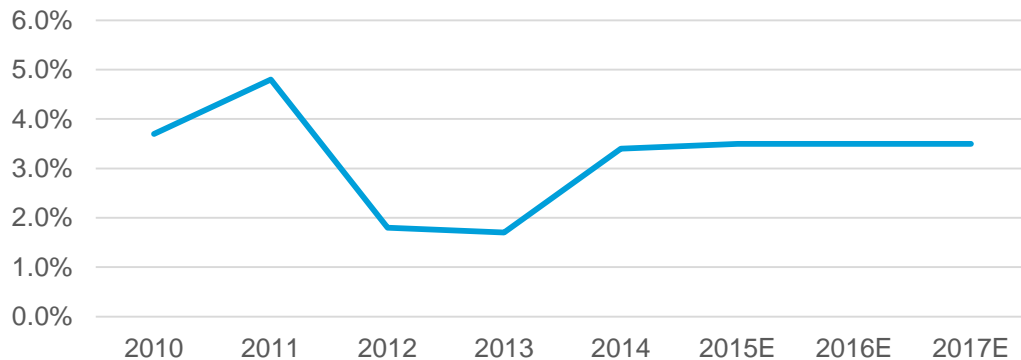
Housing loan stock and average interest rate



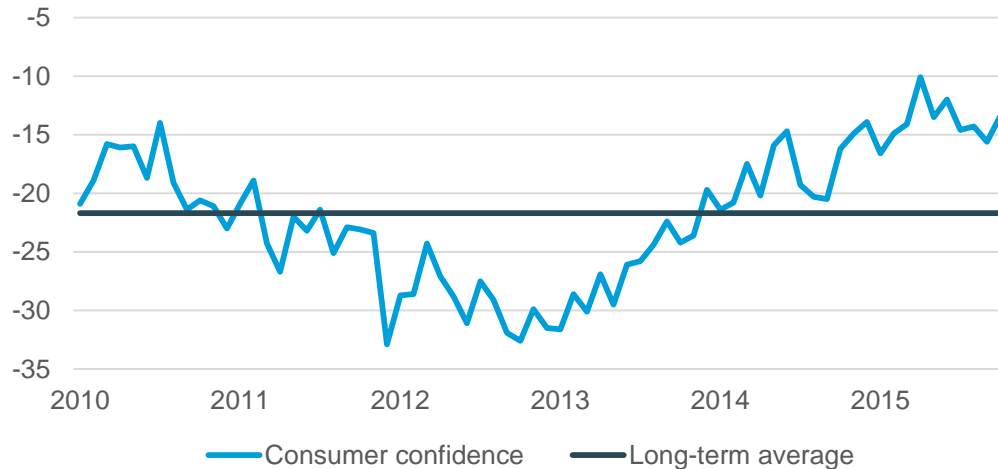
- Access to financing is good and interest rates low
- Typical Western/European mortgage contracts
 - Maturity 25 – 35 years
 - Mostly floating rate, margin 1.75%
 - Loan to value 50-80%
 - Almost all new housing loans are in PLN
- The share of Swiss franc loans around 40% in 2014
- Mortgages/GDP in 2014: 20% (one of the lowest in EU)

Favourable economic outlook

GDP growth and consensus forecast



Consumer confidence



- Growth driven by domestic demand
- The economy is closely linked with Germany (~25% of Poland's export)
- Well-educated workforce and strong BPO industry (BPOland ~ 150,000 employed) (NOKIA - R&D Wroclaw, Google - Campus Warsaw, UBER - Centre of Excellence-Krakow)
- Consumer confidence has developed positively

Source: Bloomberg and European Commission

4

Business model
and competitive
advantages in
Poland

Business model and competitive advantages in Poland

Finnish origins as an advantage



- Finnish /Nordic origins perceived positively in Poland
- Being part of a Helsinki stock exchange listed group seen as an indication of quality and reliability

Agile business model



- Cost efficient project management organisation (pure developer)
- Targeting area projects (less competition)
- YIT's reputation will help utilize investor cooperation in plot acquisitions (increase capital efficiency)

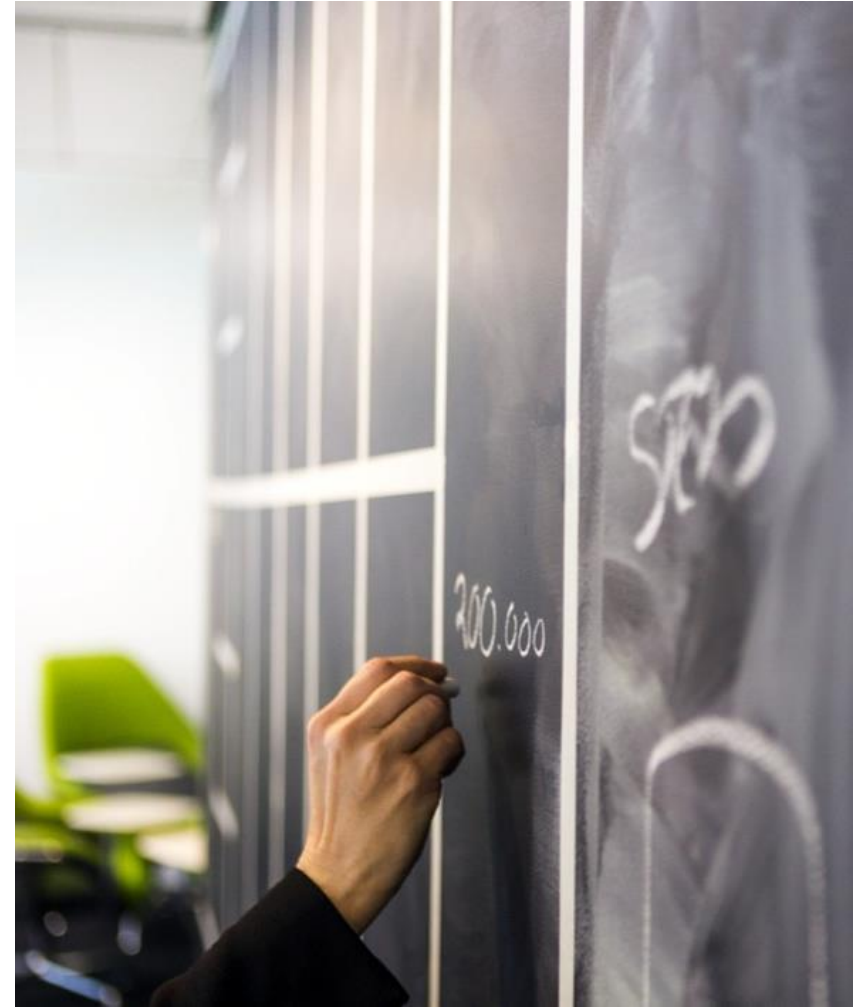
Group-level best practices and local market know-how



- Best housing practices implemented right from the start (organic approach)
- Local MD, CFO, TD
- Support from the Group and CEE organisations

Action plan

- Build the team and needed competence for the business during 2015-H1 2016
- Secure first plot to enable starting the first project in 2016 and screen for further plots
 - Starting from Warsaw
 - Target group comfort and business (middle and upper middle class)
 - Efficient layouts and good functionality
 - Reasonable purchase prices
- Special focus on communication, brand development and fulfilling customer expectations
- Develop ways to accelerate growth in a capital efficient way
 - Tough competition for plots and complicated permitting process can limit the pace of growth



5

Summary

Summary

- There is a fundamental need for new flats and room for a new entrant in Poland
- The outlook for the Polish residential market is positive and the market is in balance
- Combining the group-level best practices with local market know-how and the Finnish brand are the recipe for YIT's success in Poland



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