



# YIT – More life in sustainable cities

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Handelsbanken Mid/Small Cap seminar  
Stockholm, June 8, 2017



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- 4 Market outlook and guidance





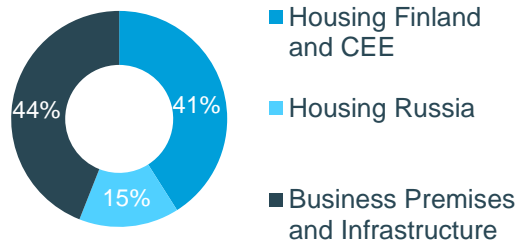
# 1

## Strategy and business model

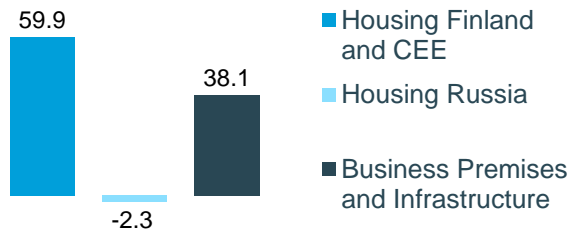


# A real estate developer and construction company with solid track record

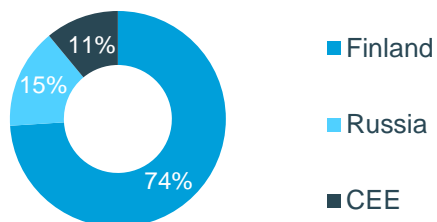
## Revenue by segment\*, EUR 1.8 bn



## Adjusted operating profit by segment, EUR 80 million



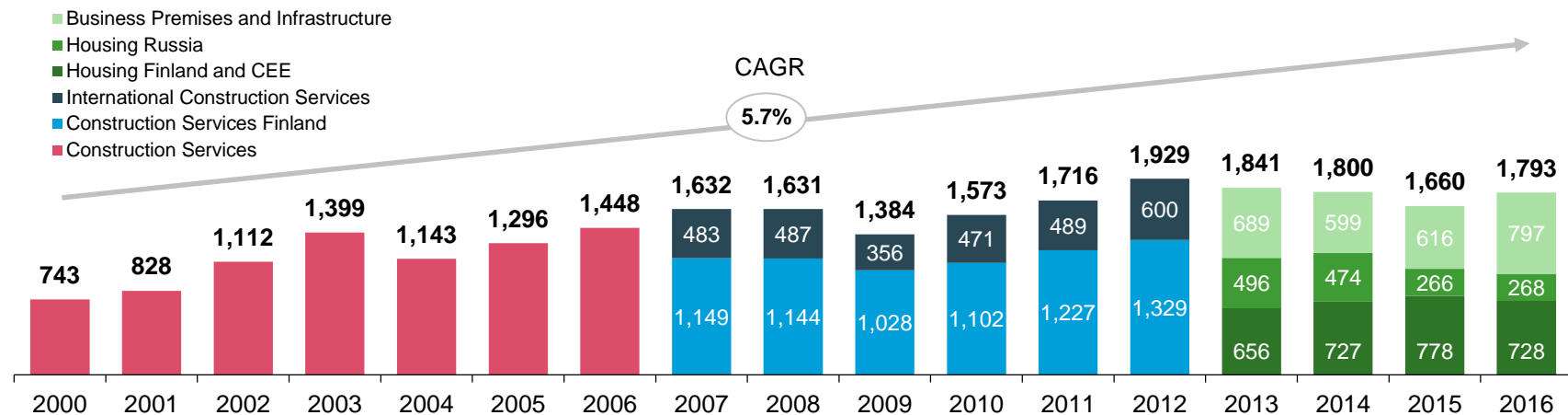
## Revenue by geographical area



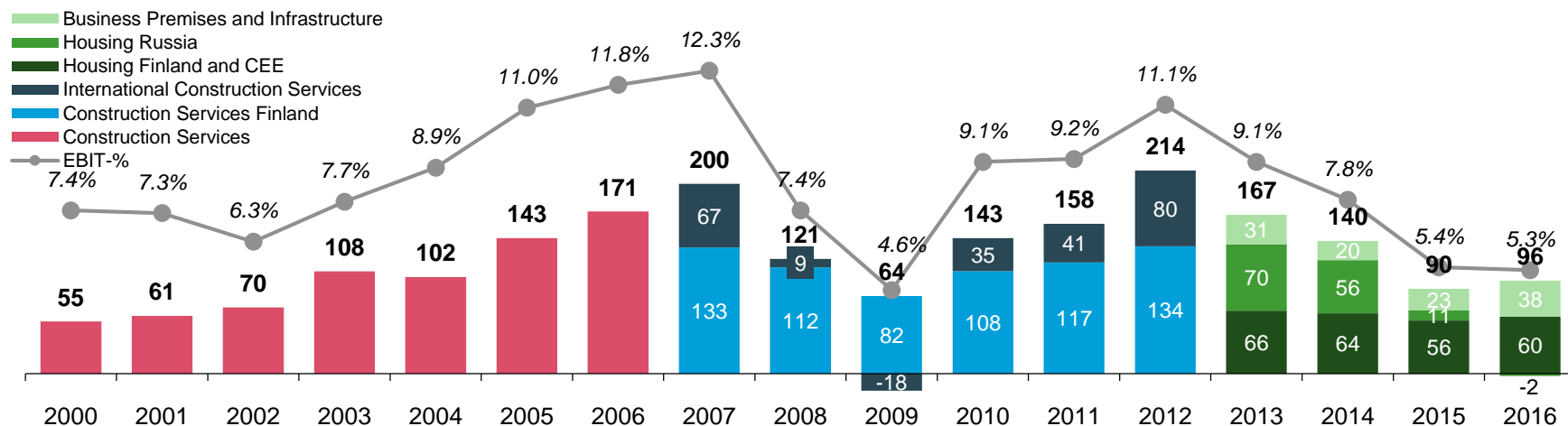
Figures are for 2016 and they based on segment reporting (POC)  
 \*%-shares excluding other items

# Revenue growth and healthy profitability through economic cycles

## Revenue development (EUR million) by business segment



## Adjusted operating profit (EBIT) development (EUR million) by business segment, excluding group costs



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.

# Focus on reforming our operations

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**Coach, encourage  
and train people**

**Improve internal  
agility**

**Provide  
easy-to-use services**

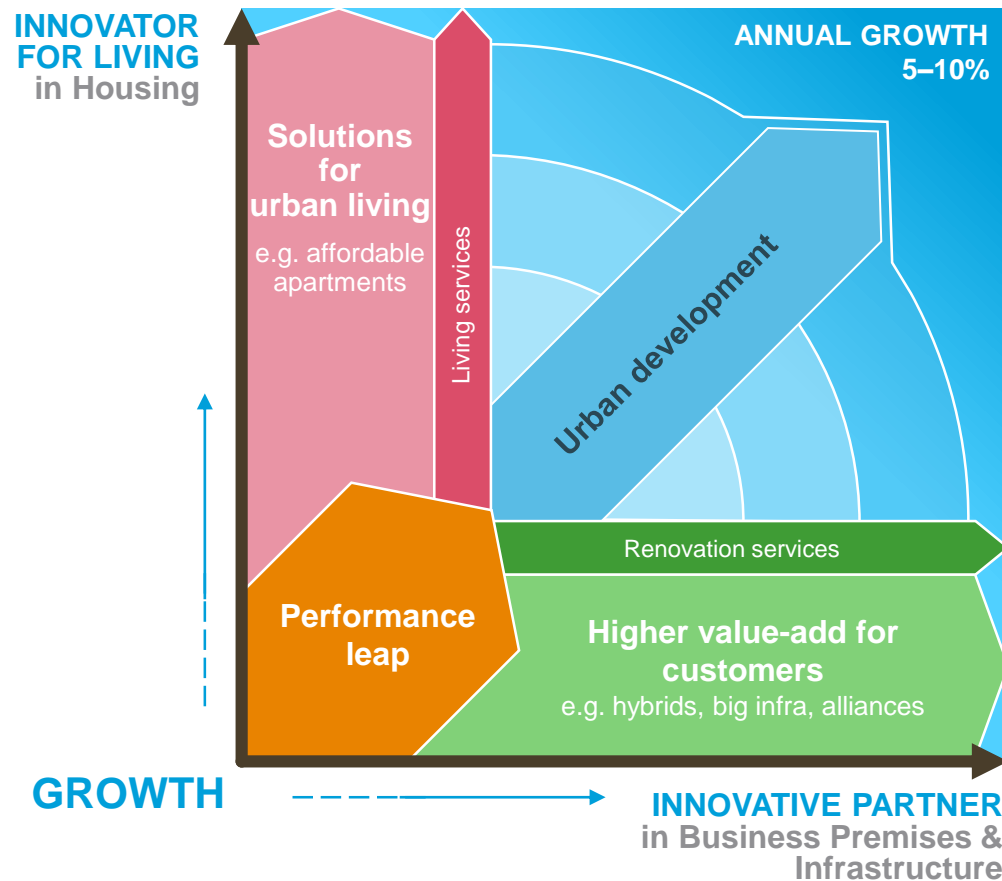
**Reduce  
construction costs**

**Build true  
partnerships**

**Improve  
capital efficiency**

# Renewed strategy for 2017–2019

## More life in sustainable cities



# We are making a difference

## CARE FOR CUSTOMERS



- Proactive customer experience management
- WOW service attitude
- Digital customer journey

## VISIONARY URBAN DEVELOPMENT



- Strengthened long-term city development
- Hybrid and area development
- Concepts

## PASSIONATE EXECUTION



- Latest knowledge and more diversity
- Empowered teams
- Standardisation and pre-fabrication

## INSPIRING LEADERSHIP



- Involving and encouraging people
- Network excellence
- Preferred employer



# Financial targets

Long-term financial target	Target level	Outcome 2016
Revenue growth	5–10% annually on average	8%, 9% at comp. fx
Return on investment	15%	4.7% (7.0%)*
Operating cash flow after investments	Sufficient for dividend payout	EUR -43.1 million
Equity ratio	40%	35.1%
Dividend payout	40 to 60% of net profit for the period	373.3% (95.3%)**

All figures according to segment reporting (POC)

\*Calculated with adjusted EBIT \*\*Calculated with adjusted EPS

# 2


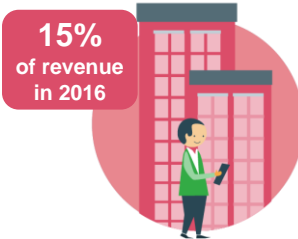
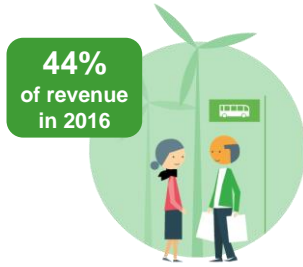
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## Business segments



Konepaja residential area  
Helsinki, Finland

# Balanced business portfolio

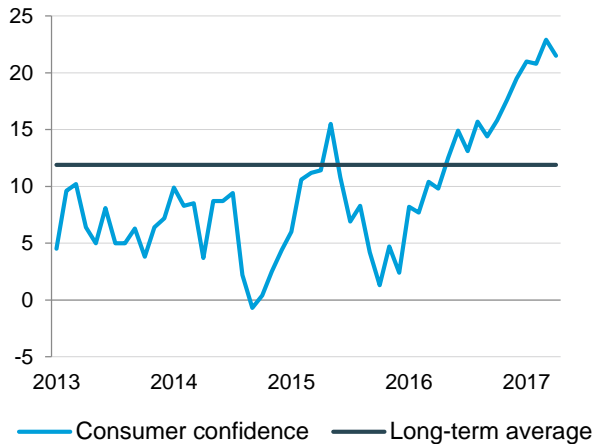
	 <p><b>HOUSING FINLAND AND CEE</b></p>	 <p><b>HOUSING RUSSIA</b></p>	 <p><b>BUSINESS PREMISES AND INFRASTRUCTURE</b></p>
<b>BUSINESS OPERATIONS</b>	We construct and develop apartments and entire residential areas.	We construct and develop apartments and entire residential areas, and we operate in service and maintenance businesses.	We build offices, shopping centres, care facilities, roads, bridges, rail and metro stations, harbours and more. We also operate in the area of road and street maintenance.
<b>OPERATING COUNTRIES</b>	Finland, Estonia, Latvia, Lithuania, the Czech Republic, Slovakia, Poland	<b>Seven regions in Russia:</b> Rostov-on-Don, Yekaterinburg, Kazan, Moscow, Moscow region, St. Petersburg, Tyumen	<b>Business premises:</b> Finland, Estonia, Latvia, Lithuania, Slovakia <b>Infra:</b> Finland
<b>CUSTOMERS</b>	Households, private and institutional investors	Primarily households	Businesses, the public sector and institutional investors
<b>MAIN COMPETITORS</b>	Lemminkäinen, SRV, Skanska, Bonava, Lehto Group, Lapti, Merko Ehitus, local players in different countries	PIK, LSR, Etalon, SU-155, Lemminkäinen, local players in different cities	Lemminkäinen, SRV, Skanska, NCC, Merko Ehitus, Destia, Kreate, Peab, Consti, Lehto etc.

# Housing Finland and CEE

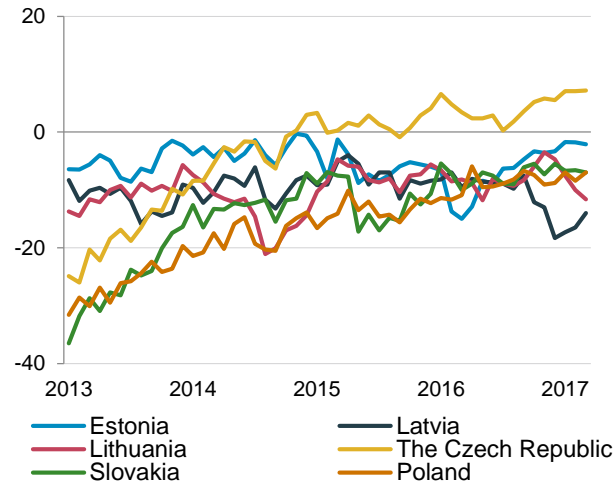
## Operating environment in Q1



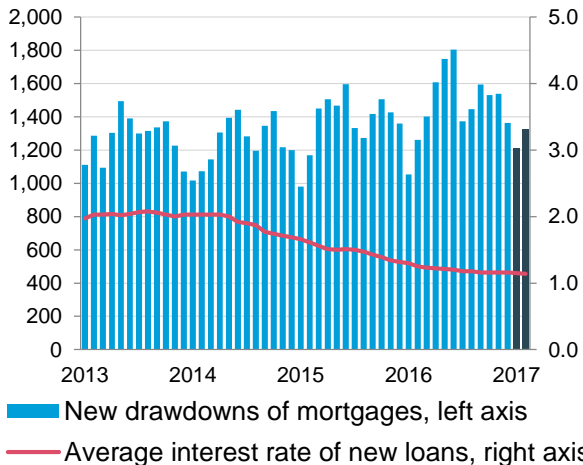
Consumer confidence in Finland



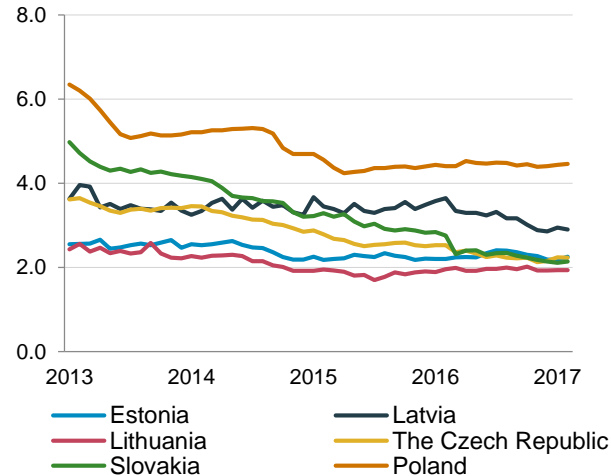
Consumer confidence in CEE countries



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



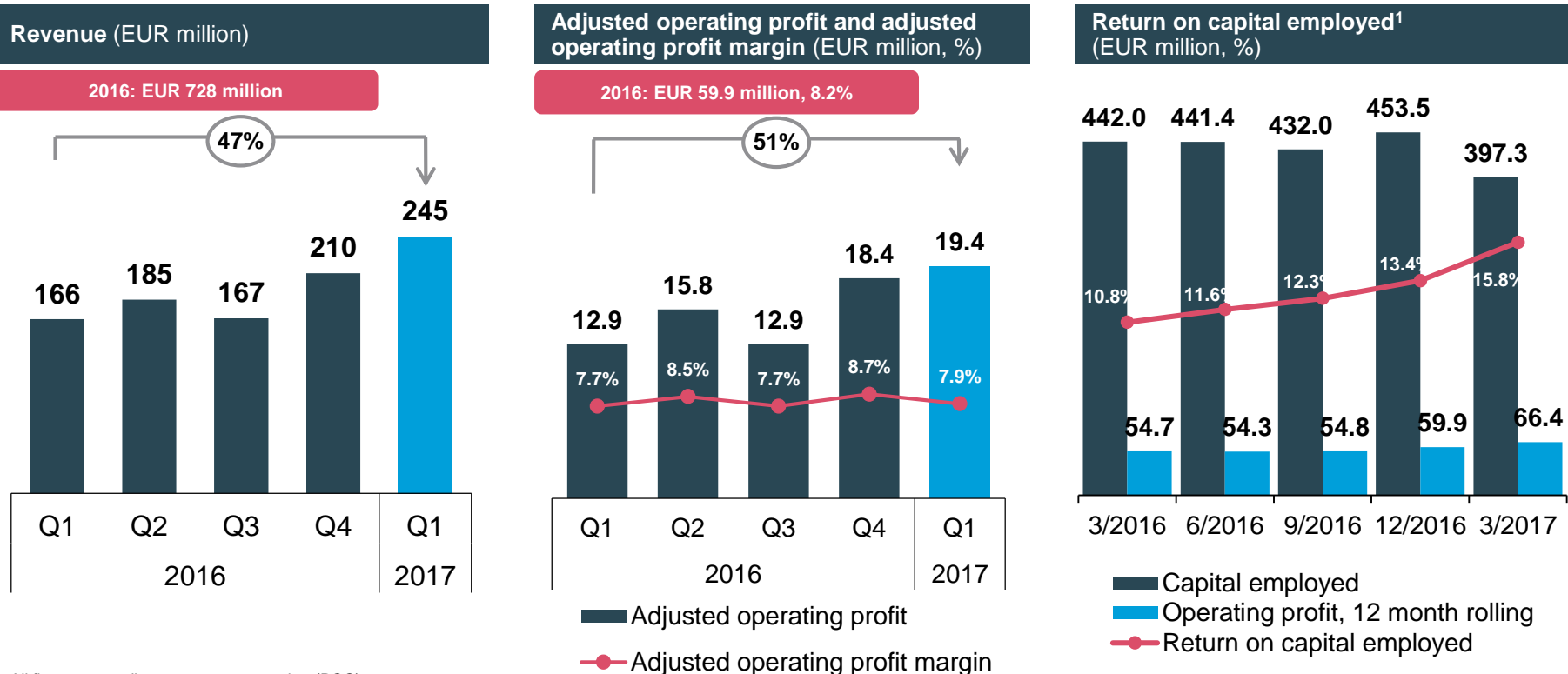
Average interest rate of mortgages in CEE countries (%)



- Consumer confidence on a record high level in Finland and on a good level especially in Slovakia and the Czech Republic
- In Finland, good demand especially for affordable apartments in the growth centres and the volume of new housing loans continued to increase y-o-y
- Mortgage interest rates stayed on a low level in all countries



- Revenue increased by 47% y-o-y, boosted by strong residential sales as well as capital efficiency measures
- Operating profit improved clearly due to strong residential sales, limited profitability improvement due to capital efficiency measures, such as plot sales
- ROCE continued to improve and was over 15% (strategic Group ROI target level 15%)



All figures according to segment reporting (POC).

<sup>1</sup>As of the beginning of 2017, in order to clarify its financial figures terminology, YIT starts to use the terms Capital Employed and Return on Capital Employed (ROCE) for segment reporting instead of previously used Operative Invested Capital and Return on Operative Invested Capital (ROI). The formulas for these financial figures remain untouched.



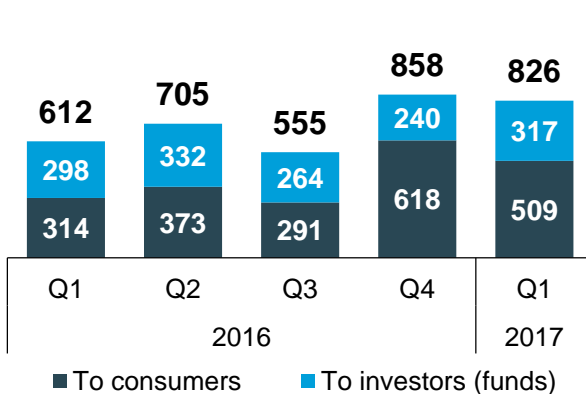
# Housing Finland and CEE

## Sales and start-ups in Q1



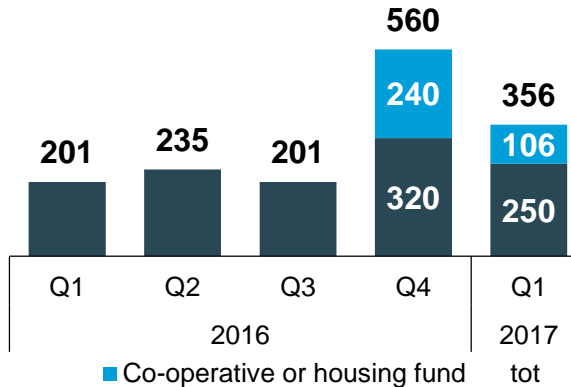
### Sold apartments in Finland (units)

2016: 2,730



### Sold apartments in CEE (units)

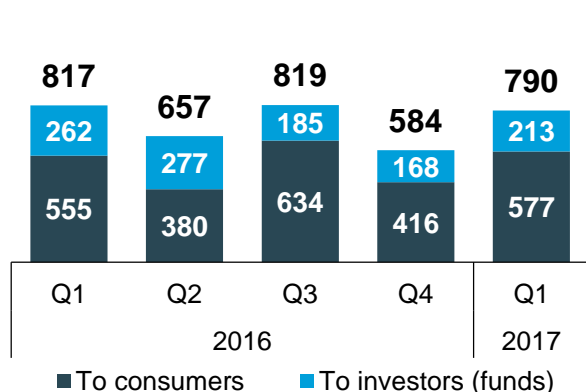
2016: 1,197



- Strong consumer sales both in Finland and CEE
- 104 apartments sold in bundles to investors in Finland (Q1/2016: 36 units)
- Agreements signed to construct 8 projects to investors of which over half was started in Q1
- A plot for an area development project of ~350-400 apartments acquired in Prague, the Czech Republ
- In April, estimated sales to consumers around 130 units (4/2016: around 130 units) in Finland and around 80 units (4/2016: around 80 units) in CEE

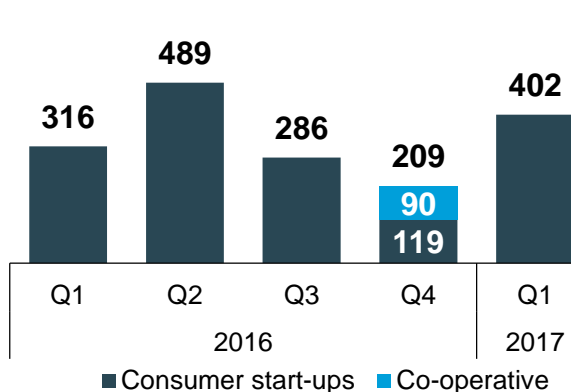
### Apartment start-ups in Finland (units)

2016: 2,877



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

2016: 1,300



# Housing Russia

## Operating environment in Q1

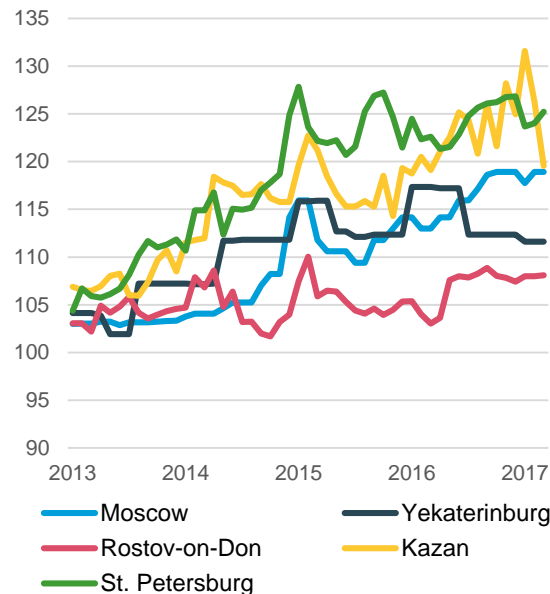


- Consumers were cautious despite the stabilisation of the Russian economy
- The ruble continued to strengthen which further increased the caution of consumers and expectations for depreciation of the ruble
- Residential demand was weak
- Residential prices remained stable on average
- The ending of the mortgage subsidy program at the end of 2016 was reflected in residential demand
- Mortgage interest rates for new apartments decreased back to level of around 11%

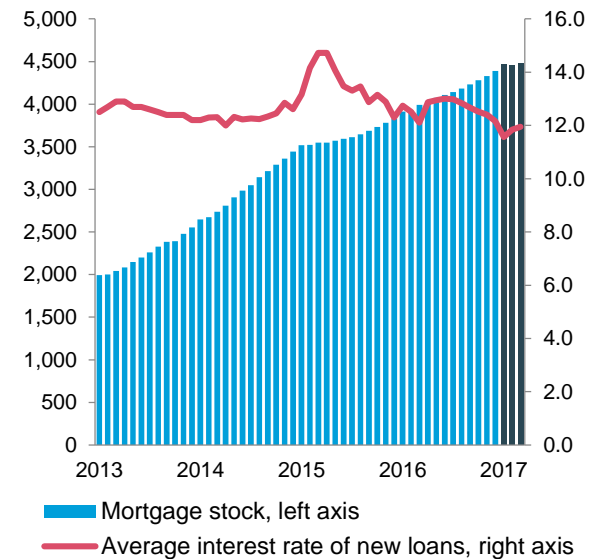
**EUR/RUB exchange rate**



**Prices of new apartments  
(index 2012=100)**



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



Sources: Bloomberg, YIT and Central Bank of Russia

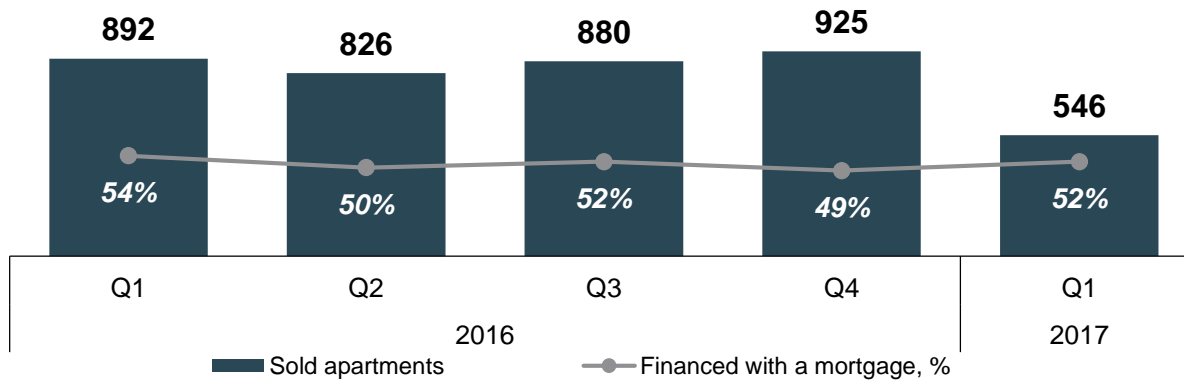
# Housing Russia

## Sales and start-ups in Q1



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

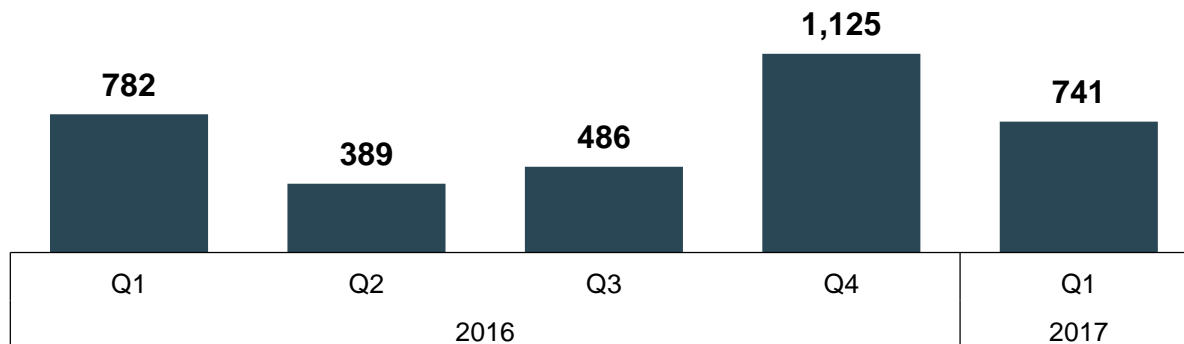
2016: 3,523 (51%)



- Number of sold units decreased by 39% y-o-y
  - No changes in price lists
- Start-ups decreased slightly y-o-y
  - New projects started in Yekaterinburg and Moscow region

### Apartment start-ups (units)

2016: 2,782



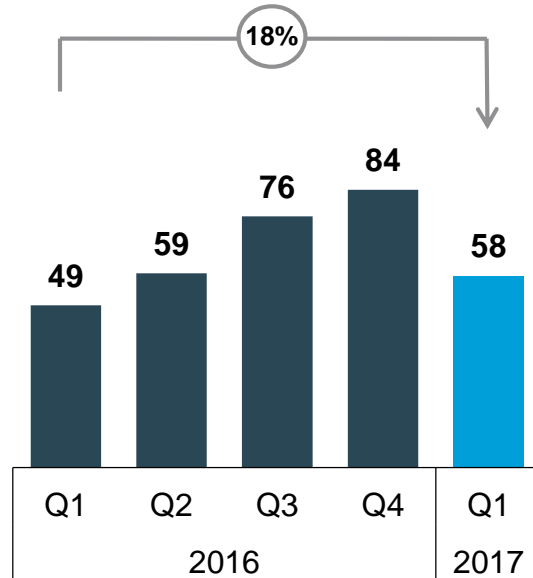
- Share of sales financed with mortgages continued on a stable level, number of mortgages low though
- In April, consumer sales estimated to be below 200 units (4/2016: over 250 units)



- Revenue decreased by 11% y-o-y at comparable exchange rates due to low residential sales
- Capital employed increased due to strengthened ruble, ROCE was on an unsatisfactory level
  - Target to reduce the capital employed and continue to improve operating profit

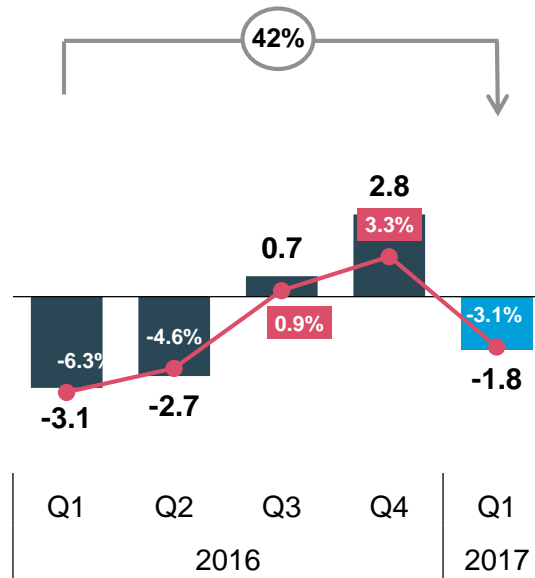
### Revenue (EUR million)

2016: EUR 268 million

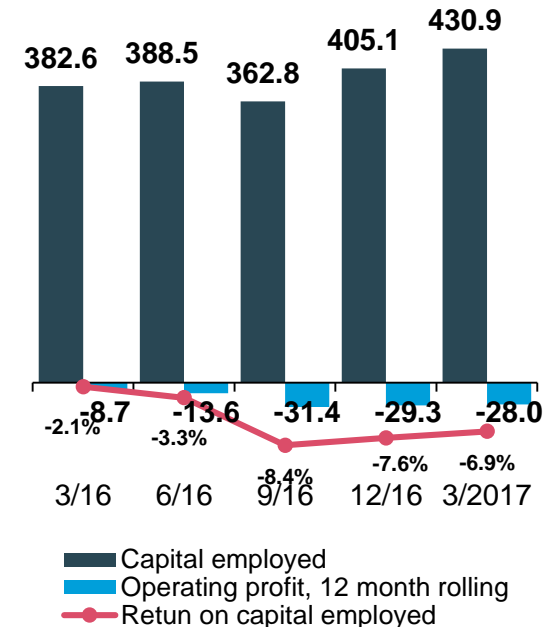


### Adjusted operating profit and adjusted operating profit margin (EUR million, %)

2016: EUR -2.3 million, -0.9%



### Return on capital employed<sup>1</sup> (EUR million, %)



All figures according to segment reporting (POC).

<sup>1</sup>As of the beginning of 2017, in order to clarify its financial figures terminology, YIT starts to use the terms Capital Employed and Return on Capital Employed (ROCE) for segment reporting instead of previously used Operative Invested Capital and Return on Operative Invested Capital (ROI). The formulas for these financial figures remain untouched.

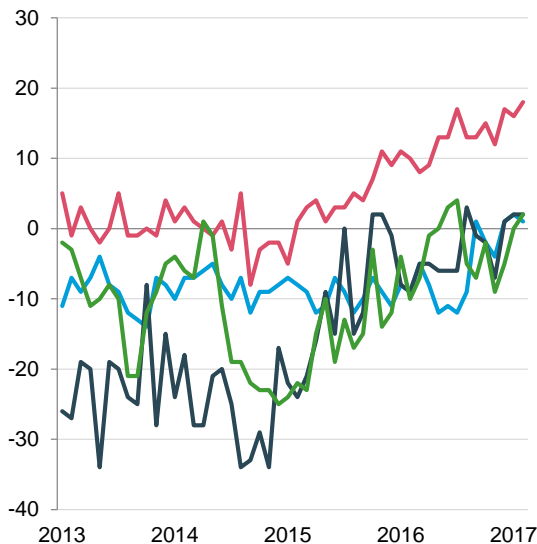
# Business Premises and Infrastructure

## Operating environment in Q1



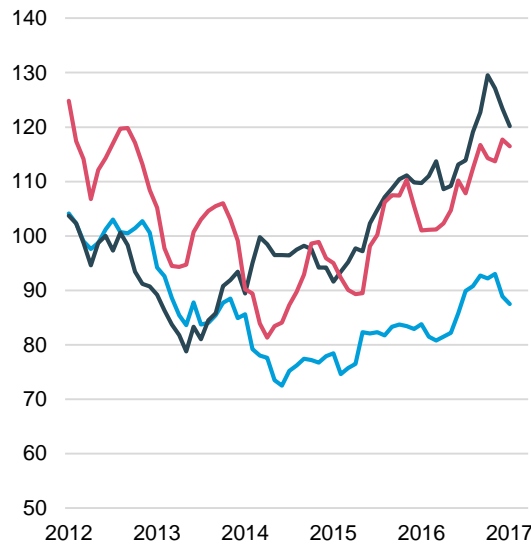
- Investor demand for business premises in central locations on a good level in Finland
- The tender market was active especially in the capital region
- The Finnish market for infrastructure remained stable
- Investor demand for business premises good in the Baltic countries and Slovakia

Confidence indicators in Finland



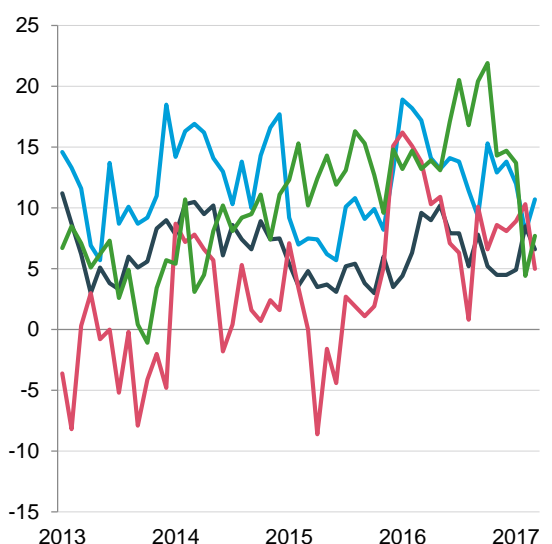
— Manufacturing — Construction  
— Services — Retail trade

Volume of new construction in Finland (index 2010=100)



— Commercial and office premises  
— Public service premises  
— Industrial and warehouse

Retail trade confidence in the Baltic countries and Slovakia



— Estonia — Latvia  
— Lithuania — Slovakia

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



# Business Premises and Infrastructure

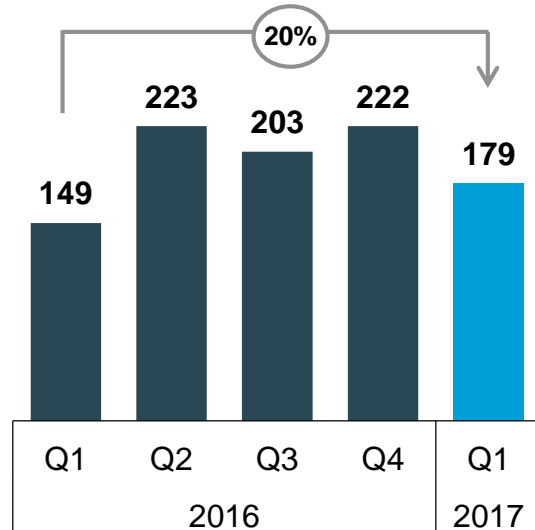
## Revenue, adjusted operating profit and ROI in Q1



- Revenue increased by 20% y-o-y, due to business premises construction and progress in Mall of Tripla
- Operating profit decreased by 22% y-o-y
- ROCE remained on a satisfactory level

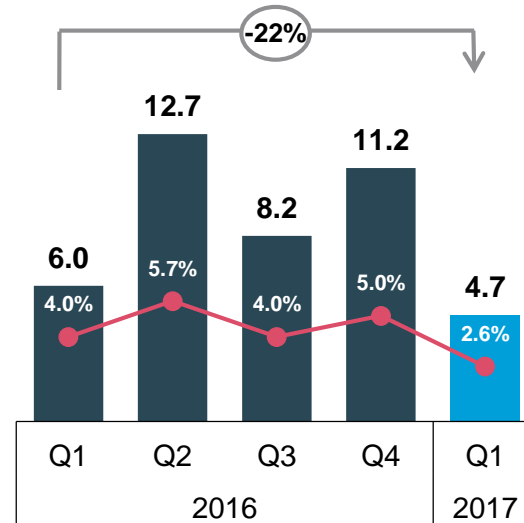
### Revenue (EUR million)

2016: EUR 797 million

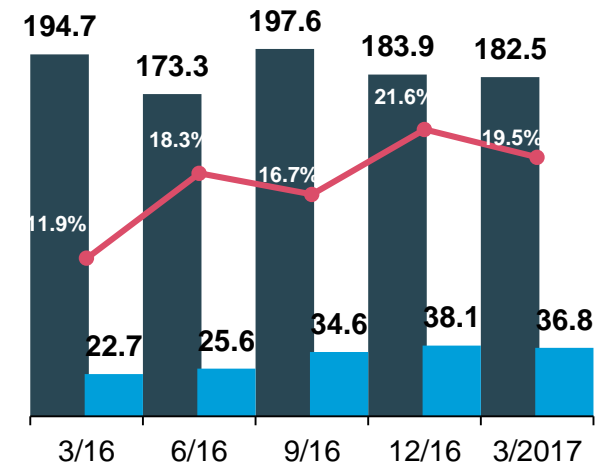


### Adjusted operating profit and adjusted operating profit margin (EUR million, %)

2016: EUR 38.1 million, 4.8%



### Return on operative invested capital (EUR million, %)



Adjusted operating profit

Adjusted operating profit margin

Capital employed

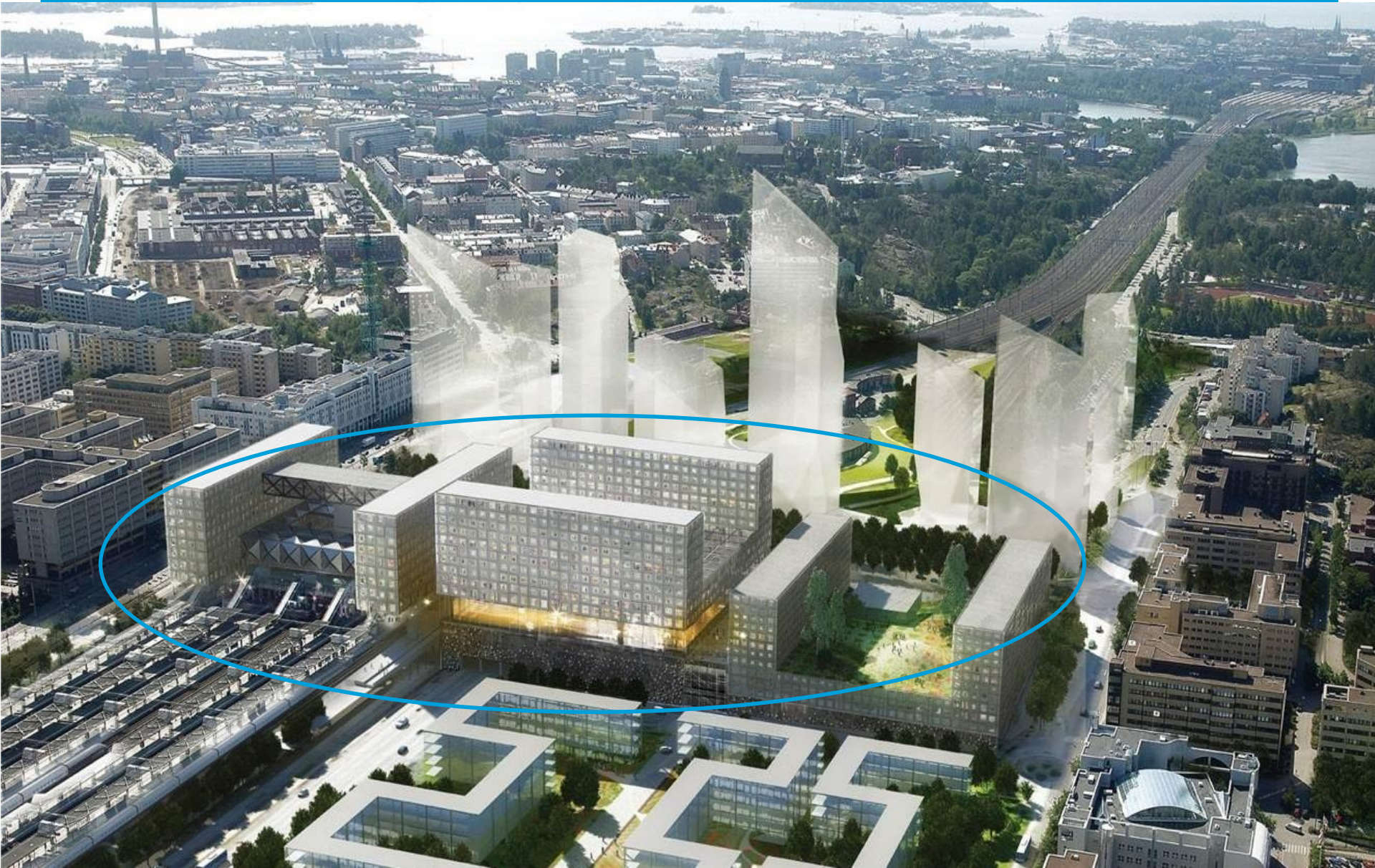
Operating profit, 12 month rolling

Return on capital employed

All figures according to segment reporting (POC)

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

# Tripla project: Pasila, Helsinki in the future





# Tripla project supports growth in the coming years



## Tripla project in brief

- EUR 1 billion hybrid project: 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
- 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

Parking and foundations

~10%

Mall of Tripla

~40-50%

Business park offices

~10%

Hotel

~5-10%

Railway station and HQ offices

~10-15%

Residential

~10-15%

## Current topics

- ✓ Final agreement on the implementation of the hotel signed in April 2017, preliminary value approximately EUR 88 million
- ✓ Leasing negotiations for office facilities under way
- ✓ Customer register is gathered for the housing construction project

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

# 3

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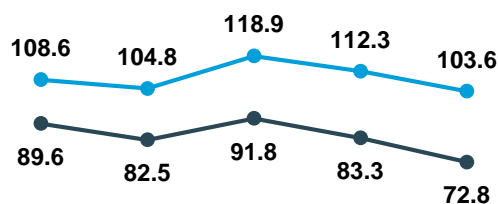
## Financial key ratios



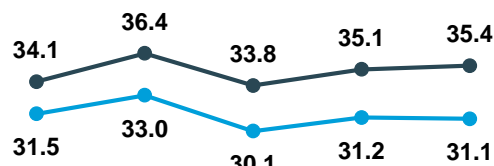
# Financial key ratios improved in Q1

- Significant improvement in gearing ratio q-o-q due to strong cash flow
- Net debt/EBITDA multiple affected by the new net debt definition, comparison figures adjusted accordingly
- Gearing calculation and loan covenants not affected by the new net debt definition

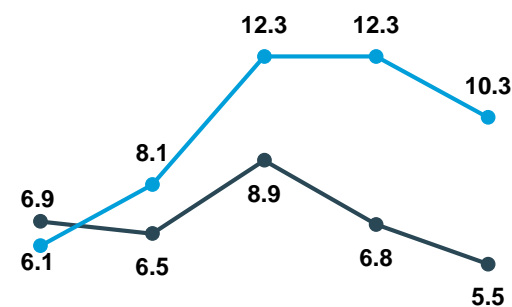
Gearing (%)



Equity ratio (%)



Net debt/EBITDA (Multiple, x)



Q1	Q2	Q3	Q4	Q1
2016				2017

—●— POC —●— IFRS

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

Q1	Q2	Q3	Q4	Q1
2016				2017

—●— 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.

Q1	Q2	Q3	Q4	Q1
2016				2017

—●— POC —●— IFRS



# Summary of financials in Q1

- Financial key ratios moved to the right direction, still room for improvement
  - Cash flow improved
- Financial expenses (POC) decreased by 68% y-o-y due to lower hedging costs, appreciation of derivatives values and lower interest rates
  - Financial expenses (POC) estimated to be over 15% lower y-o-y in 2017 assuming the current operating environment
- The last ruble loan refinanced by euro loan after the reporting period



Vibu residential project  
Tallinn, Estonia

# 4

## Market outlook and guidance



# Market outlook, expectations for 2017

## Finland

- Consumer demand to remain on a good level and to focus on affordable apartments
- Investor activity to decline slightly, even more focus will be paid on the location
- Residential price polarisation between growth centres and other Finland to continue
- Availability of mortgages to remain good
- Tenant interest for business premises to pick up slightly in the growth centres. Investor activity on a good level, focus on especially prime locations in the capital region
- Business premises contracting to remain active
- New infrastructure projects to revitalise the market
- Construction costs expected to increase slightly
- Construction volume growth expected to slow down
- Bank regulation and increased capital requirements might have an impact on the construction and real estate development
- The increased competition for skilled labour due to high construction activity expected to continue



## Russia

- Macro environment to remain stable on the current level, the stabilisation of the economy to have a moderate, positive impact on the residential market
- Expectations of weakening of ruble and decrease of interest rate to influence consumer behaviour
- Residential prices stable
- Residential demand to focus on affordable apartments
- Construction cost inflation to moderate



## CEE

- Residential demand to remain on a good level
- Good access to financing, low interest rates to support the residential demand
- Residential prices to remain stable or increase slightly
- Construction costs to increase slightly
- Business premises tender market estimated to pick-up in most of the CEE countries





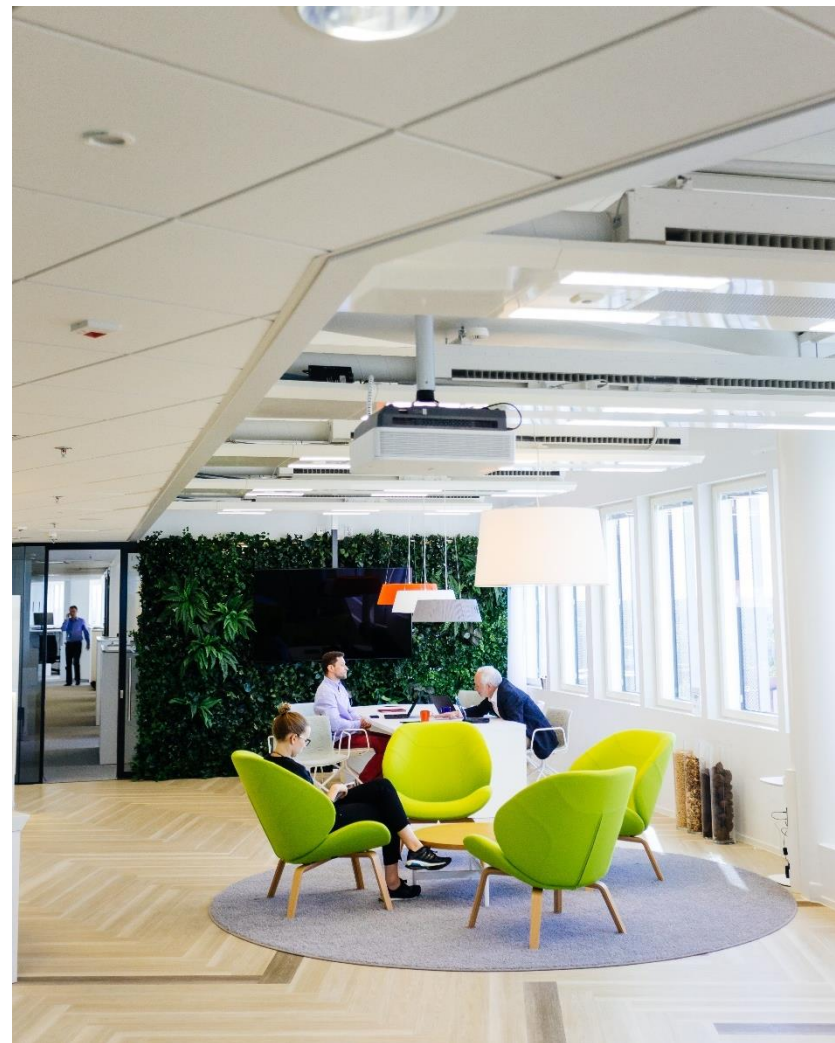
# Guidance for 2017 unchanged (segment reporting, POC)

**The Group revenue** is estimated to **grow by 0–10%**.

**The adjusted operating profit<sup>1</sup>** is estimated to be in the range of **EUR 90-105 million**.

In addition to the market outlook, the 2017 guidance is based on the following factors:

- At the end of March, 61% of the Group order backlog was sold.
- Projects already sold or signed pre-agreements are estimated to contribute nearly 60% of rest of 2017 revenue.
- The increased share of consumer sales in Housing Finland and CEE is likely to have a moderate positive impact on the adjusted operating profit of the segment but the impacts of the shift to consumers will be visible in the result gradually.
- In Housing Russia, the adjusted operating profit is estimated to be positive but to remain on a low level. Capital release actions in Russia are likely to have a negative impact on the profitability.



<sup>1</sup>The adjusted operating profit does not include material reorganisation costs, impairment or other items impacting comparability

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**Together  
we can  
do it.**