



# YIT - More life in sustainable cities

INVESTOR PRESENTATION  
MARCH 2018



Lemminkäinen



[yitgroup.com](http://yitgroup.com)

# Agenda

1. The combined YIT
2. Performance and outlook in a nutshell
3. Lemminkäinen
4. YIT
5. Appendix

# 1

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The combined YIT

# The merger of YIT and Lemminkäinen

**YIT**



Revenue: EUR 1,909 million  
Adjusted EBIT: EUR 122.3 million  
Personnel: 5,427

YIT creates more attractive and sustainable urban environments by building housing, business premises, infrastructure and entire areas.

**Lemminkäinen**



Revenue: EUR 1,847 million  
Adjusted EBIT: EUR 46.6 million  
Personnel: 4,632

An expert in complex infrastructure construction and building construction in northern Europe and one of the largest paving companies in our market area.

## 2018 - MERGER

*YIT is the largest Finnish and significant North European construction company. We develop and build apartments, business premises and entire areas.*

*We are also specialised in demanding infrastructure construction and paving. Together with our customers our 10,000 professionals are creating more functional, more attractive and more sustainable cities and environments.*

*We work in 11 countries: Finland, Russia, Scandinavia, the Baltic States, the Czech Republic, Slovakia and Poland.*

Target to become together the leading urban developer in Northern Europe

\* Revenue, adjusted EBIT and personnel at the end of period in 2017. YIT's figures according to POC (percentage-of-completion) and Lemminkäinen figures according to IFRS.

# Merger rationale

## 1 | Strong platform for growth

- Target to become a leader in urban development
- More balanced business portfolio (housing, business premises, infrastructure projects, paving and partnership properties)
- Wider geographical presence in several economic regions

## 2 | Synergies and improved competitiveness

- Good references and wide pool of professional people
- Potential for profitability improvement
- Wider opportunities for specialization and scale

## 3 | Improved financial position and reduced risk profile

- Counter cyclicity of businesses and geographies
- Lower financing costs
- Lower dependency on investment demand

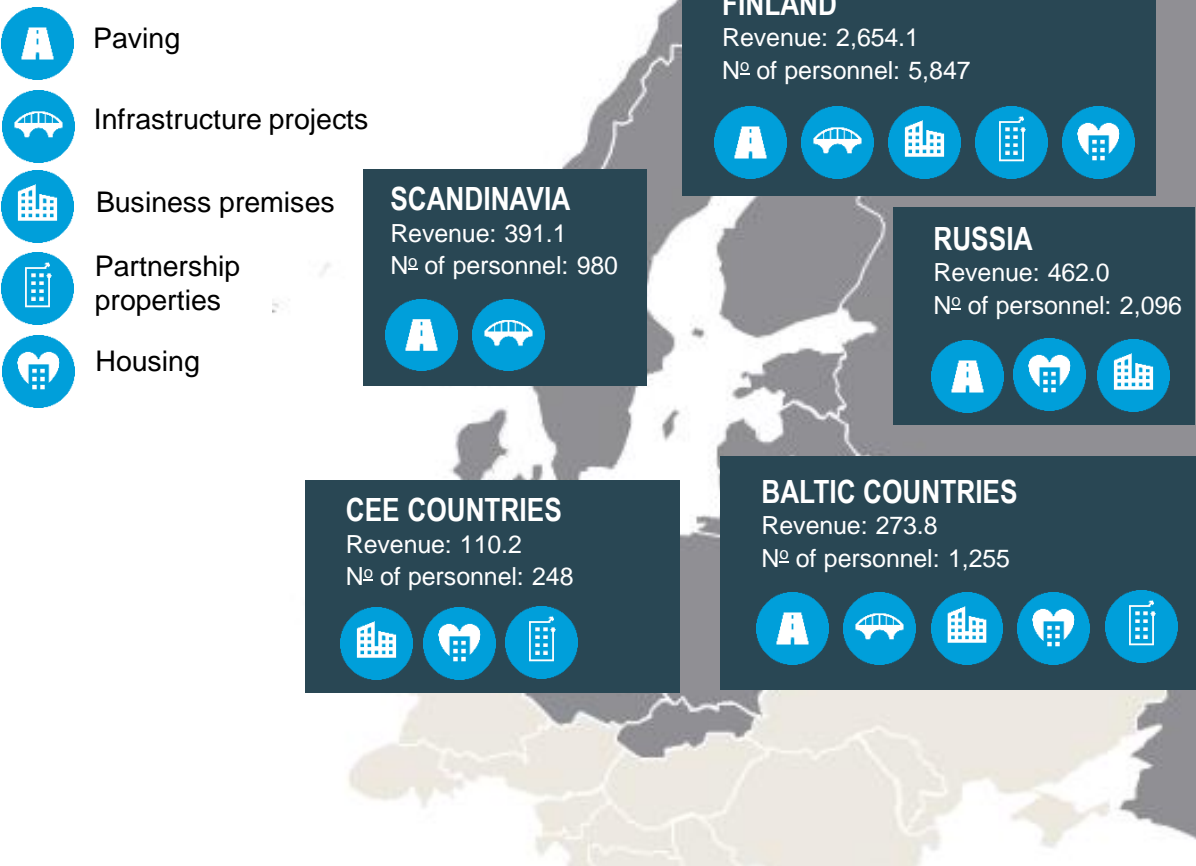
## 4 | Enhanced investment case

- Significant market value, good liquidity of the share
- Balanced and improved risk profile
- Growing dividend expectation



# Combined portfolio 2017

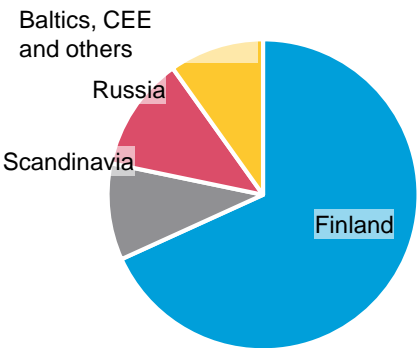
Geographic revenue split, 2017\* (EURm)



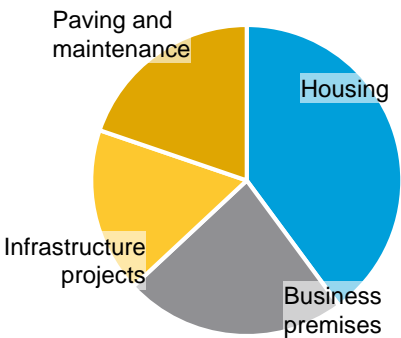
\* Preliminary combined high level illustrative estimates for the geographical, operational and business logic splits reflect the external and internal reporting of YIT and Lemminkäinen prepared under IFRS principles for the year 2017. Illustrative high level estimates of splits presented are based on a hypothetical situation and are not intended to project the revenue split of the Combined entity in the future. The illustrative information should not be viewed as pro forma information.

Illustrative combined revenue splits 2017\*

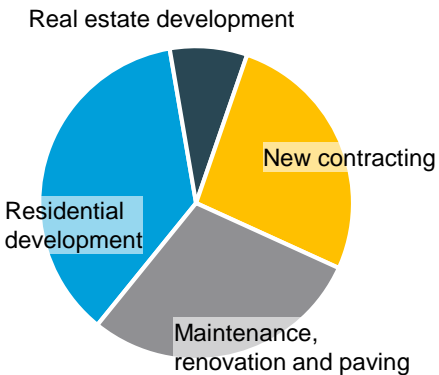
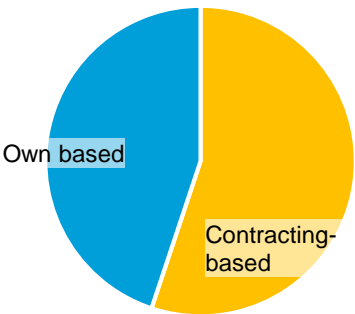
Geographic split\*



Operational split\*

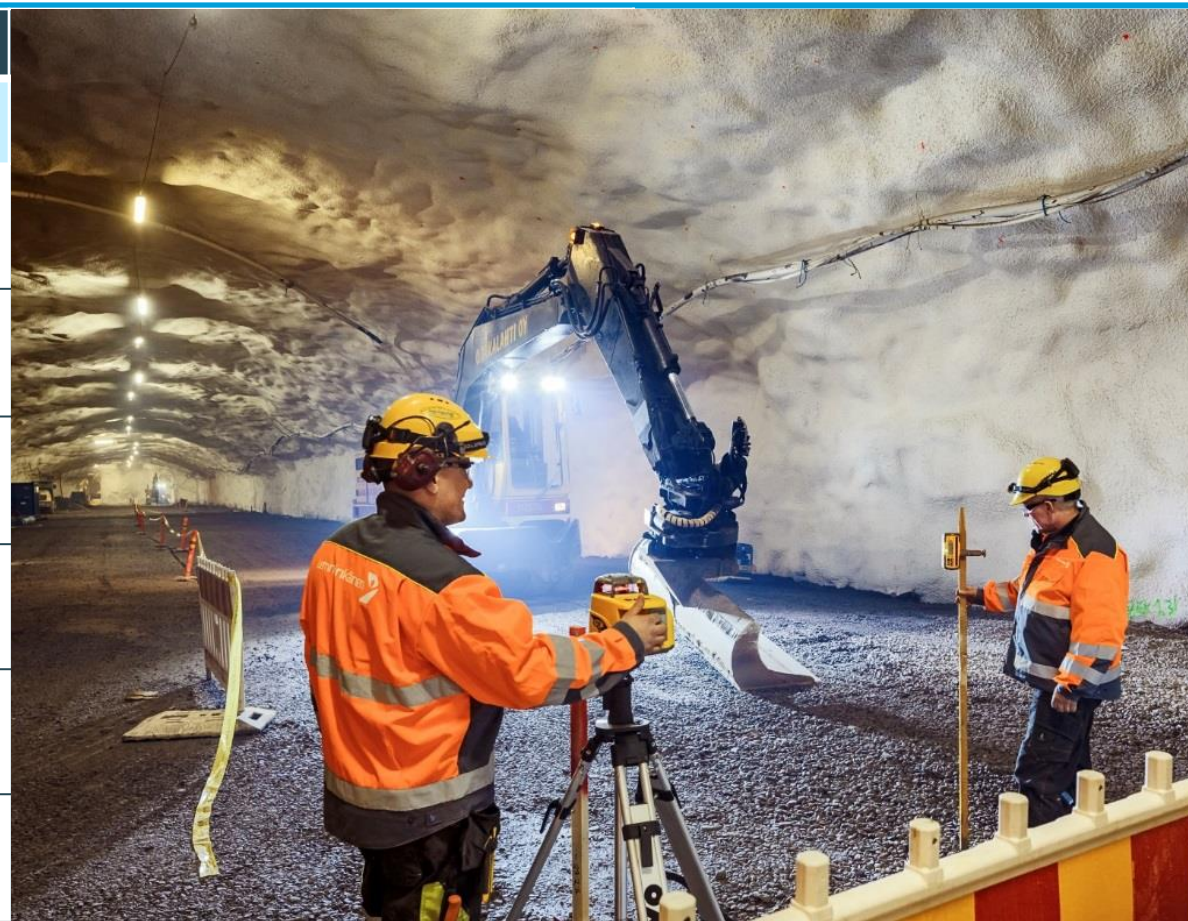


Business logic split\*



# Combined income statement information (IFRS)

IFRS	1-12/2017		
EUR million	Combined	YIT	Lemminkäinen
Revenue	3,841.0	1,993.8	1,847.2
Adjusted operating profit	152.2	105.6	46.6
<i>Adjusted operating profit % of revenue<sup>1)</sup></i>	4.0%	5.3%	2.5%
Gearing	59.3%	88.7%	40.0%
Order backlog	4,218.3	2,912.7	1,305.6
Average number of personnel 2017 <sup>2)</sup>	10,431	5,233	5,198



The combined illustrative financial information is presented for illustrative purposes only and they should not be regarded as pro forma financial information. The combined illustrative income statement information and key figures are presented as if the business operations would have been in the same Group starting from the beginning of the year 2017.

- 1) Adjustments in the Combined adjusted operating profit are based on YIT's and Lemminkäinen's published financial statement information.
- 2) Number of personnel varies somewhat during a year due to the seasonal nature of the businesses.

# Urban development boosts the growth of balanced business portfolio

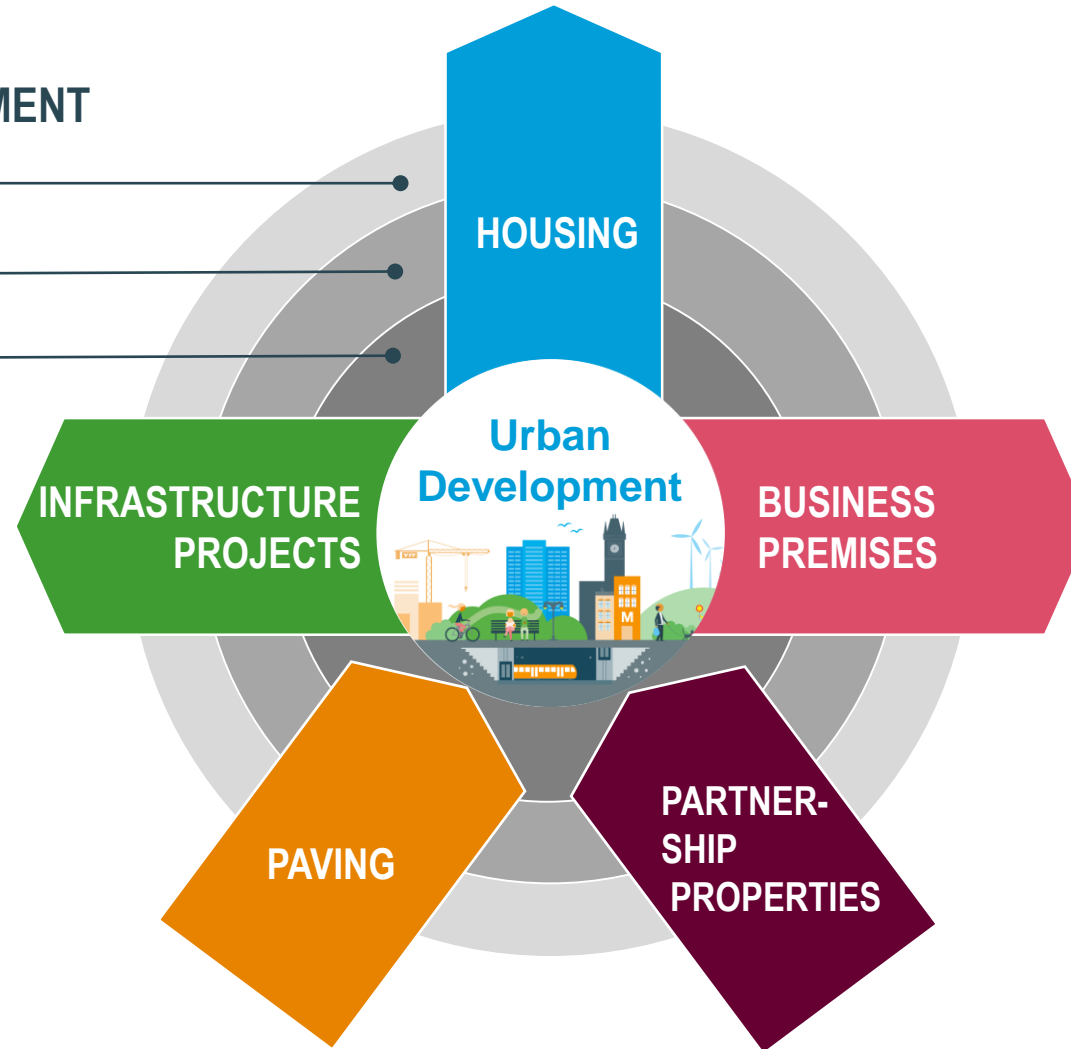
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## ASPECTS OF URBAN DEVELOPMENT

Project development —————●

Execution —————●

Ownership and services —————●



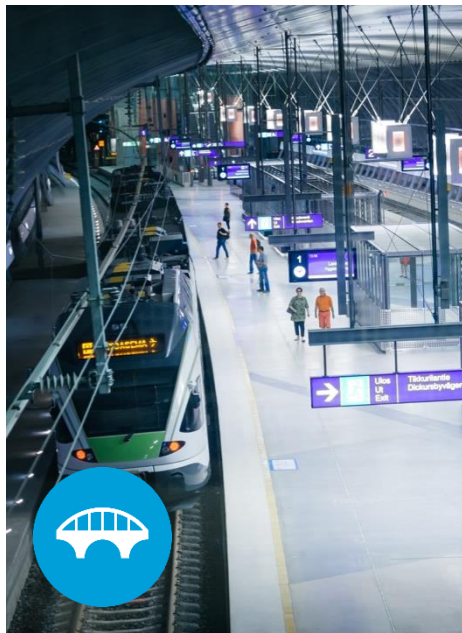


# What we offer to our customers



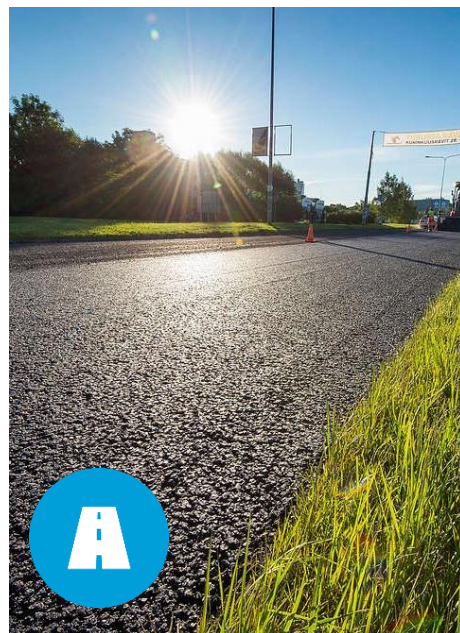
## HOUSING

Functional homes  
and easy living for  
everyone



## INFRA- STRUCTURE PROJECTS

Smooth traffic flows  
and sustainable living  
environments



## PAVING

People, homes and  
offices connected  
through infrastructure



## BUSINESS PREMISES

Attractive and tailored  
office, retail, logistics  
and production as  
well as health and  
care premises

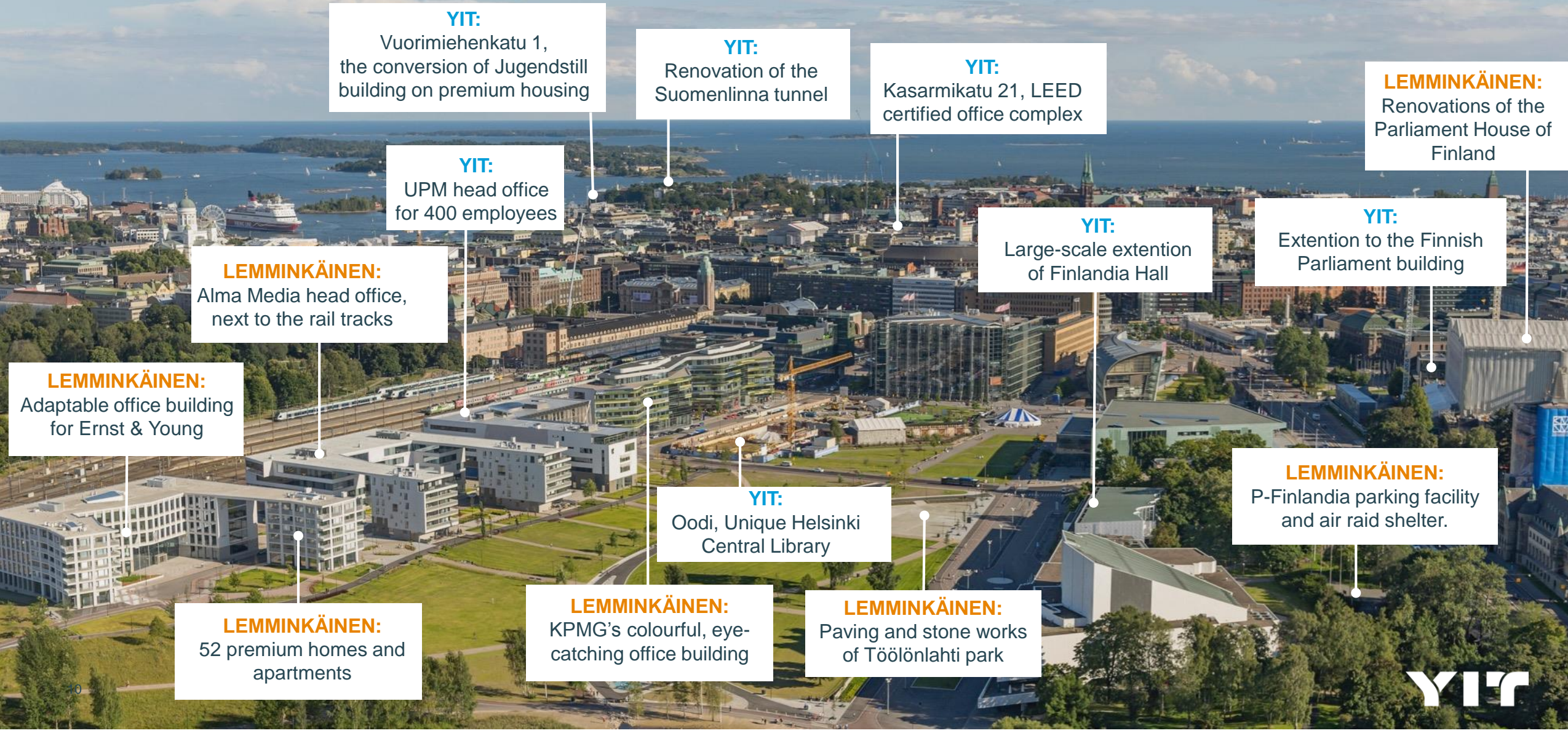


## PARTNERSHIP PROPERTIES

Profitable solutions  
for investors and  
owners



# Together we aim to be the leading urban developer in Northern Europe



**YIT:**

Vuorimiehenkatu 1,  
the conversion of Jugendstil  
building on premium housing

**YIT:**

Renovation of the  
Suomenlinna tunnel

**YIT:**

Kasarmikatu 21, LEED  
certified office complex

**LEMINKÄINEN:**

Renovations of the  
Parliament House of  
Finland

**YIT:**

UPM head office  
for 400 employees

**LEMINKÄINEN:**

Alma Media head office,  
next to the rail tracks

**YIT:**

Large-scale extension  
of Finlandia Hall

**YIT:**

Extension to the Finnish  
Parliament building

**LEMINKÄINEN:**

Adaptable office building  
for Ernst & Young

**YIT:**

Oodi, Unique Helsinki  
Central Library

**LEMINKÄINEN:**

P-Finlandia parking facility  
and air raid shelter.

**LEMINKÄINEN:**

52 premium homes and  
apartments

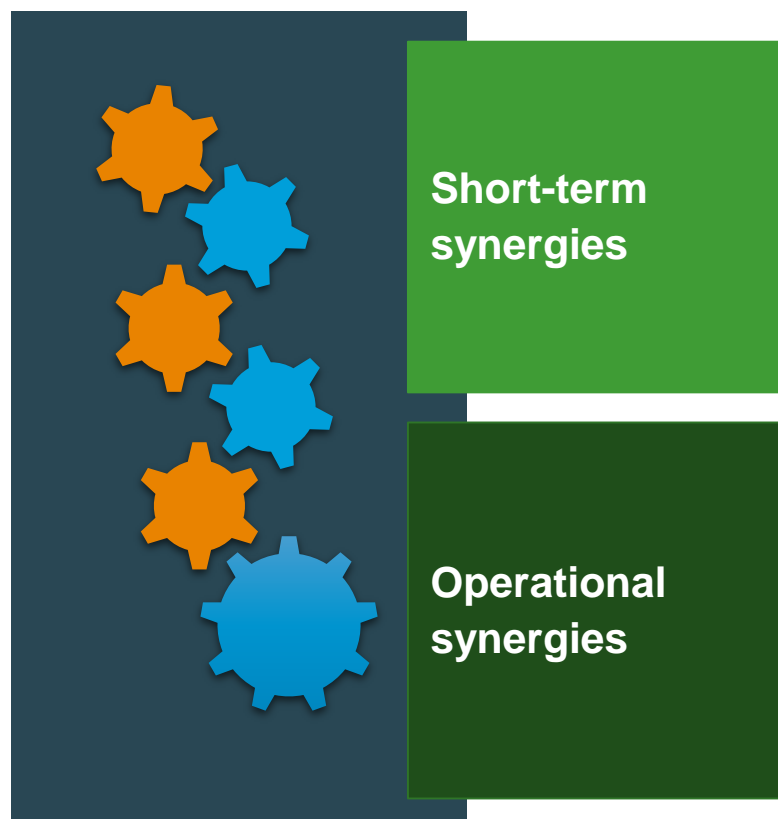
**LEMINKÄINEN:**

KPMG's colourful, eye-  
catching office building

**LEMINKÄINEN:**

Paving and stone works  
of Töölönlahti park

# Synergy development to be disclosed starting from Q1 Interim Report



## Description

- One top management and Group administration, savings from being one stock listed company
- Lowered financing costs based on improved key figures
- Harmonizing the IT systems and diminishing the number of systems
- Combined premises
- Unified operations and functions in overlapping areas
- Economies of scale in indirect and direct sourcing
- The improved turnover of the plot portfolio and enhancement of development capabilities by increasing self developed business
- Best practices from both sides, common processes and tools
- Economies of scale in using digitalization
- Better use and higher volume of international sourcing

***Full EBIT improvement potential per annum EUR 40 million by the end of 2020, target set in June 2017***



# Preliminary financial targets

Long-term financial target	Target level
ROCE [ROCE (excl. goodwill)]	>12 % [>15 %]
Dividend per share	Growing annually
Equity ratio	>40 %
Cash flow	Positive after dividend payout

*To be specified in the on-going strategy process  
and published later this year*



Helsinki Central Library  
Helsinki, Finland

# 2

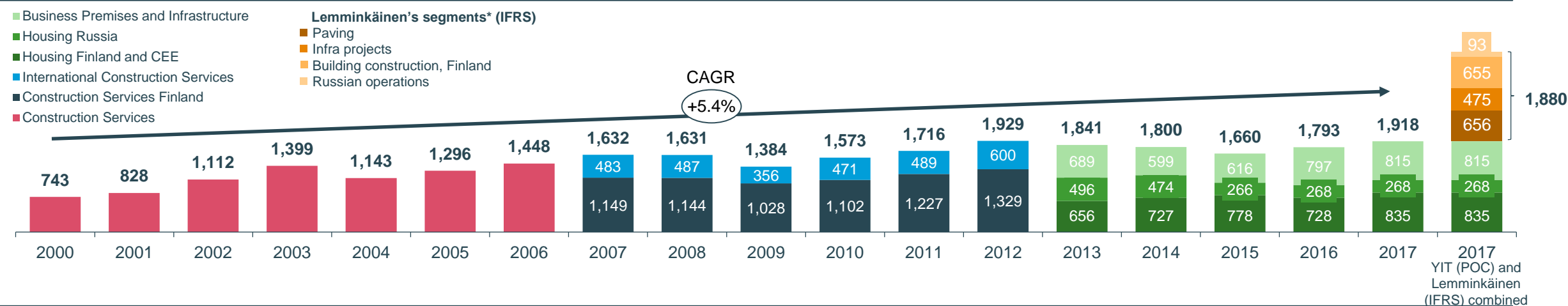
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Performance and  
outlook in a nutshell

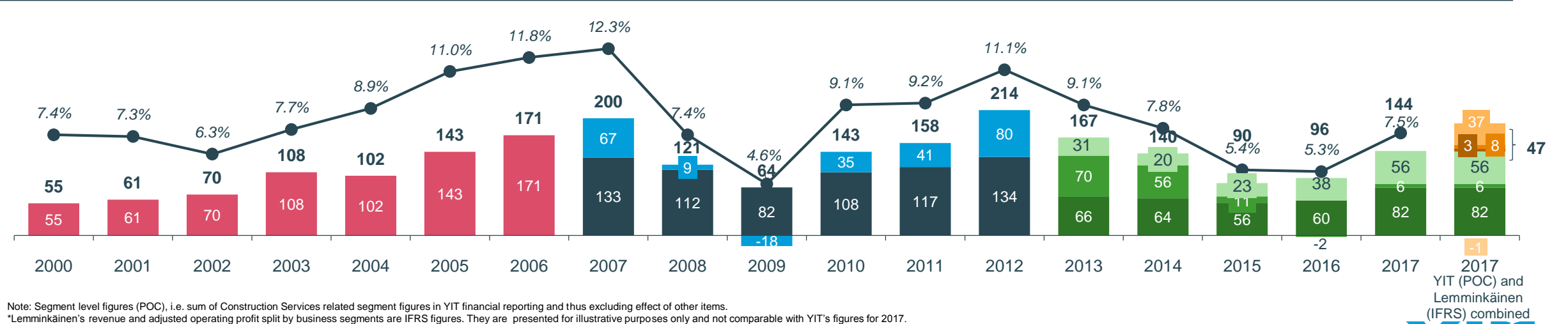


# Strengthened revenue growth and healthy profitability through economic cycles (POC)

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.  
\*Lemminkäinen's revenue and adjusted operating profit split by business segments are IFRS figures. They are presented for illustrative purposes only and not comparable with YIT's figures for 2017.



# Market outlook stable in 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

# Outlook for 2018

- Due to the merger of YIT and Lemminkäinen, YIT does not issue numerical guidance for the Group but is issuing a general outlook that describes future development instead.
- YIT's outlook is based on assumptions and the management's estimates of the development of demand in the Group's operating environment and segments.
- The Board of Directors will assess, and later announce, whether it is appropriate to issue numerical guidance for the merged company.

## Housing Finland and CEE

Consumer demand for apartments is expected to remain at a good level. Activity among large residential investors is expected to be lower than in the previous years.

## Business premises

The rental demand for business premises is expected to remain at the previous year's level in growth centres. The contracting market is expected to remain active, but contract sizes are expected to decrease on average.

## Paving

The total volume of the paving market is expected to grow slightly in YIT's operating area

## Housing Russia

The demand for apartments is expected to remain at the same level as seen on average in the second half of 2017. Residential prices are expected to remain low.

## Infrastructure projects

Infrastructure construction market is expected to continue to grow slightly from the level of the year 2017.

## Partnership properties

Activity among property investors is expected to remain at a good level, particularly for centrally located projects in the Helsinki metropolitan area and in major growth centres.

The adjusted operating profit<sup>1</sup> is expected to fluctuate significantly between the quarters. The adjusted operating profit for the first quarter of 2018 is expected to be low due to normal seasonal variation of the combined company.

<sup>1</sup>Adjusted operating profit reflects the result of ordinary course of business and it 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 in the Financial Statements Bulletin 2017.

# 3

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YIT in 2017

# Highlights in 2017

- The merger of YIT and Lemminkäinen announced
- Strong growth and operating profit improvement
  - Q4 was one of the highest quarter in profitability on group level
  - CEE had a strong impact on revenue growth with high profitability
- Key financial ratios improved to a good level
  - Financial expenses almost halved, EPS clearly improved
- Good progress in mega projects, Partnership properties established
  - The construction and sale of Kasarmikatu 21 office property completed successfully
  - Tripla project proceeding ahead of schedule
  - New projects in pipeline, such as Fortum's old Headquarters area development project under Regenero
- Strategic development programmes proceeding according to plan
  - Acquisition of Projektipalvelu Talon Tekniikka Oy to support growth in renovation services
  - Several successful pilots in improving productivity (e.g. Smartti)
  - Over 40,000 individual clients in Living Services in Russia
- Over 800 summer trainees during the year in Finland

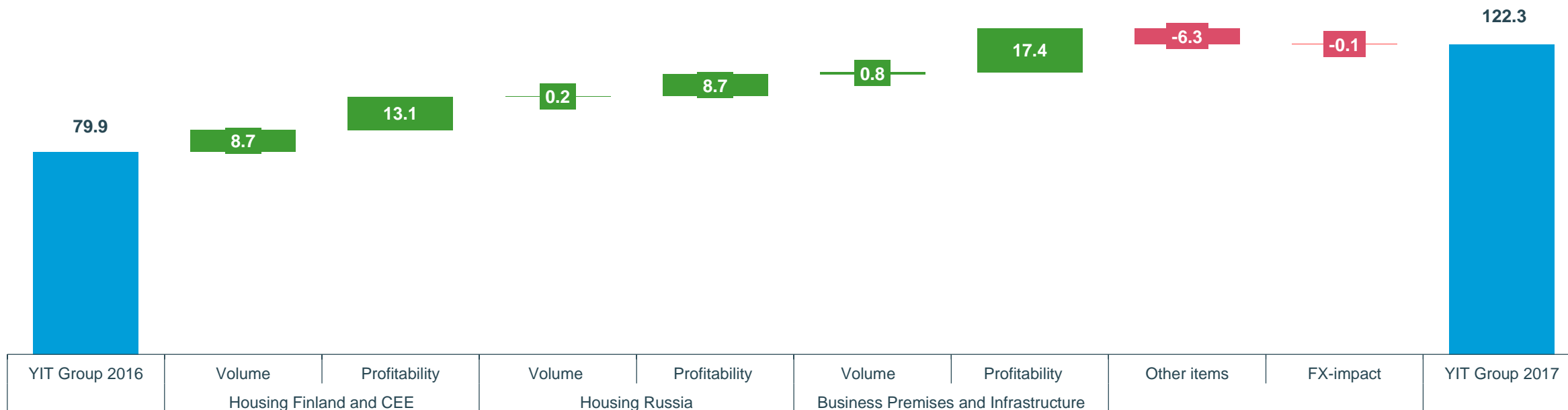




# EBIT-bridge 2016 – 2017

- Operating profit improved in all segments, growth boosted both by improved volume and profitability
- In Housing Finland and CEE, operating profit was boosted by strong sales and shift from investor sales to consumer sales
- In Housing Russia, the operating profit was positive for the whole year
- In Business Premises and Infrastructure, good profitability was supported by the sale of co-owned Kasarmikatu 21 office property

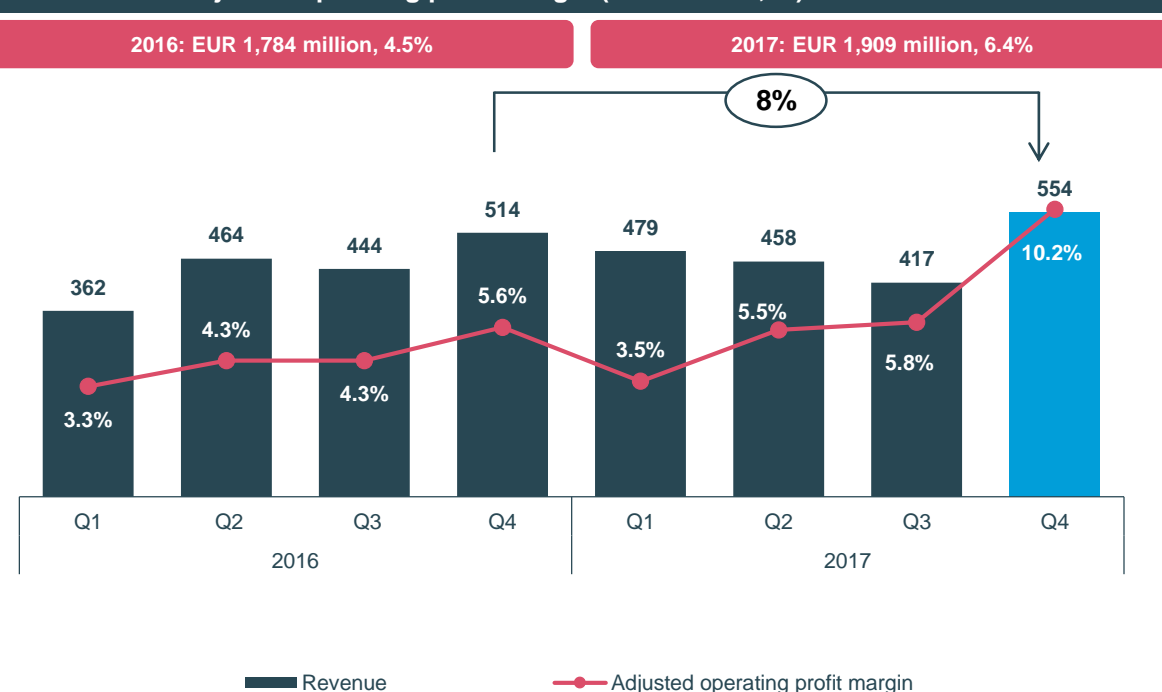
Adjusted operating profit (EUR million), change 2016–2017: 53%



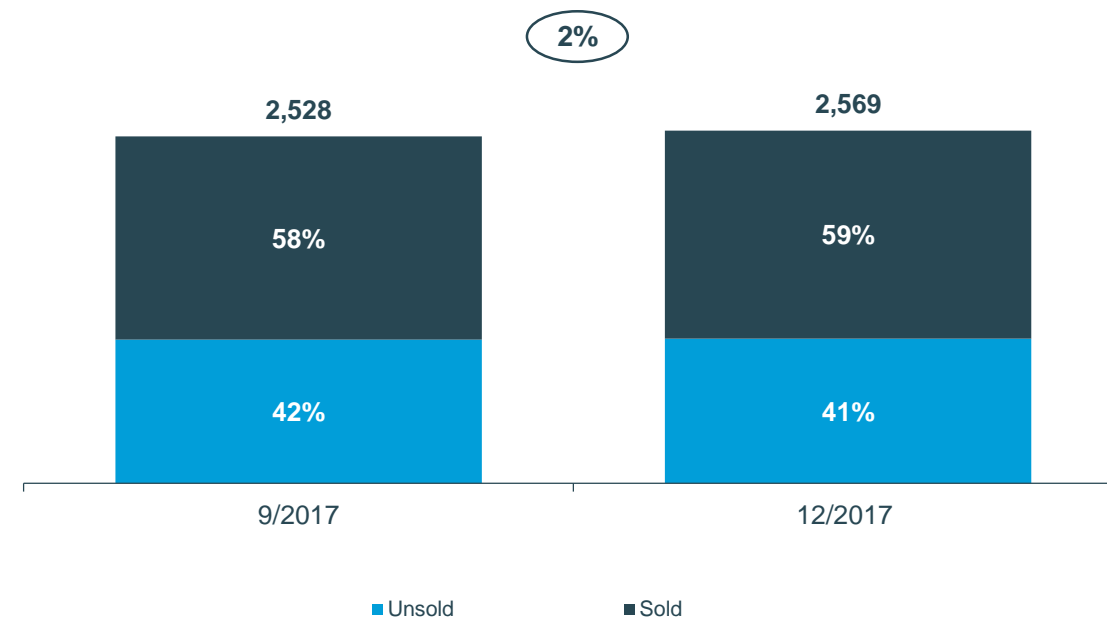
# Profitability on a record high level in Q4

- Revenue increased by 8% in Q4 and by 7% in 2017
- Profitability improved in all segments and was one of the strongest in YIT's history
- Order backlog remained stable

Revenue and adjusted operating profit margin (EUR million, %)



Order backlog (EUR million)



All figures according to segment reporting (POC)

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

# EBIT-bridge Q4/2016–Q4/2017

- The closing of co-owned Kasarmikatu 21 office property sale improved the profitability of the Business Premises and Infrastructure segment
- In Housing Russia, profitability improved due to increased sales volumes and a start-up in Moscow
- Strong consumer sales boosted the profitability in the Housing Finland and CEE segment
- Items excluded from adjusted operating profit include EUR 2.0 million costs related to the merger preparations and EUR 14.0 million related to asset revaluations

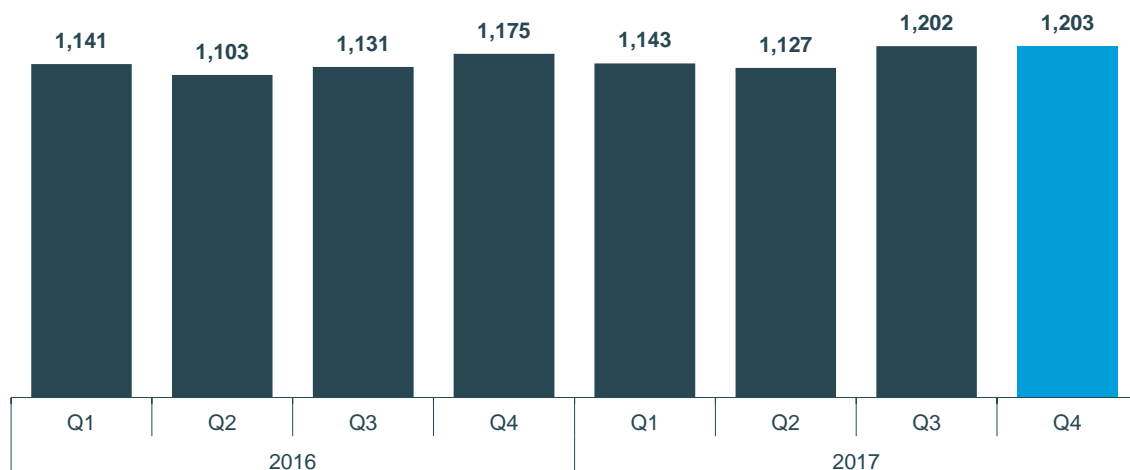
Adjusted operating profit (EUR million), change Q4/2016–Q4/2017: 97%



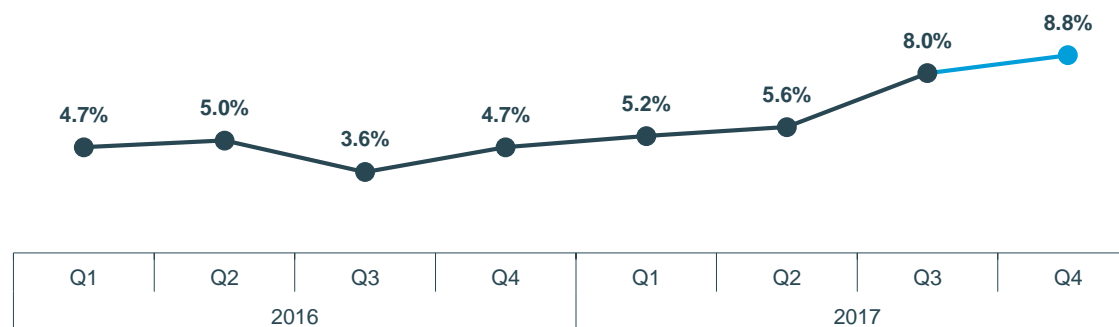
# Positive trend in ROI improvement continued Q4

- Invested capital on previous quarter's level
- ROI continued to improve due to improvements in all segments
- Target to reduce capital employed in Russia by approximately RUB 6 billion by the end of 2018 (vs. 6/2016)

Invested capital (EUR million)



Return on investment<sup>1</sup> (%), rolling 12 months

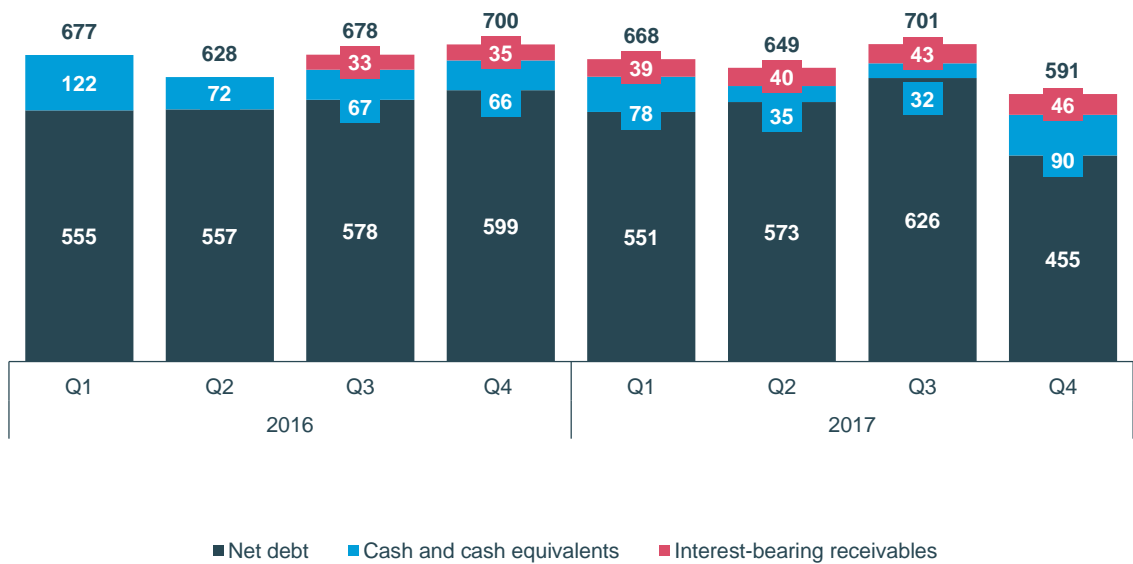


All figures according to segment reporting (POC)  
<sup>1</sup>EUR 27 million cost booked in Q3/2016 result from Housing Russia

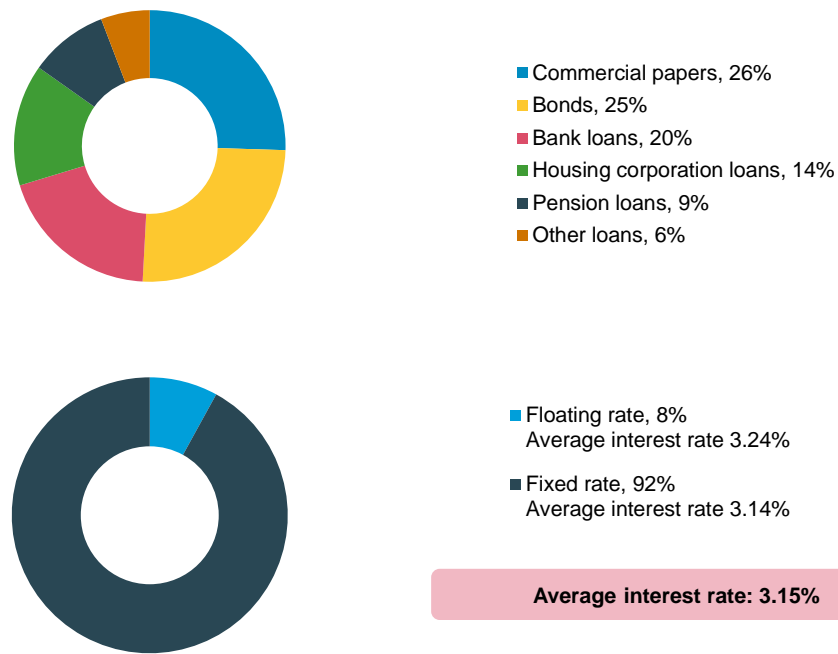
# Net debt EUR 455 million in Q4

- Net debt decreased due to positive cash flow from operations and change in construction stage financing to meet market practice
- A new EUR 50 million, 3-year bilateral loan withdrawn in October

Interest-bearing debt (EUR million), IFRS



Debt portfolio at the end of the period 12/2017, EUR 590.7 million



Average interest rate: 3.15%

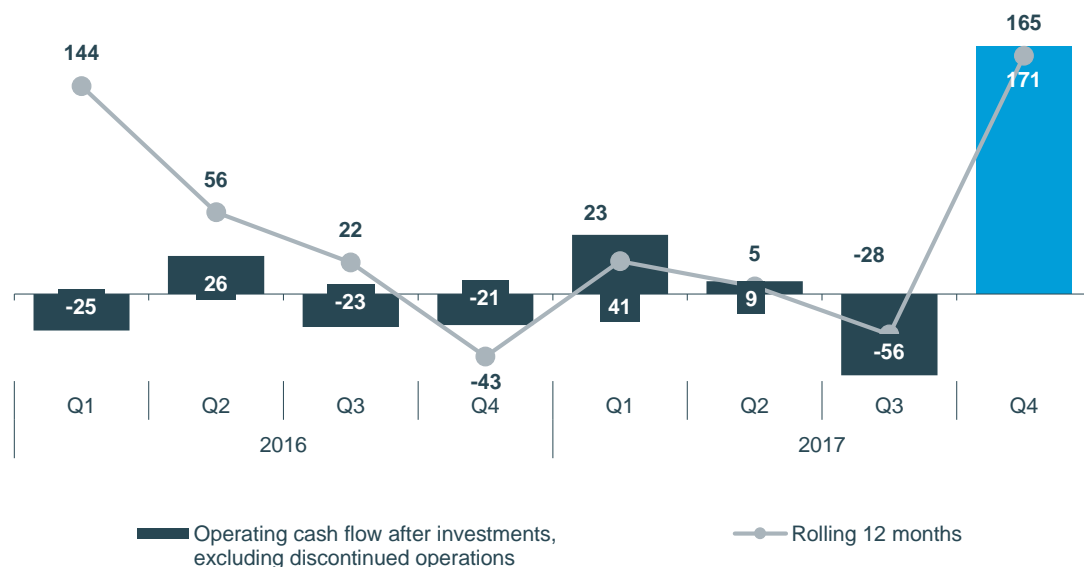


# Very strong cash flow in Q4

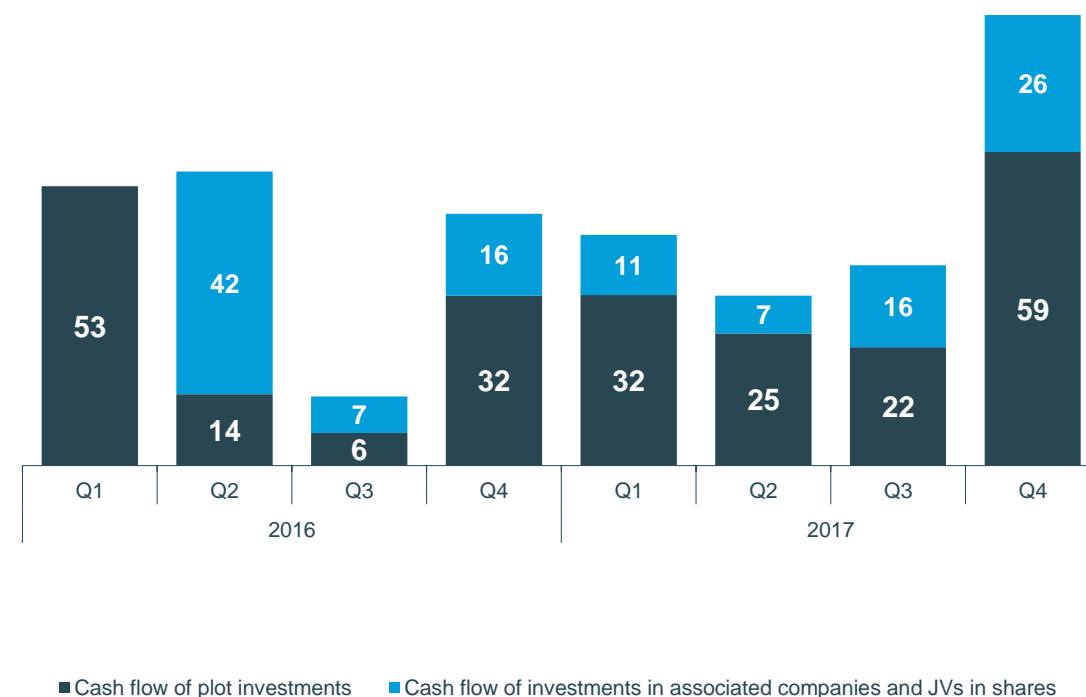
- Debt was decreased by EUR 123.5 million due to change in construction stage financing practice
- Cash flow improved significantly due to good residential sales, the partial sale of the Novo Orlovsky plot and the closing of Kasarmikatu 21 office property sale

Operating cash flow after investments, excluding discontinued operations (EUR million)

Long-term target:  
Sufficient operating cash flow after investments,  
excluding discontinued operations, for dividend payout



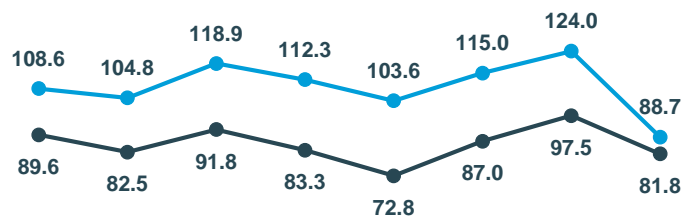
Cash flow of plot investments and investment in associated companies and JVs in shares (EUR million)



# Financial key ratios clearly improved in Q4

- All key ratios were positively impacted by the decrease in net debt
- Improved profitability had a positive effect on Net debt / EBITDA ratio

Gearing (%)

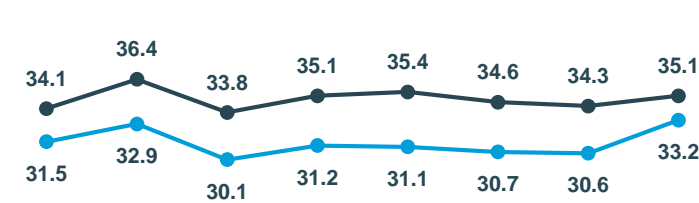


Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2016				2017			

POC IFRS

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

Equity ratio (%)

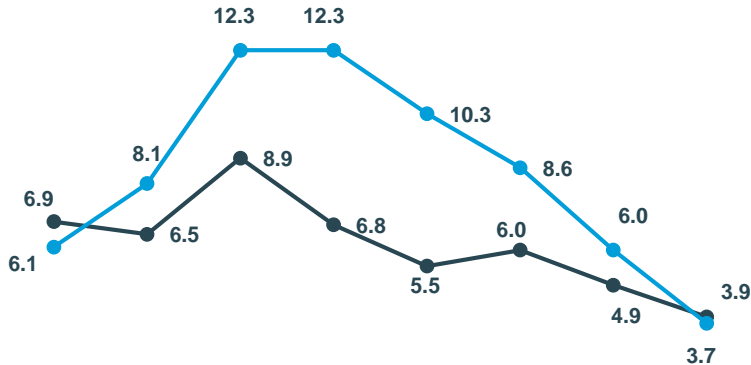


Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2016				2017			

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.

Net debt/EBITDA (Multiple, x)



Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2016				2017			

POC IFRS

# 3.1

## Housing Finland and CEE

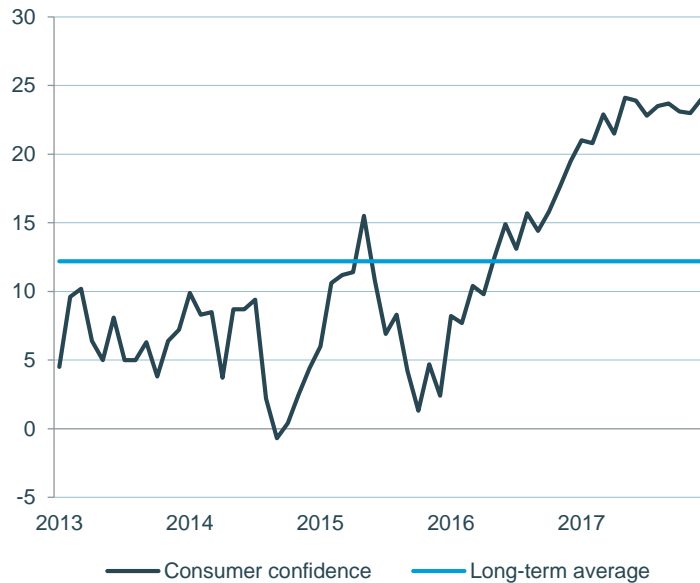


Stein II residential project  
Bratislava, Slovakia

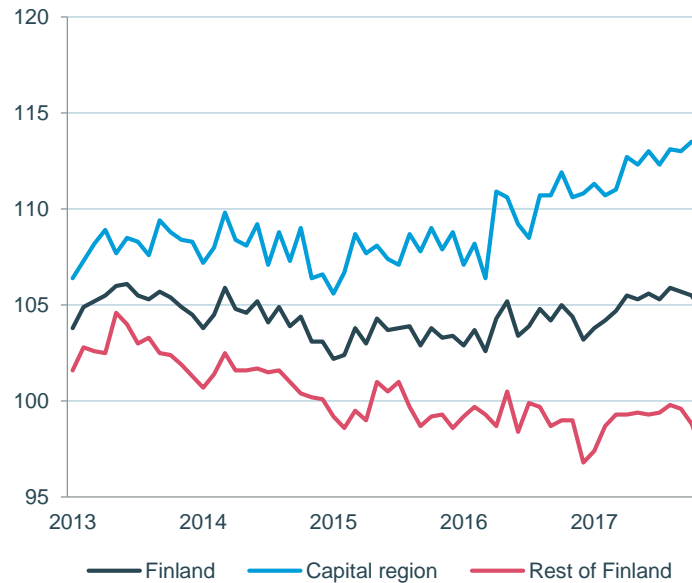
# Operating environment in Finland in Q4

- Consumer confidence was on a record high level
- Residential investors were more selective, demand focused especially on capital region, Turku and Tampere
- Consumer demand was on a good level, no signs of overheating, supply on a high level
- Demand for larger apartments improved in addition to the good demand for affordable apartments
- Mortgage interest rates stayed on a low level and margins continued to decrease
- The volume of new housing loans increased y-o-y

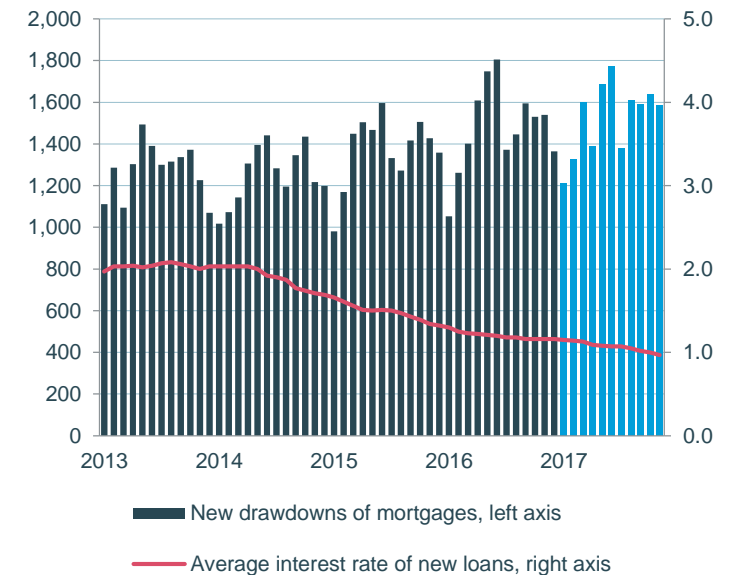
Consumer confidence



Prices of old apartments  
(index 2010=100)



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



Sources: Statistics Finland and Bank of Finland



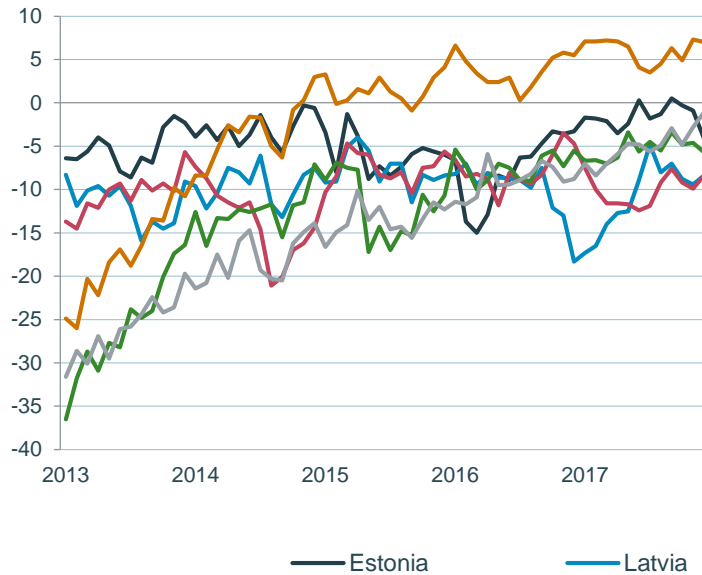
# Operating environment in the CEE countries in Q4

- Residential demand was on a good level in all countries

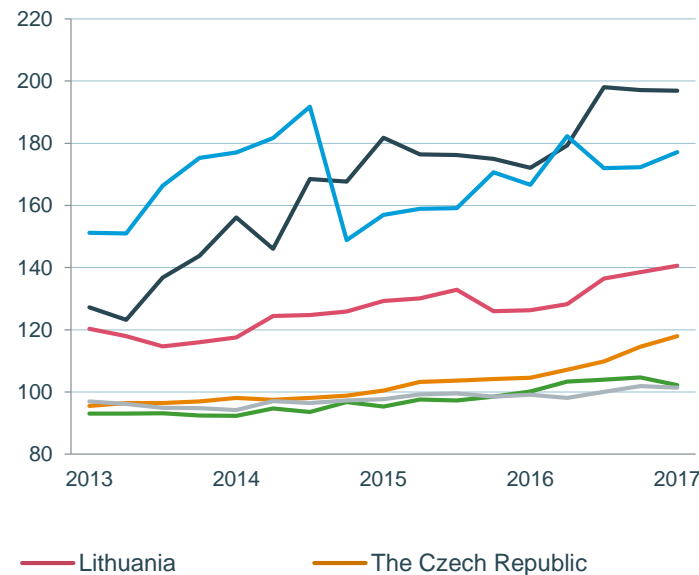
- Prices of new apartments increased slightly on average
- Shortage of resources caused cost pressure especially in the Czech Republic and Slovakia

- Interest rates of mortgages remained on a low level
- Consumers' access to financing remained good

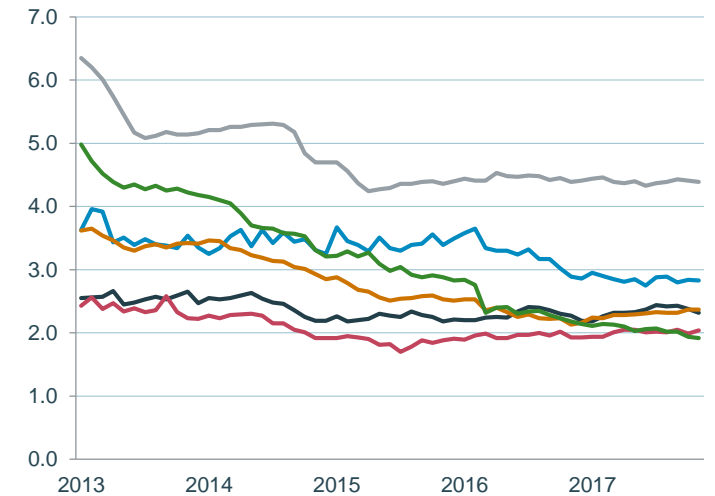
### Consumer confidence



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



### Average interest rate of mortgages (%)



Sources: European Commission, Eurostat and National Central Banks



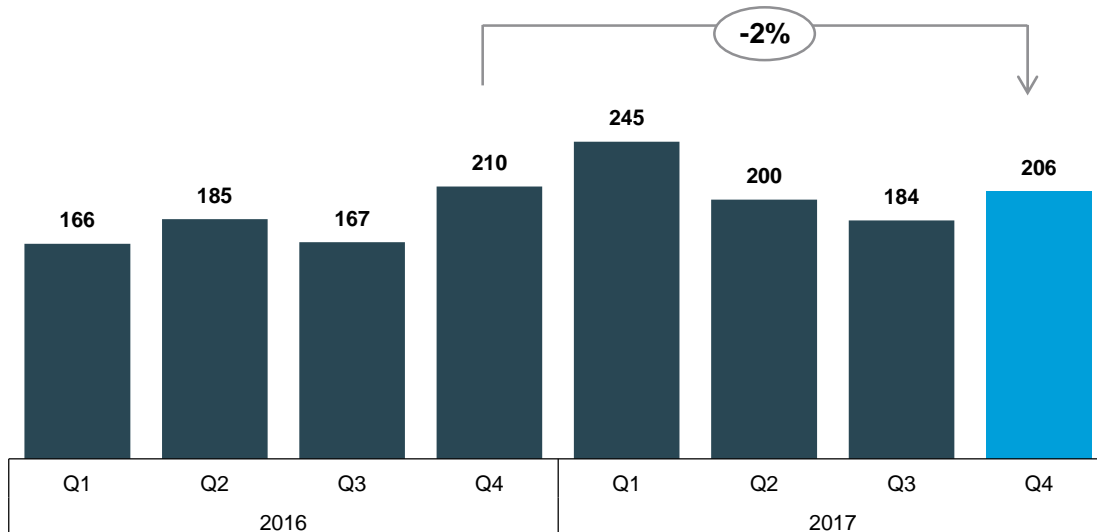
# Order backlog increased close to EUR 1 billion

- Revenue remained stable Q4, and improved by 15% in 2017
- In Finland, the lower completion rate of sold apartments had a negative impact on revenue recognition
- Order backlog increased by 11% q/q

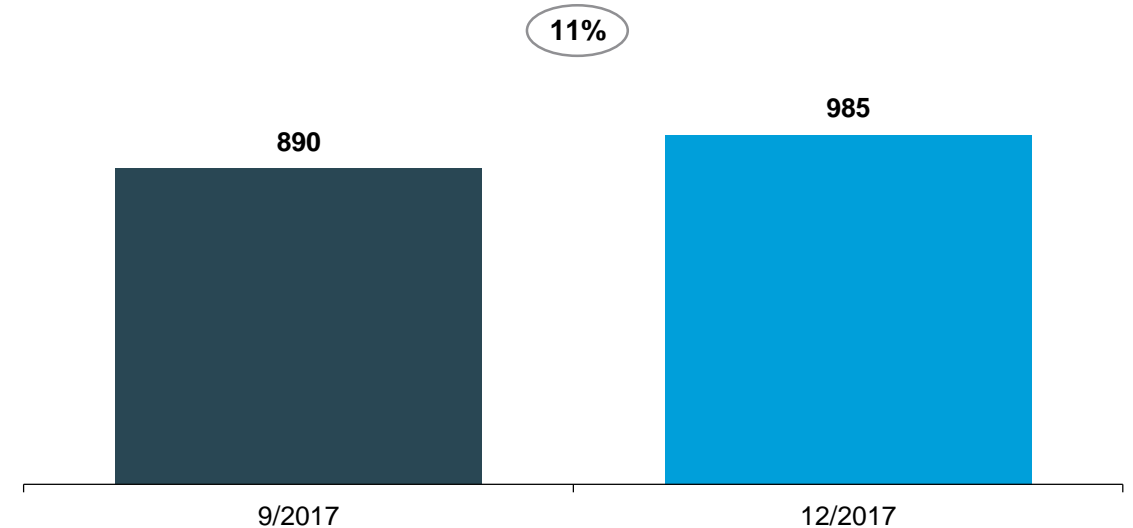
Revenue (EUR million)

2016: EUR 728 million

2017: EUR 835 million



Order backlog (EUR million)



All figures according to segment reporting (POC)

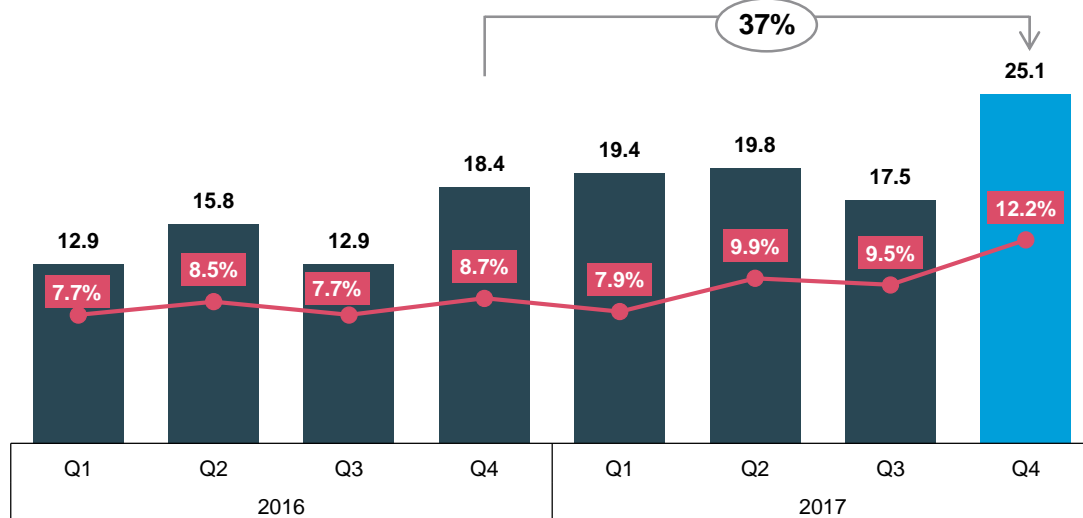
# Operating profit improved clearly in Q4

- Profitability was excellent in Q4, and also 9.8% in 2017
- Adjustment items of EUR 4.9 million related to revaluation of several plots or balance sheet items booked in Q4
- ROCE on a good level

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

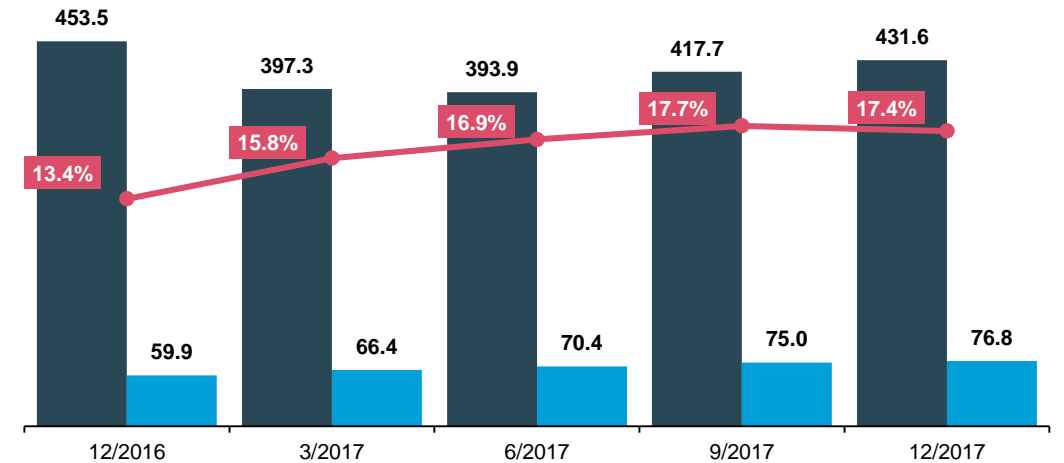
2016: EUR 59.9 million, 8.2%

2017: EUR 76.8 million, 9.8%



Adjusted operating profit Adjusted operating profit margin

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



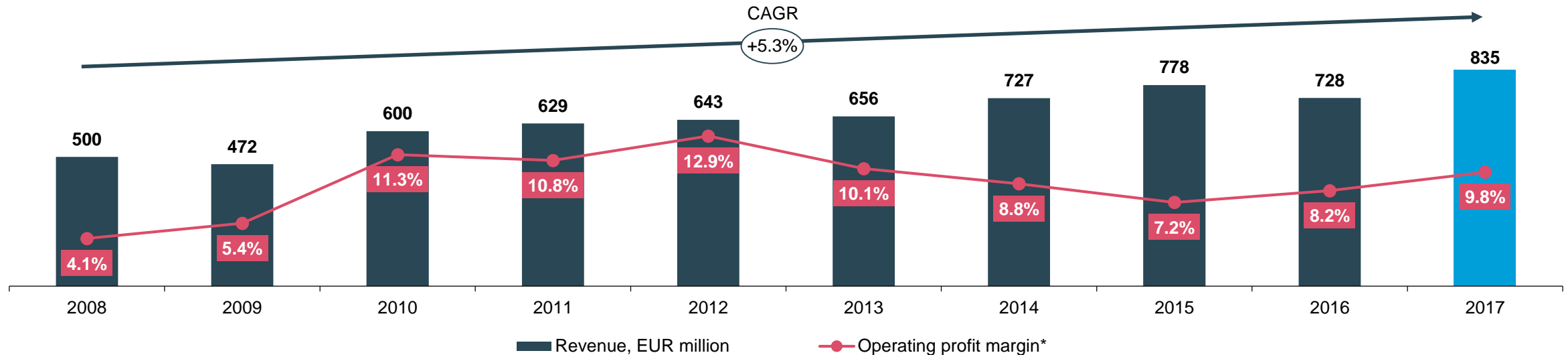
Capital employed Operating profit, 12 month rolling Return on capital employed

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.

# Profitability improved in 2017

- The segment's revenue increased by 15% y/y thanks to good consumer sales and plot sales
- The segment's adjusted operating profit increased by 28% thanks to strong residential sales, especially consumer sales were good



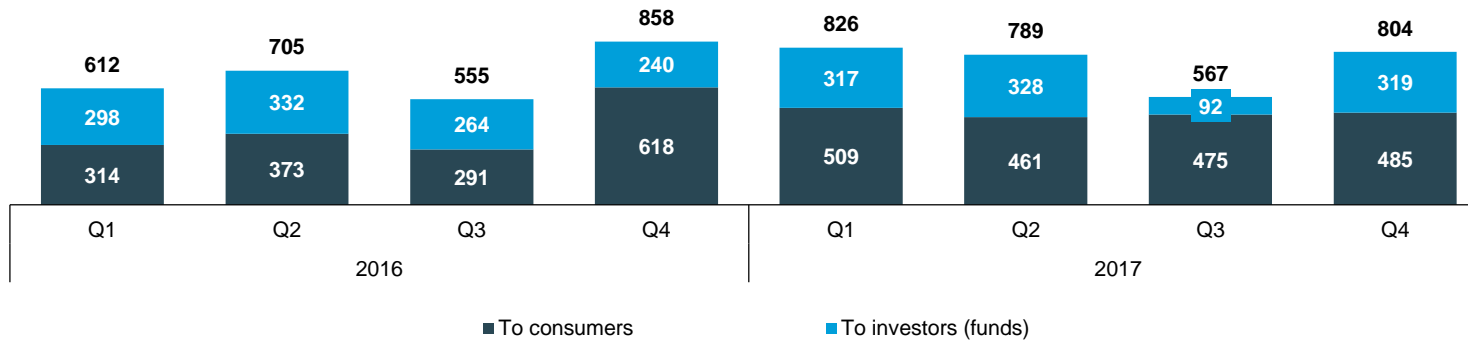
\* Excluding adjustments. Note: The historical figures for 2008-2012 are calculated for illustrative purposes and are not completely comparable with YIT's segment structure. The main difference is in the division of fixed costs, which in the historical figures are weighted according to revenue and in the official figures are more accurately allocated according to each segments estimated true share of the fixed costs.

# Sales and start-ups in Finland in Q4

## Sold apartments (units)

2016: 2,730

2017: 2,986

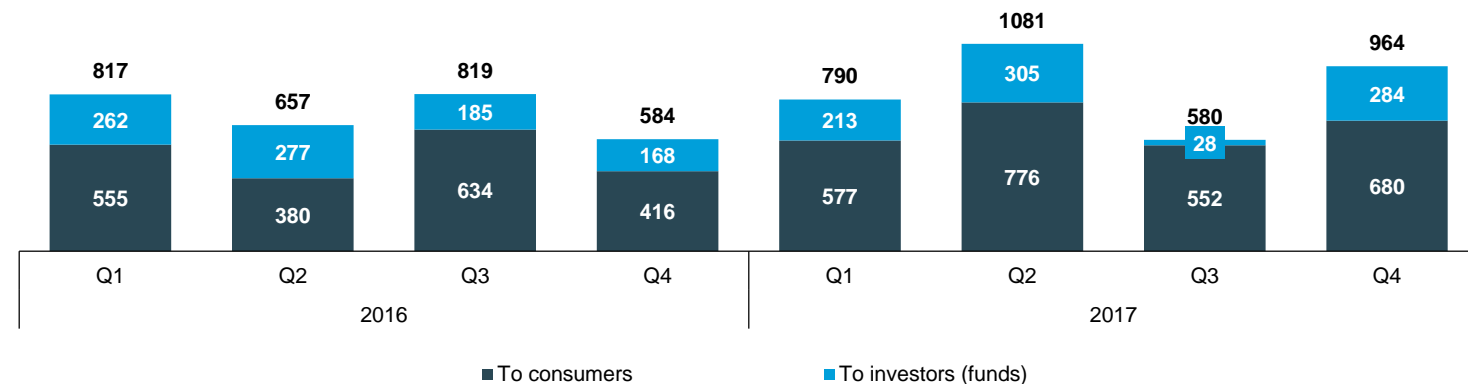


- In 2017, consumer sales increased by 21%
- In Q4, share of units sold to consumers was 60% (Q4/2016: 72%)
- 35 apartments sold in bundles to investors (Q4/2016: 72 units)
- The first apartments in Tripla started up, and were pre-booked in just hours
- In January, estimated sales to consumers are around 120 units (1/2017: around 150 units)

## Apartment start-ups (units)

2016: 2,877

2017: 3,415

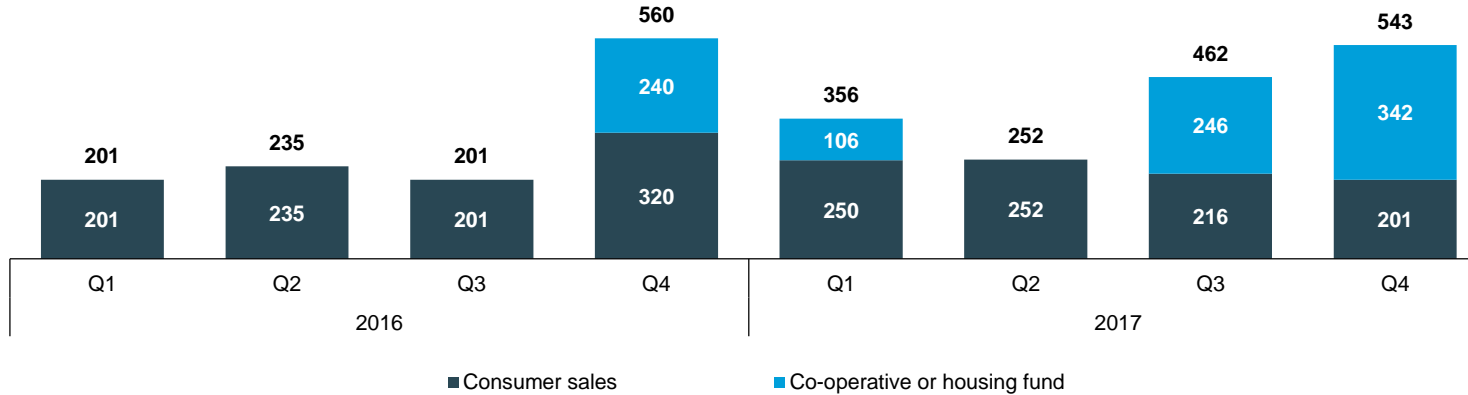


# Sales and start-ups in the CEE countries in Q4

## Sold apartments (units)

2016: 1,197

2017: 1,613

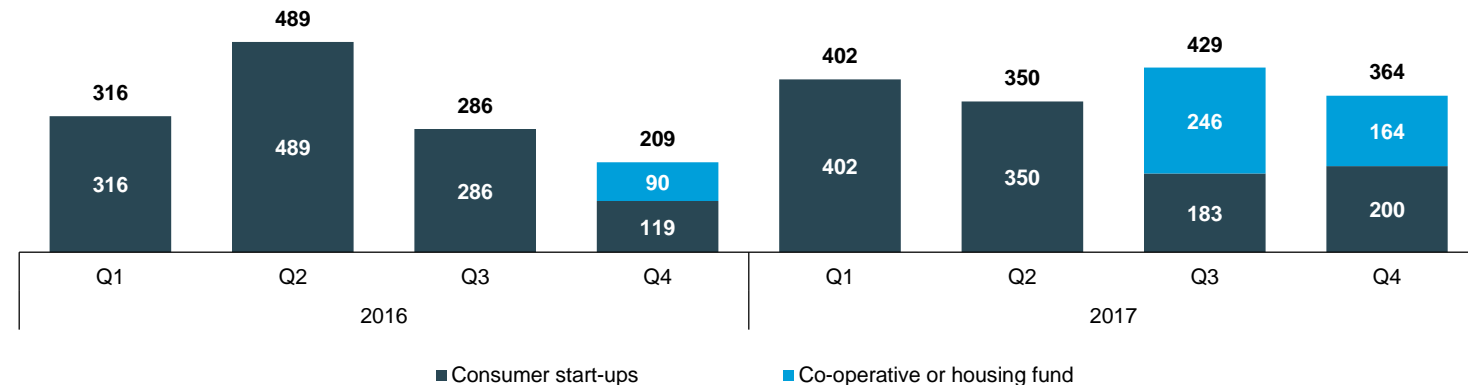


- Sales on the previous year's level in Q4, increased by 35% in 2017
- Start-ups increased by 74% from previous year in Q4
- Four projects in Bratislava, Slovakia and one project in Prague, the Czech Republic sold to YCE Housing I fund, 342 apartments in total
- In January, estimated sales to consumers are around 80 units (1/2017: around 80 units)

## Apartment start-ups (units)

2016: 1.300

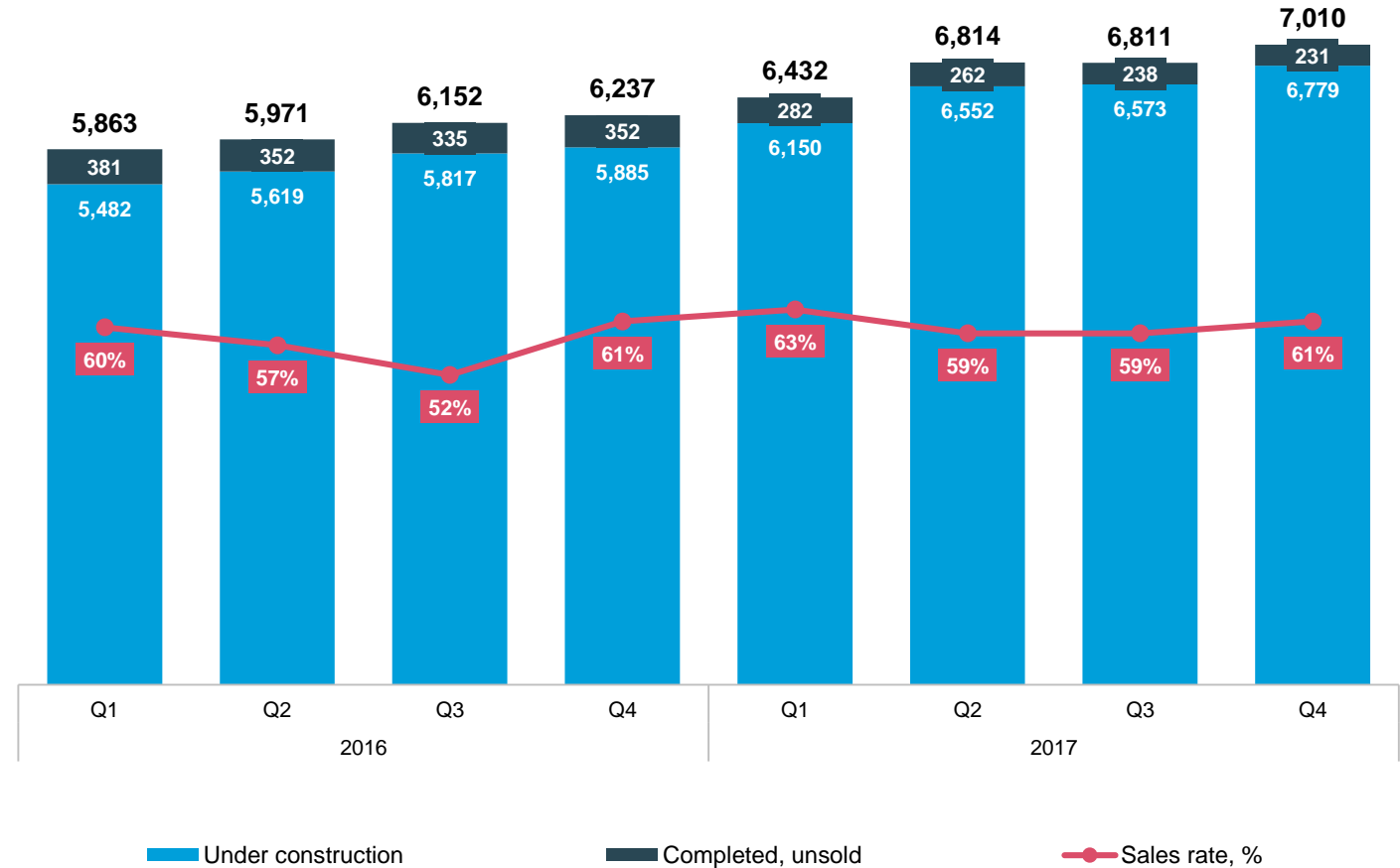
2017: 1.545



# Apartment inventory over 7,000 units

- Number of apartments under construction increased from the previous quarter due to high number of start-ups
- Number of unsold completed apartments continued to decrease
- The share of CEE of the sales portfolio (units) 36% (12/2016: 47%)

Apartment inventory (units)





# Living Design Philosophy: Next phase of Smartti ideology

What is trending now?



- Interest in easy and flexible living
- Interest in using services
- Living in an apartment building and importance of yards
- Getting rid of materialism as a phenomenon



- Willingness to use money on living
- Need for space in an apartment

Our solution – Living Design Philosophy

Design philosophy

Digitalised customer choices

Ecosystem and partnerships

Modular prefabricated systems

Living services such as SmartPost

Smart and multi-functional use of space

Digitalised process for purchasing and material options



# 3.2

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## Housing Russia



Harmony residential project  
Kazan, Russia



# Housing Russia

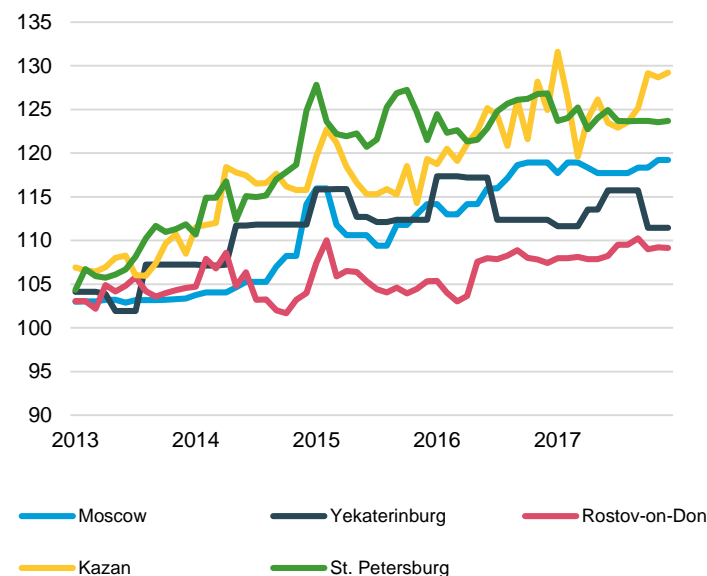
## Operating environment in Q4

- Consumers continued to be cautious despite of the improvement of the Russian economy
- Consumer purchase power slightly improving from a low level
- Consumer demand for housing is modest, but slightly improved in Moscow and St. Petersburg
- Residential prices remained stable on average, supply still on a high level
- Mortgage interest rates for new apartments continued to decrease and are below the level of 10%
- The key rate cuts further increased expectations of a decrease in interest rates

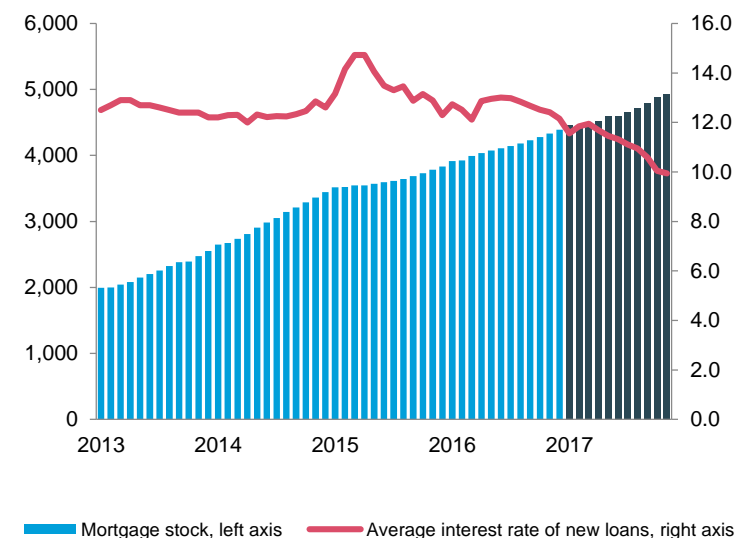
EUR/RUB exchange rate



Prices of new apartments  
(index 2012=100)



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



Sources: Bloomberg, YIT and Central Bank of Russia

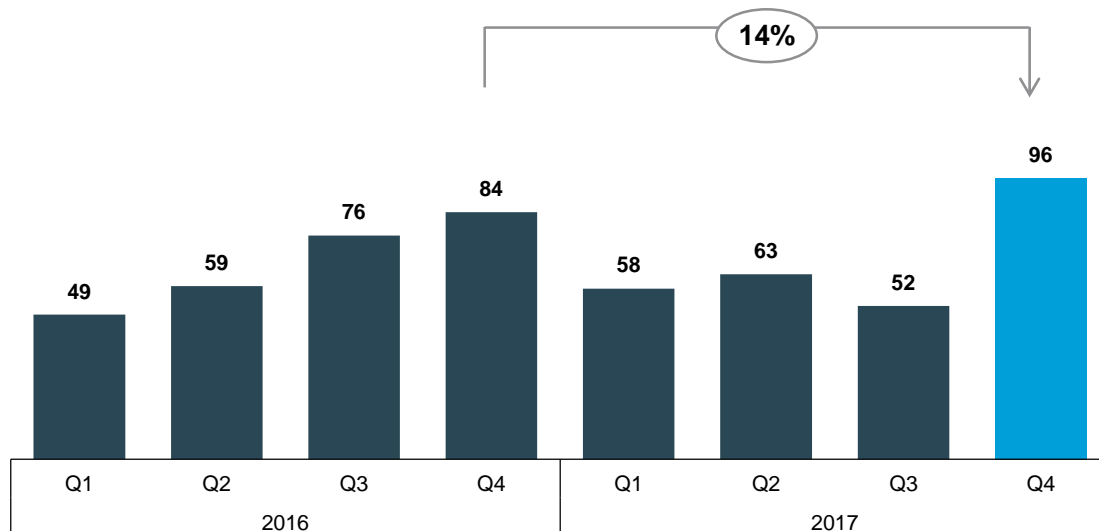
# Revenue increased in Q4

- Revenue was supported by partial sale of Novo Orlovsky plot and improved apartment sales
  - RUB 1.1 billion (EUR 16 million) related to Novo Orlovsky plot sale recognised as revenue and cash flow in Q4, total value of the deal RUB 2.5 billion (EUR 37 million)
- Order backlog declined q-o-q due to low start-ups

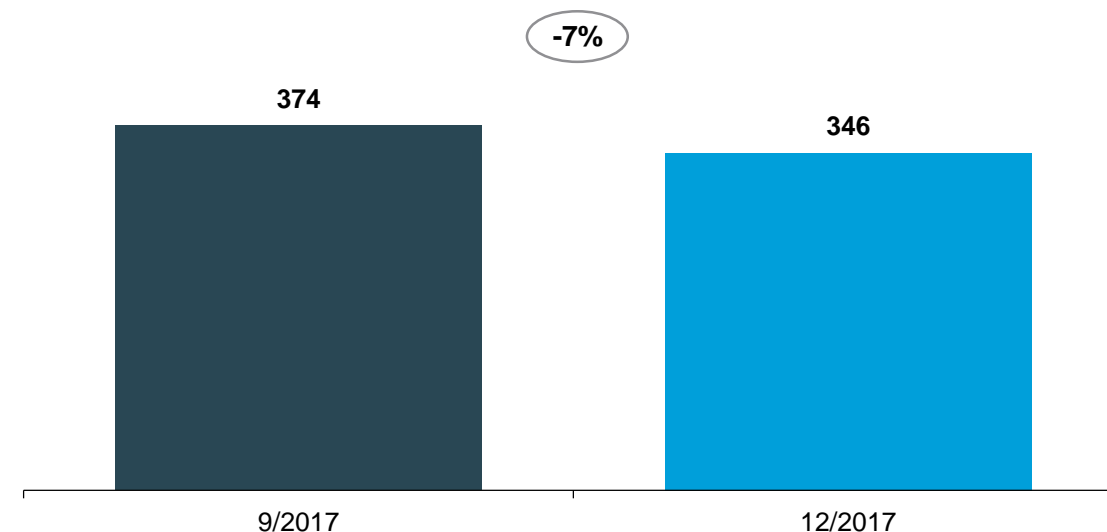
## Revenue (EUR million)

2016: EUR 268 million

2017: EUR 268 million



## Order backlog (EUR million)



All figures according to segment reporting (POC)

# Operating profit improved in Q4

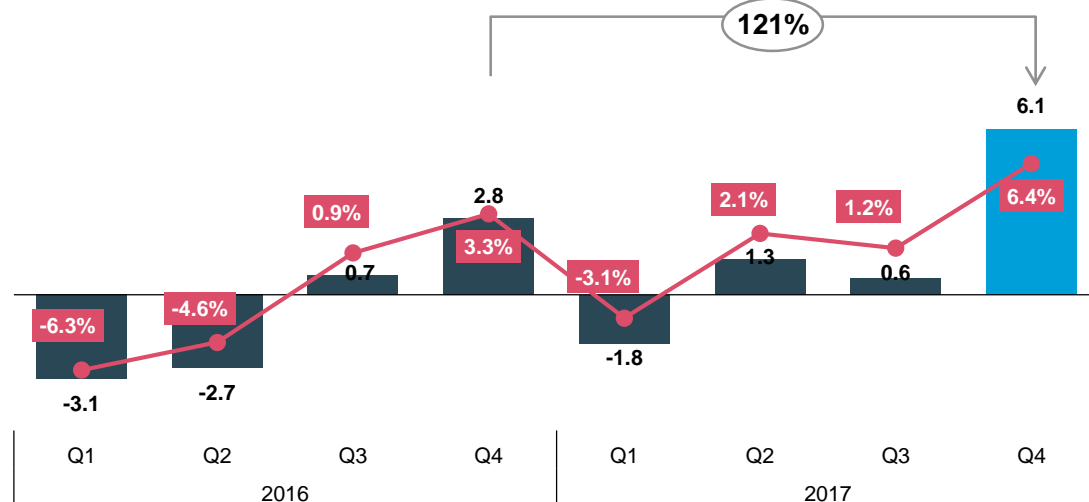
- Profitability was satisfactory, driven by improved sales volumes especially in St. Petersburg and Moscow as well as improved gross margins
- The partial sale of Novo Orlovsky plot didn't have an impact on profit, minor cost related to book value revaluations booked in Q4
- ROCE on previous quarter's level

Adjusted operating profit and adjusted operating profit margin<sup>1</sup> (EUR million, %)

2016: EUR -2.3 million, -0.9%

2017: EUR 6.3 million, 2.4%

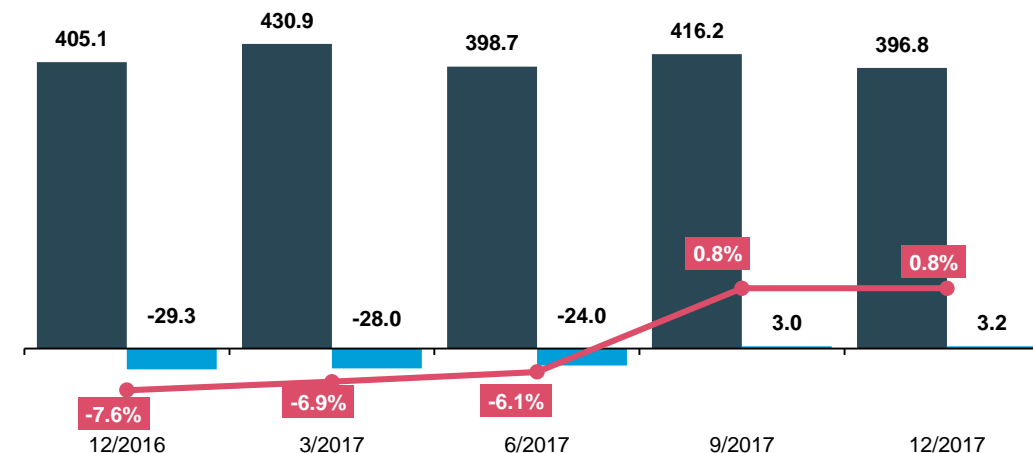
121%



Adjusted operating profit

Adjusted operating profit margin

Return on capital employed<sup>2</sup> (EUR million, %)



Capital employed

Operating profit, 12 month rolling

Return on capital employed

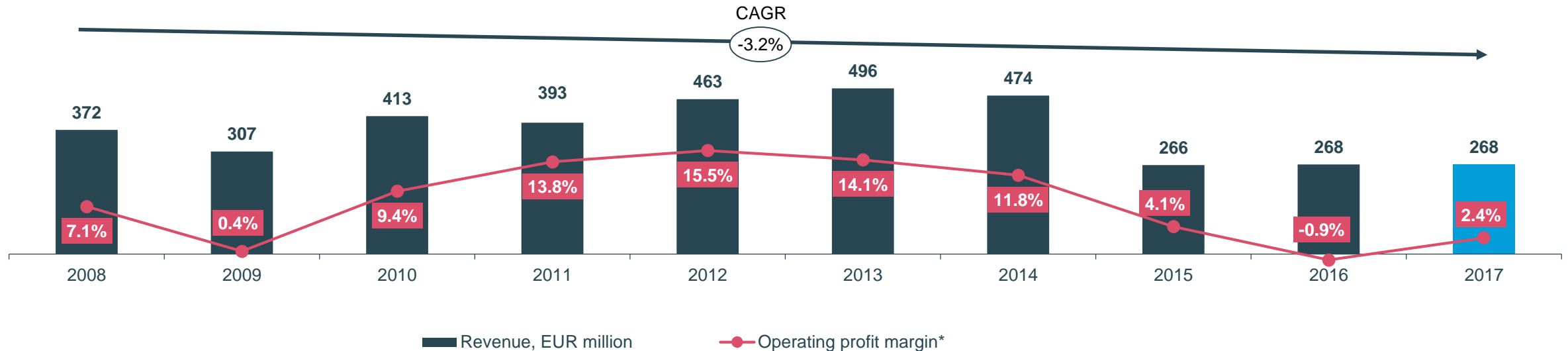
All figures according to segment reporting (POC).

<sup>1</sup>EUR 27 million cost booked in Q3/2016 result from Housing Russia

<sup>2</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.

# Profitability improved in 2017

- The segment's revenue remained stable y/y
- Improved gross margins of projects had a positive impact on the development of the segment's adjusted operating profit, however the result was weighed down by weak residential sales and low revenue recognition



\*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.

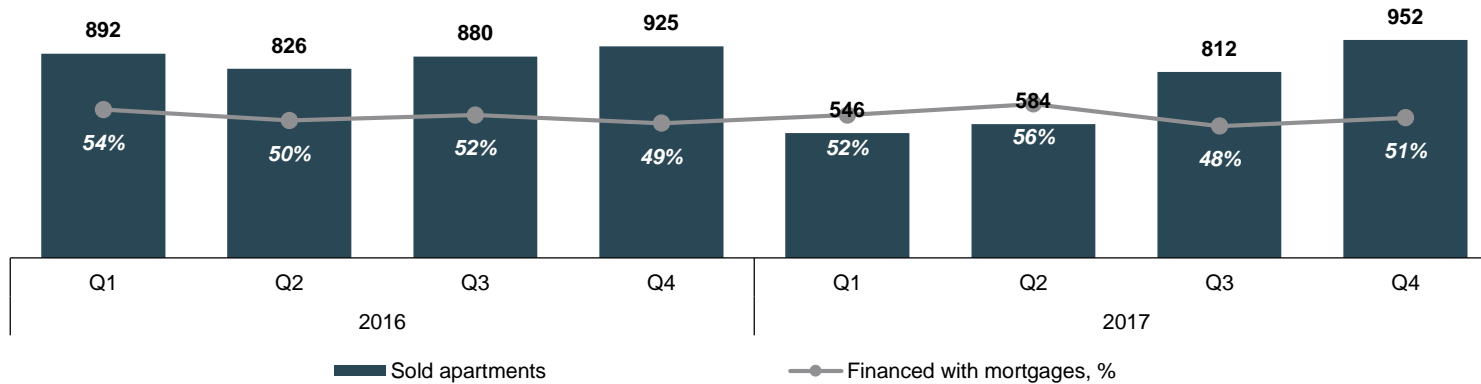


# Sales and start-ups in Q4

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

2016: 3,523 (51%)

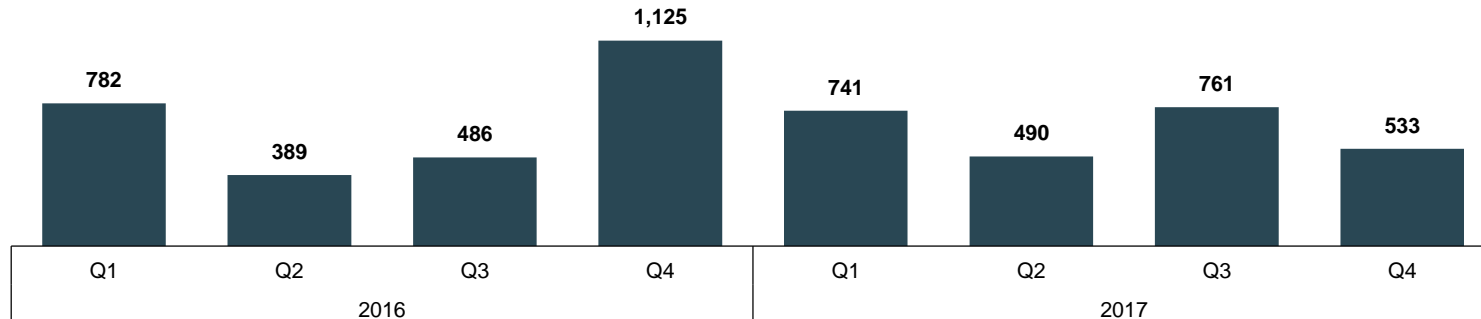
2017: 2,894 (51%)



## Apartment start-ups (units)

2016: 2,782

2017: 2,525

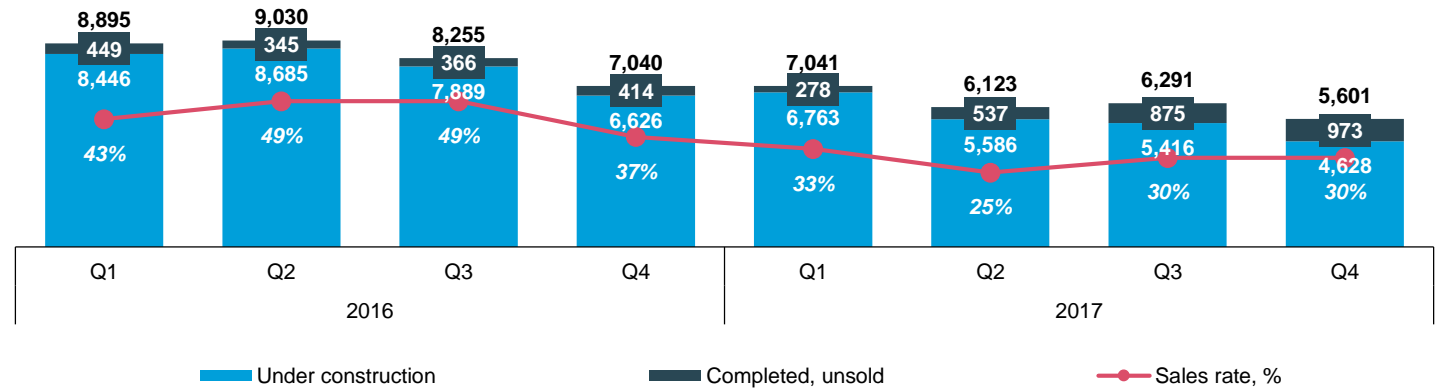


- Number of sold units increased by 3% y-o-y
  - No changes in price lists
  - Best quarter in two years
- Start-ups were on a low level
- Share of sales financed with mortgages increased to 51%
- In January, consumer sales estimated to be almost 200 units (1/2017: around 150 units)

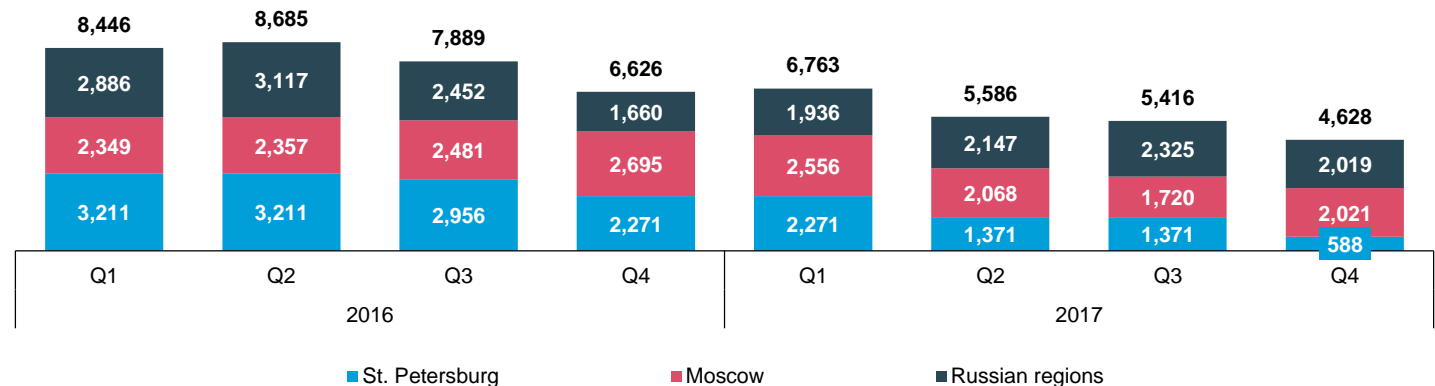
# The production volume (units) continued to decrease in Q4

- Number of apartments under construction continued to decrease
- Number of completed unsold apartments increased due to high number of projects handed over
- At the end of December, YIT Service was responsible for the maintenance and the living services of over 34,000 apartments (9/2017: over 31,000) and in total over 42 000 clients (incl. parking spaces and business premises)

Apartment inventory (units)



Apartments under construction by area (units)



# 3.3

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## Business Premises and Infrastructure



# Business Premises and Infrastructure

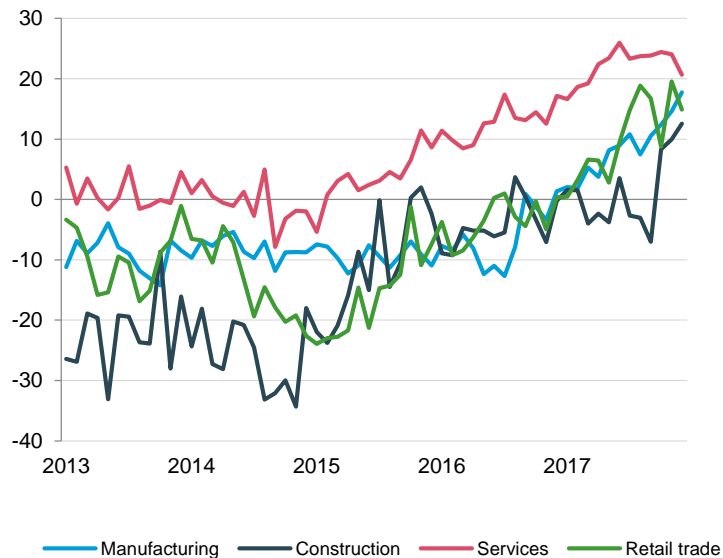
## Operating environment in Q4

- Investor demand for business premises in prime growth centres was on a good level in Finland
- Yield requirements decreased in HMA and rents of prime properties increased in Helsinki CBD

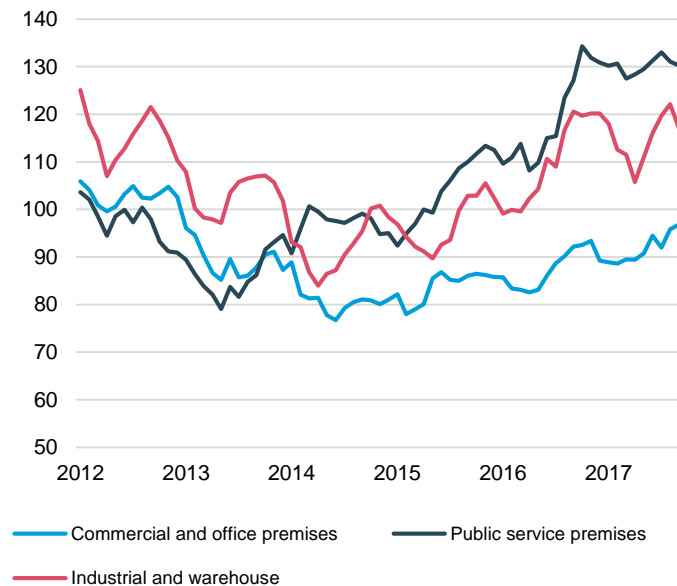
- In Finland, the positive overall market sentiment supported private investments
- The Finnish business premises tender market and infrastructure market were active especially in the capital region and growth centres

- Investor demand for business premises was good in the Baltic countries and Slovakia and rental levels stayed stable
- Tender market remained mainly stable in the Baltic countries

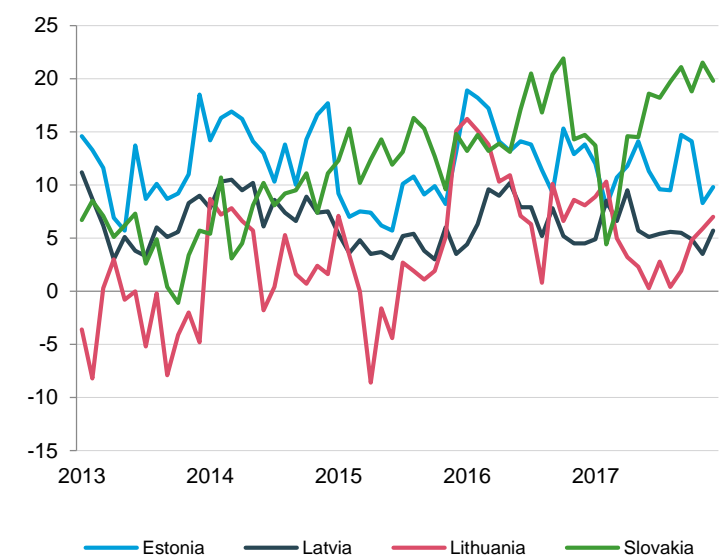
Confidence indicators in Finland



Volume of new construction in Finland (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

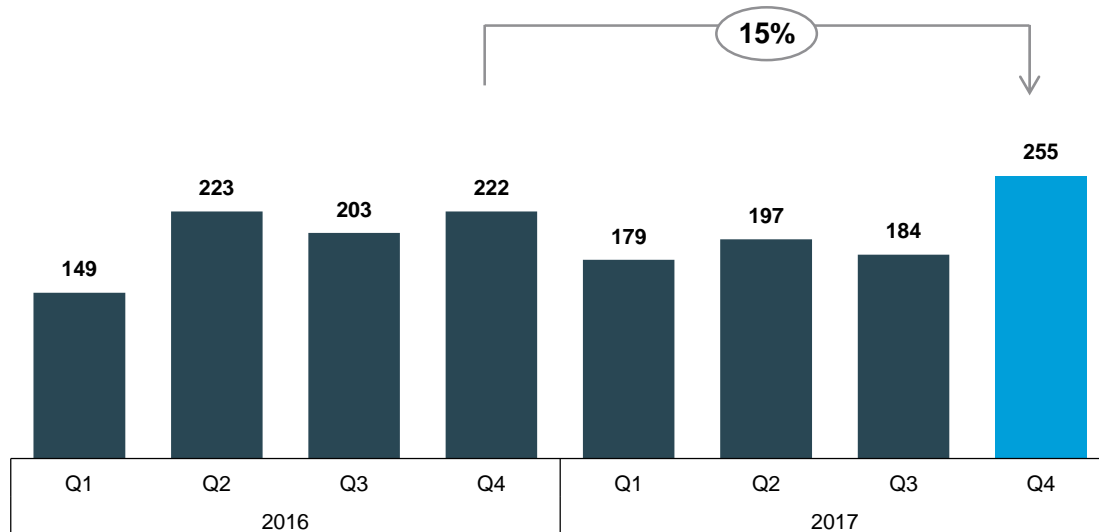
# Revenue increased in Q4

- Revenue increased due to closing of co-owned Kasarmikatu 21 office property sale leading also to recognition of earlier eliminated revenue and the closing of Dixi office project sale
- Order backlog on previous quarter's level

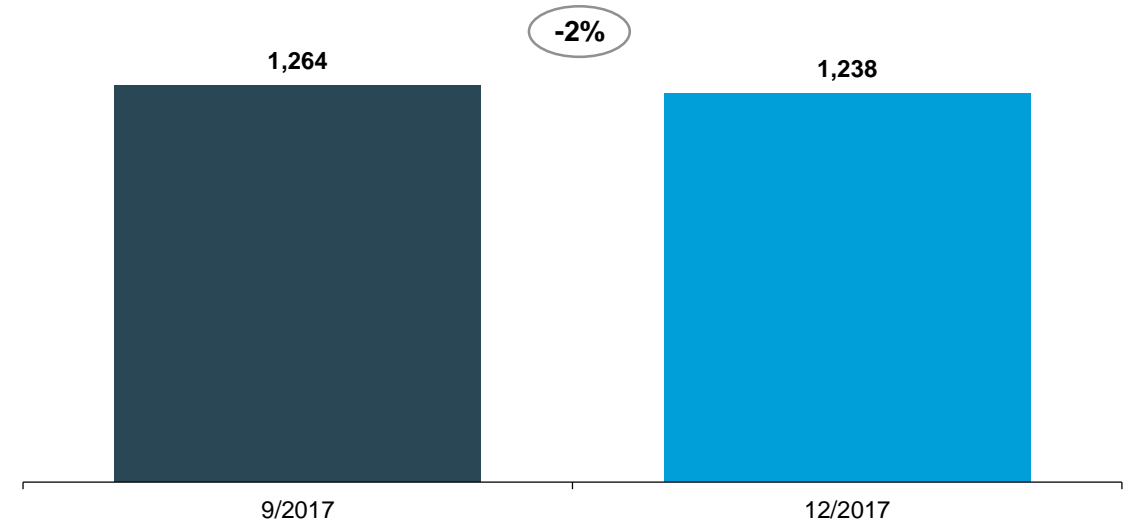
Revenue (EUR million)

2016: EUR 797 million

2017: EUR 815 million



Order backlog (EUR million)



All figures according to segment reporting (POC)



# Operating profit on an exceptionally high level in Q4

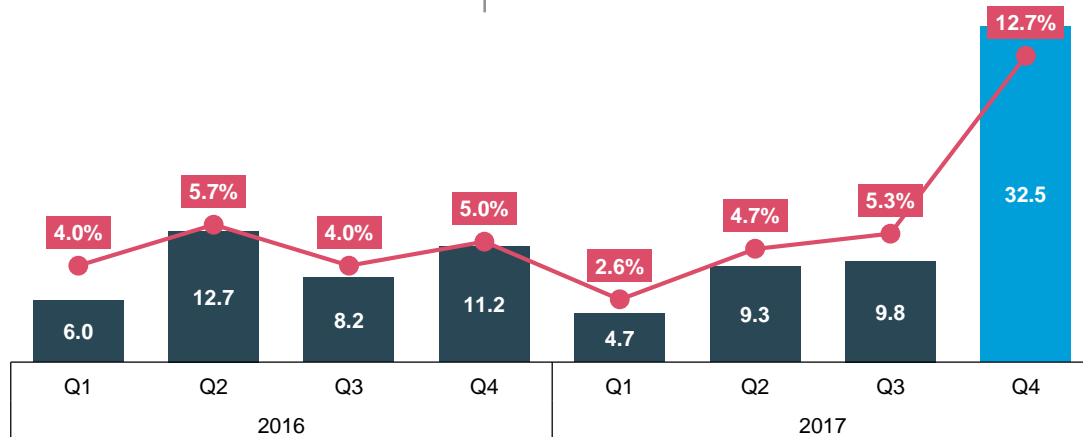
- The closing of co-owned Kasarmikatu 21 office property sale boosted the operating profit and profitability of the segment
- Cost of EUR 5.9 million related to revaluation of several plots or balance sheet items in Finland booked in Q4
- Capital employed decreased, ROCE on a very good level

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

2016: EUR 38.1 million, 4.8%

2017: EUR 56.3 million, 6.9%

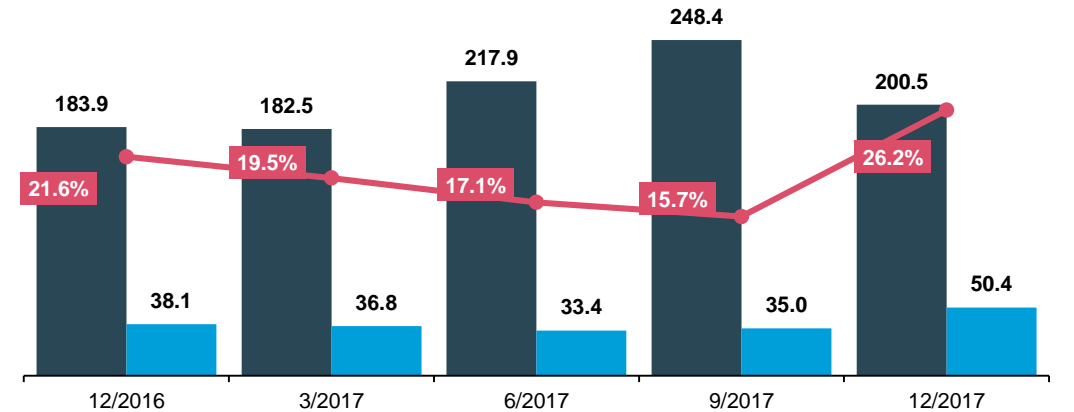
190%



Adjusted operating profit

Adjusted operating profit margin

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



Capital employed

Operating profit, 12 month rolling

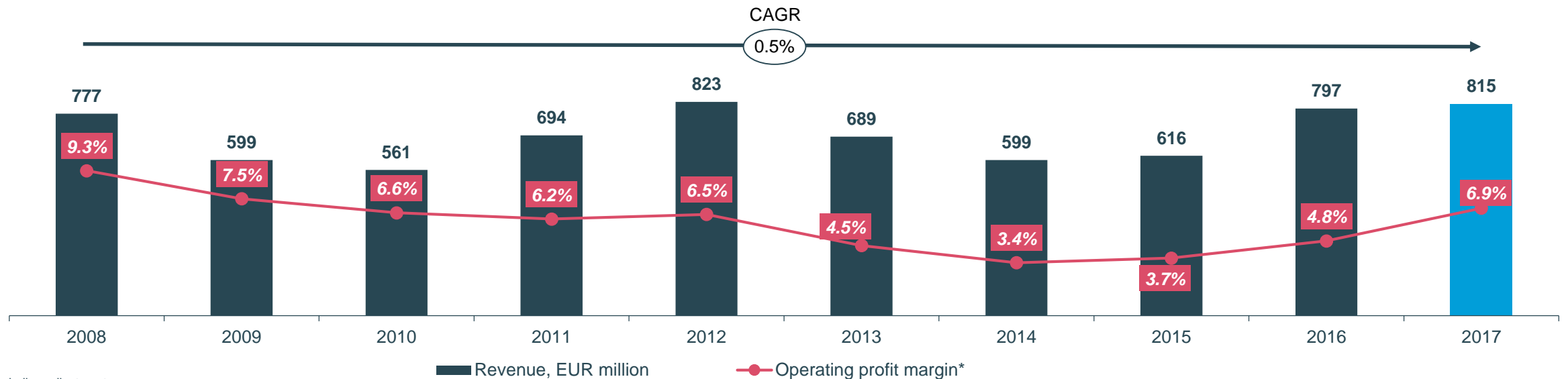
Return on capital employed

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.

# Profitability improved in 2017

- The segment's revenue remained stable y/y
- The segment's profitability was boosted especially by the completion of Kasarmikatu 21 office property sales transaction



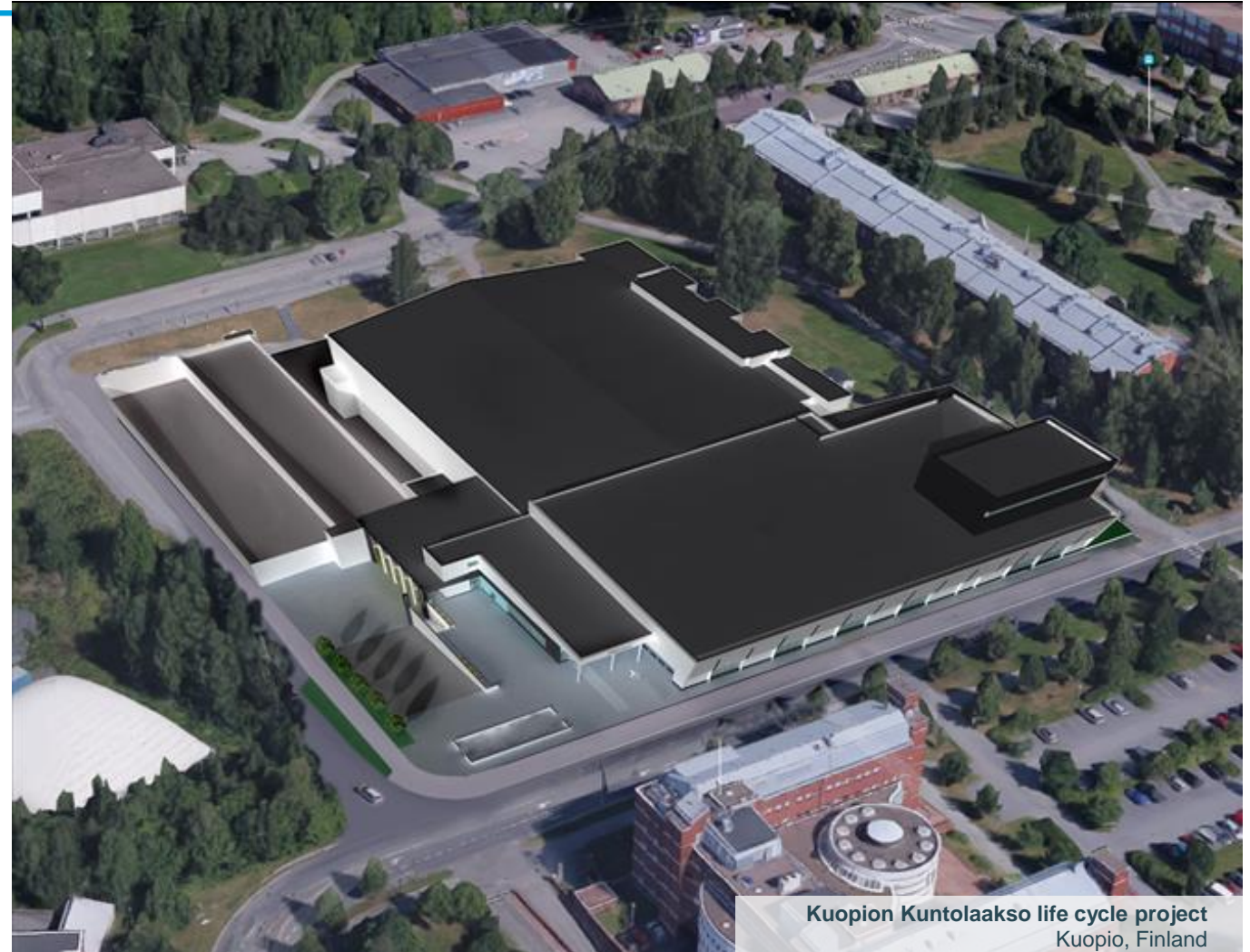
\*Excluding adjustments

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.

## Business Premises and Infrastructure

# Successful activities in Q4

- The sales transaction of the second phase office properties in Dixi completed in December
- Regenero acquired Fortum's old headquarters in Keilaniemi, Espoo, Finland
- YIT chosen to carry out the Kuntolaakso life-cycle project in Kuopio, Finland in co-operation with Caverion
- The sale of co-owned Kasarmikatu 21 was completed in December
- The occupancy rate of Mall of Tripla increased to almost 70% in January ahead of schedule
- The first office spaces at Tripla leased
- New projects booked in Q4
  - The local service centre Hertsi, to be constructed in co-operation with Hartela
  - Part of EUR 39 million life cycle school projects in Espoo, Finland
  - Hybrid care facility project in Vantaa, Finland, EUR ~ 21 million
  - Deep level tunnels of a gold mine in Kittilä, Finland, EUR ~35 million
  - Road contract in Helsinki, Finland, EUR ~20 million



Kuopion Kuntolaakso life cycle project  
Kuopio, Finland



# Tripla project: Pasila, Helsinki in the future

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# Tripla project supports growth in the coming years

## Tripla project in brief

- Over 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 house and foundations

~20%

Mall of Tripla (shopping center)

~25%

Business park offices

~10%

Hotel

~10%

Railway station and HQ offices

~20%

Residential

~15%

## Current topics

- ✓ Hotel sold and construction started in 2017
- ✓ The first anchor tenant for office facilities secured, construction of the offices started in the beginning of 2018
- ✓ Construction of the first residential building started in Q4/2017, apartments reserved in record time
- ✓ The Mall of Tripla occupancy rate over 70% in January 2018, almost two years before the opening

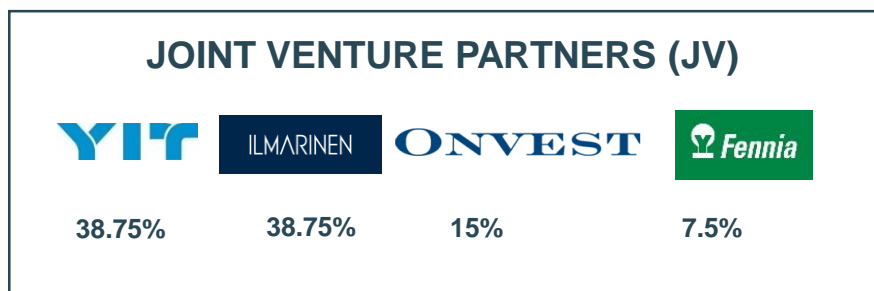
Note: The charts are an illustration of YIT's perception on a general level and do not reflect the actualized figures of YIT Group.



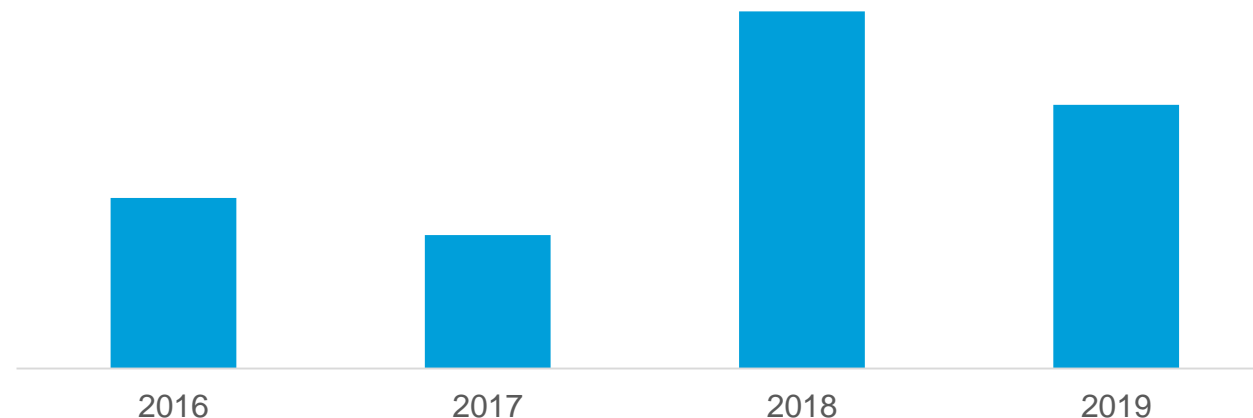
# Mall of Tripla in a nutshell

## 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
- Revenue and profit recognition started in 2016
- Approximately 70% of the premises rented out, anchor tenants secured
- The ownership of Tripla will be reported under the Partnership properties segment starting from Q1/2018



## Illustration of revenue recognition on Tripla during 2016-2019\*



\*Based on the assumption that YIT won't reduce its shareholding during the construction. Figures illustrative.

## Current 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


# 3.4

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## Partnership properties



# Targets of the new business area

1 Improve group's growth capability	2 Improve visibility on true value of existing assets	3 Create portfolio of stable cash flows	
Participation in sizeable urban developments	Sufficient information of assets	Diversified real-estate and urban area portfolio	
Substantial investment capacity through partnerships	Clarified earnings model	Long-term customer relationships and living services	
	Fair value of assets		
<b>Targets</b>			
<b>Total investment capacity from EUR 1,000 million (3/2017) to over EUR 2,000 million (12/2020)</b> Including YIT's and partners' equity and debt in joint ventures Of which YIT's equity share to increase from EUR 170 to 300–400 million			<b>ROE target for investment (excluding construction stage and fair value gains)</b> >10%
<b>All investments in mega projects done with partners</b> Only equity share in YIT's balance sheet			



# Roles of the new segment

Segment involved only in large and/or long-term development projects financed with partners

## Key roles

- Investment case preparation
- Legal structuring
- Funding
- Asset valuation (external valuation to create transparency)
- Care on assets during the ownership period
- Divestment preparation

## Through internal partnerships

- Project development and construction
- Leasing & divestment
- Customer care
- Renovations

## Through external partnerships

- Maintenance and facility management



# Examples of created projects in different asset classes

## Mall of Tripla

- Value: EUR ~600 million
- Unique concept
- Unique location
- 40 million visitors\* annually



## E18 Hamina-Vaalimaa Highway

- PPP-project with Meridiam
- EUR 220 million investment
- 20 years maintenance contract with Finnish Transportation agency



## Tietotie renovation

- Detail design ongoing
- Long-term contract under negotiation
- Good location in Otaniemi Campus, 100 m from metro entrance



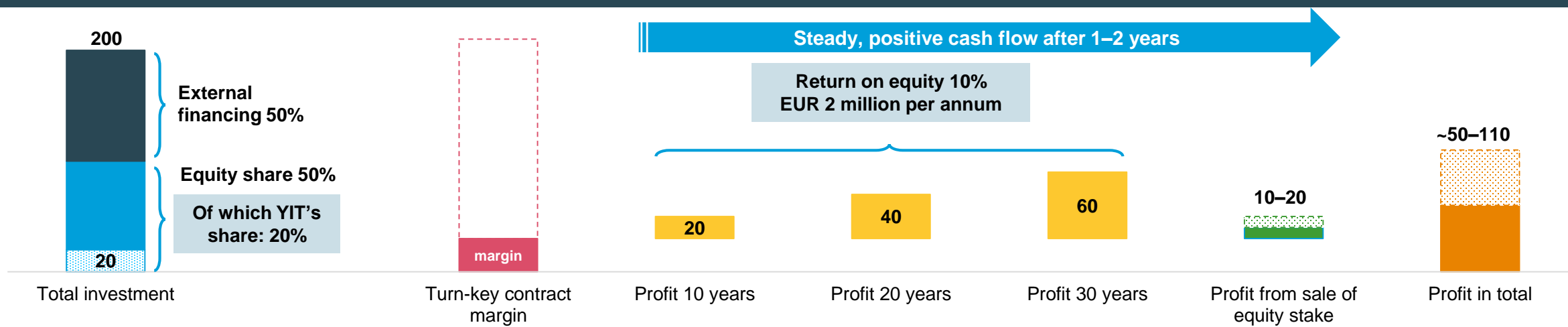
\*Estimation



# ROE vs. cash flow in different models in own-based business

	YIT alone	Joint-venture
Development only	<ul style="list-style-type: none"> <li>• High capital employed</li> <li>• High EBIT</li> <li>• High risk</li> </ul>	<ul style="list-style-type: none"> <li>• Lower capital employed</li> <li>• Lower EBIT</li> <li>• Shared risk</li> </ul>
Long-term cash-flow generating investment	Not possible	<ul style="list-style-type: none"> <li>• Lower capital employed</li> <li>• Lower EBIT</li> <li>• Shared risk</li> <li>• Annual cash-flow</li> </ul>

## Illustrative case example



ROCE-% with 10 years (20,1%), 20 years (16,8%), 30 years (15,5%) ownership period

# 4

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Lemminkäinen in 2017

# Year 2017 in brief

- In June, announced plan to combine with YIT
- Net sales 1,847.2 M€ (1,682.7)
- Operating profit 41.8 M€ (67.6)
- Adjusted operating profit 46.6 M€ (45.1)
- Write-downs of deferred tax assets in Norway and Sweden increased the tax expense in the income statement EUR 10.2 million
  - The write-downs weakened the profit for the period and EPS
- Financial position
  - Interest-bearing debt 185.8 M€ (212.5)
  - Equity ratio 35.6% (35.4)\*
  - Gearing 57.2% (38.8)\*
- Cash flow from operating activities -13.6 M€ (131.7)
- Order book grew and stood at 1,305.6 M€ (1,265.2) at the end of the period
- After the reporting period, the merger of Lemminkäinen and YIT completed on 1 February 2018



## Q4/2017 in brief

- Net sales 515.1 M€ (477.3)
- Operating profit 10.1 M€ (35.0)
- Adjusted operating profit 10.8 M€ (12.3)
- Plot sales and write-downs of plot inventory had a positive net impact of approximately EUR 7 million in total on operating profit
- Cash flow from operating activities -20.4 M€ (38.5)





# 5

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## Appendix



# Appendices

1. Organisation and share ownership
2. YIT
3. Lemminkäinen Q4
4. Operating environment



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## Organisation and share ownership



Helsingin Emil residential project  
Helsinki, Finland

# Transaction overview



The transaction would be executed as an absorption merger whereby Lemminkäinen is merged into YIT and thereafter dissolved

**3.6146** new YIT shares

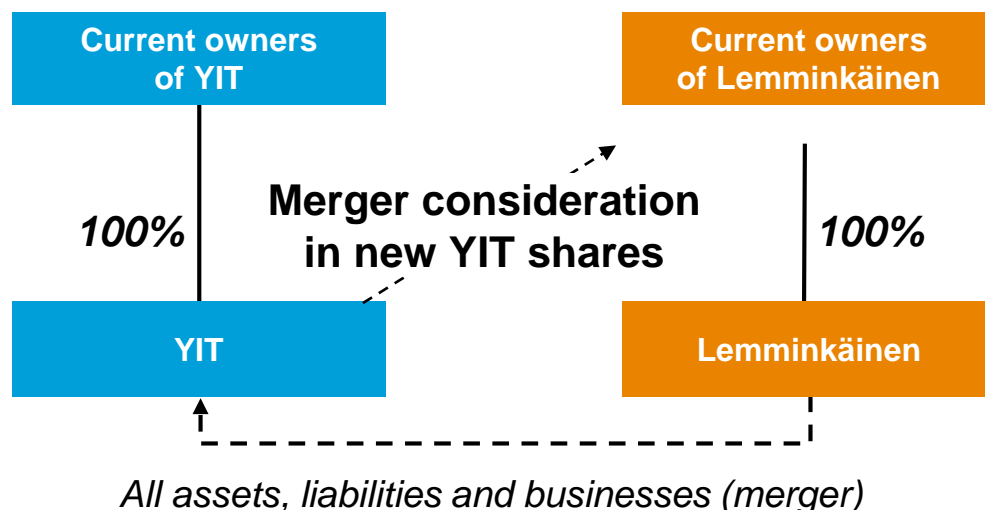
3.6146 new YIT shares would be issued for each share in Lemminkäinen as merger consideration to the shareholders of Lemminkäinen in exchange for all assets, liabilities and businesses of Lemminkäinen

**60%**

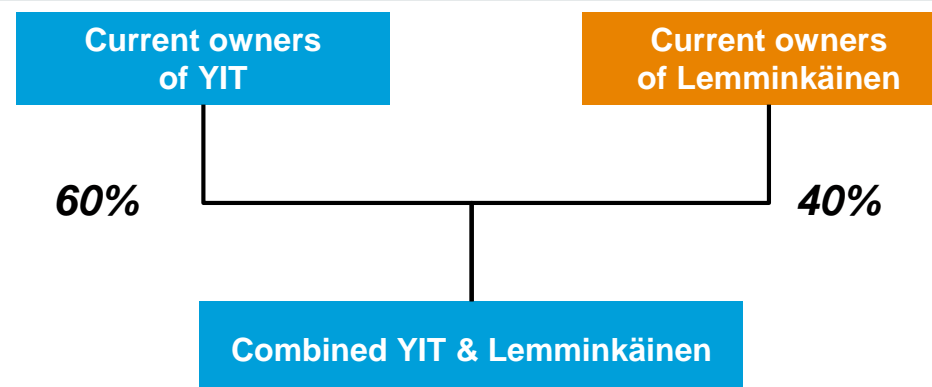
**40%**

After the transaction the current shareholders of YIT would own 60% of the combined entity whereas the current shareholders of Lemminkäinen would own 40% (assuming no redemption of opposing shareholders)

## Transaction



## Post transaction structure





# Board of Directors as of March 16, 2018

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**Harri-Pekka  
Kaukonen**  
Chairman of the  
Board



**Eero Heliövaara**  
Vice Chairman of  
the Board



**Erkki Järvinen**  
Member of the  
Board



**Olli-Petteri  
Lehtinen**  
Member of the  
Board



**Inka Mero**  
Member of  
the Board

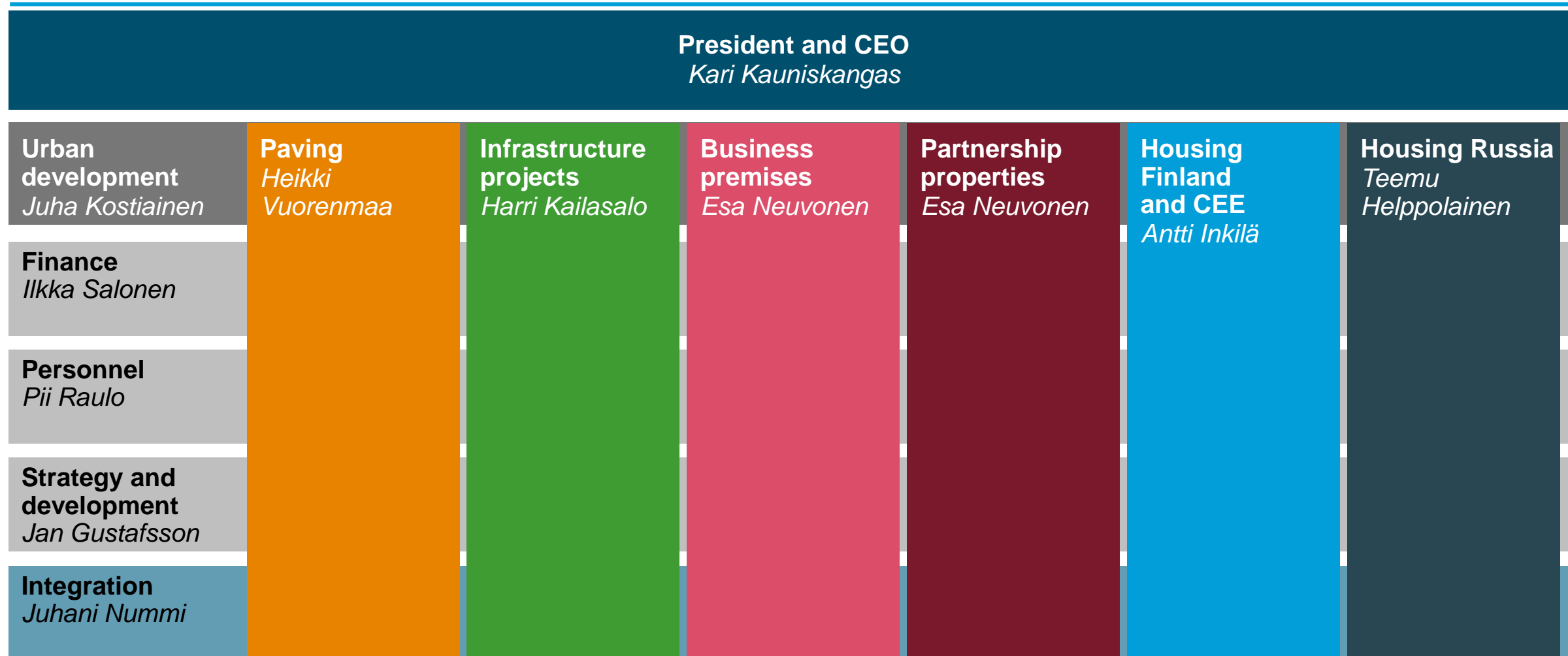


**Kristina  
Pentti-von  
Walzel**  
Member of  
the Board



**Tiina Tuomela**  
Member of the  
Board

# YIT Group organisation as of February 1, 2018





# Group Management Team as of February 1, 2018

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**Kari Kauniskangas**  
President and CEO



**Ilkka Salonen**  
CFO  
Deputy to CEO



**Jan Gustafsson**  
EVP, Strategy and  
development



**Teemu Helppolainen**  
EVP, Housing Russia



**Antti Inkilä**  
EVP, Housing  
Finland and CEE



**Harri Kailasalo**  
EVP, Infrastructure  
projects



**Juha Kostiainen**  
EVP, Urban  
development



**Esa Neuvonen**  
EVP, Business  
premises and  
Partnership  
properties



**Juhani Nummi**  
EVP, Integration



**Pii Raulo**  
EVP, Human  
resources



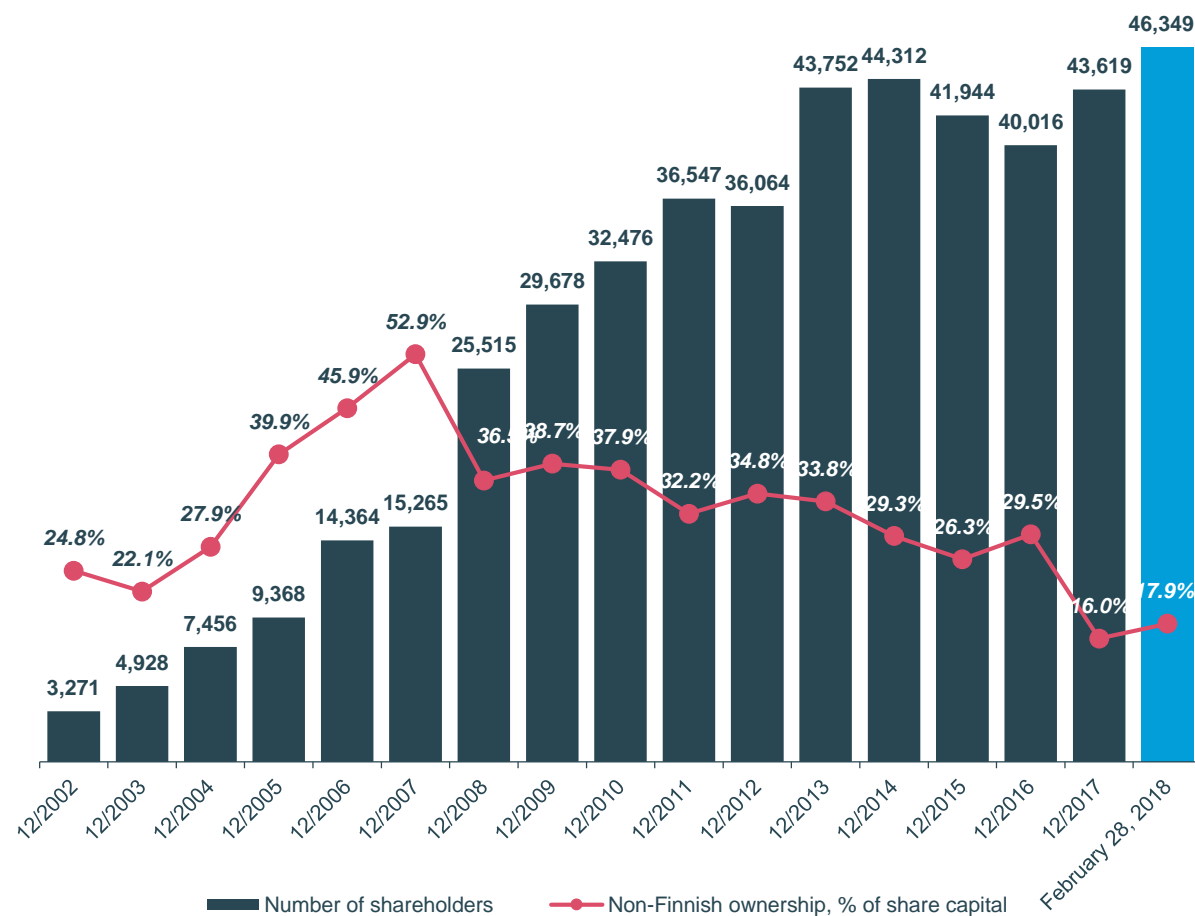
**Heikki Vuorenmaa**  
EVP, Paving

# YIT's shareholders

Major shareholders on February 28, 2018

	Shareholder	Shares	% of share capital
1.	Varma Mutual Pension Insurance Company	15,945,975	7.55
2.	PNT Group Oy	15,296,799	7.25
3.	Onvest Sijoitus Oy	8,886,302	4.21
4.	Pentti Heikki Oskari Estate	8,146,215	3.86
5.	Ilmarinen Mutual Pension Insurance Company	5,663,669	2.68
6.	Forstén Noora Eva Johanna	5,115,529	2.42
7.	Herlin Antti	4,710,180	2.23
8.	Virala Oy Ab	4,457,025	2.11
9.	Pentti Lauri Olli Samuel	4,198,845	1.99
10.	Elo Mutual Pension Insurance Company	3,549,054	1.68
	Ten largest total	75,969,593	35.98
	Nominee registered shares	36,844,407	17.45
	Other shareholders	98,283,994	46.57
	<b>Total</b>	<b>211,097,994</b>	<b>100.00</b>

Number of shareholders and share of non-Finnish ownership, February 28, 2018

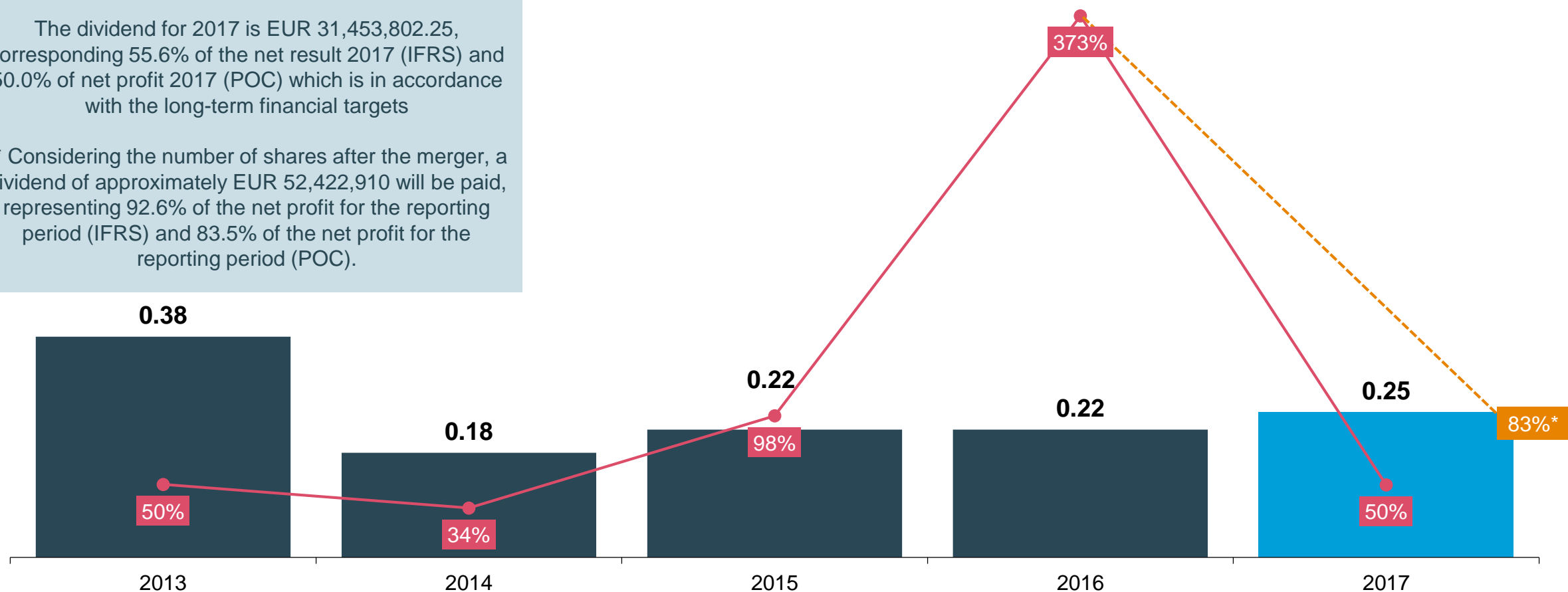


# Dividend payout

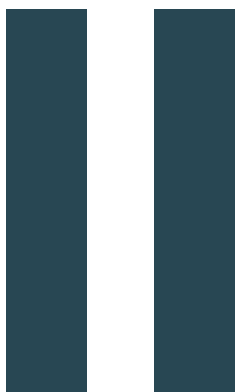
## Dividend / share (EUR)

The dividend for 2017 is EUR 31,453,802.25, corresponding 55.6% of the net result 2017 (IFRS) and 50.0% of net profit 2017 (POC) which is in accordance with the long-term financial targets

\*\* Considering the number of shares after the merger, a dividend of approximately EUR 52,422,910 will be paid, representing 92.6% of the net profit for the reporting period (IFRS) and 83.5% of the net profit for the reporting period (POC).



\* Dividend payout ratio considering the number of shares after the merger



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YIT



# Key figures

EUR million	10–12/2017	10–12/2016	Change	1–12/2017	1–12/2016	Change
Revenue	554.3	513.7	8%	1,908.6	1,783.6	7%
Operating profit	40.4	28.7	41%	102.3	52.9	93%
Operating profit margin, %	7.3%	5.6%		5.4%	3.0%	
Adjusted operating profit	56.4	28.7	97%	122.3	79.9	53%
Adjusted operating profit margin, %	10.2%	5.6%		6.4%	4.5%	
Adjustments	-16.0			-20.0	-27.0	40%
Order backlog	2,568.5	2,613.1	-2%	2,568.5	2,613.1	-2%
Profit before taxes	33.7	21.3	59%	81.2	13.8	489%
Profit for the review period <sup>1</sup>	26.0	16.1	62%	62.8	7.4	748%
Earnings per share, EUR	0.21	0.13	61%	0.50	0.06	747%
Operating cash flow after investments, excluding discontinued operations	171.0	-21.4		164.5	-43.1	
Return on investment, last 12 months, %	8.8%	4.7%		8.8%	4.7%	
Equity ratio, %	35.1%	35.1%		35.1%	35.1%	
Interest-bearing net debt (IFRS)	455.0	598.6	-24%	455.0	598.6	-24%
Gearing (IFRS), %	88.7%	112.3%		88.7%	112.3%	
Personnel at the end of the period	5,427	5,261	3%	5,427	5,261	3%

<sup>1</sup>Attributable to equity holders of the parent company

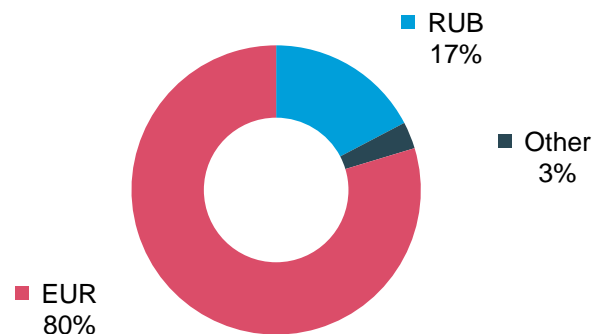
All figures according to segment reporting (POC), unless otherwise noted

Note: The adjusted operating profit does not include material reorganisation costs or impairment



# Ruble weakened in Q4

Revenue split 10-12/2017 (POC)



Impact of changes in foreign exchange rates (EUR million)

	Q4/2017	1-12/2017
Revenue, POC <sup>1</sup>	5.1	30.5
Adjusted EBIT, POC <sup>1</sup>	0.5	1.2
Order backlog, POC <sup>2</sup>	-3.7	-3.7
Equity, IFRS (translation difference) <sup>2</sup>	-7.3	-7.3

<sup>1</sup> Compared to the corresponding period in 2016

<sup>2</sup> Compared to the end of previous quarter

## 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, such as loans to subsidiaries, are hedged
- Equity and equity-like investments in foreign currency not hedged
  - Considered to be of permanent nature
  - FX changes recognized as translation difference in equity
- Invested capital in Russia in 12/2017:
  - Equity and equity-like investments: EUR 384.1 million
  - Loans to subsidiaries: EUR 27.4 million

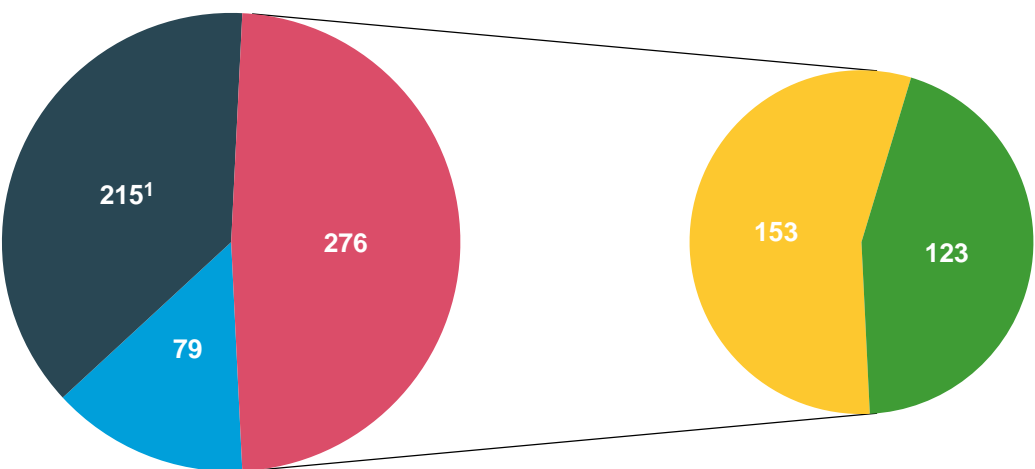
EUR/RUB exchange rates

	1-12/2017	1-12/2016
Average rate	65.9183	74.1466
Quarter-end rate	69.3920	64.3000

# Plots in the balance sheet by segments and geography

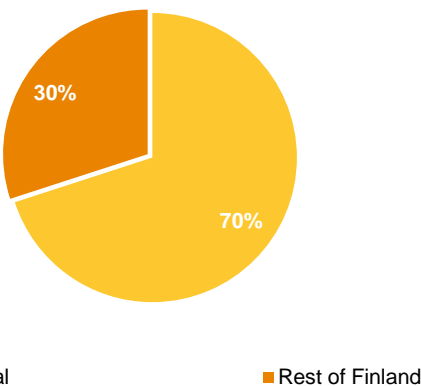
Plot reserves in the balance sheet 12/2017, (EUR million)

In total EUR 570 million

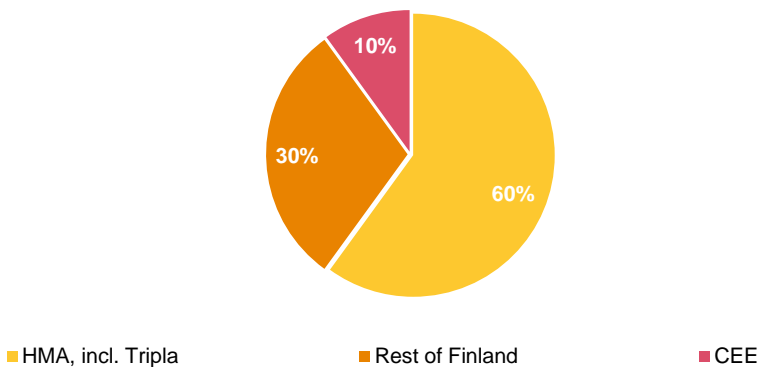


■ Business Premises and Infrastructure  
■ Housing Russia  
■ Housing Finland and CEE  
■ Finnish housing  
■ CEE housing

Division by geography in Finnish housing



Division by geography in Business Premises and Infrastructure

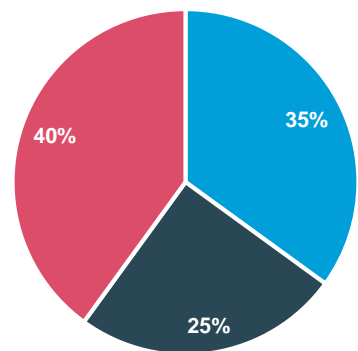


<sup>1</sup>Includes Gorelovo industrial park  
72 Roadshow March 2018

# Plot reserve consists of own plots, pre-agreements and rental plots

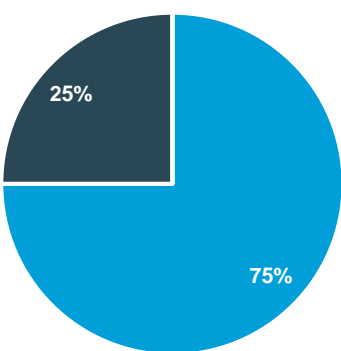
Plot reserve in thousand floor square metres 12/2017, consists of own plots, pre-agreements and rental plots, 4.7 million floor sq. m in total (Q3/2017: 5.3)

Finnish housing, total 1.8 million floor sq.m



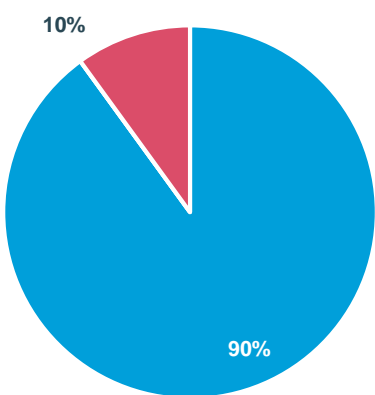
Average annual use of plot reserves ~150,000–200,000 floor sq.m.  
~ 75% of the own and rental plots have confirmed zoning

Housing Russia, total 1.8 million floor sq.m



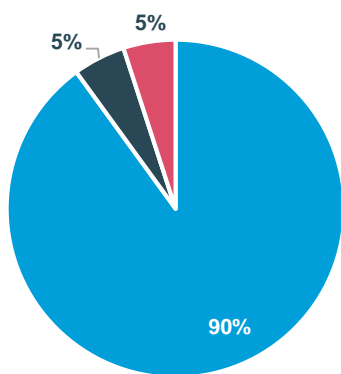
Average annual use of plot reserves ~150,000–200,000 floor sq.m.

CEE housing, total 0.6 million floor sq.m



Average annual use of plot reserves ~80,000–120,000 floor sq.m.

Business Premises and Infrastructure, total 0.5 million floor sq.m

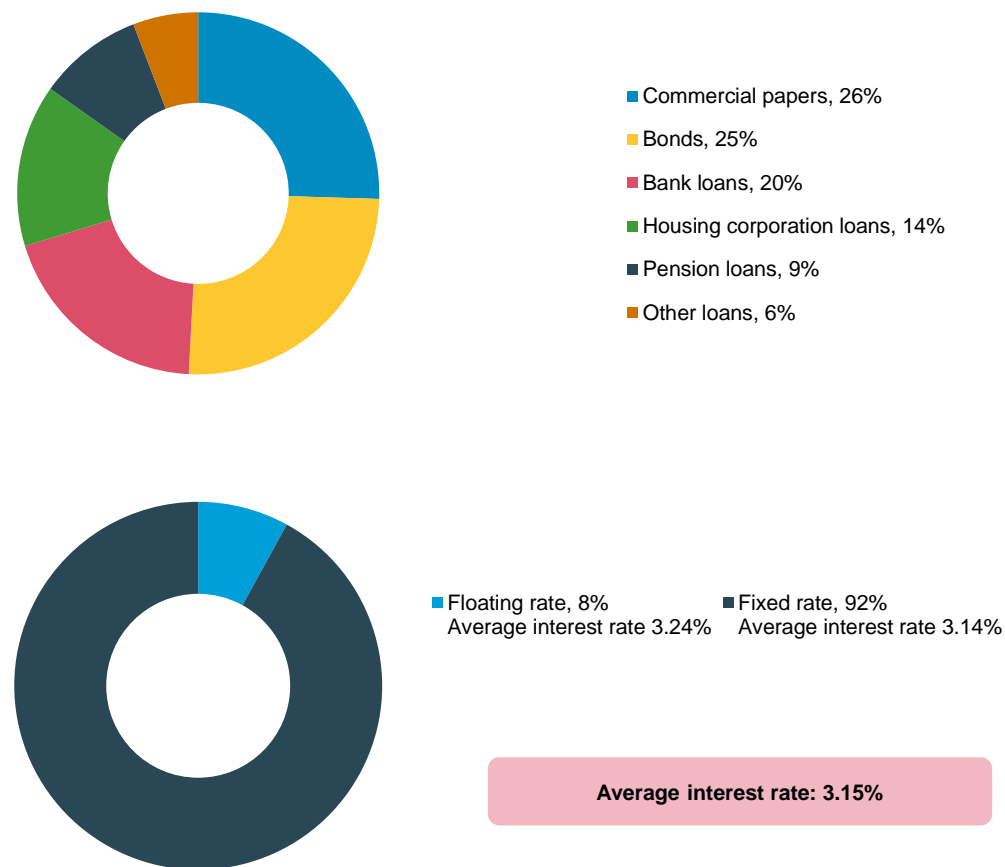


Average annual use of plot reserves ~30,000–70,000 floor sq.m.

■ Own                      ■ Rental                      ■ Pre-agreements

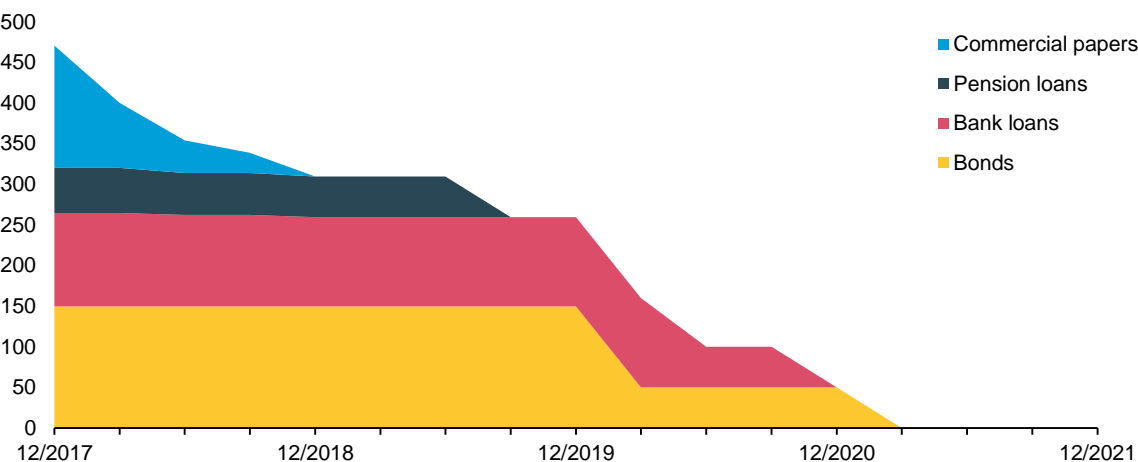
# Balanced debt portfolio

Debt portfolio at the end of the period 12/2017, EUR 590.7 million



Maturity structure at the end of the period 12/2017

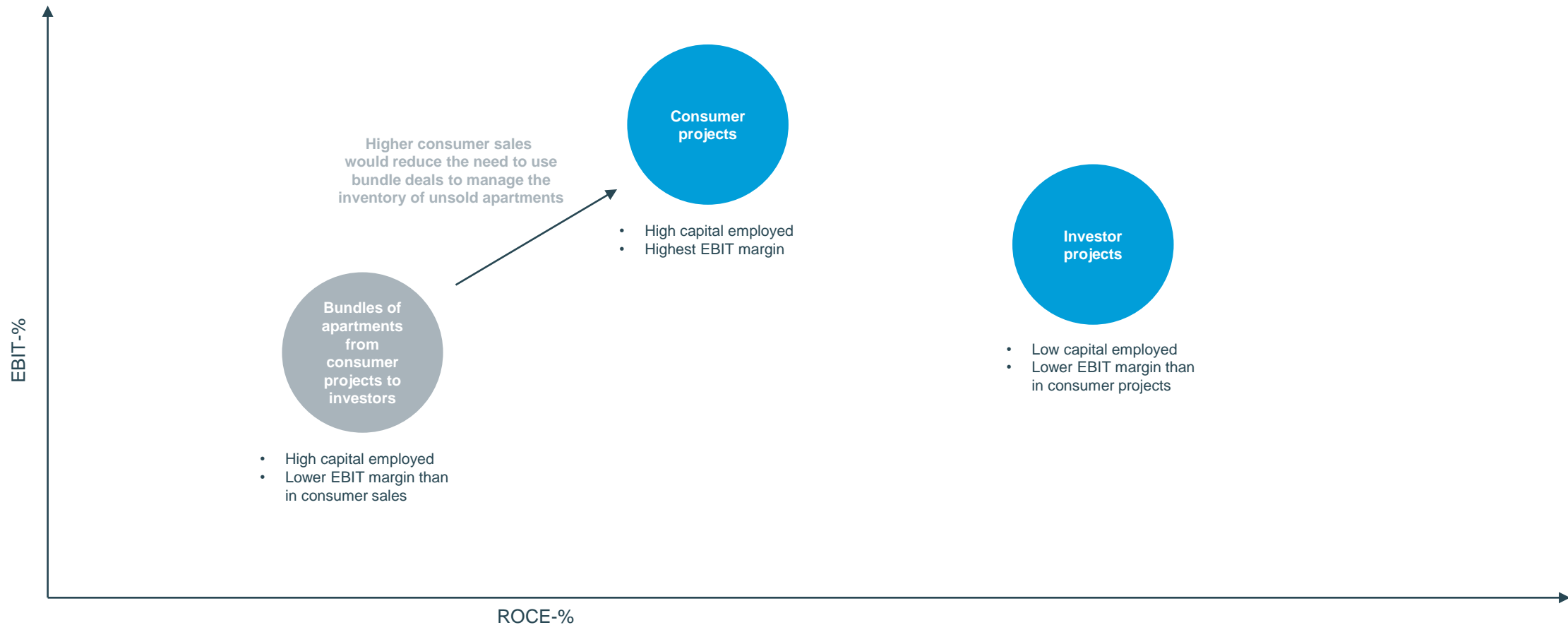
Maturity profile, excluding housing corporation loans and other loans (EUR million)





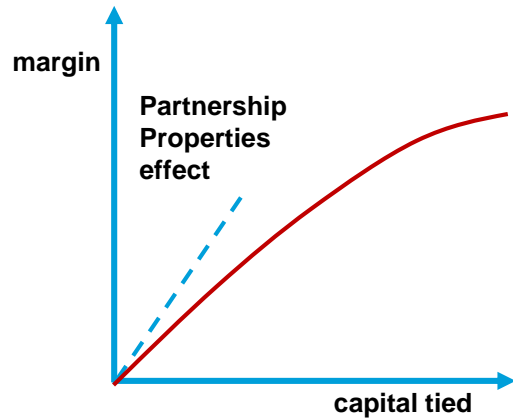
# Impact of the mix in Finnish housing

- Target to increase the share of consumer sales by improving affordability of the apartments



# Own-based vs. tender-based business model

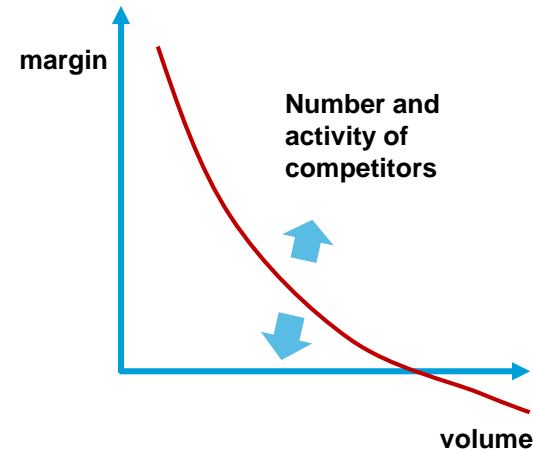
## Own-based business



### Risks

Schedule  
Demand  
Sales price level  
Interest level

## Tender-based business



### Risks

Costs  
Intensity of competition  
Employer's behaviour

- Through partnerships it is possible to achieve the best sides of both business models
    - Lower capital intensiveness
    - Higher margins than in traditional tendering
    - Take more out of YIT's development capability
    - Better visibility on future revenue sources
    - Creation of partnership network
- Dynamic business model in different market conditions

# Business model offering new earnings potential

## Different sources of earnings

**Sales of developed projects to a fund**

Market valuation

**Turn key contract**

Recognition 100% when finished

**Cash flow /  
market based valuation  
of the asset after  
completion**

**Steady cash flow  
through  
ownership**

**Optimal timing of  
disposal**

In practise

Ownership of mega projects during development and execution phase

Ownership and leasing of plots

Ownership of apartments in CEE countries and in Finland

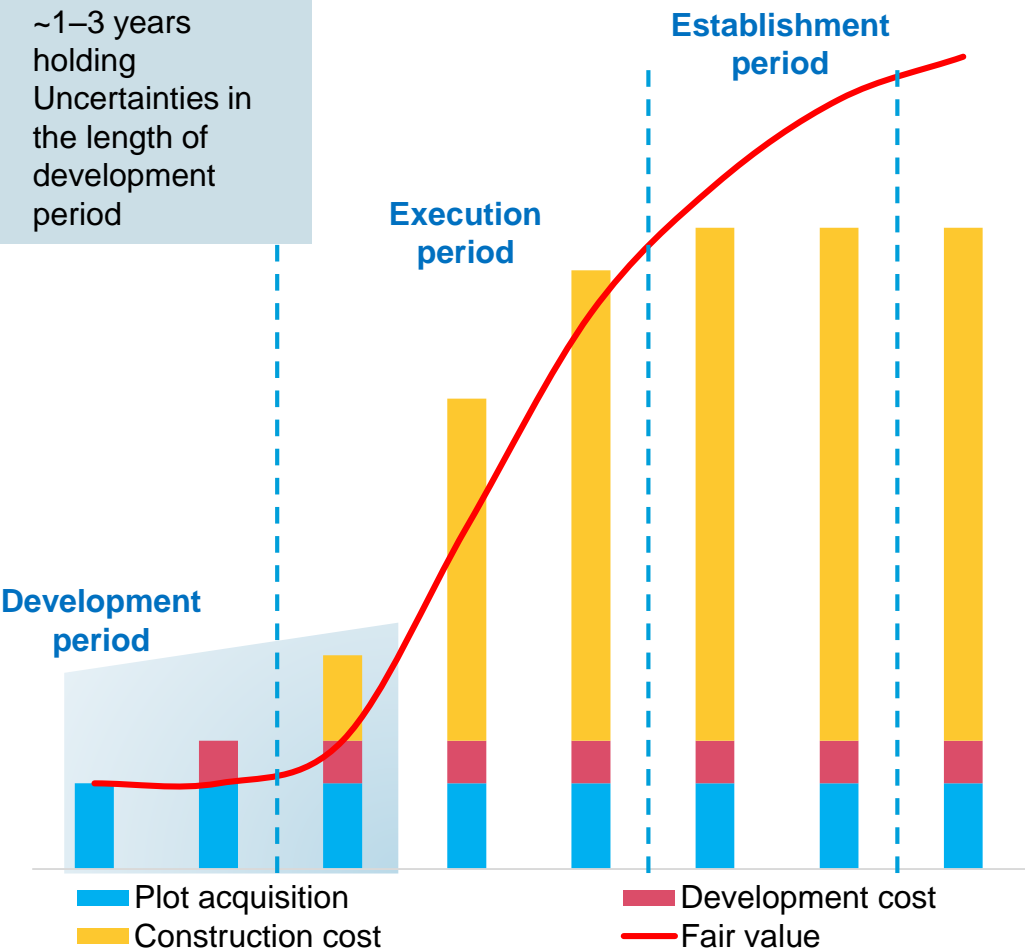
Ownership of apartments, business premises and parking spaces  
when developing new business models

Partnership properties

# YIT's role extended from development to establishment

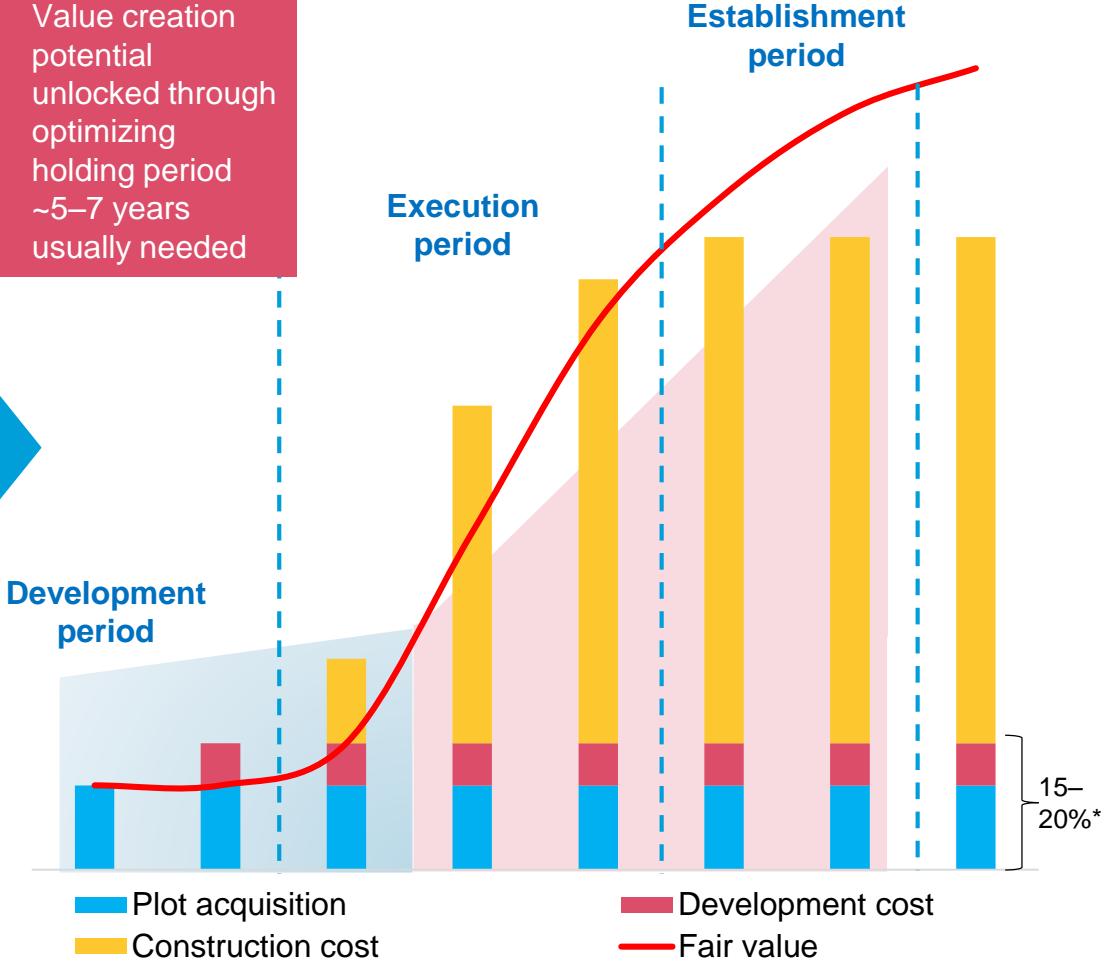
Current model

- ~1–3 years holding
- Uncertainties in the length of development period



New model

- Value creation potential unlocked through optimizing holding period
- ~5–7 years usually needed







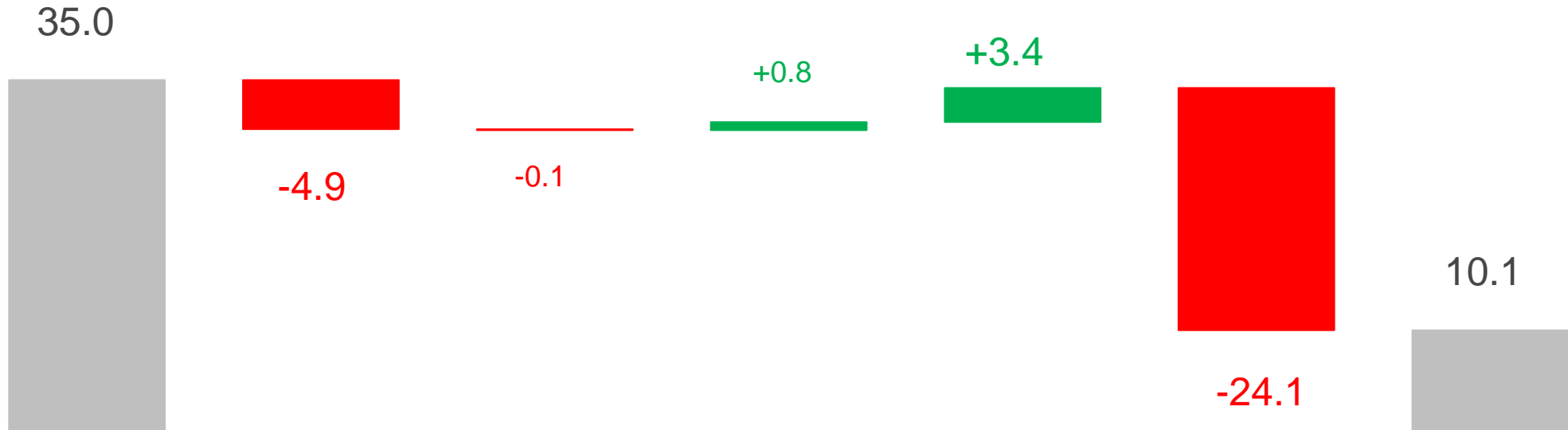
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## Lemminkäinen Q4 Figures



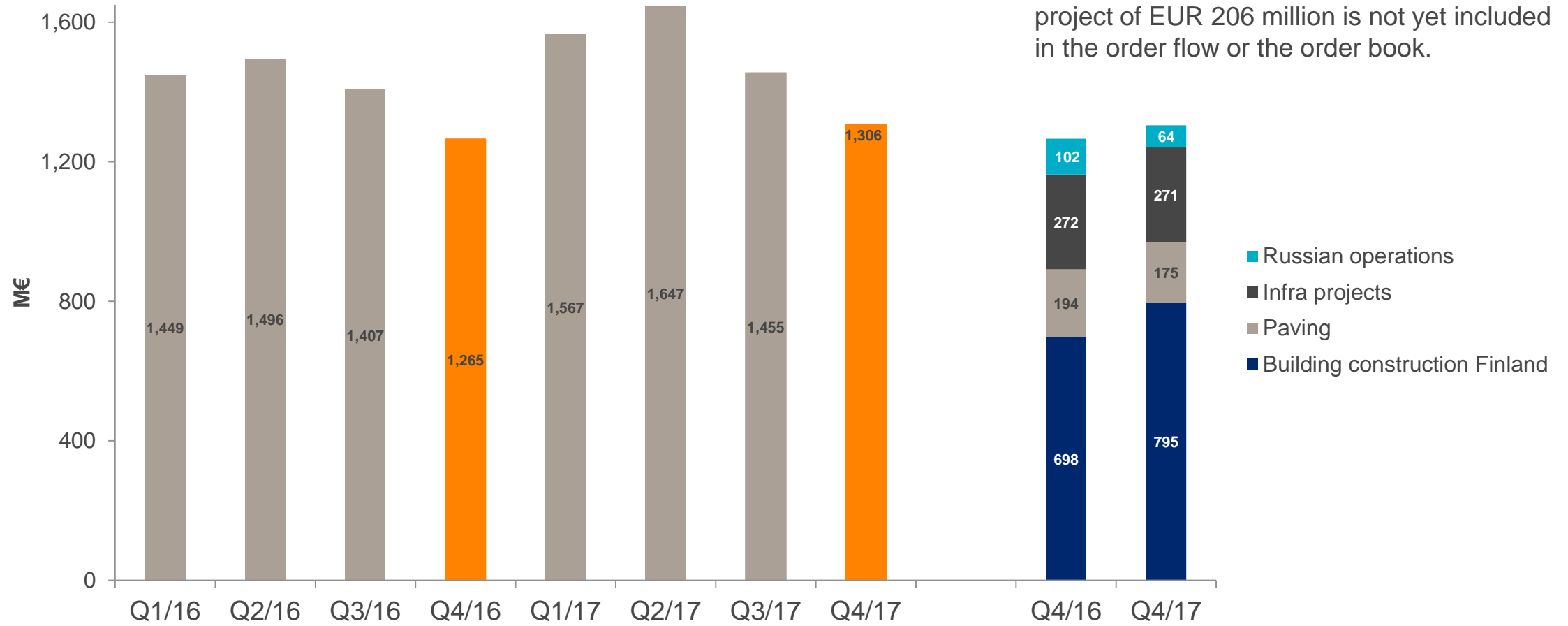
# Group operating profit Q4/2017 vs Q4/2016

Group Q4/2016	Paving Q4/2017 (Q4/16)	Infra projects Q4/2017 (Q4/16)	BC Finland Q4/2017 (Q4/16)	Russia Q4/2017 (Q4/16)	Others Q4/2017 (Q4/16)	Group Q4/2017
35.0	-5.0 (-0.1)	4.8 (4.9)	11.5 (10.7)	-1.0 (-4.4)	-0.2 (23.9)	10.1



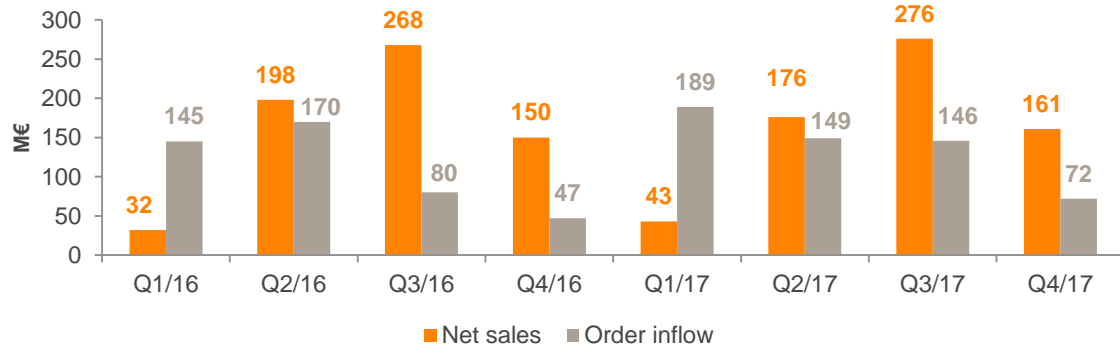
# Order book improved year-on-year

In December 2017, Lemminkäinen was selected to build the Blominmäki wastewater treatment plant in Espoo, Finland. This project of EUR 206 million is not yet included in the order flow or the order book.

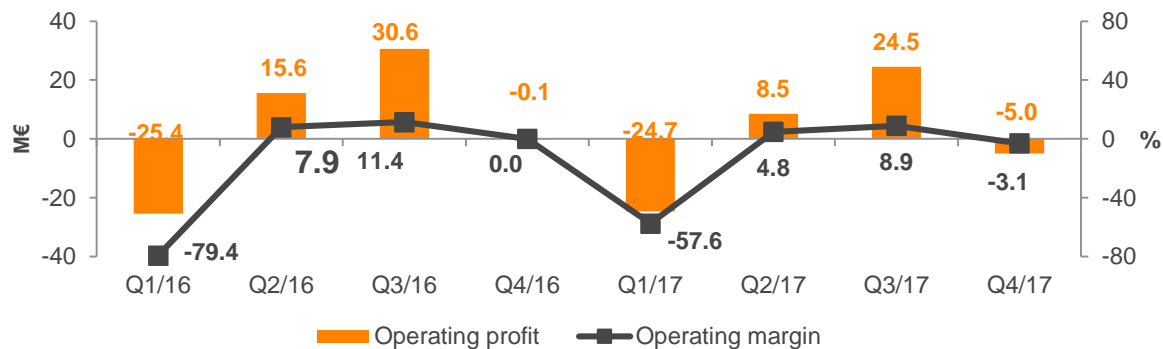


# Paving Q4/2017: profitability challenges, measures continued

Net sales and order inflow quarterly



Operating profit and operating margin quarterly



## Net sales and operating profit

- Net sales grew due to higher volumes in Paving Finland
- Operating profit decreased despite good performance in Finland due to poor profitability in Scandinavia caused by weak operative performance and intense price competition
- Continued measures to improve competitiveness in Sweden and Norway

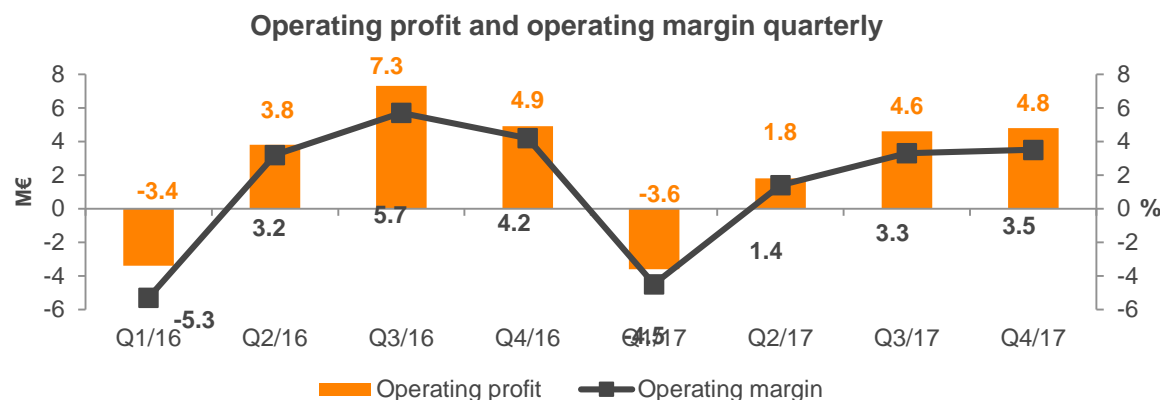
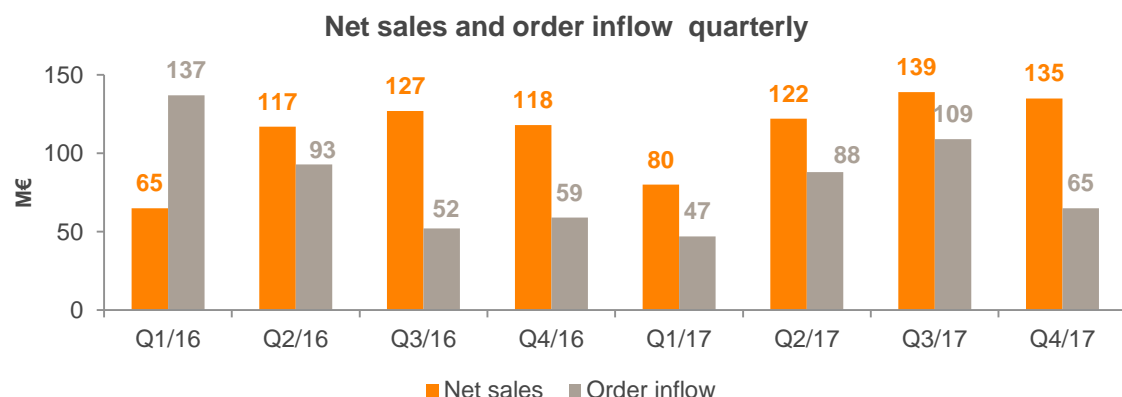
## Order inflow and order book

- Order book stood at 175 M€ (194)

## Balance sheet

- Operating capital at the end of the period was 181 M€ (189)

# Infra projects Q4/2017: higher net sales and order inflow, lower operating profit



## Net sales and operating profit

- Net sales increased due to higher volumes in the Baltic countries
- Operating profit remained on approximately same level as the year before

## Order inflow and order book

- Order book stood at 271 M€ (272)
- Order inflow includes an agreement for the rock engineering work in Henriksdal wastewater treatment plant in Stockholm, Sweden, and an agreement for building a new parking facility in Skellefteå, Northern Sweden
- Lemminkäinen was selected to build the Blominmäki wastewater treatment plant in Espoo, Finland (project of 206 M€ not yet included in order flow or order book)

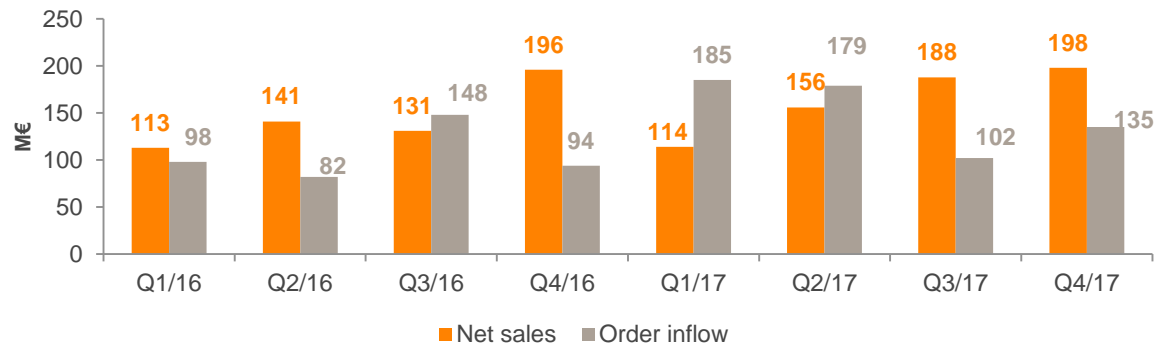
## Balance sheet

- Operating capital at the end of the period was 71 M€ (30)

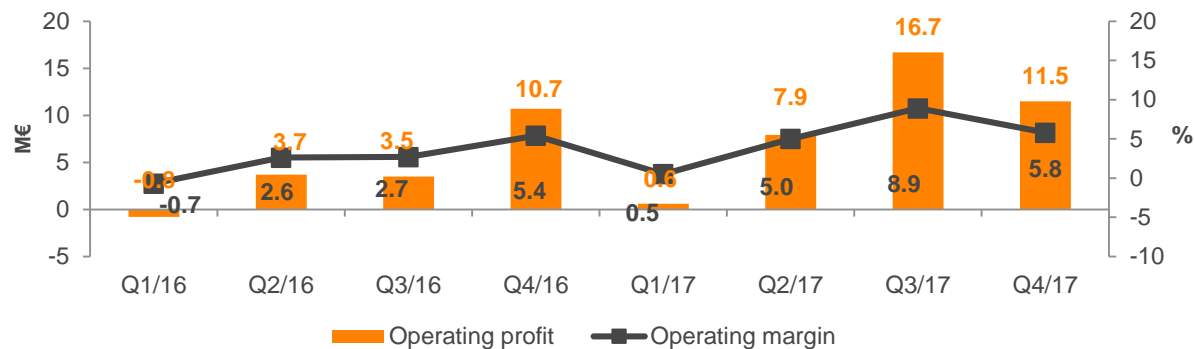


# Building construction, Finland Q4/2017: strong residential sales and higher operating profit

Net sales and order inflow quarterly



Operating profit and operating margin quarterly



## Net sales and operating profit

- Net sales growth driven by higher volumes in residential development outside the capital region
- Operating profit improved due to higher volumes and better margins in residential development
- Plot sales and write-downs of plot inventory had a positive net impact of approximately EUR 7 million in total on operating profit
- 6 residential development projects (7) completed during Q4, totalling 323 units (300)

## Order inflow and order book

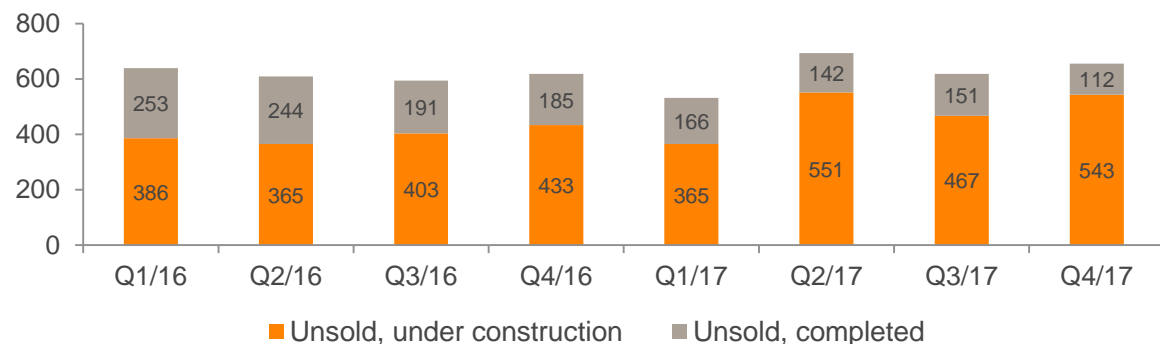
- Order book stood at 795 M€ (698)
- Order inflow includes 8 new residential development projects as well as a contract on building the Hiltulanlahti school in Kuopio, in Eastern Finland, using the PPP model
- Lemminkäinen is part of project group selected to design and construct a new building of Vaasa Central Hospital through a project alliance contract with the Vaasa Hospital District in Finland (not included in order flow or order book)

## Balance sheet

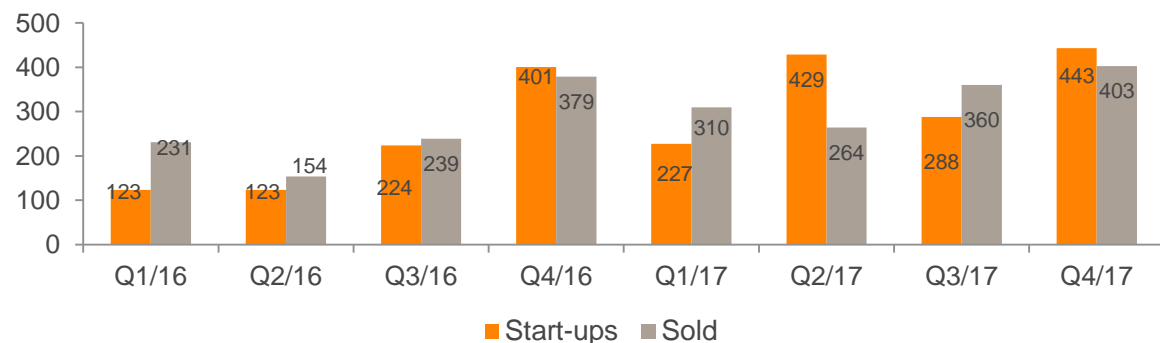
- Operating capital at the end of the period was 218 M€ (216)

# Residential development in Finland: In 2017, the number of completed units was higher than in 2016

Unsold apartments, at the end of the quarter



Start-ups and sold apartments, during the quarter



## 31 December 2017

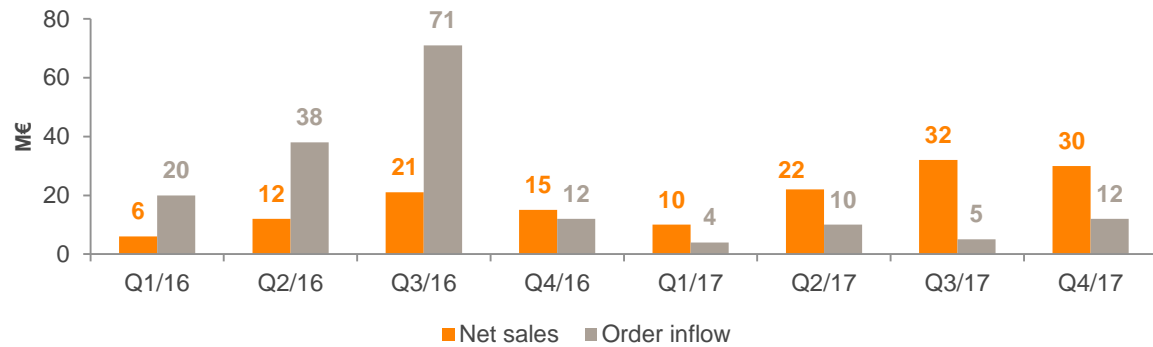
- Number of unsold completed units decreased to 112 (185)
- Number of unsold units under construction increased to 543 (433)

## Q4/2017

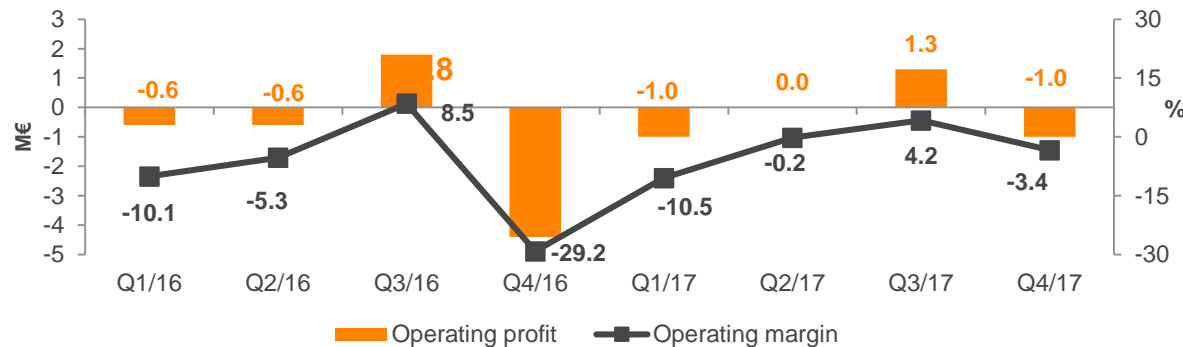
- 8 new residential development projects started, totalling 443 units (401)
- Number of sold development units was 403 (379)
- Share of investor sales during Q4 was 13% (12)

# Russian operations Q4/2017: strategy change implementation continued

Net sales and order inflow quarterly



Operating profit and operating margin quarterly



## Net sales and operating profit

- Volumes grew in building construction
- Operating profit was -1.0 MEUR (-4.4)
- Reaching the financial targets after the strategy change in 2015 will still take some time
- The number of unsold completed units on 31 December 2017 in Russia was 1 (2)
- The impact of currency exchange rates Q4/2017:
  - Net sales +1.0 M€
  - Operating profit -0.2 M€

## Order inflow and order book

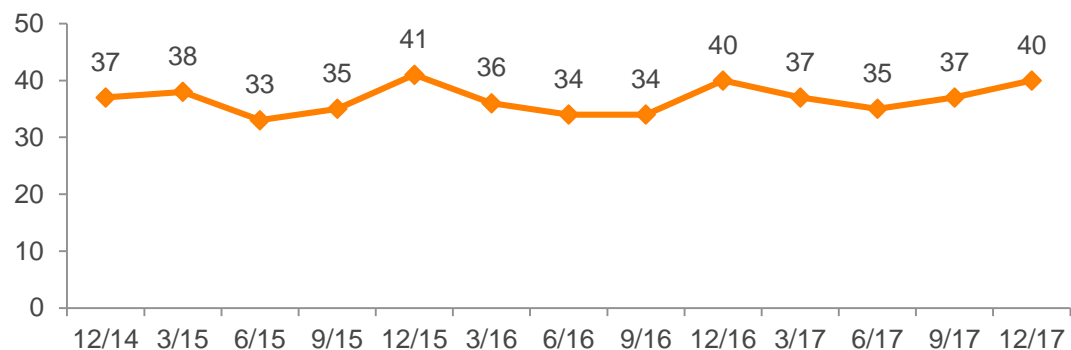
- Order inflow includes a contract on the construction of the second phase of a business premise in St. Petersburg and new orders for paving
- Order book stood at 64 M€ (102)

## Balance sheet

- Operating capital at the end of the period was 45 M€ (24)

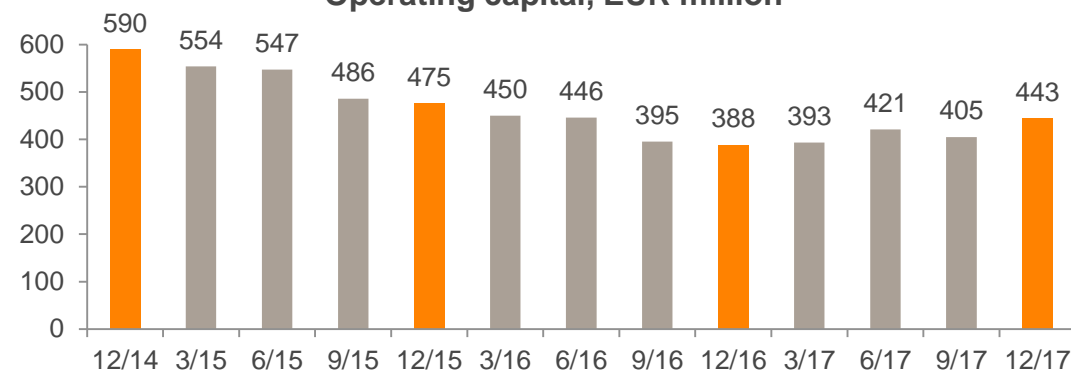
# Borrowings and financial position

Equity ratio, %

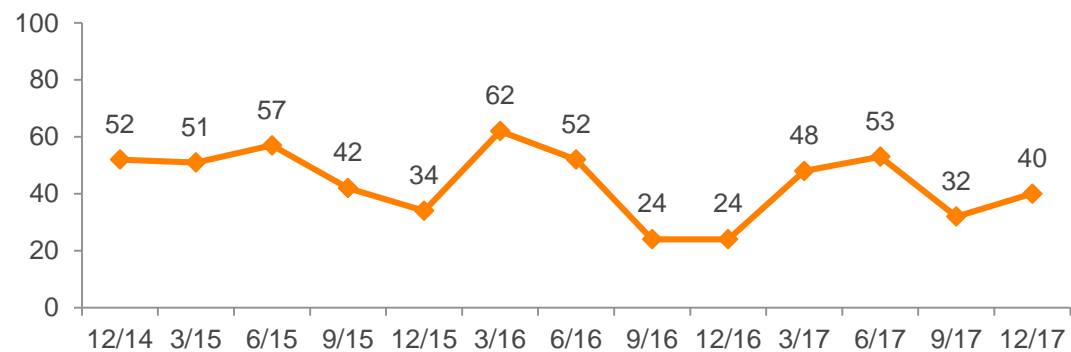


Note! If hybrid bonds were recognized as debt, equity ratio 12/17 would be 36% (12/16: 35%)

Operating capital, EUR million

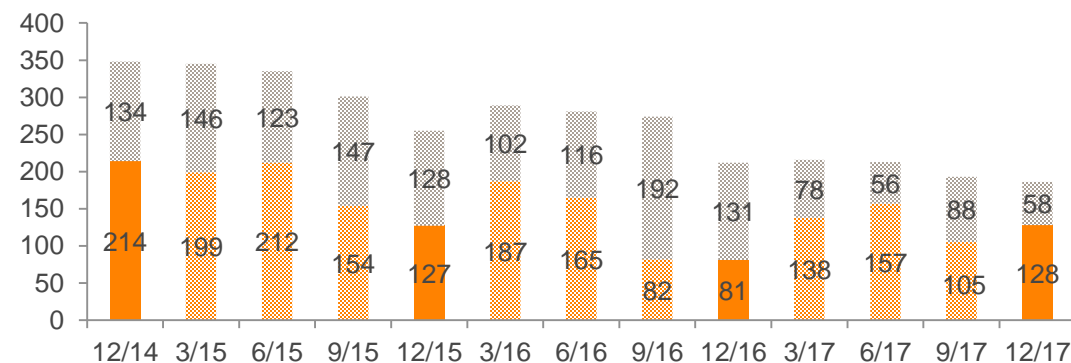


Gearing, %



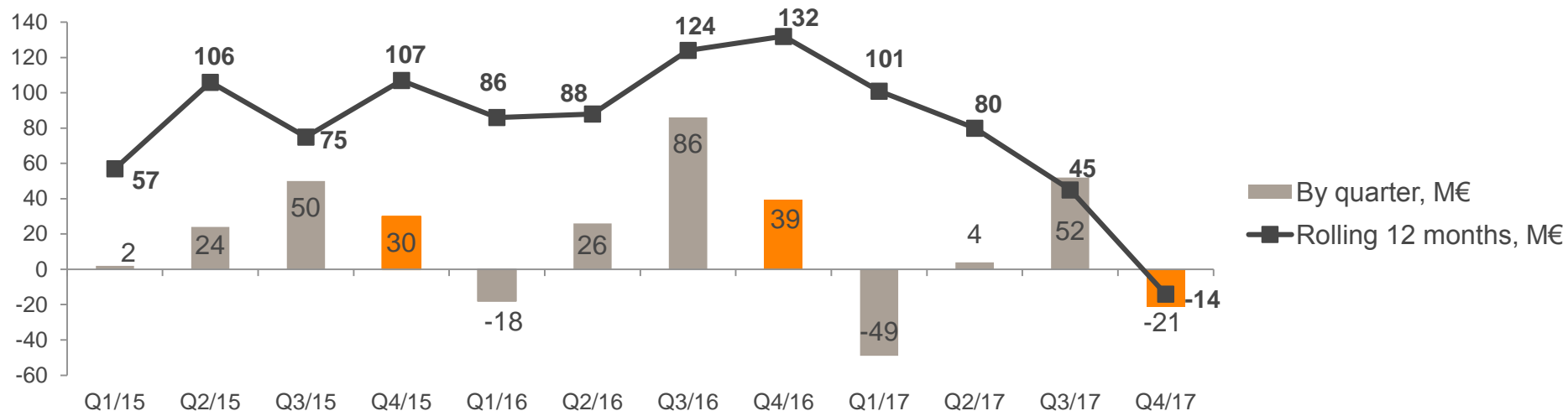
Note! If hybrid bonds were recognized as debt, gearing 12/17 would be 57% (12/16: 39%)

Interest-bearing debt, EUR million



IB net debt, M€    Liquid funds, M€

# Cash flow from operating activities



Cash flow from operating activities and free cash flow, EUR million	Q4/2017	Q4/2016	1-12/2017	1-12/2016
Operating profit (excl. share of the profit of associates and joint ventures)	10.3	34.0	41.6	66.1
Depreciation and impairment	8.0	9.6	31.8	34.5
Provisions and other non-cash items	3.6	-1.1	2.9	-9.0
Cash flow from financing items and taxes	-3.7	-5.9	-20.5	-32.7
Change in working capital	-38.6	1.9	-69.5	72.8
<b>Cash flow from operating activities</b>	<b>-20.4</b>	<b>38.5</b>	<b>-13.6</b>	<b>131.7</b>
Cash flow from investing activities <sup>1)</sup>	-2.5	4.2	-12.4	1.3
<b>Free cash flow</b>	<b>-22.8</b>	<b>42.7</b>	<b>-26.0</b>	<b>133.0</b>



# IV

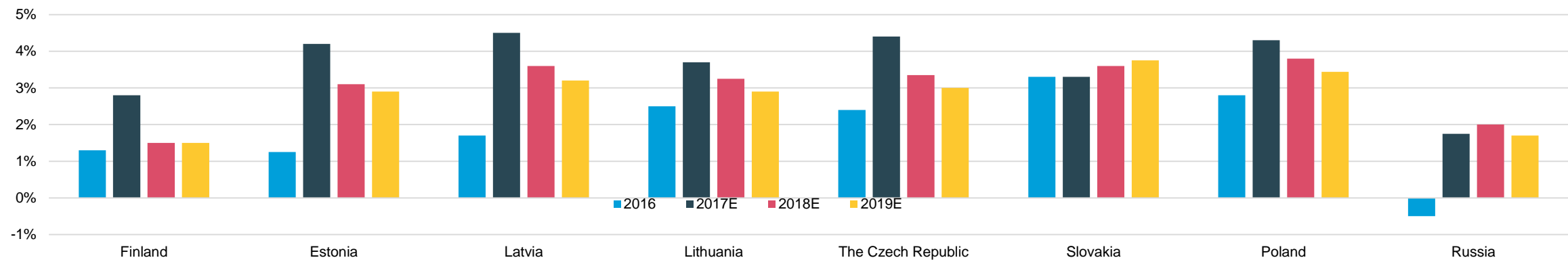
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Market  
environment

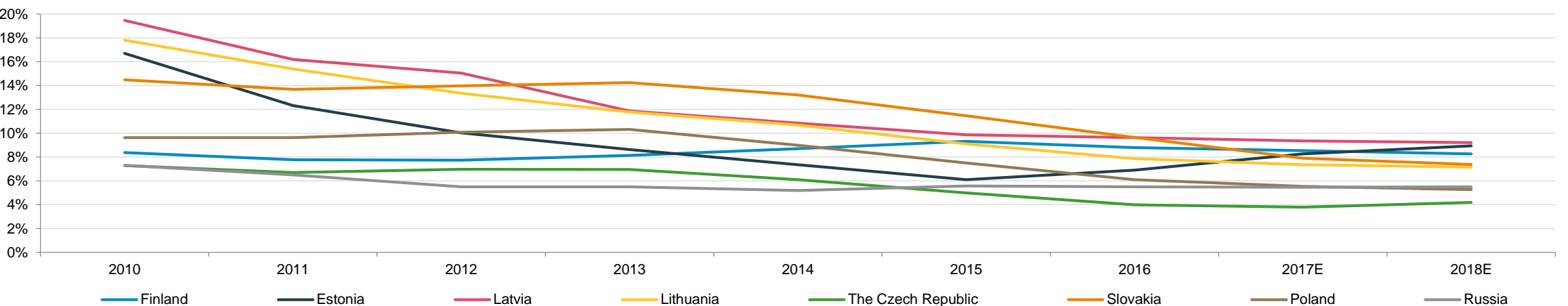


# Growth expected to continue in Slovakia

GDP growth in YIT's operating countries, %



Unemployment rate in YIT's operating countries, %



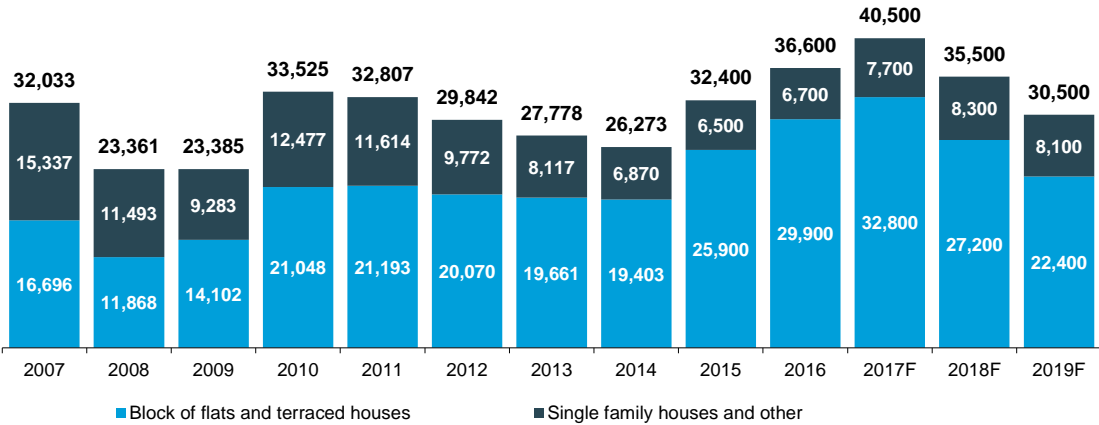
Sources: GDP growth: Bloomberg consensus, Unemployment: IMF



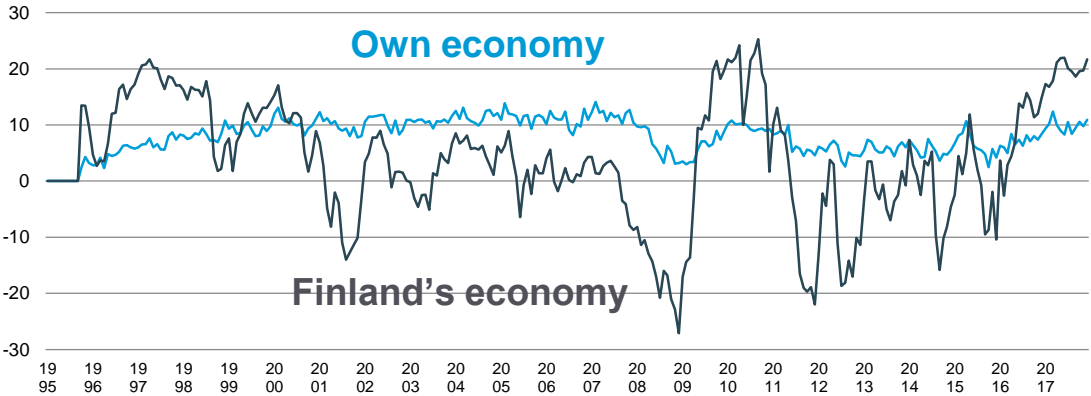
# Finland

## Start-ups expected to decrease in 2018 and 2019

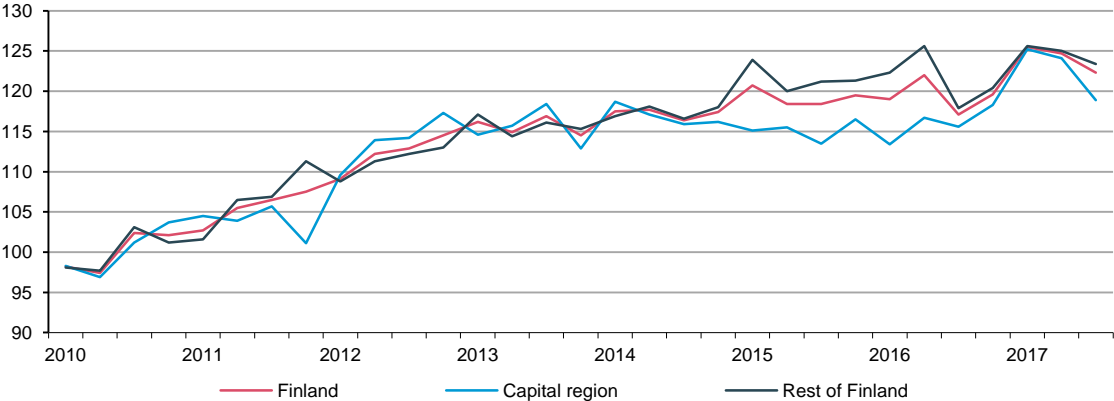
Residential start-ups (units)



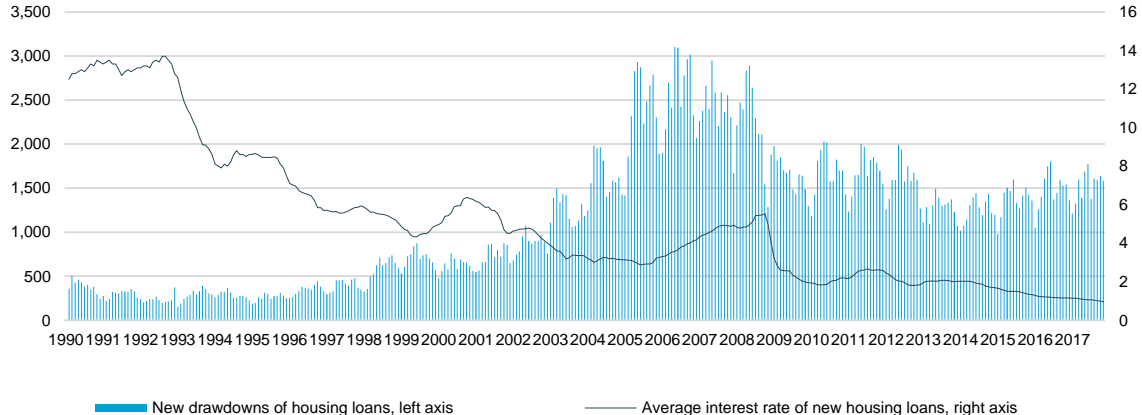
Consumers' views on economic situation in one year's time (balance)



Prices of new dwellings (index 2010=100)



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

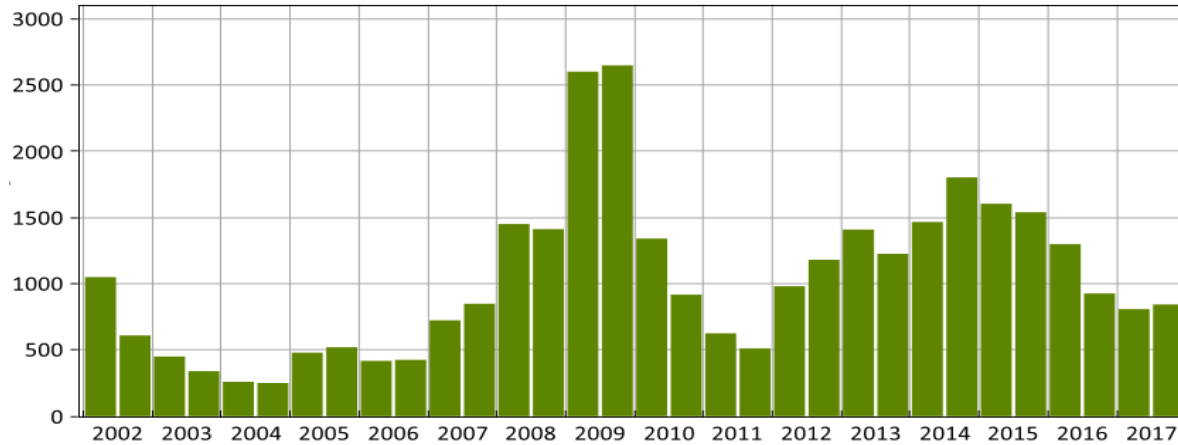


Sources: Residential start-ups: 2006-2014 Statistics Finland; 2015 – 2018F Euroconstruct, December 2017, Consumer confidence: Statistics Finland, Residential prices: Statistics Finland, Loans and Interest rates: Bank of Finland

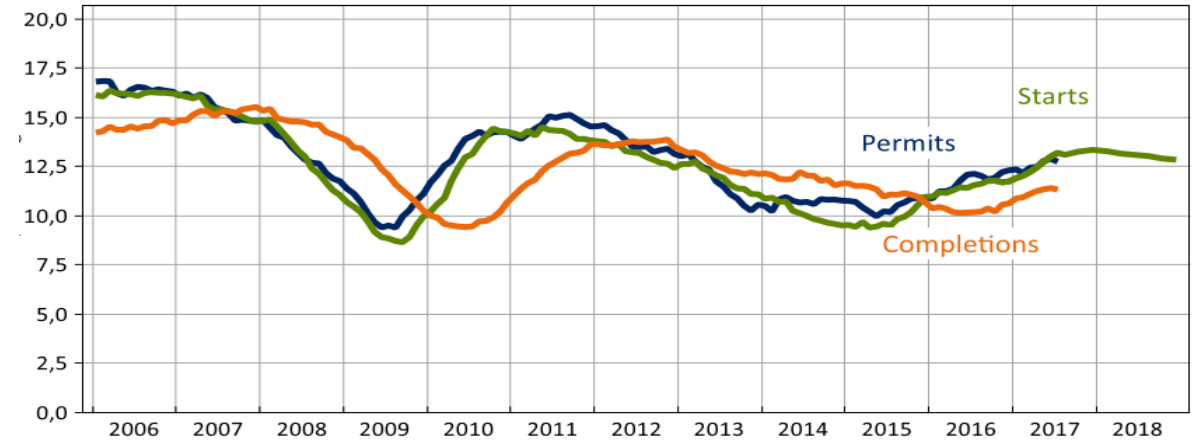
# Finland

## Housing indicators have improved slightly

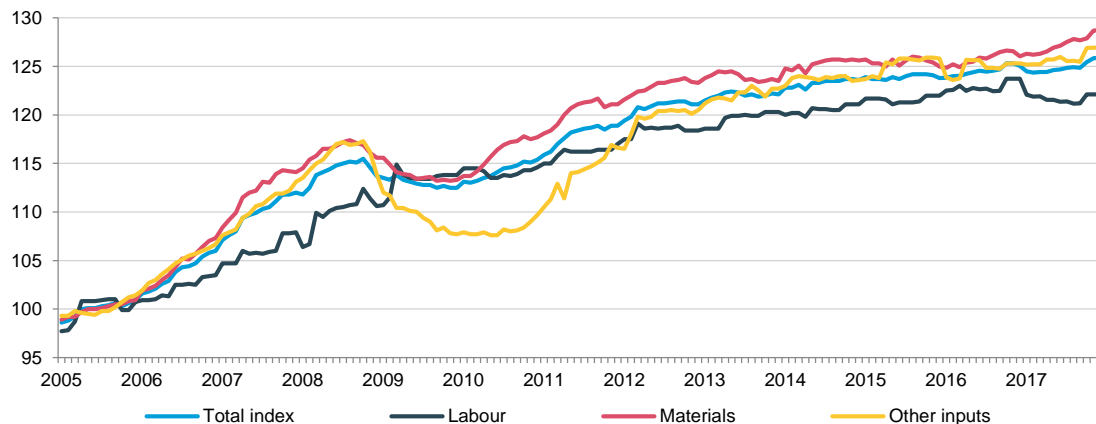
Unsold completed units (residential development projects)



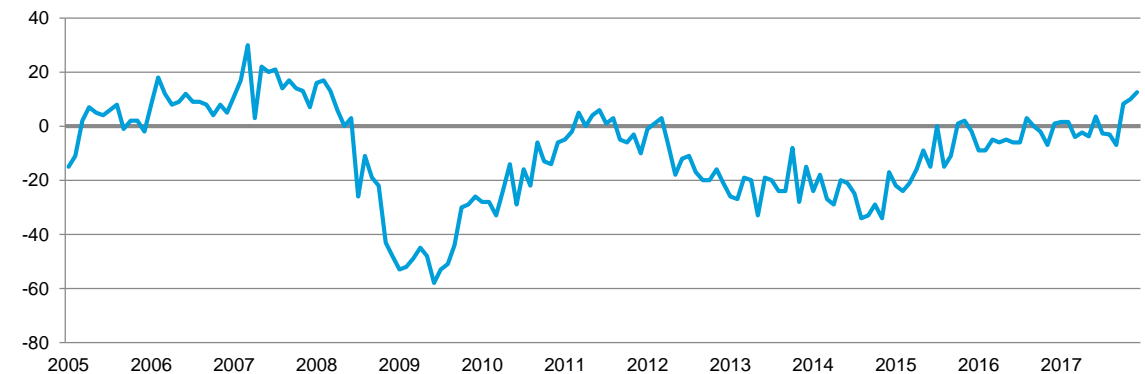
Residential building permits, start-ups and completions (million m3)



Construction cost index (2005=100)



Construction confidence (balance)

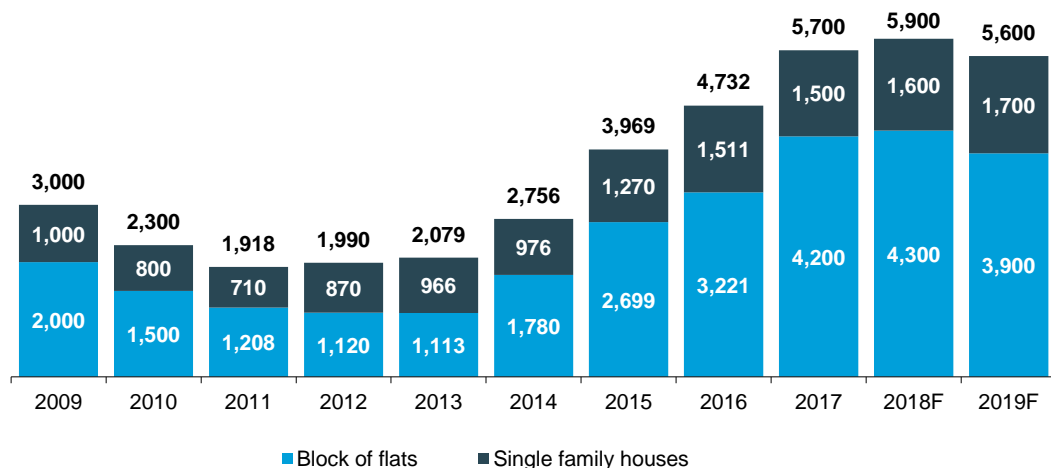


Unsold completed units: Confederation of Finnish Construction Industries RT, Residential building permits, Start-ups and completions: Confederation of Finnish Construction Industries RT, Construction cost index: Statistics Finland, Construction confidence: Confederation of Finnish Industries EK

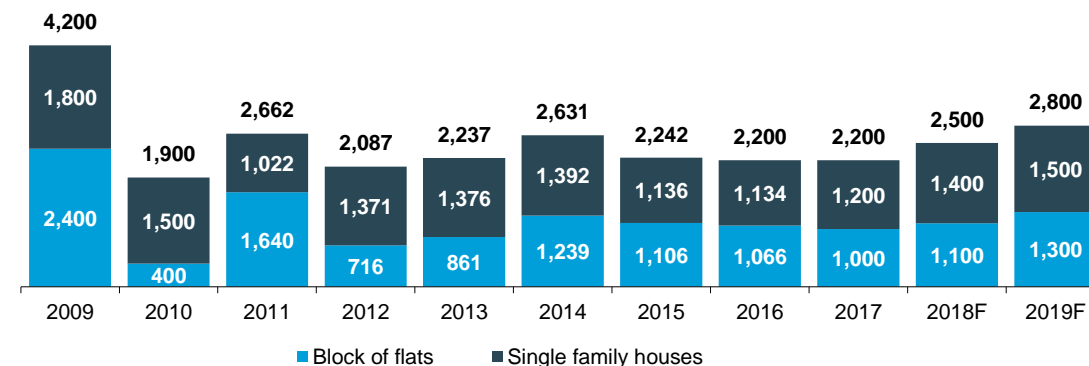
# The Baltic Countries

## Residential construction is expected to level off

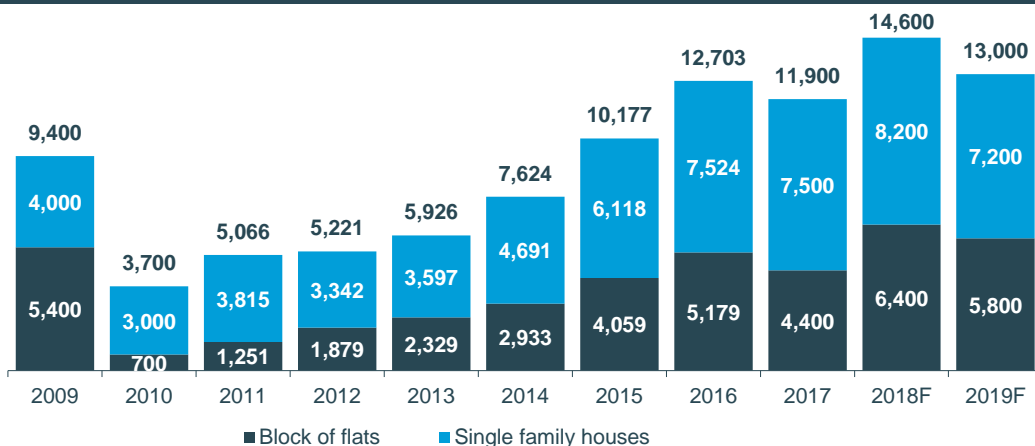
Residential completions in Estonia (units)



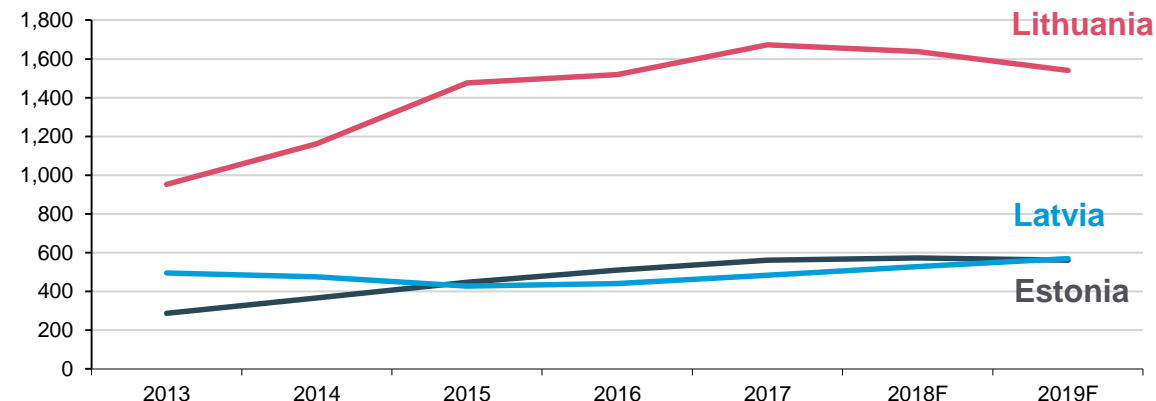
Residential completions in Latvia (units)



Residential completions in Lithuania (units)



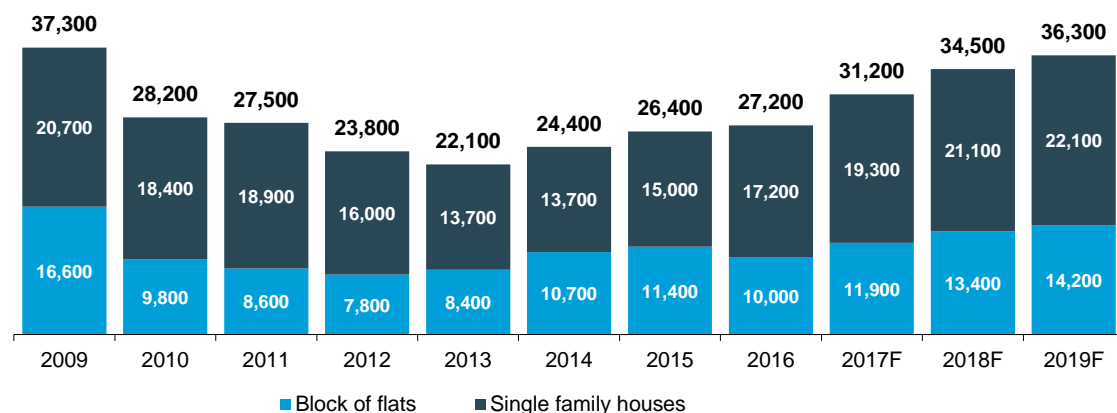
New residential construction volume (EUR million)



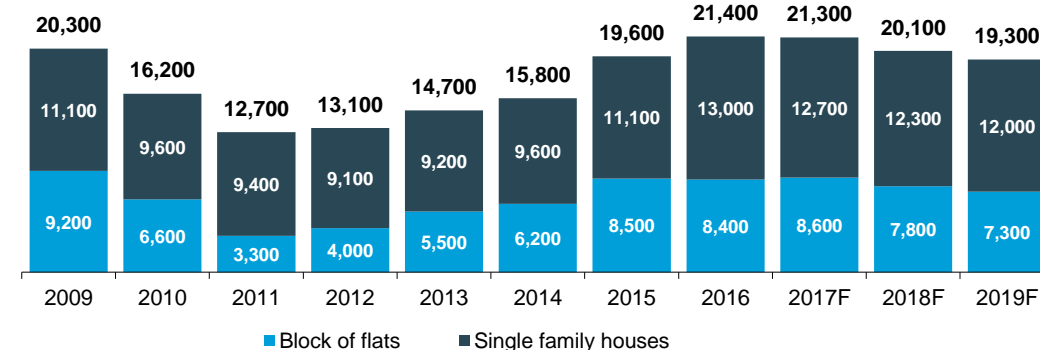


# Start-ups forecasted to grow in the Czech Republic

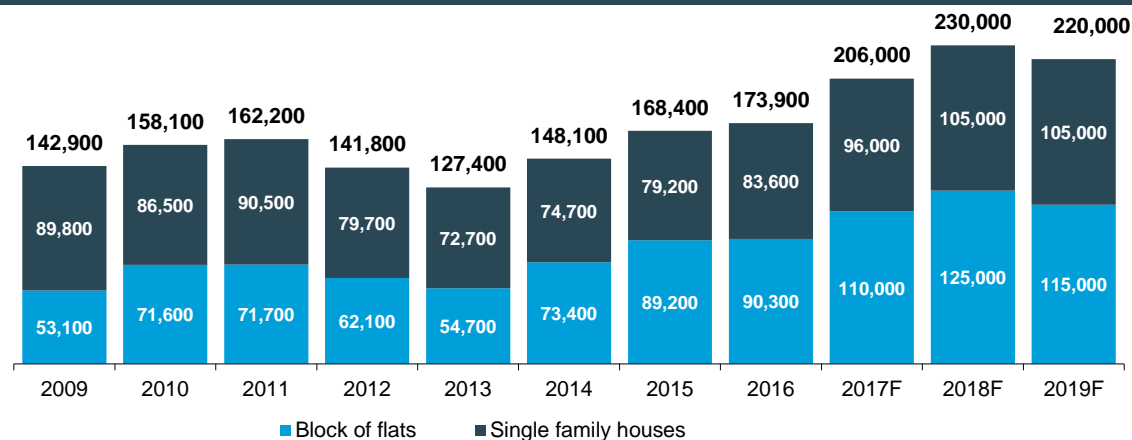
Residential start-ups in the Czech Republic (units)



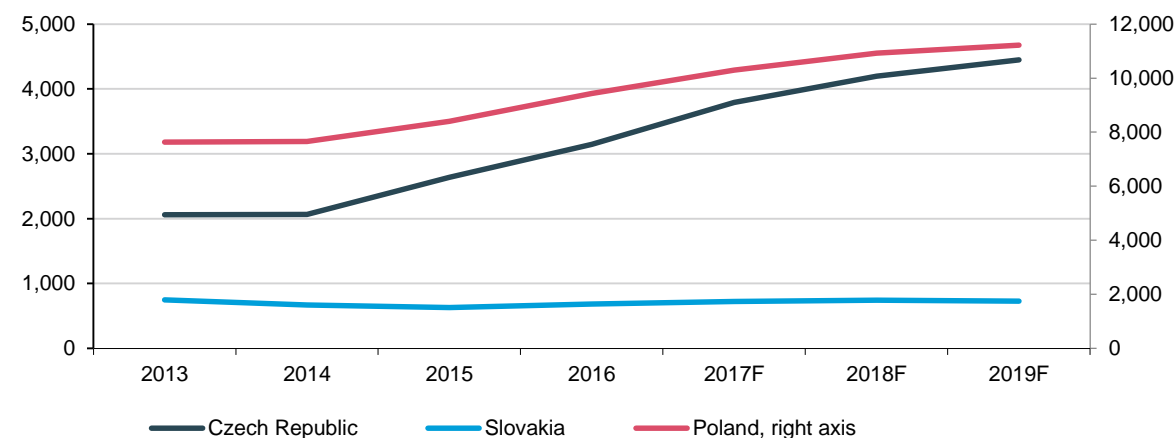
Residential start-ups in Slovakia (units)



Residential start-ups in Poland (units)



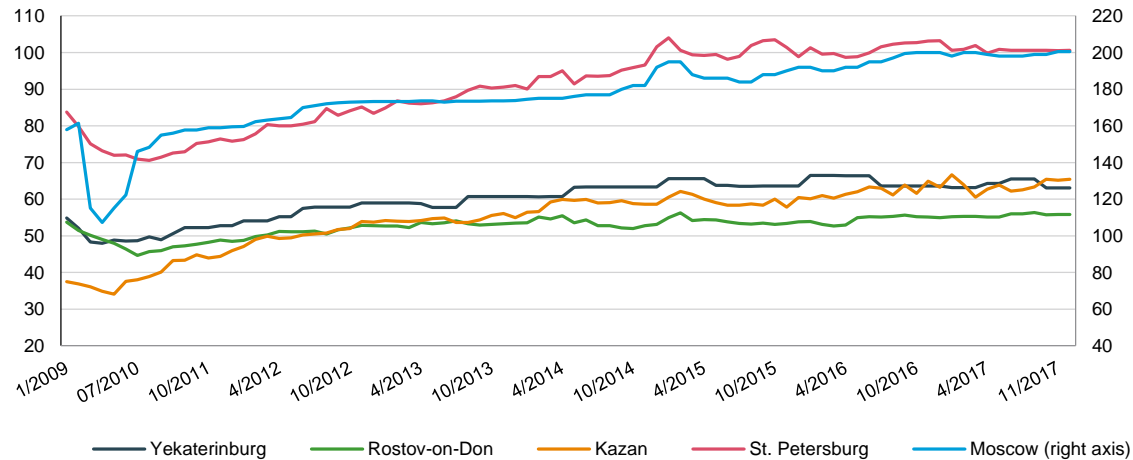
New residential construction volume (EUR million)



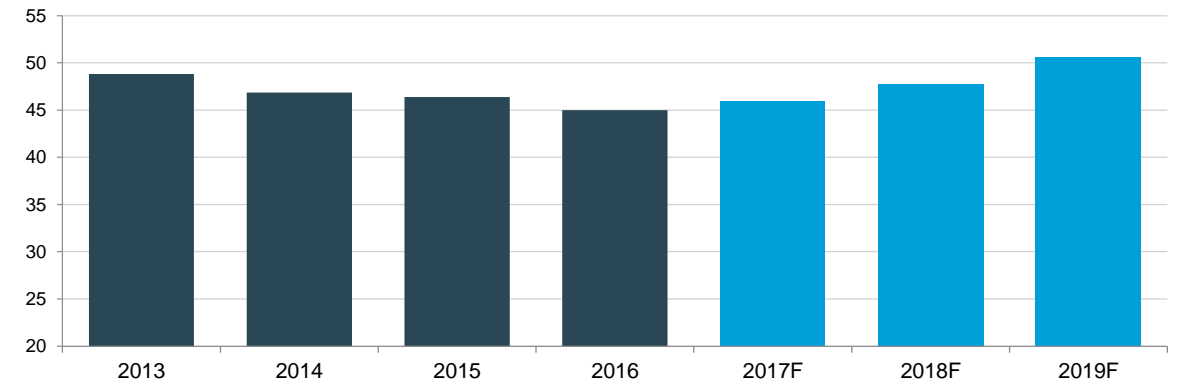
# Russia

## Housing indicators

House prices in primary markets (thousand RUB per sq. m.)

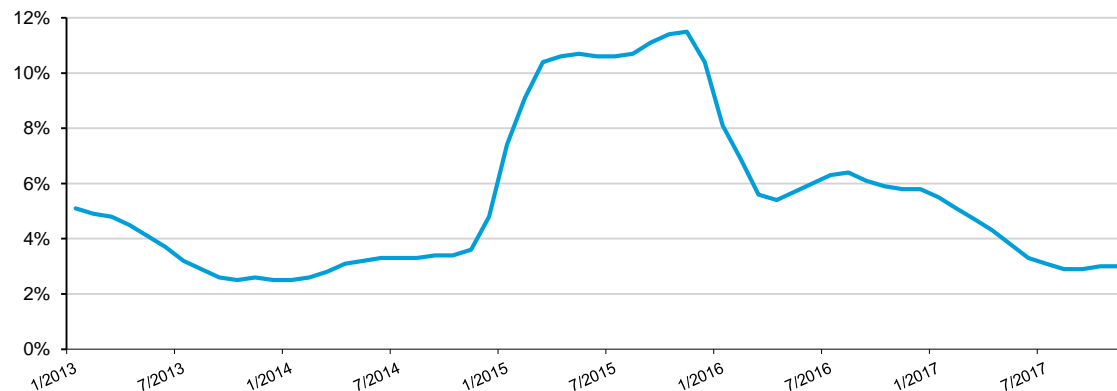


New residential construction volume (EUR billion\*)

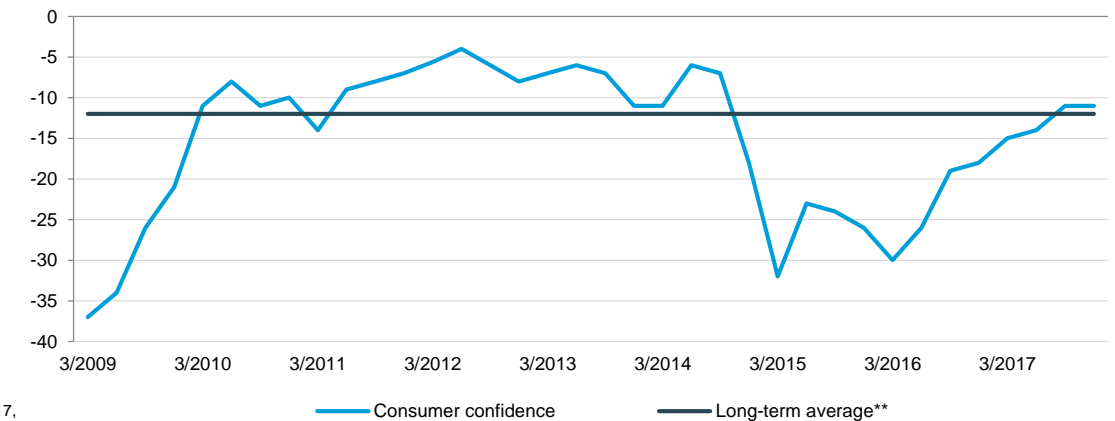


\*At 2016 prices, excluding taxes. 1 EUR = 74.144 rubles

Inflation in building materials (%)



Consumer confidence

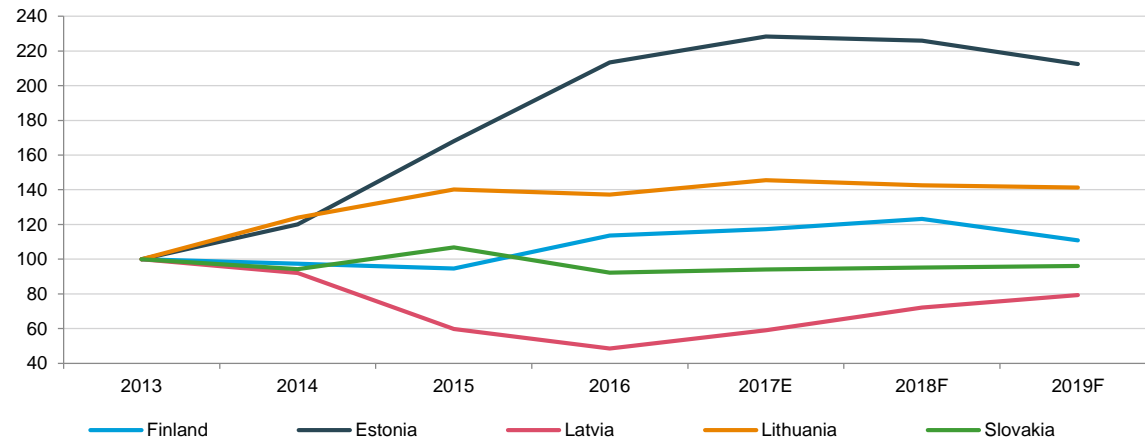


Sources: House prices: YIT, New residential construction volume: Euroconstruct, December 2017, Inflation in building materials: PMR Construction review, December 2017, Consumer confidence: Bloomberg \*\*Average 12/1998-12/2017

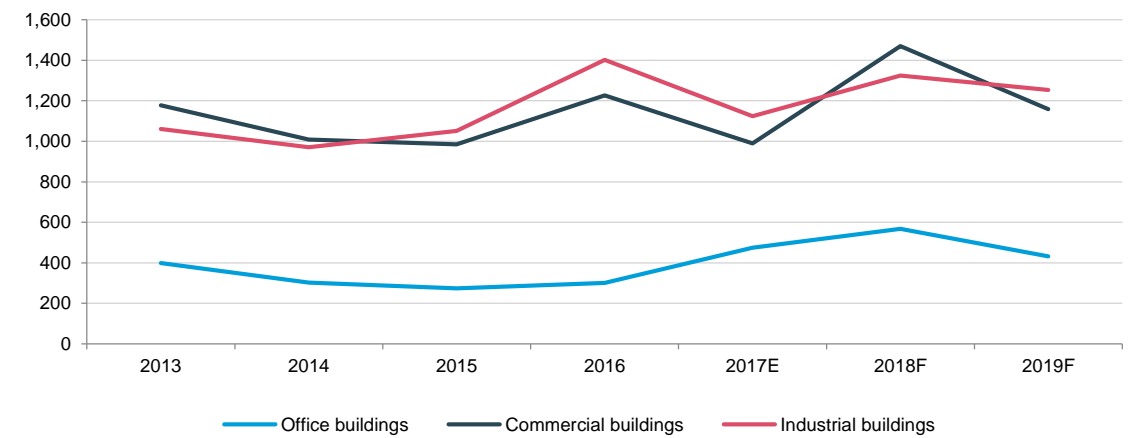
## The Baltic countries

# New non-residential construction forecasted to continue on a steady level

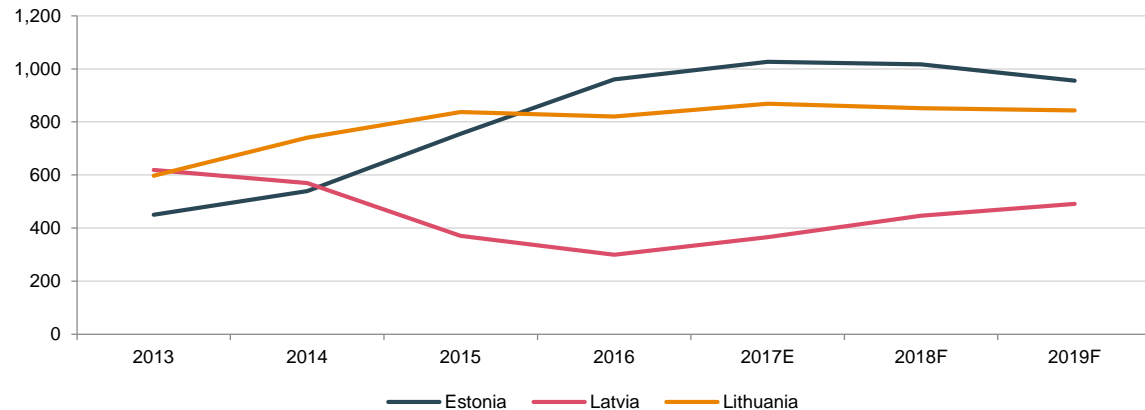
New non-residential construction volumes (index 2013=100)



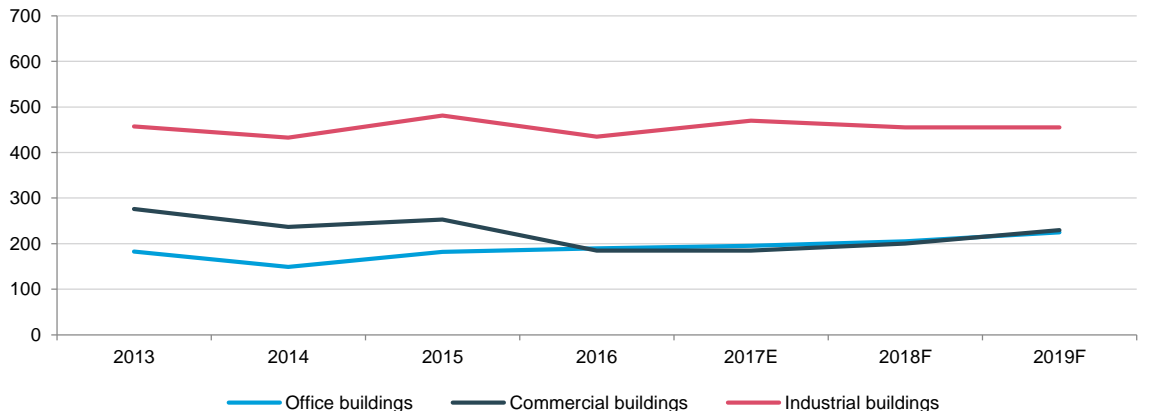
New non-residential construction in Finland (EUR million)



New non-residential construction in the Baltic countries (EUR million)



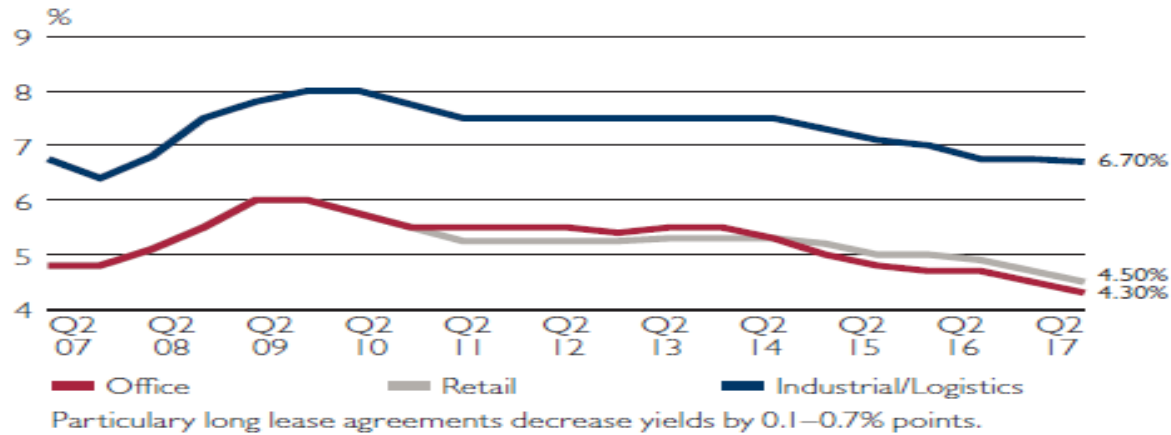
New non-residential construction in Slovakia (EUR million)



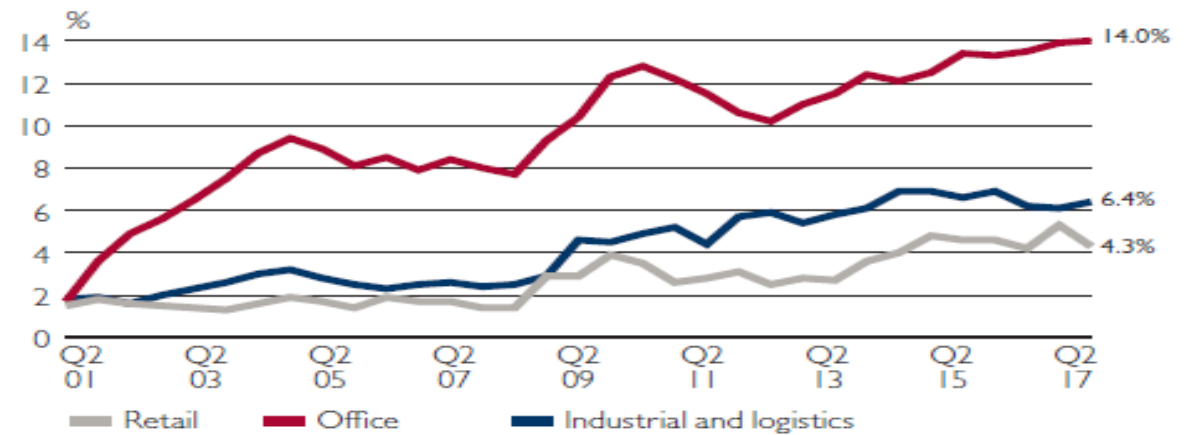
Sources: Euroconstruct and Forecon, December 2017

# Prime yields expected to decrease slightly

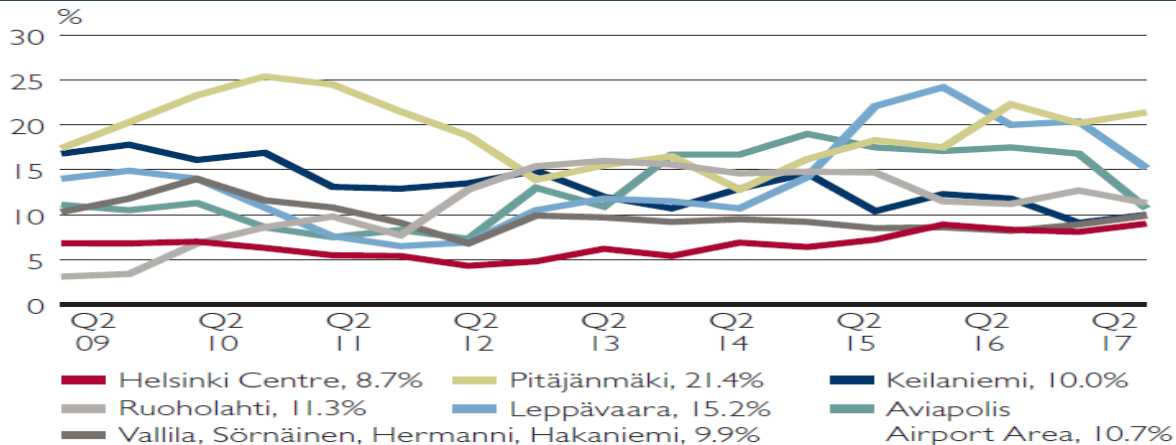
## Prime yields in Helsinki Metropolitan Area (%)



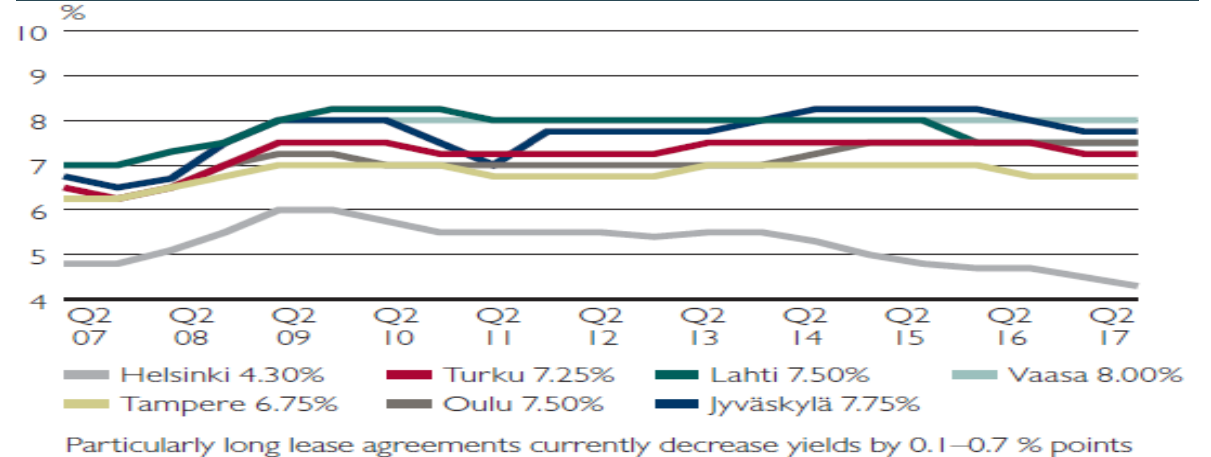
## Vacancy rates in Helsinki Metropolitan Area (%)



## Vacancy rates in selected districts in Helsinki Metropolitan Area, %



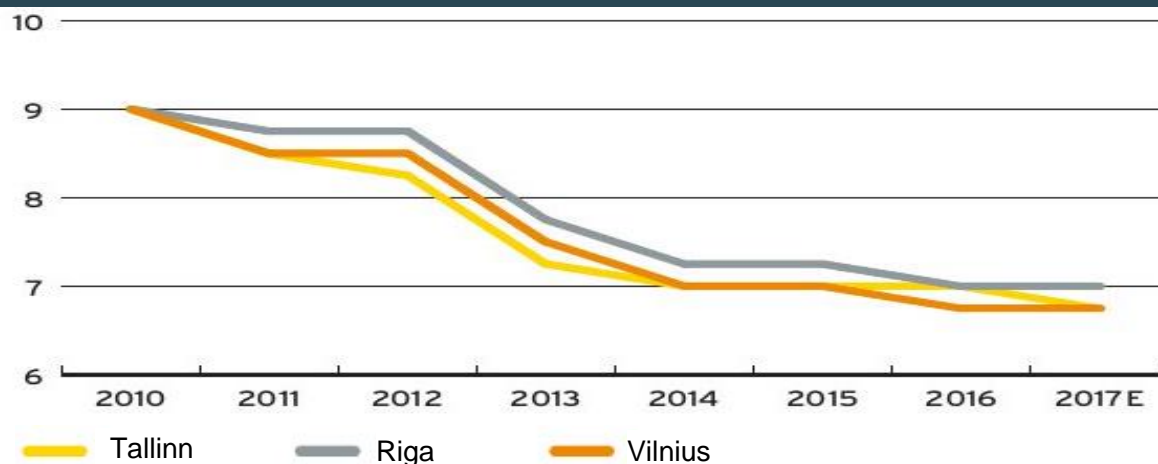
## Prime office yields in Finland, %



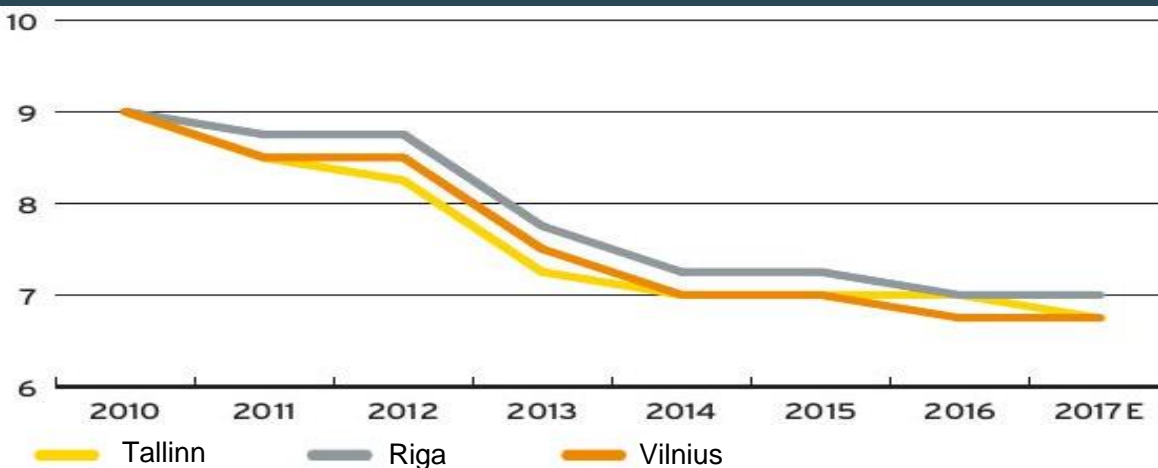
# The Baltic countries

## Yields are expected decrease slightly

Prime office yields in the Baltic countries (%)

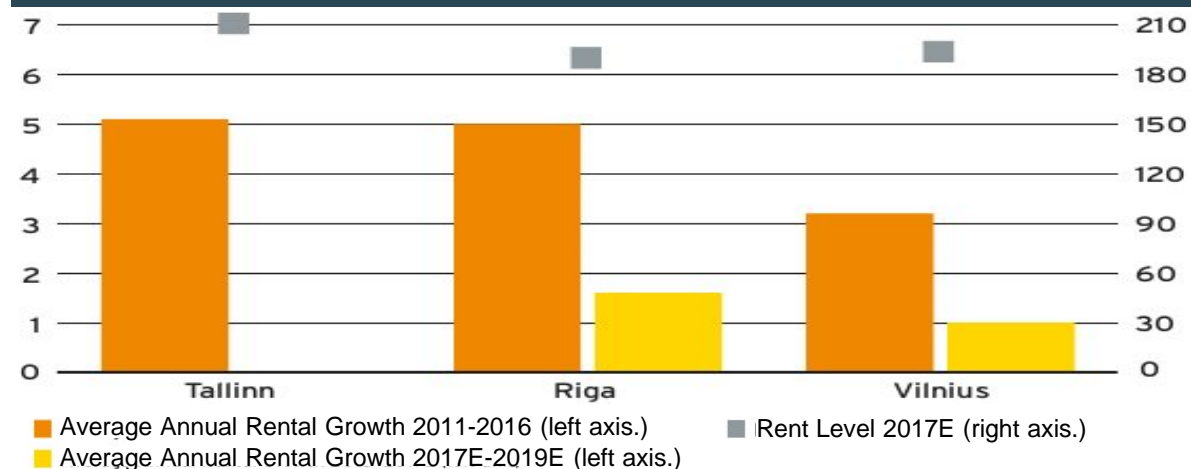


Prime retail yields in the Baltic countries (%)

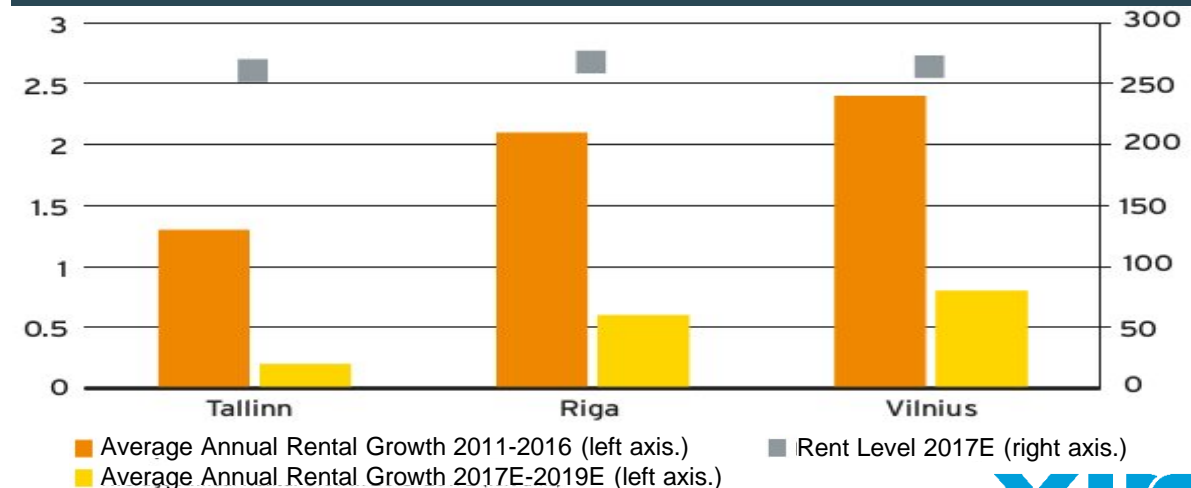


Source: Newsec Property Outlook, October 2017

Prime office rents in the Baltic countries, (% , EUR / sq. m. / year)



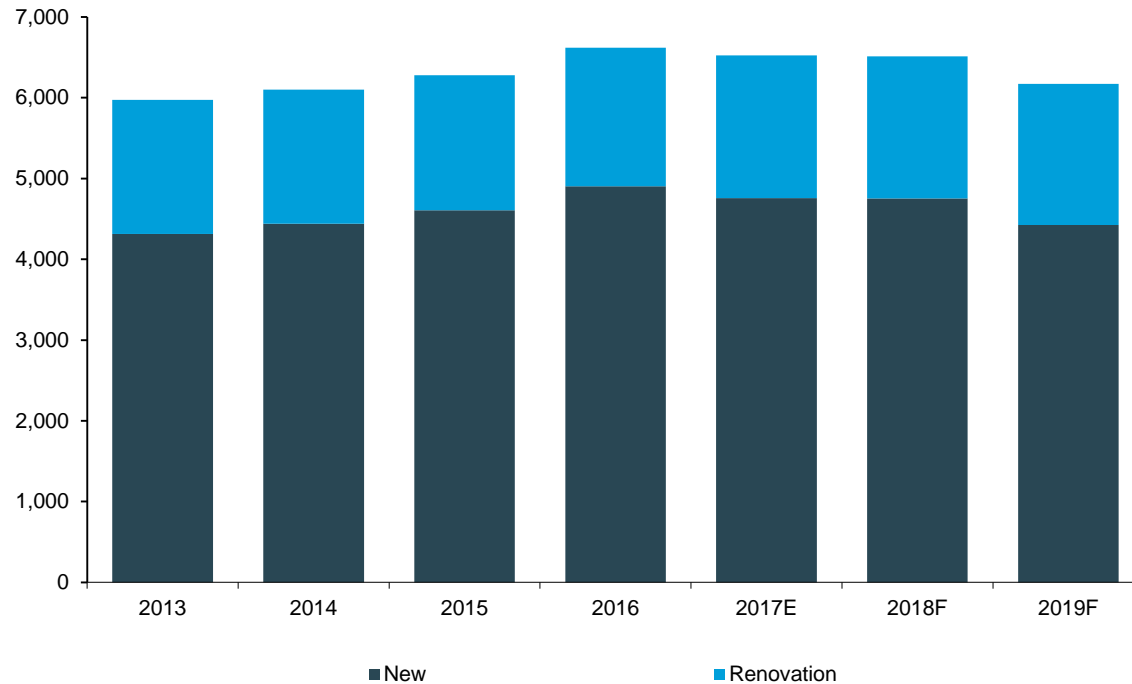
Prime retail rents in the Baltic countries, (% , EUR / sq. m. / year)



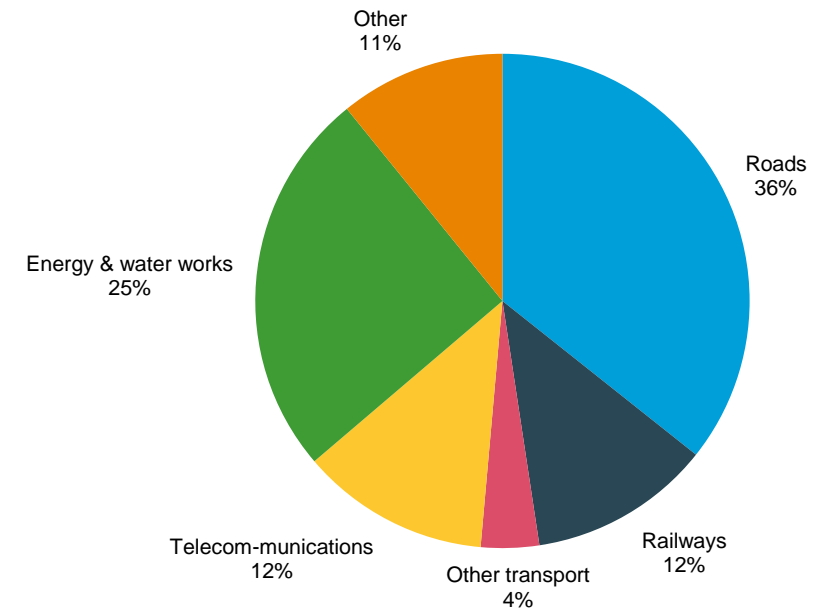


# Market expected to remain stable in 2018

Infrastructure market in Finland (EUR million)



Infrastructure sectors in Finland (2017)



Sources: Euroconstruct, December 2017

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