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Hanna Jaakkola: Good morning, everybody. Welcome to YIT's First Quarter Result Info and Webcast. We have the traditional agenda today. President and CEO Kari Kauniskangas will go through the results and the highlights of the Q1. And CFO, Esa Neuvonen, will dig into the financials after that. We have also here Executive Vice President, Head of Business Premises and Infrastructure segment, Tero Kiviniemi, here present and also Head of Housing Finland and CEE, Antti Inkilä. They are ready for questions after the presentation.

All the material here will be found on our group – YIT Group web pages under Investors. My name is Hanna Jaakkola and without further ado, Kari, please.

Kari Kauniskangas: Good morning on my behalf. We had a bit better start for the year than we expected three months ago. Q1 result was clearly better than year ago even it was on a low level as we expected. Group revenue and operating profit grew clearly, profitability was as expected. The housing sales in Finland and CEE continued on a very good level. In Russia, the sales was weak and dropped clearly as it seems to happen in markets overall. In Business Premises and Infra, revenue grew but the profitability was low. I will come back to this topic later. The cash flow was strong and supported and leading – it lead to decrease in net debt.

The revenue increased a lot. It's good to notice that we had around €50 million measures to improve capital efficiency during the quarter. But even without that that the growth was almost 20%. The backlog remains stable on a very good level. The EBIT improved clearly from the previous or last year similar quarter. Especially strong the development was in Housing Finland and CEE. In Russia, the result overall was a bit in loss but the result was better than a year ago and the gross margin of Russian operations has continued to improve since the Autumn. In Business Premises and Infra, the profitability was low due to weakened margins in certain

projects in CEE countries. Also, in Infra, the seasonality impact during this year was stronger than a year ago. In other items, we had €1 million new costs connected to development programs that we started at the end of last year and which will support our growth and improvement of profitability during this and coming years.

Then in Housing Finland and CEE, the overall market has continued on a very good level. The consumer confidence is on the highest level during this millennium. The prices in Finland are on a stable level, in Helsinki region slightly improving. The consumer demand is increasing in affordable and middle-sized apartments when the previous trend has been only towards the small apartments. In CEE countries, the overall market environment has stayed stable on a very good level. Prices slightly increasing, just an example, in Czech Republic, the prices have increased within the last two years around 15%. In Housing Finland and CEE, the revenue increased a lot but the main part of those capital efficiency measures was done in this segment to support the cash flow and growth in the future and the impact of that was almost €50 million. Plot sales from the balance sheet to those plot funds was around €25 million. Order backlog stayed stable on a good level.

From profitability and operating profit point of view, this was the best quarter within few years. The profitability without those capital efficiency measures was almost 9% and the return on investment or from now on, return on capital employed, increased above this 15% level which is the strategic target of YIT Group. We changed the definition of this group, return on operative invested capital which was reported earlier, as return on capital employed. The formula calculation – formula remain untouched, so this is only the change in definition. The capital employed decreased due to these plot sales but also due to those capital efficiency measures.

The consumer sales continued on a very good level compared to last year. The growth was even 76% and the share of units sold to consumers was on a good level, 62%. During the quarter, we sold around 100 apartments to bundles – as bundles to investors. This is not anymore capital

release but let's say capital efficiency measures. We are keeping the capital efficiency on a good level to ensure that we are able to grow according to market opportunities at the moment. In April, the sales has been a bit lower level than during last few months but still on a good level. There will be a lot of new start-ups with good reservation rates during the – this quarter also. During the year, we are targeting to start almost 500 Smartti apartments as we started a year ago.

In Finland, we also launched a new way to acquire an apartment which is so far called optional purchase right model, meaning that consumer or client is able to buy an apartment or rent it and then buy later. Quite a flexible way. In CEE, the number of start-ups was on a very good level and the sales for consumers grew by 24% compared to last year. In addition, we sold one project with 106 apartments to YCE Housing fund I which established together with some partners at the end of last year. We have also continued plot investments in this area to support the growth in coming years. In April, the sales has stayed on a good level, around the same than a year ago.

And overall, in Housing Finland and CEE, the production volumes are continuously growing. The sales rate is on a very good level taking into account that the shift towards the consumer sales is strongly happening continuously. And the number of unsold completed apartments is on a very low level at the moment.

Then Housing Russia, the operating environment is a bit mixed. The macro outlook for this year is clearly better on – let's say, not clearly but better than during last two or three years. The overall expectations for the GDP development are positive for this year, mainly expecting around 1% improvement during the year. At the same time, there was a clear drop in demand at the beginning of the year which is driven by two main factors. At the end of last year, the government mortgage subsidy program was ended and that has impacted the amount of demand of mortgages. The subsidy program as such is not the main reason but the comments given by government that they are expecting clearly lower market rates in interest within the year, and now

people are waiting. At the end of the quarter, the interest rate of mortgages was on average 11 percentage points. The second reason is that the ruble exchange rate has strengthened during the last year quite a lot and now people are having their currency deposits and they are expecting devaluation and that is also impacting consciousness among consumers.

The overall price development has stayed stable on average in our cities. From revenue point of view, the revenue decreased 11 percentage points in ruble terms which is I think more relevant than the revenue in euros which is impacted heavily by stronger exchange rate than a year ago. Backlog of orders has stayed stable.

The operating profit was negative but the reason is totally different than a year ago. Now the reason is clearly lower volumes which can be seen from the sales figures. The gross margin of the reported projects have continued to improve since last Autumn, month by month, and the development overall is going the right direction. The capital employed in ruble terms has stayed stable. We have this target to reduce RUB 6 billion from the capital employed from Russia by end of next year. We have a clear plan what are the sources for that and we are proceeding in that area. So far, the progress has been modest. Just an example on those actions to release capital from Russia, we are selling part of our long-term plot portfolio in St. Petersburg, Novo Orlovsky. We are planning to sell two-thirds of the half a million square meters that we have in Novo Orlovsky area. The auction is planned to be organized next month, but to understand that the way of auctions in Russia, it doesn't mean that immediately after the auction the plot is sold. It is just the start of the negotiation process. We will more accurately inform later how this is proceeding.

And as we can see from the sales figures, the drop was clear, almost 40% during the quarter and the drop happened 1st January, so it was very easily – or easy to notice. And based on our market analysis, it looks like that similar changes happened also for other players in the area. The main reasons for the drop was explained earlier – a devaluation of – or strengthening

Russian ruble and this change of terms in mortgages. In April, the sales has been still on a low level, a bit below 200 units when a year ago it was over 250. In March, the operating profit in Russia was positive and the sales in March was above this 200 units.

The production volumes are clearly lower level than few years ago and we will keep according to current plans, the level. The number of unsold completed apartments is very low and that is also showing that those completed apartments are, even in a current market environment, enjoying a good demand.

In Business premises and Infra, the market situation especially in Finland is very good. At the moment there are several huge projects under tendering phase and overall outlook is quite positive. Companies are looking for new premises. There are good demands also for shopping malls in right locations.

The revenue increase in the segment mainly driven by Tripla construction and also business premises and – business premises division. In infra, the revenue decreased compared to last year and as I said that the seasonality impact was stronger this year than a year ago. Last year, for instance, this E18 Hamina–Vaalimaa project was proceeding throughout the winter. Now we have had two months stop because the production is already quite far. Backlog of orders has state on an exceptionally high level and on a very good – good level.

The profitability was weak also in our eyes, the main reason is those few projects in CEE area especially in Estonia and Slovakia where we had some challenges and changes in cost estimations. One of those projects is Tartu University which has been mentioned also in media. ROCE, return on capital employed in this segment stayed on a very good level or good level, let's say so. It can be also higher and the invested capital employed stayed stable, even the investments in Tripla has increased.

During the quarter we started several self-developed projects like this terminal for Posti and logistic property in Vantaa. We've won this life cycle project in Espoo. One quite important success was also the leasing of this Kasarmikatu project. We have achieved the rate of 94% in leasing and the selling of the project has started. So far, the closing date is not known and the sales price is open so we have not include the sales expectation for our forecast or guidance yet.

The Tripla project as such is proceeding very good. Yesterday we signed the contract, final contract to construct the hotel for Sokotel and it will be owned by Exilion. The Tripla mall leasing is proceeding quite well at the end of the quarter. The leasing rate or occupancy rate was 94 – 45% and it's continuously improving. Then Esa will continue with the finance sale figures and positions.

Esa Neuvonen: Good morning also, on my behalf. I'm very pleased to be here commenting the first quarter results, positive results in many aspects. I'll start by commenting one of our key targets, return on investment improving – continuing to improve and also the invested capital has come down slightly compared to end of last year. Kari already commented the target to reduce capital in Russia and repeating the message that we have a solid plan in place how to continue on the reduction on the capital consisting mainly of plot sales and apartment sales and the mentioned auction of Novo Orlovsky plot coming in May. But still there is good room to improve and reach our group target levels in return on investments.

Strong cash flow, very good development in the first quarter putting us back on the track in 12 months. Rolling cash flows as our target is to have positive cash flows after dividend payout so this is the level where we aim to be also in the future and I think that this is a very good outcome taking into account that we have still continued investing in plots and joint venture shares.

Net debt came down to a level of €551 million. Also, it's good to notice that the definition is now changed a little bit. We are now netting the interest bearing receivable of which we previously

already gave information but now that is calculated in. The reason for this change is that we think that this gives a fairer view on our net debt and also, second reason is that the receivable from City of Helsinki – now City has started the activities in the area so there is background for that.

Then some new aspects on our net debt position. I think it's very, very important to distinguish the financing needed for construction dates and that is shown on the graph on the right side but I think that the most important relevant view for debtiness is the debts against plots and investments in joint venture shares and as you can see, fairly moderate leveraging there, illustrative loan-to-value is around 45%.

Then very often discussed topic, what is the contents of our land assets. We are now disclosing some new information regarding this – on Finnish housing block assets, you can see that the majority of the assets, they are in value in Helsinki metropolitan area. If you will look from a square meter point of view, then that is less than half.

Also new information about the division of Business premises and Infra. Land assets as shown on the graph and then additional information about our land base. More than 5 million floor square meters in our assets giving us a very good basis for future growth which is very important to see that when we look the Finnish housing plot base, we have been able to move into capital efficient structure, 65% of the assets, they are either rented or been through pre-agreement so very, very good structure in there.

All in all, financial key ratios, they improved fairly well in the first quarter gearing came down very strongly and also net debt/EBITDA ratio improved. Already when commenting the yearend results, we communicated that POC ratios, they are showing the direction of where we are going in financial ratios and they are still continuing to improve so in the direction where also the IFRS ratios are moving in the future.

Summing up the results, very positive quarter in many angles. Key ratios, they moved clearly on right direction. Strong cash flow, having many capital efficiency measures in place giving us a solid and good basis for future growth. Financial expenses came down fairly strongly mainly explained by value increase of derivatives but also very important to notice that the underlying average interest rate is improving.

All in all, a good quarter and I'll hand back to Kari to continue on the presentation.

Kari Kauniskangas: And what is left is mainly outlook and guidance. Finland, shortly, market outlook is good practically in all areas of construction. Last year, the growth in construction was on extremely high level. Now the speed is slightly declining but still increasing mainly due to lack of resources. In Russia, as I said earlier, the overall macro-environment looks a bit positive but we expect that it will still take time before the consumer confidence and the purchasing power starts to improve again and impact positively the housing sales and sales prices. In CEE, the good market environment especially in Czech, Slovakia and Poland will continue stable on a good level.

We had a bit better start for the year than we expected internally. The forecast for the whole year are still within the original range so we repeat the guidance given at the beginning of the year. The group revenue is estimated to grow by 0% to 10% and the adjusted operating profit is estimated to be in the range of €90 million to €105 million. From now on, we expect that the group operating profit starts to improve step by step in coming quarters.

So I think this was the presentation. Now if there are any questions, we will start from the Käpylä and then continue online.

Speaker: This is Jussi Koskinen. These infrastructure profitability programs in Tartu and so on, and so on, are they one off expenses or are they going to continue?

Kari Kauniskangas: First of all, in infrastructure, there was no profitability problem. This is in normal construction area, business premises side. There are few projects in Estonia connected to closing that area, units in that area and those are not one off as such but we don't have – let's say that those are part of normal business. Sometimes some project has challenges.

Speaker: Thank you.

Kari Kauniskangas: If no more questions from Käpylä, then questions online. One more from the Käpylä.

Kristiina Rysä: Hi. This is Kristiina Rysä. I was just wondering if you could just describe shortly the project margins in Russia as well as these few projects mentioned here separately in the CEE area. But how would you describe the project margins on these new projects for example in Finland and CEE especially?

Kari Kauniskangas: You mean the project margins in Finnish housing?

Kristiina Rysä: Development, yes. Especially for the new projects.

Kari Kauniskangas: Yeah. In consumer – in projects which are targeted to consumers that profitability expectations have been stable last year and this year and of course when the mix is improving towards the consumer projects that overall profitability expectations are higher than earlier. And now, online.

Operator: Thank you. If you like to ask a question, please signal by pressing star one on the telephone keypad. Again, please press star one to ask a question. Our first question comes from the line of Ari Järvinen from Danske Bank. Your line is open. Please go ahead.

Ari Järvinen: Yes. Hello from me. I have a few questions. I start with this a bit like technical thing that – did you have like a positive impact from the timing of Easter in the Q1 and basically – then also, the April sales in Finland was basically flat. Was there then a negative impact maybe due to the Easter?

Kari Kauniskangas: Maybe I didn't hear right the first part of the question but April sales was a good level. It was around the same than year ago. The main reason is that in April, there was no start of sales in new projects which usually brings that strong start for the – for the – or strong sales at the beginning. So even we started big amount of new projects within the first quarter, the sales of those projects will start within coming – coming months. And if you repeat that –

Ari Järvinen: Okay, the first part of the question – yeah. Yeah. I'll repeat the first part. Basically, can you estimate that there was some kind of boost for more selling days maybe on the recent consumer housing given the timing of the Easter so that the Q1 comparisons were basically easier?

Kari Kauniskangas: Of course, Easter this year was in April. Last year it was probably at the end of March. It may be so but I have not considered that to be so important in long run.

Ari Järvinen: Yeah, of course but it basically has some impact on your sales activity as well.

Kari Kauniskangas: That's true.

Ari Järvinen: Okay. And then on the net finance cost, like could you give an estimate of what kind of level of costs are we – should we expect on quarterly basis because now the Q1 was exceptionally low?

Kari Kauniskangas: That is showing the direction but Esa may answer.

Esa Neuvonen: Yes, that is true that the first quarter financial expenses, they were extremely low. I think that you can get a good idea of that as we indicated earlier that the whole year finance expenses they are coming down around 15% this year. So in all in all, it is fairly stable than the value appreciation on derivatives they are of course in effecting.

Ari Järvinen: And was that based on IFRS finance cost?

Esa Neuvonen: The guidance, the 15% which we gave, that was on POC.

Ari Järvinen: Okay, thanks. And then just a little bit about the forward-looking statements. You're still keeping the sales growth guidance 0% to 10% and you have a strong backlog flying start for the Q1 of course boosted by the plot sales also but why is the range so wide? What are the impacts on that?

Kari Kauniskangas: Yeah. Let's say so that the probability to have only 0% growth is quite low at the moment. We will specify the outlook when we have more information. Last year, it's happened in July and hopefully this year, we have the same view.

Ari Järvinen: Okay. And then if we just move on to the next guidance statement about the EBIT improvement, a €90 million and strong consumer confidence in Finland growth in CEE continuing and the margin is improving, so why still having that kind of low level of improvement in my view? What are the negative risks related to the EBIT improvement phase?

Kari Kauniskangas: As I said, the start for the year was a bit better than we expected but the internal forecasts are still within the original range and we will –

Ari Järvinen: Okay. So if I'm—

Kari Kauniskangas: – if needed, if you have better or more accurate visibility we will specify then –
when visibility is –

Ari Järvinen: Is the main thing here, the potential divestments or capital release actions in Russia, is
that the biggest, like, item?

Kari Kauniskangas: Let's say for instance, this is sale of Novo Orlovsky plot. At the moment, it's not
included in our forecast and for sure for instance concerning the status of that – that sales, we will
have more information during the summer. As well as concerning – the concerning Kasarmikatu
project.

Ari Järvinen: Okay, thank you. That's all for me.

Operator: We have one more question remaining in the queue from the line of Anssi Kiviniemi from
SEB. Your line is open. Please go ahead.

Anssi Kiviniemi: Yeah, hi. It's Anssi from SEB. Two questions. First of all, kicking off with Business
premises and Infra and the margin, you highlighted there that CEE -- some projects in CEE
burdens the result and in a way, how should we look development in Q2, perhaps Q3? Will there
be also impact coming from the projects in your highlighted areas?

Kari Kauniskangas: Those projects are close to completion and I think the main impact is already in –
both in result and in forecast so from those projects, we are not expecting any more big impacts.

Anssi Kiviniemi: Okay, thanks. Then perhaps continuing on the same segment. Q1 last year was really strong so given the current outlook is perhaps fair to assume that profits and sales are coming down in a business premises and in infra in Q2. Is that a fair assumption?

Kari Kauniskangas: It's good to remember that last year, we started the profit and revenue recognition from Tripla project and the revenue and the profit recognized from Tripla in Q2 last year was 12 months' works. Now, the Tripla is progressing only on 3 months and the revenue and profit recognized is the works done during these three months so it's obvious that the Tripla impact will be clearly smaller in Q2 than last year.

Anssi Kiviniemi: Okay, great. Thanks. Then perhaps closing my questions with question regarding Housing Finland and CEE. You highlighted that the EBIT margin operational profit margin would have been 9% without the capital release moves that you have made during Q1 so I guess this is a sequential improvement and I'm just trying to figure out what is the – what is the 2017 outlook? Is there outlook for further improvement and is there also a potential of further improvement?

Kari Kauniskangas: Let's say that in long run I have said that I am satisfied when the operating profit in that segment is up of 10% and I think that's quite realistic target. Then what is the time when we reach that level that time will show.

Anssi Kiviniemi: Okay. But for the time being, you are pretty comfortable that you are moving to here right direction, right?

Kari Kauniskangas: That's right.

Anssi Kiviniemi: Great. That's all for me. Congrats for a good result. Thanks.

Kari Kauniskangas: Thank you.

Operator: A good reminder everyone. If you like to ask a question, please signal by pressing star one on your telephone keypad. We have one more question remaining in the queue from the line of Johannes Grasberger from Nordea. Your line is open. Please go ahead.

Johannes Grasberger: Hi, gentlemen. Just a few questions on my side. Just thinking here, the ex-Russian apartment sales have very, very strong figures in Q1, but still I'm a bit puzzled that the margin didn't come up as strongly in this quarter. Maybe you could comment on the price impact. Were there still some apartments sales that had a dilutive impact on the profitability, whereas we should see the profitability coming up still during this year as kind of the dilutive impact of this out-of-the-money apartments fades out? Is this anywhere close to reality what has happened?

Kari Kauniskangas: In Russia, the market price sensitivity is quite low, so we don't believe that changing prices would improve the sales a lot. So we have decided not to make changes in price lists. So we accepted the lower sales.

Johannes Grasberger: But this was –

Kari Kauniskangas: Yeah.

Johannes Grasberger: This was a question on the ex-Russian housing markets, so Finland and CEE because –

Kari Kauniskangas: Okay.

Johannes Grasberger: – it looked to me as I checked through the housing data that obviously, as you have been highlighting, that sales volumes were extreme. I was puzzled with that quite massive increase in top line that the margin didn't come up faster.

Kari Kauniskangas: Yeah. Yeah. It –

Johannes Grasberger: So the question is that was there any kind of dilutive impact from the price or mix or anything like that?

Kari Kauniskangas: No. There was almost €50 million impact of plot sales from our balance sheet to plot funds and this around 100 units bundle sales deal which had a positive profit, but it didn't have as big impact as that was the revenue. So if you look at the clear operating or operative revenue without those capital efficiency measures and the profit, so the gross margin is continuously slightly increasing and the mix is improving.

Johannes Grasberger: So if I take out those plot sales and kind of assume as the deals from the top line and assume some kind of profitability, I suppose were you then quite close to an EBIT margin of 10% already in Finland in Q1?

Kari Kauniskangas: It was almost 9% for the whole segment. And in CEE, the –

Johannes Grasberger: Right, right.

Kari Kauniskangas: In CEE, the operating profit or profitability is above this ten.

Johannes Grasberger: Okay, yeah, very good. And then, just maybe on the Finnish housing market, if you could discuss that a little bit more. I saw in the report this morning that the volume – we're talking about kind of improved demand also from the larger apartments. So it seems like it's not only about the affordable small housing demand anymore, that it starts to be quite widespread of recovery in the housing market. Could you discuss more how you feel about it going forward

towards the end of this year? Do you think that it is even getting better with the data points that you're seeing today?

Kari Kauniskangas: The consumer demand is on a good level and affordability is still important, but in addition to those small apartments that the demand for middle-sized apartments is increasing and that the demand of larger as well. It's good to remember that the larger apartment, if you are talking on apartments worth more than €0.5 million each, it's very minor part of the market.

Johannes Grasberger: Right. And then, I suppose on the guidance then, I mean, because when I calculate to the apartment data, I'm seeing that you have a much higher sort of under construction base in the Finnish and the CEE housing markets versus a year ago. The sales rate is higher and then the consumer mix is improving. So shouldn't this have quite a good earnings outlook for this segment towards the end of the year? And I'm just curious here as well that why are we not seeing the guidance being higher. Is it just very conservative on the Russian economy overall? So if we see it pick up in the consumer demand for Russia, would that possibly be a trigger for a guidance upgrade this year?

Kari Kauniskangas: So you are right that the outlook is good. One topic that I forgot to say earlier is that good sales is mainly connected to projects started at the end of last year so that the percentage of completion of those projects is still on a quite low level. And it's right that from that perspective, when the projects are proceeding, that the revenue and profit recognition from those projects starts to increase. And as we said already at the beginning of the year, the impact of very good sales at the end of last year, at the beginning of this year, the main impact will be seen at the end of this year and at the beginning of next year.

Johannes Grasberger: Right, right. That makes sense. So, basically, assuming that, okay, the consumer confidence stays good throughout this year in Finland and demand for apartments continuously increase, we will – with those fundamental facts, we would most likely see quite a

strong H1 next year when basically these apartments that are currently under construction are completed, but they are basically already sold out, right?

Kari Kauniskangas: That's one good guess.

Johannes Grasberger: Okay. A final question then on the infrastructure division. So I'm kind of curious here that you have some these – I'm not sure if this question was already asked, but some additional cost elements and cost adjustments in the first quarter results. How does this really play out towards end of this year? Because if you had a cost adjustment in this quarter, that has been kind of booked for the construction project so far, so will that have a dilutive or a negative impact then on the future earnings during rest of this year? Or are we kind of talking about with this cost adjustment kind of a – in a way, one-off event in Q1 and then we're returning to this kind of the normal profitability and earnings curve for infrastructure from Q2 onwards?

Kari Kauniskangas: The overall outlook of that segment has not changed for this year. At the – three months ago in the last session, we said that this year, the impact of Tripla will be smaller in terms of revenue and profit than it was last year and good target is that we give the positions that we reached last year and that is still relevant comment.

Johannes Grasberger: All right. Thank you. That is all for me.

Operator: It appears there are no further questions from the audio participants at this time. I'll send the conference back to the speaker for any additional closing remarks.

Kari Kauniskangas: If there are no more questions, I remind you on Capital Markets Day which we will, this year, organize in Haltia, Espoo at the end of September. You are all warmly welcome. Thank you for this session.