



CEE's role in YIT

Analyst Day
May 27, 2015 | Prague
Antti Inkilä, Head of Housing
Finland and CEE



Why are we in Prague today?

- Increasing the weighting of CEE countries is part of YIT's strategy
- In 2014, the Czech Republic alone accounted for 4% of the Group EBIT
- In 2014, YIT's residential units sold increased by over 60% year-on-year in the Czech Republic
- Growth prospects in Prague's residential market are promising
- Investments in the future growth made recently by acquiring significant plots in the area



1

YIT in CEE



Operations in CEE in brief



The CEE countries in figures, 2014

Revenue	EUR 162 million (9% of Group revenue)
Plot reserves, 12/2014	348,000 sq. m. of residential plots
Employees, 12/2014	~700
Residential start-ups	789 units
Apartments under construction, 12/2014	1,134 units

Operating countries

- Estonia, Latvia, Lithuania, the Czech Republic and Slovakia

Business areas

- Housing in all countries
 - Focus on self-developed apartment building projects, selectively also contracting
- Business premises construction in the Baltic countries and Slovakia
 - Offices, shopping centres, public premises, renovation of existing premises

Target group

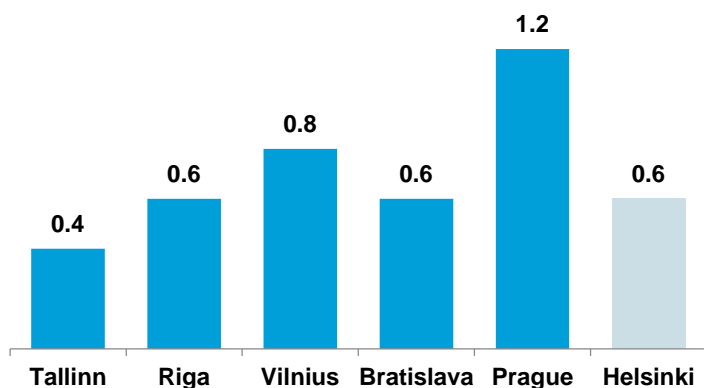
- Focus on the middle and business class in housing

YIT is one of the key players in CEE's housing markets

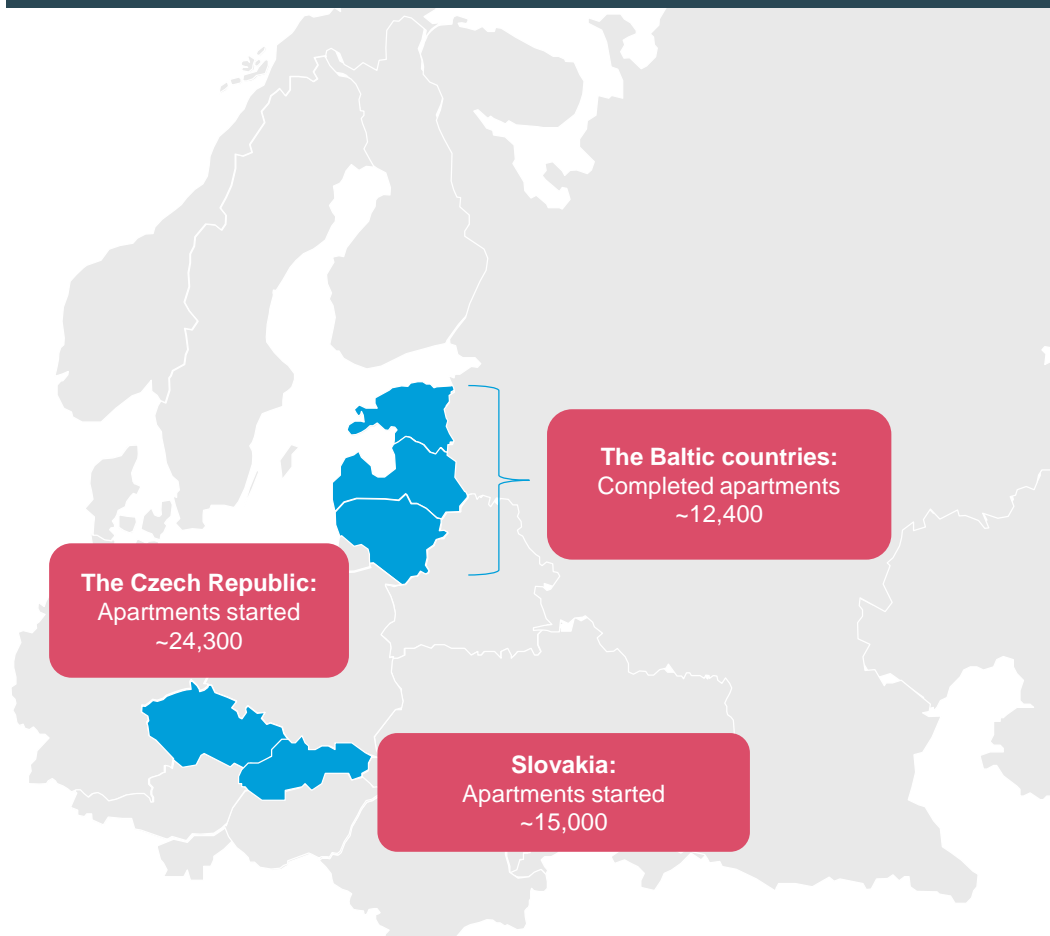
YIT's position in the housing markets

Estonia	No. 1
Latvia	No. 1
Lithuania	Among top 3
Slovakia (Bratislava)	Among top 3
The Czech Republic (Prague)	Among top 5

Population in the capital cities, millions



Market sizes in 2014

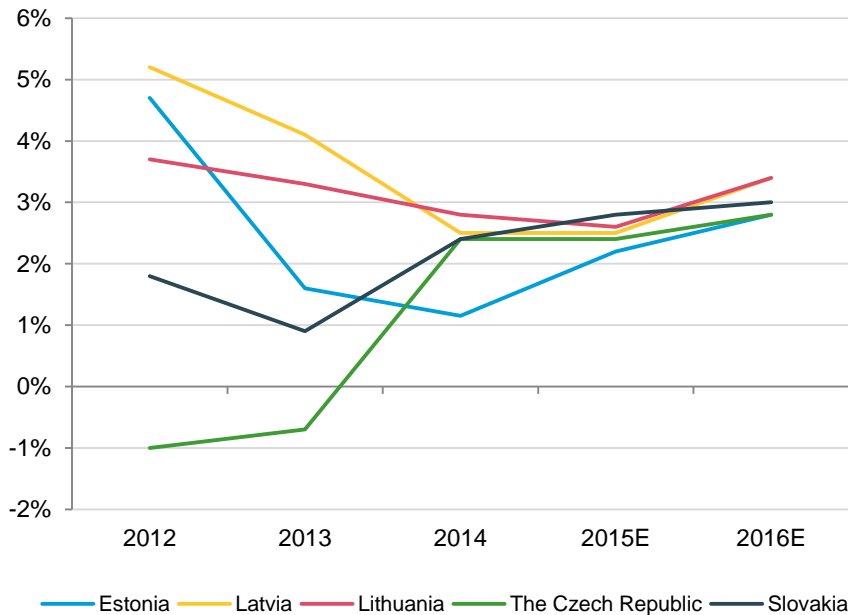


Source: Euroconstruct and Forecon, estimates

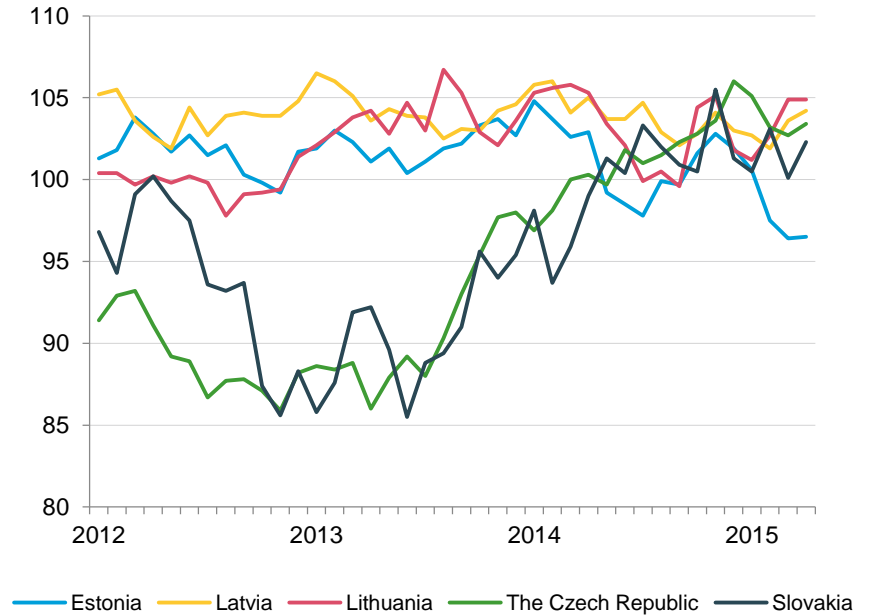
Positive macroeconomic outlook in the area

- The CEE countries among the fastest growing in Europe
- Geopolitical tensions and Russia's slowing economy have impacted the Baltic countries but less than expected

GDP growth, %



Economic sentiment

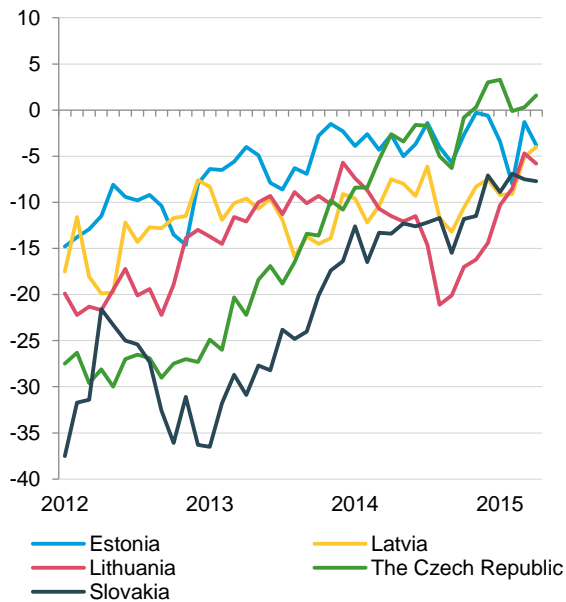


Sources: GDP growth: Bloomberg; Economic sentiment: European Commission

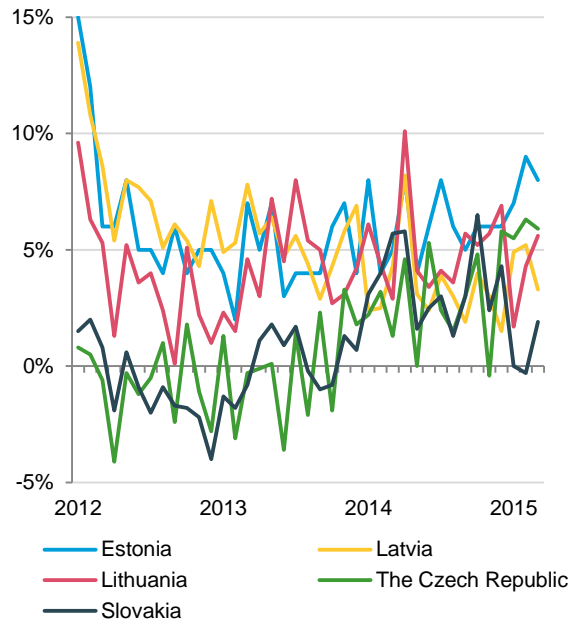
Private consumption drives growth

- Consumer confidence recovering in all operating countries
- Household consumption increasing
- Unemployment decreasing

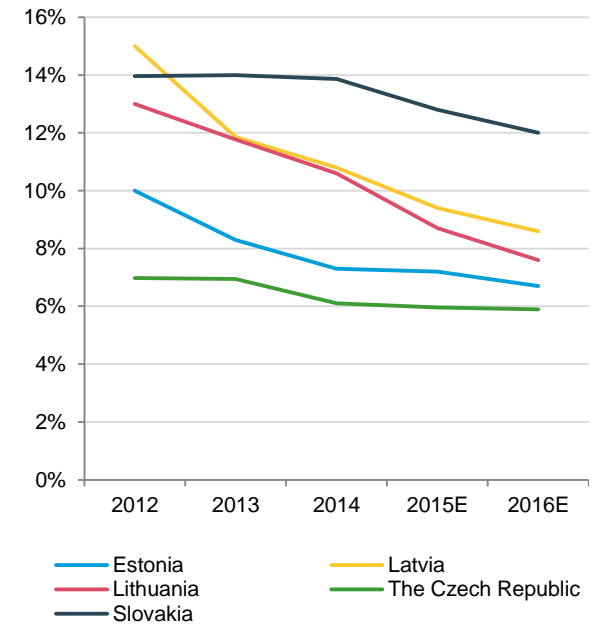
Consumer confidence



Retail sales, annual change, %



Unemployment rate, %



Sources: Consumer confidence: European Commission, Retail sales: Bloomberg (partly excl. motor vehicles); Unemployment: 2005-2013 Eurostat, 2014-2016E the Baltic countries: Nordea Economic Outlook, March 2015, Slovakia and The Czech Republic: European Commission Economic Forecast, February 2015

2

CEE's role in YIT's strategy



CEE – integral role in YIT's strategy

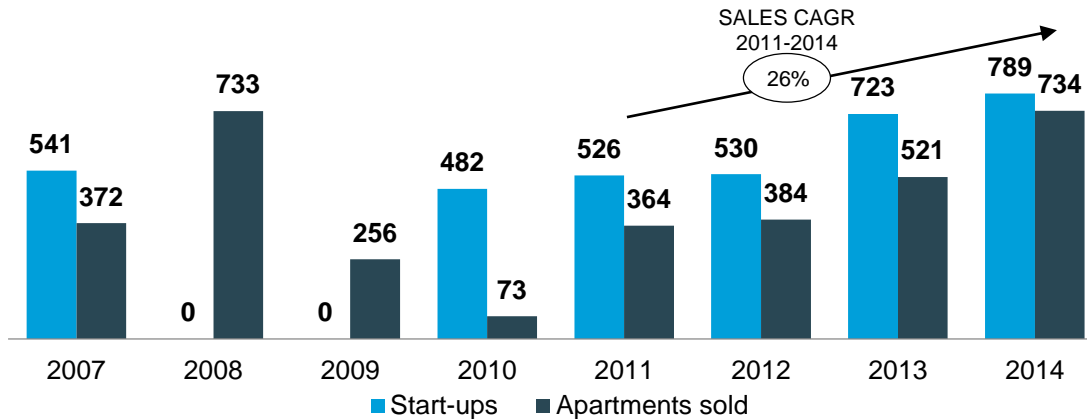
- In autumn 2014 CEE defined as a strategic focus area for 2015-2017
 - Growth opportunities in housing and business premises
 - The weighting of the area will be increased
- Recent actions:
 - A plot acquired for nearly 900 apartments in Prague
 - A project of approximately 100 apartments started in Prague
 - Several tender-based projects won in the Baltic countries
 - Active area development in Slovakia



New Stein
Bratislava, Slovakia

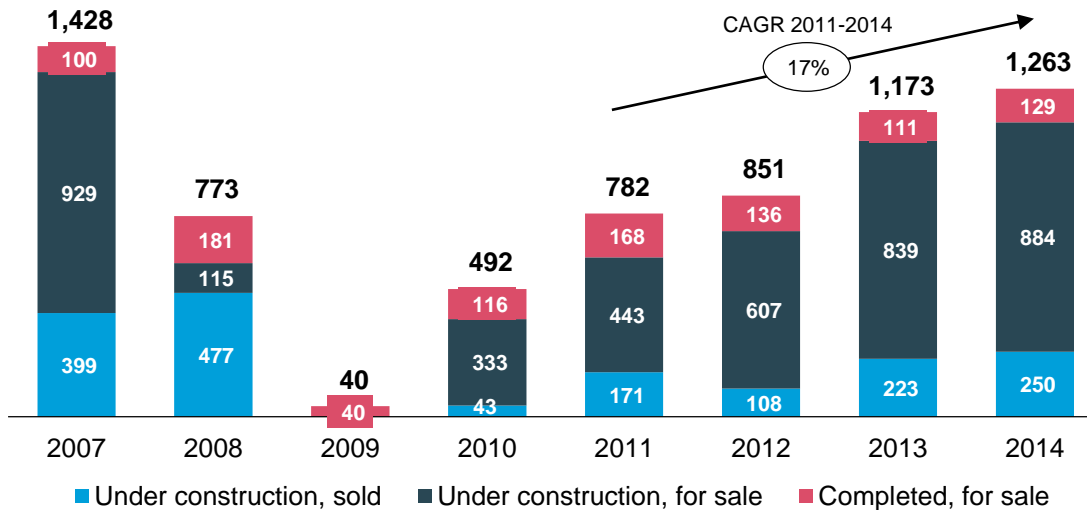
Strong growth during recent years

Apartment start-ups and sales, units



- Growth in sales volume every year since 2010
 - In 2014, 41% growth year-on-year in units
 - Q1/2015, sales grew by 53% year-on-year

Apartment inventory, units



- Apartment inventory increased to meet demand
 - Start-ups temporarily low in Q1/2015
 - Higher start-ups expected for coming quarters

Leveraging YIT brand and Group-level know-how

1. Utilising the housing process

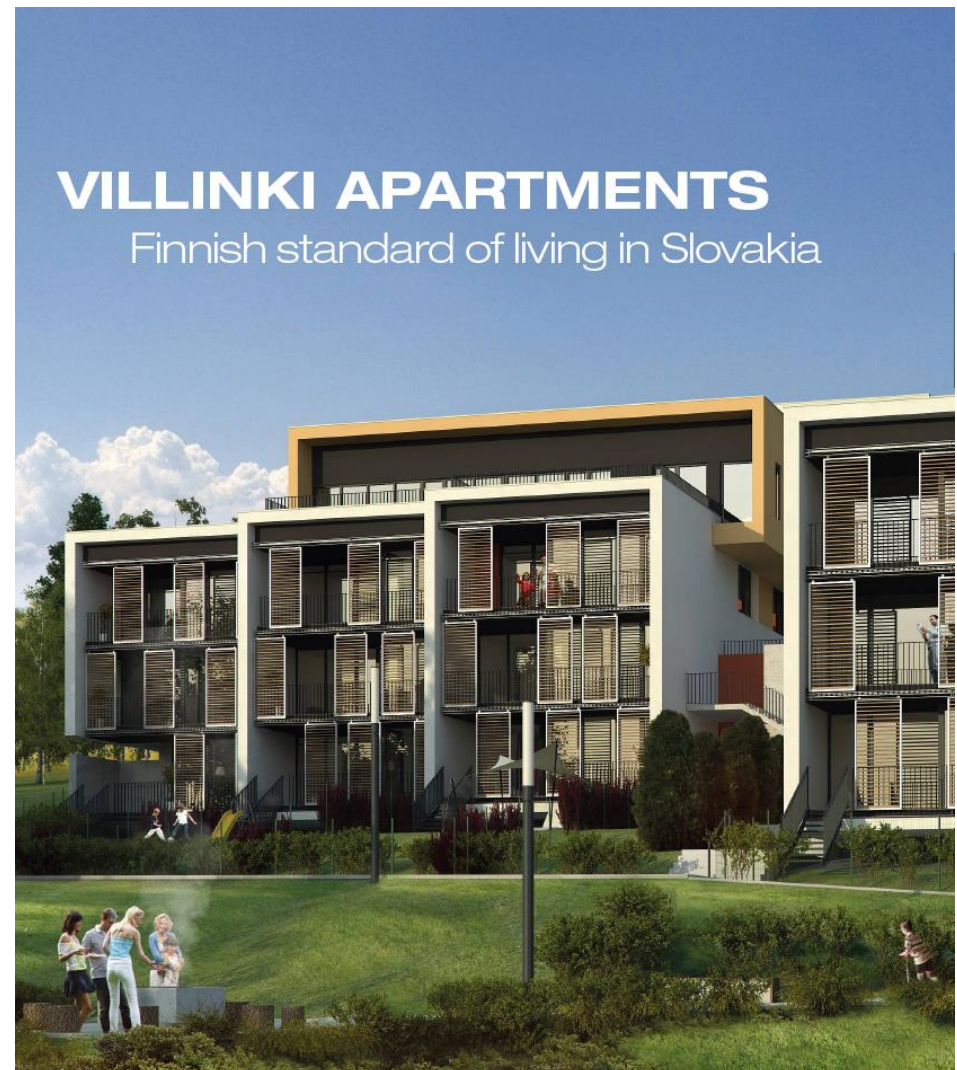
- ✓ Improved decision making and investment pipeline management through harmonization
- ✓ Improved profitability through excellence in design management and in pricing
- ✓ Improved project management
- ✓ Excellence through best practices sharing
- ✓ Finnish high standards of work safety in use

2. Exporting concepts

3. Efficient sourcing

4. YIT brand

- ✓ Finnish/ Nordic image highly valued in the area



YIT widely recognized for its projects and operations in CEE



Barsauskas
Kaunas, Lithuania



Villinki
Bratislava, Slovakia

Recent awards:

- Hospitalu “*Best Housing project 2014*” in Latvia
- Barsauskas “*Best Housing project 2014*” in Lithuania
- Villinki “*Best Housing Project 2014*” in Slovakia
- Kivikko “*Most progressive affordable housing project 2014*” in Slovakia
- Akacijas “*Most energy efficient building in Latvia 2014*”
- YIT Kausta: “*Successfully operating company 2014*” in Lithuania
- Latvian YIT Celtniecība awarded for “*Best projects of the Baltic countries*” in 2015
- YIT Reding recognised as “*Developer and Construction Company of 2014*” in Slovakia

3

Business update



Some positive signs in the Baltics recently

- Rising employment and real disposable incomes support the demand in the Baltics
- Increased apartment supply has kept residential prices stable in Estonia
- Plans to change legislation (leave-the-keys principle and immigration law) have impacted the mortgage market and the demand of foreign citizens negatively in Latvia
 - Situation has stabilized recently
- Russia's slowing economy has had some impact on market in Lithuania, but demand seen to improve lately
- Contracts won recently:
 - New building for the National Archives of Estonia
 - First phase in a major residential project named Promenaadimaja in Tallinn
 - Construction of a shopping centre in Vilnius



Brisk housing demand in Slovakia



- Strong economic recovery in Slovakia supports demand
 - High activity in the housing market in Bratislava
- Shift from rental occupancy to owner occupancy due to low mortgage interest rates ongoing
- Arising investors' interest
- Aim to start a major area development project, New Stein in 2015
 - Very good interest in the project in preliminary marketing



YIT in the Czech Republic

Analyst day
May 27, 2015 | Prague
Vladimir Dvorak,
Managing Director, YIT Stavo



yitgroup.com

Contents

1. YIT in the Czech residential market
2. Leveraging YIT brand and sharing best practices
3. YIT's projects in Prague
4. Summary



 Koti Braník, Prague district 4

1

YIT in the Czech
residential
market

YIT in the Czech Republic



 Green Motol, Prague district 5

- YIT operates in Prague and develops blocks of flats
 - A pure developer without own construction capacity
- Revenue 2014: EUR ~30 million, healthy profitability
- EuroStavo Consult, a project management company, was acquired by YIT in 2008
- First residential project launched in 2010
- 8 residential projects completed

Preference for home ownership is increasing

Key trends and drivers for housing in the Czech Republic

Need for new, modern apartments

Living space per capita still low at 29 sq. m.

Demand for modern high-quality apartments

Internal migration to Prague

Growing economy

Domestic demand growing

Stable and broad industrial base

Skilled workforce attracts foreign investors

Preference for home ownership

Home ownership ~65%, share growing

Household debt only 31% of GDP in 2014

Improving purchasing power

Low unemployment (6%), still decreasing

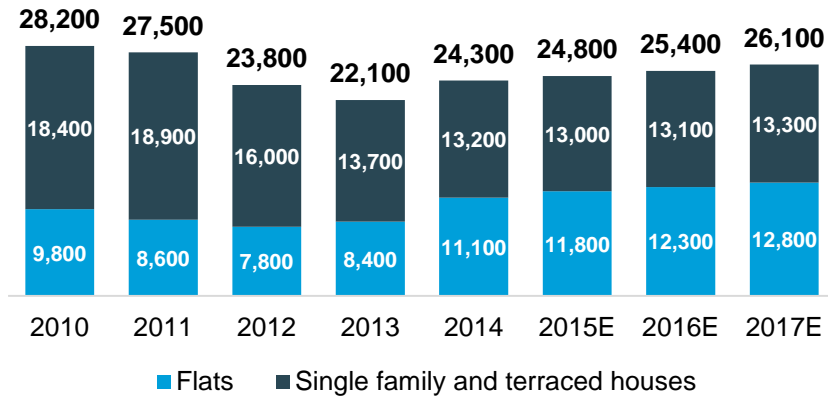
Growing real wages

Fiscal expansion

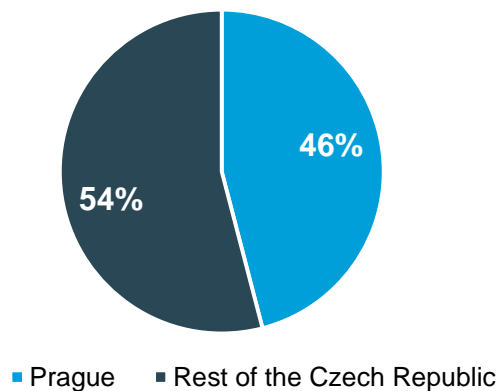
Sources: Czech Statistics Office, CNB Eurostat and Euroconstruct

In units, the Czech residential market is roughly the same size as the Finnish market

Residential start-ups in the Czech Republic



Start-ups of flats in the Czech Republic, 11,100 units in 2014

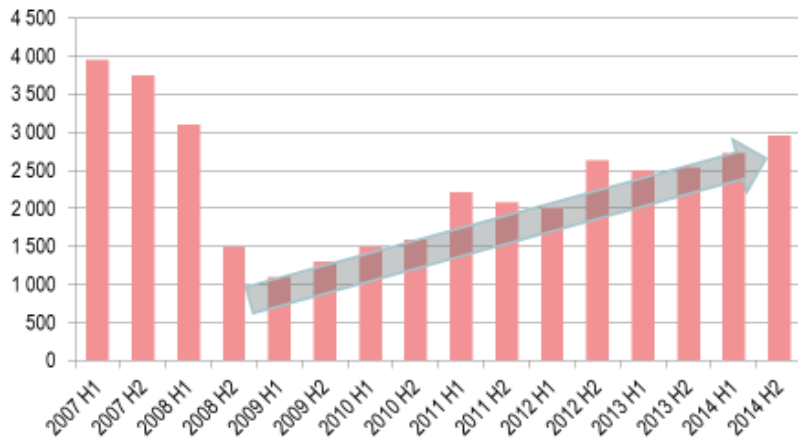


- Start-ups around 24,300 in 2014, clearly below the long-term average
- The housing mix has changed
 - In 2010, the share of flats was 35%
 - In 2015, the share of flats estimated to be 48%
- Nearly half of all flats are constructed in Prague
 - Around 5,100 start-ups in 2014

*Source: Euroconstruct, November 2014 and JLL

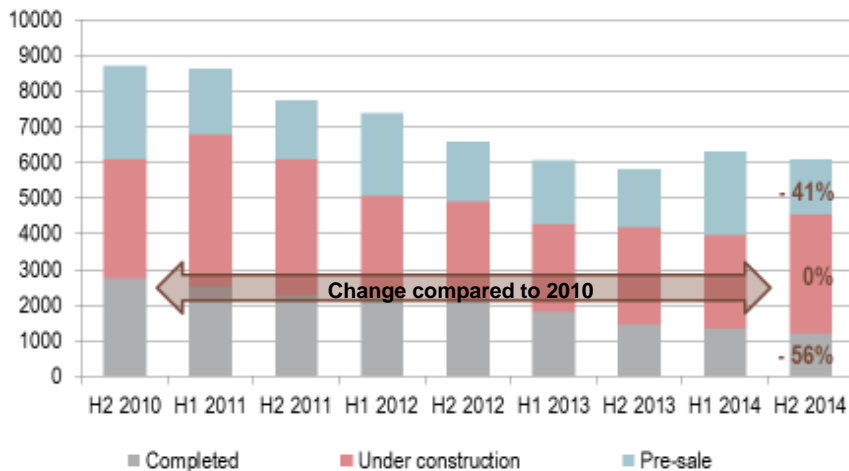
Demand increasing while supply is stable in Prague

New apartments sold in Prague



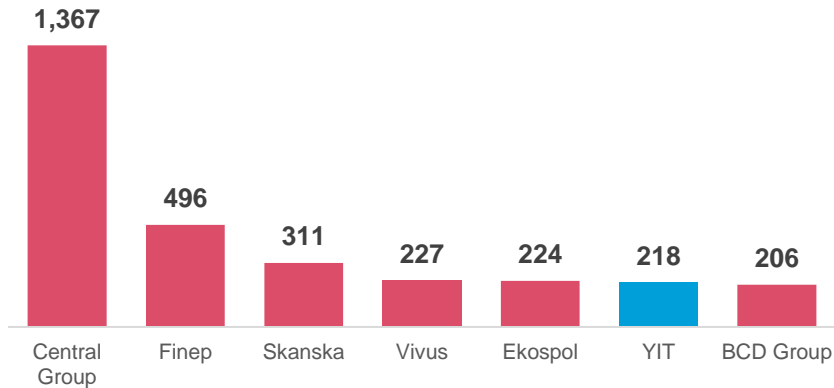
- Demand has been increasing
- Supply has recently been stable
- ~50 sq. m. apartments with two rooms enjoy best demand
- Increasing interest from foreign homebuyers

New apartments for sale in Prague 01/2015



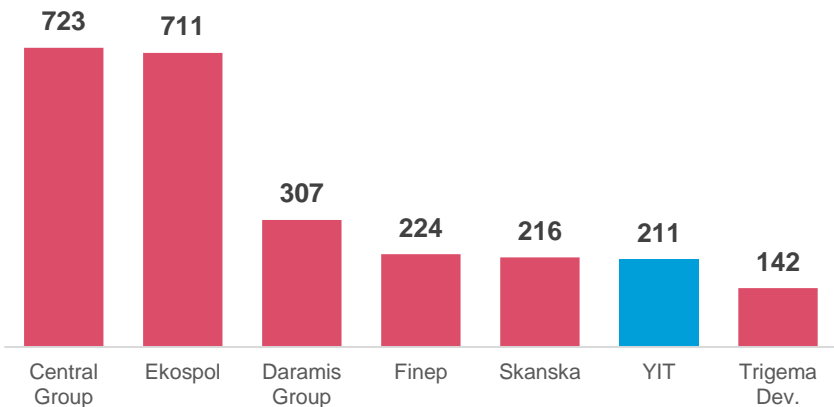
YIT is one of the top players

2014 residential start-ups in Prague, units



- YIT is among the top players in Prague
 - YIT's market share ~5%
- Only a few clearly larger developers, Central Group the market leader
- Most of the competitors private Czech companies

2014 residential completions in Prague, units



Source: JLL

YIT is challenging the market practices to improve capital efficiency

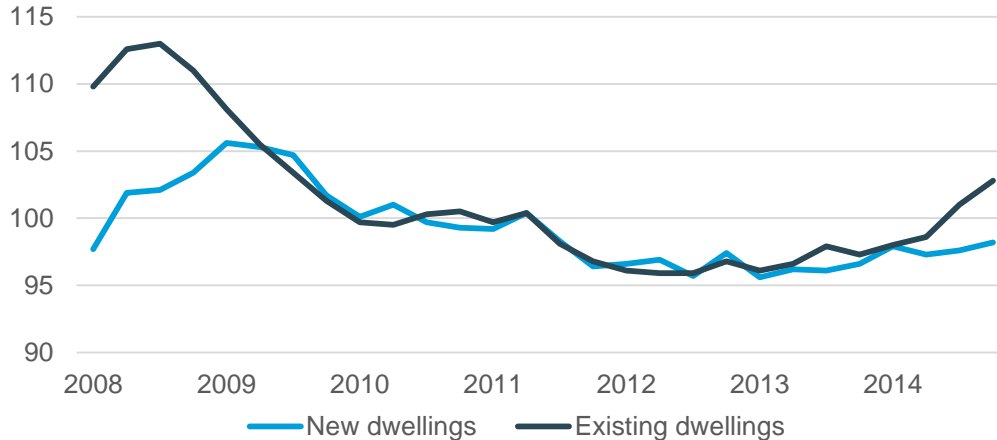
- Homebuyers typically pay a 15% down payment upon signing and the rest at completion
- YIT's customers pay a 15% down payment upon signing, 70% during construction and 15% at completion
- On average, 85% of apartment purchases are financed with a mortgage
- In YIT's case only around half of the customers use a mortgage
 - A discount is offered to customers who pay 100% upon signing
 - YIT also has many non-Czech customers, e.g. Russians, who pay 100% at signing
- Home ownership increasing, in the past a lot of cooperatives
- YIT sells mostly to private individuals, but also signed a EUR ~10 million deal with a private cooperative in March 2015



Koti Hostivař I., Prague district 10

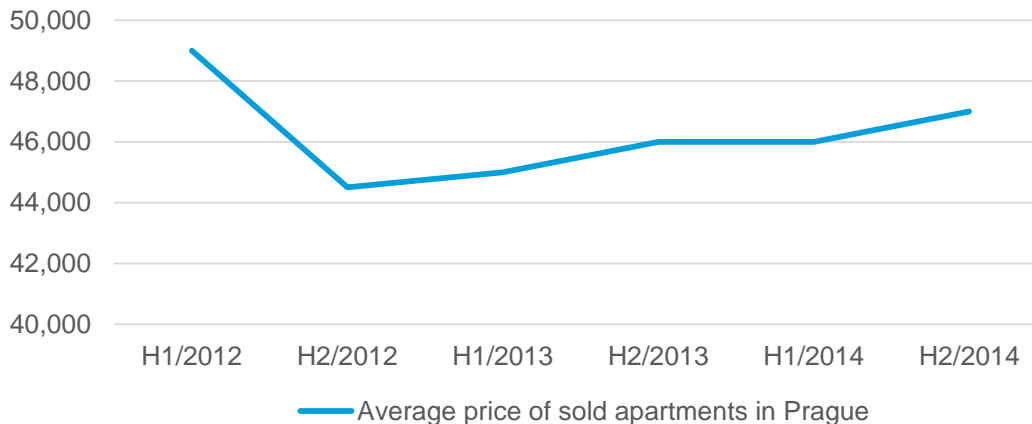
Residential prices have started to increase moderately

Residential prices in Prague, index 2010=100



- Since the Czech Republic entered the EU in 2004, the lower VAT has been increased several times
 - Has had an impact on residential prices
 - Latest increase came into effect on January 1, 2012
- Gross wage in Prague is on average ~35,000 CZK/month, the median is ~27,500 CZK/month
 - The levels are some 25% higher than the Czech average

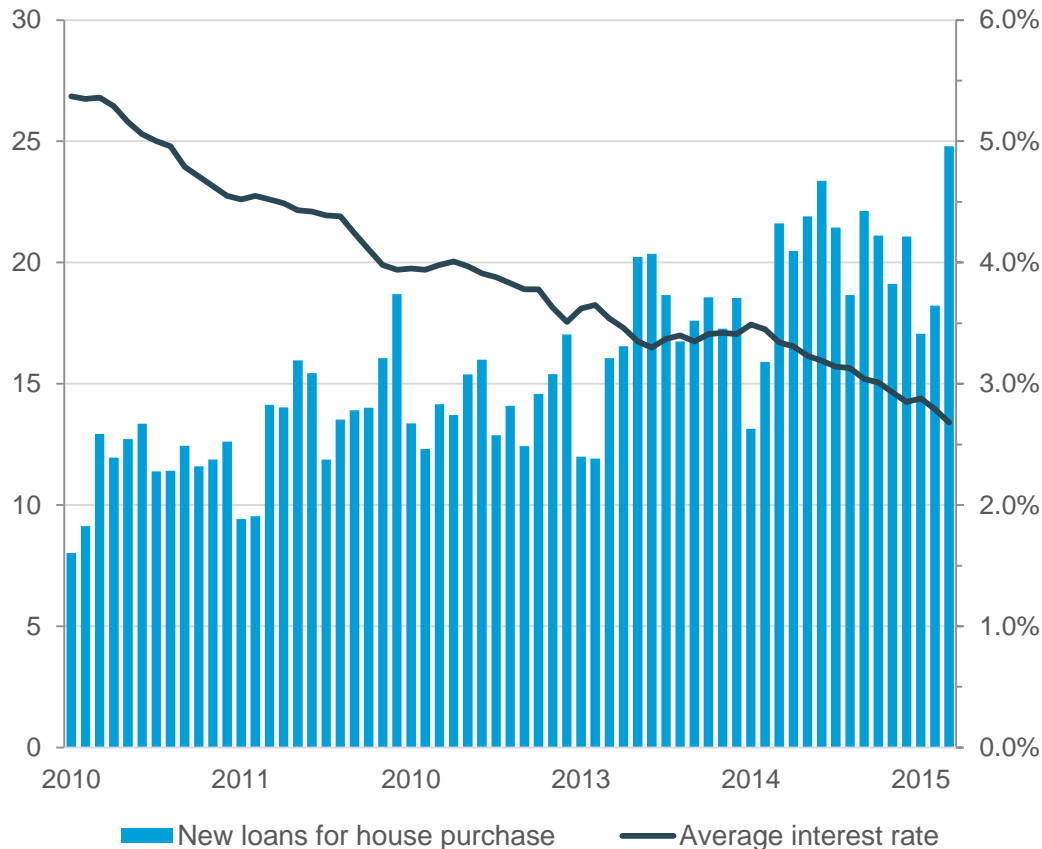
Residential prices in Prague, CZK / sq. m.



Sources: CNB, Czech Statistical office and JLL

A well functioning mortgage market

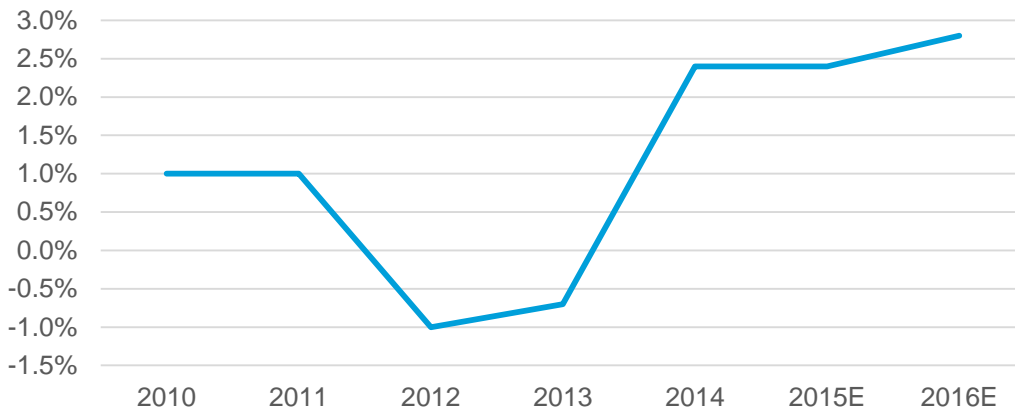
New loans for house purchase and average interest rate, CZK billion and %



- Access to financing is good
 - Sufficient competition between banks
- Typical Western/European mortgage contracts
 - Maturity 20–25 years
 - Mostly fixed interest rate, 3–5 years, but also floating rate loans
 - Denominated in local currency
 - Loan to value ~90%
- Average interest rate of new mortgages has decreased steadily in recent years
 - Current at a level of ~2.7%
 - The level is somewhat lower in Prague, around 2.0–2.5%
- Mortgages/GDP in 2014: 19%

Favourable economic outlook

GDP growth and consensus forecast



Consumer confidence



- The economy is closely linked to the German economy
- Strong automotive industry
- Net exporter with stable exchange rate
- Well-educated workforce
- Political stability has improved the consumer confidence

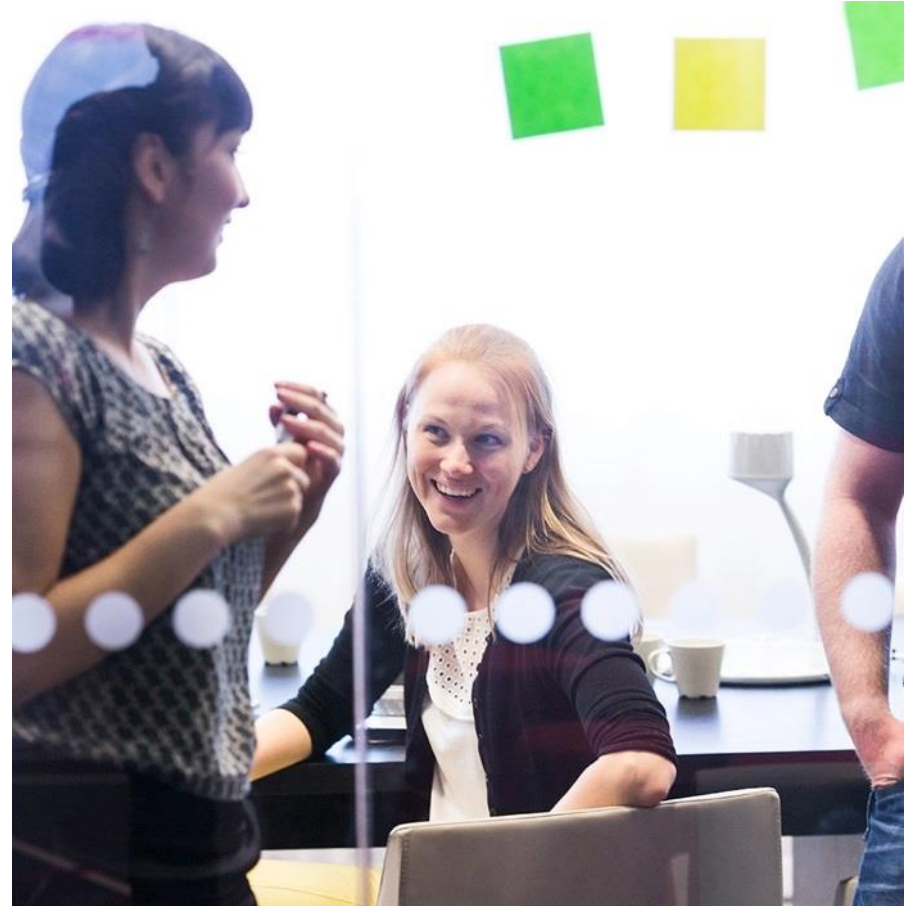
Source: Bloomberg and European Commission

2

Leveraging YIT
brand and
sharing best
practices

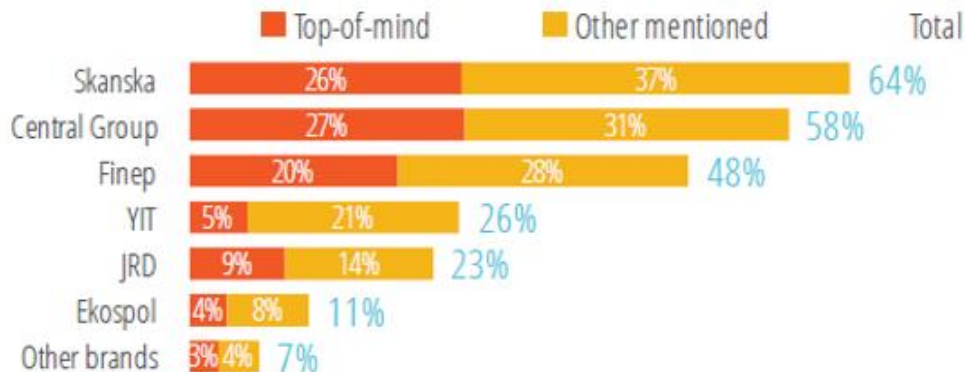
Sharing best practices

- Combining Group-level best practices with local market know-how enables successful plot acquisitions
- Group-wide brand renewal allows utilising strengths in sales and lowers fixed costs
 - Country-specific flavors secure suitability for the local market
- Apartment and building design is scalable
- First area development project according to group's best practices to be launched in the near future (Rokytko)
- Cross-border sales
- Two-way dialogue important for YIT's business development



YIT brand and origins strengths in sales

YIT brand awareness in 2015



- Reliability and quality have become increasingly important for customers after the financial crisis
- Finland/ Finns are perceived very positively by the Czech, and Finnish origins are brought forward in all marketing communications
- Awareness of YIT's brand has increased clearly during the past few years
 - Modern design of projects, flat layout and energy efficiency listed as positives
 - Lack of references still main negative



YIT is now one of the most recognized brands in the market

“Living in Finnish style”

YIT

HYACINT MODŘANY

Filtrování prachových částic.
Spokojené dýchání.

BYDLENÍ VE FINSKÉM STYLU



yit.cz

YIT's ambitions have received media attention

Hospodářské noviny, an economic daily newspaper in Prague:

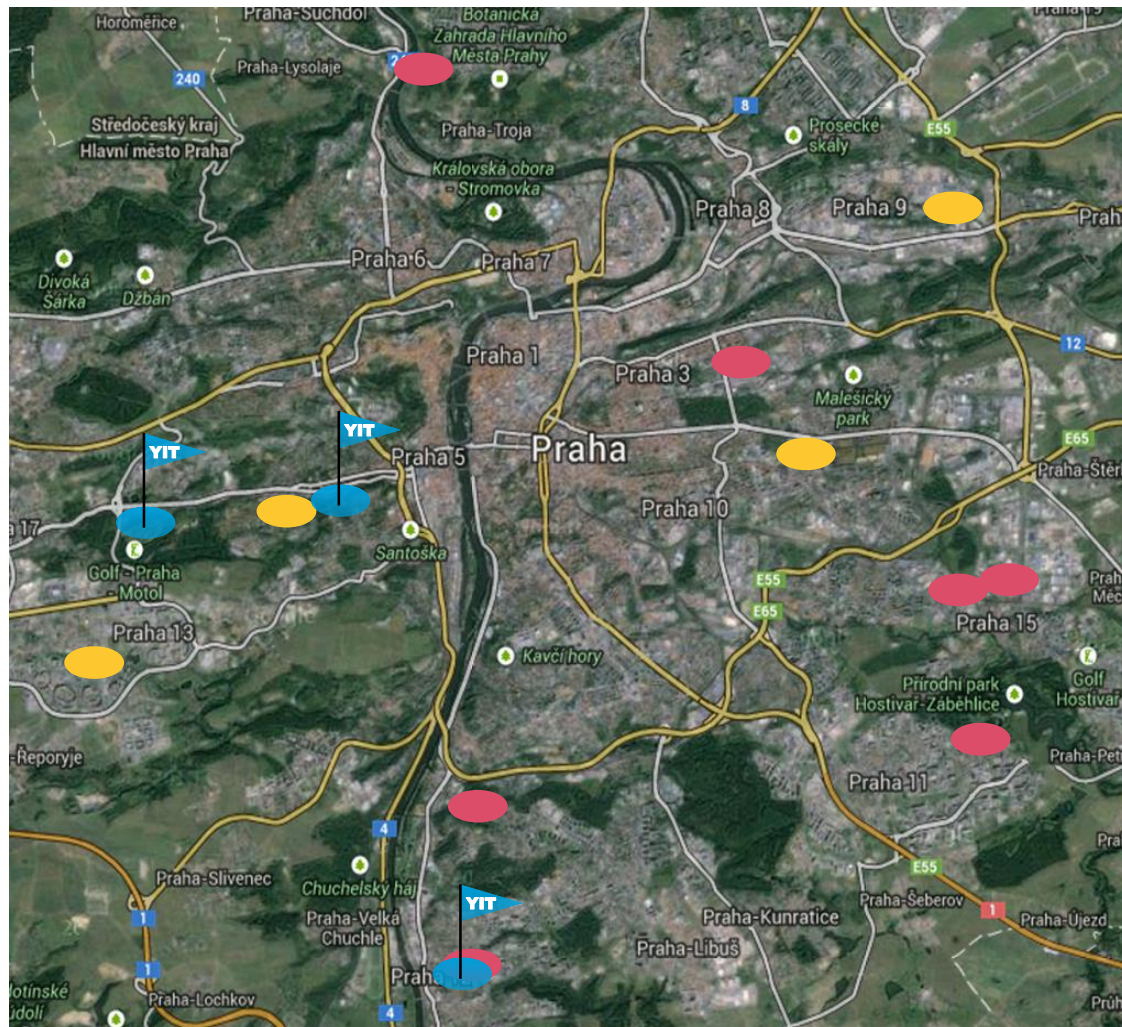
- *“Finnish developer YIT is one of the fastest growing development companies in Prague.” (October 1, 2014)*
- *“Finnish developer YIT continuously carves an ever larger share of Prague’s residential market.” (December 10, 2014).*

3

YIT's projects in
Prague

YIT's projects in Prague

- Currently projects under construction in three locations and several in development phase
- Two plots for a total of around 1,000 apartments acquired in 2015
- Good plots available, but competition is tough
- Complicated legislation can delay the permit process



Projects under construction

Kavalirka – Prague district 5

- Start-up in May 2015
- Expected completion in spring 2017
- Close to 100 apartments
- Located in downtown Prague, in central location with excellent public transport connections
- In addition to normal apartments, loft apartments and duplexes will be constructed in the building



Projects under construction

KOTI Hyacint – Prague district 12

- Phases 3 and 4
- Completion rate ~50%
 - Estimated completion in spring 2016
- 160 apartments
- Phase 4 sold to a private cooperative
- Located in the vicinity of a cultural centre and library
- The nearby Modřanská Rokle nature park offers excellent opportunities for outdoors activities



KOTI Green Motol – Prague district 5

- Phases 1 and 2
- Completion rate ~90%
 - Estimated completion by the end of 2015
- 150 apartments
- Located in the vicinity of several sports activities, school, kindergarten and hospital
- Excellent public transport connections to the city centre



Projects under development – Case example: Rokytka

Planned area development project

- Plot area: ~92,000 sq. m.
- Apartments: ~900 units
- Total living area: ~57,000 sq. m.
- Valid city plan and building permit
- Expected start-up during H2/2015
- Attractive living area with good public transport connections, green area and versatile services in the vicinity
- Construction in several phases
- Plot payment in instalments during coming years
- Group know-how utilised in all phases of the area development project

Rokytka park, Prague district 9



4

Summary

Summary



Koti Hajek, Prague district 11

- YIT has excellent growth opportunities in the Czech Republic
 - Favourable market outlook
 - Market share growing and brand awareness improving
- Track record of strong growth combined with healthy profitability and positive cash flow
- Complicated permitting process limits pace of growth

**Together
we can
do it.**

Disclaimer

This presentation has been prepared by, and the information contained herein (unless otherwise indicated) has been provided by YIT Corporation (the “Company”). By attending the meeting where this presentation is made, or by reading the presentation slides, you agree to be bound by the following limitations. This presentation is being furnished to you solely for your information on a confidential basis and may not be reproduced, redistributed or passed on, in whole or in part, to any other person.

This presentation does not constitute or form part of and should not be construed as, an offer to sell, or the solicitation or invitation of any offer to buy, acquire or subscribe for, securities of the Company or any of its subsidiaries in any jurisdiction or an inducement to enter into investment activity. No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investments decision whatsoever. The information contained in this presentation has not been independently verified. No representation, warranty or undertaking, expressed or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein. Neither the Company nor any of its respective affiliates, advisors or representatives nor any other person shall have any liability whatsoever (in negligence or otherwise) for any loss however arising from any use of this presentation or its contents or otherwise arising in connection with the presentation. Each person must rely on their own examination and analysis of the Company and the transactions discussed in this presentation, including the merits and risks involved.

This presentation includes “forward-looking statements”. These statements contain the words "anticipate", “will”, "believe", "intend", "estimate", "expect" and words of similar meaning. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding the Company’s financial position, business strategy, plans and objectives of management for future operations are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. These forward-looking statements speak only as at the date of this presentation. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The Company cautions you that forward-looking statements are not guarantees of future performance and that its actual financial position, business strategy, plans and objectives of management for future operations may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. In addition, even if the Company's financial position, business strategy, plans and objectives of management for future operations are consistent with the forward-looking statements contained in this presentation, those results or developments may not be indicative of results or developments in future periods. Neither the Company nor any other person undertakes any obligation to review or confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this presentation.