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Tommi Järvenpää: Good morning, and welcome to YIT's Full Year 2019 Earnings webcast. My name is Tommi Järvenpää. I'm the Head of YIT's Investor Relations. Today, we will be discussing our highlights from last year and Q4. We made very good development in 2019; and actually, our Q4 result was at all-time highest level.

Next, our CEO, Kari Kauniskangas, and CFO, Ilkka Salonen, will provide more details on the results and performance in 2019. We will have a Q&A after the presentation. We will first take questions from the audience here in Helsinki, and after that from the conference call lines.

Once again, warmly welcome. Kari, the floor is yours.

Kari Kauniskangas: Good morning also on my behalf. It's a pleasure to be here. Our results and performance improved again in 2019. And our operating profit increased 26% ending to a level of €166 million. Despite of heavy investments to plots and new projects, our operative cash flow was clearly positive. Most important moment of the year was completion and grand opening of Mall of Tripla. Mall has been well welcomed by clients and customers having our seven million visits by end of 2019.

Tripla had significant impact to the result of Partnership Properties, but at the same time the cost of finishing works and rushing within last few weeks completing the project according to agreed time declined the profit of business premises for 2019.

In Housing Finland and CEE, the sale increased 33% total and also consumer sales increased 18%. Operating profit was in a good level despite of that there was 1,000 completions less than a

year ago in Finland. Great turnaround has been done in infrastructure projects and Housing Russia, where performance in adjusted EBIT has increased together €55 million compared to last year. And we still have opportunities to continue the improvement in those segments.

In Russia, decision to close five units in housing and one unit in paving are under active implementation. The sale of Nordic paving and mineral aggregates business is on handling of AO[?] authorities and we expect to get the permit and have the closing of the deal during the first or second quarter of 2020.

Based on the results of the year and positive outlook for 2020, Board of Directors have made a proposal to the Annual General Meeting to pay dividend of €0.28 per share with the owners of the company and also to give Board of Directors right to decide the payment of – at maximum €0.12 per share extra dividend based on paving deal completion. Dividends will be paid in two tranches in April and October. Proposal is according to our public strategic target to have a growing dividend per annum.

During the last two years, we have managed to make integration of two traditional construction companies make turnaround in several underperforming business areas and invested a lot to new projects and urban new plots and new urban development projects.

After merging YIT and Lemminkäinen and ending the integration, we have been focusing to clients, competitive edges and performance improvement. Our current position is very strong. In housing, we are leading player in all countries and key cities we operate. In infrastructure, we have good position in selected market segments in all countries we operate. In urban development, the position is stronger than I personally expected when we announced this merger three years ago.

Just a short recap on our strategy. The focus is improving the profitability of the company. We have three strategic priority areas where we are looking for growth and structural profitability. In urban development, we have a great portfolio of new projects under development. Key topic is to keep those progressing well during this year. Just an example, last year the number of lifecycle projects, PPP projects, and alliances we won was remarkable, almost €1 billion. This year a lot is planned to happen in both Partnership Properties and Services Development area.

Overall, the focus of the company is improving profitability and performance of the company in four areas; improving the business mix, keeping the pricing on healthy level, continue productivity improvement on site level, brief[?] application[?], tax schedule, [inaudible] and that kind of ways. And harmonize the rate of control and grip[?] of all projects as we have in several areas already. And the great thing is that we still have lot of potential to improve profitability through internal actions independently on market development.

Then a few comments concerning the last quarter of the year. So, as Tommi mentioned, Q4 was all-time high adjusted operating profit quarter for YIT. Even there were, in addition to several successes, also some disappointments like postponement of closing A Tower in Keilaniemi, Espoo, and extra cost of completing Mall of Tripla in agreed date.

Housing sales, especially for consumers, developed strongly. In Finland, sales increased over 50% compared to comparison period. Also, the sales for investors have continued in a strong level. Performance both in Housing Russia and Infrastructure Projects is improving clearly, even we are not yet on a level that we are looking for.

Great start of Mall of Tripla has been also in results of Partnership Properties. In Business Premises, the result was weak, driven by those extra costs in completing Mall of Tripla in agreed date. Earlier record from the year from 2007, it was a bit more than €100 million. Now the new record of the quarter result is €121 million.

Backlog of orders is still very strong. It is almost on the same level than a year ago. And in addition, there are lot of projects that we won during the last autumn, for instance, Espoo PPP project, alliance project in Cronoratica[?] and several lifecycle projects which are not yet recognized in our backlog of orders. So, that is giving us a good view to this year out from revenue and profits point of view.

In Housing Finland, sales for consumers, especially sale of completed apartments was very strong; and that supported revenue of the quarter and also operating profit of the quarter. In Russia, the profitability overall of the project in continuing units, it's on a good level and performance improved. Even the number of completed apartments in Russia was not so high in those continuing units.

In Business Premises, we see some extra cost from Mall of Tripla completion and also from Herte[?] Shopping Mall project, which we had mentioned already earlier. Infra projects, we have been developing wind farms already several years. And now during the last quarter, the first one was sold to the final owner. We still have several farms in our portfolio and we are actively developing those further.

In Partnership Properties, the great profit, of course, was driven by fair valuation of Mall of Tripla. And if it takes all the impact of Tripla that it has had to the YIT's results and revenues during the last years, we are extremely satisfied on the profitability of the company. The profit is about double compared to what we estimated when the plot was won and acquired from the City of Helsinki and Senate Properties in August in 2013.

Synergies based on merger of YIT and Lemminkäinen has been followed now two years and this is the last report. So far, we have take actions which will lead to savings of €47 million. And so far, €41 million of those is already visible in our financial statement.

This year still we have some topics on the agenda, mainly connected to changes finalizing the changes in our IT platform and to renew our core financial solution.

Few words concerning the market outlook. So, the current outlook is that practically in all markets the expected development is very stable. Last autumn, we have some expectations that the demand of Business Premises would decline. But now at the moment, the view is that it will stay on the same level than it was last year.

Also in CEE countries, Czech Republic, Slovakia and Poland, we estimated that the decline of GDP or negative GDP in Germany in second quarter last year could have negative impact to those markets as well. But now the development also in Germany has been positive and we have not seen any decline in demand, so our estimation at the moment is that it will stay on the same level than last year.

During the autumn and last year, we have proceeded to execute our Green Growth group-wide development program. There are four key areas including compliance, efficiency improvement, new businesses based on sustainable development and also increasing the skill and knowledge level of the group on that topic.

Compliance area, we have been also analyzing and going through United Nations Sustainable Development Goals and analyzed with our material for YIT. Based on our analysis, the internal goals are well in line with those goals in five key areas, just an example, occupational safety, responsible subcontracting and procurement and reducing environmental impact of our own operations. So, we are supporting strongly global initiatives of United Nations for Sustainable Development on the globe.

In Housing Finland and CEE, the number of completions increased both in Finland, but especially in CEE countries. At the same time consumer sales increased leading also to very low level of unsold completed apartments. We have also continued to increase the number of start-ups both in Finland and CEE countries compared to previous year.

The outlook for this year is positive. The consumer demand has continued on a good level. The number of completions in Finland will be a bit lower than a year ago, but at the same time number of apartments sold to investors is on a high level.

In Housing Russia, the operating profit for the whole year was again back on black figures. Unit sales in last quarter improved, even it was a bit lower level than year ago but taking into account the decision to close five of our units, the sales in continuing units has been very strong. The number of unsold apartments is a bit high. At the same time, we have to say that it's extremely low in continuing units and then mainly those apartments for sale and completed are located in Moscow and Moscow region.

We have also continued in expanding the service business in Russia. And one of the steps was to establish a joint venture with local player in the Yekaterinburg, leading to increase of clients and number of clients in that business. Currently we have almost 80,000 clients, where we are responsible on maintenance of the apartments.

And changes to close that the units that we made last summer. We are actively proceeding in that area due to reason that there were some changes in local legislation Law 214. We have also decided that we completed – we construct ourself some of the projects still in Moscow region to make the closing of the units as smoothly as possible.

We continue still to reduce our capital employed in Russian operations as we have announced earlier. At the same time, this new Law 214 and the escrow practice is a bit increasing at capital

employed and the speed of reduction and this increase due to law change are around on the same level. So, we expect that the capital employed in Russia will stay now stable during this year.

Revenue of the quarter was strongly supported by the recognition of Mall of Tripla revenue. Unfortunately, the profitability was negatively impacted the rushing within the last few weeks to complete the project in due time. Order backlog is a bit lower but you can know this clear change in the content. So, the number of lifecycle projects, alliances is clearly higher than a year ago. And I have to note this there are, for instance, this escrow PPP project were €240 million, which was won last quarter of the year but it's not yet in our backlog of orders.

There are also some other alliance and lifecycle projects which are not yet in these figures. So, there is a clear shift now from tender-based projects towards the urban development projects also in this area. Closing of transaction of this A tower in Keilaniemi, Espoo was postponed to this year and that is a bit supporting the profit for this year also of this segment.

In Infrastructure Projects, the performance continued to improve and order backlog remained strong. Also, here we have number of projects that are not yet included in the backlog of orders. So, the outlook is positive and we expect that the improvement in operating profit of this segment continues.

And as said earlier, both wind farms that we have been developing during last few years, or actually several years already, are coming to the stage where we are starting to consider the selling process of those farms as well.

It has been pleasure to notice how attractive partner YIT is for the global players in real estate investor market. As you can know this from the graphs, the cash flow invested with those joint

ventures and funds which has been sold by around €158 million. Last year we got already rental incomes and the fair valuation impact overall is now €77 million for the assets.

Last year the return on capital employed was on very good level, close to 40%, but it was an exceptional year. So, from now on, it's good to remember that the expected profit from this segment are around 15% return on capital employed level. And that would be the level also in the future. As mentioned, we have several projects under preparation where we are negotiating with joint ventures or funds establishment and then we are expected to proceed in these areas during this year with several steps.

Then figures concerning discontinued operations, meaning Nordic paving and mineral aggregates business. Closing of the year was successful. And if I look at the figures overall, we made a clear turnaround in this segment during the year. The most remarkable change happened in Nordics countries, especially Norway, where we first time made a positive result. Also result in Sweden improved clearly. And overall the Scandinavian business was on a positive level. Even overall figures, overall production volumes have been a bit lower than a year ago.

Preparation of carve-out are proceeding well. We are ready for transferring this business to the new owner. And now we are expecting the acceptance from EU competition authorities. And the expectation is that the deal will be closed during the first or second quarter of the year immediately when we get the acceptance.

Then I give Ilkka time for few words on financing situation. Thank you.

Ilkka Salonen: Good morning everyone. First a few words about our financial position. And as it was decided in that right after the merger that one of the key targets for the company's financially healthy situation, and there we are. I have only three slides, pretty much repeating about the Q3 report, but there are couple of highlights, which I want to say over here.



First, the cash flow. Operating cash flow during the last quarter was the strong. One important point is that that we have invested quite a lot for the plots and for the future business during the last quarters, especially in the last quarter in 2019. And roughly about half of the plot investments were actually directed to the CEE countries in Czech, Slovakia and Poland.

Last year, operating cash flow €205 million during the last quarter that has the impact from the sales of Tripla offices. If we look at three months behind, I would say that that the cash flow was slightly better than we expected. But due to the fact that we are still making quite a lot of structural changes, there are still some room to improve that one as well.

Net debt. Just did a debt around €600 million and the profile in our – the maturity structure in our loan portfolio is pretty much the same. Only exception is that we refinanced one of our collateral and expire date over there is on 2022, so it's a little bit more diversified than it was three months ago.

Net receipts in gearing, we are there where we we're targeting. Equity ratio improving. And, of course, for the bankers, the important figure, the net debt to EBITDA is flowing to the right direction.

That was shortly about the financial position what we are having. And please, Kari, about the outlook and guidance.

Kari Kauniskangas: Yeah. When we are starting a new year, we have some key focus areas. And as you can remember on the wordings earlier, the performance improvement widely in all segment is in our key focus area during the year. Of course, finalizing the sale of Nordic paving and mineral aggregates business and ensure the progress of great project portfolio that we have

are key topics. And as mentioned in service businesses, part of the properties and services, we are looking for several steps during the year.

The completions are important to understand the operating profit development during the year. The curve of the profits per quarter will be quite similar than in the previous years as well. And it's good to know this that for instance in Housing Finland and CEE, there will be more completions during the last quarter than during the first three quarters together.

In Russia, the completions are more even but there are still lot of completions from the units to be closed in Moscow region happening during this year. In addition, in Finland, we have quite significant amount of project for investors and the construction and those are reported according to percentage of completion method.

So, as mentioned, consumer demand has continued strong. Our brand and strong track record and strong balance sheet are supporting us at the moment in markets. Housing production is proceeding. Backlog of orders is in a good level and amount of projects won especially taken into account.

Based on these facts, we give the guidance for 2020 in the following way that the group revenue is estimated to be within the range of €2.9 billion to €3.3 billion. And group adjusted operating profit of continuing businesses being within the range of €150 million to €190 million. Also, that significant fluctuation is expected to be between the quarters due to normal seasonality due to closing of sales of Business Premises and due to completion schedules of residential projects.

The last quarter is expected to be clearly the strongest again during this year. For the third quarter, we estimate that the adjusting operating profit will be on the level for above the comparison period.

So, I thank clients and trust our personnel and partners on commitment and great work during the year. This was our presentation today. And now we have time for questions we are ready to answer and we start here from the Käpylä.

Speaker: [Inaudible].

Kari Kauniskangas: No. Herte, Tripla and Viliporo[?].

Speaker: [Inaudible] your target is 5-7% EBIT margin. Can you give some color on it would have been adjusting for [inaudible].

Kari Kauniskangas: Well, of course, it would be a bit better; but that is the result for last year. Now we are looking for future. Those projects are successfully completed. Viluporo already is completed. Tripla Mall in use. Hotel in use. First office in use. And then the last offices will be completed now at the end of this month. And Herte will be completed by end of this quarter. So, then we have both projects behind. And at the same time that the project portfolio behind those projects has been improving, actually the performance has been quite well. So, we expect that the performance of this segment start to improve from the second quarter of this year on.

Speaker: Then on Mall of Tripla valuation, you don't disclose exactly the fair value of Mall of Tripla. But is it correct to assume that it is around €800 million?

Kari Kauniskangas: Yeah, it's a bit less than €800 million and it's good to remember that we are evaluating the ownership in joint ventures. So that's including both the value of the mall assets, plus also the incomes from the tenants which are now in that joint venture.

Speaker: And then also on the whole Tripla project you said that the gain from there is double what you budgeted. Can you give some flavor on how that compares with the mall, the offices and the apartments?

Kari Kauniskangas: So, the part of the projects are profitable. Of course, this fair valuation and the real value based on the rental incomes is bigger than we expected at the beginning. And I would say so that the main part of the profits are already recognized now.

Speaker: Okay. And then perhaps on the Q1 guidance, I guess, it's – the apartment completions are lower, that's one thing but you also postponed the Accountor Tower to Q1. So, can you give a bit more color on Q1? To me, it appears a bit a weak guidance.

Kari Kauniskangas: Yeah. As you can notice, there will be very low number of completed apartments in all two segments and pre-market area. So, that is, let's say, leading to low level of operating profit during the year. Yes, we are targeting to close the deal of Accountor Tower during this quarter, but this is also normally seasonally weak quarter for infrastructure projects as well.

Speaker: And then finally on the large project pipeline that you have, how has the – is there any change in the interest from co-investors on that point getting better or less interest?

Kari Kauniskangas: As said, we have been surprised how attractive partner YIT is for global players in real estate market. And it looks like that there is big interest to be a partner for YIT in those big projects. And that is, of course, a positive sign for us and gives us trust what we are doing and continue on that part as well.

Speaker: Thank you.

Olli Koponen: Olli Koponen from Inderes. I have couple of questions. First one the Housing Finland side. On the market, how do you see the markets for different customer groups at the moment? You said – you pointed out that you have some oversupply in the housing side or it is on a high level.

Kari Kauniskangas: We have been extremely surprised how well we are selling apartments to consumers. And based on my discussion with sales personnel and unit directors of housing, it looks like that the strong position, strong brand, good track record of YIT is now supporting clearly our position on the market. Also, based on our strong balance sheet, we are able to get the RF financing still very well, which is, according to my understanding, also leading to increase of the market share of YIT in this market.

Also, one of the reason is that our products and projects usually are located within the city structure close to public transportation hubs and good locations overall. So, it looks like that in those locations, the demand has been on a good level and we have not been suffering on oversupply in – practically in any areas.

Olli Koponen: And if we look at the housing starts to investors last year, it was on the same level as for consumers. Would it be reasonable to expect that investor completions would be on the same level as for the consumer completions this year?

Kari Kauniskangas: Yeah, investor completions doesn't matter actually because we are reporting those according to percentage of completion. But products, I mean, in-housing is proceeding as fast as we can, so all resources are in use.

Olli Koponen: Obviously, you said that the costs are rising because of the good demand. Do you see the market overheating?

Kari Kauniskangas: I was a bit worried on that a year ago, but now it looks like that the situation is more stable. The price increases are not so high any more than it was maybe a year, year and a half ago. So, at the moment, my estimation is that the market situation is stable.

Olli Koponen: And lastly on the outlook, it is quite – well, again, can you elaborate what are the main reasons or project that affect this?

Kari Kauniskangas: This year is different compared to last two years when we had one significant projects or seeing significant projects having an remarkable impact or profit. This year the profit is expected to come from several sources. So, there are no any single project which is having a significant role for the profit of the year. That is the reason also why the guidance range is narrower than year ago at the same time.

Speaker: [Foreign Language].

Kari Kauniskangas: Yes, there were some questions concerning the cooperation negotiations with employees which was started at the beginning of this week. So, as you know this from the guidance, the revenue of the company is slightly coming down from the last year.

Also, the paving operations are prepared to be sold and this situation has been known by us already since the summer last year. So, we have been preparing the cost structure and group organization, so that it would be on the level of the group volumes overall. And now we are in a situation where then still some small adjustments are needed; even we made already like the big adjustments during the autumn based on normal changes in the organization.

In Business Premises, it's more a question on, let's say, growth that the Tripla project and move the personnel to data projects that we are preparing at the moment.

Speaker: [Foreign Language].

Kari Kauniskangas: There was a question concerning Asavez[?] decision not to invest any more for shopping malls. So, every company makes their decisions based on their own priorities and I don't have anything to comment on that.

There is still one question in Käpylä, and then we will have questions on line.

Speaker: Thank you. Question related to this possible extra dividend related to paving business sales. How you think this about this capital allocation? I mean, typically you have also good returns of capital available inside YIT, for example, in Regenero or other businesses. So, how you have considered those two options to use that capital inside businesses of YIT or [inaudible]? Thank you.

Kari Kauniskangas: The size of the planned extra dividend is 10% of the income from selling the paving – Nordic paving and mineral aggregate operations. So, it's actually quite small part of that. And 90% of the incomes has been estimated to be invested to strengthen the balance sheet and reaching the right level of gearing; and also we have enough capacity to invest to those projects that we are planning to start during this and next year. And now I think there is time questions on line.

Operator: Thank you sir. Ladies and gentlemen, if you would like to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. And again, please press star one to ask a question today. We will take our first question from Anssi Kiviniemi from SEB. Please go ahead. Your line is open.

Anssi Kiviniemi: Thank you. It's Anssi from SEB. Couple of questions still left from my side. First of all, on your Capital Markets Day, you showed us some nice slide where you indicated 2020 business momentum per division, and kind of I read it was mainly related to profits and EBITDA and thus indicated that every other business will be improving, except for Partnership Properties. So, is the situation intact the way you see it currently?

Kari Kauniskangas: The situation per segment is exactly the same than what we considered at the end of September. Maybe one change is that Housing Finland and CEE made better result than we estimated at the end of September last year. So, there the performance – due to the reason that the completions will be maybe 200 to 300 units less than year ago will be very similar level.

Anssi Kiviniemi: Okay, thanks. Then on Partnership Properties in 2020 outlook, there's some development gains or fair value gains to be made in Keilaniemi and the two projects there. But is there anything else in the pipeline that we should expect happening in 2020?

Kari Kauniskangas: There is lot of in the pipeline. And, of course, it's better not to list those before the deals or the steps have been taken. But as we have indicated earlier, this return on capital employed of this segment of 15% is a good guideline to consider what could be the estimated profit from that segment during the year. And this year, I think, that is a good guideline.

Anssi Kiviniemi: Okay, thanks. In 2018 and '19 you had a couple of projects that basically generated massive, massive EBIT support for your operations. 2020 it's not so. But when we look into 2021, is there something similar large project contributing to your business there?

Kari Kauniskangas: From the presentation, you saw the list of those big project. We estimate that during this year, in several of those projects, we will get the accepted detailed plan, which means that after that, the start-up of the projects are possible. And, of course, we are targeting to have start-up of those projects as soon as possible after we get the valid city plan for the areas.



Then how those are reported and what will be the impact of those 2021, it maybe early to estimate. But if we look how we have been recognizing the profit and revenue from Tripla for instance, that is maybe the way how we are proceeding. The project are big, so none of those is going to complete 2021.

Anssi Kiviniemi: Thanks. Then on your balance sheet, as yourself highlighted, it's in a good position and strong position, especially when you compare it to some of the competitors. Kind of how big of a competitive advantage in this market is your size and your balance sheet compared to the competitors? Could you kind of give us examples of how you can see the competitive edges playing out?

Kari Kauniskangas: Well, of course, I don't know exactly the situation of the competitors and I can't compare. But from our point of view, I can say that thanks to strong balance sheet and strengthen in balance sheet we have been able to continue good cooperation with all the banks. We have wide limits to have RF financing for instance, which means that the number of projects being directed to consumers according to RF housing company loan principle, it is probable that our market share in that market is going to increase during this year.

Anssi Kiviniemi: Okay. That's all from me. Thank you very much.

Operator: Thank you. Ladies and gentlemen, as a reminder, to ask your question over the phone, please press star one on your telephone keypad. And we will now take our next question from Matias Rautionmaa from OP Corporate Bank. Please go ahead. Your line is open.

Matias Rautionmaa: Yes, hello everybody. Matias from OP. Few questions still left for me. So, one concerning about the start-ups. Are you able to increase your start-ups in Finland? When we

look at your resources, you said that they are already in full use. So, are you able to increase start-ups?

Kari Kauniskangas: From a plot point of view, we have opportunities to increase number of start-ups. From resources point of view, it's continuously the topic; and that is also one reason why we decided to start those cooperation negotiations with personnel so that we are able to move people from – between the segments so that we can now look at resources as well as possible in this market environment.

And for sure we are driving the volume of self-developed housing projects for consumers on a maximum level also from RF limits points of view.

Matias Rautionmaa: Okay. Very well. One further question about the potential regulation that is maybe coming to the mortgage market that will limit some ability to take mortgage. How do you see this as a threat? And are you already preparing for this?

Kari Kauniskangas: First of all, we know that this type of regulation is coming. At the same time, when we look the principles how we are preparing the projects, we continuously try to avoid extremely expensive apartments because also independent on markets development, the number of potential clients is quite limited. So, we continuously are designing apartments, which are according to their purchasing power of potential clients.

Matias Rautionmaa: Okay, thank you. And final question, to be sure that the dividend. Is it really the extraordinary with respect to your target of increasing dividend on a yearly basis?

Kari Kauniskangas: So, yes, we are targeting to increase the annual dividend per share and this €0.28 per share, that's the comparison figure for us in – for coming years. So, this €0.12 is

connected to paving – Nordic paving and mineral aggregates deal, and that can be seen as extraordinary.

Matias Rautionmaa: Okay, thank you.

Operator: Thank you. As a reminder, ladies and gentlemen, to ask a question today, it's star one on your telephone keypad. There are no further questions on the phone sir. Thank you.

Kari Kauniskangas: Okay. Thank you. And thank you for being here. I wish you all a great year 2020. Thank you.