



Danske construction seminar, November 2018

CFO Ilkka Salonen



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- 2 Operating environment
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1

YIT's strategy 2019–2021



TRIPLA PROJECT
HELSINKI, FINLAND

Megatrends driving growth and productivity



URBANISATION

- Urban development
- Public transportation connections
- Complex projects



DIGITALISATION

- Customer experience
- Higher productivity
- Utilisation of data



SUSTAINABILITY

- Circular and sharing economy
- Resource efficiency
- Re-vitalisation of urban areas

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

Strategic priorities

URBAN DEVELOPMENT

More out of the urban development capability
Average ROCE >15% through the pipeline

Sustainable
urban
development

Project
development

Project
management and
construction

Rental incomes
Fair valuation
Service fees

Capital gain

NON-CYCLICAL BUSINESSES

Portfolio of businesses with stable nature and performance
> EUR 100 million of annual operating profit 2019 on

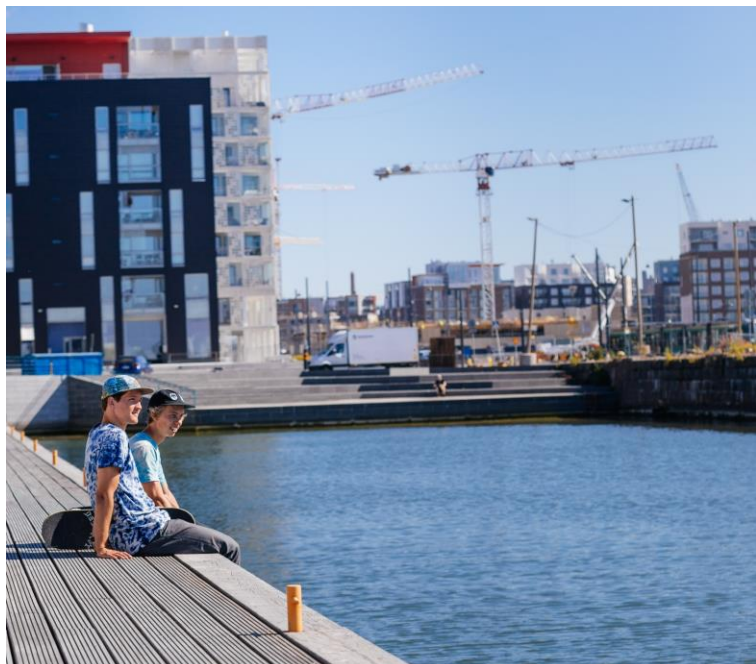
STABLE OR
GROWING
DEMAND
THROUGHOUT
CYCLES

LONG-TERM
SERVICE AND
RENTAL
AGREEMENTS

TIMELY AND
RECURRING
CAPITAL
GAINS

GROWING
DEMAND FOR
SUSTAINABILITY

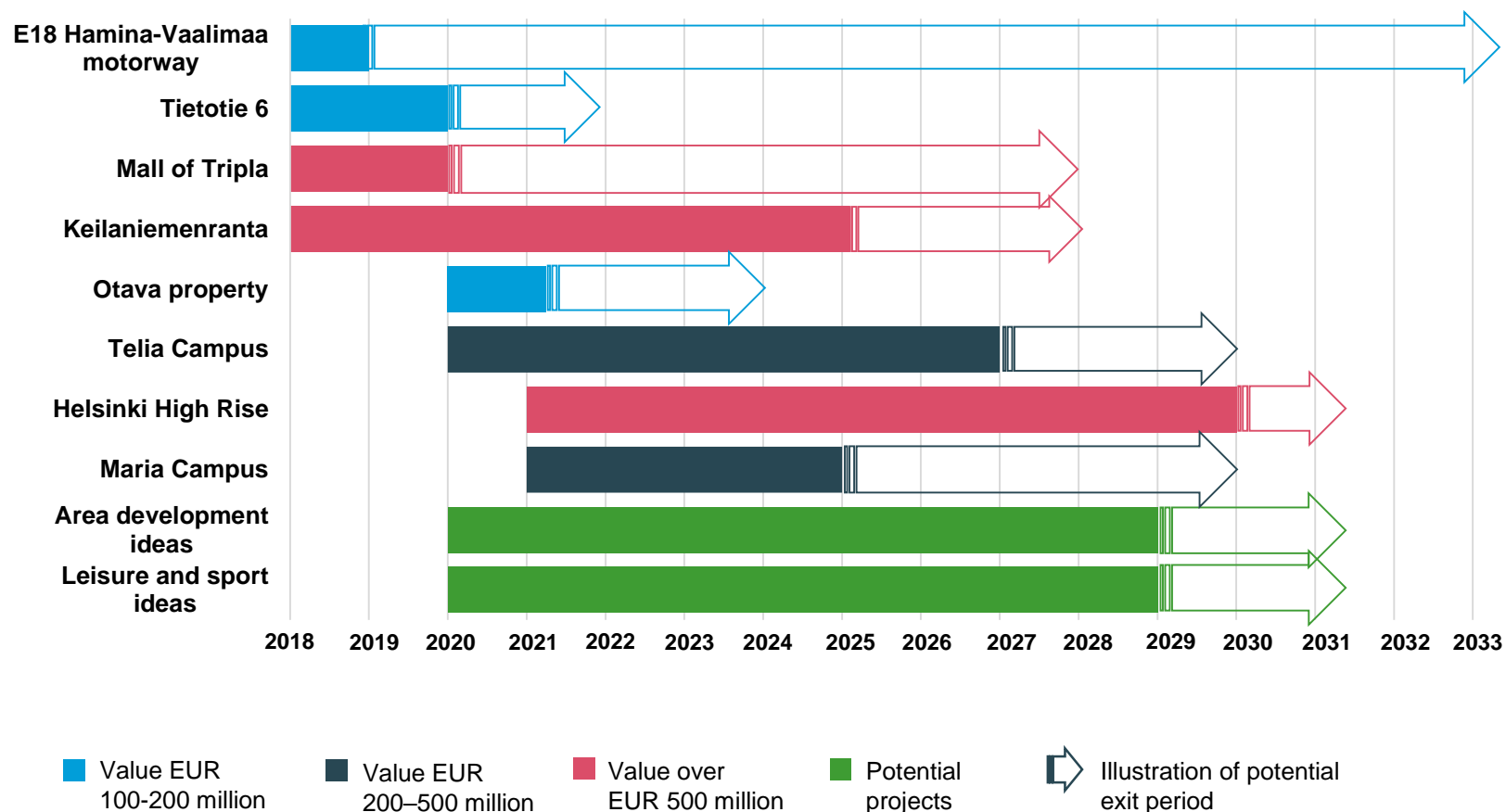
Urban development as source of growth and profitability



BUSINESS TARGETS

- ROE > 10%
- Group ROCE contribution > 15%
- JV equity investments up to EUR 300 million by end of 2021

LARGE PROJECTS (EUR >100 MILLION) ARE REALISED THROUGH JOINT VENTURE STRUCTURES AND REPORTED UNDER PARTNERSHIP PROPERTIES SEGMENT



Some examples of urban development projects

YIT'S ONGOING PROJECTS

TIETOTIE 6
ESPOO, FINLAND
120M€
2017-2020



TRIPLA
HELSINKI, FINLAND
1.4BN€
2014-2020



TAMPERE LIGHT RAIL
TAMPERE, FINLAND
240M€
2017-2020



KEILANIEMENRANTA
ESPOO, FINLAND
800M€
2018-2025



FUTURE PROJECTS

HELSINKI HIGH RISE
FINLAND
500 + 500M€
2021-2030



CAMPUS MARIA
HELSINKI, FINLAND
300M€
2021-2025



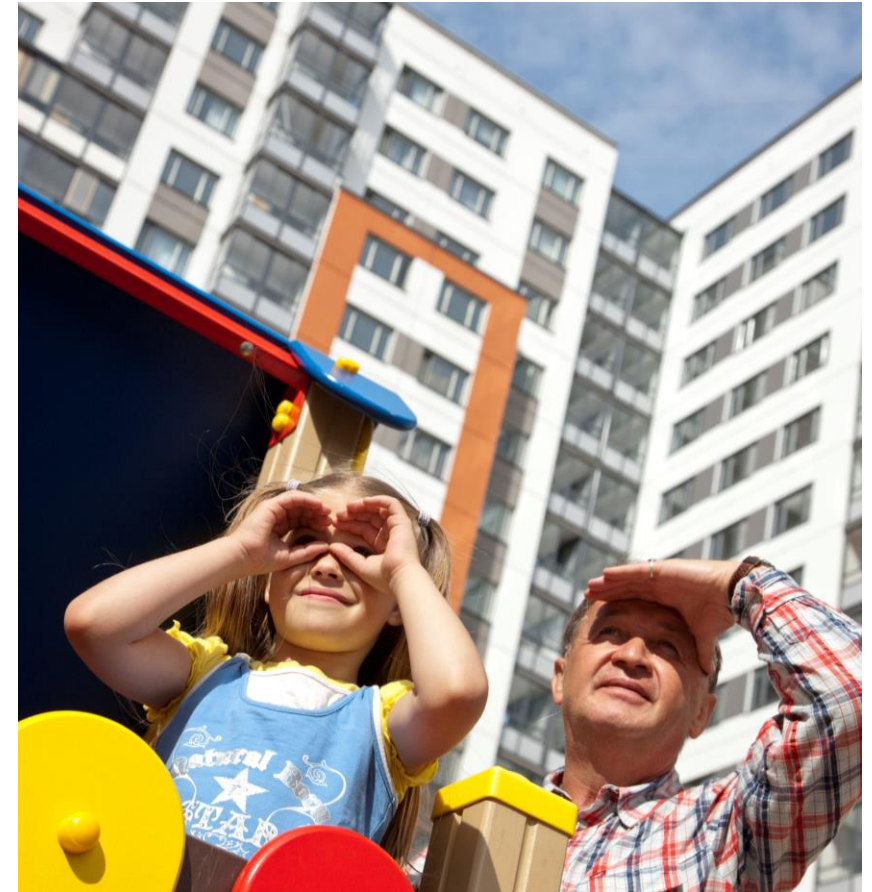
COMPLETED PROJECT

E18 HIGHWAY (33 KM)
SOUTHERN FINLAND
220M€
2015-2018



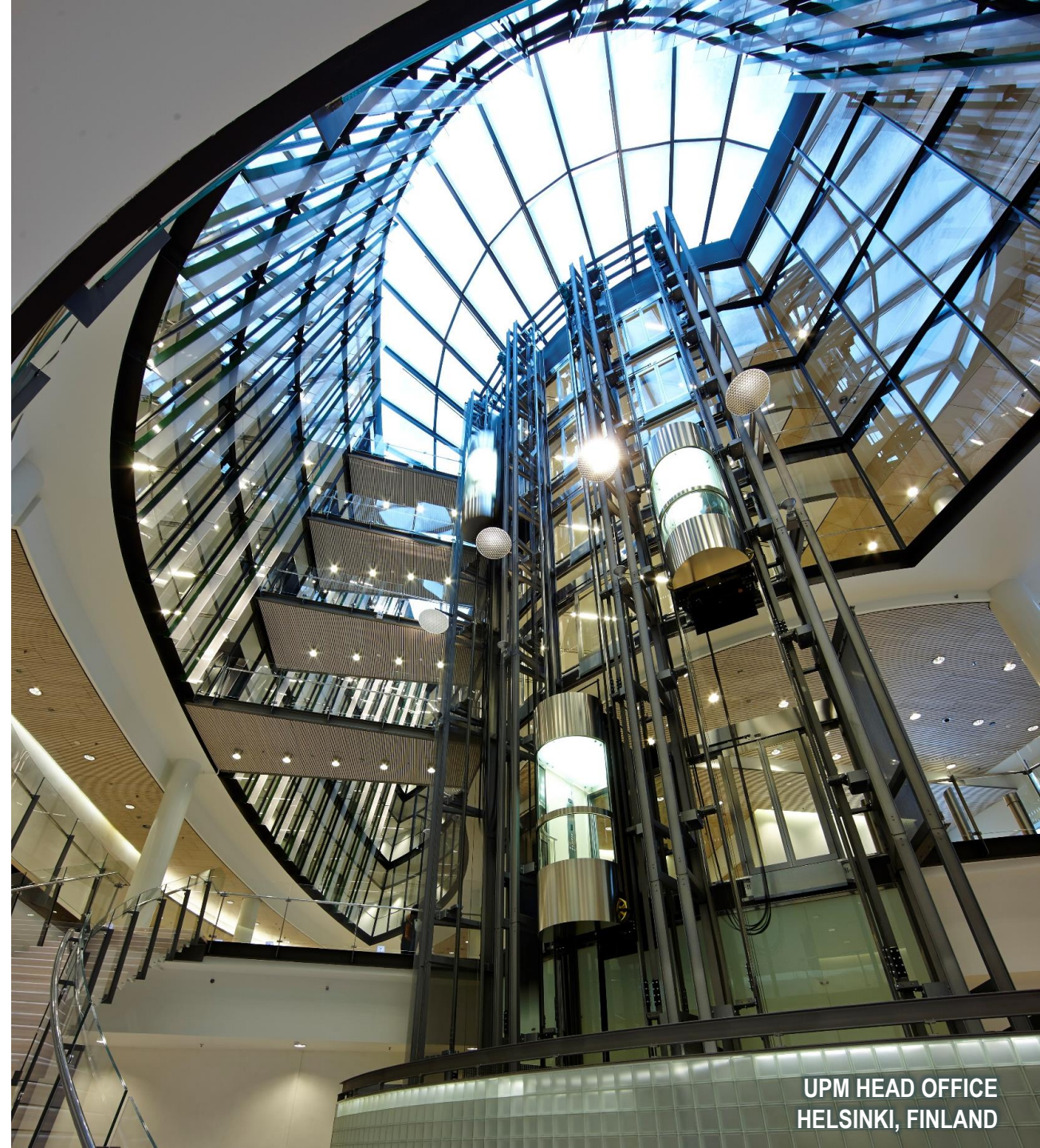
Strategic financial targets

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



2

Operating environment



Group

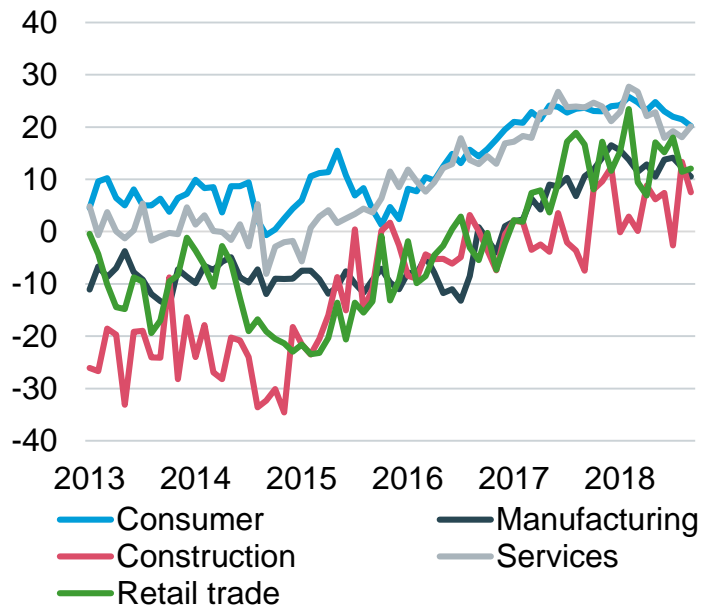
Operating environment for housing in Q3

- In Finland, consumer demand was on a good level, supply on a high level
- Residential demand of private investors started to decline
- Availability of mortgages slightly tightened

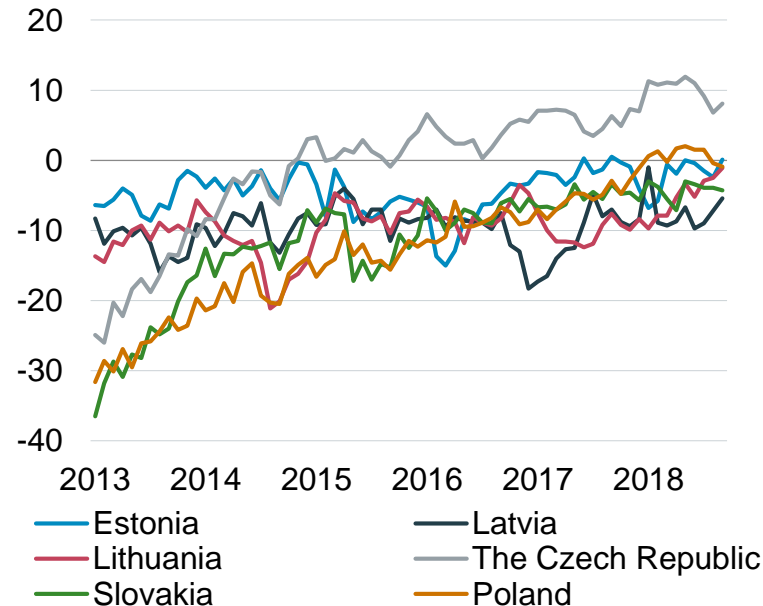
- Consumer demand was brisk in all CEE countries
- Due to increased construction volume, shortage of resources caused cost pressure

- In Russia, consumers continued to be cautious
- Demand remained stable on the year-end level

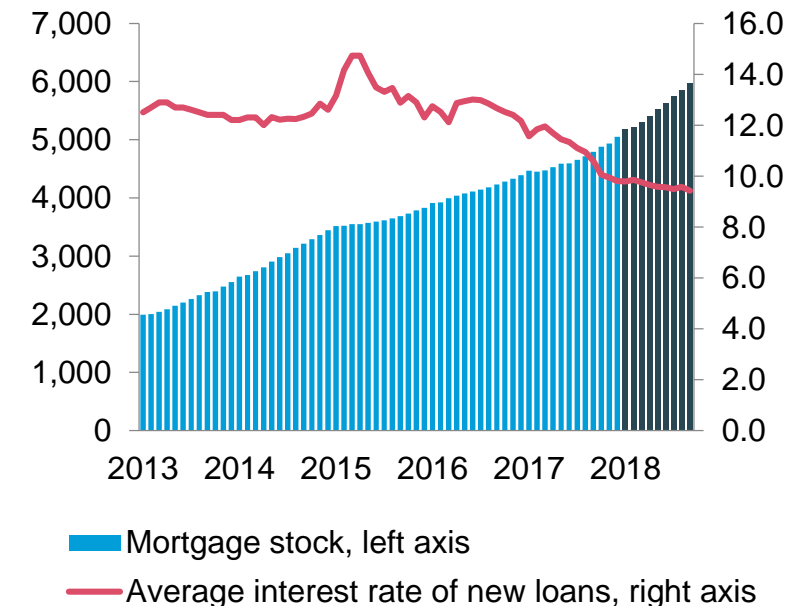
CONFIDENCE INDICATORS IN FINLAND



CONSUMER CONFIDENCE IN THE CEE COUNTRIES



MORTGAGE STOCK AND AVERAGE INTEREST RATE IN RUSSIA (RUB billion, %)



Sources: Statistics Finland and Confederation of Finnish Industries, EK; European Commission; Central Bank of Russia

Group

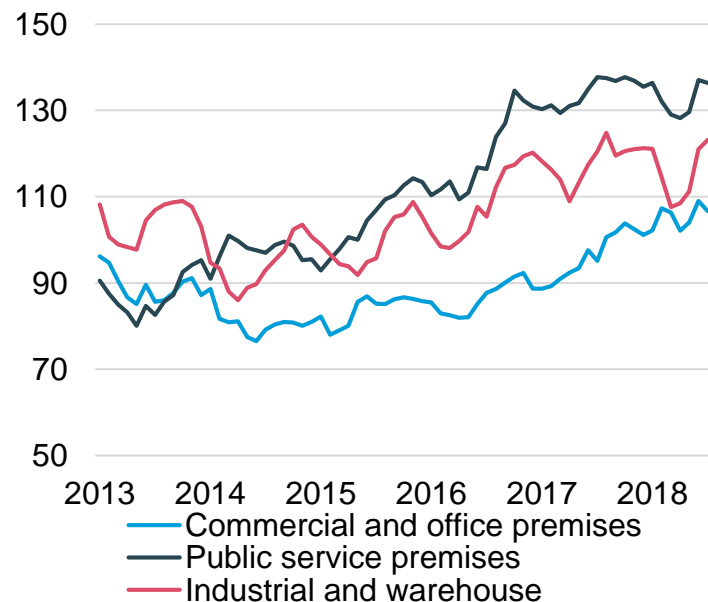
Operating environment for business premises, infrastructure projects and paving in Q3

- The volume of construction in Finland on a high level, the positive overall market sentiment supported investments
- Good tenant and investor demand for business premises in all markets

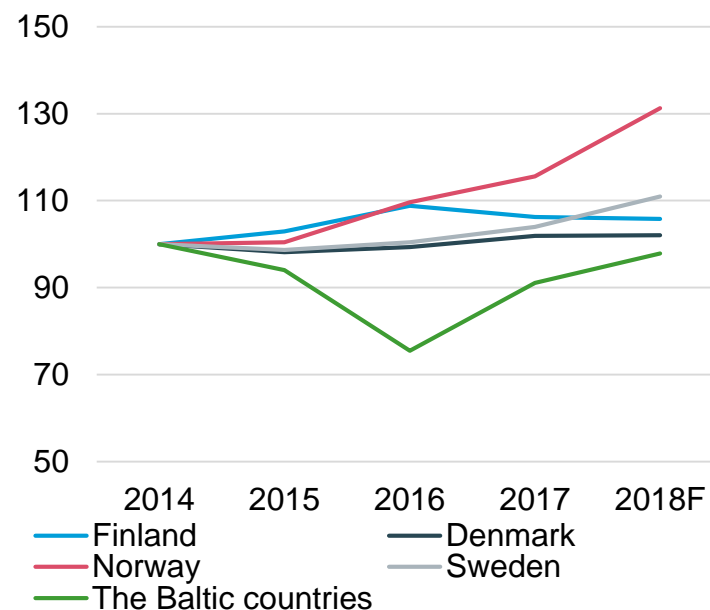
- The market for infrastructure was strong in especially in Sweden and Norway, many new infrastructure projects ongoing or in pipeline
- In Finland, volume in infrastructure construction has started to decline due to a lower number of new construction projects

- Higher bitumen price has reduced market volumes
- In Finland, the state investments in paving declined slightly from the previous year's level
- The market situation in Sweden was good, the state investments in Norway increased, price competition remained stable in Denmark

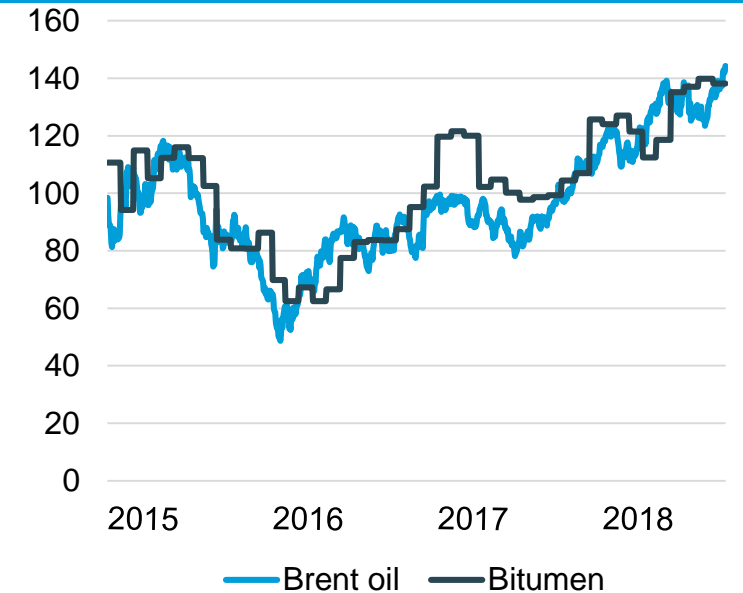
VOLUME OF NEW CONSTRUCTION IN FINLAND
(index 2010=100)



INFRASTRUCTURE MARKET
(index 2013=100)



























BITUMEN AND BRENT OIL PRICE DEVELOPMENT
(index 2015=100)



Sources: Statistics Finland, Euroconstruct, June 2018, Bloomberg

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

4

Performance in Q3/2018

YIT and Lemminkäinen merged on February 1, 2018. In this presentation, all figures are pro forma figures, unless otherwise stated. All figures and comparisons are according to IFRS reporting unless otherwise stated. Unless otherwise noted, the figures in brackets refer to the corresponding period in the previous year and are of the same unit.



E18 MOTORWAY, SOUTHERN FINLAND

Q3 in brief

**Segments'
operational
performance
as expected**

53.8

EUR million adjusted
operating profit (66.1).
Impact of postponements
of handovers
EUR -6.5 million

**Success in
property
leasing**

50,000

sq. metres let during Q3

**Strong order
backlog**

4,991

EUR million order
backlog at the end of
period (4,379)

**Guidance
unchanged**

130–160

EUR million guidance
for adjusted operating
profit for 2018 (138.9)

Segments update Q3



HOUSING FINLAND AND CEE

- Revenue **EUR 244.2 million (329.1)**, with a **9.8%** margin (10.1)
- Low revenue due to low y-o-y number of completed projects in the Helsinki Metropolitan area and small average size of completed apartments
- Solid apartment sales in Finland and excellent in the CEE countries



HOUSING RUSSIA

- Capital employed¹ **EUR 341.0 million** (6/18: 352.5)
- Adjusted EBIT weak due to postponement of handovers, given discounts on completed apartments and weakened margins in contracting
- Sales continued on a good level, prices are on a low but stable level



BUSINESS PREMISES

- Order backlog **EUR 1,631 million** (6/18: 1,589)
- Several new projects booked in order backlog
- Success in leasing market supporting the sale negotiations of several office premises



INFRASTRUCTURE PROJECTS

- Adjusted EBIT **EUR 3.9 million** (7.6)
- Result includes additional costs related to the Court of Appeal's decision in a dispute related to the Niittykumpu metro tunnels
- Action plan to improve sales mix and competitiveness as well as to allocate resources to areas with highest demand



PAVING

- Adjusted EBIT **EUR 29.3 million** (27.4) with a **9.8%** margin (8.8)
- Successful quarter in all market areas, supported by actions taken during H1
- Order backlog continuously strong, **EUR 522 million** (512)



PARTNERSHIP PROPERTIES

- Project pipeline strengthened further
- Value of new projects approximately **EUR 1 billion** e.g. Telia Campus, Trigoni Helsinki High rise (published in October)
- Preparations for first major divestment ongoing

¹ Actual reported figures

7

Outlook and guidance



Reasons to invest - Good outlook for 2019

1

Strong order backlog ~EUR 5 billion

- Diverse portfolio of businesses, 56% of order backlog on 30 September 2018 from non-housing segments

2

Potential for result improvement

- Synergy impact expected to be 40M€ at the beginning of 2020 – at maximum 50M€
- Three underperforming segments in 2018 – actions taken expected to show results in 2019
- Recognition of the remaining 38.75% of Mall Of Tripla's revenue and EBIT (total value 600M€) as well as fair valuation, rental income and potential capital gains

3

Wide plot portfolio (4 million sqm) and large project pipeline (EUR 4 billion)

4

Strong market position in all main markets



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.

Additional information

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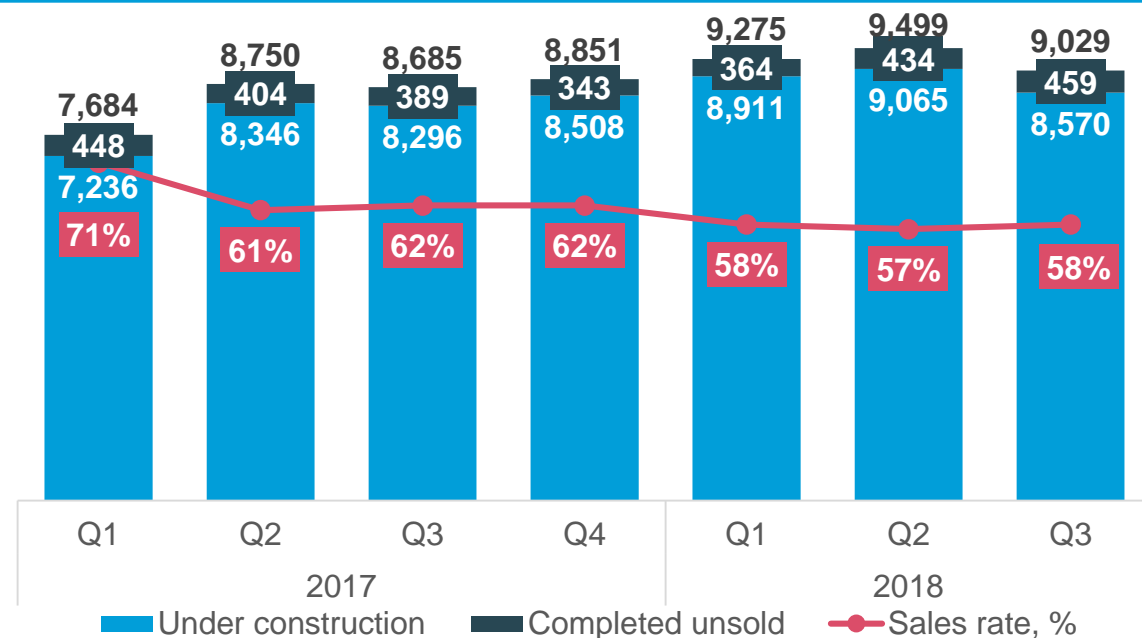
Addendix: Apartment inventory, sales and start-ups

Housing Finland and CEE and Housing Russia

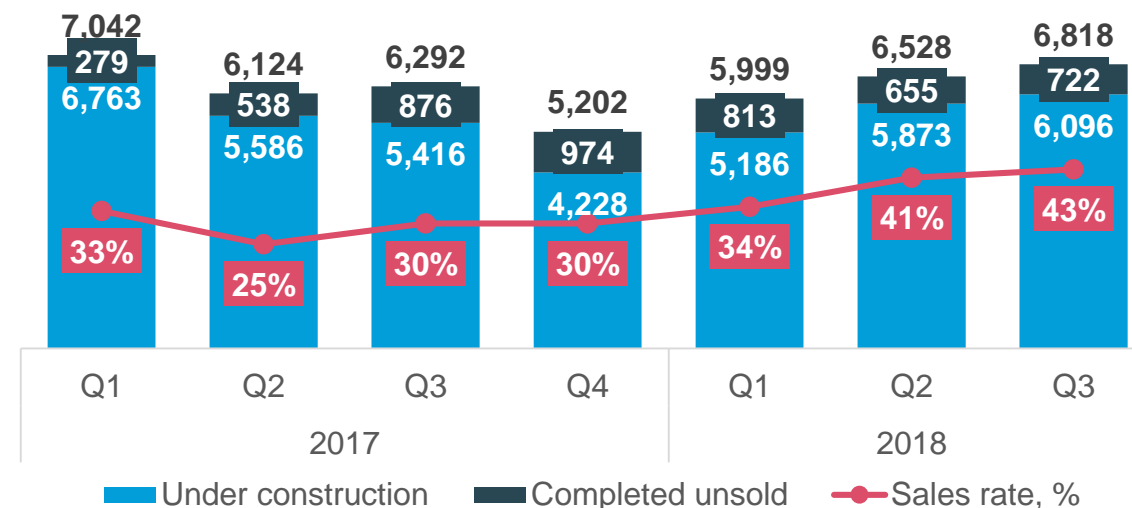
Apartment inventory

- At the end of September, the company had 8,570 apartments under construction in Finland and CEE, and 6,096 in Russia.
- At the end of September the company had 459 unsold apartments in Finland and CEE and 722 in Russia.

HOUSING FINLAND AND CEE: APARTMENT INVENTORY (units)



HOUSING RUSSIA: APARTMENT INVENTORY (units)

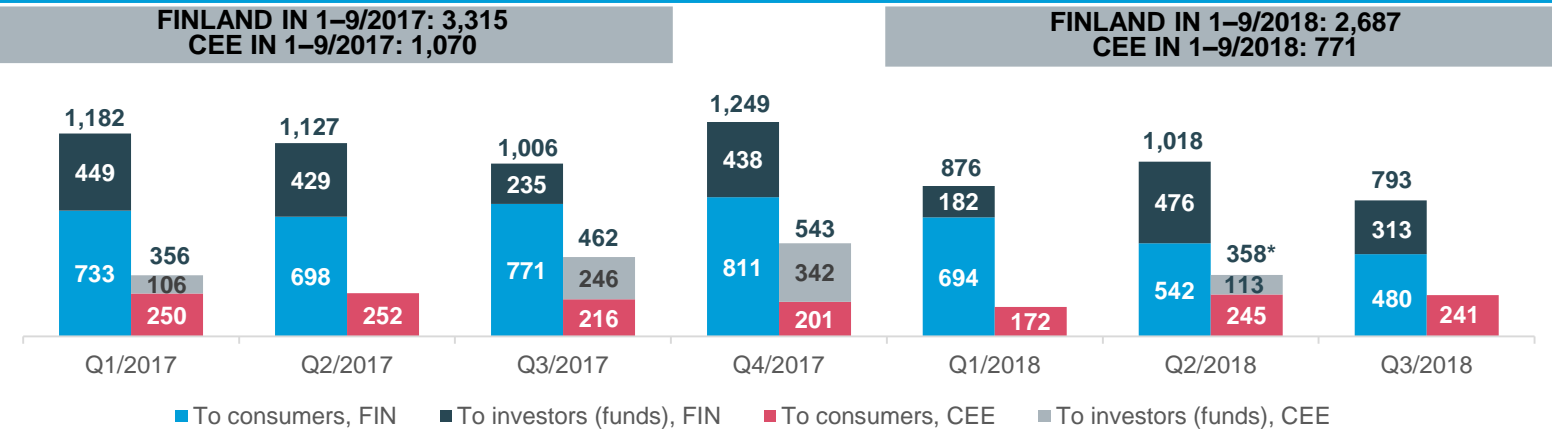


Quarterly apartment inventory figures for 2017 are combined YIT and Lemminkäinen figures, and actual reported figures since Q1/2018.

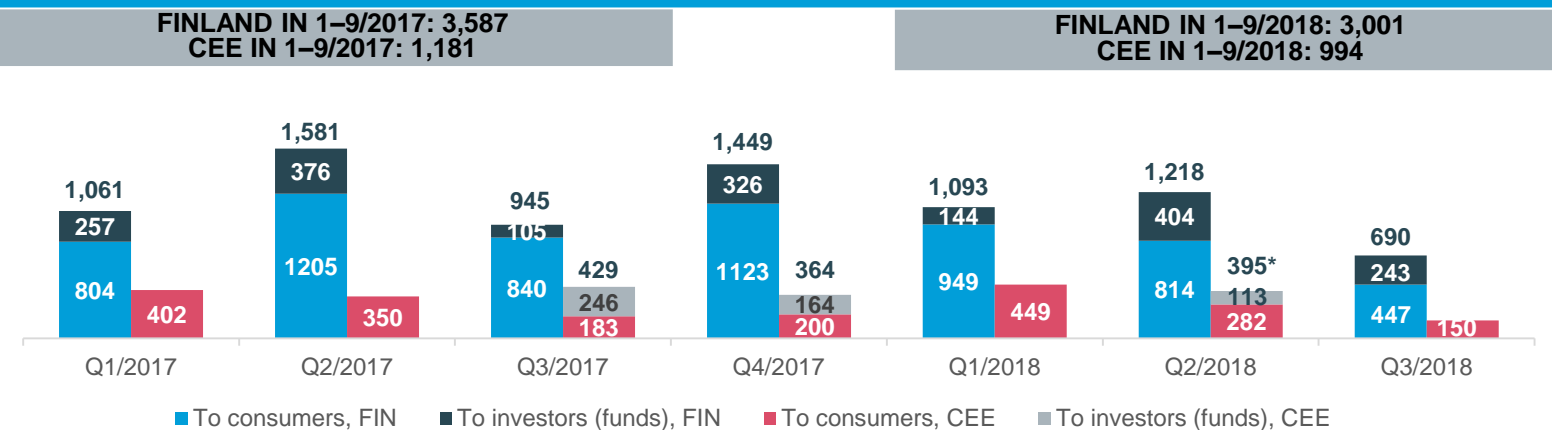
Housing Finland and CEE

Sales and start-ups in Q3

SOLD APARTMENTS (units)



APARTMENT START-UPS (units)



- Sold apartments and start-ups on the same level
- Share of apartments sold to consumers in Finland was 60%
- 70 apartments sold in bundles to investors in Finland (Q3/2017: 130)
- Of projects earlier sold to YCE Housing I fund and recorded as investor sales, YIT sold 66 apartments further to consumers (Q3/2017: 50)

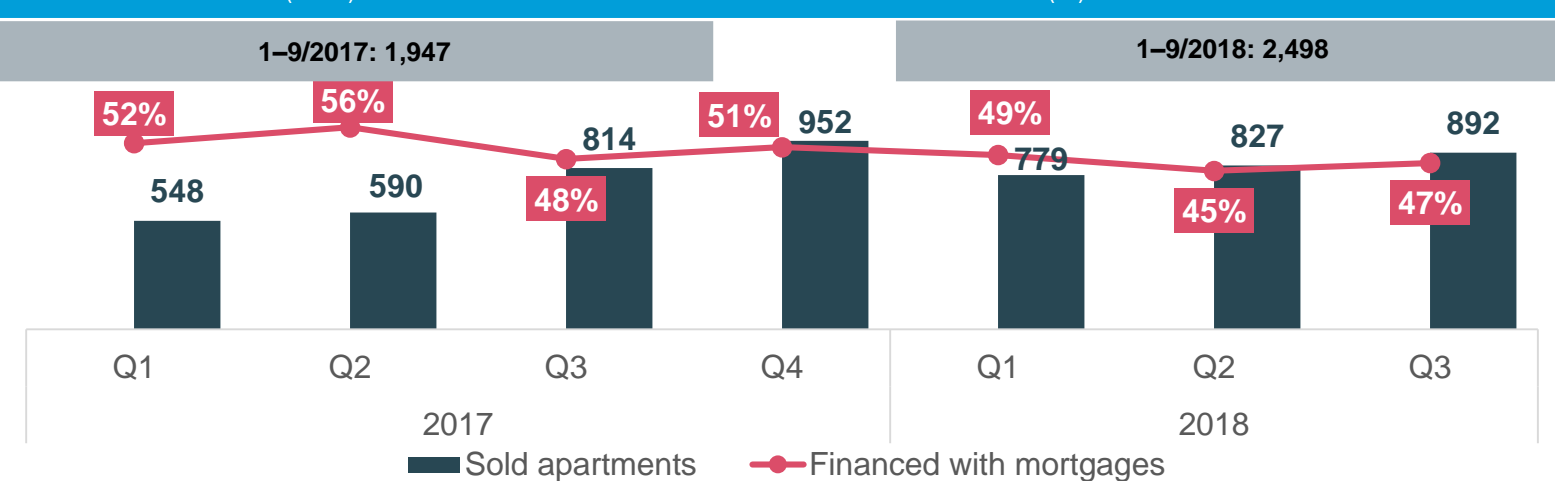
Quarterly apartment sales and start-up figures for 2017 are combined YIT and Lemminkäinen figures and Q1/2018 includes Lemminkäinen figures for January 2018.

* Figures have been adjusted according to sale to joint venture

Housing Russia

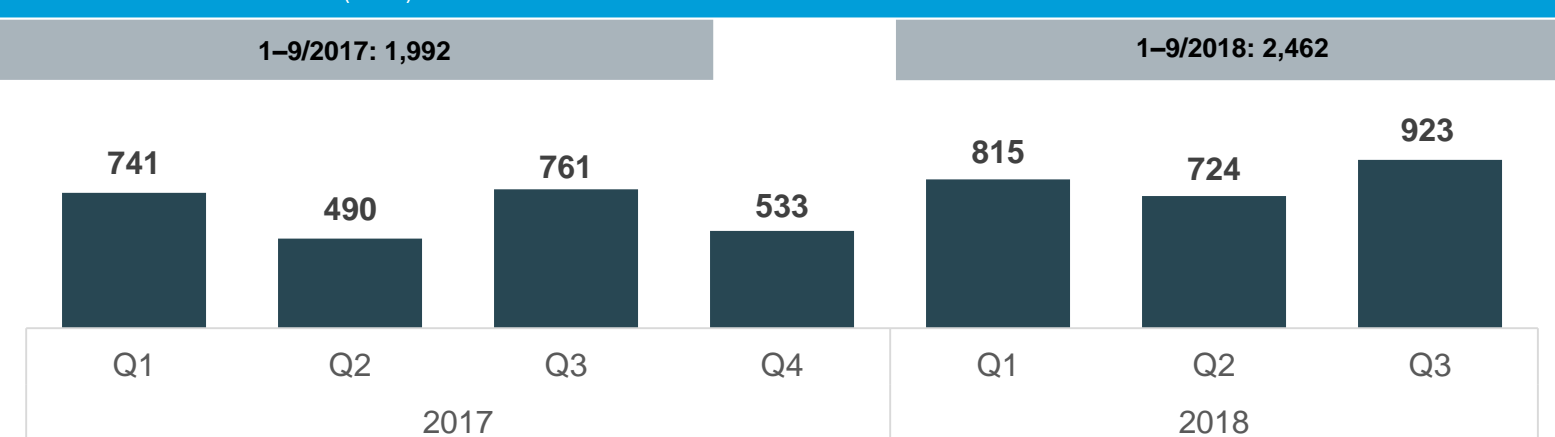
Sales and start-ups in Q3

SOLD APARTMENTS (units) AND SHARE OF SALES FINANCED WITH MORTGAGE (%)



- Apartment sales increased by 8%
- Start-ups increased by nearly 30%
- Share of sales financed with mortgages increased to 47%

APARTMENT START-UPS (units)

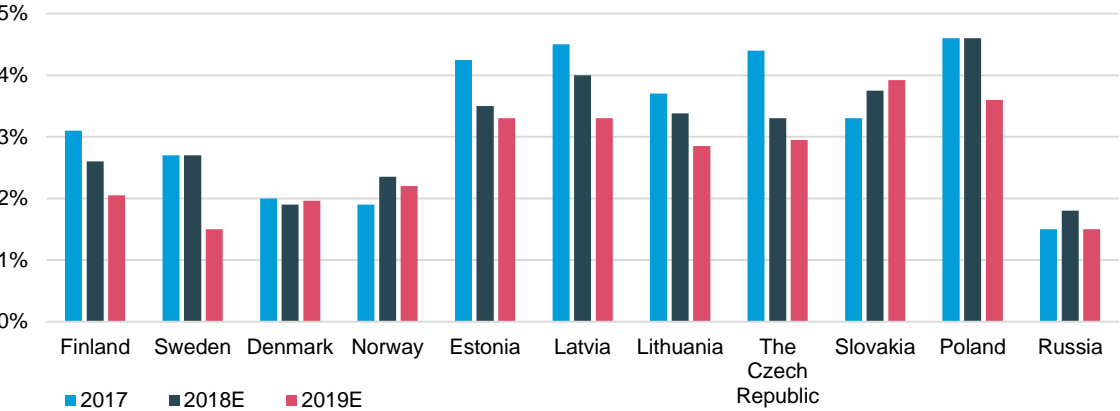




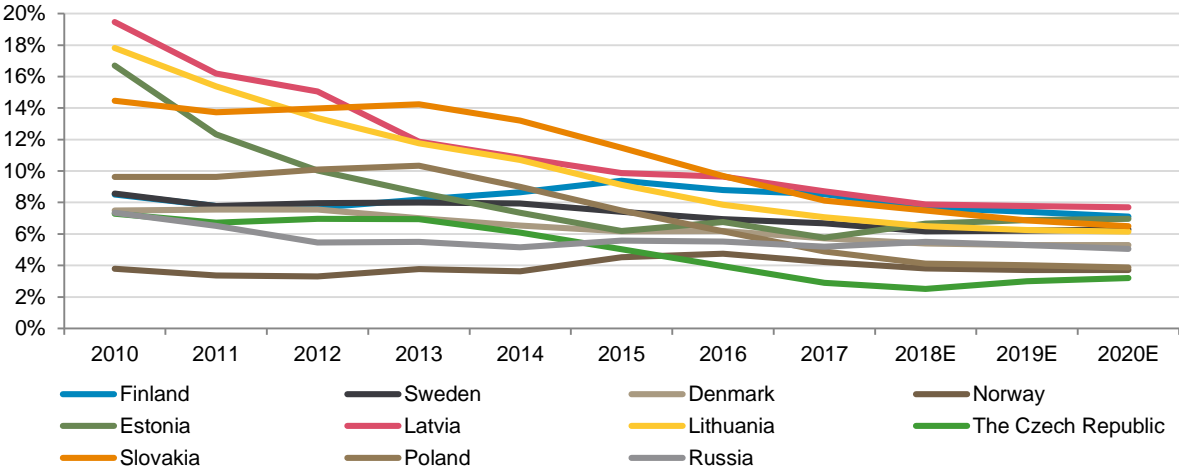
Appendix: Macro slides

General economic and construction indicators

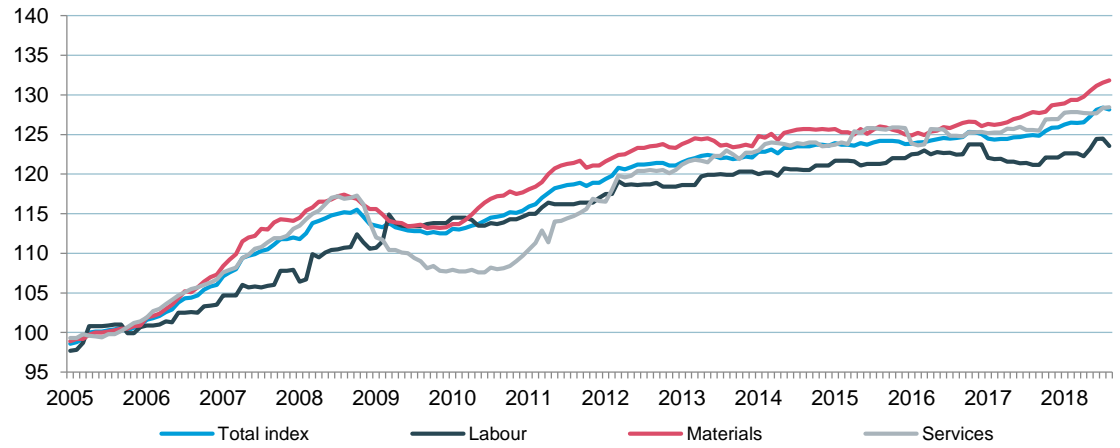
GDP GROWTH IN YIT'S OPERATING COUNTRIES, %



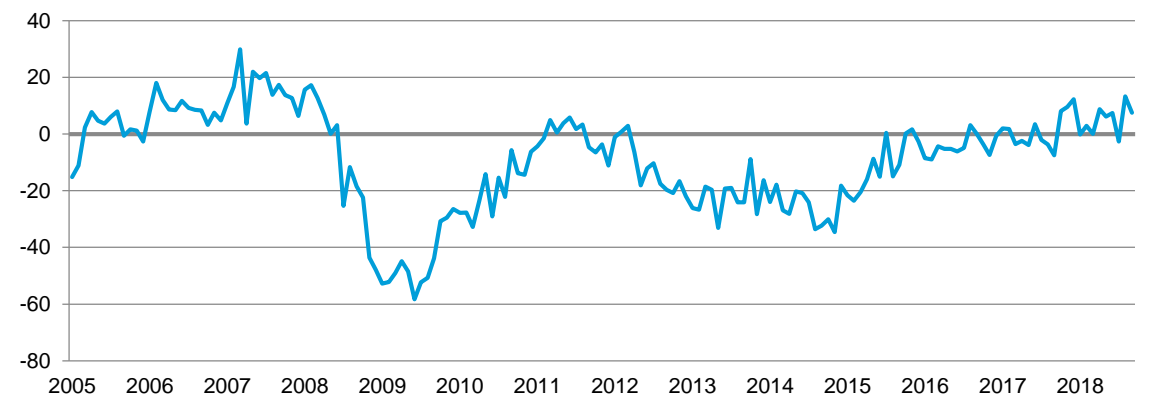
UNEMPLOYMENT RATE IN YIT'S OPERATING COUNTRIES, %



CONSTRUCTION COST INDEX IN FINLAND (index 2005=100)



CONSTRUCTION CONFIDENCE IN FINLAND (balance)

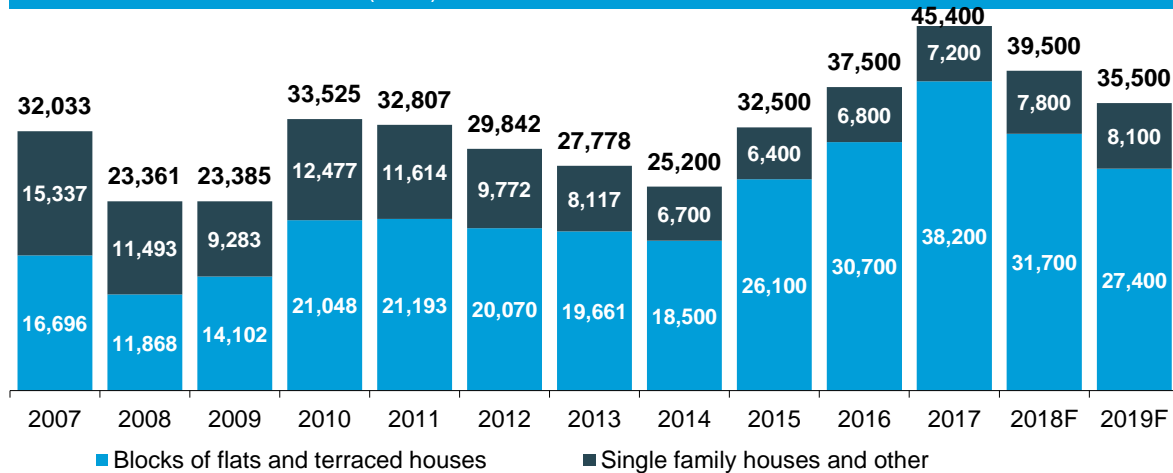


Sources: GDP growth: Bloomberg consensus 30 Sep 2018; Unemployment: IMF
Construction cost index: Statistics Finland; Construction confidence: Confederation of Finnish Industries EK

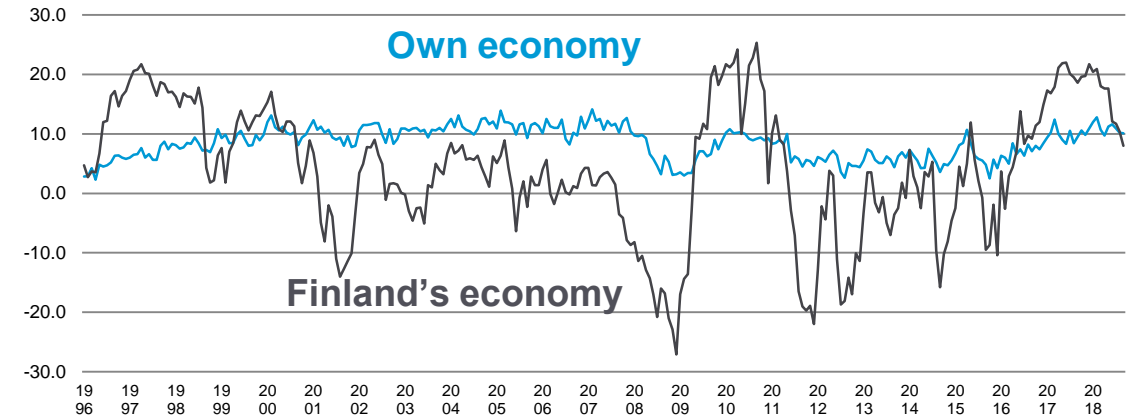


Start-ups expected to decrease in 2018 and 2019

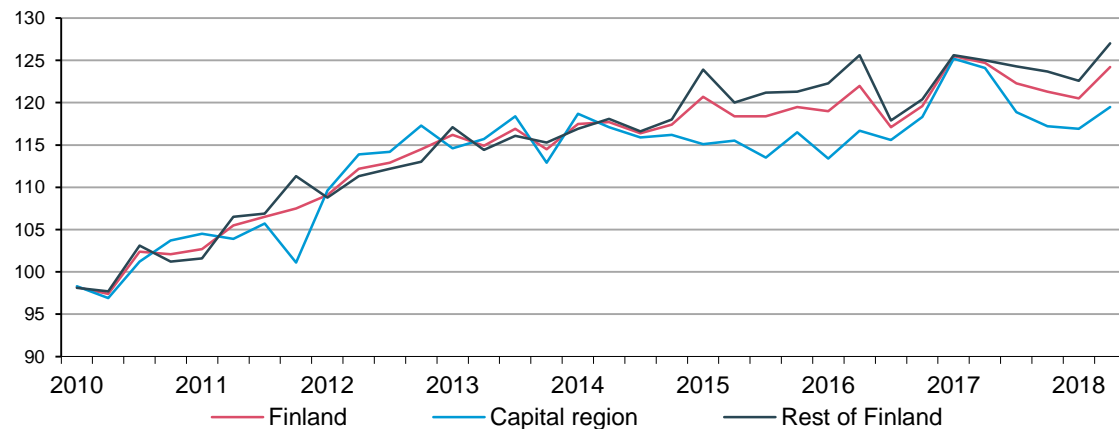
RESIDENTIAL START-UPS (units)



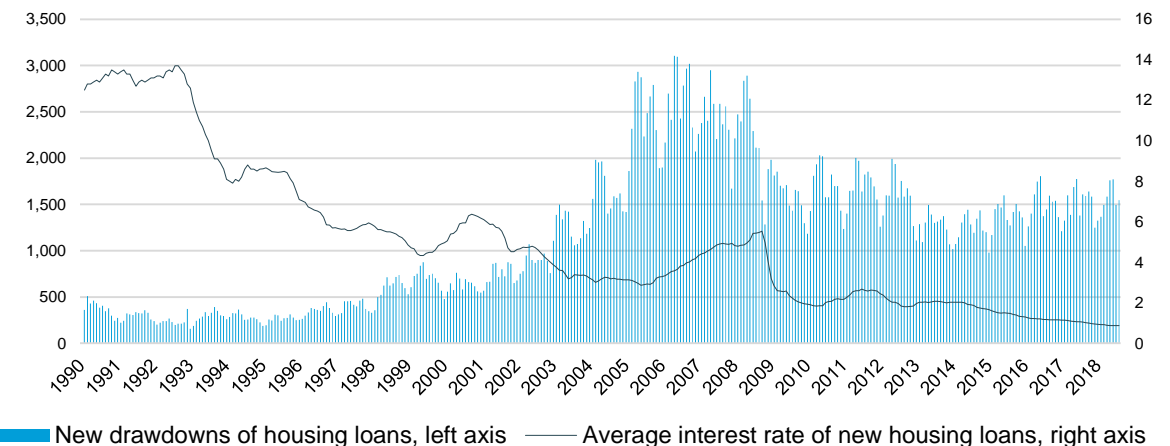
CONSUMERS' VIEWS ON ECONOMIC SITUATION IN ONE YEAR'S TIME (balance)



PRICES OF NEW DWELLINGS (index 2010=100)



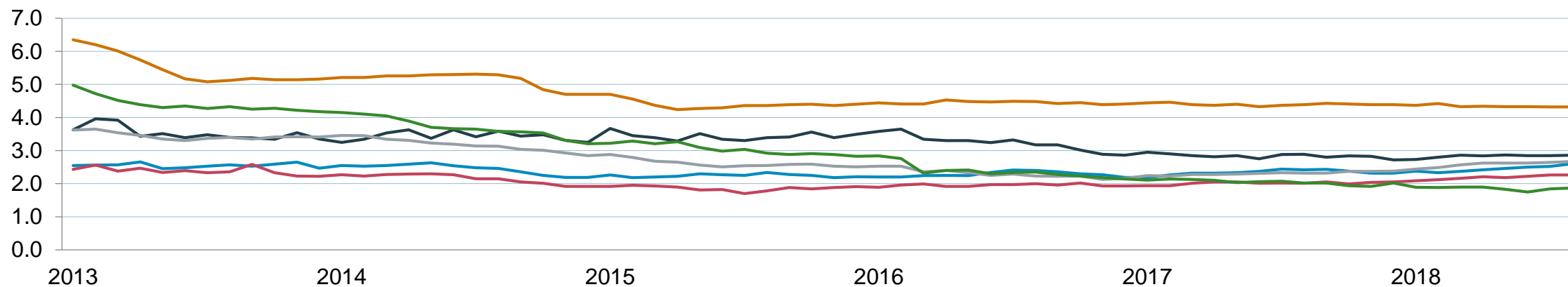
VOLUME OF NEW MORTGAGES AND AVERAGE INTEREST RATE (EUR million, %)



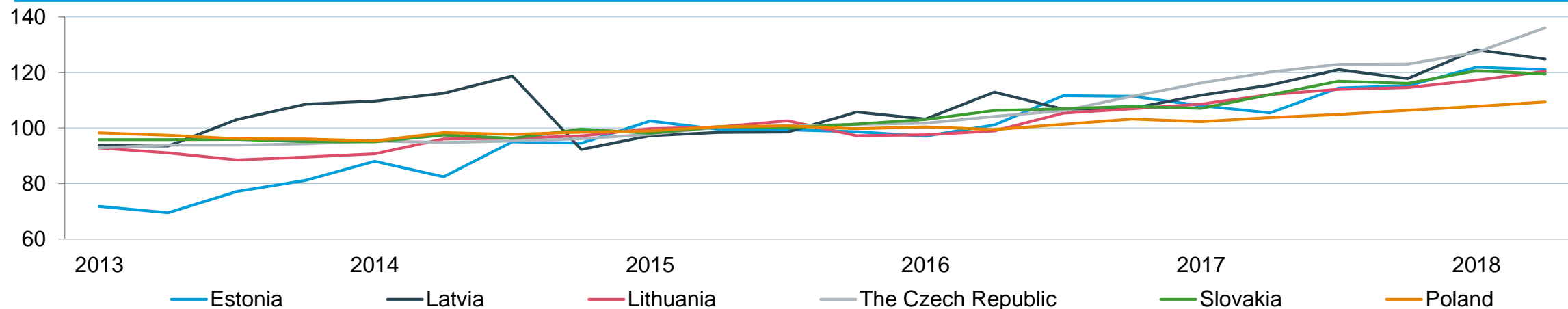
CEE

Operating environment in CEE

AVERAGE INTEREST RATE OF MORTGAGES IN CEE COUNTRIES (%)

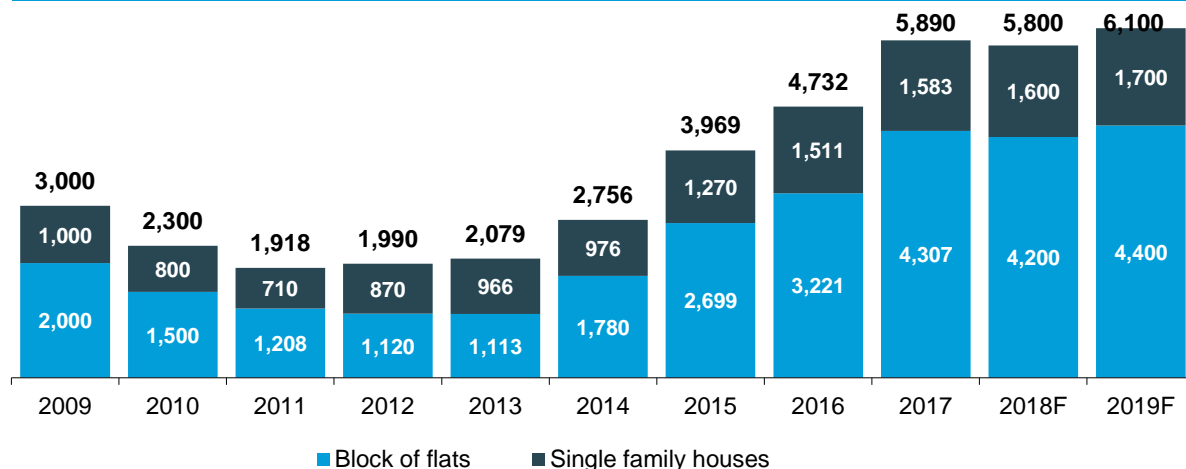


HOUSE PRICE INDEX, NEW DWELLINGS IN CEE COUNTRIES (2015=100)

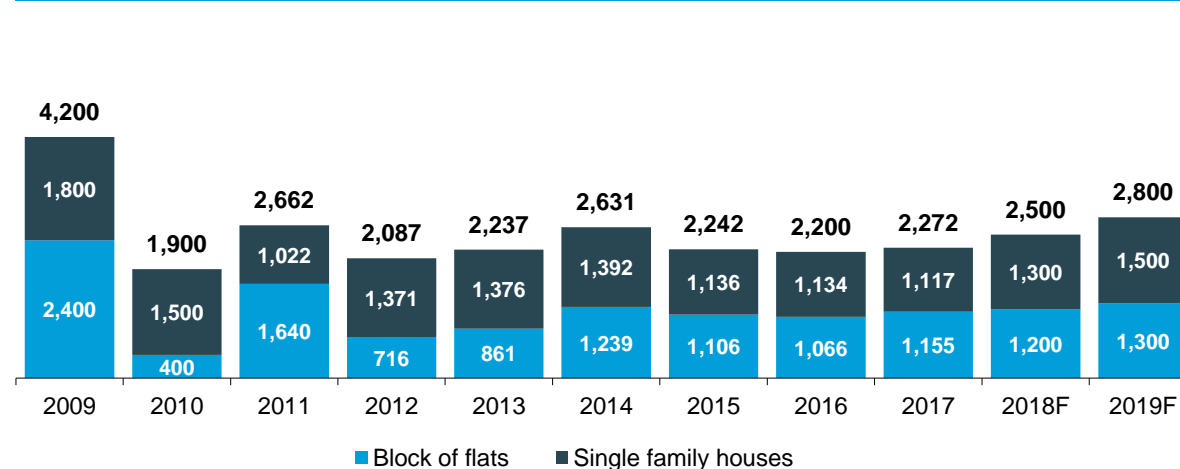


Residential construction is expected to level off

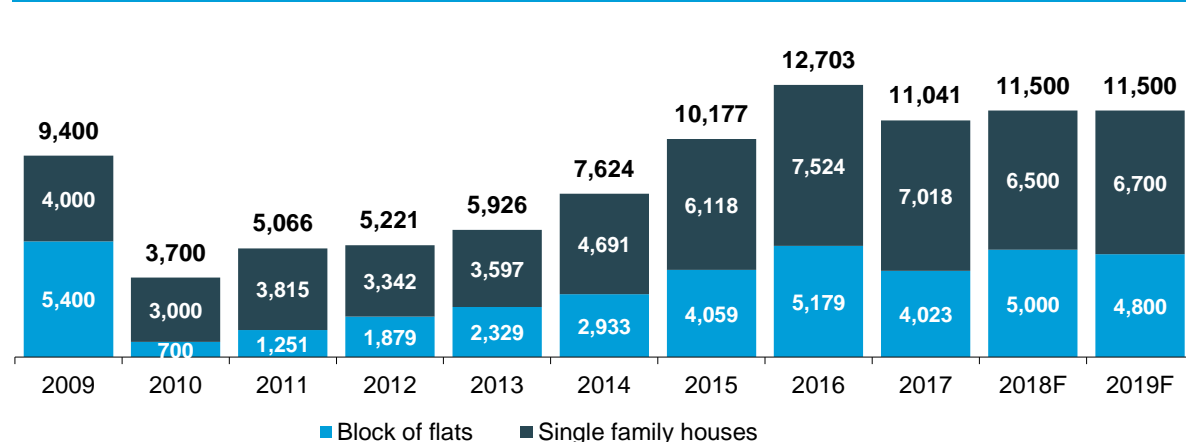
RESIDENTIAL COMPLETIONS IN ESTONIA (UNITS)



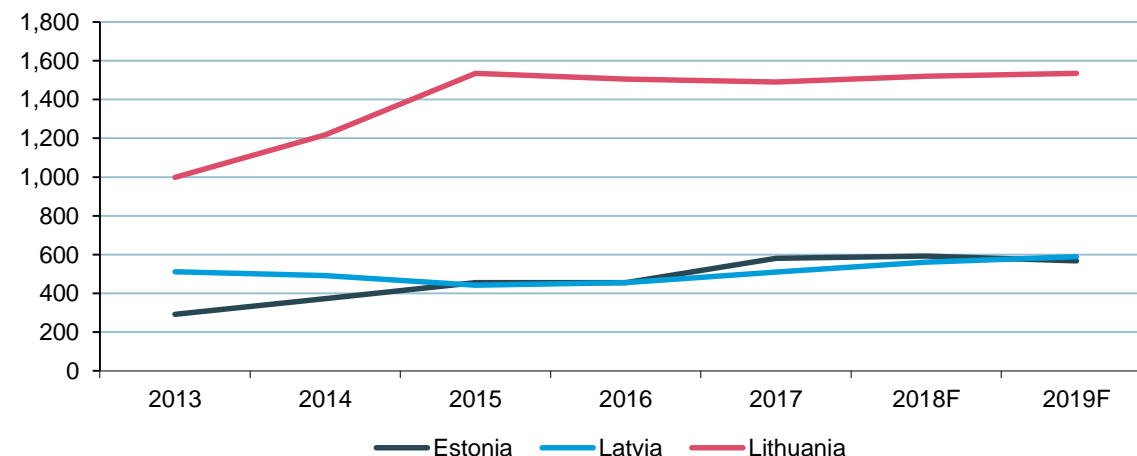
RESIDENTIAL COMPLETIONS IN LATVIA (UNITS)



RESIDENTIAL COMPLETIONS IN LITHUANIA (UNITS)



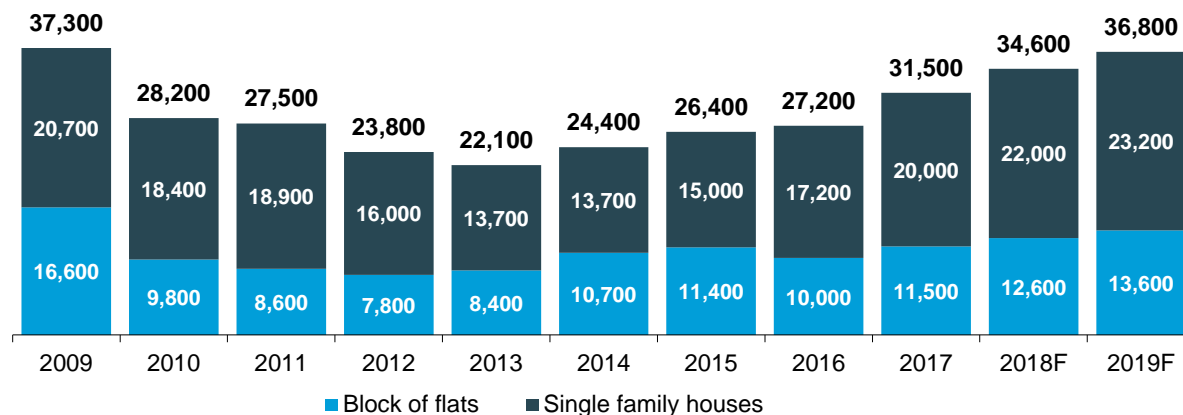
NEW RESIDENTIAL CONSTRUCTION VOLUME (EUR MILLION)



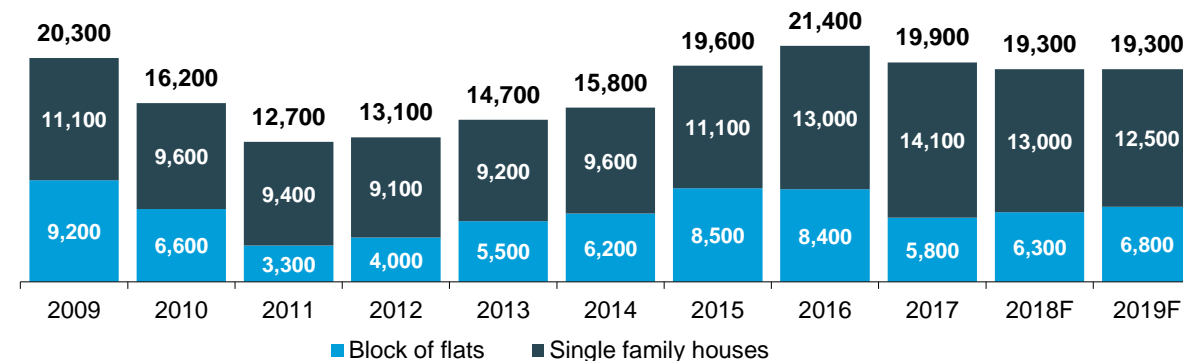
The Czech Republic, Slovakia and Poland

Start-ups forecasted to grow in the Czech Republic

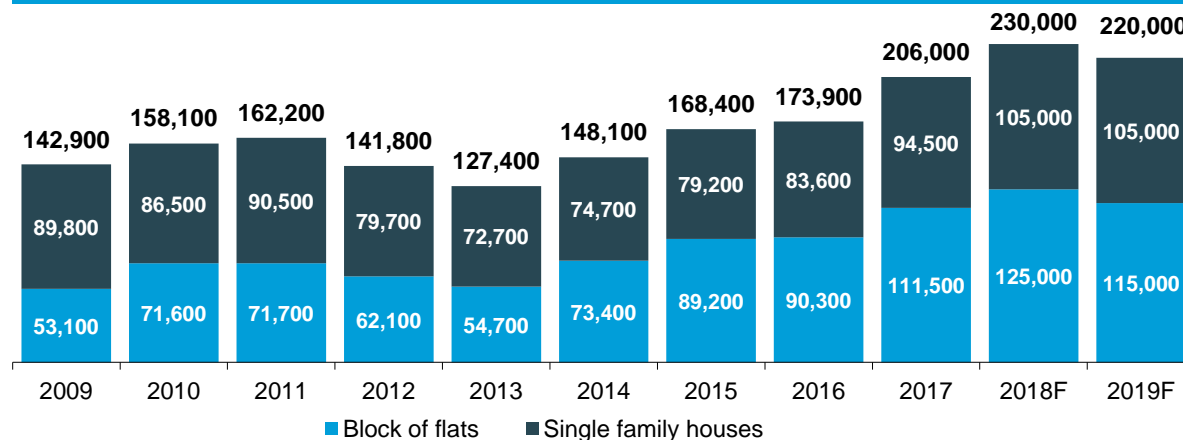
RESIDENTIAL START-UPS IN THE CZECH REPUBLIC (UNITS)



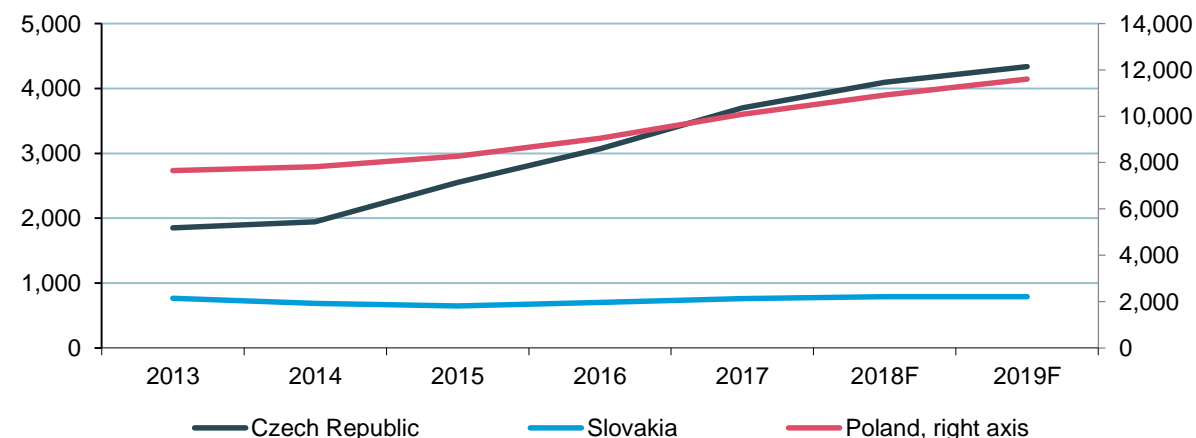
RESIDENTIAL START-UPS IN SLOVAKIA (UNITS)



RESIDENTIAL START-UPS IN POLAND (UNITS)



NEW RESIDENTIAL CONSTRUCTION VOLUME (EUR MILLION)

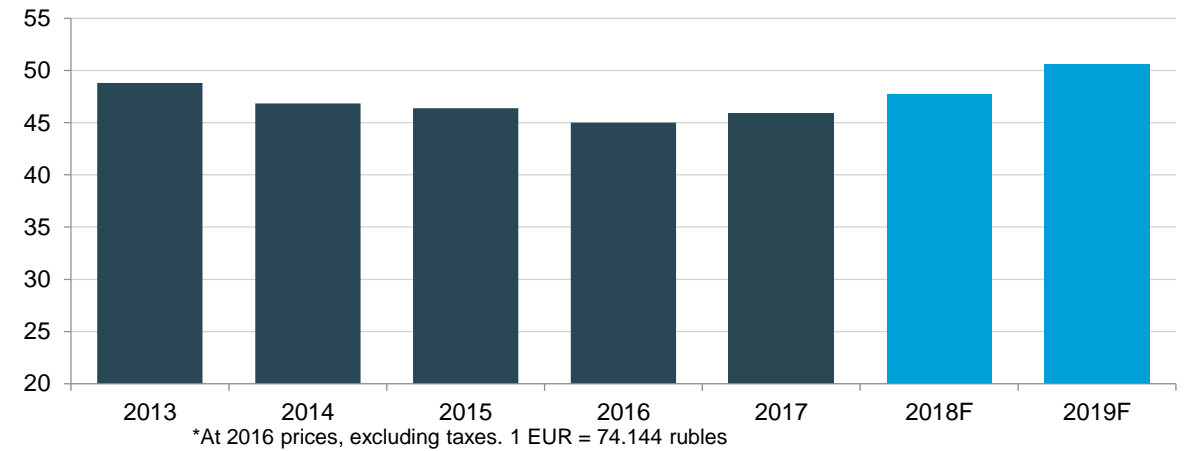


EUR/RUB exchange rate and housing indicators

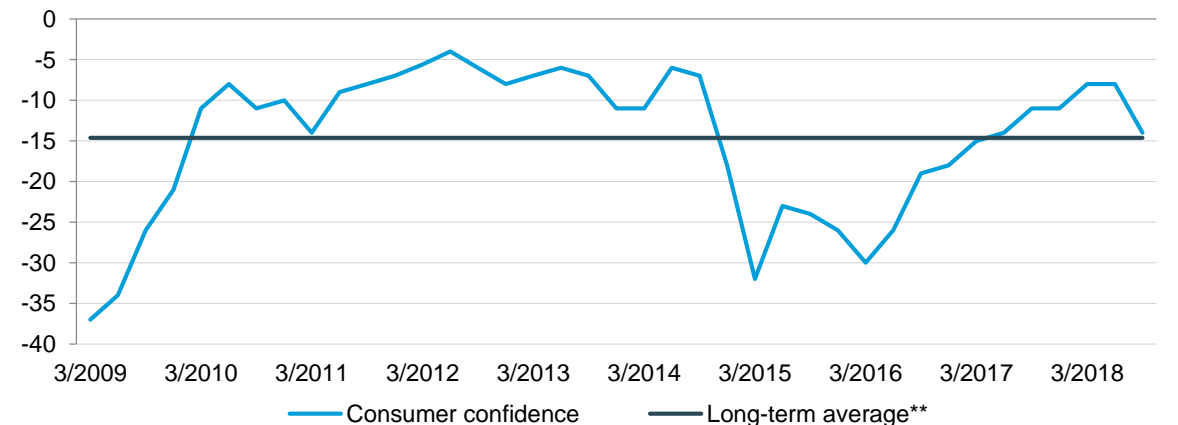
EUR/RUB EXCHANGE RATE



NEW RESIDENTIAL CONSTRUCTION VOLUMES (EUR billion*)



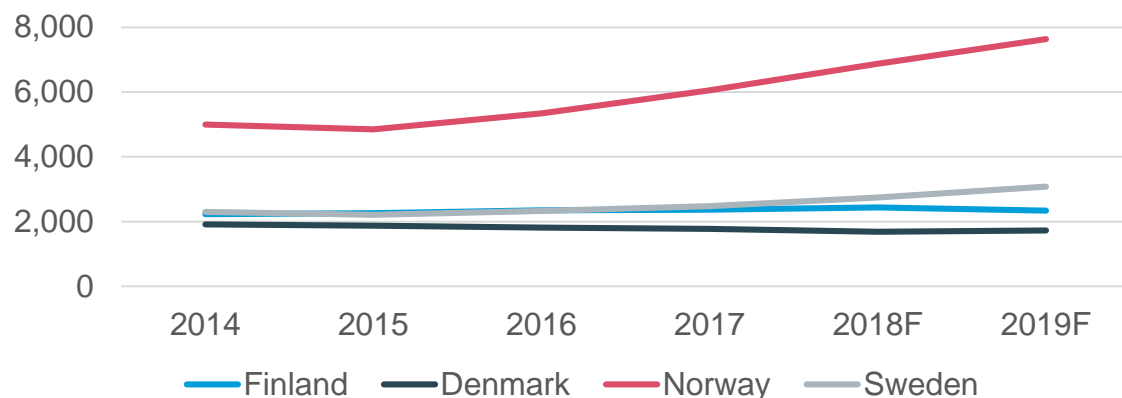
CONSUMER CONFIDENCE



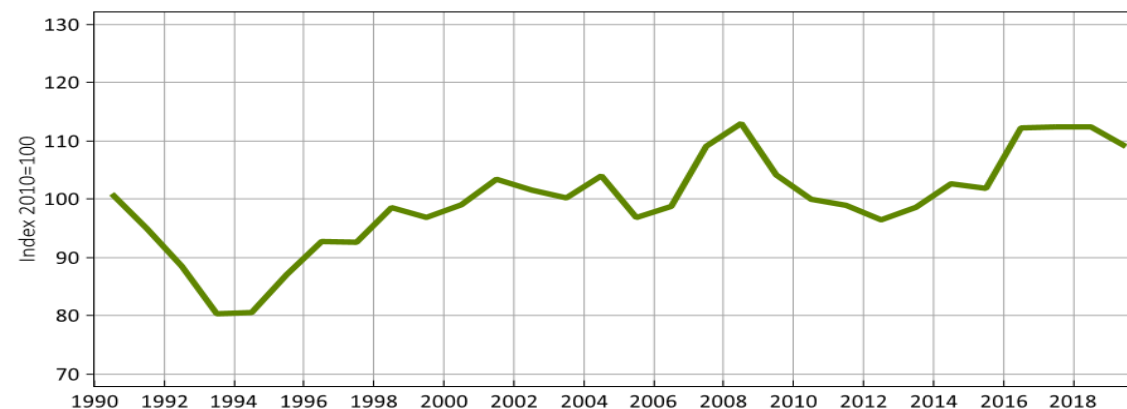
Infrastructure, paving and business premises

Operating environment

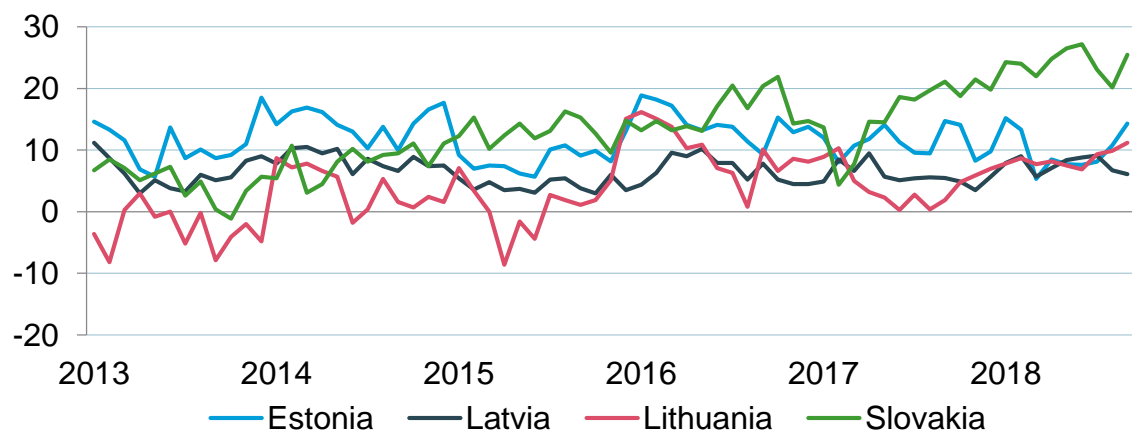
TRANSPORT INFRASTRUCTURE, ROADS (EUR million)



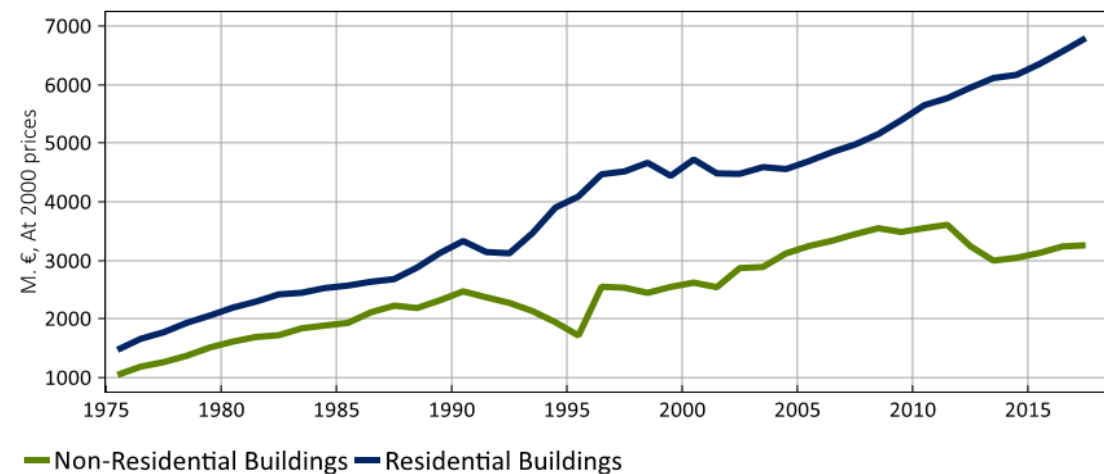
CIVIL ENGINEERING INVESTMENT VOLUME IN FINLAND



RETAIL TRADE CONFIDENCE IN THE BALTIC COUNTRIES AND SLOVAKIA



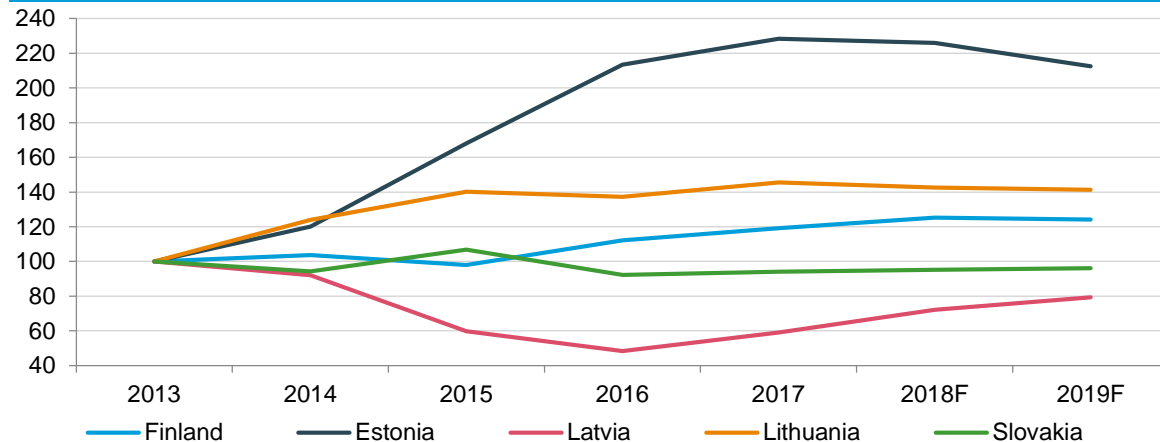
RENOVATION AND MODERNISATION OF BUILDING CONSTRUCTION IN FINLAND



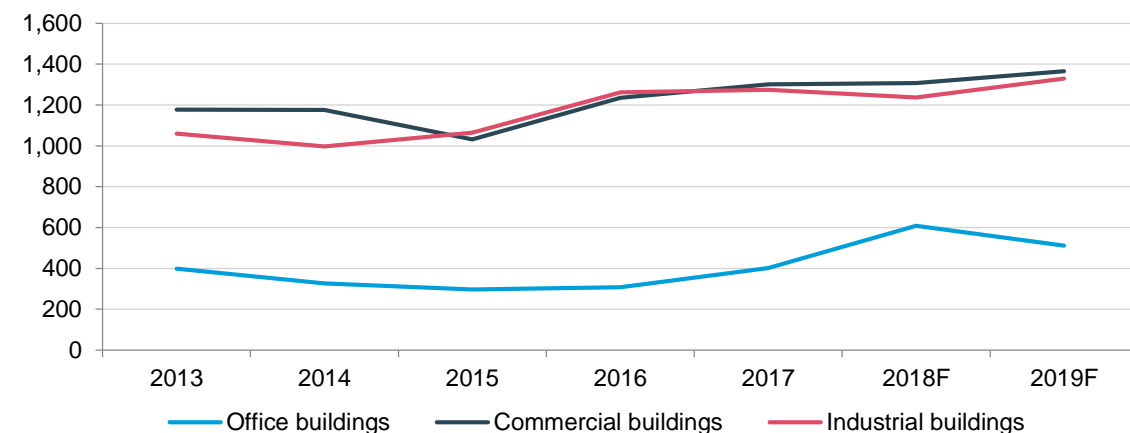
Finland, the Baltic countries and Slovakia

Non-residential construction volumes

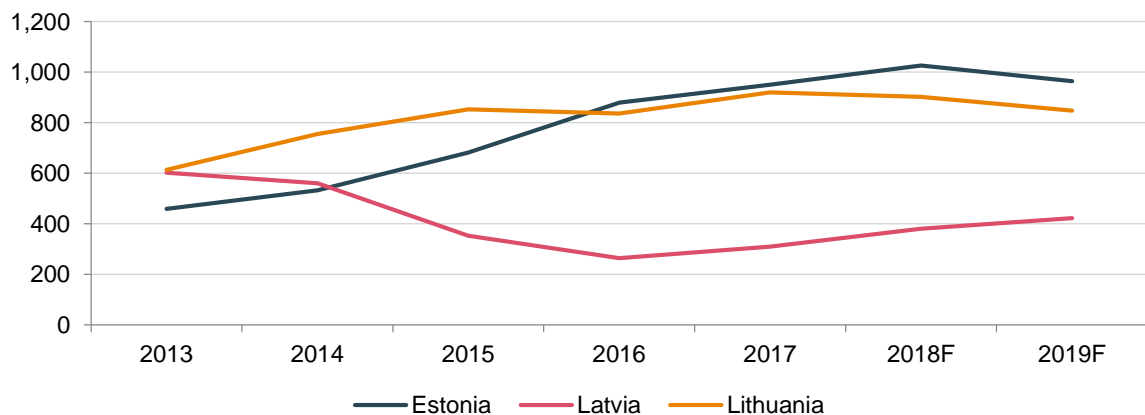
NEW NON-RESIDENTIAL CONSTRUCTION VOLUMES (index 2013=100)



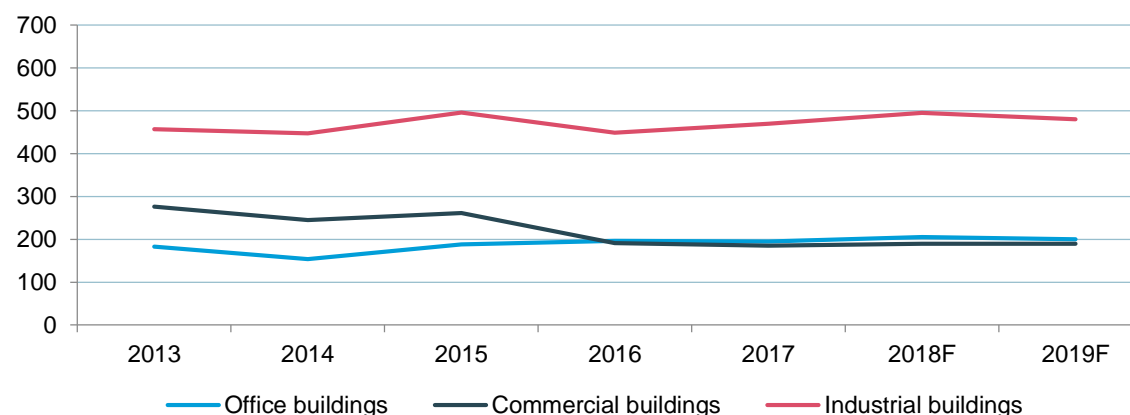
NEW NON-RESIDENTIAL CONSTRUCTION IN FINLAND (EUR million)



NEW NON-RESIDENTIAL CONSTRUCTION IN THE BALTIC COUNTRIES (EUR million)



NEW NON-RESIDENTIAL CONSTRUCTION IN SLOVAKIA (EUR million)



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