



Analyst Christmas lunch

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ESA NEUVONEN, EVP, BUSINESS PREMISES AND
PARTNERSHIP PROPERTIES



[yitgroup.com](https://www.yitgroup.com)

Agenda

1. Market and financial update

THEME OF THE DAY: RENOVATION

2. Renovation's role in YIT's strategy
3. Renovation market and industry dynamics
4. YIT's offering, targets and references in the renovation business



























1

Market and financial update



Market outlook for the next 12 months

	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties
Finland	 → 			 → 		
Russia						
<i>The CEE countries</i>						
The Baltic countries				 → 	 → 	
The Czech Republic, Slovakia, Poland						
<i>Scandinavia</i>						
Sweden						
Norway						
Denmark						



Weakened outlook compared to the past 12 months' development



Unchanged outlook compared to the past 12 months' development



Improved outlook compared to the past 12 months' development

Estimated completions of consumer apartment projects under construction

Apartments under construction in total on September 30, 2018: 14,666 (6/2018:14,938). The table below shows the company's current estimate of completed consumer apartment projects under construction, 13,250 apartments in total. In addition, the company has 1,416 apartments that are recognised in accordance with POC. Previously, the company has given estimate regarding the entire housing stock under construction. The timing of the commissioning permit may deviate from the technical completion of a building, and the company cannot fully influence the reported completion date. Also other factors may influence the completion date.

	1-9/2018 Actual	Q4/2018 Estimate	Q1/2019 Estimate	Q2/2019 Estimate	Q3/2019 Estimate	Later
Finland ¹	2,526	1,100	800	1,000	400	1,204
CEE ²	784	600	300	400	600	750
Russia ³	979	2,000	0	800	700	2,596
In total	4,245	3,700	1,100	2,200	1,700	4,550

¹ In Finland, the estimate of completions may deviate with tens apartments depending on the construction schedule.

² In CEE countries, the estimate of completions may vary with tens apartments, a deviation of over 100 apartments is possible depending on authorities' decisions. The figure includes projects sold to YCE housing fund I.

³ In Russia, the estimate of completions may vary with hundreds apartments, a deviation of over 500 apartments is possible depending on authorities' decisions.



Guidance for 2018 unchanged (as given on June 27, 2018)

The Group **pro forma revenue 2018** is estimated to **decrease by -2% – -6%** from pro forma revenue 2017 (pro forma 2017: EUR 3,862.5 million).

In 2018, the **adjusted pro forma operating profit¹** is estimated to be in the range of **EUR 130–160 million** (pro forma 2017: EUR 138.9 million).

GUIDANCE RATIONALE

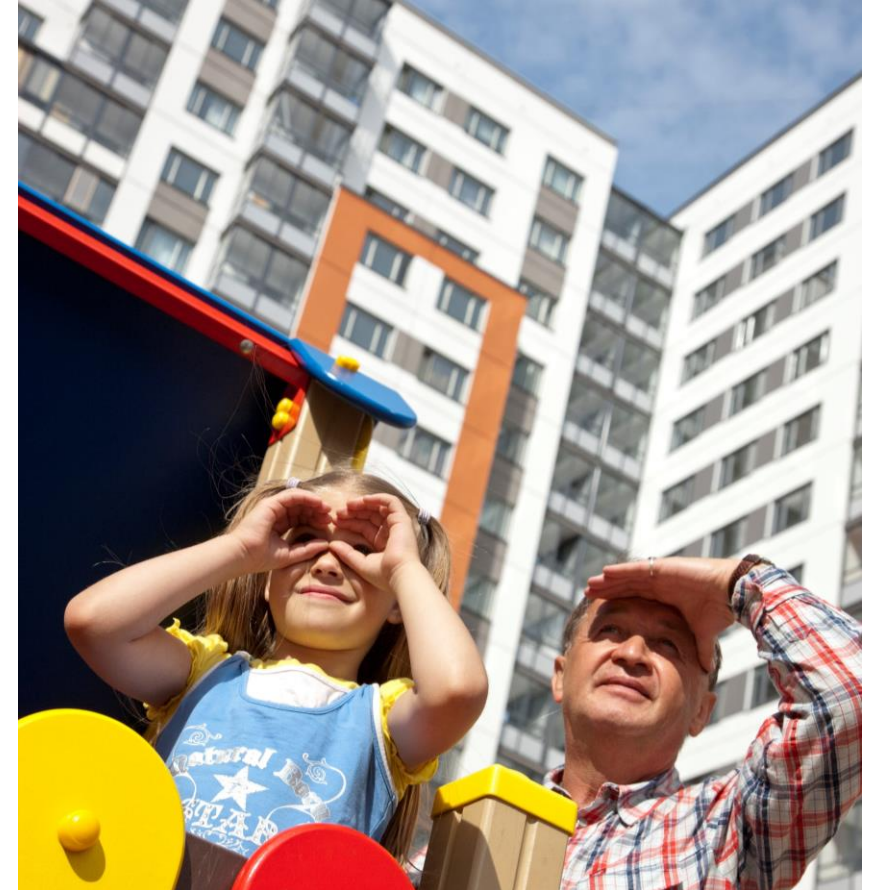
- The guidance for 2018 is based on, among others, the estimated timing of completions of residential projects under construction and the company's solid order backlog. YIT estimates that in 2018 approximately **5,100 apartments** in Finland and CEE¹, and approximately **3,000 apartments** in Russia will be completed for consumers.
- At the end of September, **62%** of the backlog was sold.
- During the year, YIT has signed several significant, long-term lease agreements and the estimate regarding the adjusted operating profit² includes divestment of several business premises in the Helsinki metropolitan area to final investors during the fourth quarter. In the fourth quarter, the adjusted pro forma operating profit² is expected to be clearly better than last year.

¹ The figure for CEE includes projects sold to YCE housing fund I.

² The adjusted operating profit reflects the result of ordinary course of business and does not include material reorganisation costs, impairment charges or other items affecting comparability. Adjusted operating profit is disclosed to improve comparability between reporting periods. Adjusting items are defined more precisely in the tables section of the January–September 2018 Interim Report. YIT reports in accordance with IFRS principles.

Strategic financial targets

Financial target	Long-term target level
ROCE-%	>12%
Gearing	30–50%
Dividend per share	Growing annually



2

Renovation's role in YIT's strategy



YIT Strategy 2019–2021 – Performance through cycles

Profitable and financially stable YIT

STRATEGIC PRIORITIES

URBAN DEVELOPMENT

Focus in self-developed, longer value chain and negotiation based projects

NON-CYCLICAL BUSINESSES

Annual EBIT EUR >100 million from non-cyclical businesses from 2019 on



CORNERSTONES OF SUCCESS

TOP PERFORMANCE

- Synergies EUR 40–50 million
- Focus on productivity improvement

CAPITAL EFFICIENCY

- Leaner operating model in Russia
- Annual free cashflow EUR +150 million

SUCCESS WITH CUSTOMERS AND PARTNERS

- Improving customer experience and NPS
- Deeper partnerships, higher value, more speed

HAPPY PEOPLE

- Common culture, open and involving way to lead
- Most preferred employer in the field

Renovation part of non-cyclical businesses

SERVICES (LIVING AND PROPERTY MANAGEMENT SERVICES, ROAD MAINTENANCE)

- Long-term service agreements with good predictability
- Combined annual revenue above EUR 100 million

PARTNERSHIP PROPERTIES

- Mix of rental incomes, fair valuation and capital gains to support stable annual performance

> 100 M€
OF ANNUAL
OPERATING PROFIT
FROM 2019 ONWARD

PAVING AND MINERAL AGGREGATES

- Demand stable through out the economic cycles
- Utilising growing demand for sustainability: material and resource efficiency, recycling
- Combined annual revenue approx. EUR 600 million

RENOVATION

- Demand growing through out the economic cycles
- Renovation market is expected to continue its steady growth
- Combined annual approx. EUR 200 million

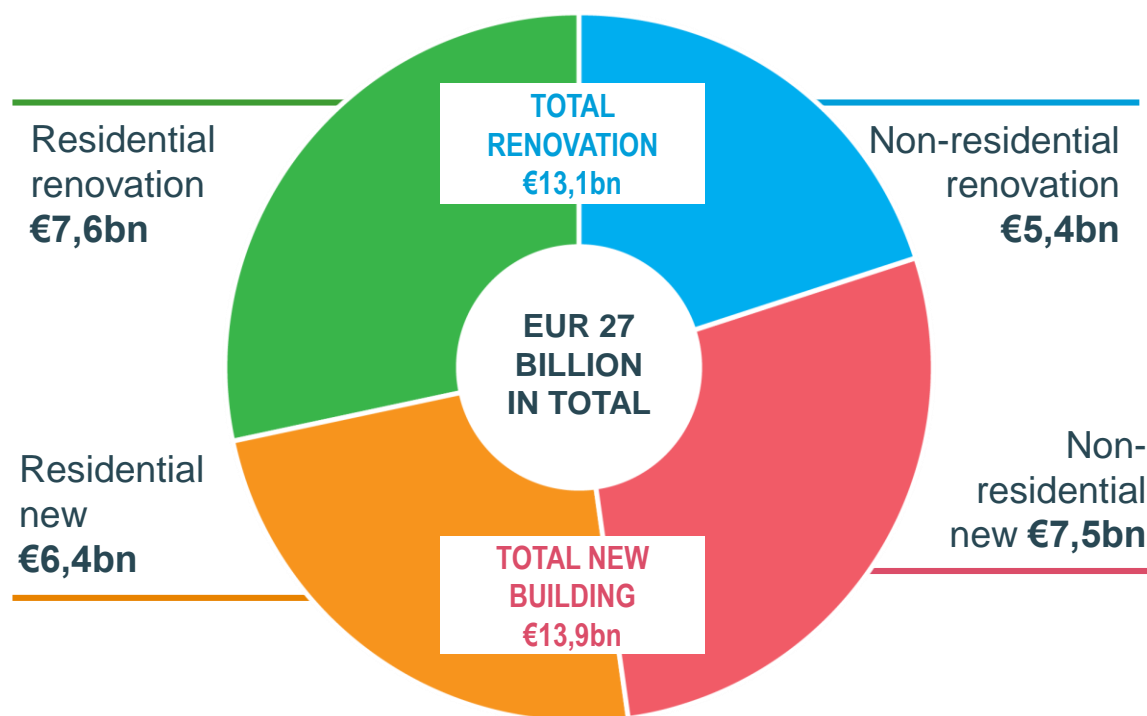
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Renovation market and industry dynamics



Relevant renovation market EUR 4-5 billion in Finland

THE FINNISH BUILDING CONSTRUCTION MARKET



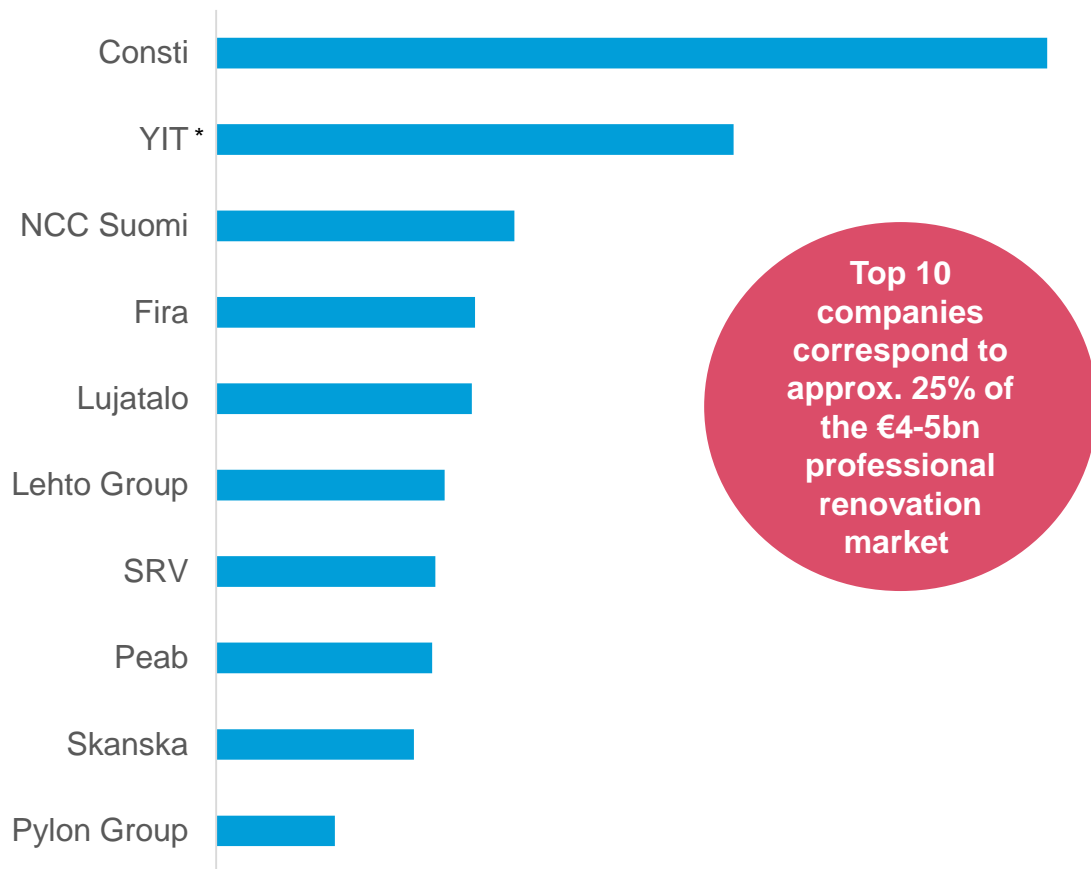
RENOVATION MARKET

- Professional renovation market in Finland is estimated to be EUR 4-5 billion
 - ~1/3 of total renovation market
 - Includes renovation construction and repairs made by professionals
 - Excludes largely all maintenance works (e.g., technical systems) as well as self-made renovation works

Sources: Euroconstruct, Forecon, Confederation of Finnish Construction Industries RT

A highly fragmented but steadily growing market

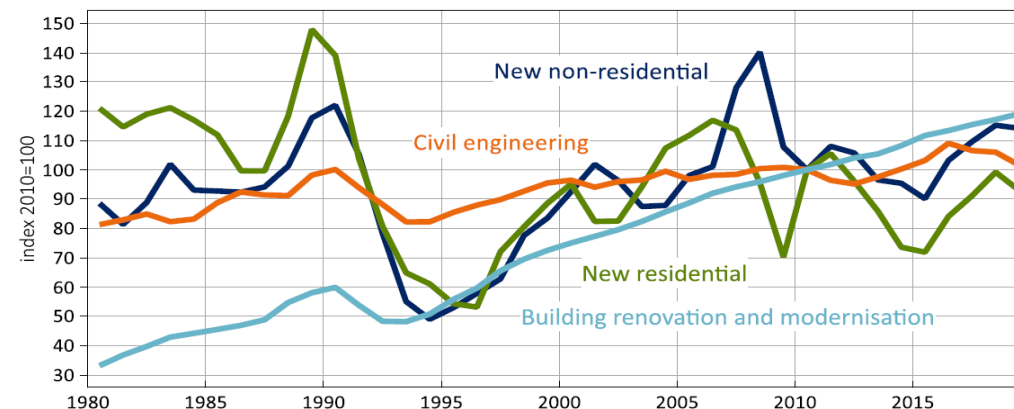
LARGET PLAYERS IN THE FINNISH RENOVATION MARKET BY REVENUE IN 2017



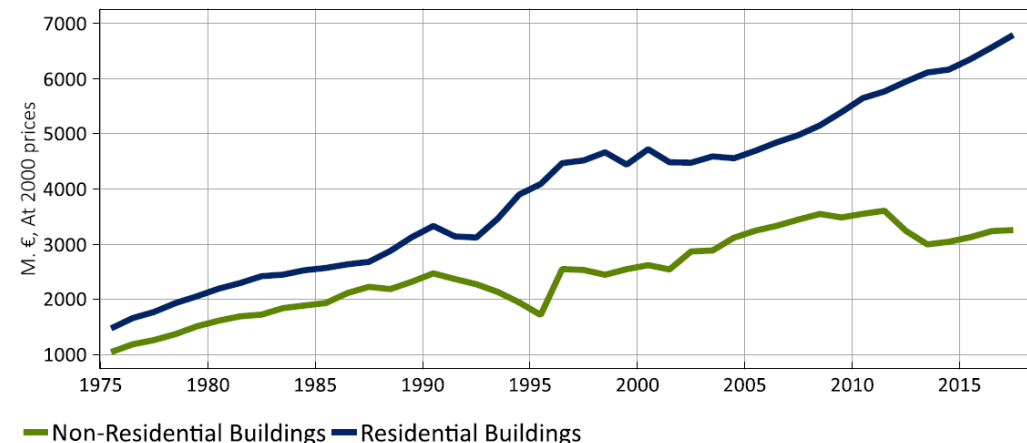
* Incl. Former YIT and Lemminkäinen

Sources: Rakennuslehti, "Largest players in the construction market", May 2018, Macrobond/ Confederation of Finnish Construction Industries RT, Euroconstruct

CONSTRUCTION VOLUME IN FINLAND



RENOVATION AND MODERNISATION OF BUILDING CONSTRUCTION, EUR MILLION



4

YIT's offering, targets
and references in the
renovation business



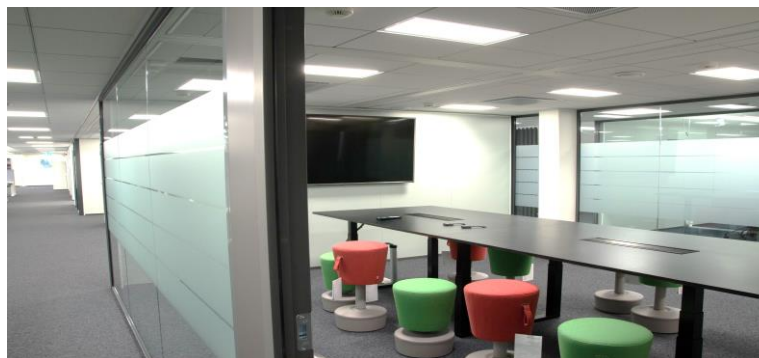
YIT's offering



TRADITIONAL CONTRACTING



- Selected projects that comply with internal targets
- No volume growth target, except for housing renovation



NEGOTIATION BASED CONTRACTING



- Based on YIT's competencies and concepts as well as customer understanding and trust
- Growth target



SELF DEVELOPED PROJECTS



- Based on YIT's competencies and concepts
- Large-scale projects carried out with partners
- Growth target

MARGIN AND GROWTH POTENTIAL

Typical customer expectations in renovation

PRIVATE SECTOR (B2B)

- Ideas and innovativeness to develop the real estate
- Minimised disturbance
- Possibility to use the premises during renovation
- Proactivity and cooperation approach
- Pricing according to value

HOUSING COMPANIES (B2B/C)

- My needs are heard
- Minimised disturbance
- Smooth project
- I am well informed about the project's key dates and progress
- Price

PUBLIC SECTOR (B2B)

- Solution according to the needs (or specification)
- Trustworthy contractor
- Quality
- Price

YIT'S OFFERING:

TRADITIONAL CONTRACTING

NEGOTIATION BASED CONTRACTING

SELF DEVELOPED PROJECTS

Example of YIT's approach in negotiated contracting: office projects


Deep understanding of customer needs

- Supporting customer's corporate culture, employee satisfaction and effectiveness of the organisation
- Creating new working environments that take into account
 - Mobile work
 - Need for diverse working environments
 - Easiness to move around and find colleagues
 - Sound proofing, acoustics, aesthetics, visibility
 - Ergonomics

YIT's Fast renovation concept

- Minimising the disturbance for end-users
- Longer planning phase including pre-fabrication
- Shorter execution phase





Self developed projects: combining success factors

1

Location – proximity to good traffic connections and services

2

Project development and financing – finding the right partnerships

3

Leasing: Finding the right user/users

4

Design management

5

Project management and execution, incl. investor sales and/or partnering

KESKUSKATU 7

Helsinki

Customer: Ilmarinen
Volume: 8,000 (+9,000 basement incl. parking) gross sq.m
Value: ~15 M€
Schedule: 4/2018-4/2019
Highlight: *Maintaining activities in the building during the renovation project*



PARLIAMENT BUILDING

Helsinki

Customer: Parliament of Finland
Volume: ~25,000 gross sqm
Value: ~100 M€
Schedule: 9/2014-06/2018
Highlight: *Extensive infra works and building renovation of the museal protected building, built in 1931, for the first time*

TRADITIONAL CONTRACTING

HOLIDAY INN HELSINKI EXPO HOTEL

Helsinki

Customer: Suomen Messut Osuuskunta
Volume: 18,100 gross sq.m
Value: ~24 M€
Schedule: 2/2018-2/2019
Highlight: *Large-scale renovation of the hotel, restaurants and conference rooms. Fairs and conference centre functioning during the project*



KIRSTI AND VIHHERLAAKSO SCHOOLS

Espoo

Customer: City of Espoo
Volume: 20,000 gross sq.m
Value: 39 M€
Schedule: 3/2017-6/2019
Highlight: *Easiness and optimised service/cost level for the customer through life-cycle approach*

KOY MIKONKATU 9

Helsinki

Customer: Ilmarinen

Volume: 11,600 gross sq.m

Schedule: 6/2017-11/2018

Highlight: *Property renovation from offices to adaptable commercial premises. Extensive works in a building with partly museal protection*



PANUNTIE 11

Helsinki

Customer: Nordisk Renting Oy (YIT as main tenant)

Volume: 7,500 gross sq.m

Schedule: 4/2018-12/2018

Highlight: *Carried out as Fast office renovation concept*

NEGOTIATION
BASED
CONTRACTING
AND HOUSING
RENOVATIONS

TÖÖLÖNKATU 44-46-48, HOUSING COMPANY RENOVATION

Helsinki

Customer: As Oy Töölönkatu 44-46-48

Volume: 105 apartments

Schedule: 2017

Highlight: *Full scale building systems renovation project in the city of Helsinki*



KEINULAUDANTIE 5, HOUSING COMPANY RENOVATION

Helsinki

Customer: As Oy Keinulaudantie 5

Volume: 171 apartments

Schedule: 2018-2019

Highlight: *Large-scale building systems renovation project*

RUOHOLAHDENKATU 23

Helsinki

Inv. customer: Cordea Savills fund
Tenants: CWT Kaleva Travel, Zeeland, HOK
Partner: HGR Property partners Oy
Volume: 8,000 gross sq.m
Schedule: 8/2011-2/2013
Highlight: *Renovating and modernising while preserving the honor of the building*



LÖNNROTINKATU 11

Helsinki

Inv. customer: OP Vuokratuotto
Tenants: Lexia law, CMB restaurants
Volume: 6,444 gross sq.m
Schedule: 7/2015-10/2016
Highlight: *Life of the building in the city centre revitalised*

SELF DEVELOPED PROJECTS

KOY KEILANIEMI TOWER

Espoo

Customer: Accountor (anchor tenant)
Partner: Regenero JV
Volume: 30,000 gross sq.m
Schedule: 3/2018-5/2020
Highlight: *Revitalising a monument of the Finnish landscape*



TIETOTIE 6

Espoo

Customer: City of Espoo offices and school
Partner: Regenero
Volume: 26,000 gross sq.m
Schedule: 8/2017-8/2019
Highlight: *Office building renovation and turning it into a modern building for diverse use*

Additional information

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Chief Financial Officer (CFO)

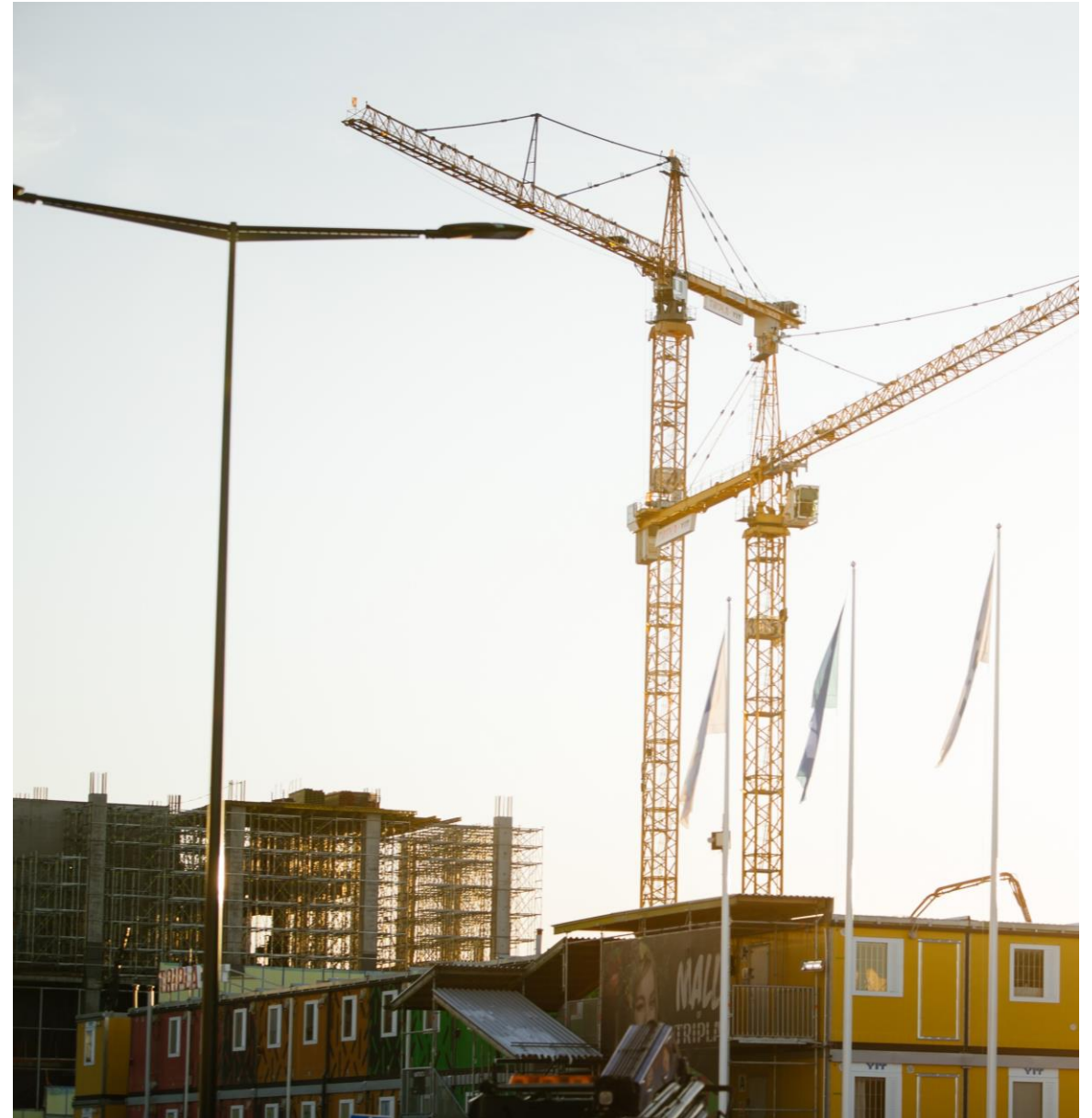
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