



# YIT – Creating better living environments

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Danske Bank Markets  
Construction Seminar  
May 30, 2016



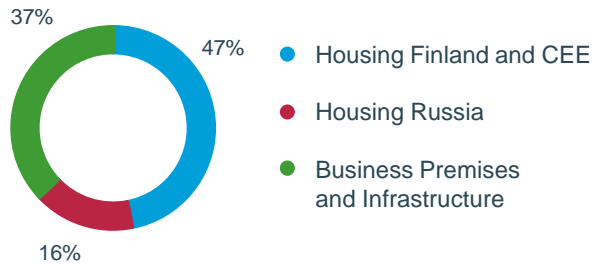
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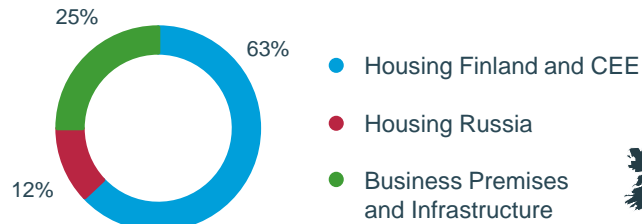


# A real estate developer and construction company with solid track record

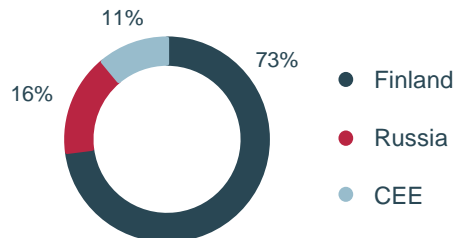
## Revenue by segment, EUR 1.7 bn



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



## Revenue by geographical area, POC

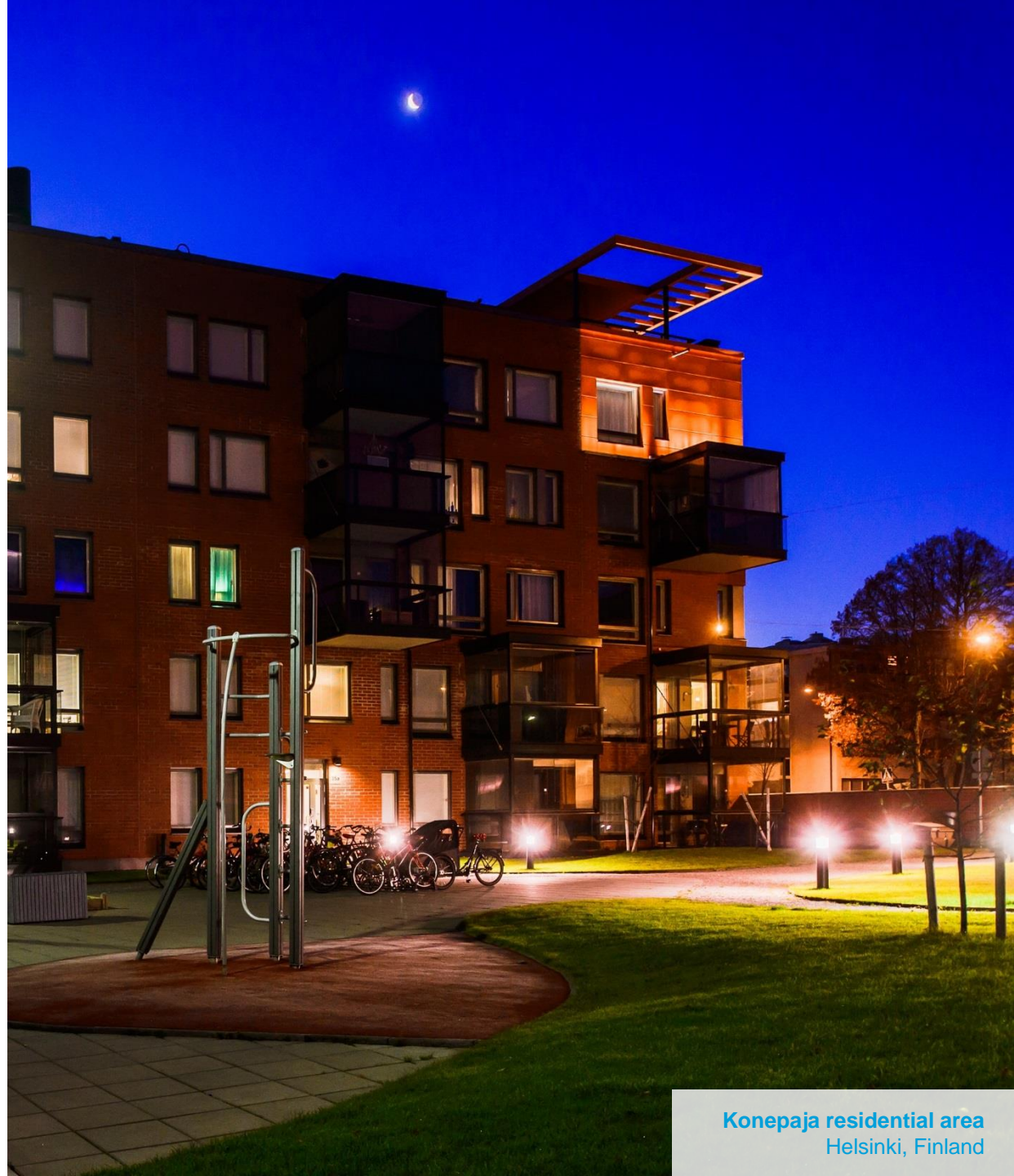


Figures based on segment reporting (POC), %-shares excluding other items  
\*Excluding adjustments.

# 1

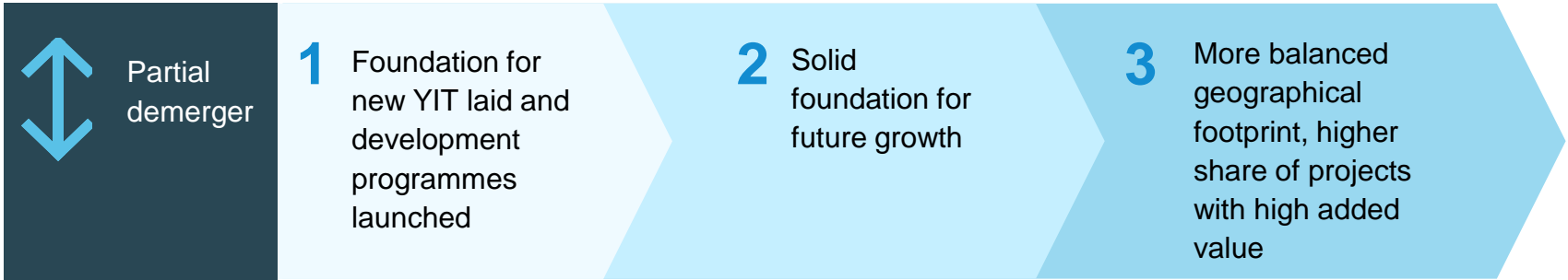
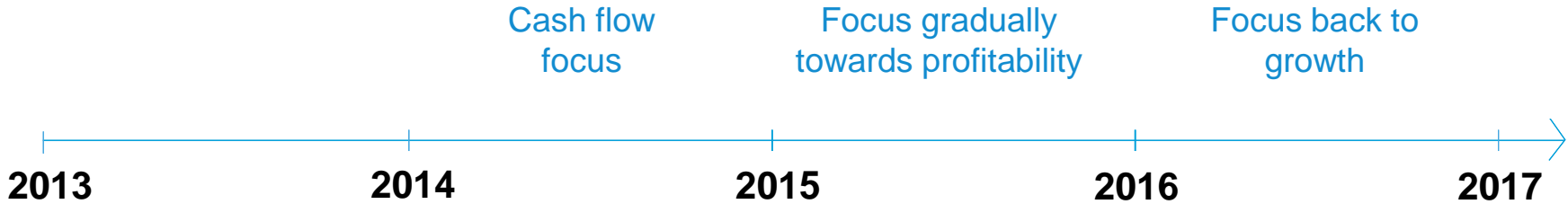
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## Strategy



Konepaja residential area  
Helsinki, Finland

# Strategic roadmap – focus shifted towards profitability and growth



# Strategic focus areas

## Improving profitability



- Optimising the business mix
- Cost adjustments in Russia

## Growth initiatives



- Secured major projects and high value added projects
- Accelerating growth in CEE, entry to Poland

## Raising capital efficiency



- Completing the capital release program
- Further increasing the role of partnerships

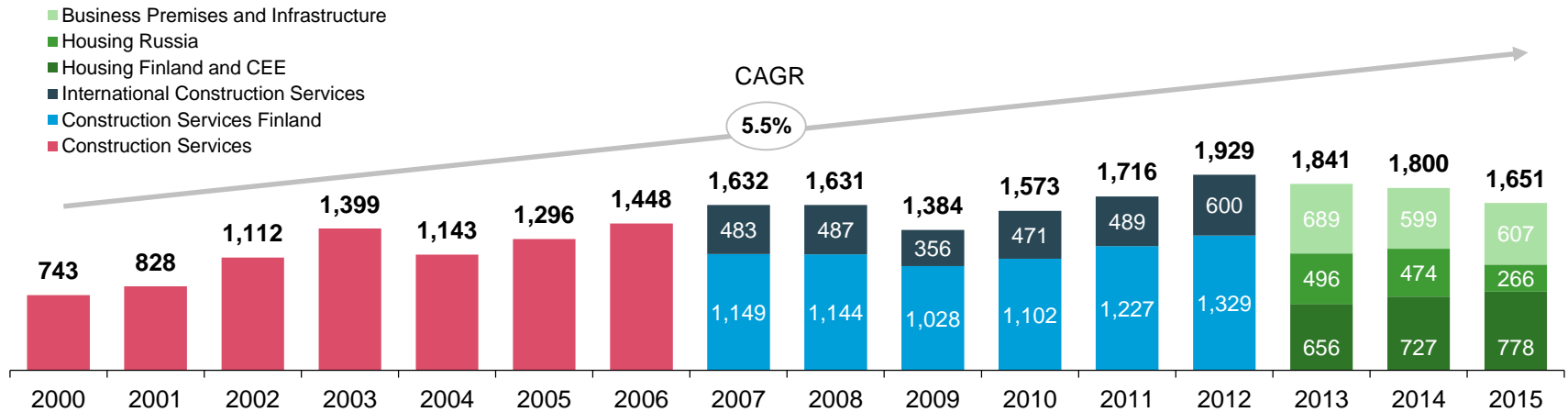
# Strong cash flow in 2015, balance sheet strengthened

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%

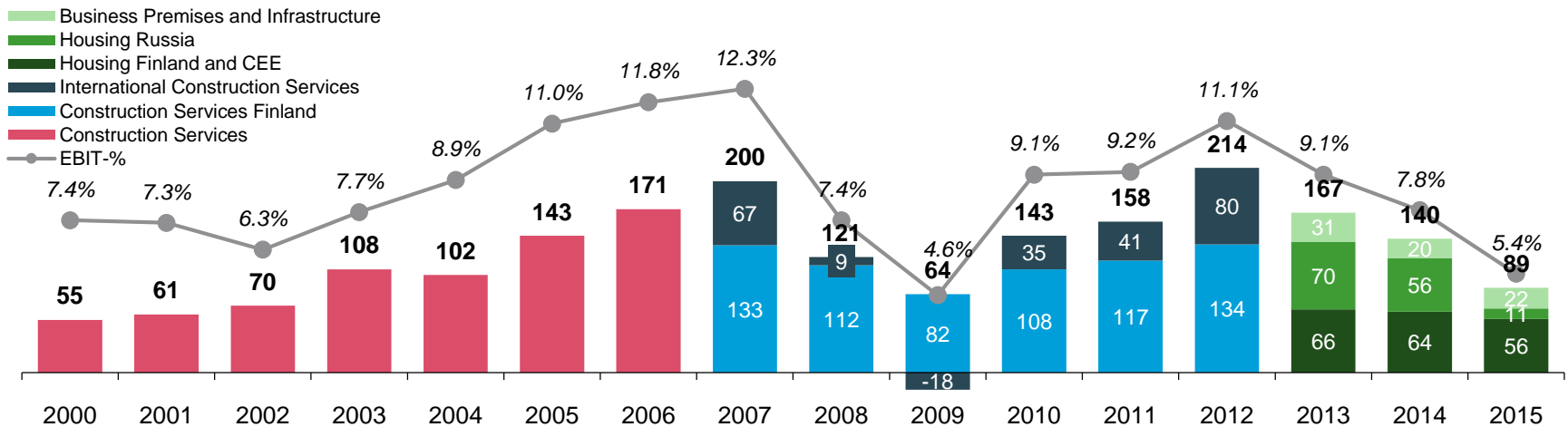
All figures according to segment reporting (POC), unless otherwise noted

# 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.



# Over 80% of the capital release program completed

Target for capital release	Actions in Q1/2016	Cumulative progress since 9/2013
Reducing the inventory of unsold completed apartments in Finland >EUR 50 million	<ul style="list-style-type: none"> <li>Active sales to investors covering a wide variety of apartments</li> </ul>	<ul style="list-style-type: none"> <li>EUR ~30 million</li> </ul>
Selling self-developed business premises projects in Finland (under construction) EUR 80 million		
Slow-moving assets >EUR 150 million*	<ul style="list-style-type: none"> <li>Several smaller deals in Russia and Finland: EUR ~4 million</li> </ul>	<ul style="list-style-type: none"> <li>EUR ~91* million sold or agreed (not fully visible in revenue and cash flow yet)</li> </ul>
New off-balance sheet partnership models in plot acquisitions >EUR 100 million		

\* Target set at the balance sheet rate at 9/2013: EUR/RUB 43.8240, cumulative progress calculated using the same EUR/RUB rate.

Note: In addition to the progress presented in the table above, the slow-moving assets have been reduced by impairment of EUR 9 million made in Q4/2014

# 2

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## Housing Finland and CEE



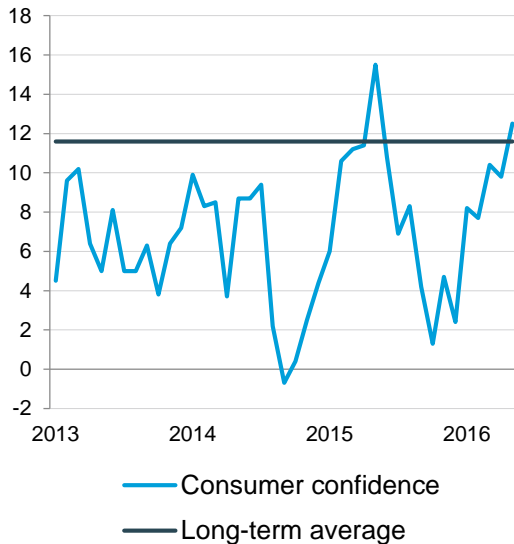
**Koti Hyacint**  
Prague, the Czech Republic

# Housing Finland and CEE

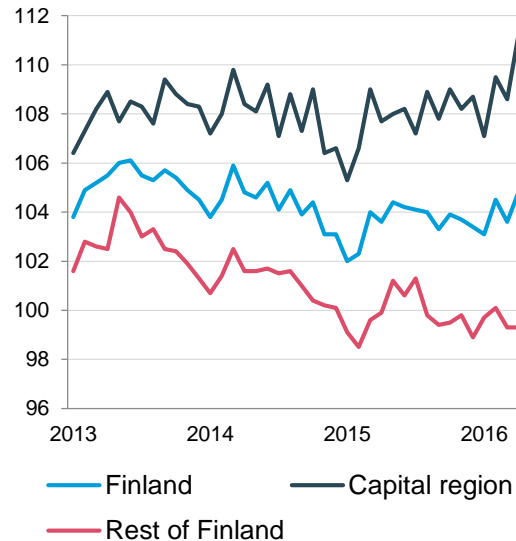
## Operating environment in Finland in Q1

- Consumer confidence improved in Q1, visible also in residential 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 increased

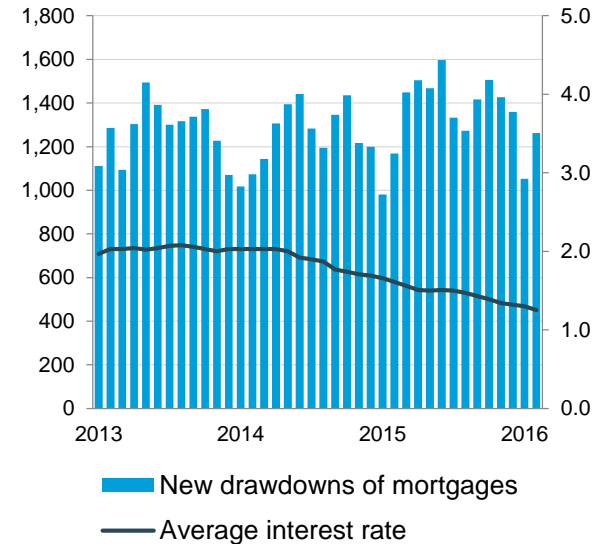
**Consumer confidence  
1/2013-3/2016**



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



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



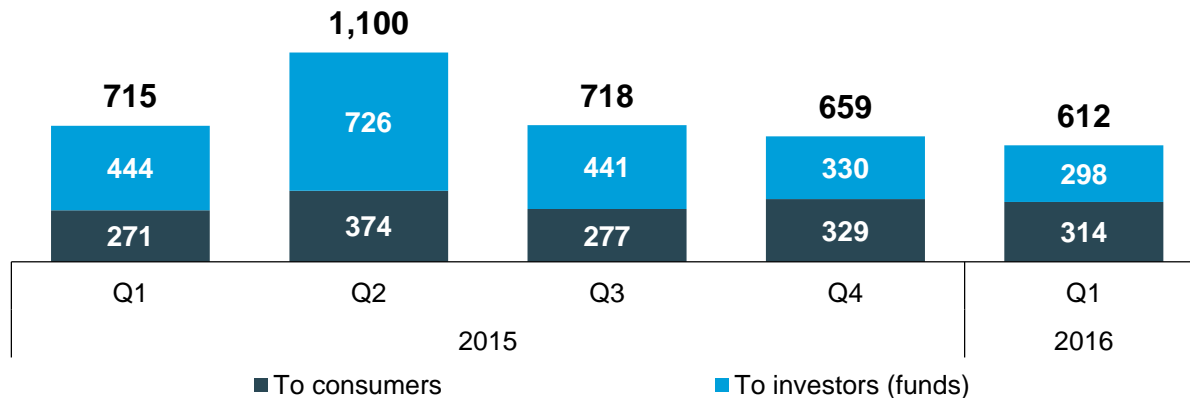
Sources: Statistics Finland and Bank of Finland

# Housing Finland and CEE

## Consumer sales and start-ups grew in Finland in Q1

### Sold apartments in Finland (units)

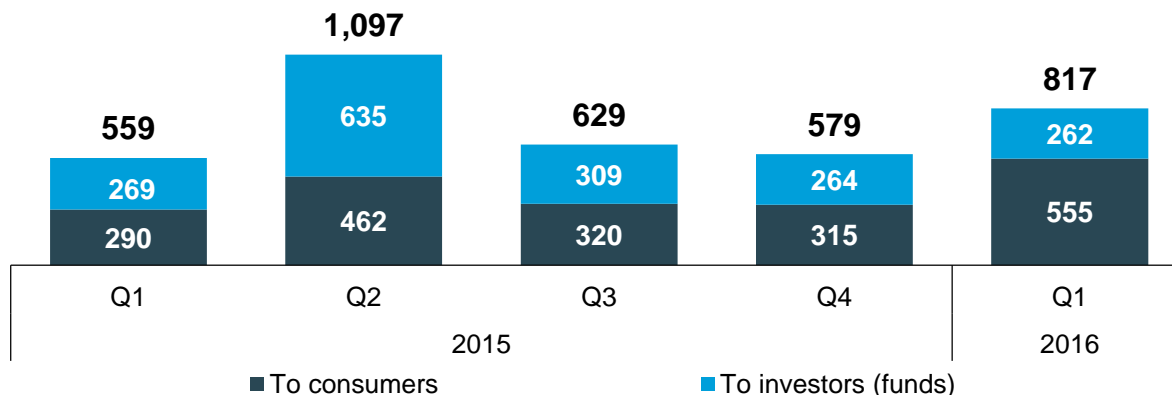
2015: 3,192



- High number of start-ups for consumers in Q1/2016
- Strong sales from recently started projects
- Share of investor sales still on a high level (Q1/2016: 49%)
- In April, sales to consumers at around 130 units (4/2015: around 140 units)

### Apartment start-ups in Finland (units)

2015: 2,864

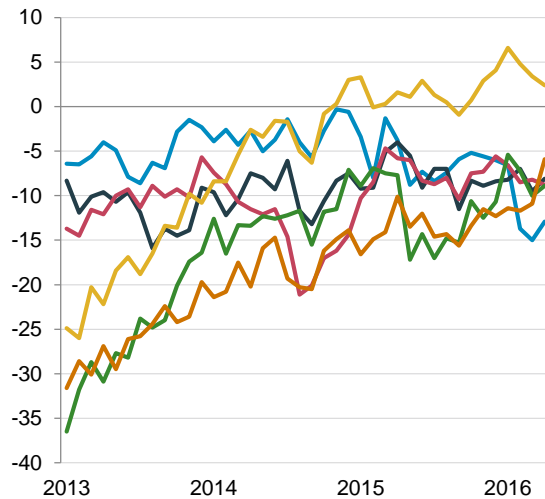


# Housing Finland and CEE

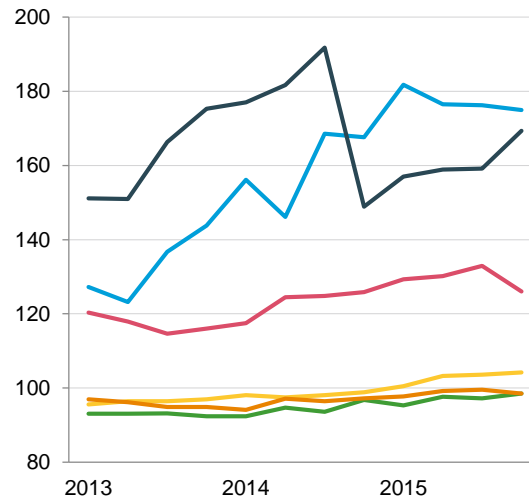
## Operating environment in the CEE countries in Q1

- 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

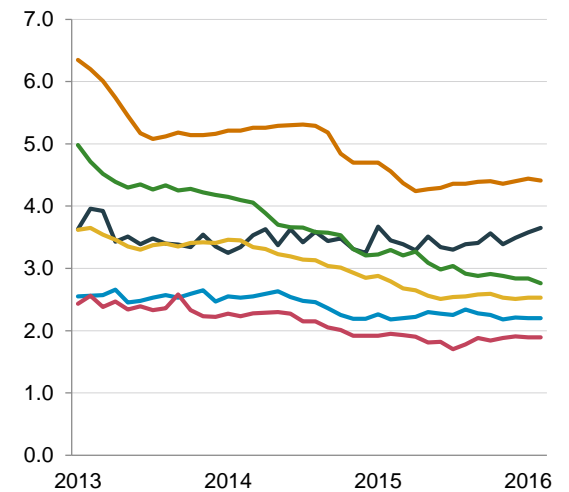
### Consumer confidence



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



### Average interest rate of mortgages (%)



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

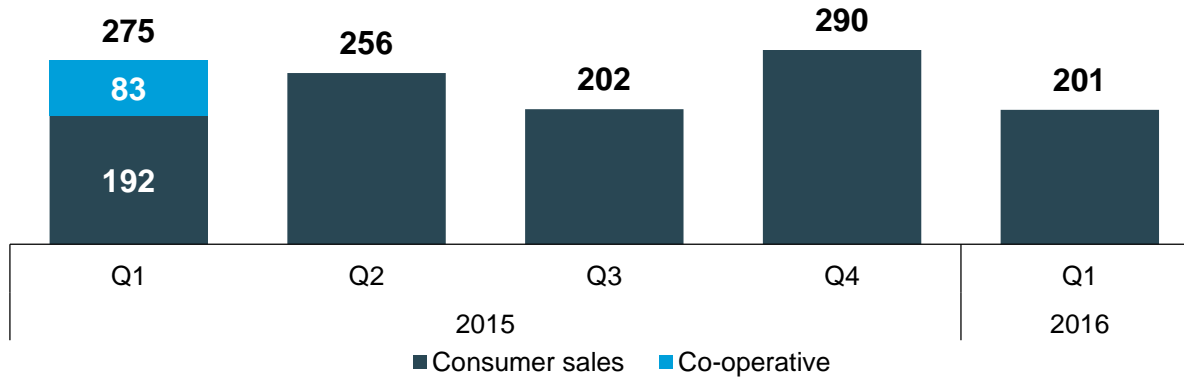
Sources: European Commission, Eurostat and National Central Banks

# Housing Finland and CEE

## Increased start-ups in CEE

Sold apartments in CEE (units)

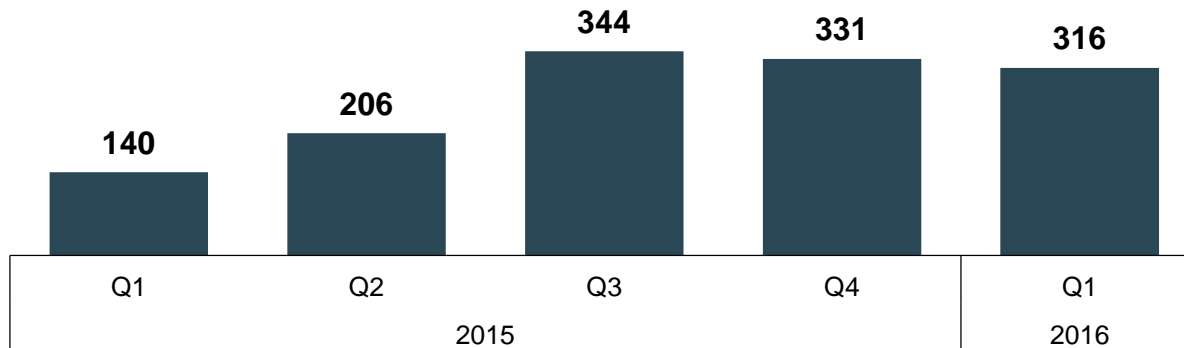
2015: 1,023



- Start-ups in CEE have been increased according to strategy
- High number of new projects especially in the Czech Republic and Slovakia
- First residential plot acquired and project started in Warsaw, Poland

Apartment start-ups in CEE (units)

2015: 1,021

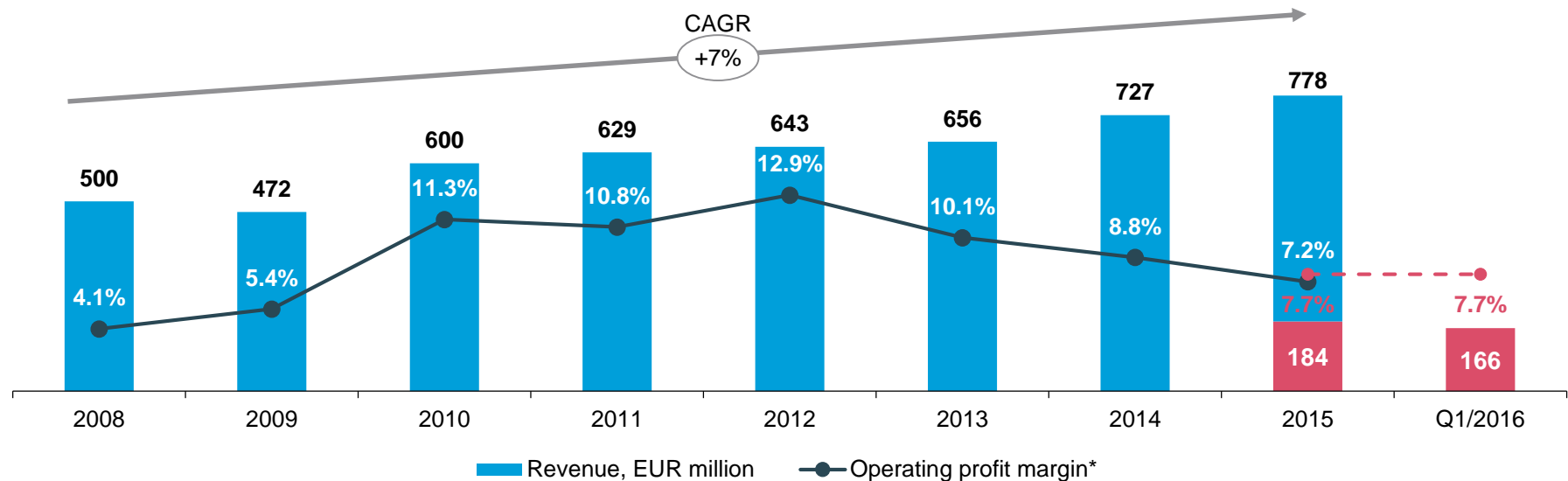


- In April, sales to consumers at around 80 units (4/2015: around 70 units)

## Housing Finland and CEE

# 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
- Positive development in CEE
- Shifting focus from investor sales to consumer sales in Finland 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.

# 3

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## Housing Russia



Baltym Park  
Yekaterinburg, Russia

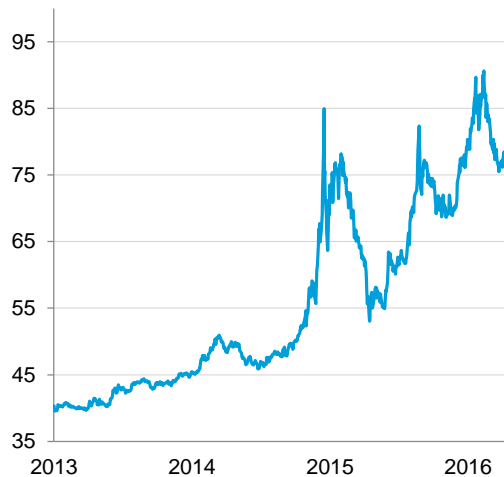


# Housing Russia

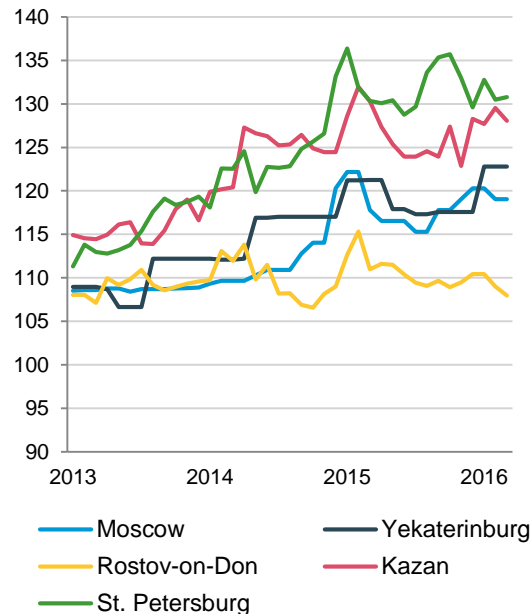
## Operating environment in Q1

- The ruble strengthened during the quarter
- Demand focused especially on small apartments
- Residential prices remained stable, but decreased in real terms (CPI 3/2016: 7.3%)
- Mortgage subsidy program extended until the end of 2016
- Mortgage interest rates for new apartments at around 12%

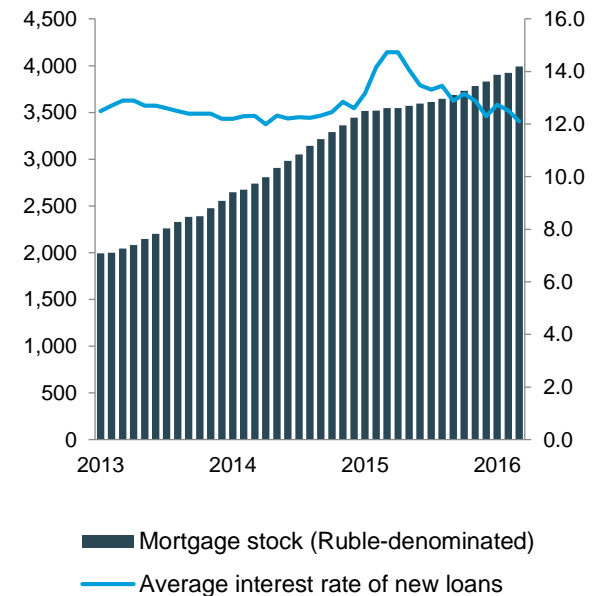
EUR/RUB exchange rate



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



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



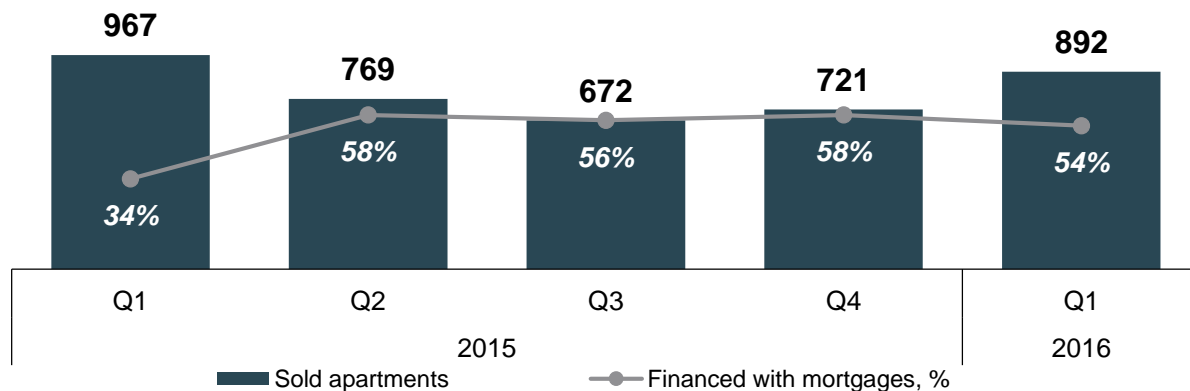
Sources: Bloomberg, YIT and Bank of Russia

# Housing Russia

## Number of sold units increased from previous quarters

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

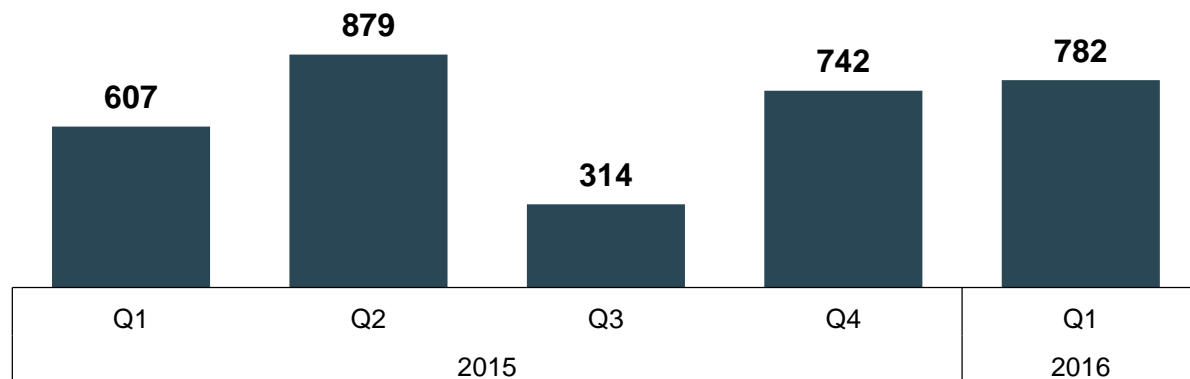
2015: 3,129 (50%)



- Clear growth in residential sales in Q1/2016 compared to previous quarters
- Share of sales financed with mortgages high, support from the government's mortgage subsidy program
- In April, sales to consumers over 250 units (4/2015: around 250 units)

### Apartment start-ups (units)

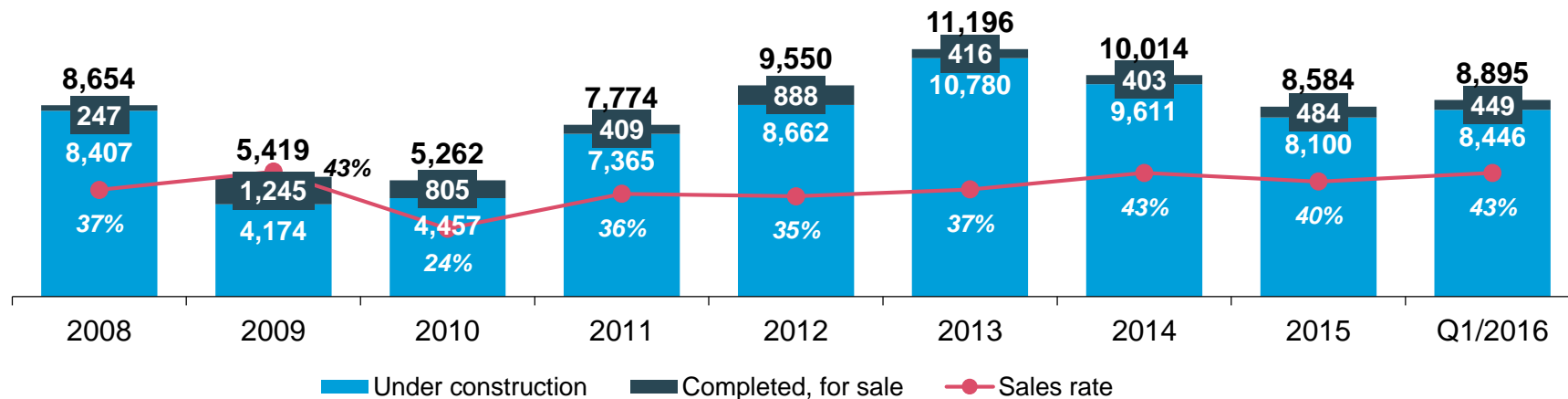
2015: 2,542



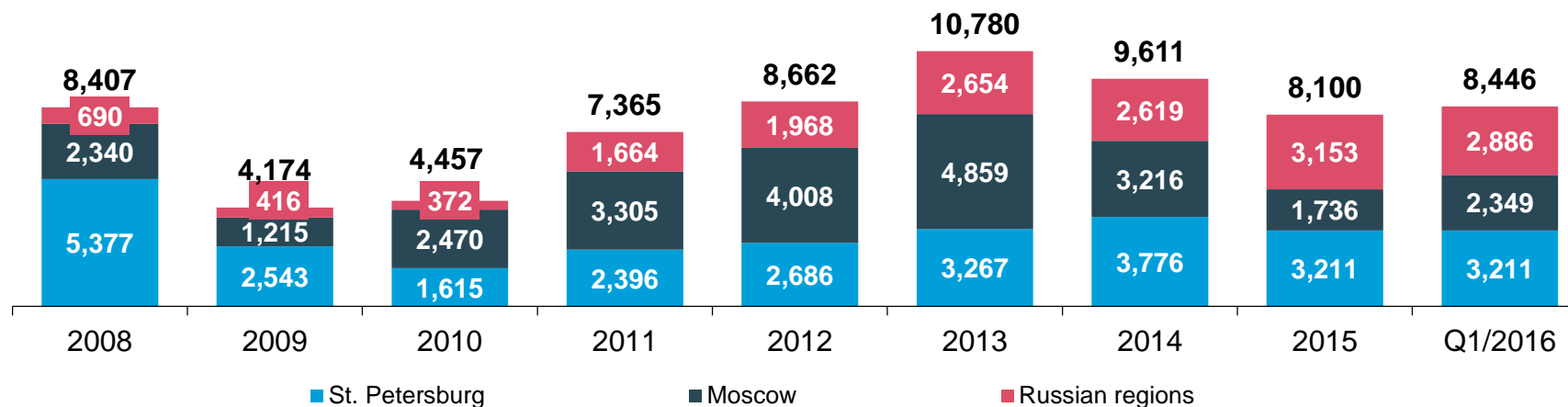
# Housing Russia

## Sales risk has decreased

Apartment inventory at the end of the period, units



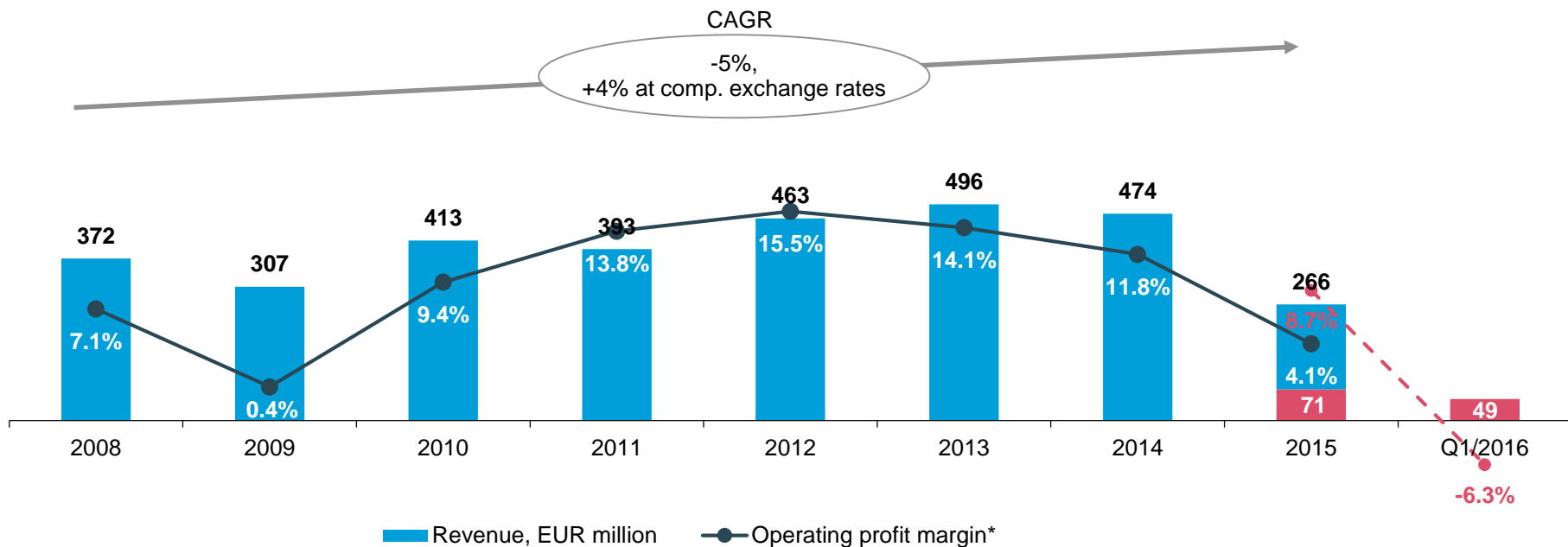
Apartments under construction by business unit at the end of the period, units



# 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 the full year



\*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.

# 4

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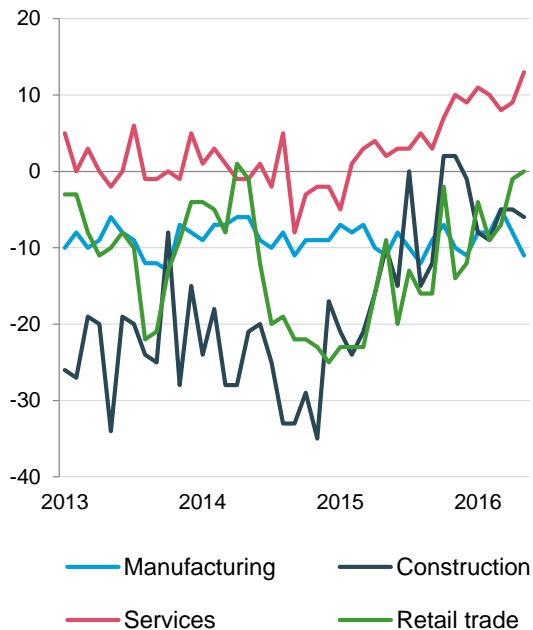
## Business Premises and Infrastructure



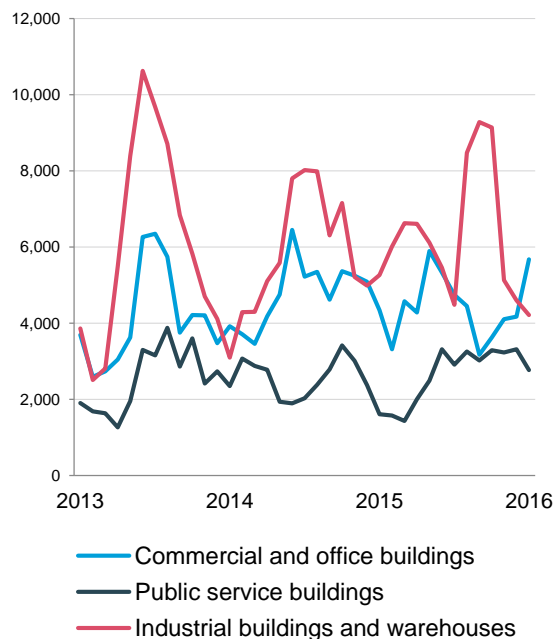
# Business Premises and Infrastructure Operating environment in Q1

- 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

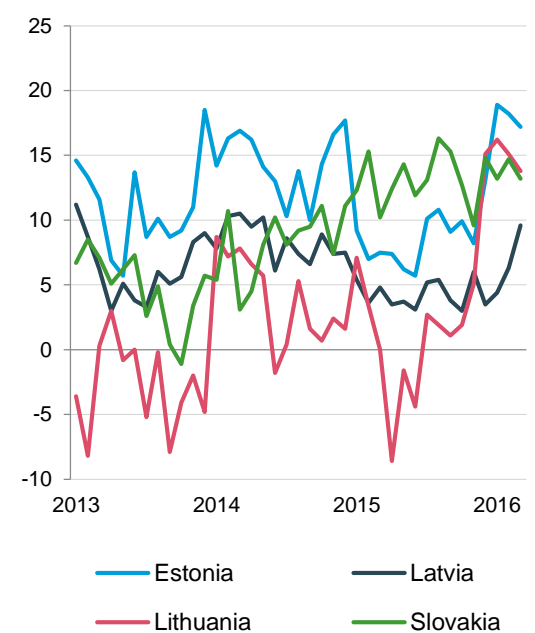
Confidence indicators in Finland



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



Retail trade confidence in the Baltic countries and Slovakia



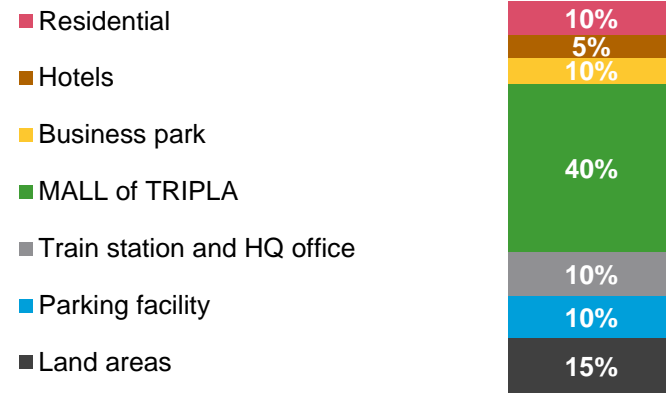
Sources: EK Confederation of Finnish Industries, Statistics Finland and European Commission

## Business Premises and Infrastructure

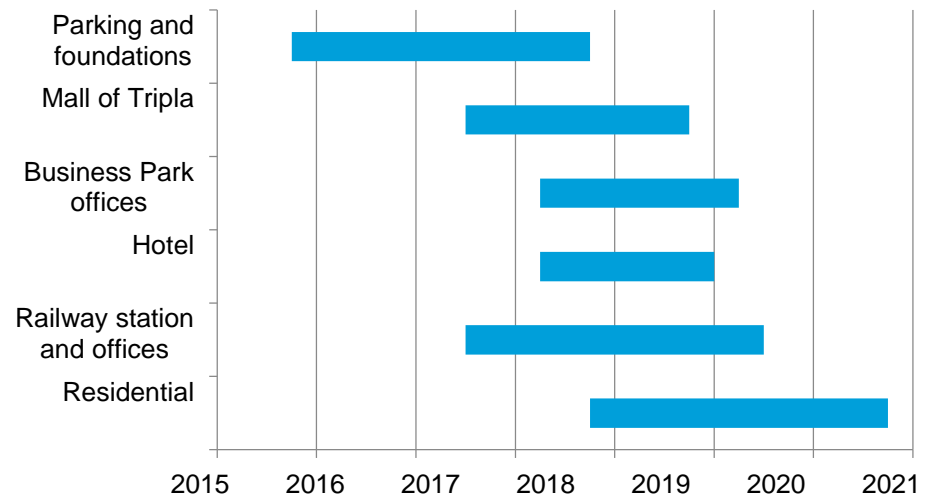
# Final agreement signed to implement the Mall of Tripla as a JV

- Final agreement signed in May to establish a joint venture to implement the Mall of Tripla and the parking facility
  - The aim is to close the deal and add the agreements in the order backlog in Q2/2016
  - YIT's share of ownership 38.75%, Etera's 38.75%, Onvest's 15% and Fennia's 7.5%
- Good interest from tenants – over 30% of premises already rented out

### Indicative split of the value



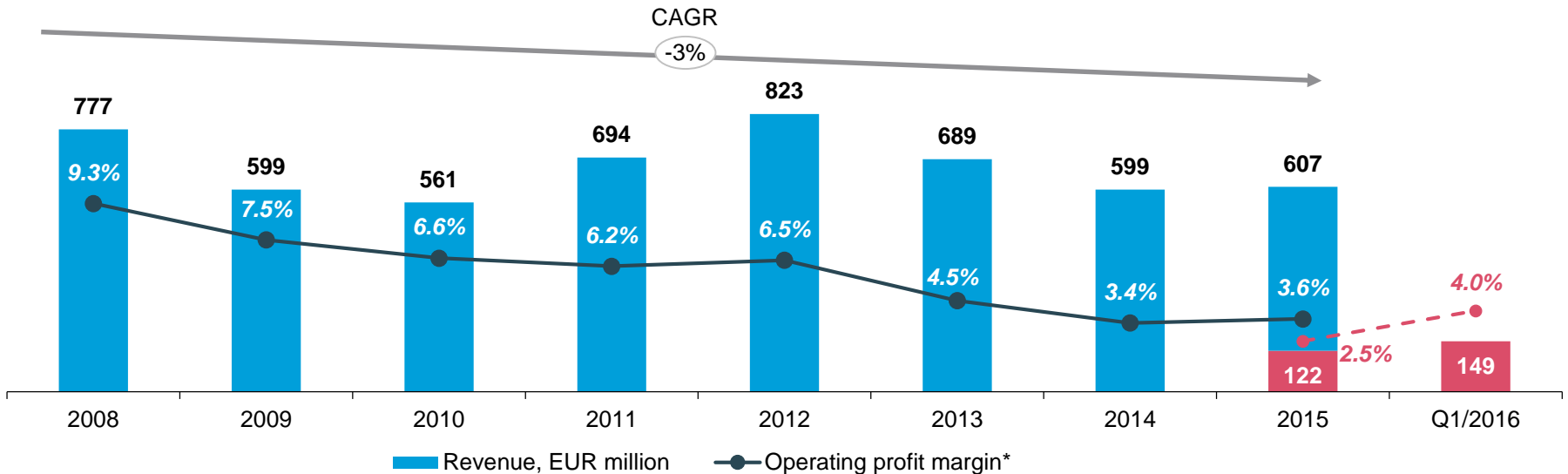
### Estimated timing of the different phases



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 Improving results

- Good progress in the segment
  - Increased revenue and improving profitability
- Solid order backlog, Q1/2016 +29% y-o-y, supports growth and profitability improvement
  - Mall of Tripla (>EUR 500 million) to be added in the order backlog in Q2/2016



\* 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 segment's estimated true share of the fixed costs.



# 5

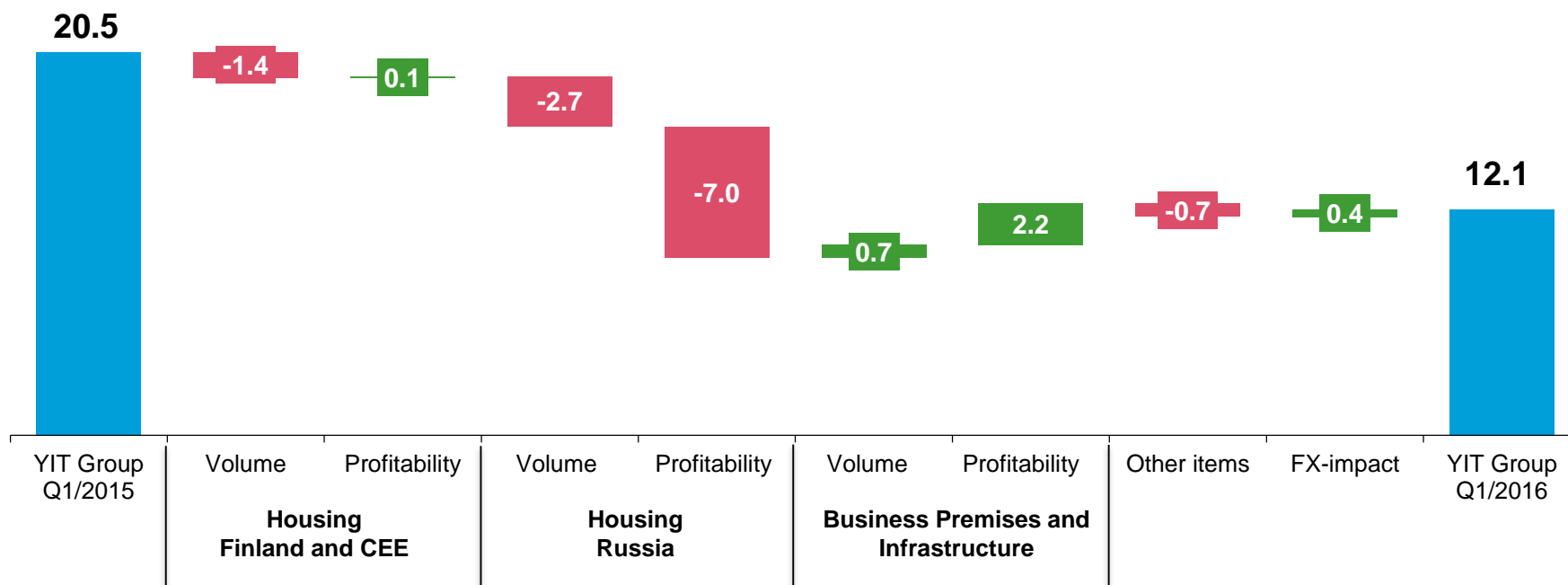
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## Key financials



# Margin pressure in Russia, positive development in Business Premises and Infrastructure

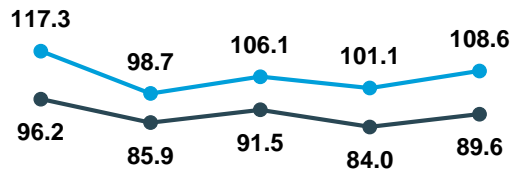
Adjusted operating profit (EUR million), change Q1/2015 – Q1/2016: -41%



# Financial key ratios weakened in Q1

- Strong liquidity buffer
- Excess cash weakened the equity ratio by around 1.5 pp
- Target to raise capital efficiency further

Gearing (%)

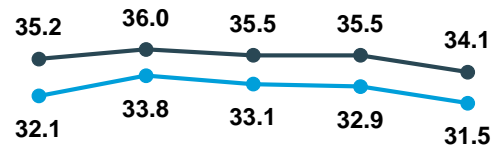


Q1	Q2	Q3	Q4	Q1
2015				2016

—●— POC —●— IFRS

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

Equity ratio (%)

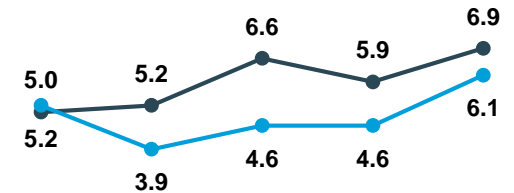


Q1	Q2	Q3	Q4	Q1
2015				2016

—●— POC —●— IFRS

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

Net debt/EBITDA (Multiple, x)



Q1	Q2	Q3	Q4	Q1
2015				2016

—●— POC —●— IFRS

# 6

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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



## Russia

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



## CEE

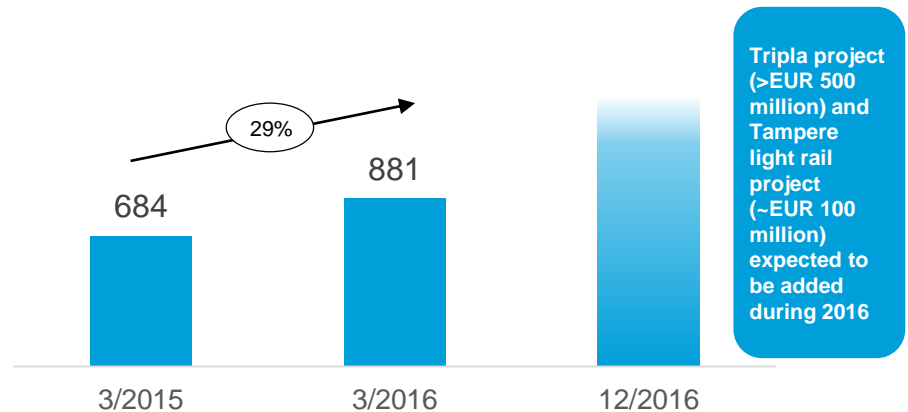
- The improved economic situation to support residential and business premises demand
- Access to financing to remain good and interest rates to remain on a low level
- Residential prices are estimated to increase in the Czech Republic, Slovakia and Lithuania, and to remain stable in Poland, Estonia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



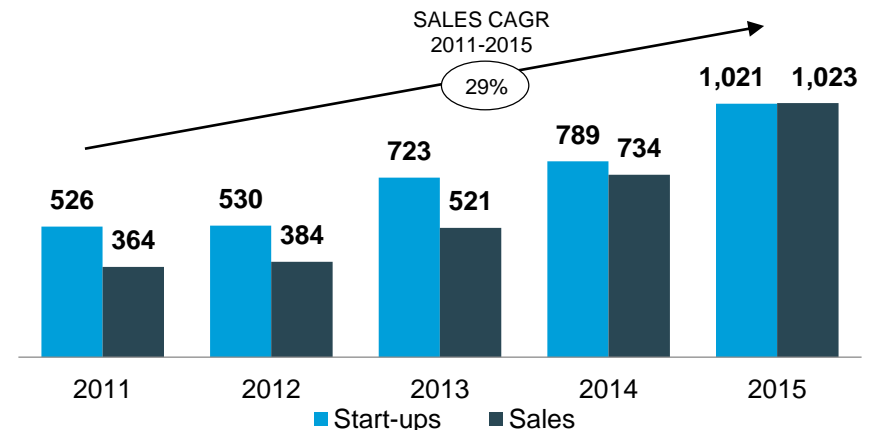
# Focus on getting back to the profitable growth trend

- Strong growth in the Business Premises and Infrastructure segment's order backlog with improved margin content
- Investment in the growth in CEE to continue – first project in Poland started in May 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
- Profitability in Housing Russia expected to stay on a low level

Order backlog of Business Premises and Infrastructure, EUR million



Apartment start-ups and sales in CEE, units

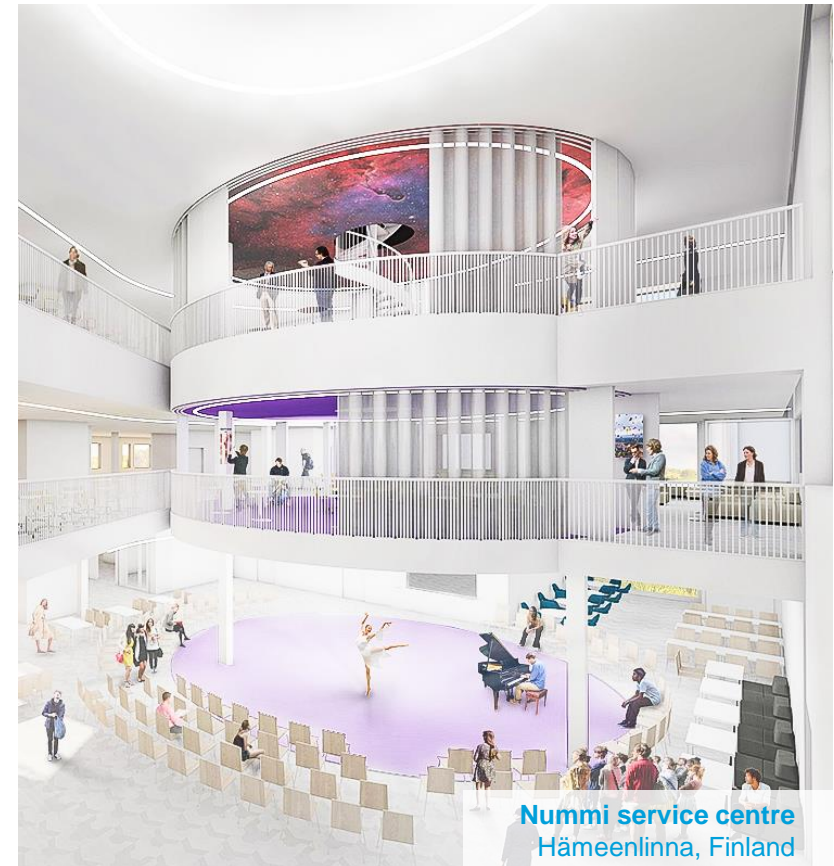


# Guidance for 2016 (segment reporting, POC) unchanged

**The Group revenue growth** is estimated to be in the range of **0-10%** at comparable exchange rates.

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

- Over half of Q2-Q4/2016 revenue from sold projects and signed pre-agreements, assuming that large projects such as Tripla progress as planned. The rest from new sales and capital release
- In Business Premises and Infrastructure, the growing volume and the improved margin content of the order backlog are estimated to support the segment's adjusted operating profit
- 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

# Concluding remarks

- ✓ **Solid track record**  
One of the most profitable construction companies in Europe throughout the business cycle, clearly the most profitable in Finland
- ✓ **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
- ✓ **Growth opportunities**  
especially in Business Premises and Infrastructure and in CEE
- ✓ **Getting back to the profitable growth trend**  
EBIT expected to start to improve already in 2016, trends and drivers provide long-term growth opportunities
- ✓ **Good progress in improving capital efficiency**  
Work continues to raise the capital efficiency further





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**Together  
we can  
do it.**