



# YIT – Creating better living environments

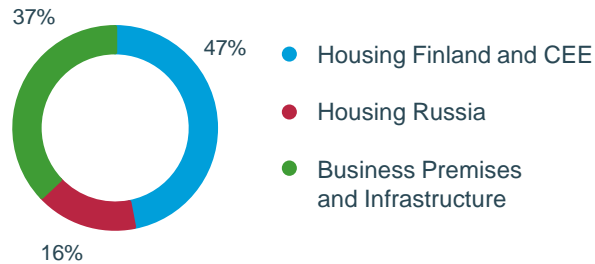
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Carnegie Construction Seminar  
August 24, 2016

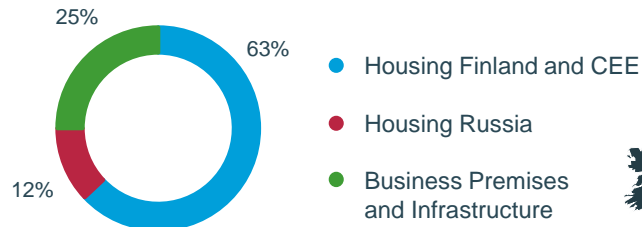


# A real estate developer and construction company with solid track record

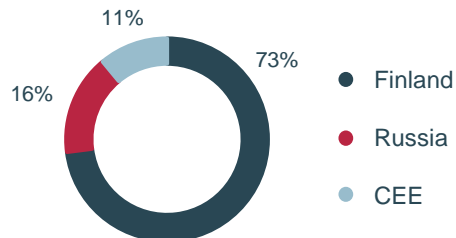
## Revenue by segment, EUR 1.7 bn



## Operating profit\* by segment, EUR 76 million



## Revenue by geographical area, POC



Figures based on segment reporting (POC), %-shares excluding other items  
\*Excluding adjustments.

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# 1

## Housing Finland and CEE



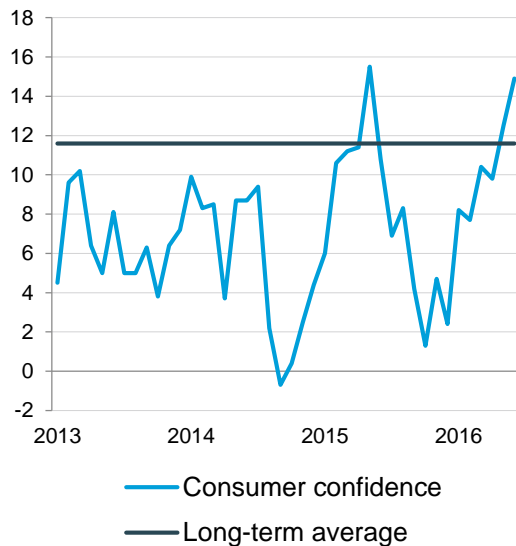
**Koti Hyacint**  
Prague, the Czech Republic

# Housing Finland and CEE

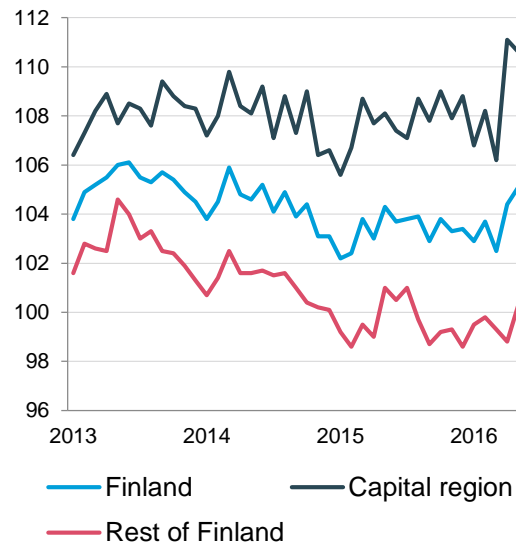
## Operating environment in Finland

- Consumer confidence improved in Q2, visible also in housing demand
- Good investor demand continued
- Good demand especially for small, affordable apartments in the growth centres
- Mortgage interest rates stayed on a low level and margins continued to decrease
- The volume of new housing loans continued to increase

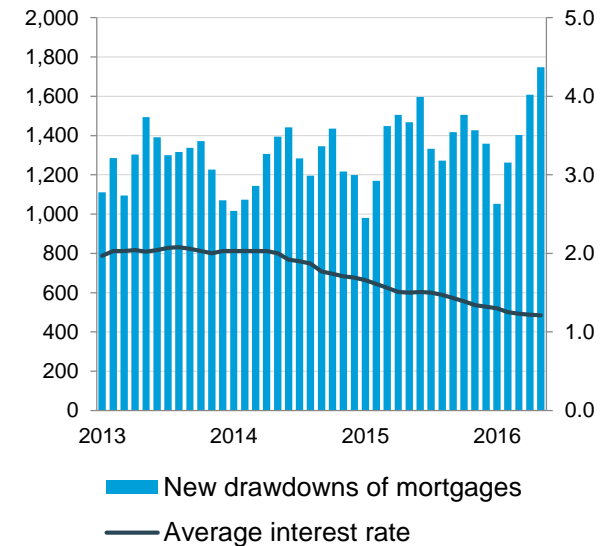
**Consumer confidence  
1/2013-6/2016**



**Prices of old apartments, index  
(2010=100)**



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



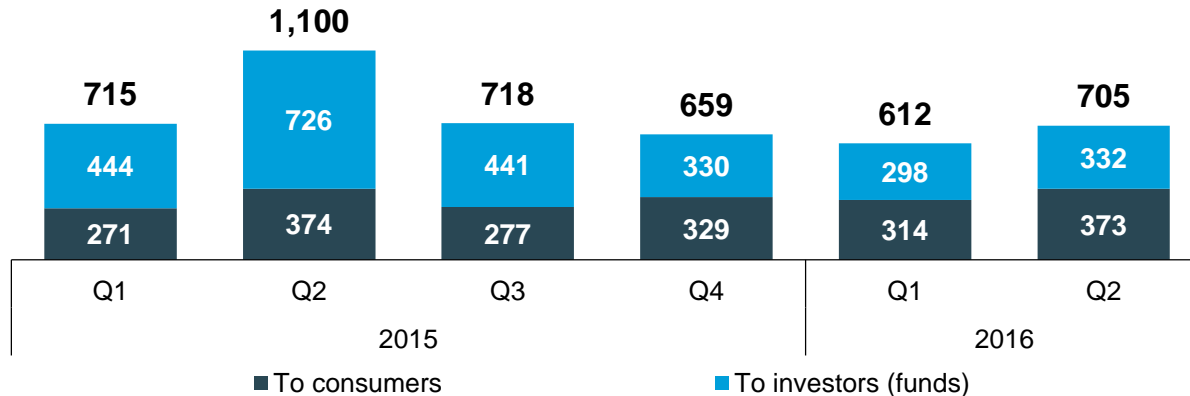
Sources: Statistics Finland and Bank of Finland

## Consumer sales and start-ups grew in Finland in H1 y-o-y

### Sold apartments (units)

2015: 3,192

1-6/2016: 1,317

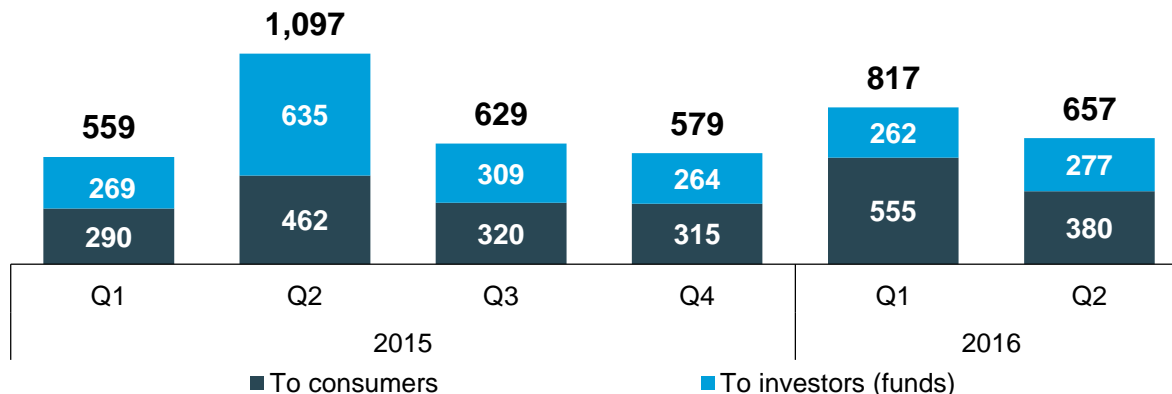


- Share of units sold to consumers up to 52% in H1/2016 (H1/2015: 36%)
- Smartti-concept launched in May, excellent demand in pre-marketing
- In July, sales to consumers at around 90 units (7/2015: around 90 units)

### Apartment start-ups (units)

2015: 2,864

1-6/2016: 1,474

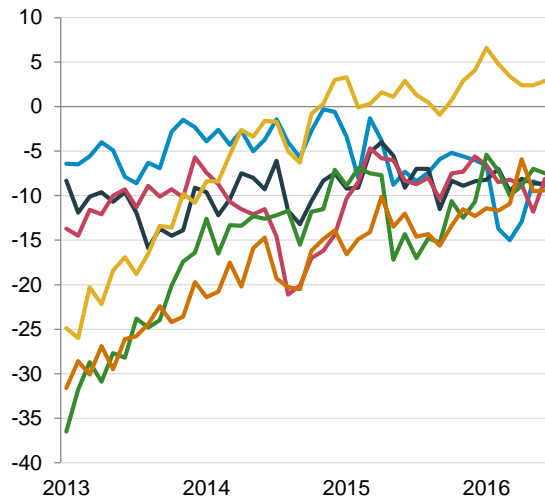


# Housing Finland and CEE

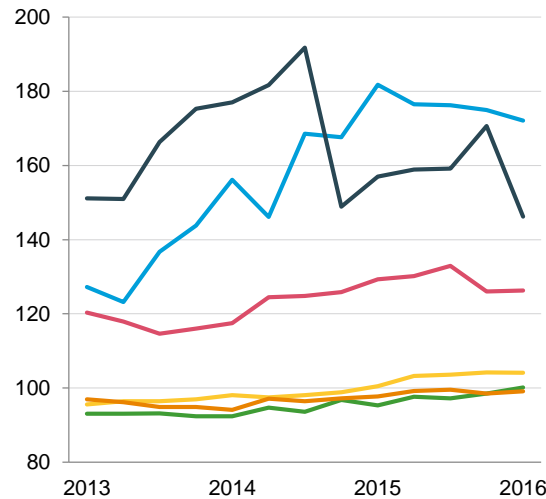
## Operating environment in the CEE countries

- Positive macro development continued and residential demand remained good
- Prices of new apartments remained relatively stable in the CEE countries
- Interest rates of mortgages have remained on a low level
- Consumers' access to financing has remained good

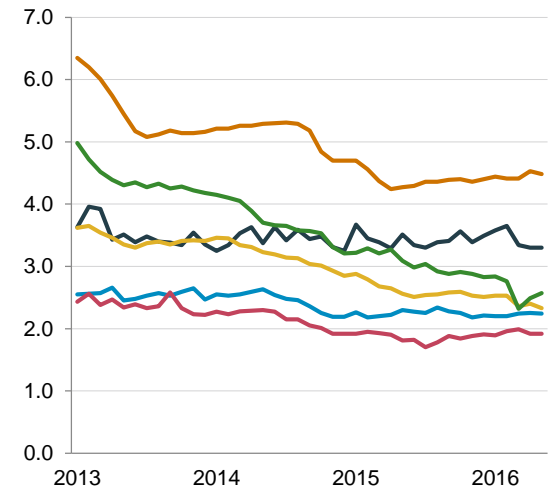
Consumer confidence



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

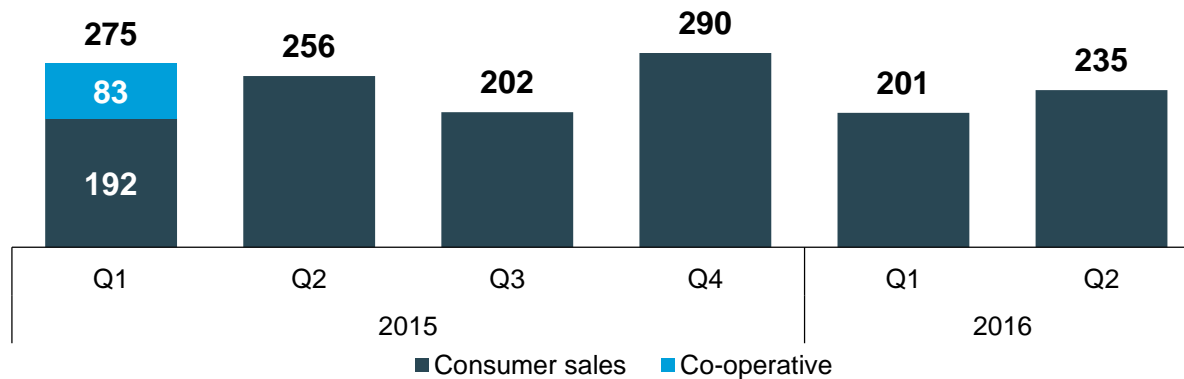
# Housing Finland and CEE

## Start-ups increased in CEE in Q2

### Sold apartments (units)

2015: 1,023

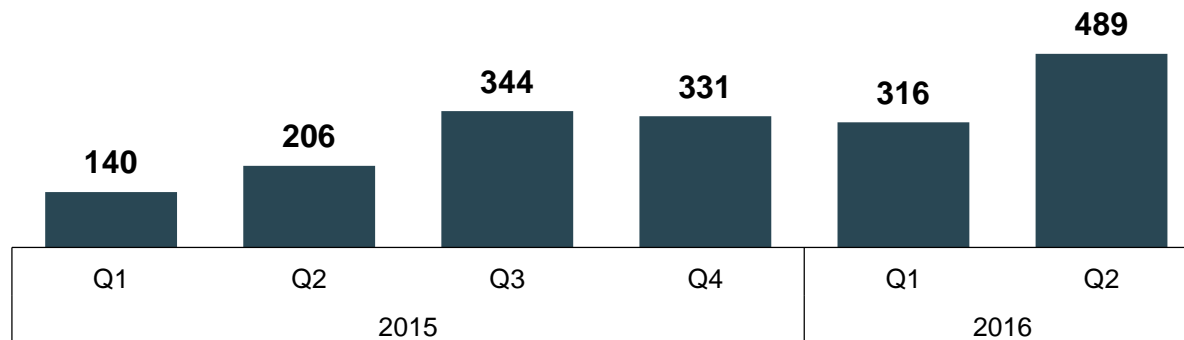
1-6/2016: 436



### Apartment start-ups (units)

2015: 1,021

1-6/2016: 805

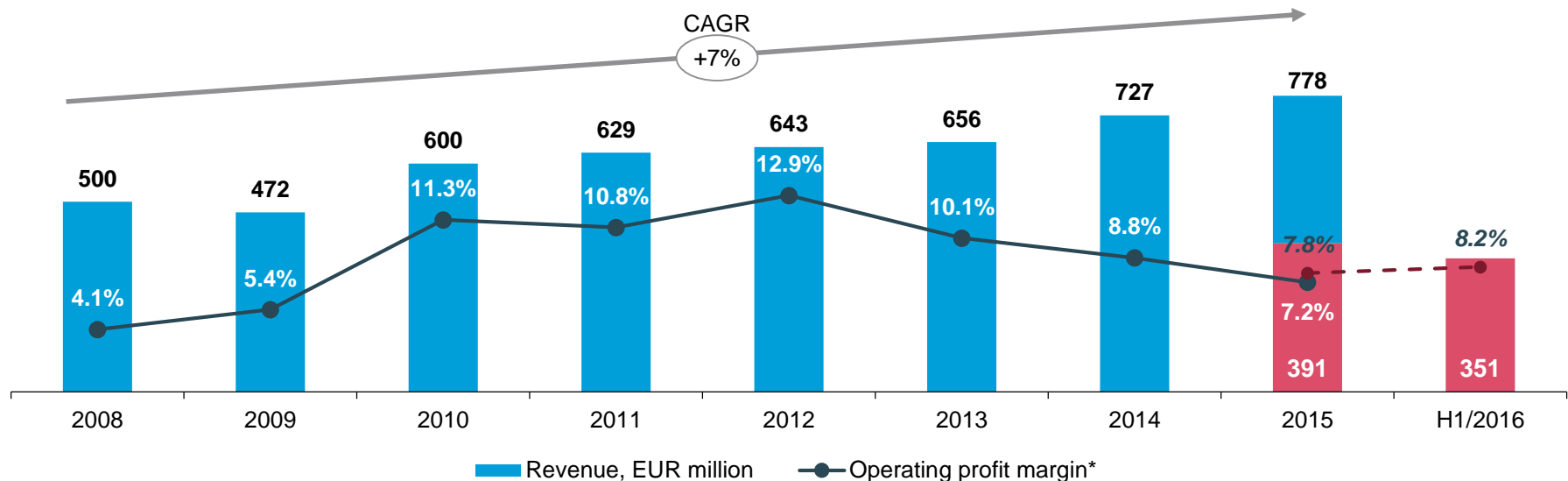


- Consumer sales (units) still modest in Q2/2016, higher sales expected in coming quarters due to strong start-ups
- Start-ups have been increased according to strategy
- First project started in Warsaw, Poland
- In July, sales to consumers at over 60 units (7/2015: around 60 units)



# Target to improve profitability by increasing consumer sales

- The segment's profitability has been burdened by high share of investor deals in Finland and actions to release capital
  - Profitability started to improve in Q2/2016 due to less capital release actions
- Development in CEE has been positive
- Shifting focus from investor sales to consumer sales in Finland is the key for profitability improvement, but will take time



\* 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.

# 2

## Housing Russia



**Baltym Park**  
Yekaterinburg, Russia

# Housing Russia

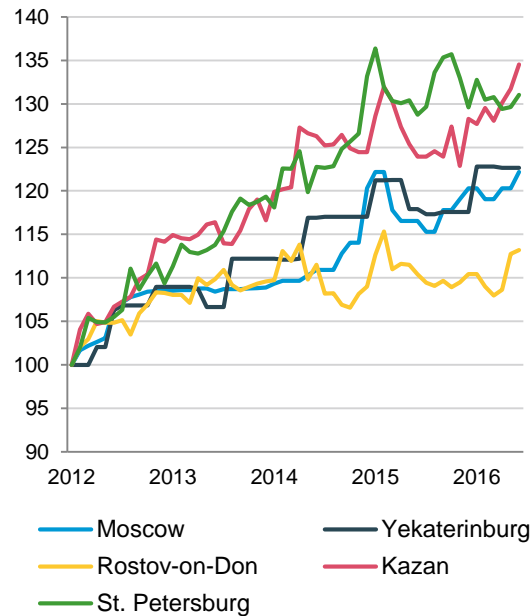
## Operating environment

- The ruble strengthened during the quarter
- Demand focused especially on small apartments
- Residential prices remained stable, but decreased in real terms (CPI 6/2016: 7.5%)
- Mortgage subsidy program extended until the end of 2016
- Mortgage interest rates for new apartments at around 12%

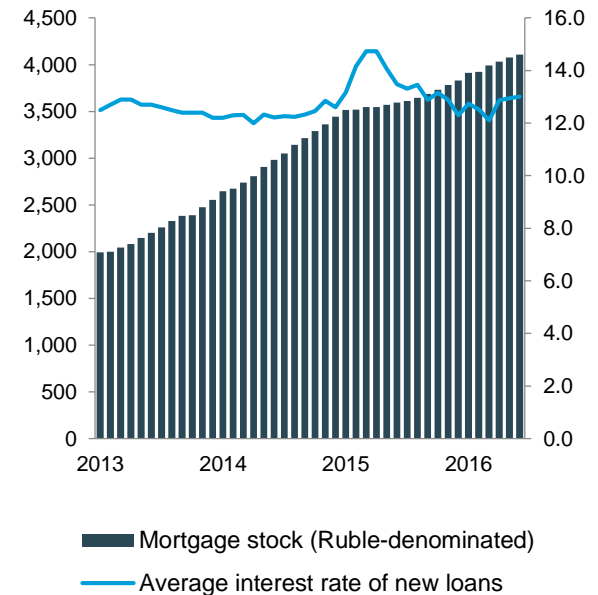
EUR/RUB exchange rate



Prices of new apartments, Index (01/01/2012=100)



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



Sources: Bloomberg, YIT and Bank of Russia

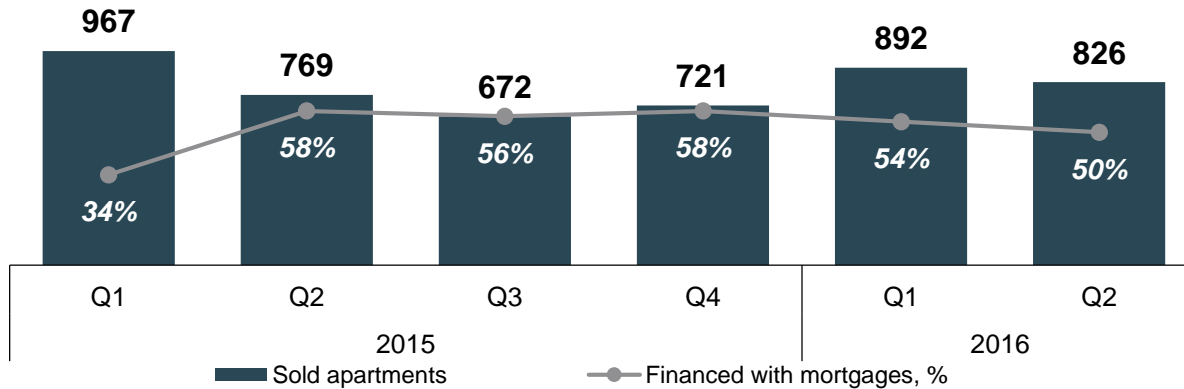
# Housing Russia

## Sales and start-ups

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

2015: 3,129 (50%)

1-6/2016: 1,718 (51%)

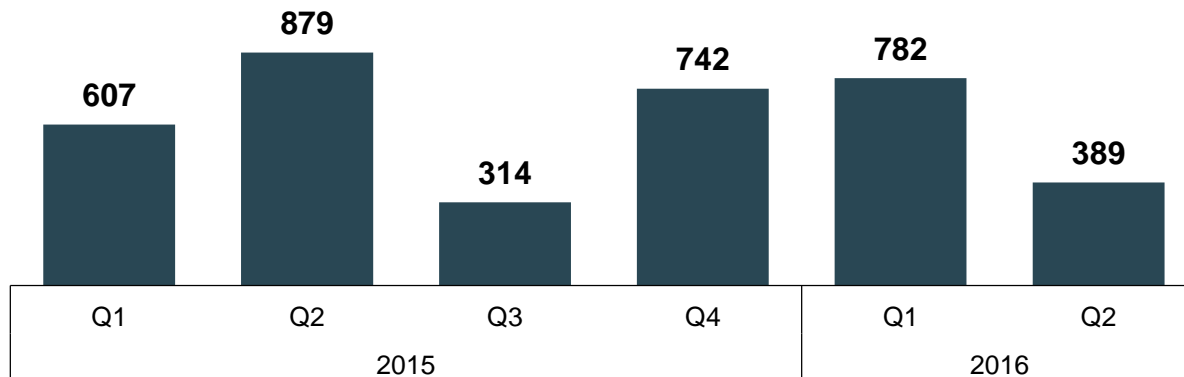


- Good sales in H1
- Share of sales financed with mortgages high supported by the government's mortgage subsidy program
- In July, sales to consumers over 200 units (7/2015: around 200 units)

### Apartment start-ups (units)

2015: 2,542

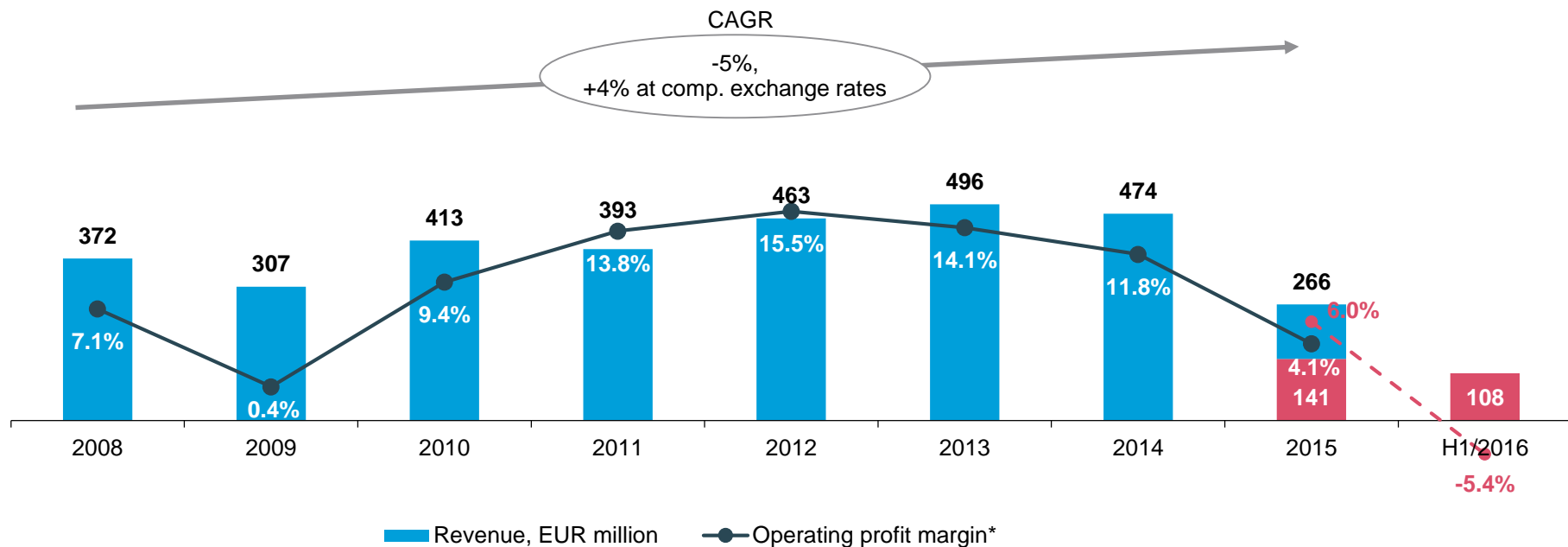
1-6/2016: 1,171



# Housing Russia

## Margin pressure persists

- Defensive mode in Russia, risk level reduced
  - Maintaining ability to ramp up
- Target to reduce the operative invested capital by continuing active sales
- The aim is to have positive operating profit for H2/2016



\*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.



# 3

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## Business Premises and Infrastructure

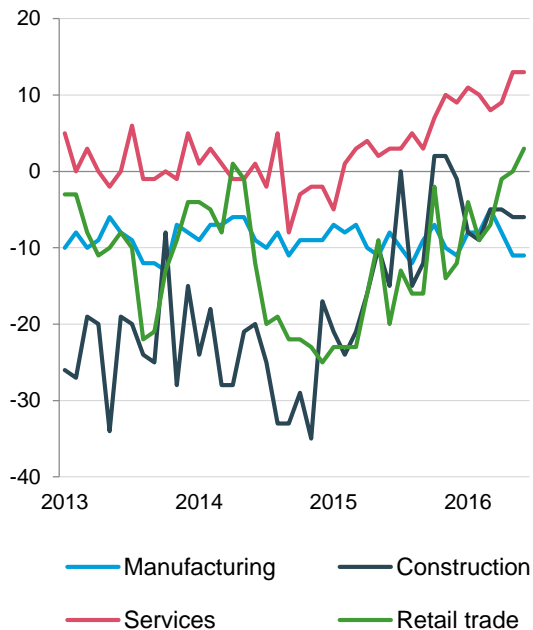


# Business Premises and Infrastructure

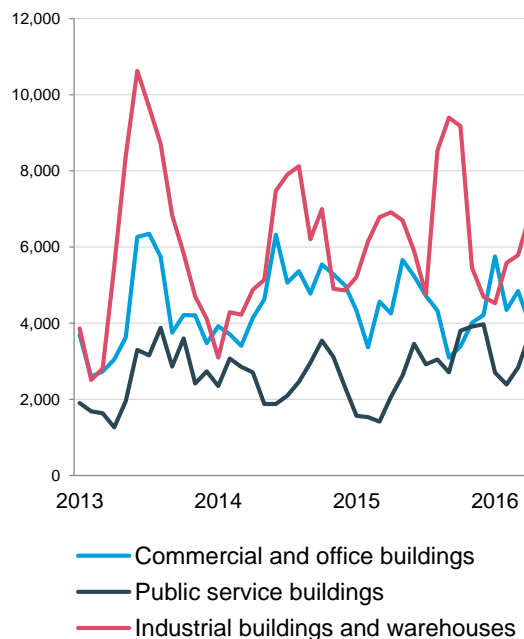
## Operating environment

- Investor demand stable on a good level
- Competition for tenants remained intense
- The contracting market was active and several large projects were in tendering phase
- The volume of construction was increasing
- Positive macro outlook supported the business premises market in the CEE countries
  - Strongest market in Slovakia

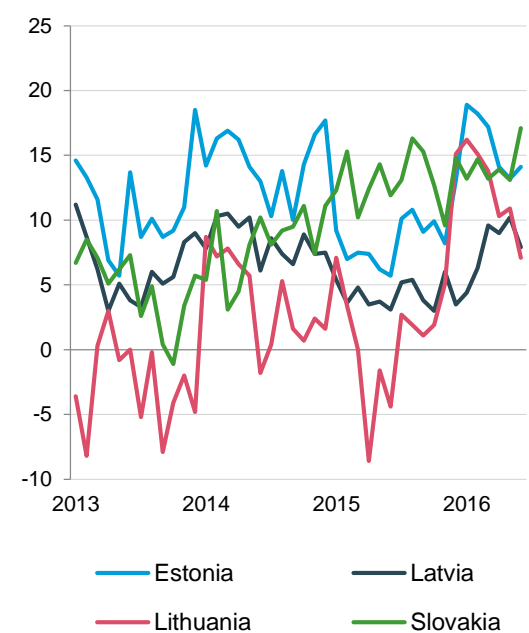
Confidence indicators in Finland



Start-ups in Finland, thousand m<sup>3</sup>, average last 3 months



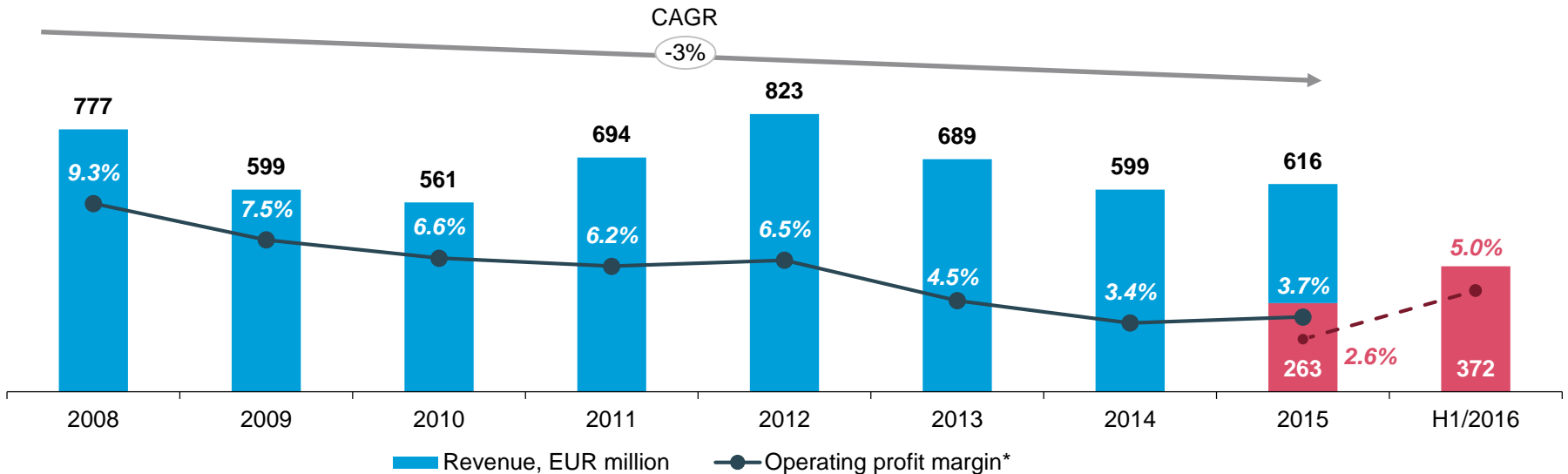
Retail trade confidence in the Baltic countries and Slovakia



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

# Business Premises and Infrastructure Improving results

- Good progress in the segment in H1/2016
  - Increased revenue and clearly improved profitability
- Solid order backlog, Q2/2016 +36% y-o-y, supports growth and profitability improvement



\* 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. 2015 figures restated due to transfer of YIT's equipment business from Other items to Business Premises and Infrastructure.

# Business Premises and Infrastructure

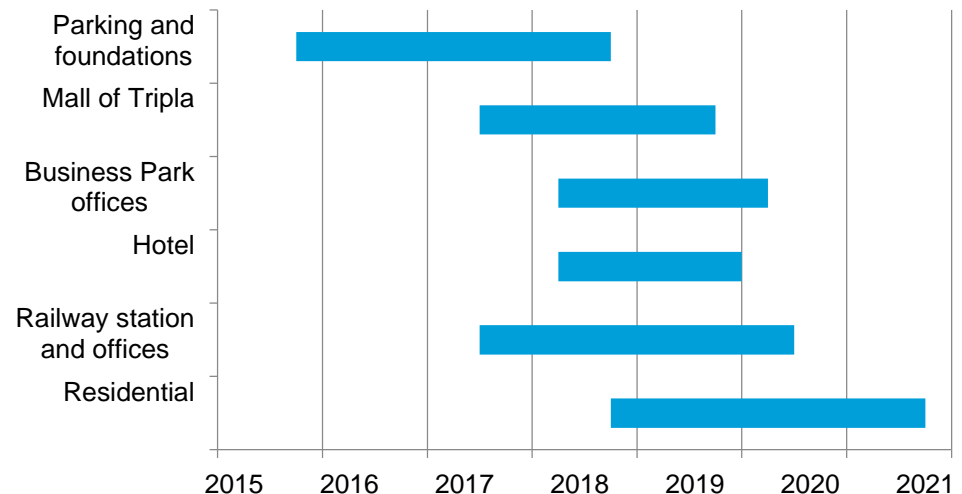
## The Mall of Tripla investor deals closed in Q2

- YIT's final share of the joint venture 38.75%
- Valid building permits and required decisions from public authorities obtained
- Financing package of around EUR 300 million secured
- Project booked to the order backlog, revenue and profit recognition started
- Good interest from tenants – over 30% of premises already rented out

Indicative split of the value



Estimated timing of the different phases

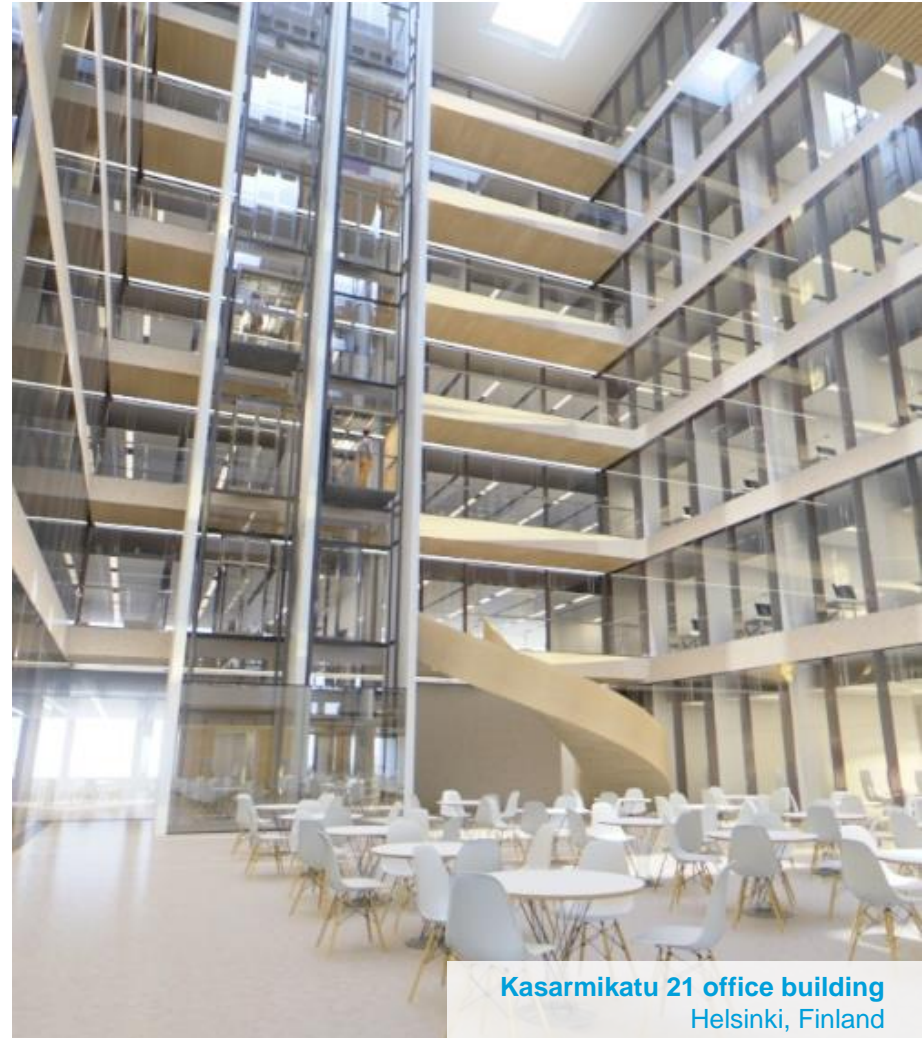


Note: The charts are an illustration of YIT's perception on a general level and do not reflect the actualized figures of YIT Group.

# Business Premises and Infrastructure

## Good progress in major projects

- Contract for construction of the Helsinki Central Library signed in July, not yet in the order backlog (EUR ~50 million)
- Joint venture, Regenero, for large-scale real estate development projects established
- E18 Hamina-Vaalimaa progressing well
- Tampere light rail project's construction phase expected to start in H2/16 (EUR ~100 million)



Kasarmikatu 21 office building  
Helsinki, Finland



# 4

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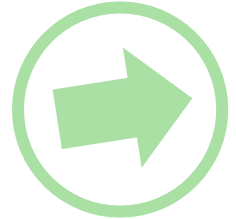
## Looking ahead and conclusions



# Market outlook, expectations for 2016

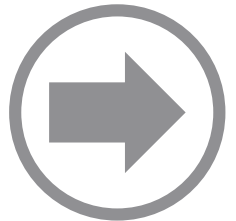
## Finland

- Consumer demand to improve slightly, but demand to focus on small and affordable apartments in growth centres
- Investor activity to remain on a good level in the residential market, but even more focus will be paid on the location
- Residential price polarisation between growth centres and other Finland
- Availability of mortgages good
- Modest tenant interest for business premises, investor activity on a good level. Focus on prime locations in the Capital region
- Business premises contracting to remain active
- Political support for new infrastructure projects to revitalise the infrastructure market
- Lack of resources due to high construction activity



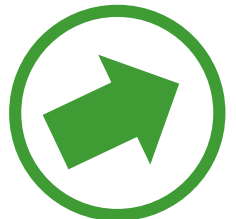
## Russia

- Weak visibility
- Construction cost inflation to moderate
- Residential prices stable in nominal terms
- Residential demand to focus on small and affordable apartments



## CEE

- The improved economic situation to support residential and business premises demand
- Access to financing to remain good and interest rates to remain on a low level
- Residential prices are estimated to increase in the Czech Republic, Slovakia and Lithuania, and to remain stable in Poland, Estonia and Latvia
- Construction costs to increase slightly



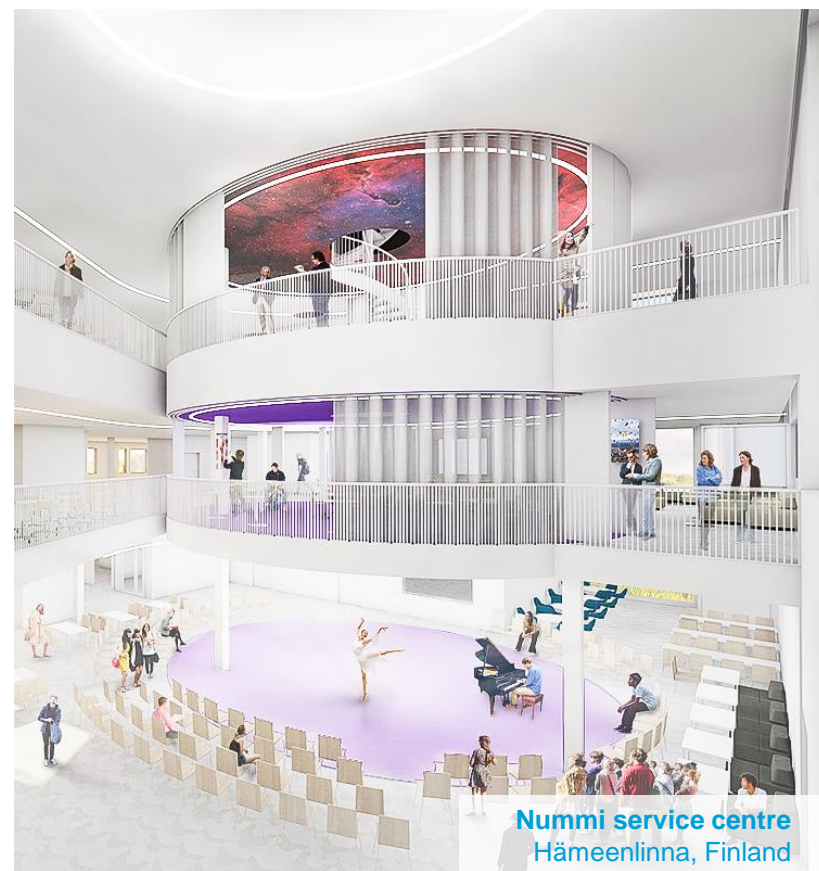
# Guidance for 2016 (segment reporting, POC) specified in Q2 report

**The Group revenue growth** is estimated to be in the range of **5-10%** at comparable exchange rates.

**The adjusted operating profit\*** is estimated to grow from the level of 2015 (2015: EUR 76.0 million).

*Previously revenue growth was estimated to be in the range of 0-10% at comparable exchange rates.*

- Over 60% of H2/2016 revenue from sold projects and signed pre-agreements. The rest from new sales and capital release
- In Business Premises and Infrastructure, the profit performance in H2/2016 is estimated to be on the level of H1/2016
- The demanding market environment in Russia is expected to keep the profitability of Housing Russia on a low level
- Similarly to the year 2015, investor projects' share of revenue is estimated to remain high in Housing Finland and CEE, which impacts the segment's adjusted operating profit margin negatively
- Capital release is expected to dilute the adjusted operating profit margin

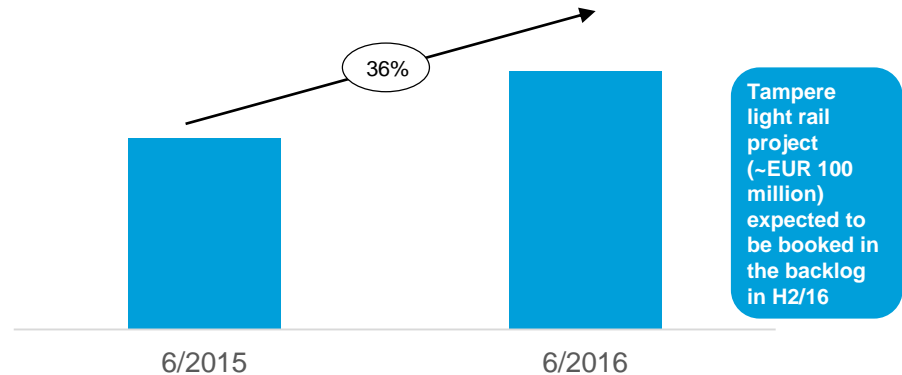


\* The adjusted operating profit does not include material reorganisation costs or impairment

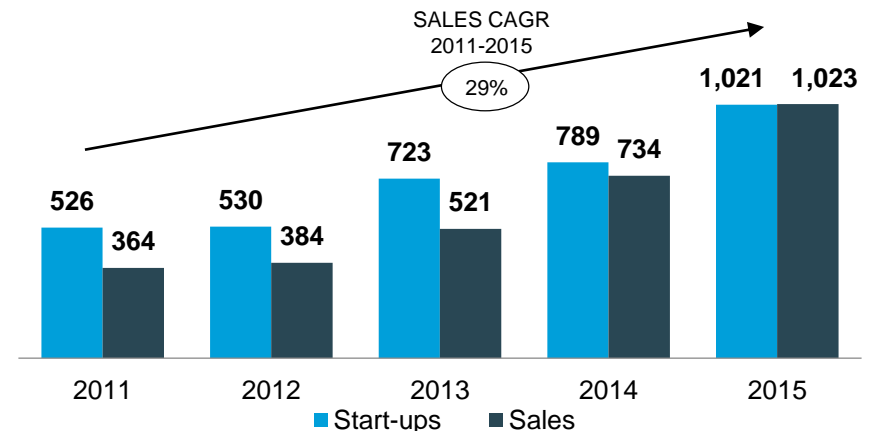
# YIT getting back to the profitable growth trend

- Strong growth in the backlog of Business Premises and Infrastructure with improved margin content (37% of 2015 revenue)
- Investment in the growth in CEE to continue (11% of 2015 revenue) - first project in Poland expected to start in Q2/2016
- First positive signs in consumer demand in Finnish housing in Q1: Consumer sales +16% y-o-y, start-ups increased clearly
- Mix shift in Housing Finland and CEE supportive for profitability

Order backlog of Business Premises and Infrastructure, EUR million



Apartment start-ups and sales in CEE, units



# Long-term financial targets

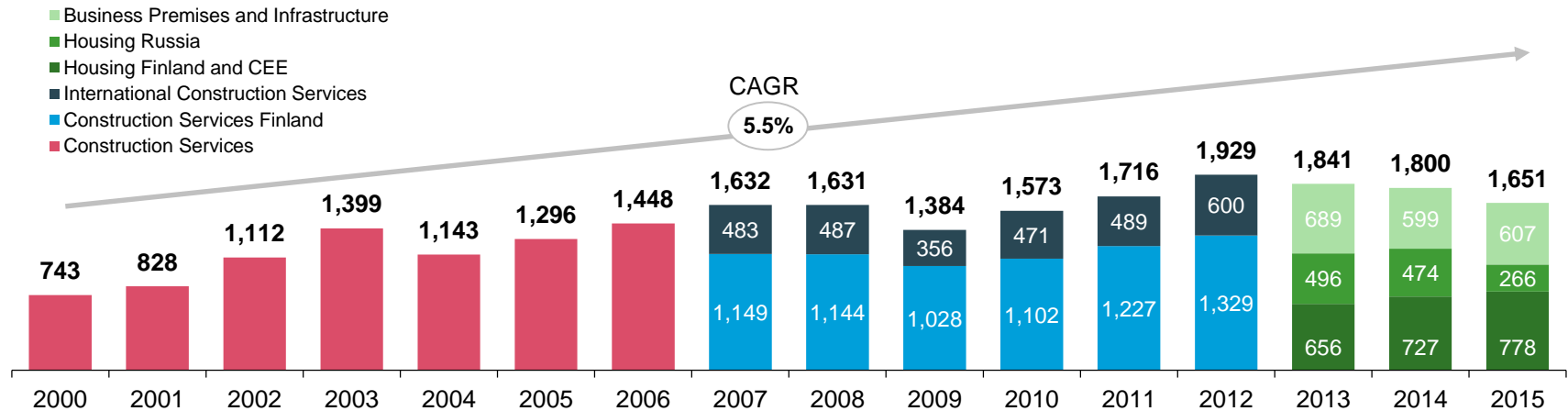
Long-term financial targets	2015	2014
Revenue growth 5 - 10% annually on average	-8%, -3% at comp. exchange rates	-3%, 2% at comp. exchange rates
Return on investment 15%	5.3%	7.7%
Operating cash flow after investments sufficient for dividend payout and debt reduction	EUR 184 million	EUR 152 million
Equity ratio 40%	35.5%	32.4%
Dividend payout 40 to 60% of net profit for the period	137.5%	40.0%

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

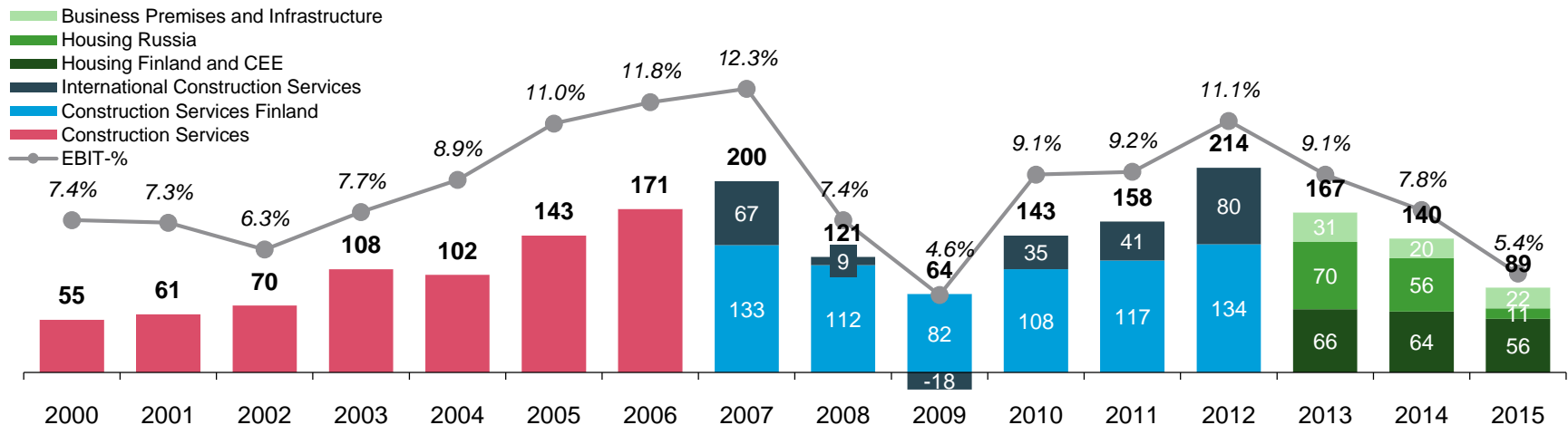


# Good track record in revenue growth and healthy profitability through economic cycles

## Revenue development (EUR million) by business segment



## Operating profit (EBIT) development (EUR million) by business segment, excluding group costs and adjustments



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.

# Concluding remarks

- Strong market position and long track record in healthy profitability and solid execution through economic cycles
- Good progress in improving capital efficiency and increasing financial operating space
- Improving profitability, growth initiatives and raising the capital efficiency further in focus going forward
- Growth opportunities especially in Business Premises and Infrastructure and in CEE, local unit established in Poland



**E18 Hamina bypass**

Photo: Jetro Matilainen, Finnish Transport Agency

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we can  
do it.**