



# YIT – More life in sustainable cities

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Roadshow Paris  
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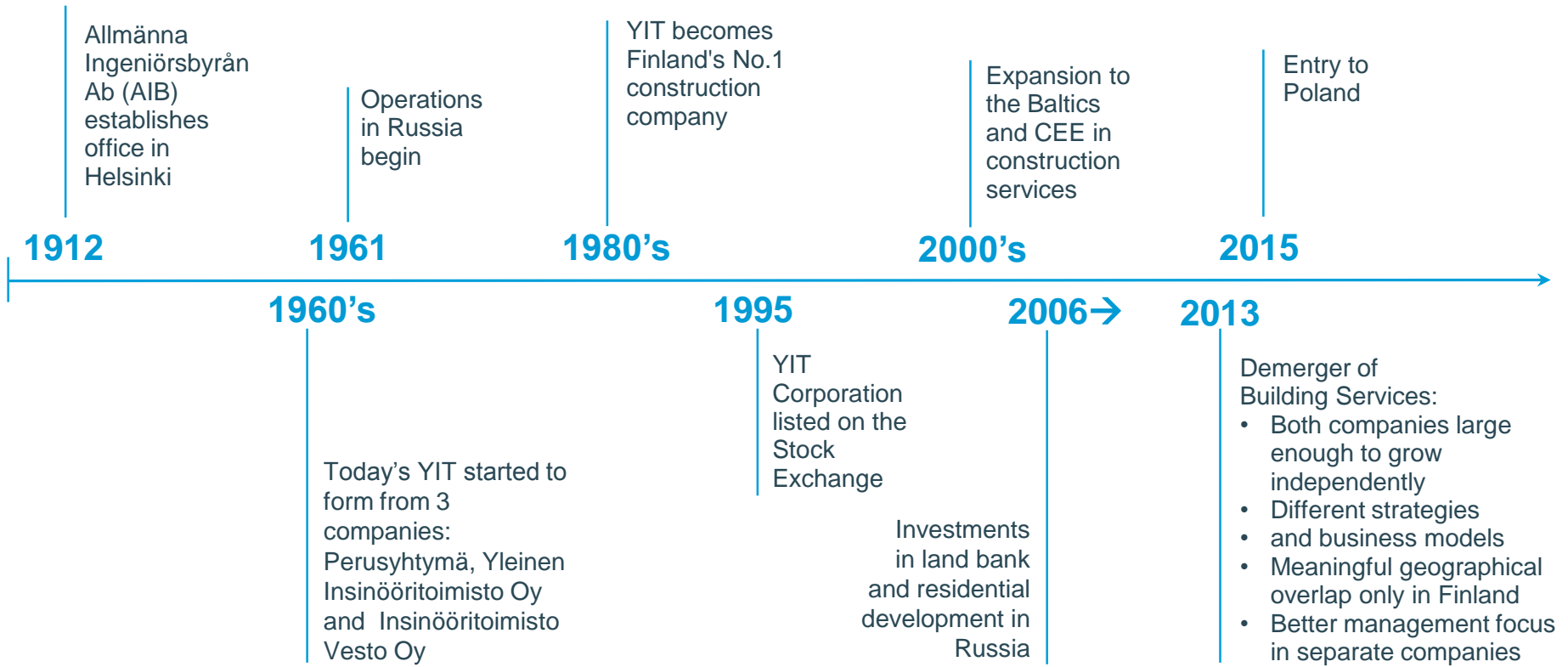
# 1

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## YIT in brief

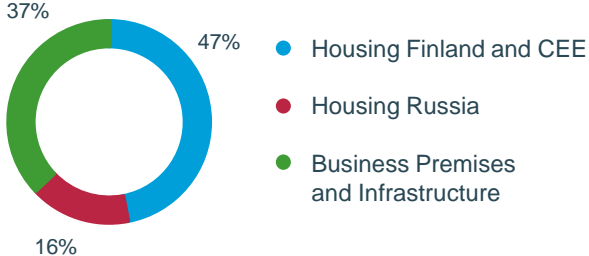


# Over 100 years in Finland, over 50 in Russia, growing presence in CEE

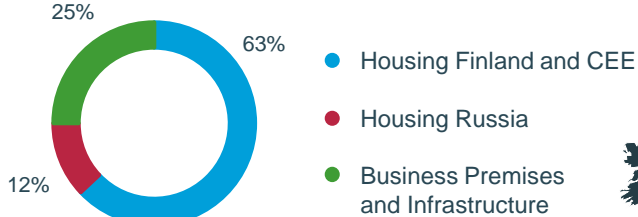


# A real estate developer and construction company with solid track record

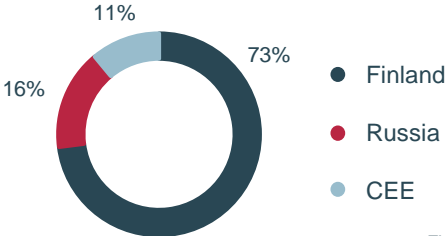
Revenue by segment, EUR 1.7 bn



Operating profit\* by segment, EUR 76 million



Revenue by geographical area, POC



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



# 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.



# 2

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Why invest  
in YIT?



**Kasarmikatu 21 office building**  
Helsinki, Finland

# 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**

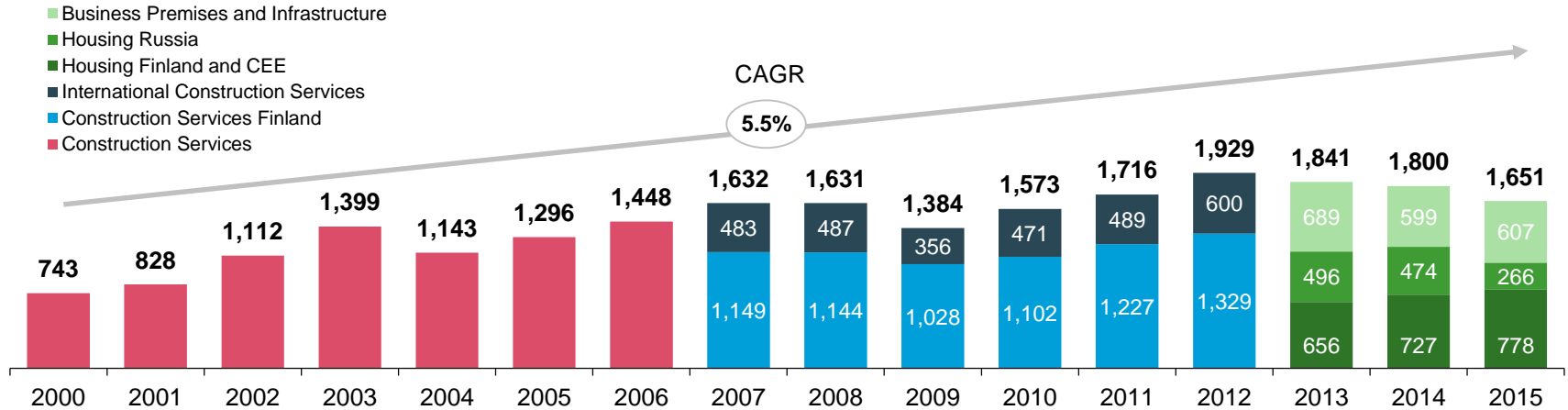
and high ethical standards in all operating countries



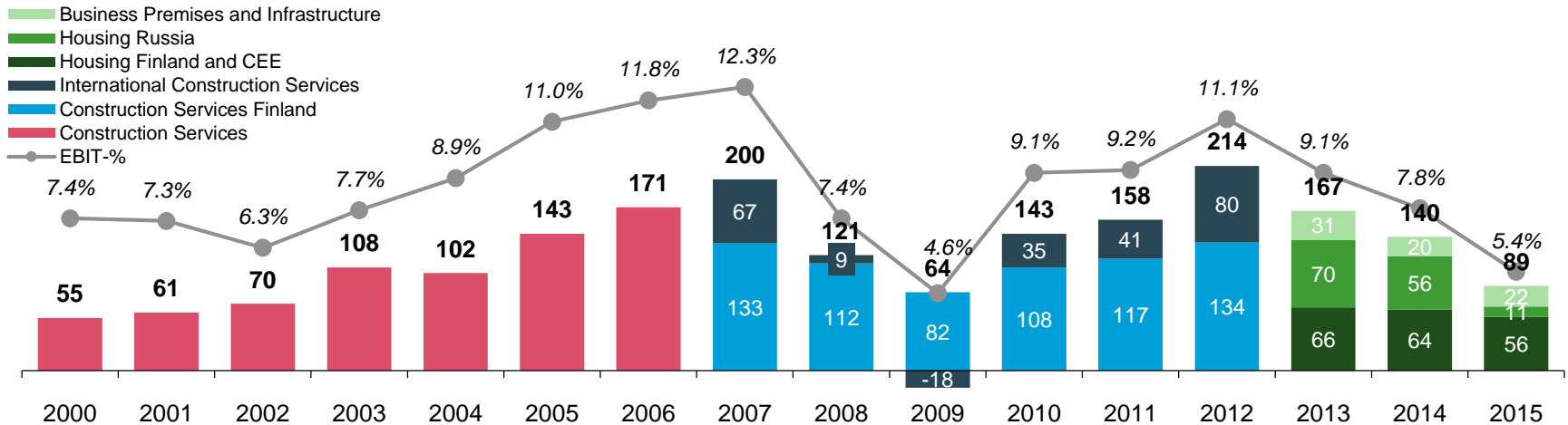


# Revenue growth and healthy profitability through economic cycles

## Revenue development (EUR million) by business segment



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

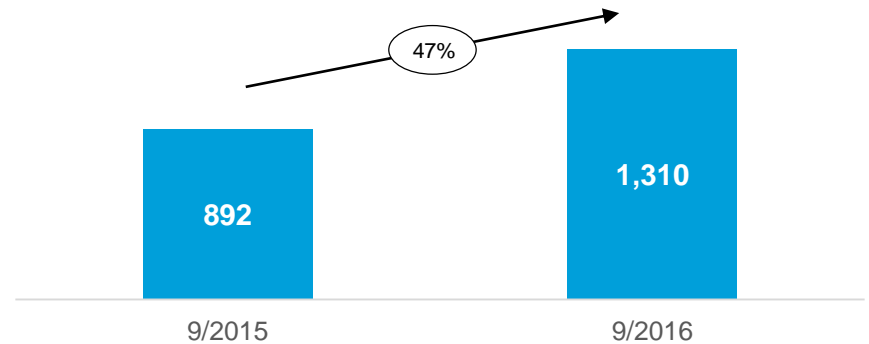


Note: Segment level figures (POC), i.e. sum of Construction Services related segment figures in YIT financial reporting and thus excluding effect of other items.

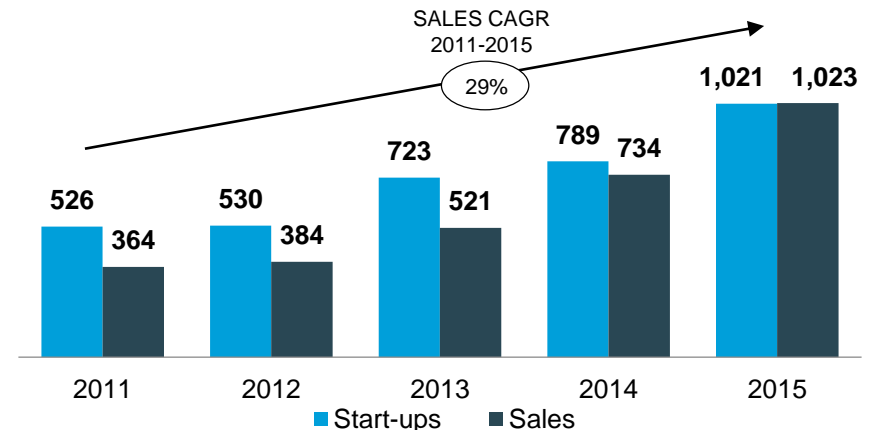
# YIT getting back to the profitable growth trend

- Strong growth in the backlog of Business Premises and Infrastructure with improved margin content (37% of 2015 revenue)
- Investments in the growth in CEE to continue (11% of 2015 revenue) - first project in Poland started in Q2/2016
- First positive signs in consumer demand in Finnish housing in 1-9/2016: Consumer sales +6% 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



# 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

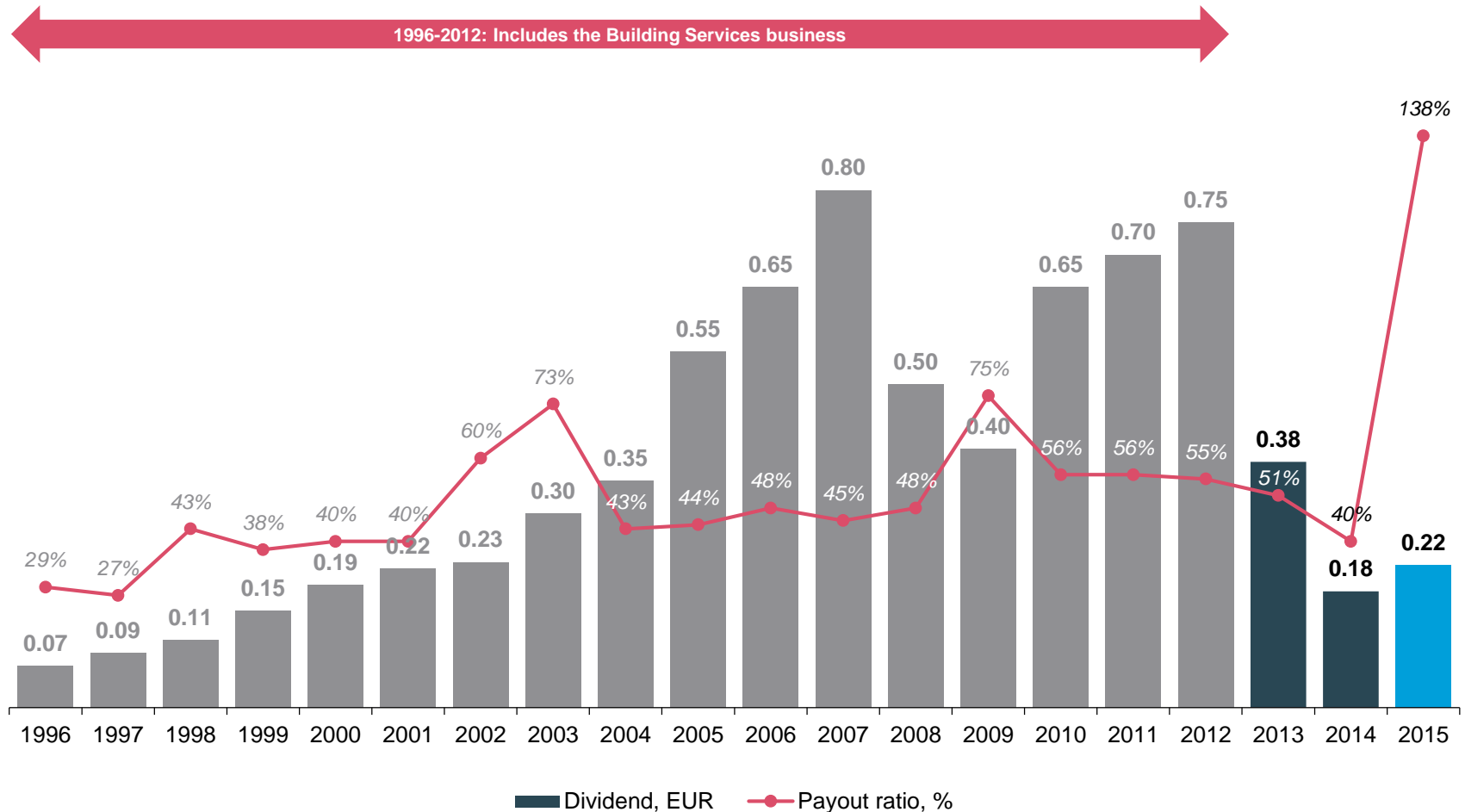
We reduce our sales risk in Russia and focus on building small, affordable apartments



# Firm dividend payer, payout target 40–60% of net profit

## Dividend / share (EUR)

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



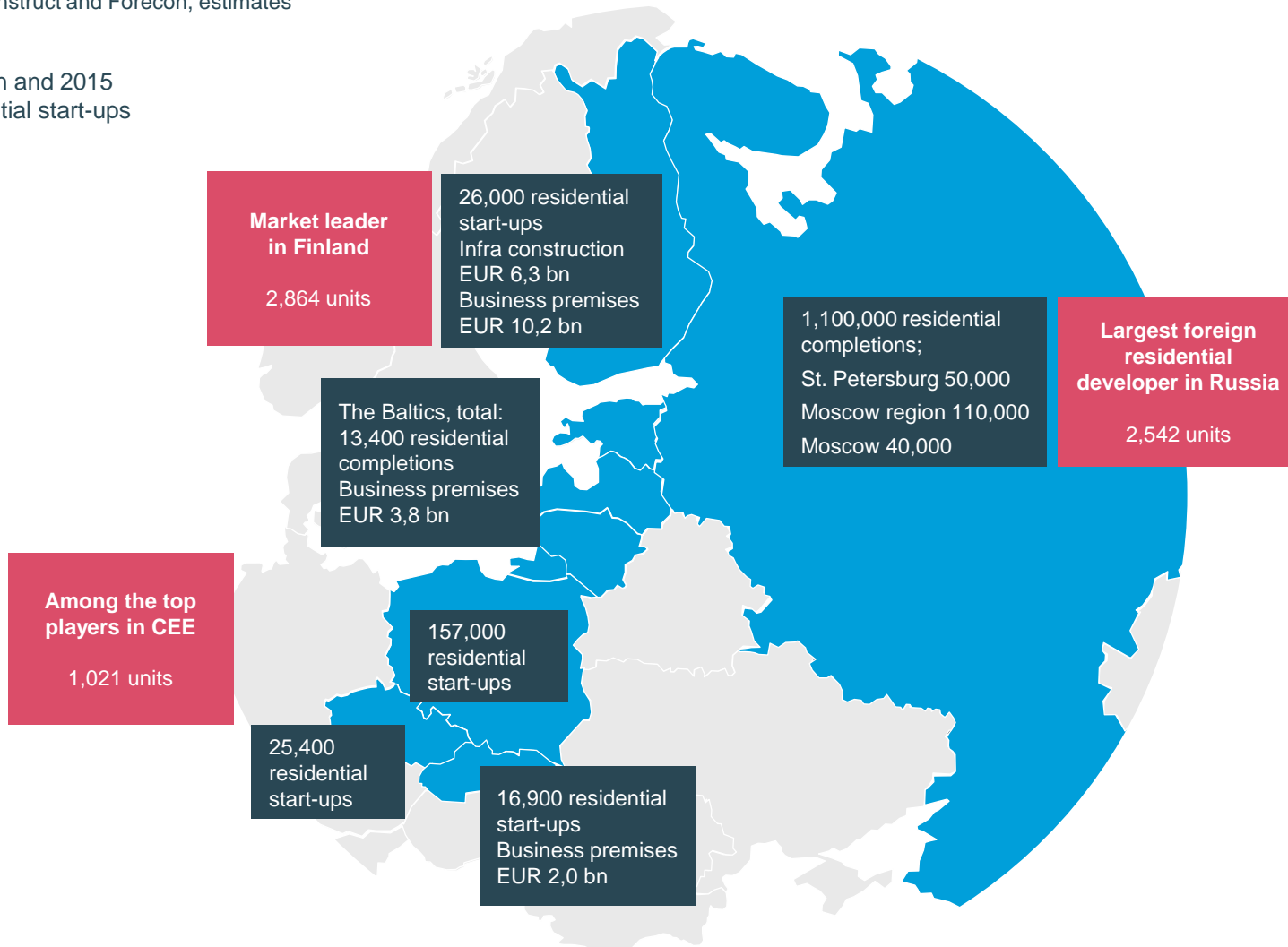
# Strong market position in all markets

## Market sizes in 2015

Euroconstruct and Forecon, estimates

## YIT

Position and 2015 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

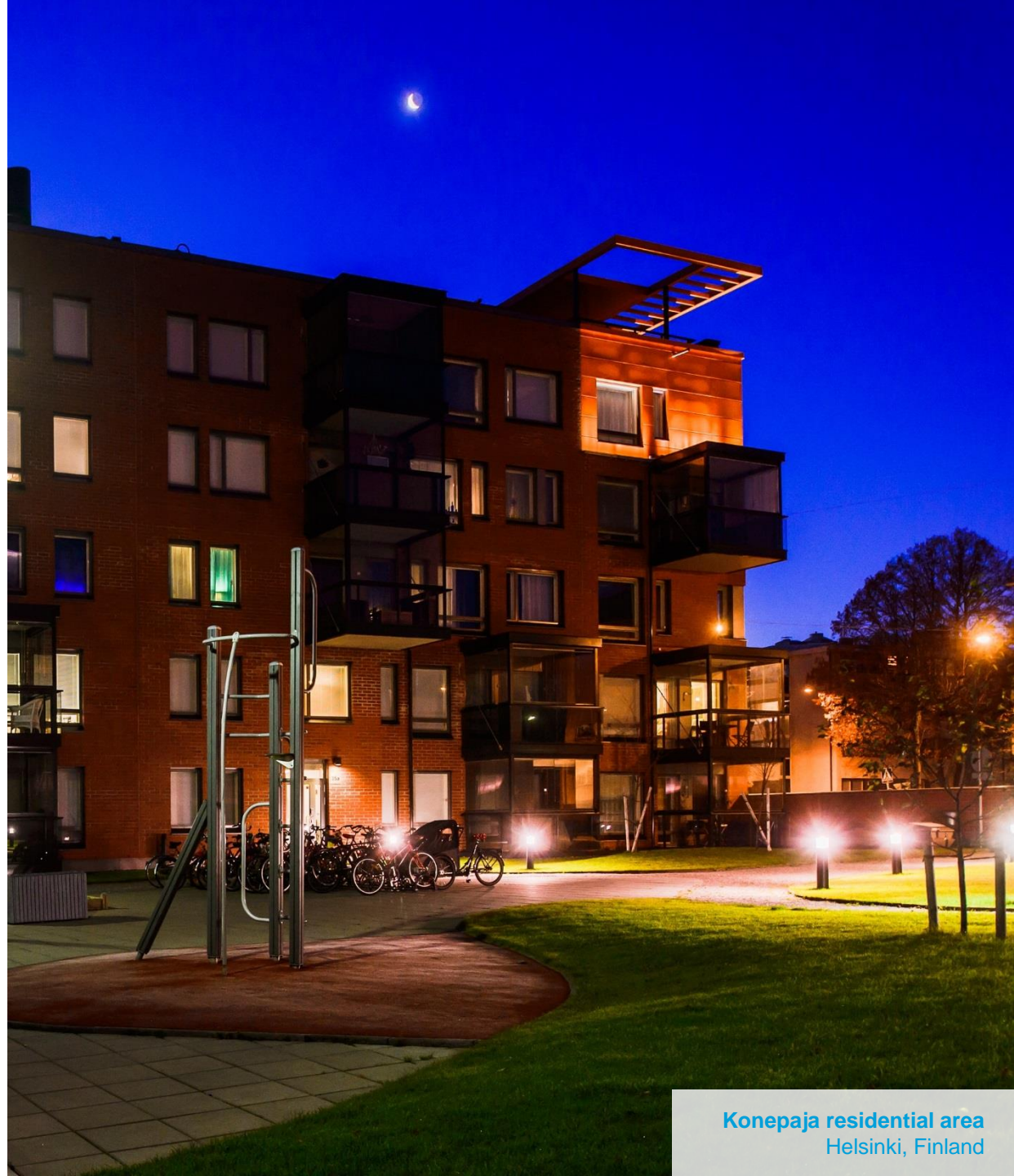
**“Best Housing Project 2014”**  
in Latvia, Lithuania and Slovakia



# 3

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## Strategy and business model



# Future market realities – Old rules no longer apply

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**1**

**Competition for people**

**2**

**Rapidly changing  
playing field**

**3**

**Declining earnings and  
new opportunities**

Three megatrends driving market development:

**URBANISATION**

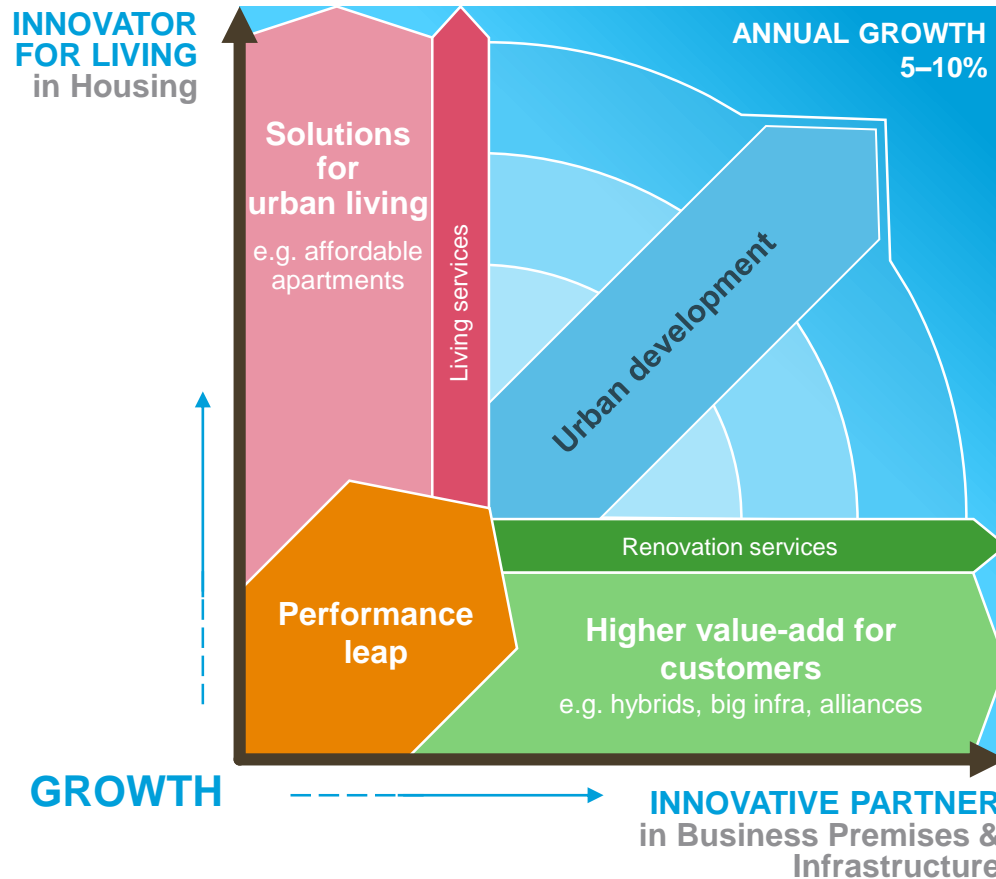
**SUSTAINABLE DEVELOPMENT**

**DIGITALISATION**








# Renewed strategy for 2017–2019

## More life in sustainable cities





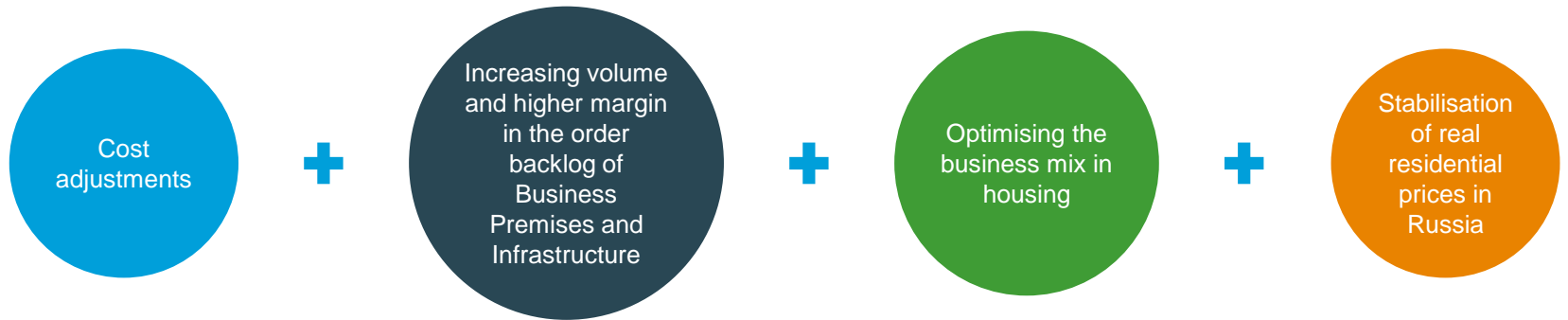
# Financial targets

Long-term financial target	Target level	Status 6/2016	
Revenue growth	5–10% annually on average	1–6/2016: 4% (7% at comparable exchange rates)	
Return on investment	15%	5.0%	
Operating cash flow after investments*	Sufficient for dividend payout	1–6/2016: EUR 1.1 million	
Equity ratio	40%	36.4%	
Dividend payout	40 to 60% of net profit for the period	2015: 137.8%	

\*Cash flow target revised  
All figures according to segment reporting (POC)

# Clearly higher EBIT needed to reach the targeted ROI

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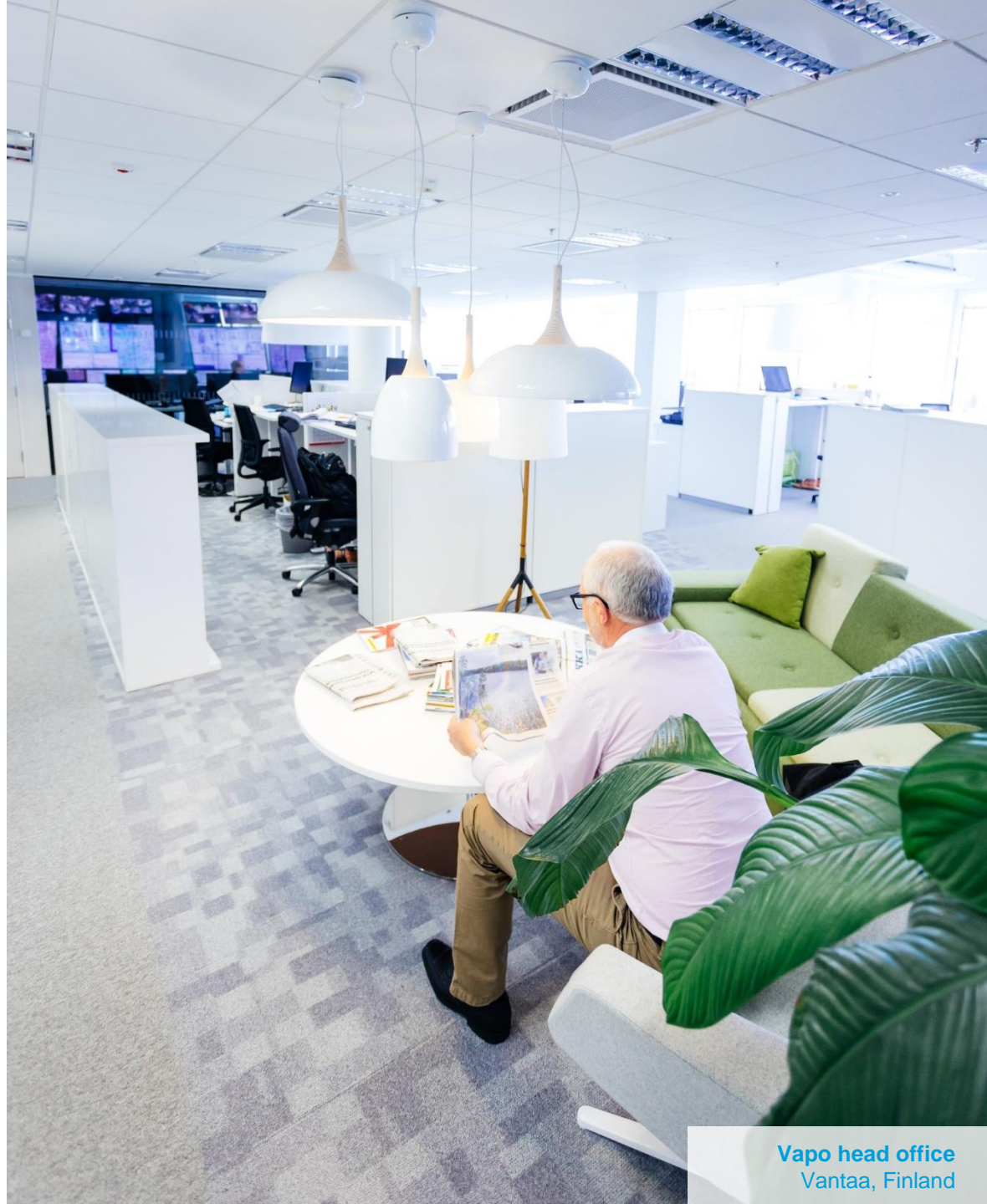


Dependence on market development

# 4

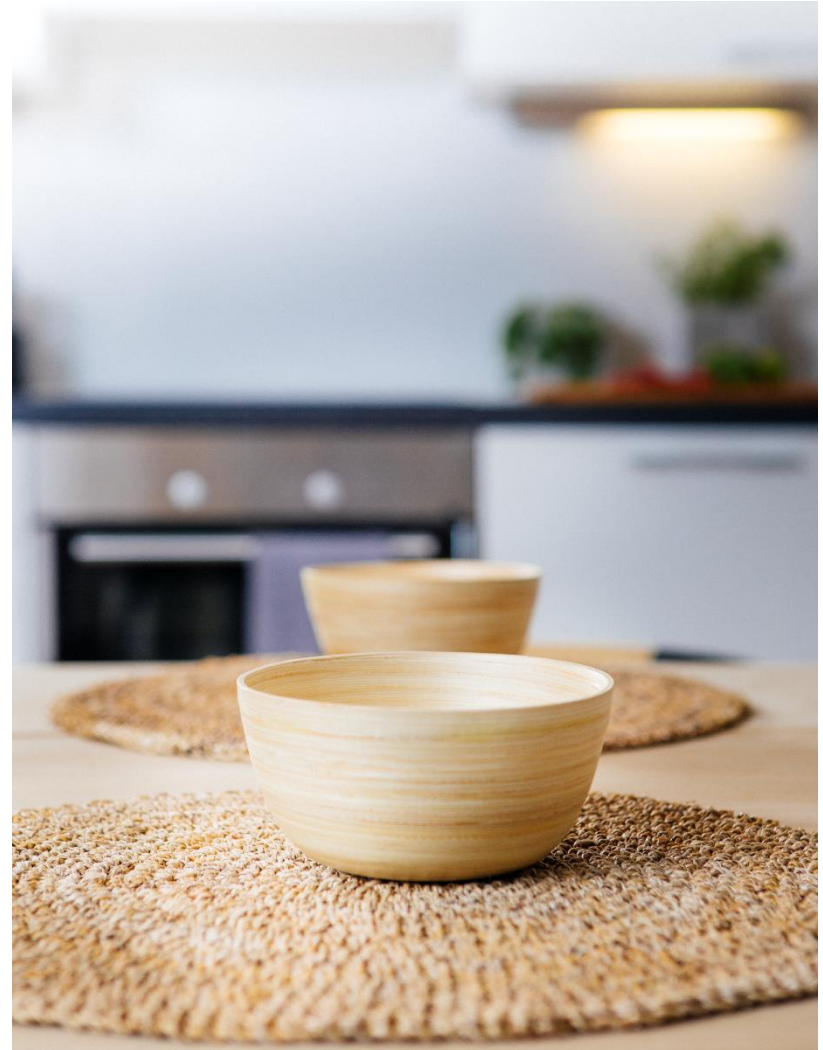
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## Latest highlights



# Key messages in Q3/2016

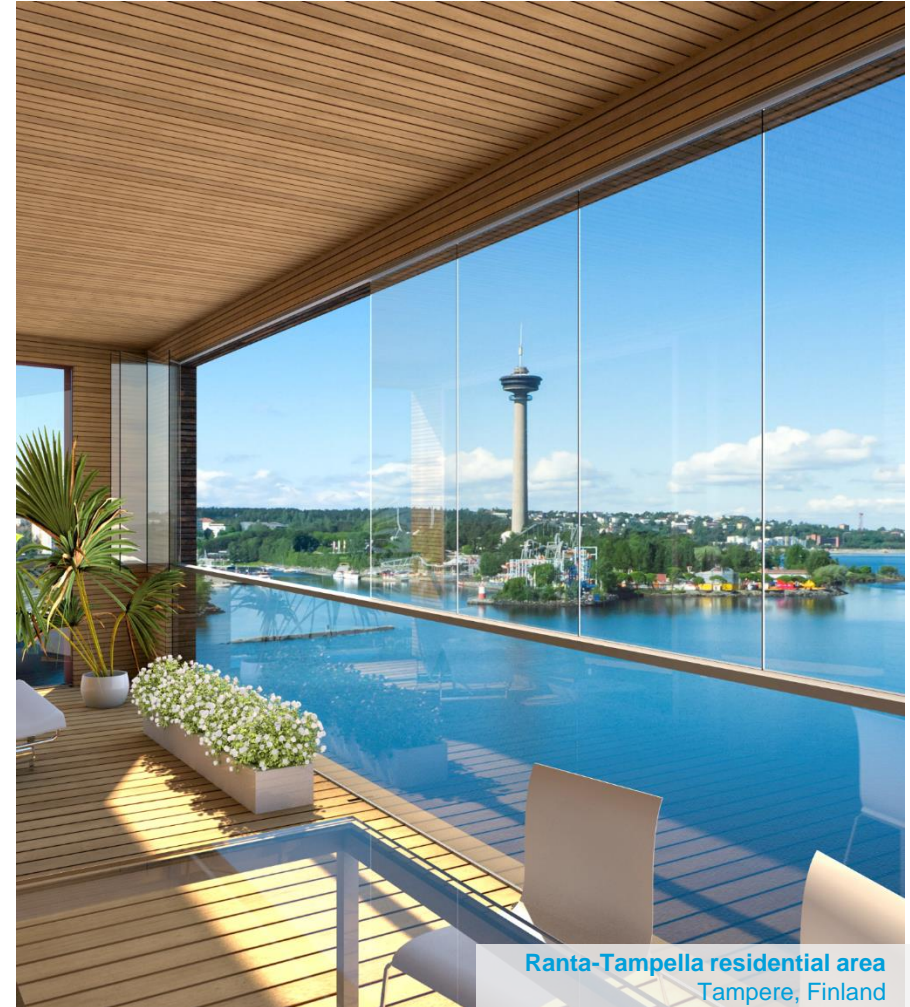
- Adjusted operating profit in Housing Russia turned positive due to good sales
- High consumer start-ups in Finland, however the start of sales in certain new projects postponed to Q4 in Finland and CEE
- Large projects proceeded well in Business Premises and Infrastructure, several new projects won
- Asset book values in Housing Russia revaluated, a EUR 27 million cost booked in Q3 result
- Renewed strategy published and strategy implementation started





# Several successes recently

- New projects signed in October, will be booked in Q4 order backlog:
  - Metropolia Myllypuro Campus in Helsinki, Finland
  - Office building in Vilnius, Lithuania
- New contracts signed, start-ups after building permits:
  - Wihuri logistics centre in Vantaa, Finland
  - Point College in Porvoo, Finland
- High reservation rates in Finnish residential projects
  - Ranta-Tampella project in Tampere reserved in record time
- Mall of Tripla leasing proceeding better than expected
  - Occupancy rate almost 40%
  - All grocery stores signed (5)





# Significant acknowledgements for YIT in October

## **Construction Site of the Year 2016**

Naantali CHP power plant project

The first alliance of industrial construction together with A-Insinöörit, AX-LVI Consulting Ltd., Turun Seudun Energiantuotanto Oy

## **The winner of the Construction Quality 2016 competition**

Aki Ahremaa, general foreman from YIT

Yearly competition organised by the Confederation of Finnish Construction Industries RT

## **The most attractive employer in the construction sector in 2016**

Chosen by academic professionals in the study conducted by Universum



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## Housing Finland and CEE

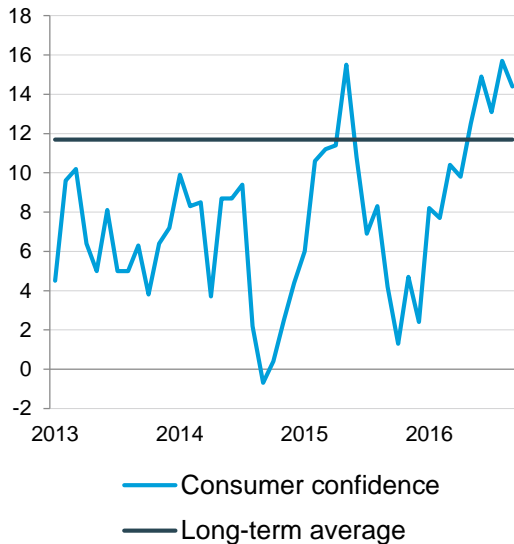


# Housing Finland and CEE

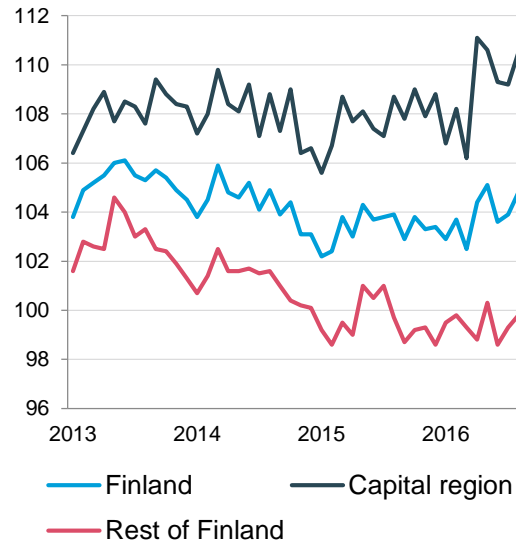
## Operating environment in Finland in Q3

- Consumer confidence stayed on a good level
- Investor demand remained good
- 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

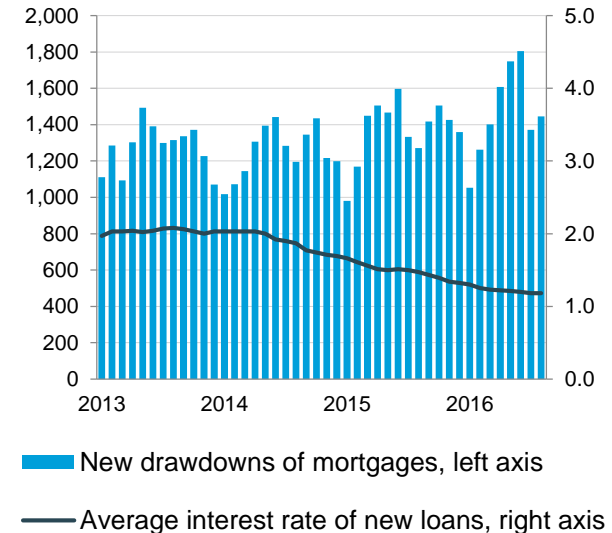
### Consumer confidence



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



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



Sources: Statistics Finland and Bank of Finland

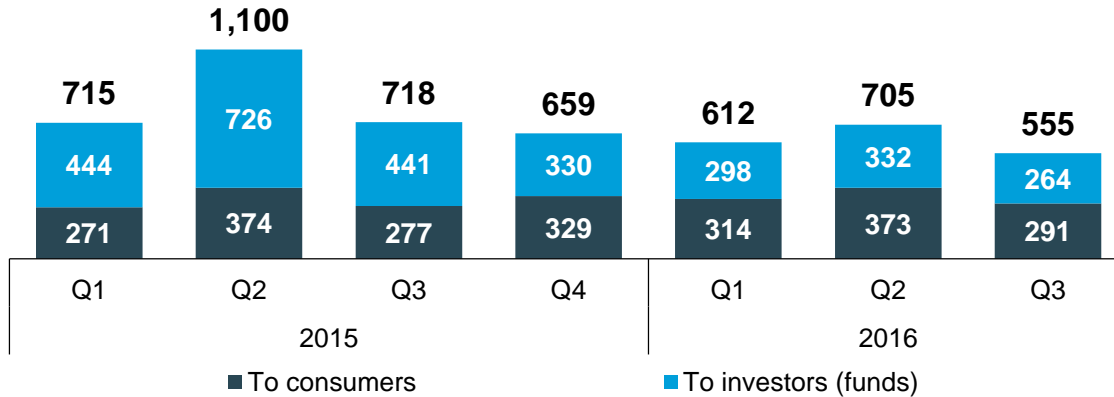
# Housing Finland and CEE

## Sales and start-ups in Finland

### Sold apartments (units)

2015: 3,192

1-9/2016: 1,872



- High consumer start-ups due to several new projects

- Smartti-projects started in four cities in Q3
- Sales portfolio improved as indicated

- Share of units sold to consumers has increased, 1–9/2016: 52% (1–9/2015: 37%)

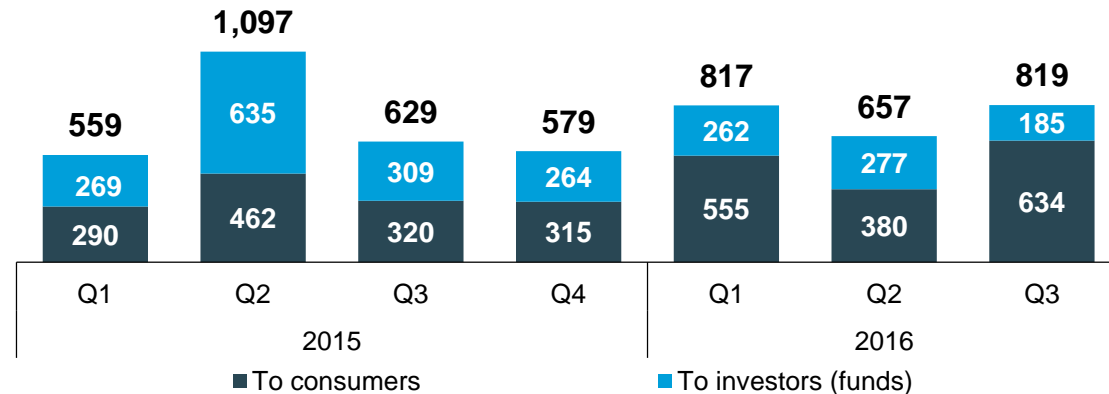
- Clearly less bundle deals to investors, 1–9/2016: 170 units (1–9/2015: 398 units)

- In October, sales to consumers estimated to be around 200 units (10/2015: over 100 units)

### Apartment start-ups (units)

2015: 2,864

1-9/2016: 2,293



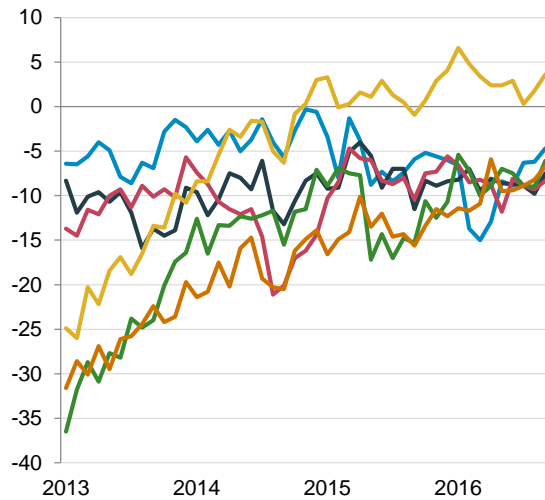


# Housing Finland and CEE

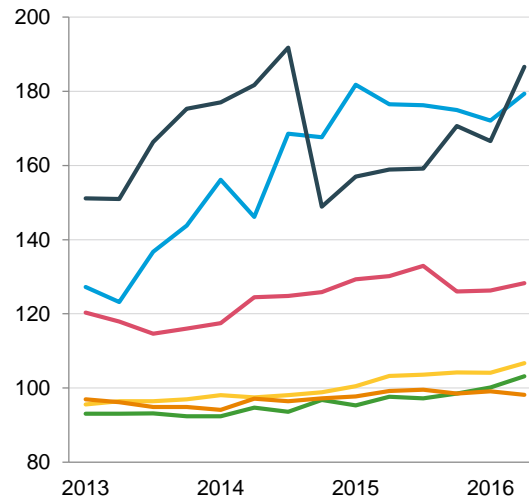
## Operating environment in the CEE countries in Q3

- Macro environment has stabilised on a good level
- 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

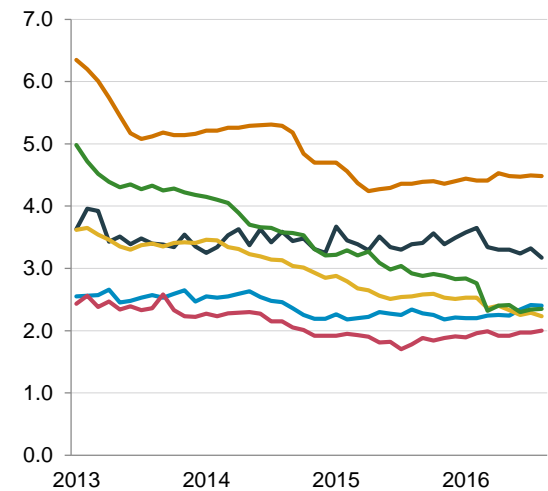
### Consumer confidence



### 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



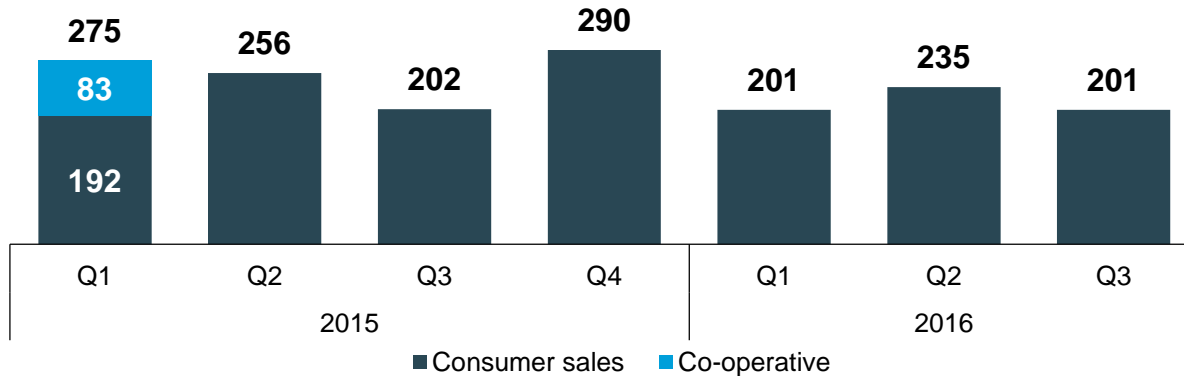
# Housing Finland and CEE

## Sales and start-ups in the CEE countries

### Sold apartments (units)

2015: 1,023

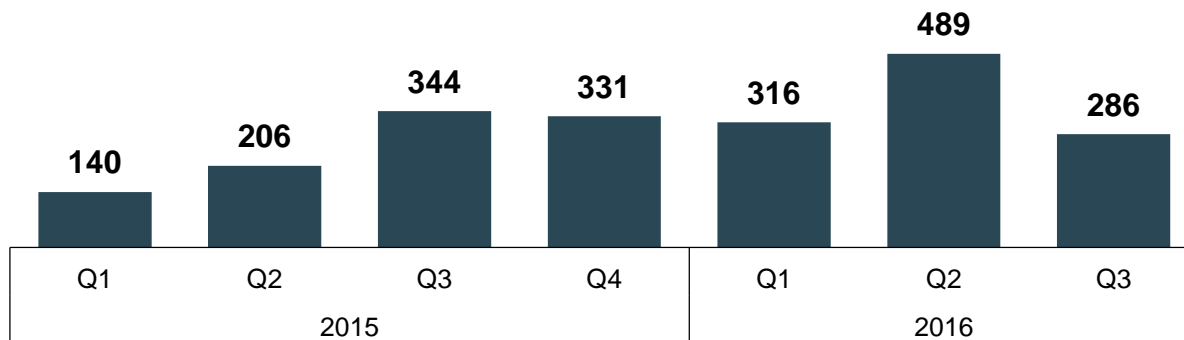
1-9/2016: 637



### Apartment start-ups (units)

2015: 1,021

1-9/2016: 1,091

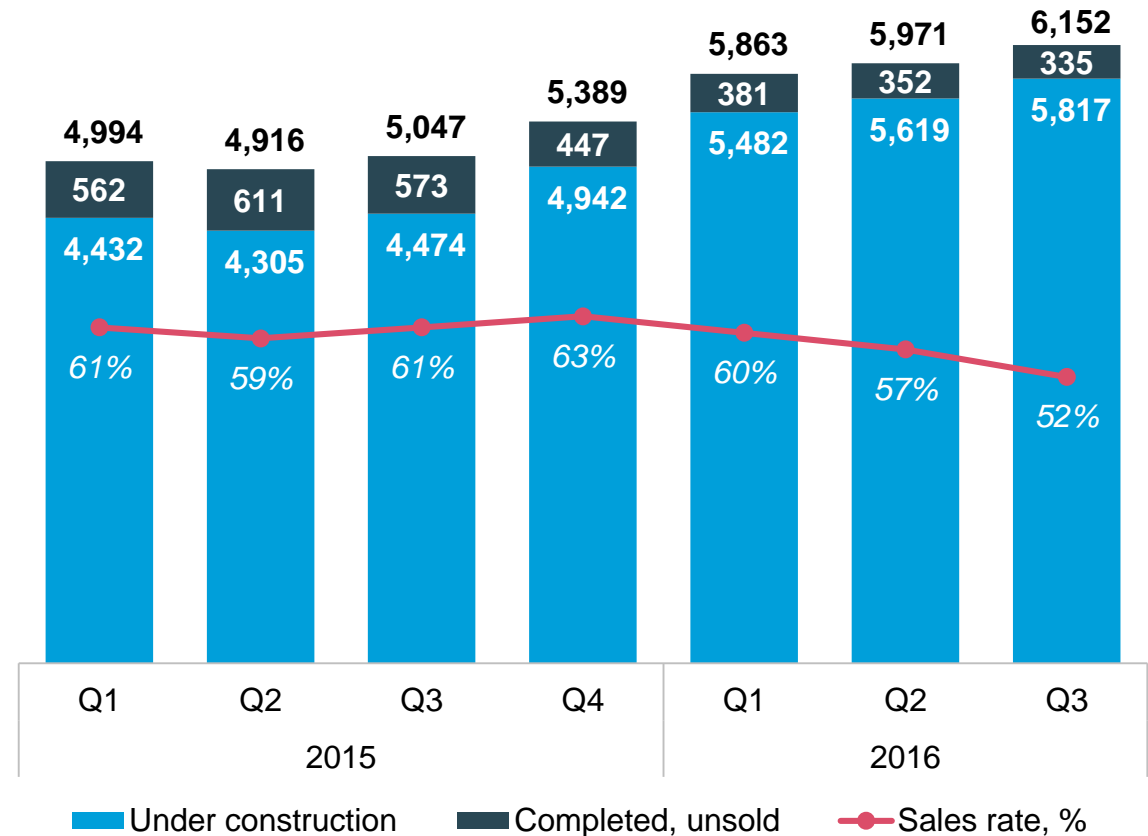


- Consumer sales (units) still modest
  - Start of sales in certain projects postponed to Q4
- Number of start-ups on a good level
- First residential start-up in Poland in Q2, second plot acquired in Q3
- In October, sales to consumers estimated to be around 100 units (10/2015: around 80 units)

## The production volume (units) continued to increase in Q3

- Number of unsold completed apartments on a low level
- Sales rate of the inventory has decreased due to change in the sales mix
  - Less investor projects in Finland
  - Importance of CEE growing – the share of CEE of the sales portfolio (units) 47% (9/2015: 42%)

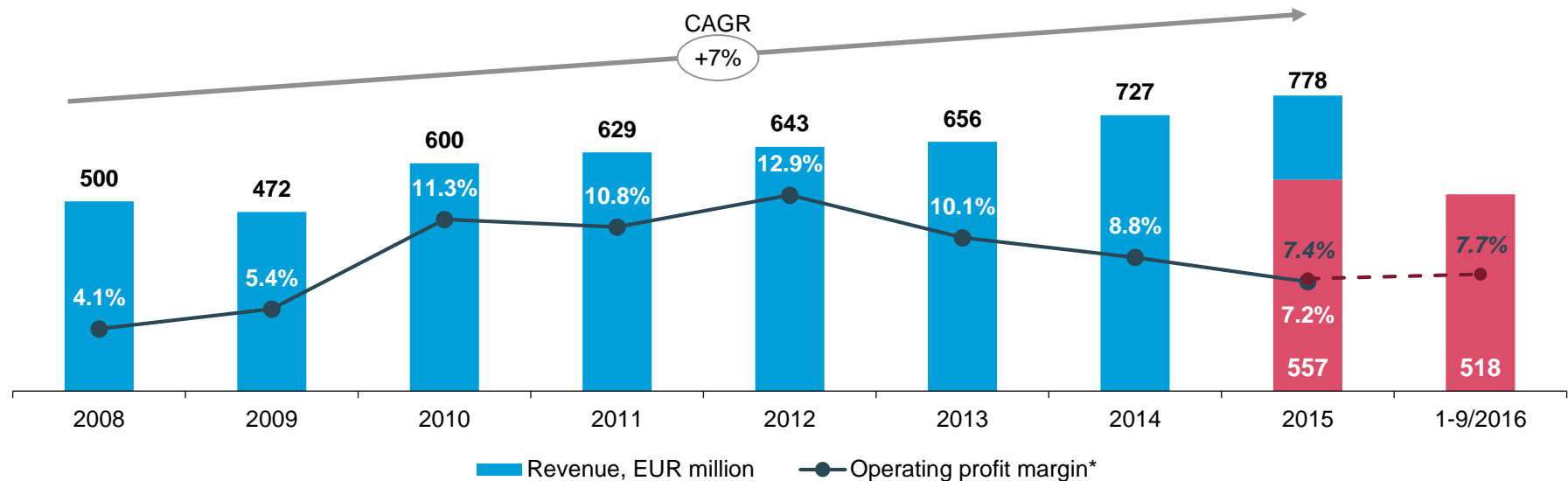
Apartment inventory (units)



## Housing Finland and CEE

# Target to improve profitability by increasing consumer sales

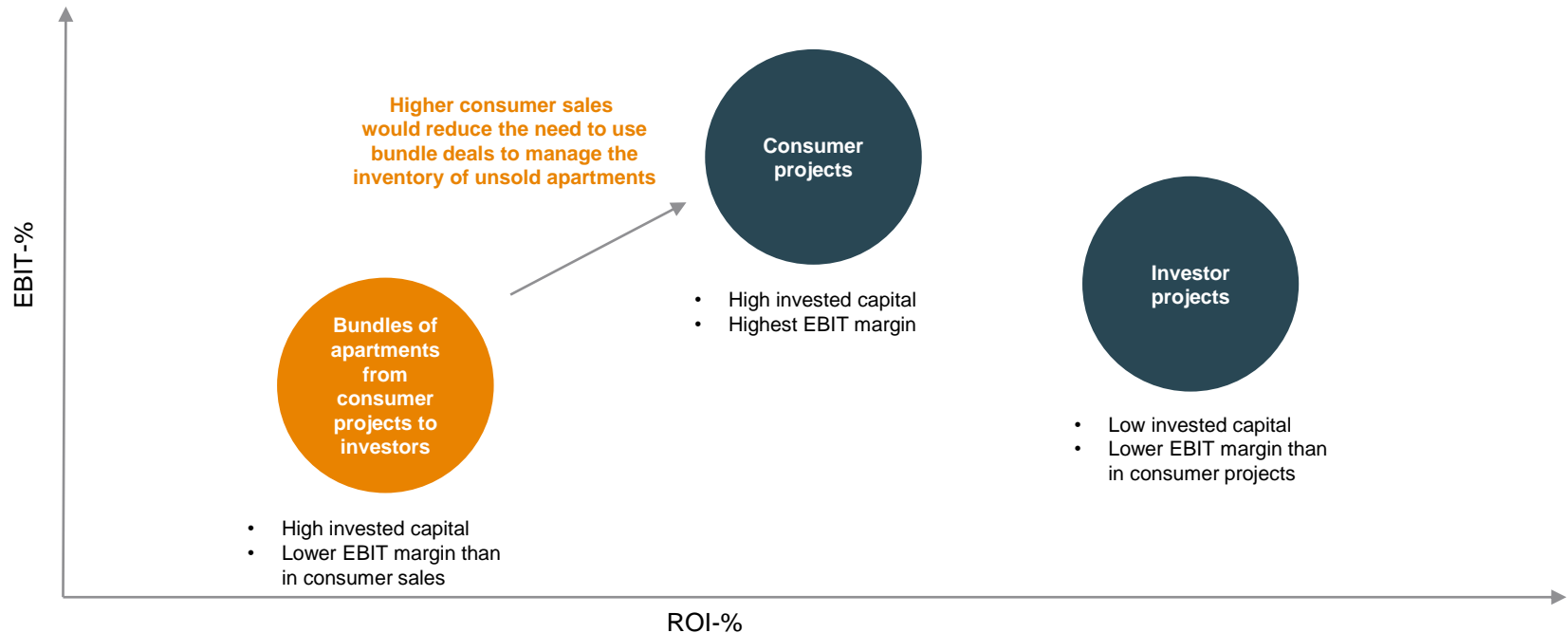
- The segment's profitability has been burdened by high share of investor deals in Finland and actions to release capital
  - Profitability has started to improve due to less capital release actions and improved sales mix
- The start of sales in certain projects postponed to Q4 both in Finland and CEE



\* 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 first projects started



- Smartti, a new affordable and flexible housing concept successfully launched in spring 2016
- Affordable, yet stylish homes with standardized modularity and pre-fabrication
- Aim to start nine Smartti projects in Finland in H2/2016
- 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



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## Housing Russia



**Baltym Park**  
Yekaterinburg, Russia

# Housing Russia

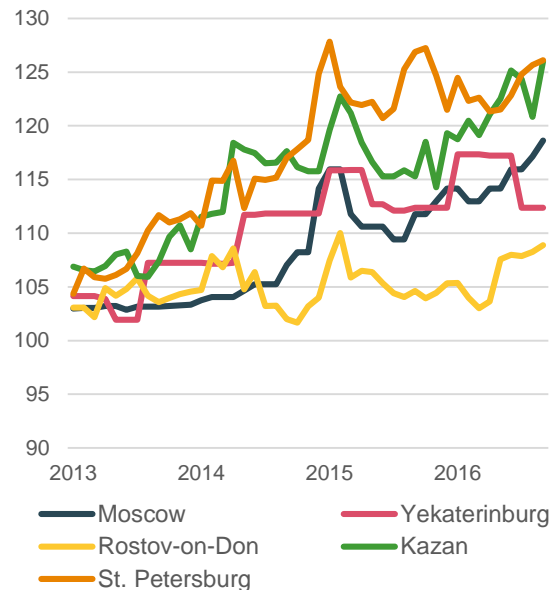
## Operating environment in Q3

- The ruble continued to strengthen during the quarter
- Central Bank of Russia cut its key rate to 10.0%
- Demand focused especially on small apartments
- Residential prices remained stable
- Mortgage subsidy program in effect until the end of 2016
- Mortgage interest rates for new apartments at around 12%

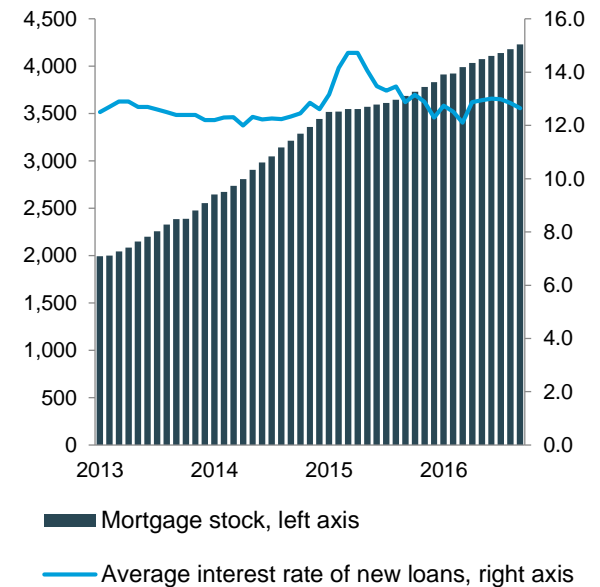
EUR/RUB exchange rate



Prices of new apartments, index 2012=100



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



Sources: Bloomberg, YIT and Central Bank of Russia

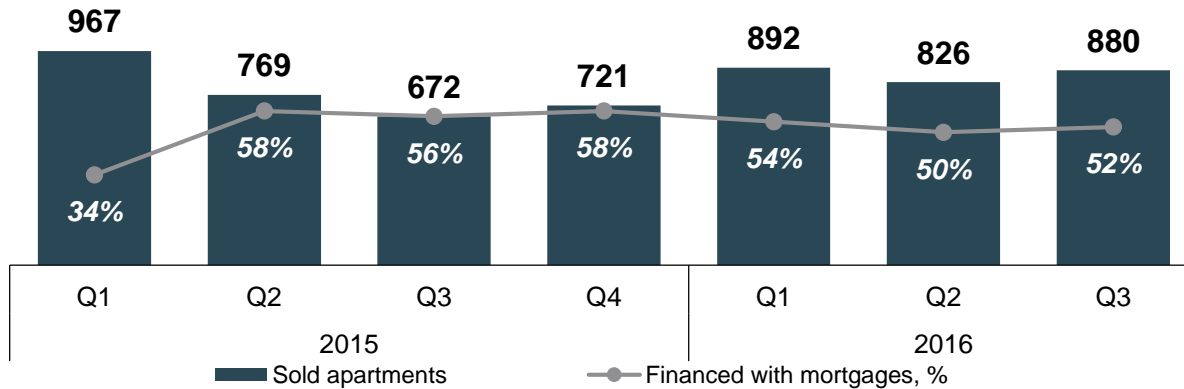
# Housing Russia

## Sales and start-ups in Q3

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

2015: 3,129 (50%)

1-9/2016: 2,598 (52%)

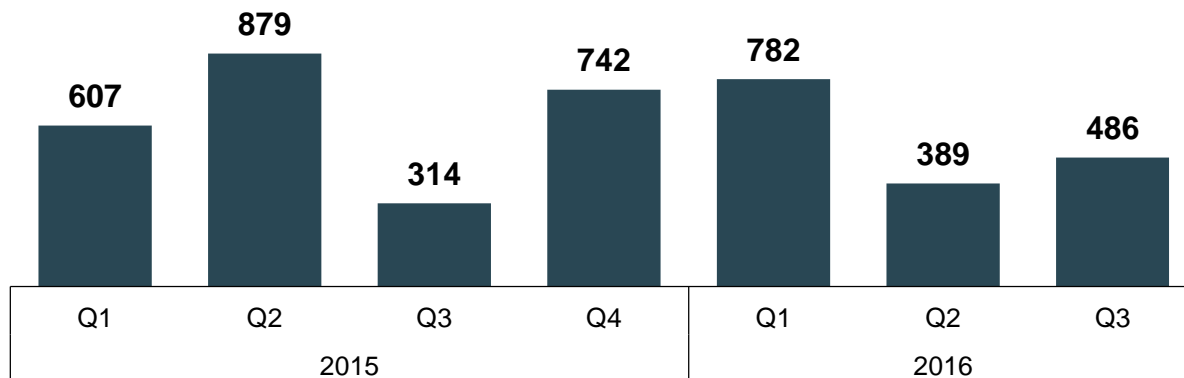


- Number of sold units grew by 31% y-o-y in Q3
- Share of sales financed with mortgages stable on a high level
- A BREEAM environmental certificate granted to YIT's project in Kazan, the first of its kind for YIT in Russia

### Apartment start-ups (units)

2015: 2,542

1-9/2016: 1,657

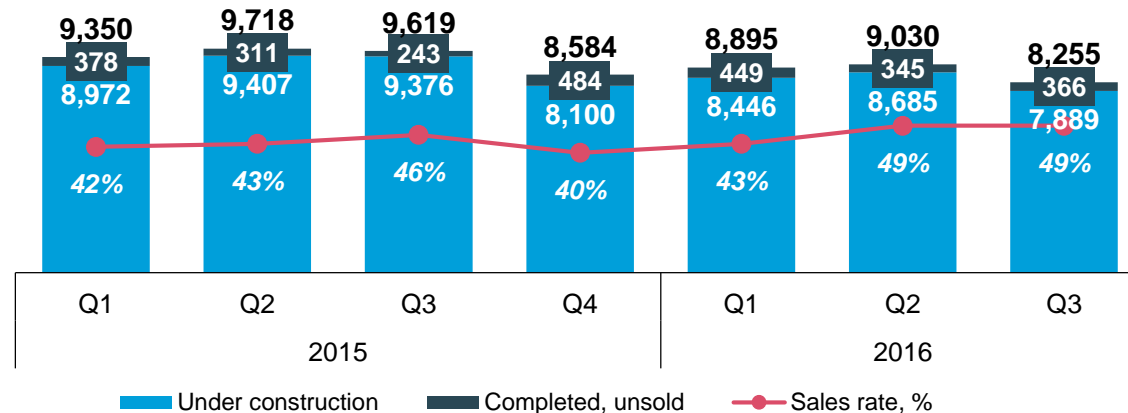


- In October, consumer sales estimated to be over 300 units (10/2015: around 200 units)

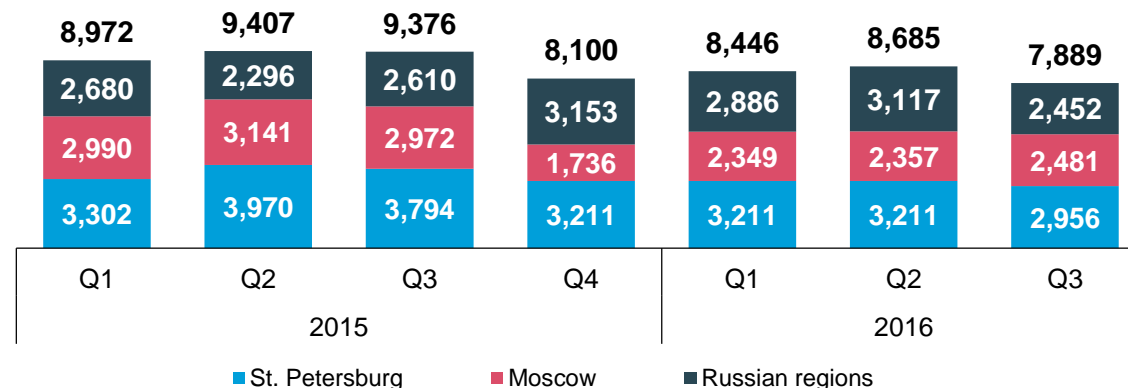
## Apartment inventory decreased due to high completions

- Several completions in Q3, exceptionally high completions expected also for Q4
- Sales rate on a high level
- At the end of September, YIT Service responsible for the service and maintenance of over 24,000 apartments (9/2015: over 21,000)

Apartment inventory (units)



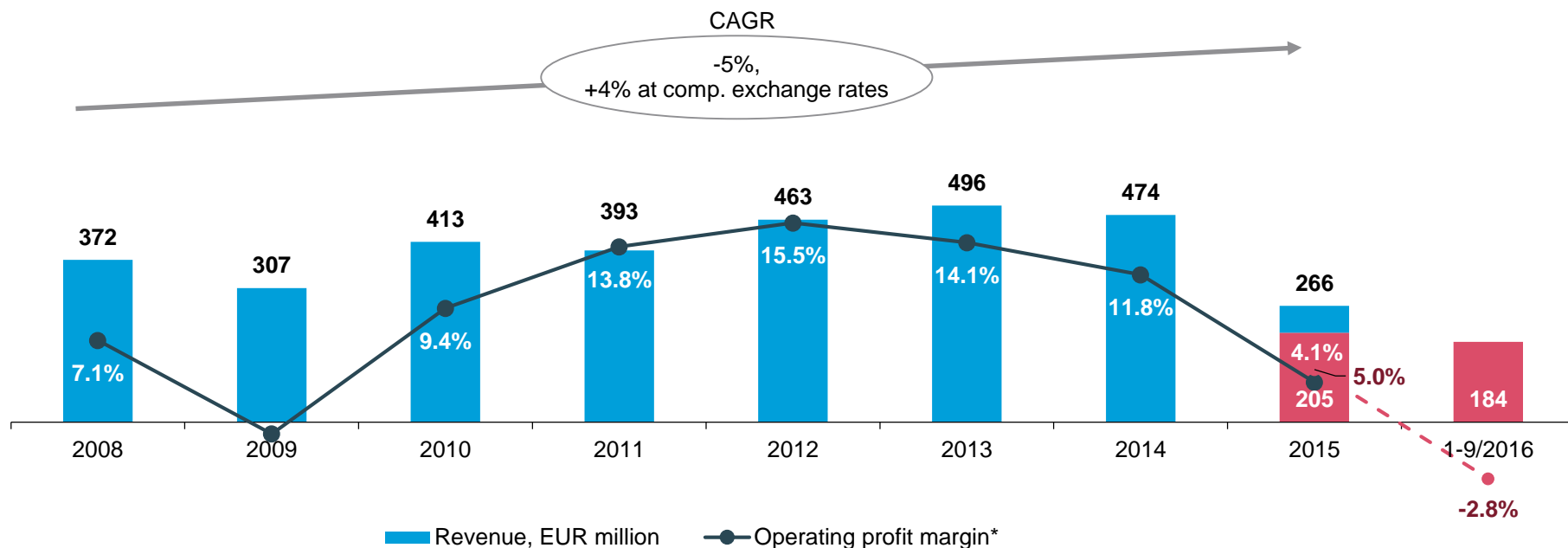
Apartments under construction by area (units)



## Housing Russia

# Revenue grew clearly, adjusted operating profit positive in Q3

- Profitability still under pressure, but Q3 showed positive adjusted operating profit for the first time in 2016
  - The aim is to have positive adjusted operating profit for H2/2016
- 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 segment's estimated true share of the fixed costs.



# 7

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## Business Premises and Infrastructure

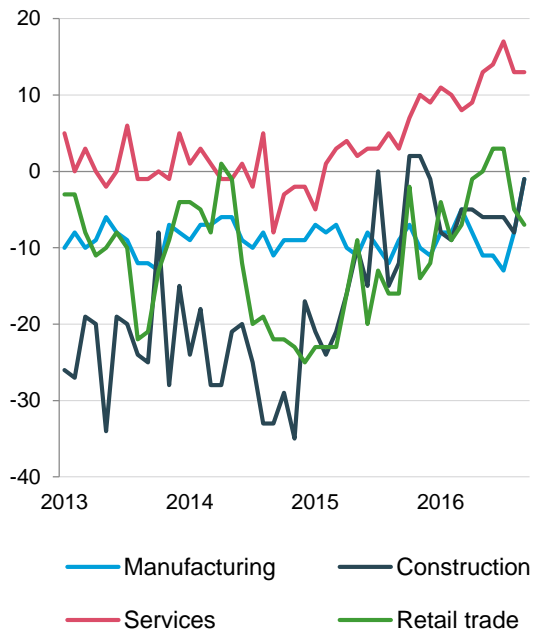


# Business Premises and Infrastructure

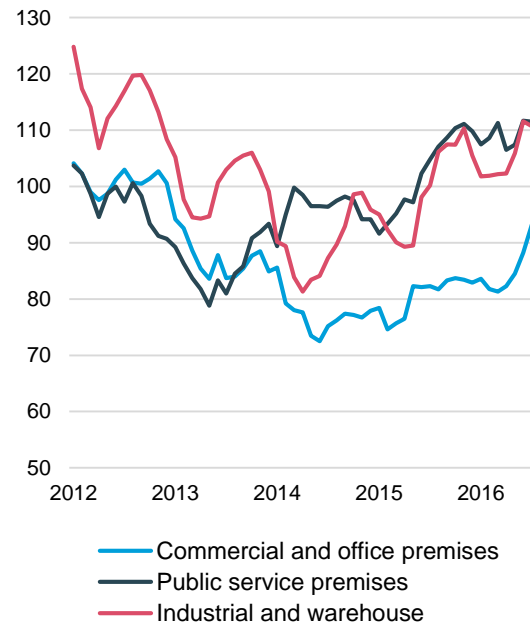
## Operating environment in Q3

- 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 increased
- Positive macro outlook supported the business premises market in the CEE countries

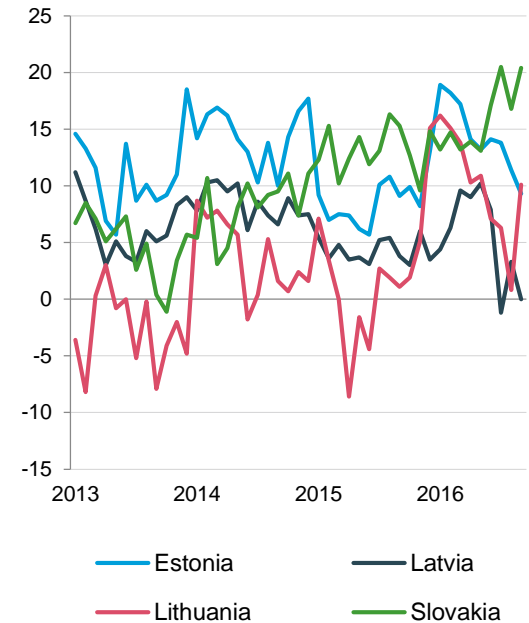
### Confidence indicators in Finland



### Volume of new construction, index 2010=100



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

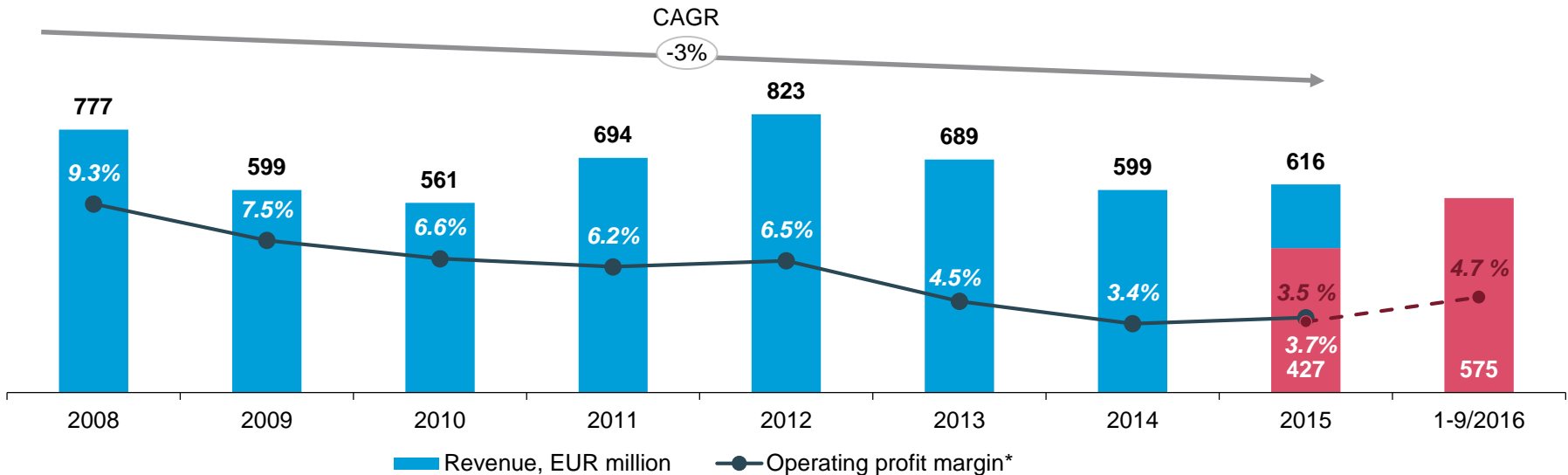


Sources: EK Confederation of Finnish Industries, Statistics Finland and European Commission

# Business Premises and Infrastructure

## Revenue increased in Q3

- Good progress in the segment, increased revenue and improved profitability in 1-9/2016
  - Profit performance for H2/2016 expected to be on the level of H1/2016
- Solid order backlog, Q3/2016 +47% y-o-y, supports growth and profitability improvement
- Large projects, especially Mall of Tripla and E18 Hamina-Vaalimaa, have proceeded well
- 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 supports growth in the coming years

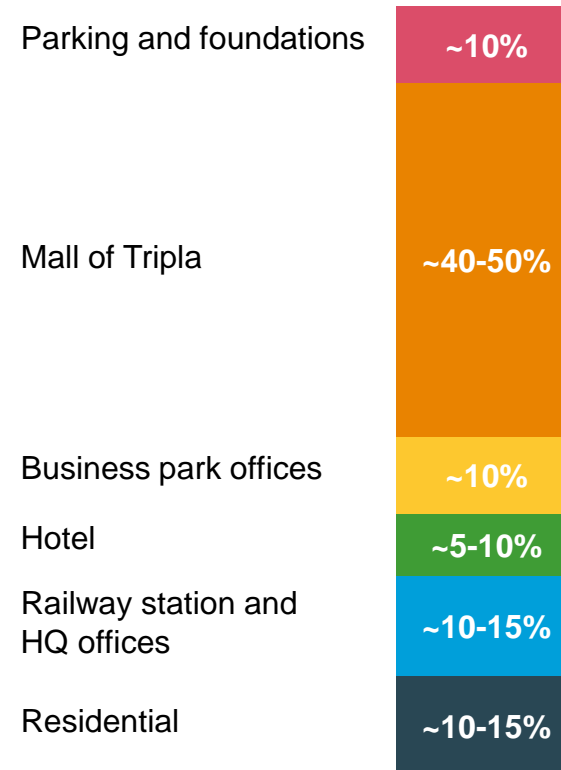
## Tripla project in brief

- 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

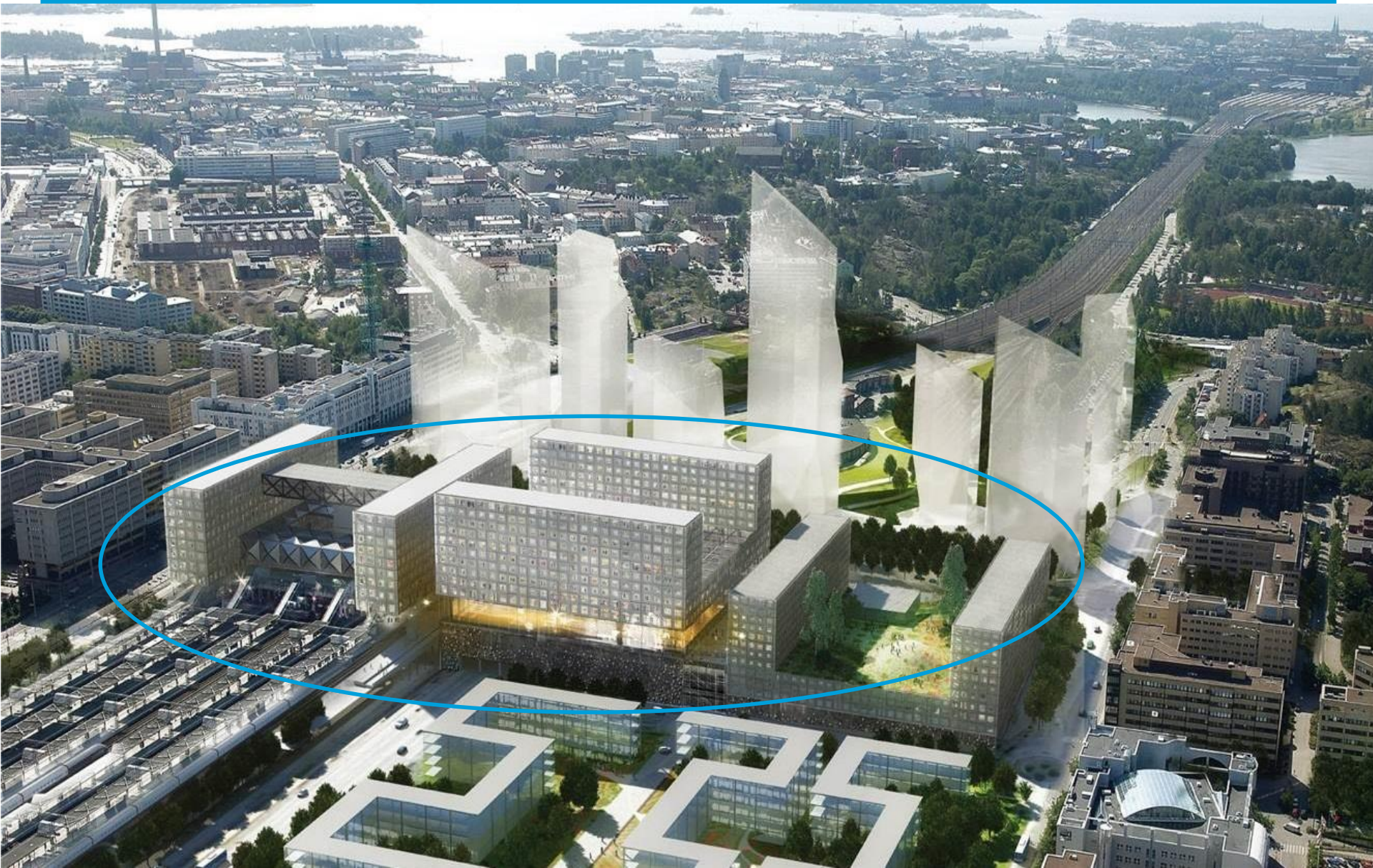
## Indicative value split



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



# Tripla project: Pasila in the future





# Mall of Tripla in a nutshell

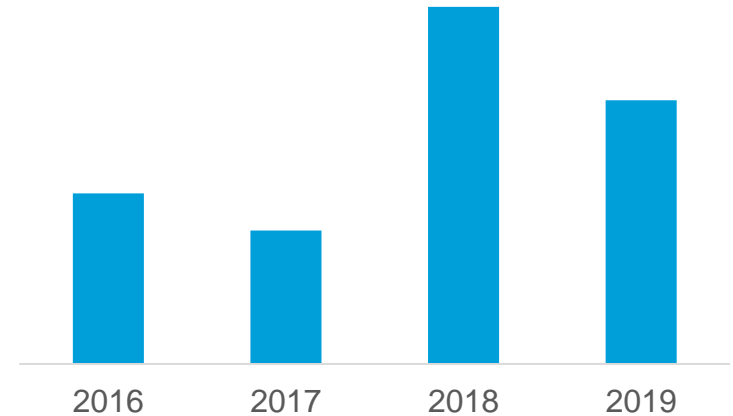
## What has been achieved so far?

- 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
- Almost 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	21%	2019	YIT's ownership 38,75%	85,000
Kasarmikatu 21, Helsinki	n/a	Office	23%	12/17	YIT's ownership 40%	16,000
Lauttasaari shopping centre, Helsinki	~40	Retail	93%	11/16	Sold	5,700
Dixi II, Tikkurila railway station, Vantaa	n/a	Office	66%	4/17	Sold	8,900
Extension of Business Park Rantatie, Helsinki	~25	Office	31%	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	54%	12/18
Helsinki Central Library	~50	Other	0%	9/18
Naantali CHP power plant	~40	Infra	77%	9/17
Espoo's road maintenance contract	~30	Infra	40%	10/19
Töölö parking facility	~30	Infra	18%	5/19

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## Key financials



# Key figures

EUR million	7–9/2016	7–9/2015	Change	1–9/2016	1–9/2015	Change	1–12/2015
Revenue	443.8	391.7	13%	1,269.9	1,182.7	7%	1,651.2
Operating profit	-8.0	10.0		24.2	49.0	-51%	65.7
Operating profit margin, %	-1.8%	2.6%		1.9%	4.1%		4.0%
Adjusted operating profit	19.0	20.3	-7%	51.2	59.4	-14%	76.0
Adjusted operating profit margin, %	4.3%	5.2%		4.0%	5.0%		4.6%
Order backlog	2,640.7	2,314.6	14%	2,640.7	2,314.6	14%	2,172.9
Profit before taxes	-17.0	-0.7	Over thousand %	-7.5	20.9		27.0
Profit for the review period*	-15.9	-0.8	Over thousand %	-8.7	15.5		20.0
Earnings per share, EUR	-0.13	-0.01	Over thousand %	-0.07	0.12		0.16
Operating cash flow after investments	-22.8	11.9		-21.7	140.3		183.7
Return on investment, last 12 months, %	3.6%	5.1%		3.6%	5.1%		5.3%
Equity ratio, %	33.8%	35.5%		33.8%	35.5%		35.5%
Interest-bearing net debt (IFRS)	611.4	574.6	6%	611.4	574.6	6%	529.0
Gearing (IFRS), %	118.9%	106.1%		118.9%	106.1%		101.1%
Personnel at the end of the period	5,282	5,574	-5%	5,282	5,574	-5%	5,340

\*Attributable to equity holders of the parent company

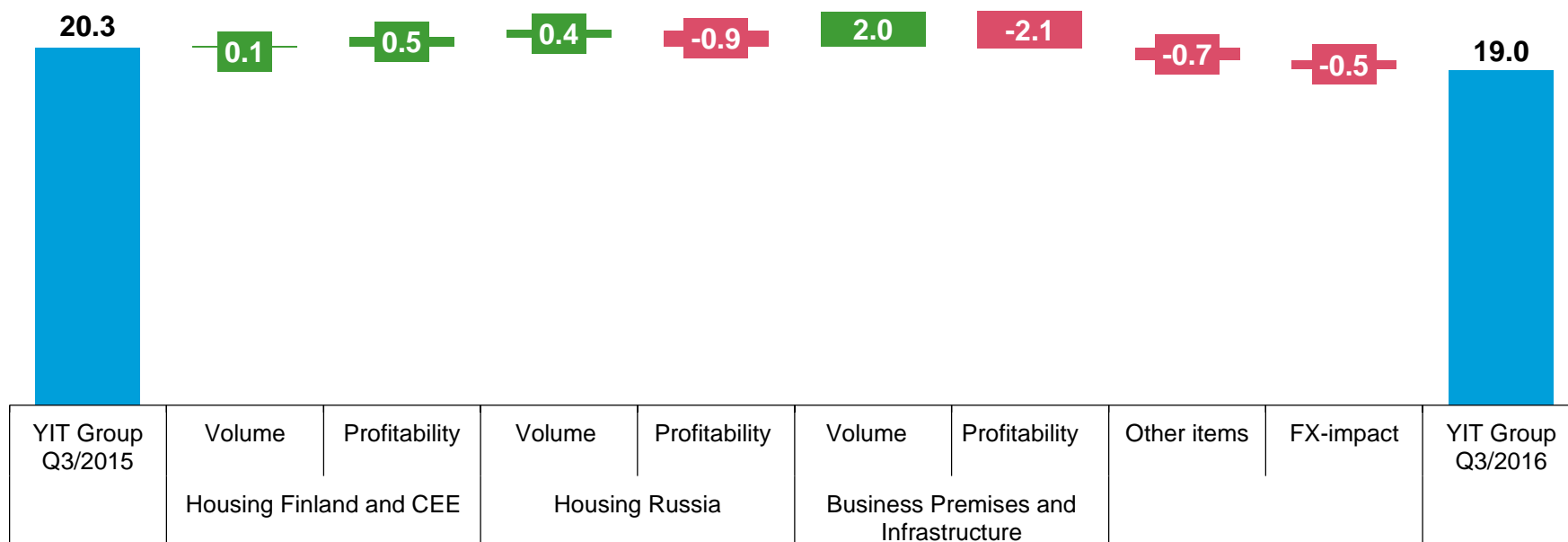
All figures according to segment reporting (POC), unless otherwise noted

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

# EBIT-bridge Q3/2015–Q3/2016

- Positive profitability development in Housing Finland and CEE due to less capital release actions in Finland
- Profitability down in Housing Russia y-o-y, but positive adjusted operating profit for the first time in 2016
- Profitability of Business Premises and Infrastructure declined

Adjusted operating profit (EUR million), change Q3/2015–Q3/2016: -7%



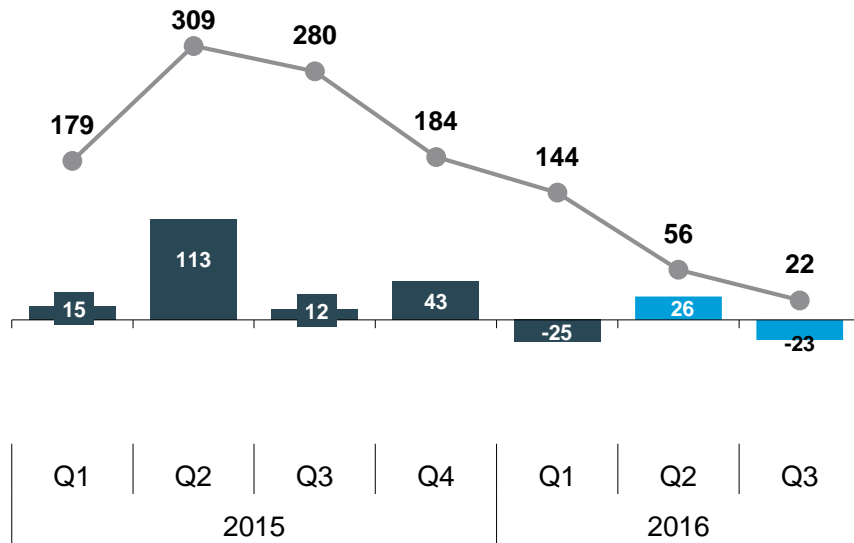


# Cash flow and invested capital

## Operating cash flow after investments (EUR million)

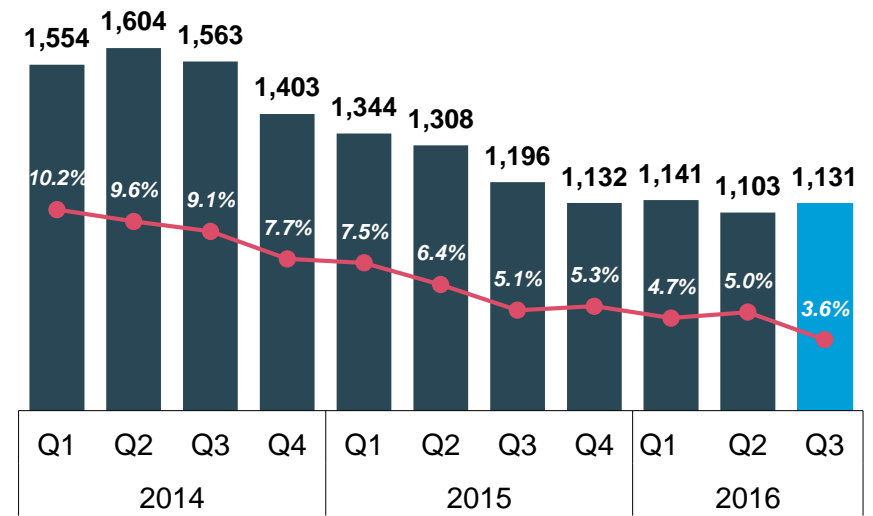
2015: EUR 184 million

1-9/2016: EUR -22 million



Operating cash flow after investments    Rolling 12 months

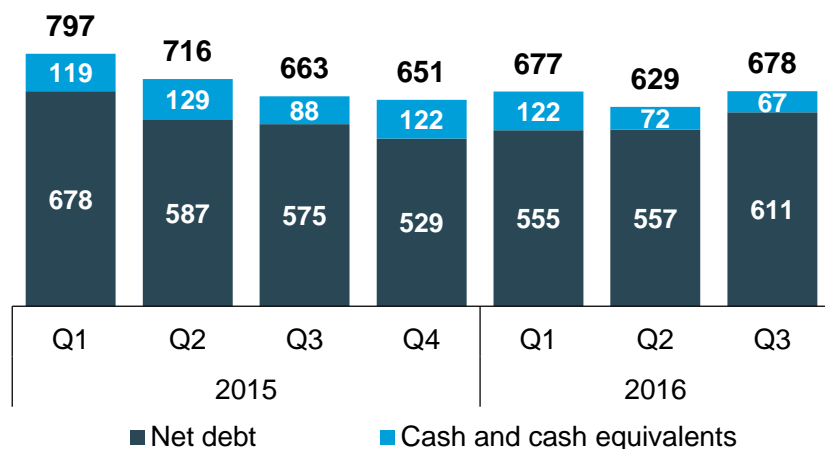
## Invested capital and ROI (EUR million, %)



Invested capital    ROI

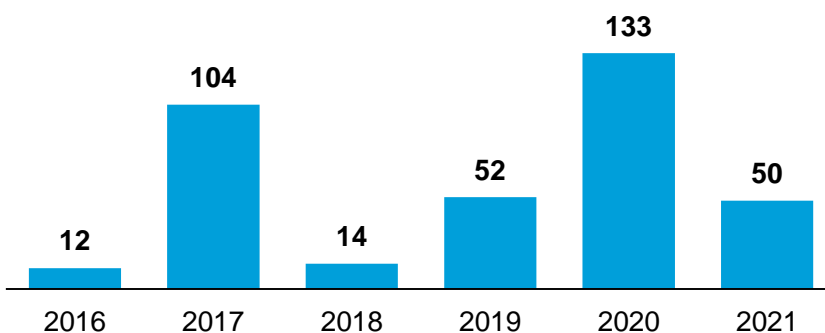
# Net debt and debt portfolio,

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



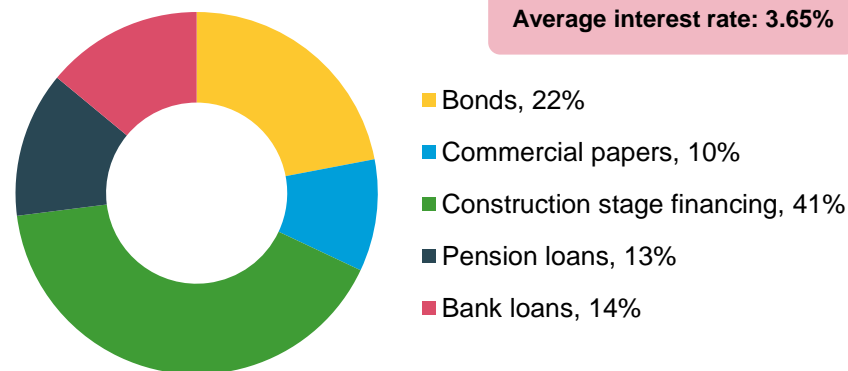
- The increased net debt level mainly related to Tripla's plot acquisition that came into effect in Q3
- In October, a new EUR 200 million syndicated unsecured revolving credit signed to refinance the previous RCF maturing in January 2018
  - The new facility matures on January 2020 and has the same financial covenants as the previous facility
  - The facility will be used as a reserve for general corporate purposes and the reduced size is regarded to be sufficient for this purpose
- In June, competitive financing package secured for the JV of Mall of Tripla
- Unsecured EUR 50 million bond issued in March as a private placement

## Maturity structure of long-term debt 9/2016 (EUR million)\*



\* Excluding construction stage financing

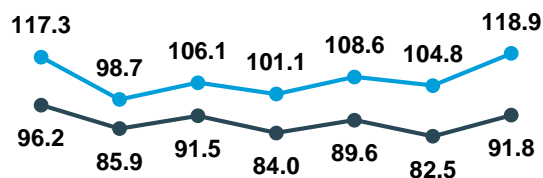
## Debt portfolio at the end of the period 9/2016, EUR 678 million



# Financial key ratios deteriorated in Q3

- Adjustments made in plot values booked in Housing Russia weakened the key ratios
- Positive translation difference in equity of EUR 5.2 million q-o-q

Gearing (%)

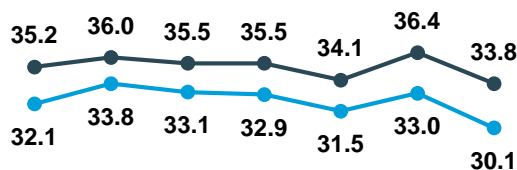


Q1	Q2	Q3	Q4	Q1	Q2	Q3
2015				2016		

● 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 (%)

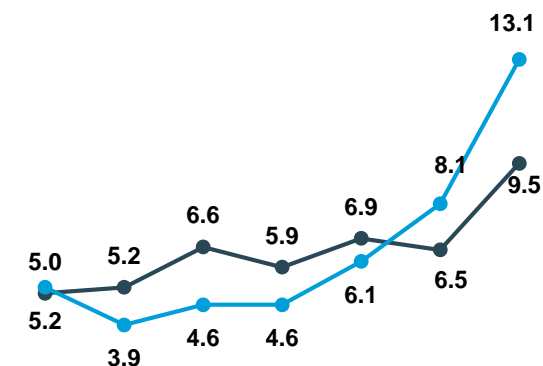


Q1	Q2	Q3	Q4	Q1	Q2	Q3
2015				2016		

● 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)

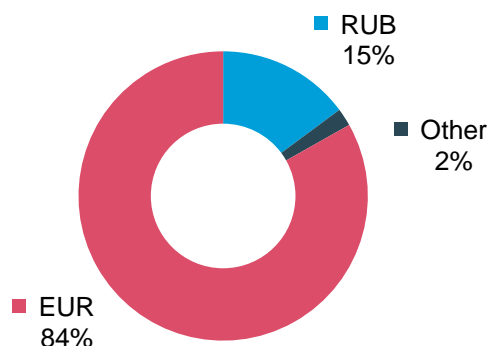


Q1	Q2	Q3	Q4	Q1	Q2	Q3
2015				2016		

● POC ● IFRS

# Ruble strengthened in Q3 q-o-q

## Revenue split 1-9/2016



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

	Q3/2016	1-9/2016
Revenue, POC <sup>1)</sup>	-3.8	-26.6
Adjusted EBIT, POC <sup>1)</sup>	-0.5	0.4
Order backlog, POC	6.9 <sup>2)</sup>	56.6 <sup>3)</sup>
Equity, IFRS (translation difference)	5.2 <sup>2)</sup>	40.0 <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 in Q3:
  - Average EUR/RUB rate in 1-9/2016: 76.23 (1-9/2015: 66.51)
  - Quarter-end EUR/RUB rate: 70.51 (Q2/2016: 71.52)

## 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, 9/2016: EUR 94.6 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 9/2016: EUR 261.8 million

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Looking  
ahead and  
conclusions

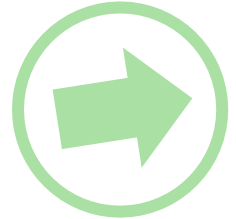




# Market outlook, expectations for 2016

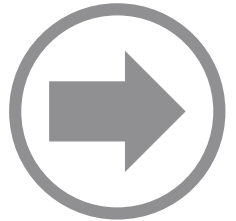
## Finland

- 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



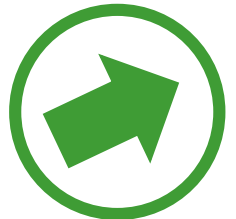
## Russia

- 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



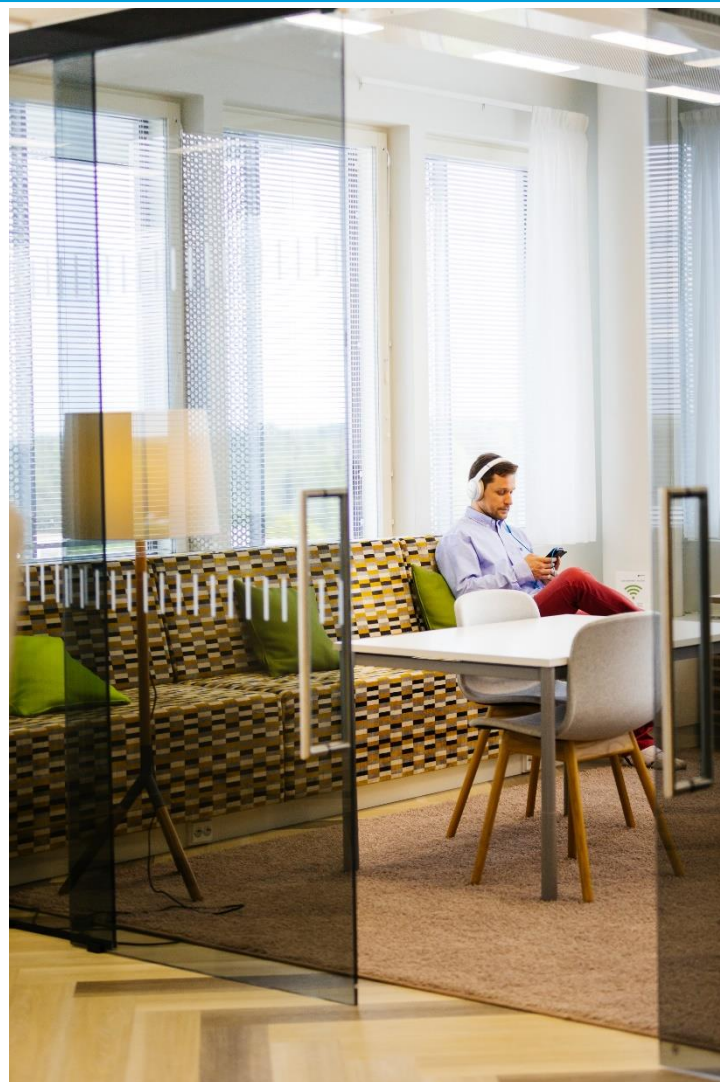
# Guidance for 2016 (segment reporting, POC) unchanged

**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).

- Over 60% of Q4/2016 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, impairment or other items impacting comparability

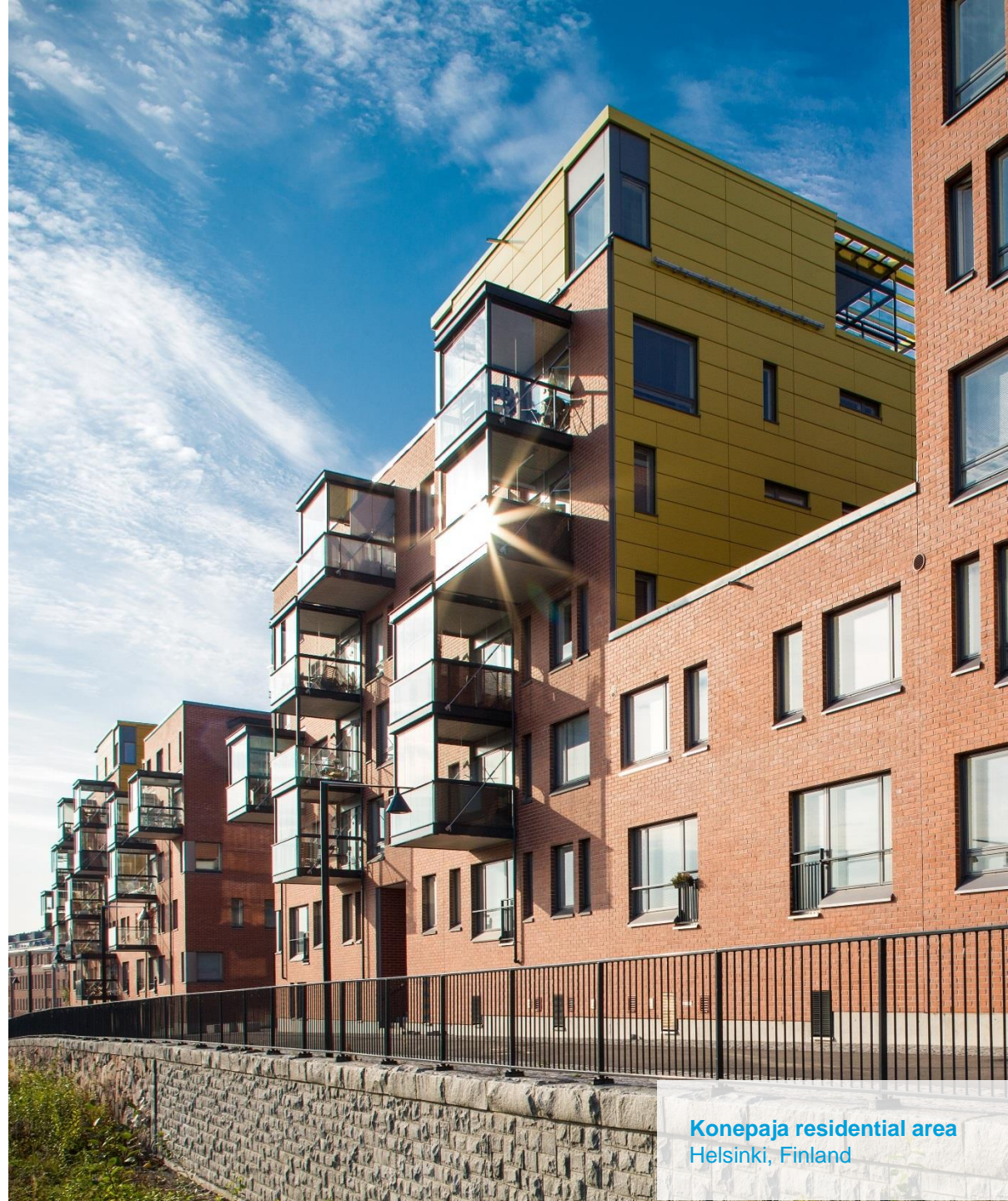




# 10

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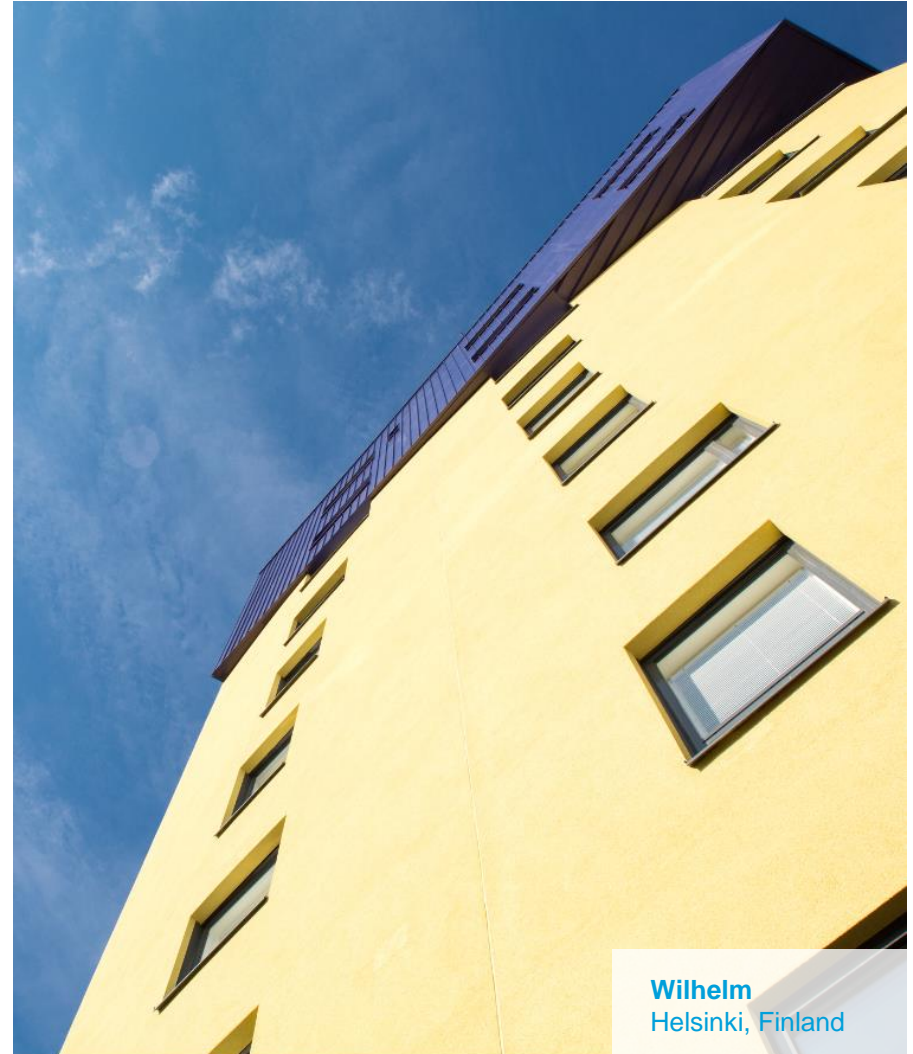
## Appendices



**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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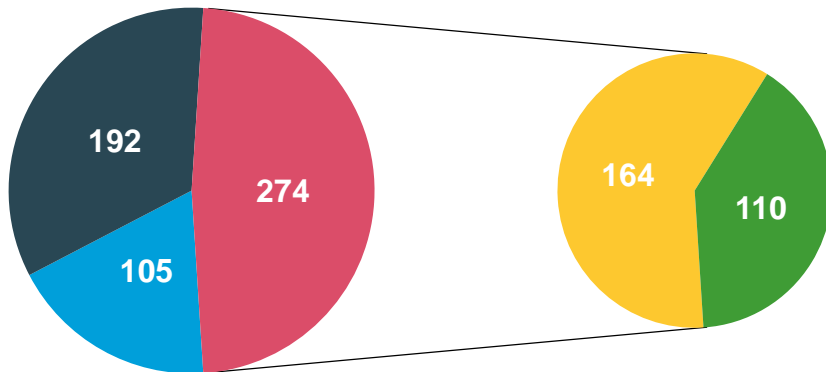
## Additional financial information





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

Plot reserves in the balance sheet 9/2016, EUR 571 million

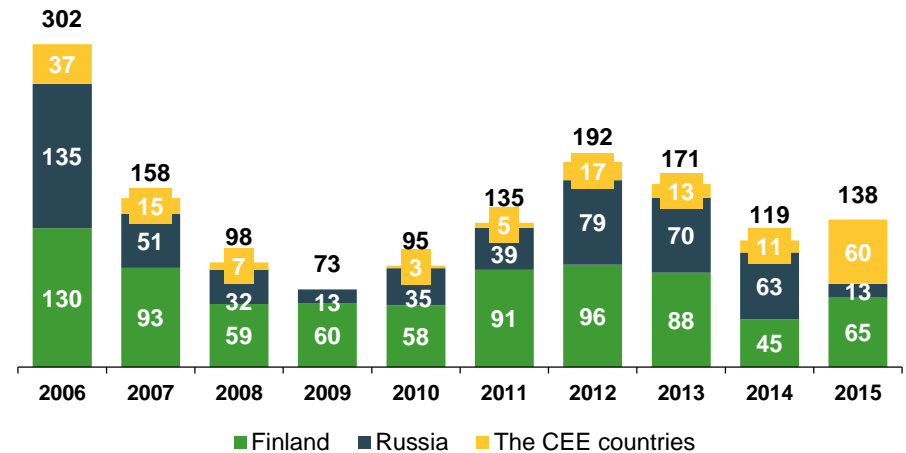


- Business Premises and Infrastructure
- Housing Russia\*
- Housing Finland and CEE
- Finland
- The CEE countries

Use of plot reserves in 2015, EUR 109 million

Housing Finland and CEE	64
Finland	55
The CEE countries	9
Housing Russia**	29
Business Premises and Infrastructure	16

Cash flow of plot investments 2006-2015 (EUR million)

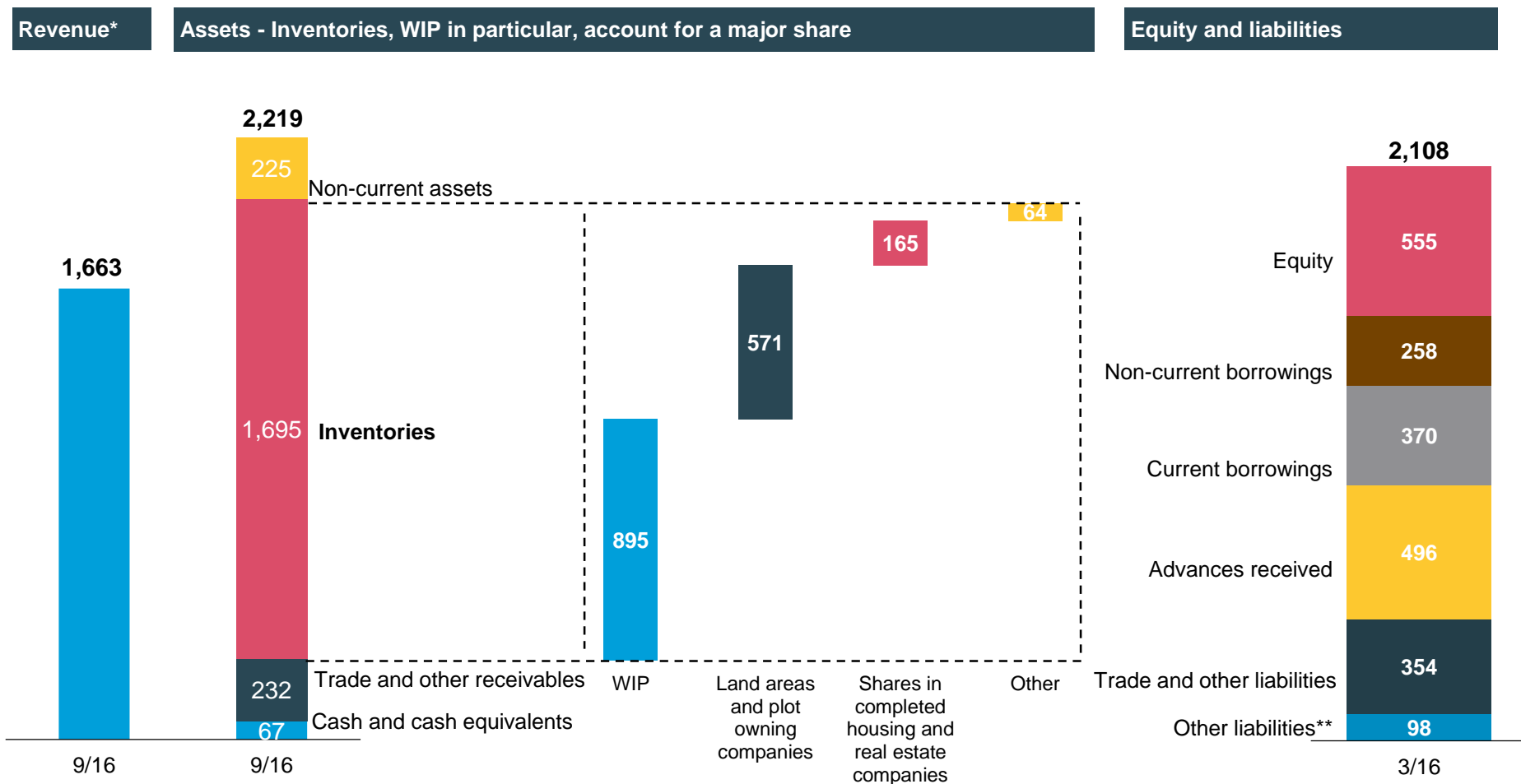


\*Includes Gorelovo industrial park

\*\* Calculated at the 12/2015 EUR/RUB exchange rate: 80.6736

# Consolidated balance sheet

## September 30, 2016 (EUR million)



Note: Figures based on Group reporting (IFRS)

\* Last 12 months

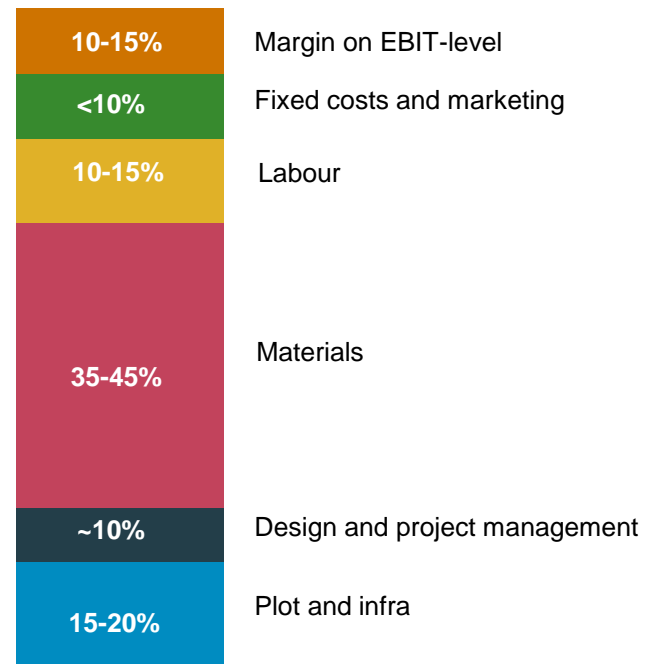
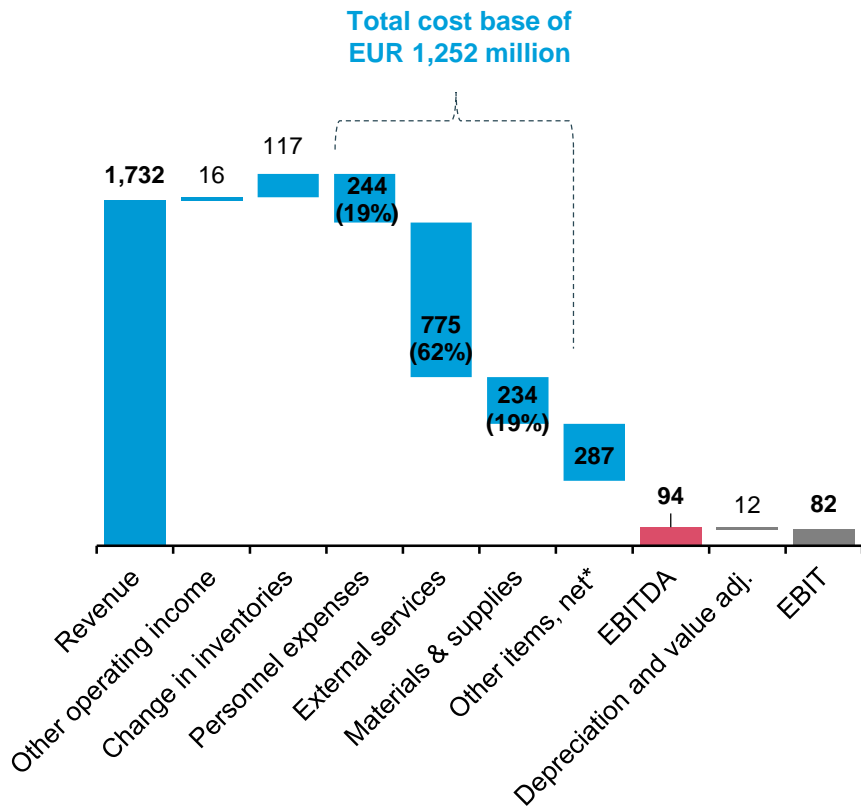
\*\* Includes deferred tax liabilities, pension obligations, provisions and other liabilities

# YIT's cost base in 2015

External services account for a major share of YIT's costs

IFRS, EUR million (% of cost base before EBITDA)

Indicative cost structure of a Finnish residential project



\*) Includes: Other operating expenses, share of results in associated companies and production for own use  
 NOTE: Figures based on Group reporting (IFRS)



# 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

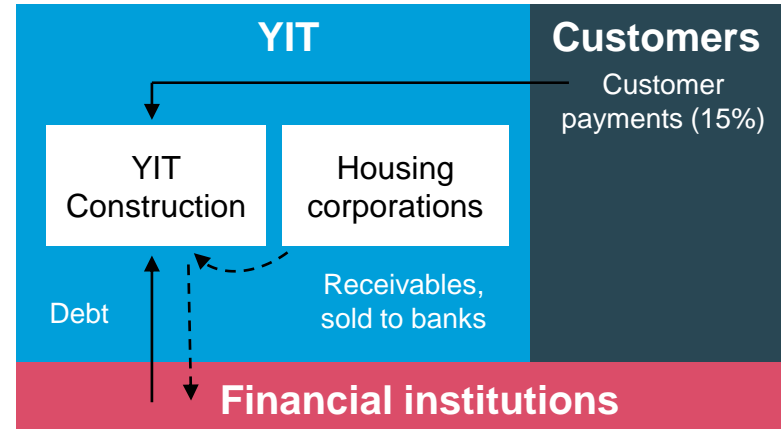
### Limited refinancing risk:

- 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

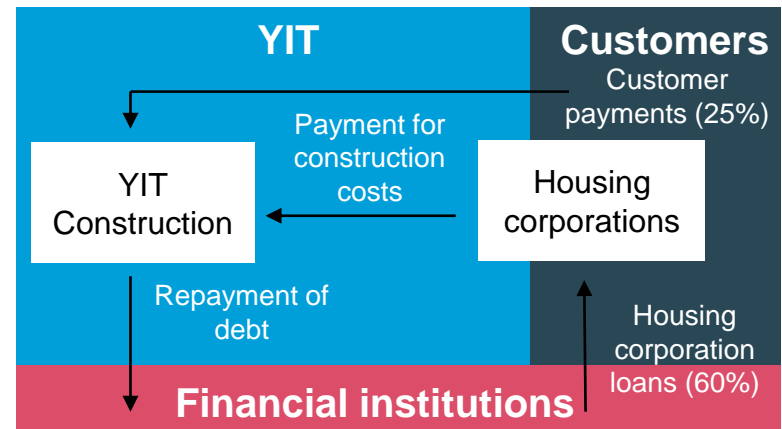
### → Refinancing of the sold receivables

- 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.

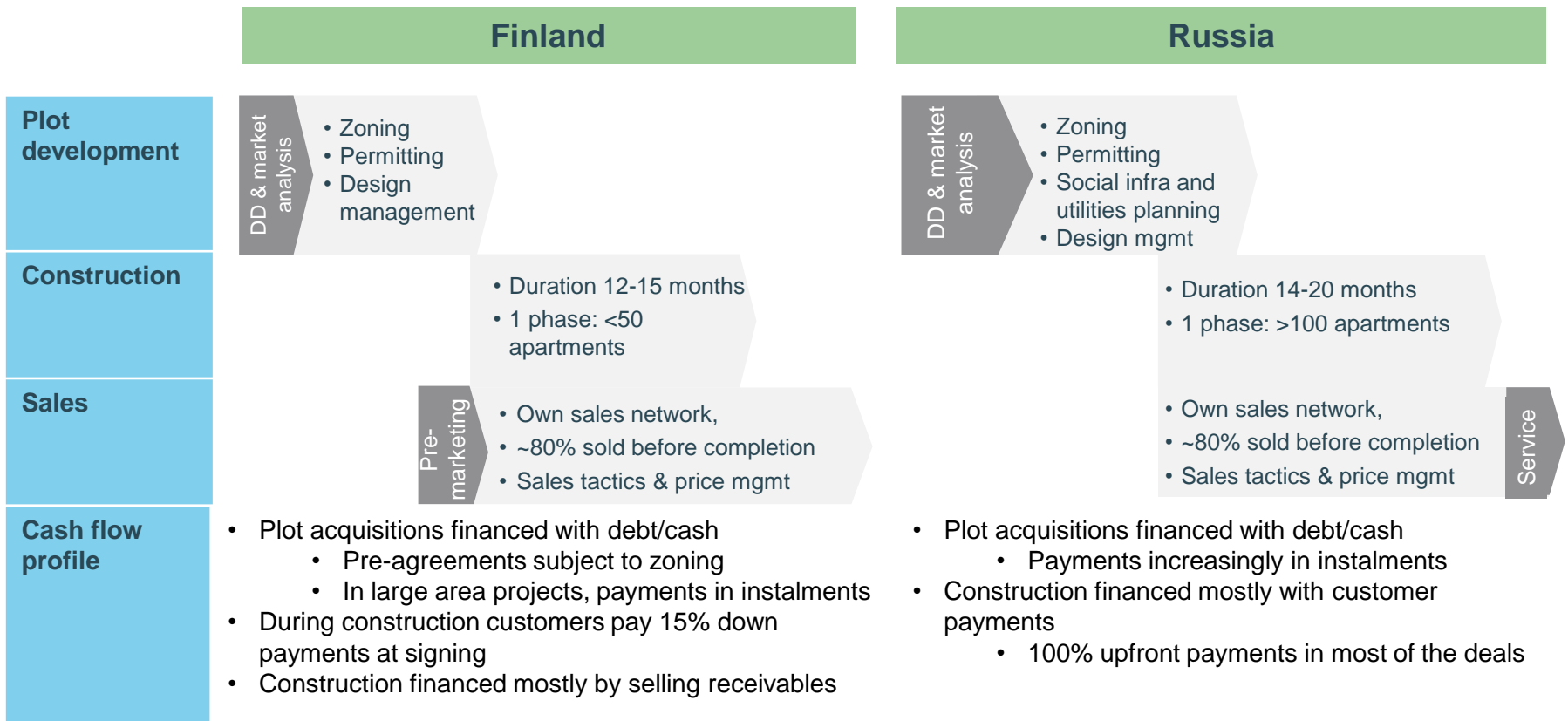
## During construction:



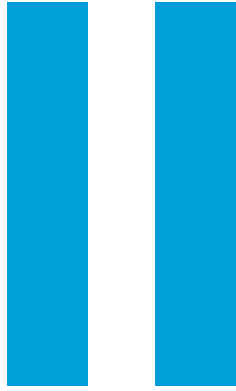
## Upon completion:



# Business model in self-developed housing varies between countries







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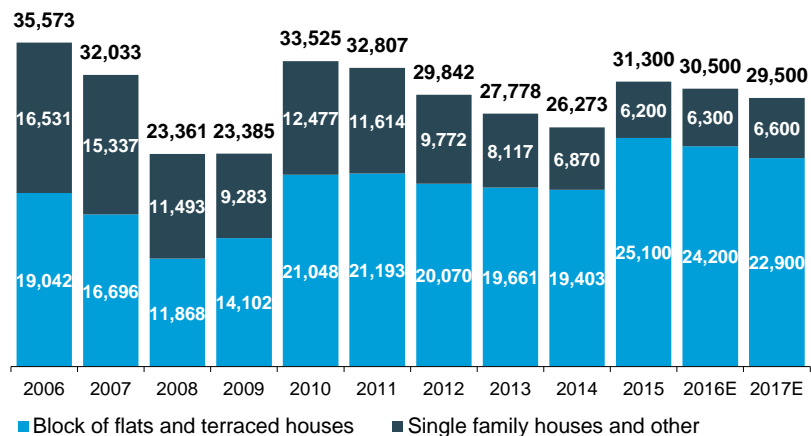
# Housing indicators



# Finland

## Start-ups expected to decrease slightly in 2016

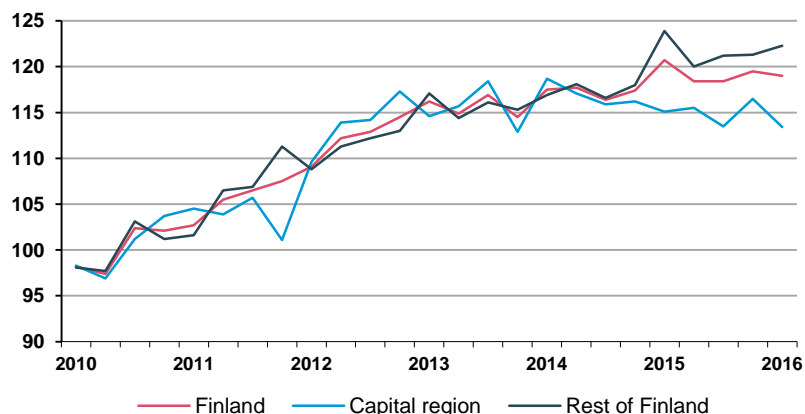
Residential start-ups, units



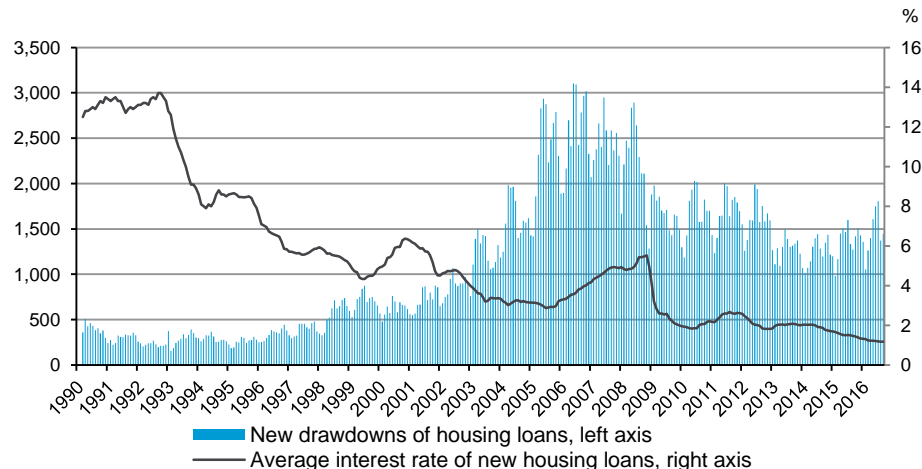
Consumers' views on economic situation in one year's time, balance



Prices of new dwellings, index 2010=100



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



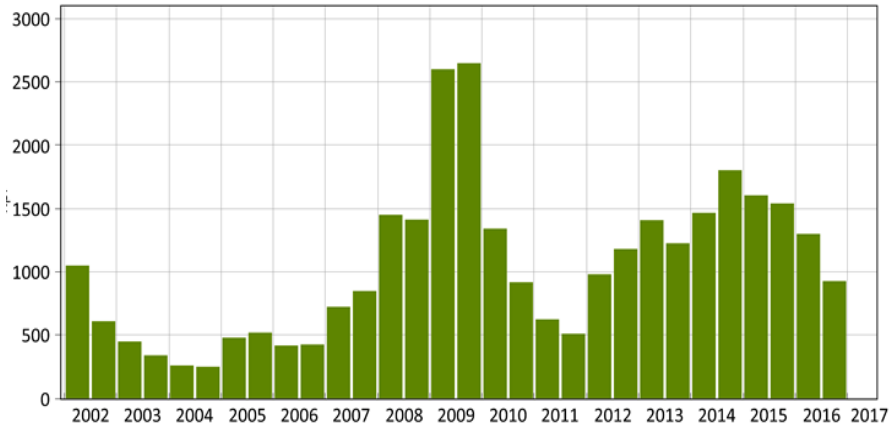
Sources: Residential start-ups: 2006-2014 Statistics Finland; 2015 - 2017E Euroconstruct, June 2016, Consumer confidence: Statistics Finland, Residential prices: Statistics Finland, Loans and Interest rates: Bank of Finland



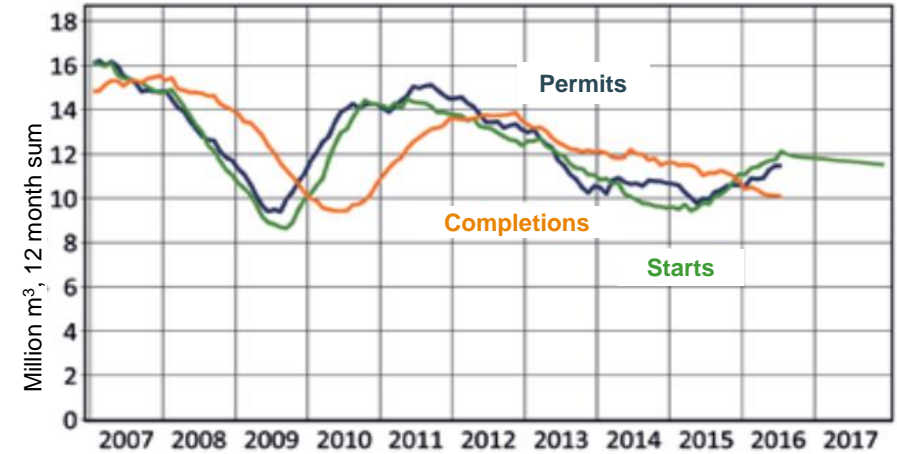
# Finland

## Housing indicators have improved slightly

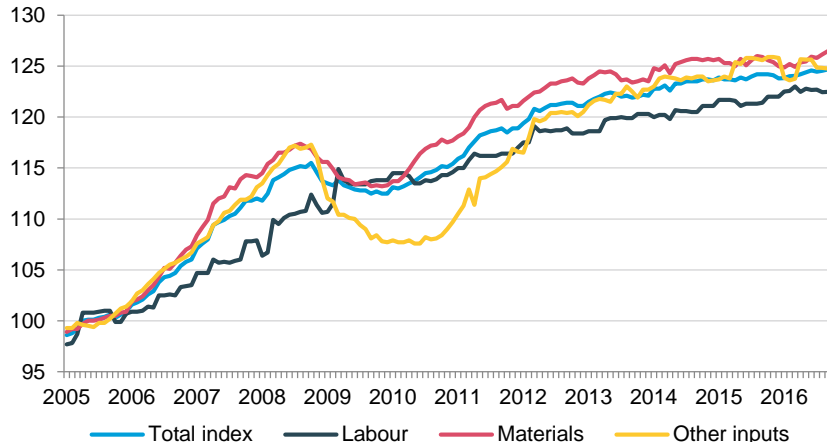
Unsold completed units (residential development projects)



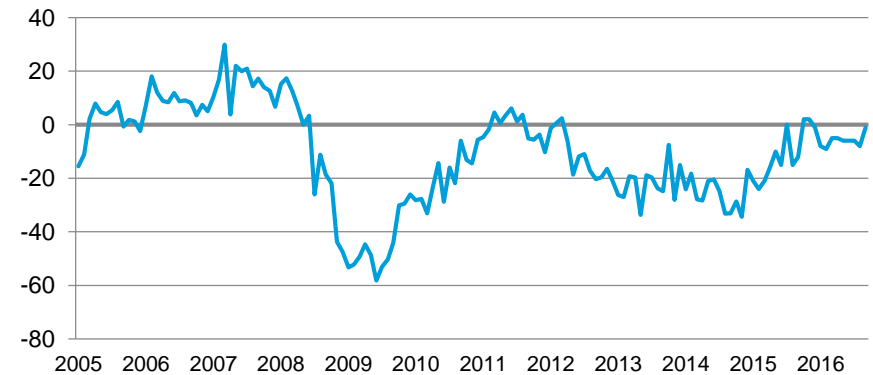
Residential building permits, start-ups and completions, million m<sup>3</sup>



Construction cost index (2005=100)



Construction confidence, balance



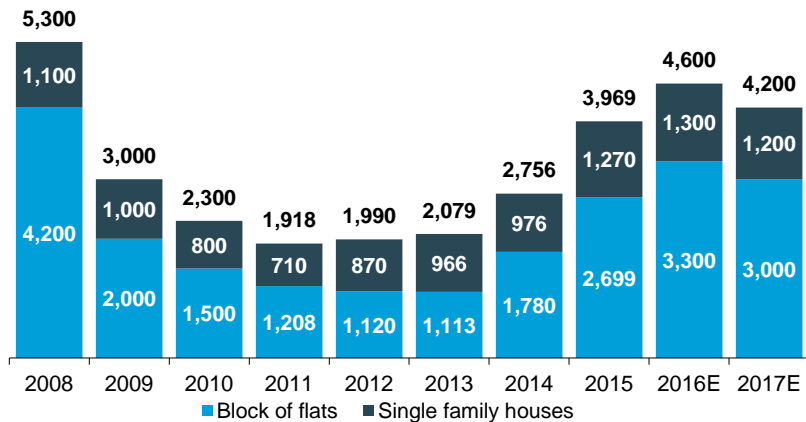
Unsold completed units: Confederation of Finnish Construction Industries RT, Residential building permits, Start-ups and completions: Confederation of Finnish Construction Industries RT,  
 Construction cost index: Statistics Finland, Construction confidence: Confederation of Finnish Industries EK  
 YIT | 65 | Investor presentation, November 2016



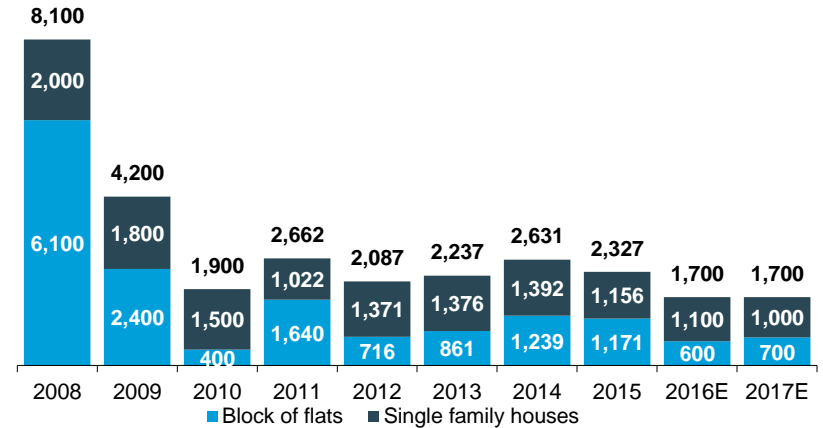
# The Baltic countries

## Residential construction is expected to level off

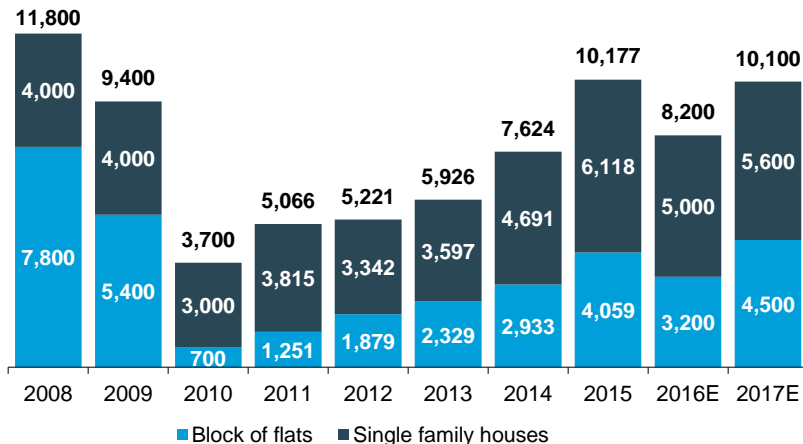
Residential completions in Estonia, units



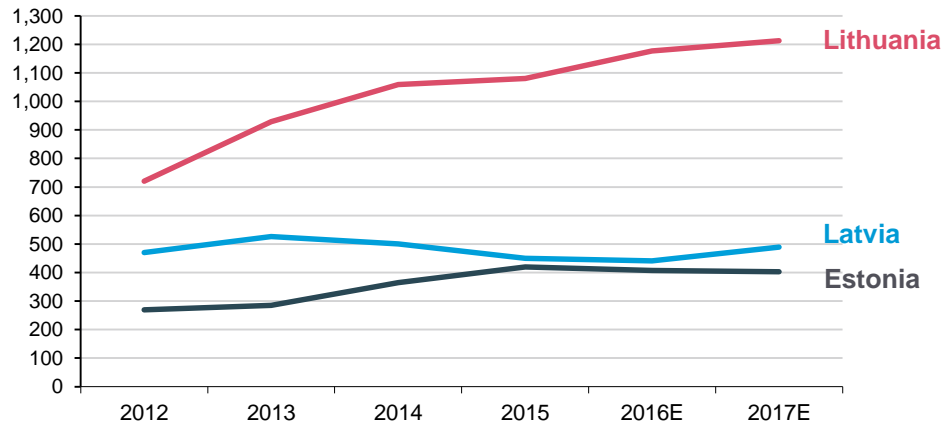
Residential completions in Latvia, units



Residential completions in Lithuania, units



New residential construction volume, EUR million

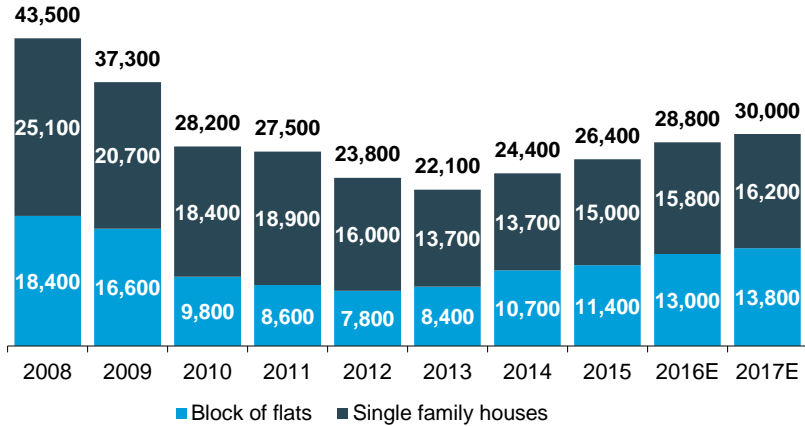


Source: Euroconstruct, June 2016

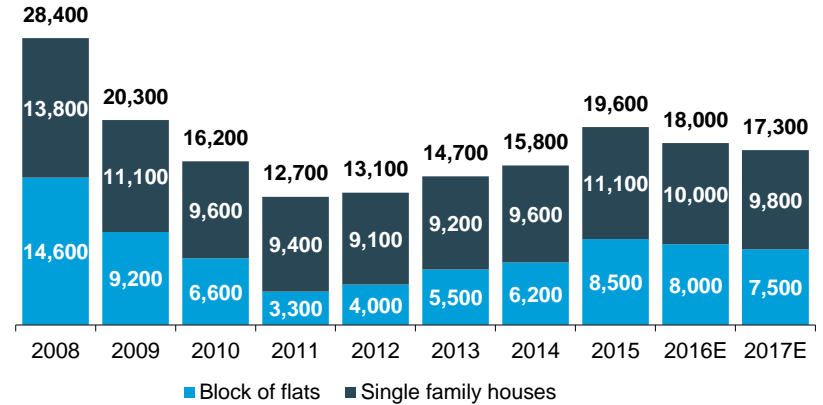
# The Czech Republic, Slovakia and Poland

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

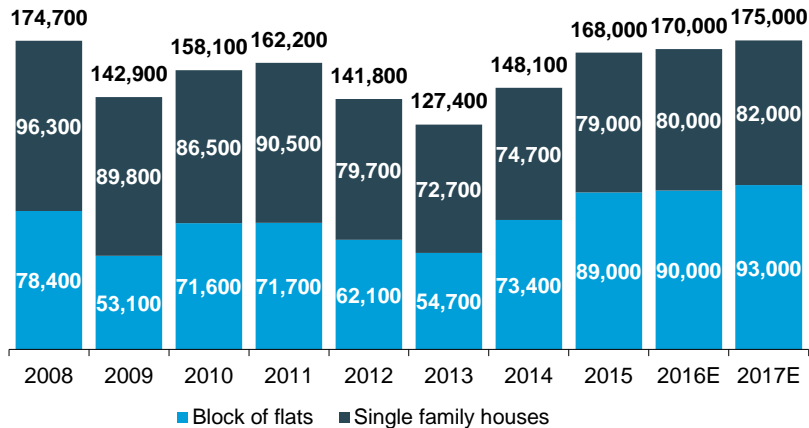
Residential start-ups in the Czech Republic, units



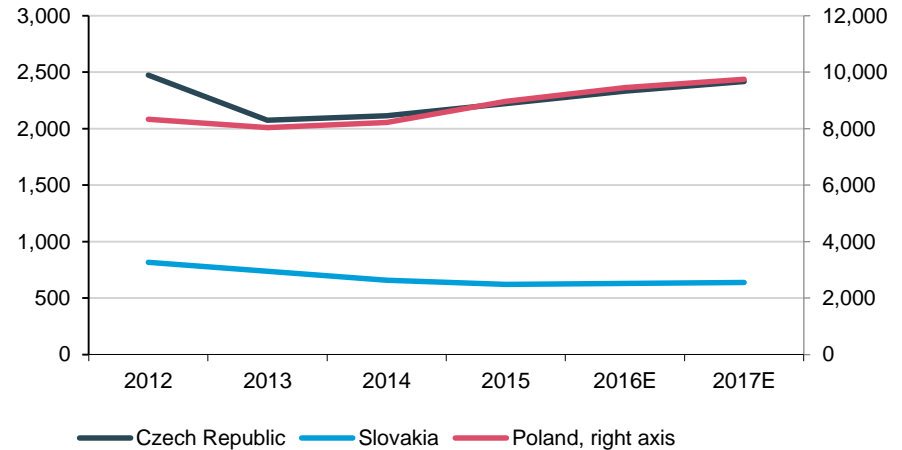
Residential start-ups in Slovakia, units



Residential start-ups in Poland, units



New residential construction volume, EUR million



Source: Euroconstruct, June 2016

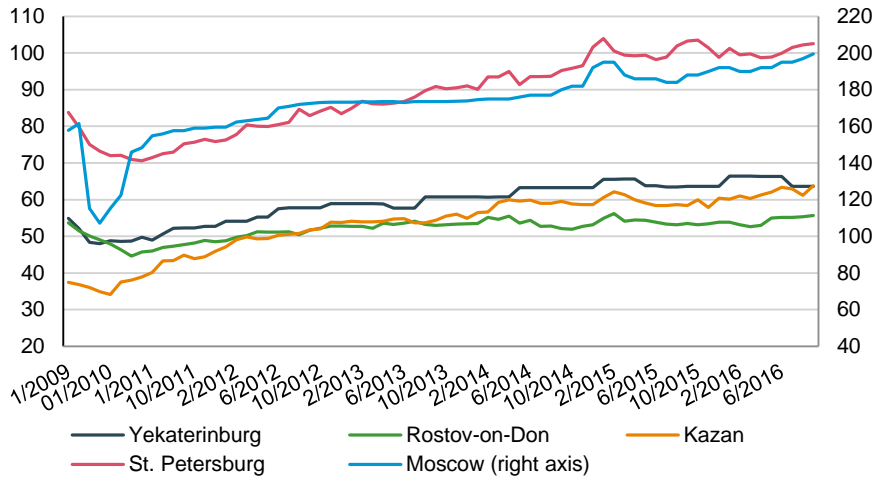




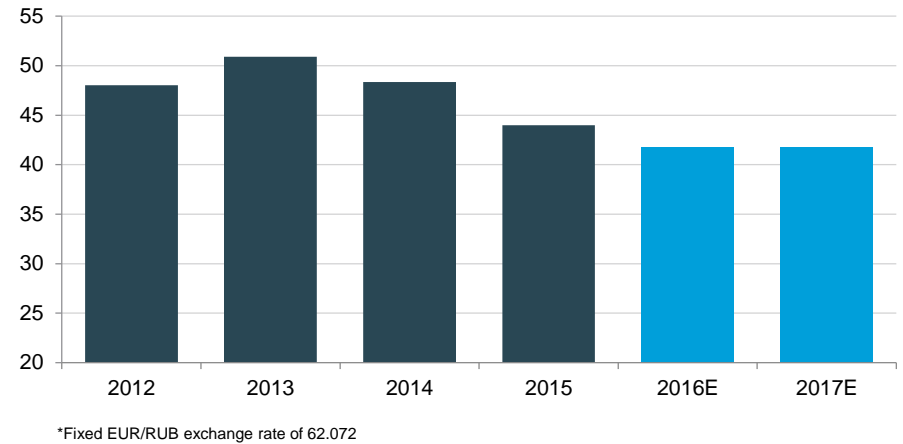
# Russia

## Housing indicators

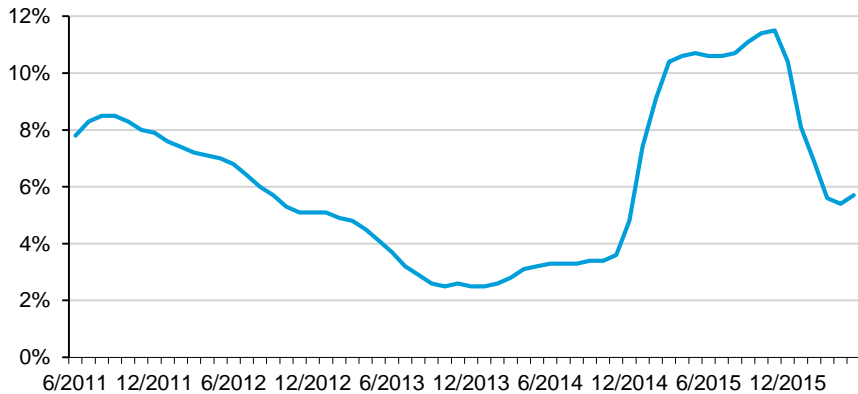
House prices in primary markets, thousand RUB per sq. m.



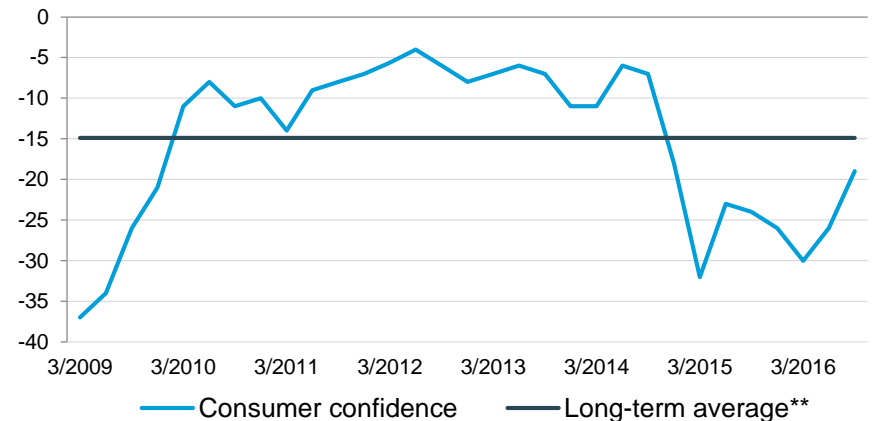
New residential construction volume, EUR billion\*



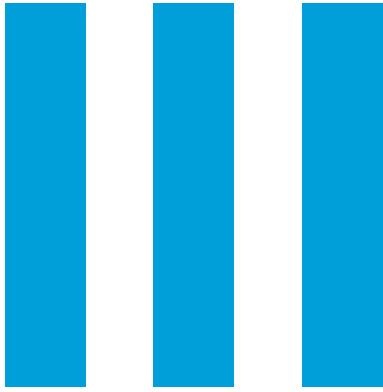
Inflation in building materials, %



Consumer confidence



Sources: House prices: YIT, New residential construction volume: Forecon, June 2016, Inflation in building materials: PMR Construction review, June 2016, Consumer confidence: Bloomberg  
 \*\*Average 12/1998-9/2016



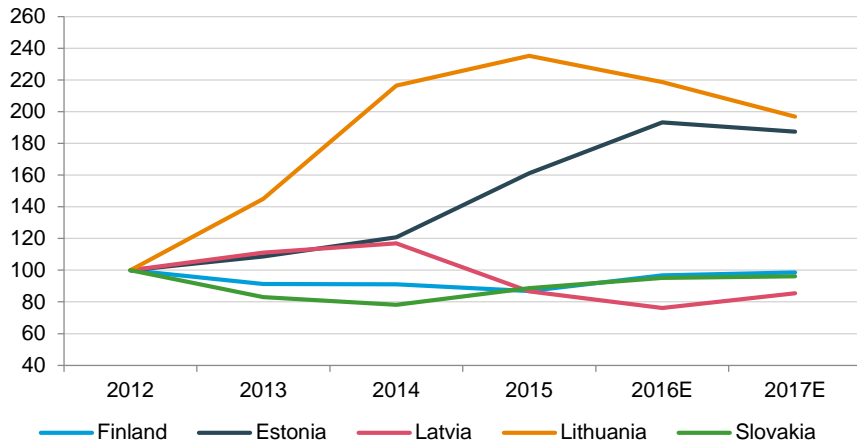
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## Business premises and infrastructure construction indicators

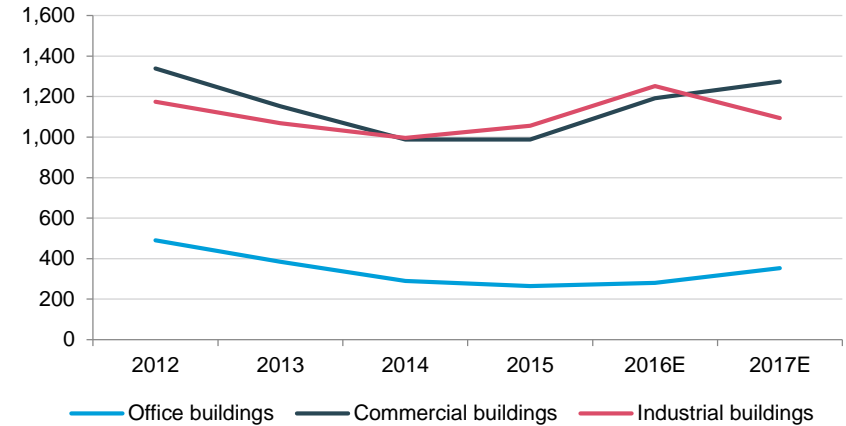


# New non-residential construction forecasted to pick up slightly in Finland, Estonia and Slovakia in 2016

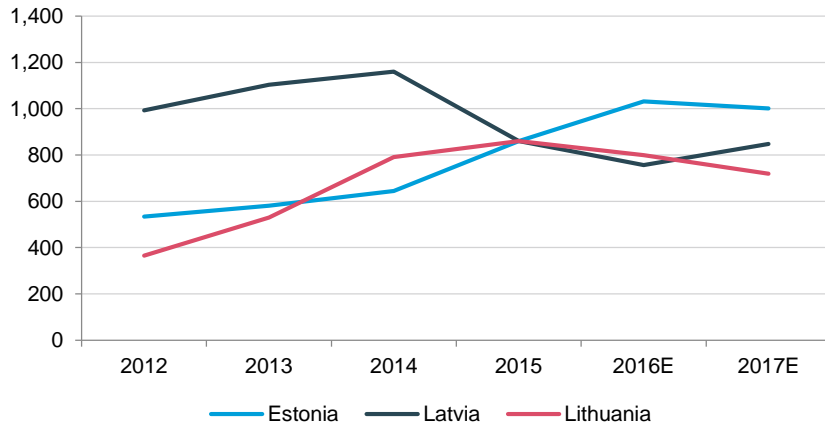
New non-residential construction volumes, index 2012=100



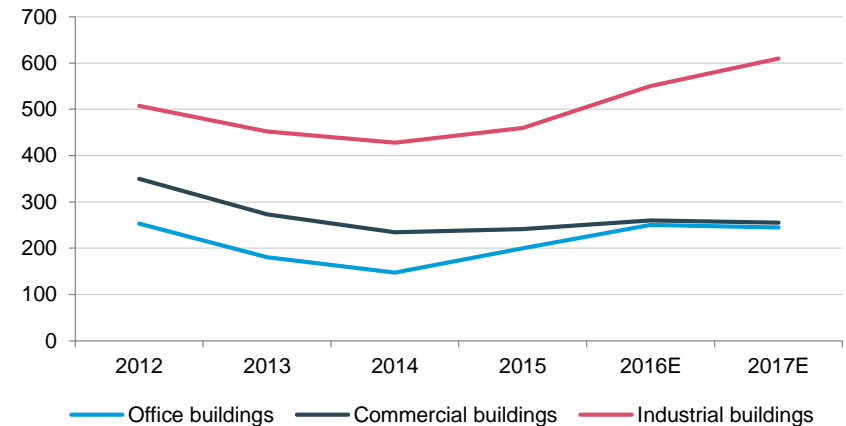
New non-residential construction in Finland, EUR million



New non-residential construction in the Baltic countries, EUR million



New non-residential construction in Slovakia, EUR million

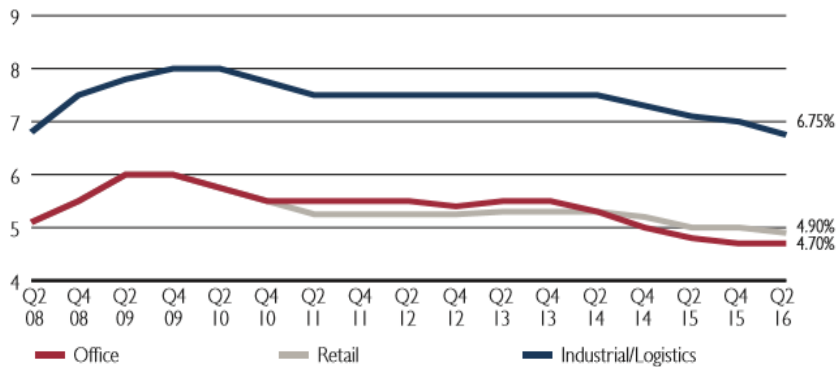




# Finland

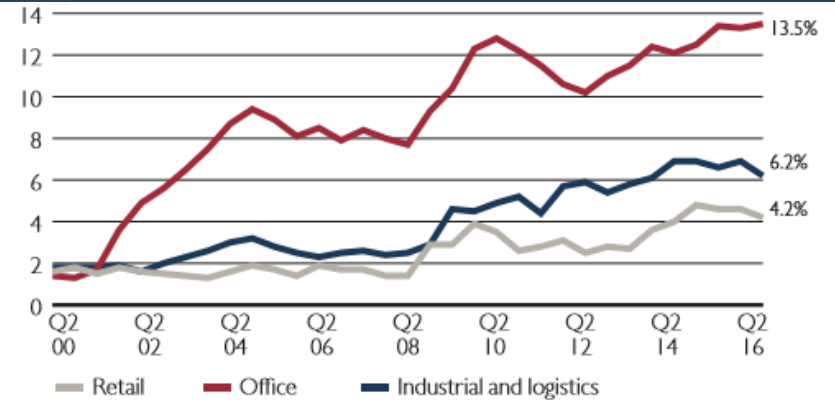
## Prime yields expected to decrease slightly

Prime yields in Helsinki Metropolitan Area, %

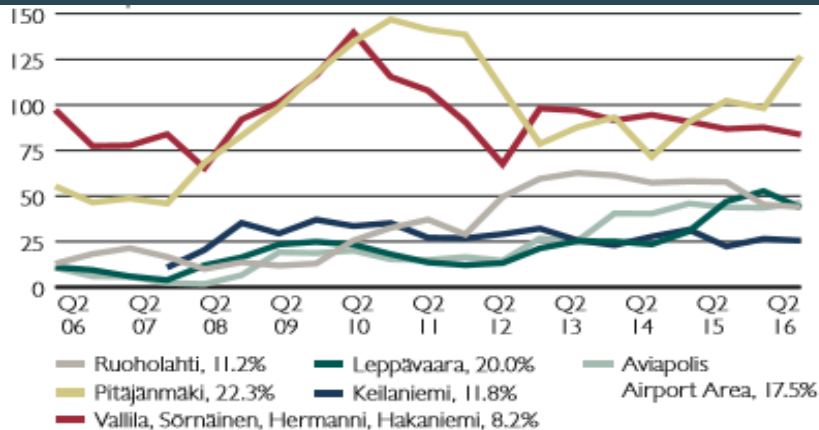


Particularly long lease agreements decrease yields by 0.1–0.5% points.

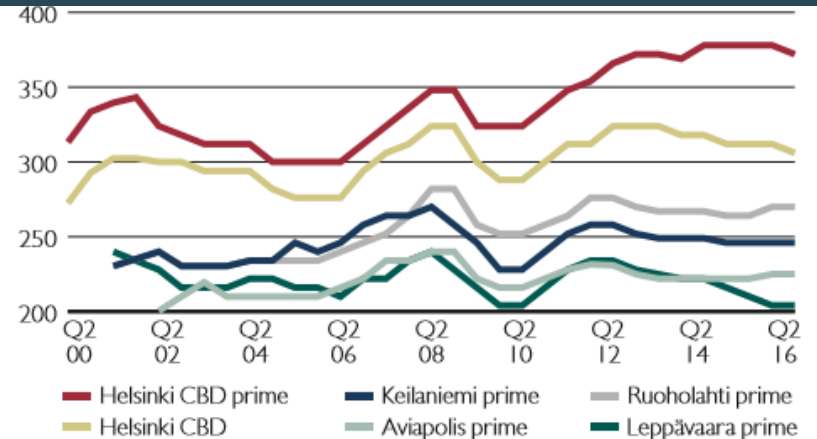
Vacancy rates in Helsinki Metropolitan Area, %



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



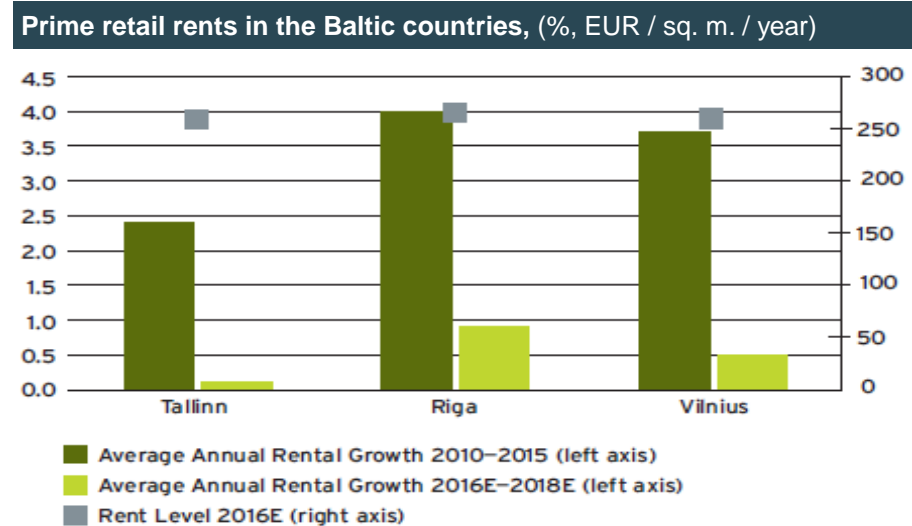
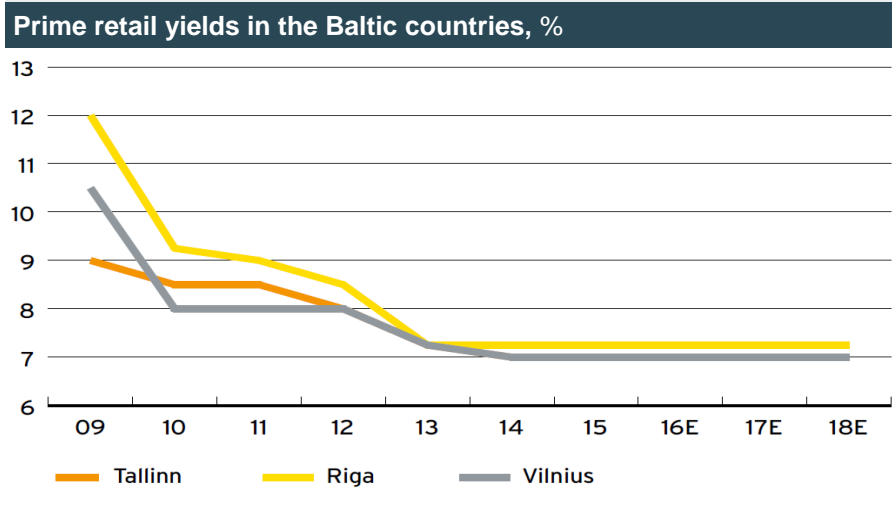
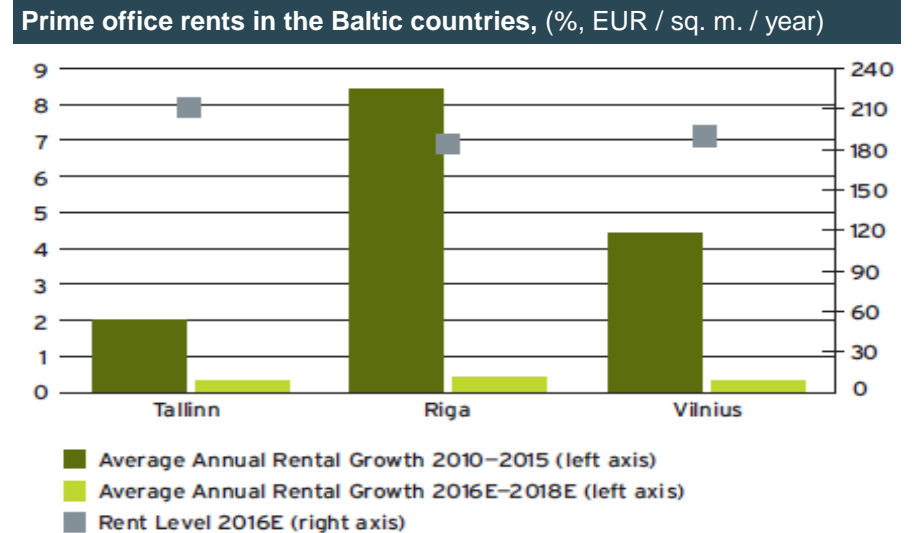
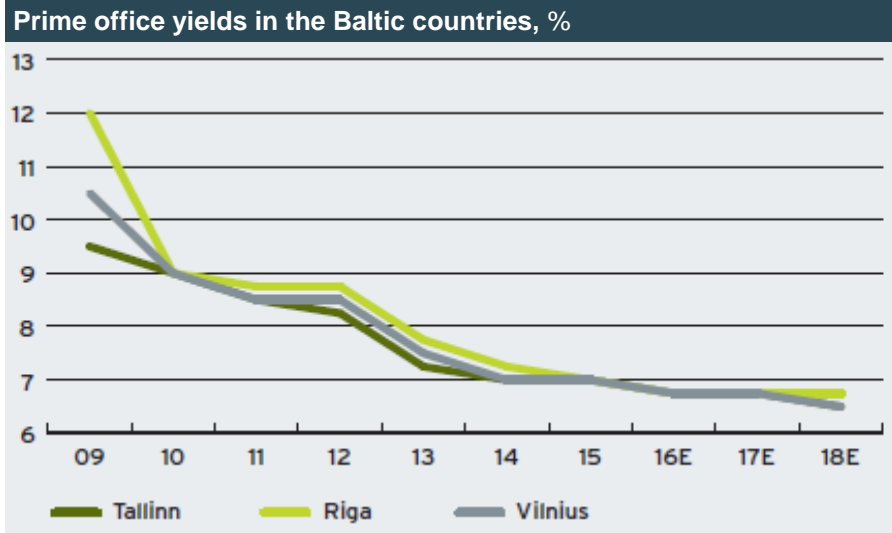
Rental levels of office premises (excl. VAT), new agreements, EUR / sq. m. / year





# The Baltic countries

## Yields are expected decrease slightly

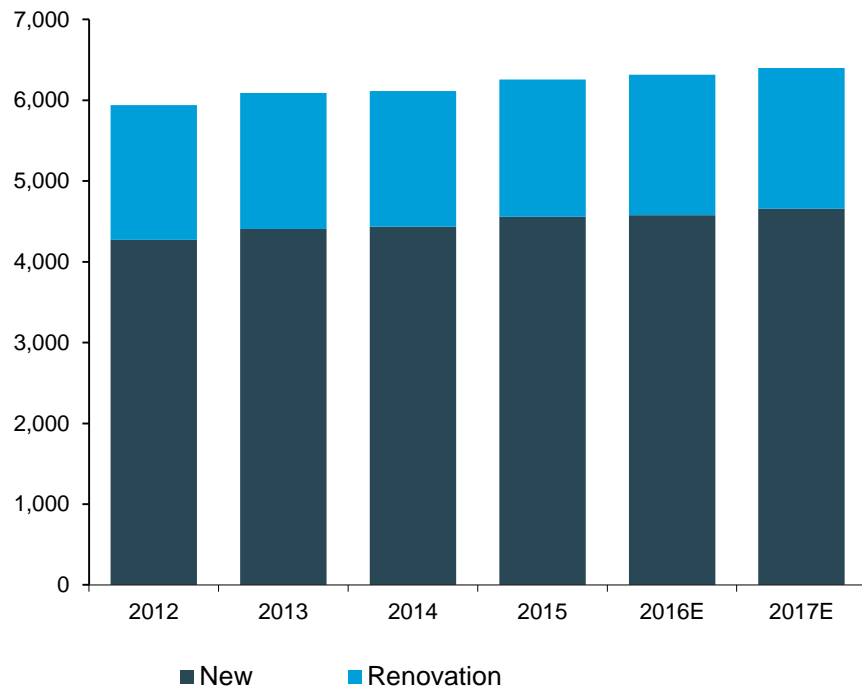


Source: Newsec Property Outlook, October 2016

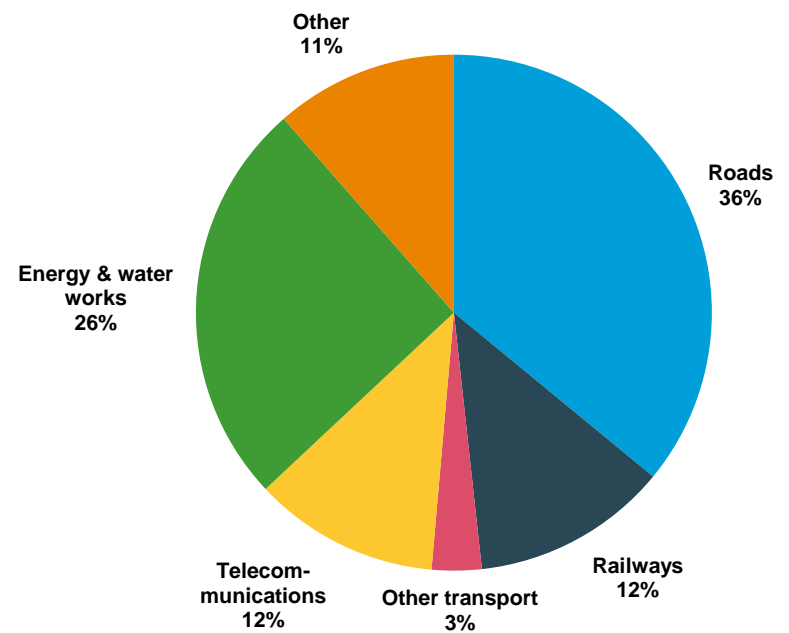
# Infrastructure construction in Finland

## Market expected to remain stable in 2016

Infrastructure market in Finland, EUR million



Infrastructure sectors in Finland (2015)



Sources: Euroconstruct, June 2016

# IV

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Ownership

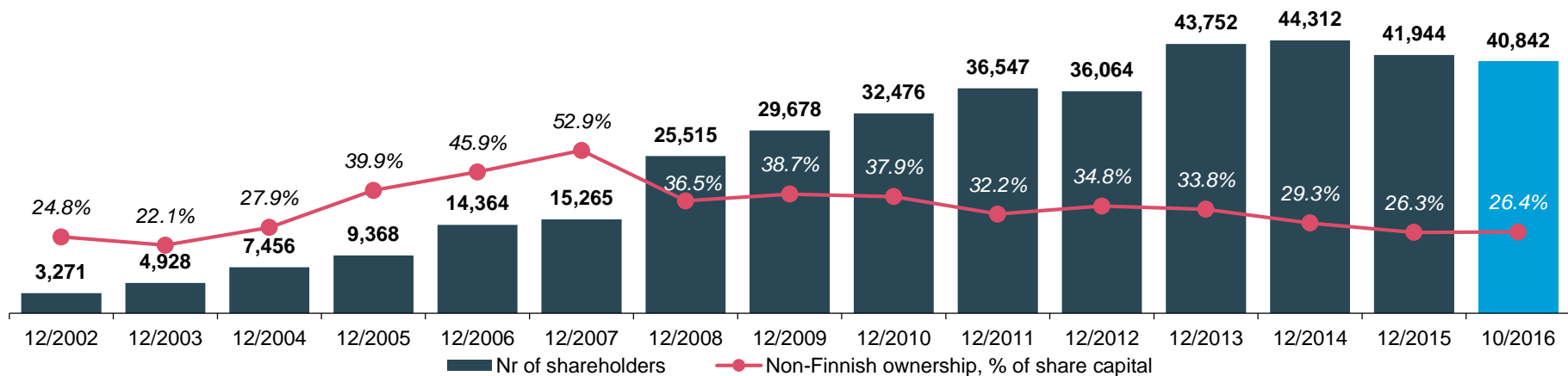


# YIT's major shareholders

October 31, 2016

Shareholder	Shares	% of share capital
1. Varma Mutual Pension Insurance Company	12,000,000	9.43
2. OP funds	5,496,224	4.32
3. Herlin Antti	4,710,180	3.70
4. Elo Mutual Pension Insurance Company	3,335,468	2.62
5. Danske Invest funds	2,622,049	2.06
6. The State Pension Fund	2,600,000	2.04
7. Nordea funds	1,739,099	1.37
8. YIT Corporation	1,646,767	1.29
9. Etera Mutual Pension Insurance Company	1,410,000	1.11
10. Aktia funds	1,170,330	0.92
Ten largest total	36,730,117	28.86
Nominee registered shares	32,798,388	25.78
Other shareholders	57,694,917	45.36
<b>Total</b>	<b>127,223,422</b>	<b>100.00</b>

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



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we can  
do it.**