



Financials update and Partnership Properties segment

Esa Neuvonen, CFO
Capital Markets Day 2017
September 28, 2017



yitgroup.com

1

Financials update



Reflections of the first year as CFO

Potential for growth and renewal

- Excellent capability to create new projects
- Emerging partnerships as a route

Concrete commercial innovations

- Smartti well received in the market, inspires the adoption of new ways of thinking
- Mall of Tripla full of innovations to be further utilised

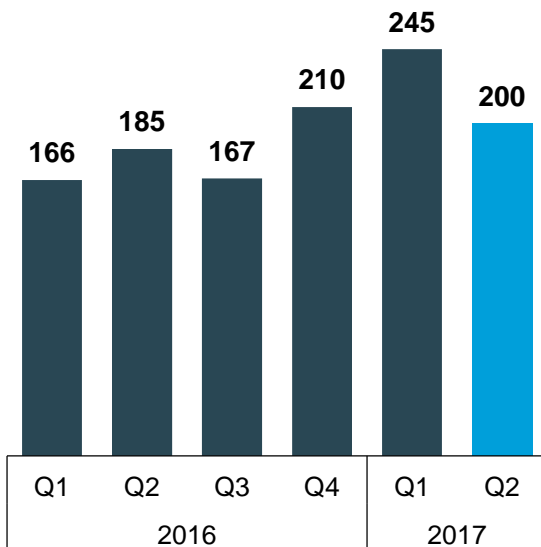
A good foundation for growth laid over the past years

- Good progress in reducing debt and increasing cash flow and profitability, capital efficiency structures adopted
- Strategy, project development capability, production efficiency, partnerships
- Strong capability for urban development

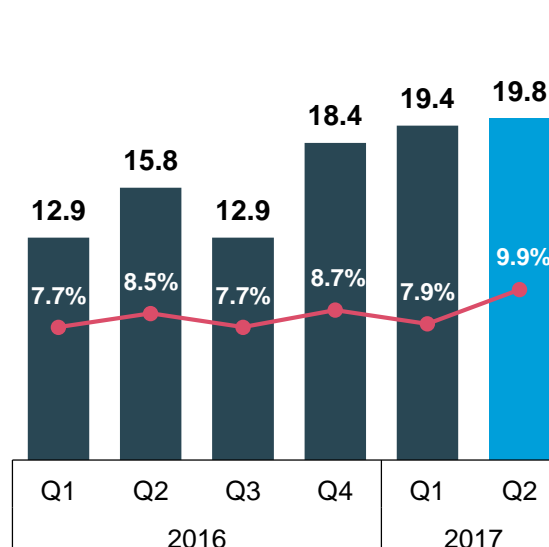
Housing Finland and CEE Financials update

- Success in improving sales mix
- Improved profitability
 - Changes in product offering
 - Increased share of the CEE countries
 - Fewer discounts given

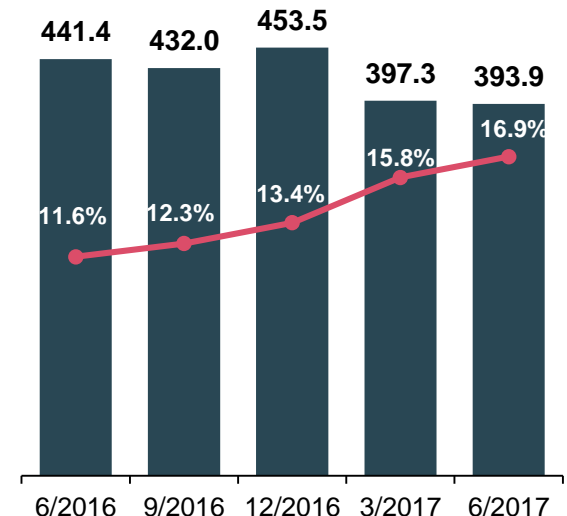
Revenue, EUR million
Change Q2/2016 – Q2/2017: 8%



Adjusted operating profit, EUR million, %
Change Q2/2016 – Q2/2017: 25%



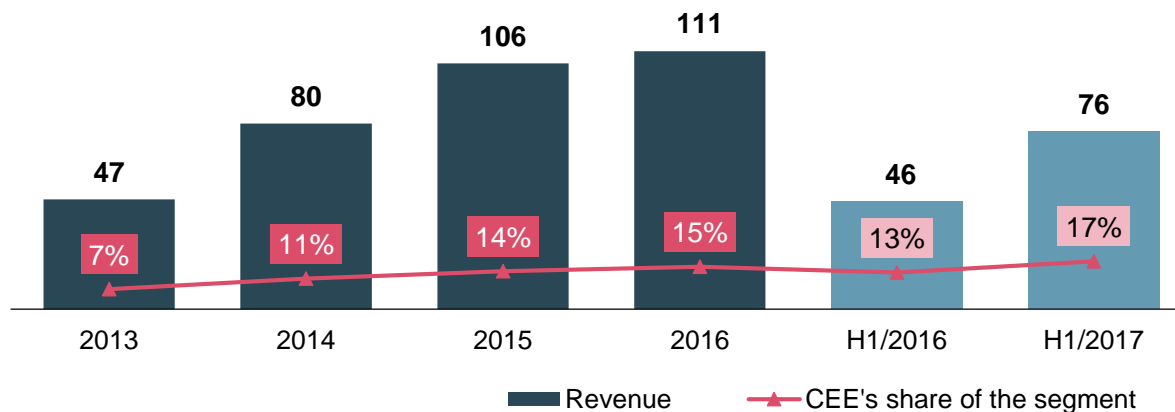
Return on capital employed, EUR million, %



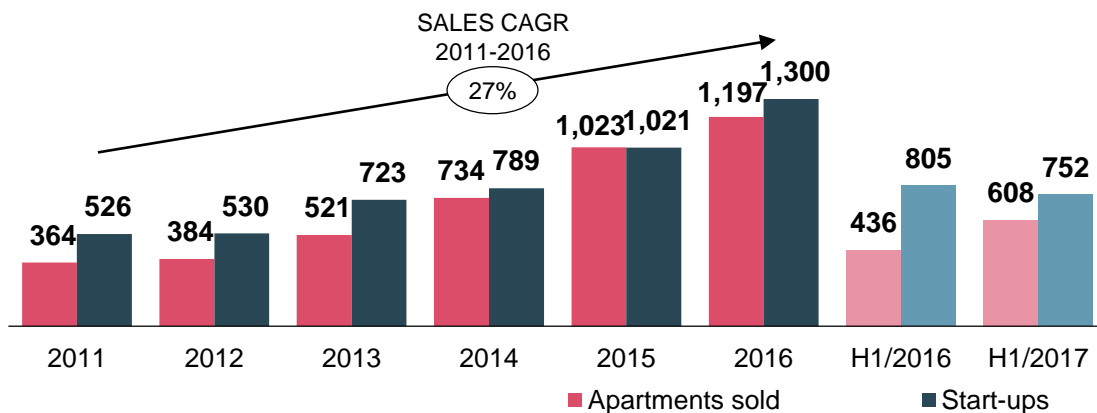
All figures according to segment reporting (POC).

Housing CEE Financials update

Revenue, EUR million, the CEE countries' share of the segment's revenue, %



Apartment sales and start-ups, units



- Good development in revenue in Q2/2017
- EBIT-% above the Housing Finland and CEE segment's average since 2015
- Growth in residential sales volume every year since 2010
 - In H1/2017, unit sales grew by 39% y-o-y
 - In 2016, unit sales grew by 17% y-o-y
- The number of start-ups decreased by 7% in H1/2017 due to slow permitting processes
- Residential prices in a growing trend on average

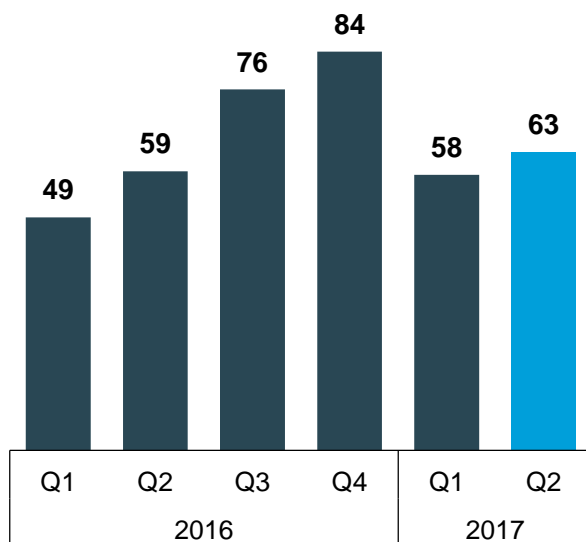
All figures according to segment reporting (POC).

Housing Russia

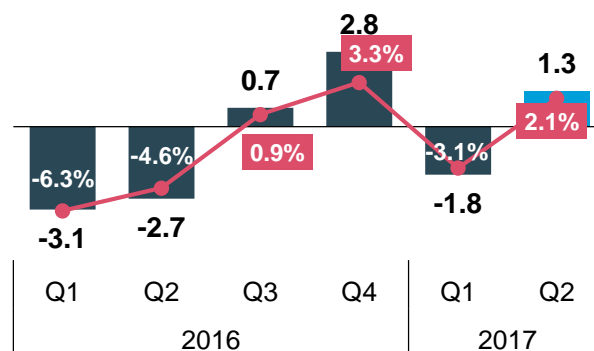
Financials update

- Weak sales, H1/2017 revenue decreased by 9% at comparable fx
- Improved gross margins had a positive effect on profitability
- Expected Q3 sales still lagging below the last year's level

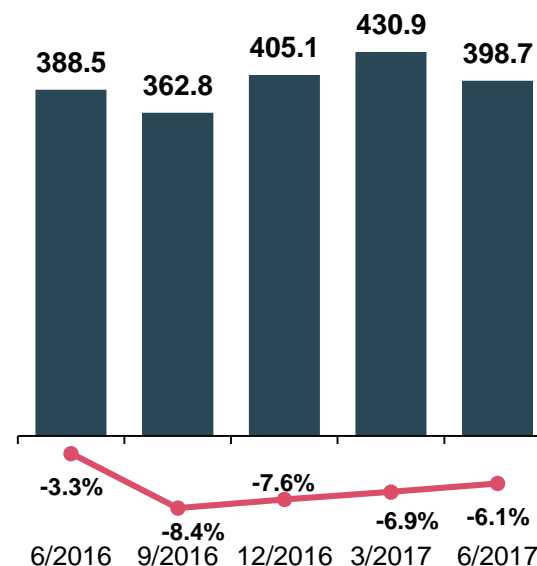
Revenue, EUR million
Change Q2/2016 – Q2/2017: 7%



Adjusted operating profit, EUR million, %
Change Q2/2016 – Q2/2017



Return on capital employed, EUR million, %



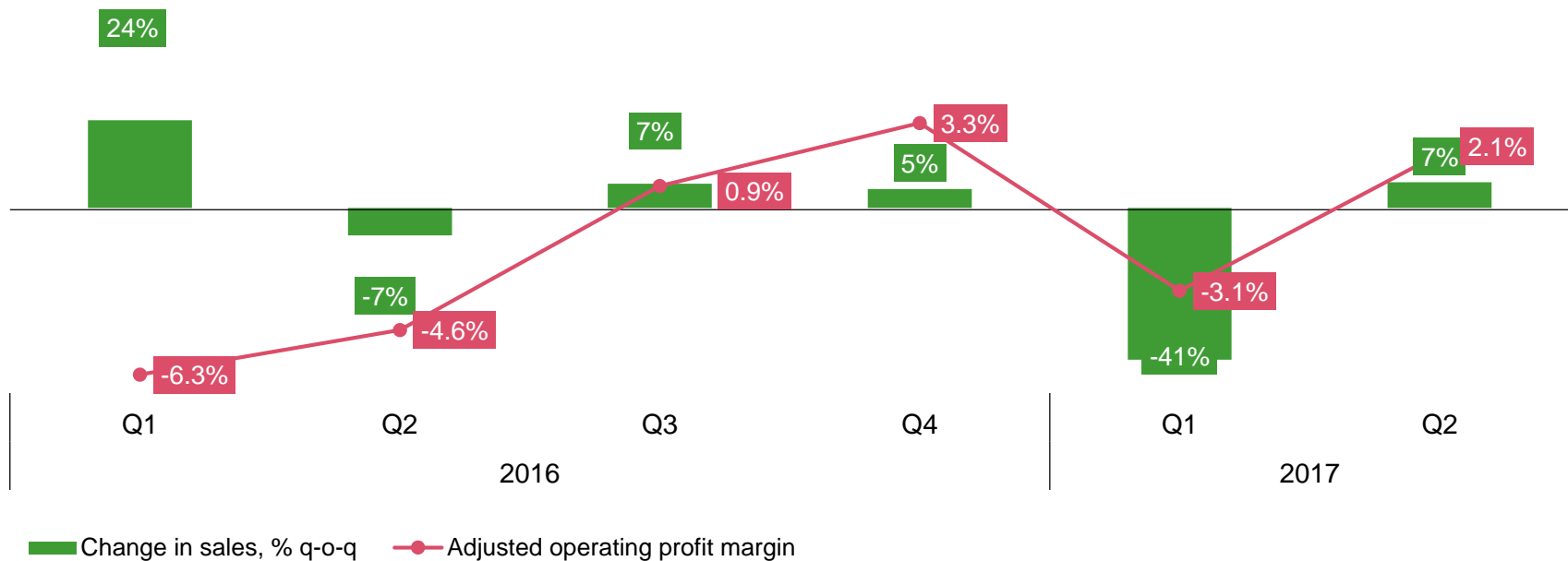
All figures according to segment reporting (POC).

Housing Russia

Gross margin on an improving trend

- Offering adjusted to market conditions, improves gross margins
- Production started before the 2014 crisis to be completed in the end of this year
- Price lists have remained unchanged, consumers still waiting
- Sales still clearly behind the 2016 levels but some improvement seen in Q3

Adjusted operating profit margin, change in sales q-o-q, %



All figures according to segment reporting (POC).

Business Premises and Infrastructure

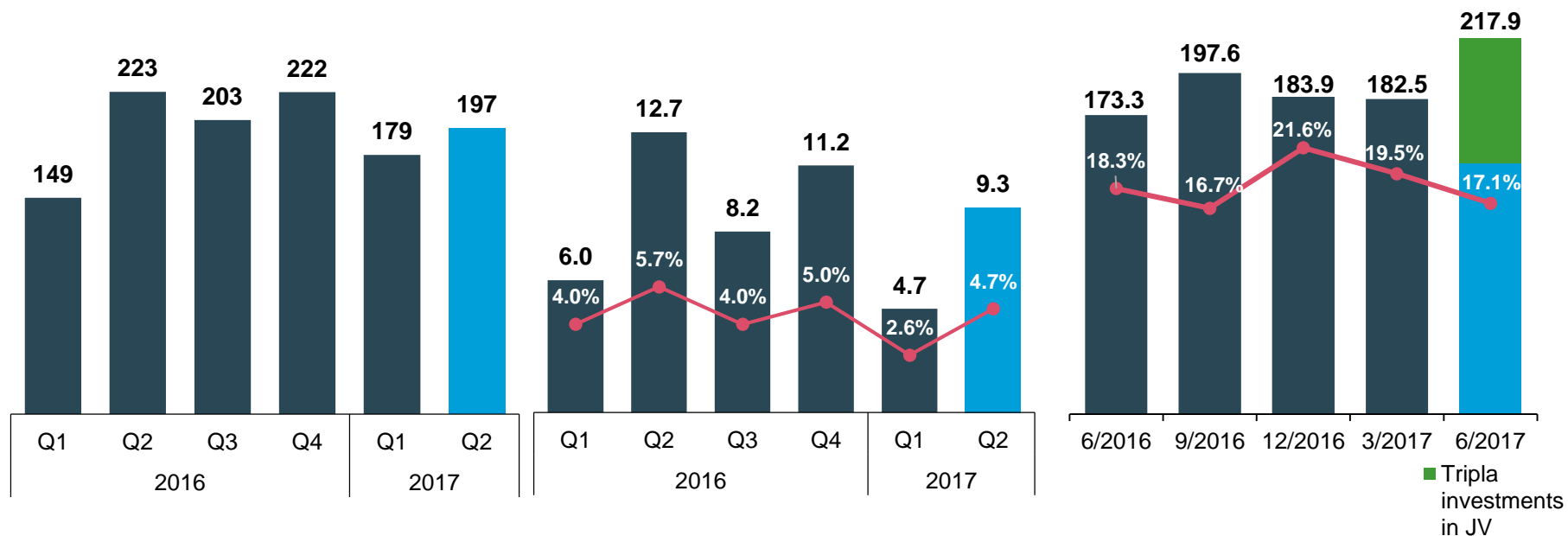
Financials update

- Profitability back on a satisfactory level
- Tight competition over projects in the beginning of the year
- Increase in capital employed due to investments in the Tripla project
 - EUR 72.4 million Tripla investments in JV at the end of H1/2017

Revenue, EUR million
Change Q2/2016 – Q2/2017: -11%

Adjusted operating profit, EUR million, %
Change Q2/2016 – Q2/2017: -27%

Return on capital employed, EUR million, %

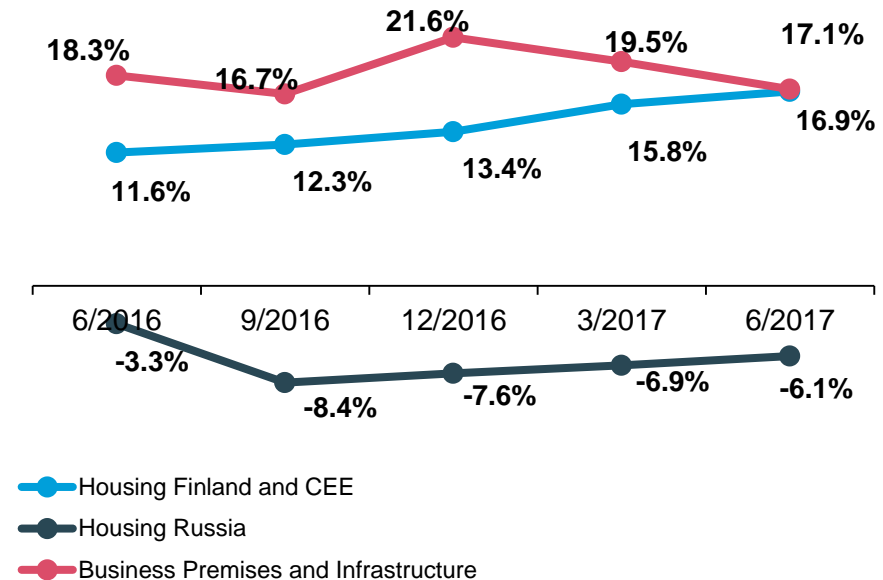


All figures according to segment reporting (POC).

ROCE on a good level in Finland and in the CEE countries

- In Business Premises and Infrastructure, ROCE burdened e.g. by Tripla JV investments
 - Illustrative ROCE excluding Tripla JV investments would be 21.0% in Q2/2017
- In Housing Finland and CEE, ROCE has increased throughout the past 12 months to 16.9%
- Target to release approximately RUB 6 billion capital in Russia by the end of 2018, vs. Q2/2016 (RUB 28 billion → RUB 22 billion)
 - Excluding the write-down in Q3/2016, ROCE would be 0.7% in Q2/2017

Return on capital employed ROCE¹ (last 12 months), %



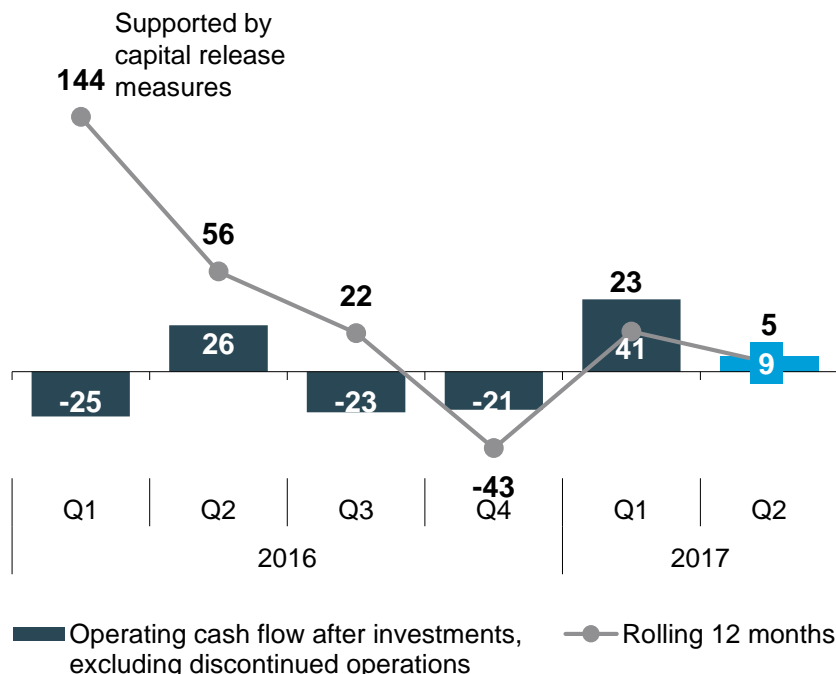
All figures according to segment reporting (POC).

¹As 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

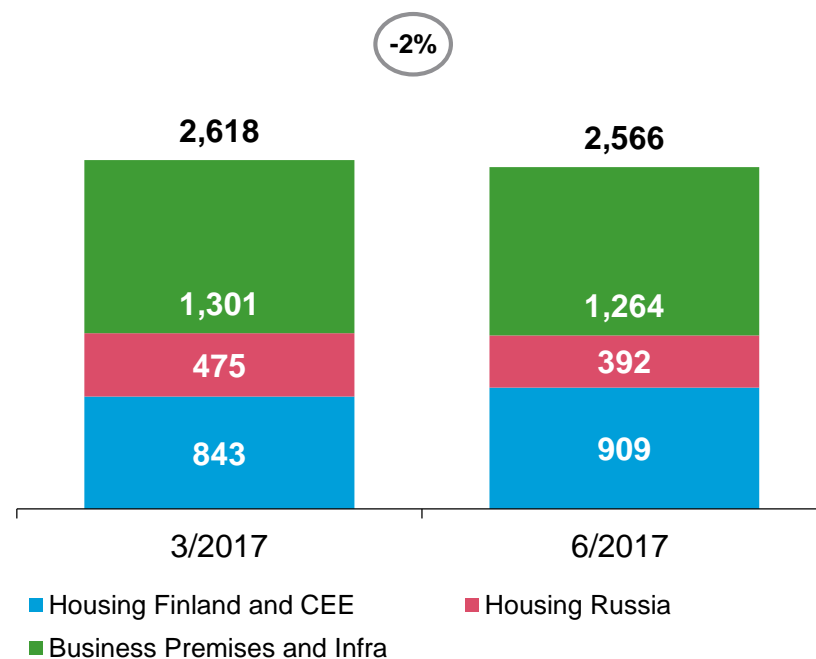
Group figures

- Cash flow positive on the target level
- Order backlog still strong
 - 58% sold at the end of H1/2017
 - Good foundation for the future






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



Order backlog by segment (POC), EUR million



Status regarding financial targets

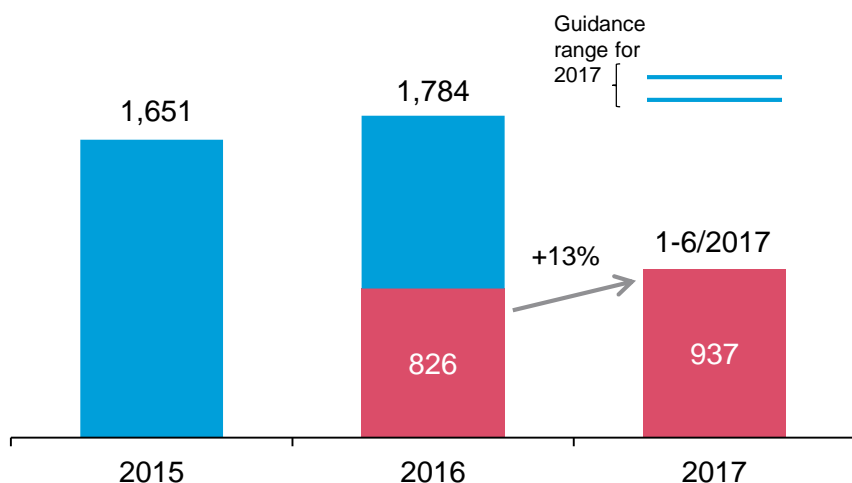
| Long-term financial target | Target level | Status 6/2017 | |
|--|--|---|---|
| Revenue growth | 5–10% annually on average | 1–6/2017: 13% (11% at comparable exchange rates) |  |
| Return on investment | 15% | 5.6% (8.1% excluding the write-down) |  |
| Operating cash flow after investments ¹ | Sufficient for dividend payout | 1–6/2017: EUR 49.7 million |  |
| Equity ratio | 40% | 34.6% |  |
| Dividend payout | 40 to 60% of net profit for the period | 2016: 373.3% (95.3%) ² |  |

¹Excluding discontinued operations ²Calculated with adjusted EPS
All figures according to segment reporting (POC)

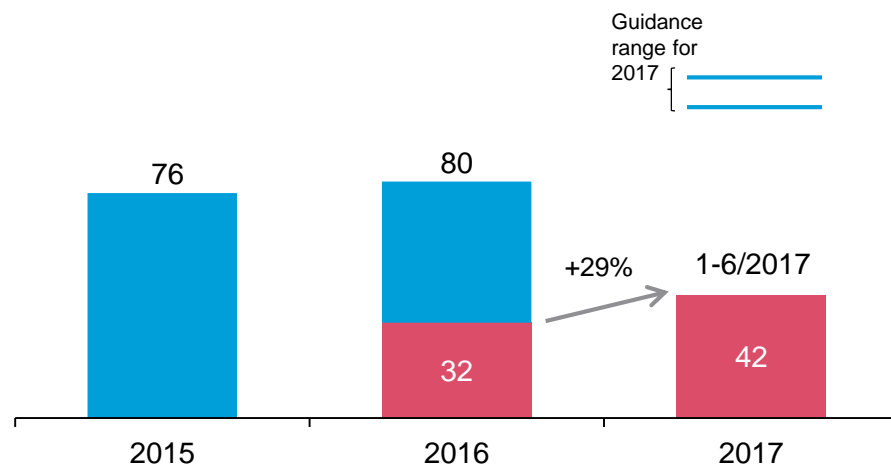
Guidance for 2017 unchanged (segment reporting, POC)

- The Group revenue is estimated to grow by 5–12%
- The adjusted operating profit¹ is estimated to be in the range of EUR 105–115 million

Group revenue, EUR million



Adjusted operating profit, EUR million¹



All figures according to segment reporting (POC).

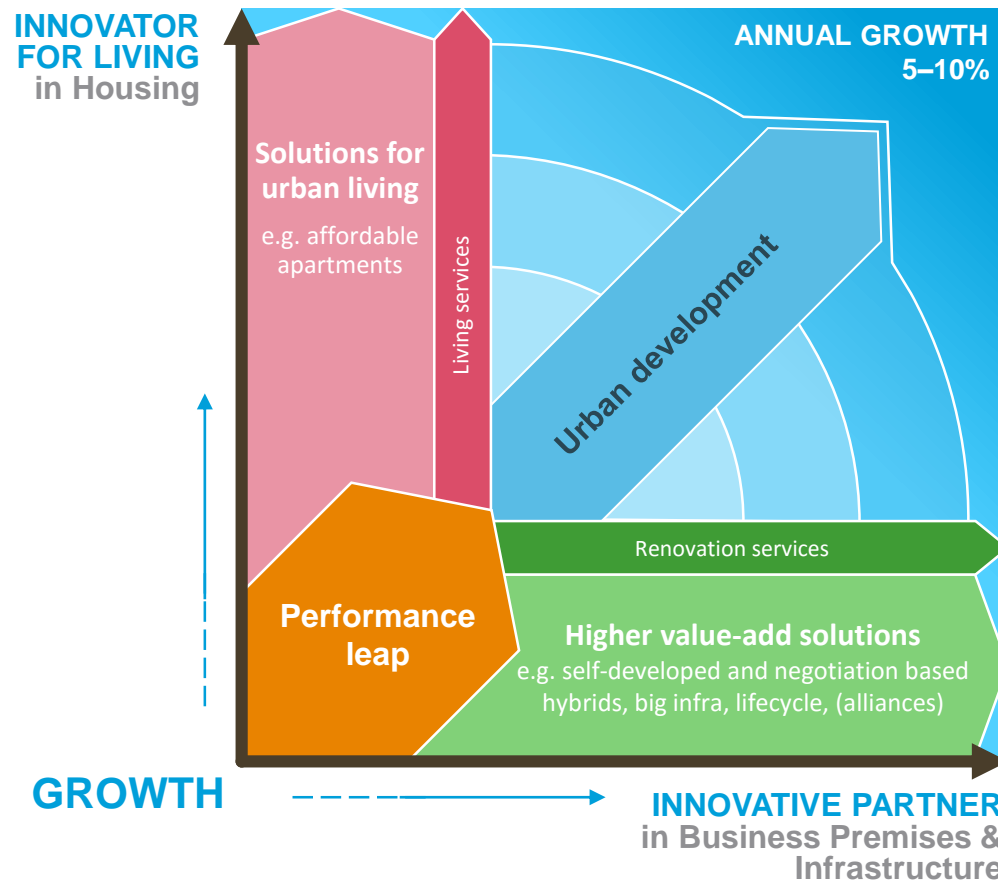
¹The adjusted operating profit does not include material reorganisation costs, impairment or other items affecting comparability

2

Partnership Properties

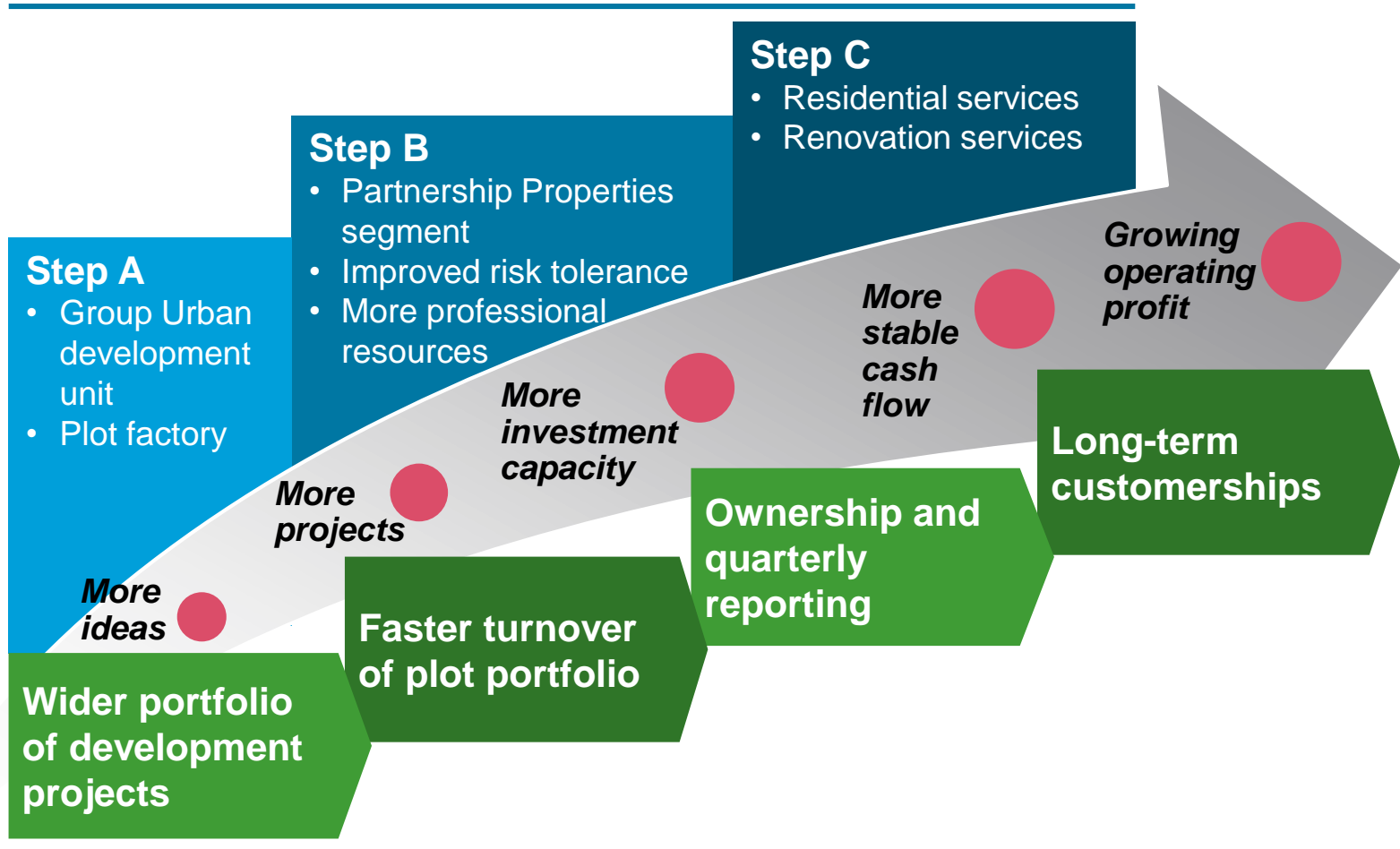


Urban development boosting the balanced growth



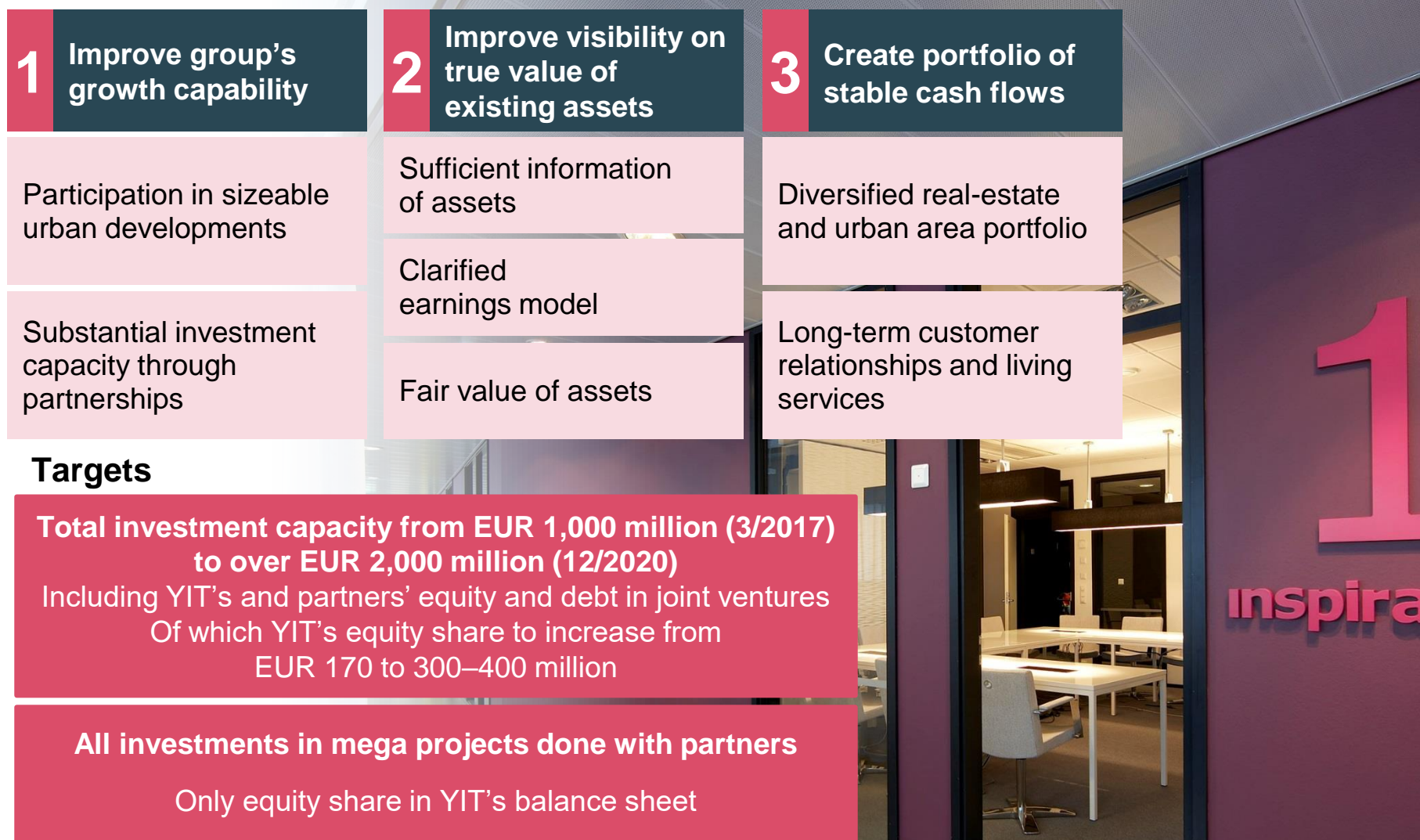
More out of urban development

KEY ACTIONS



NEW APPROACH

Targets of the new business area



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

YIT's unique position in urban development turns challenges into opportunities



Challenges

For a real estate investor

- Limited number of cases
- Investment structure: no possibilities to influence
- Poor visibility in opportunities

For a traditional construction company

- Investor and funding structure for each case
- Relationship to customer's end
- Product and service loop



Opportunity for YIT

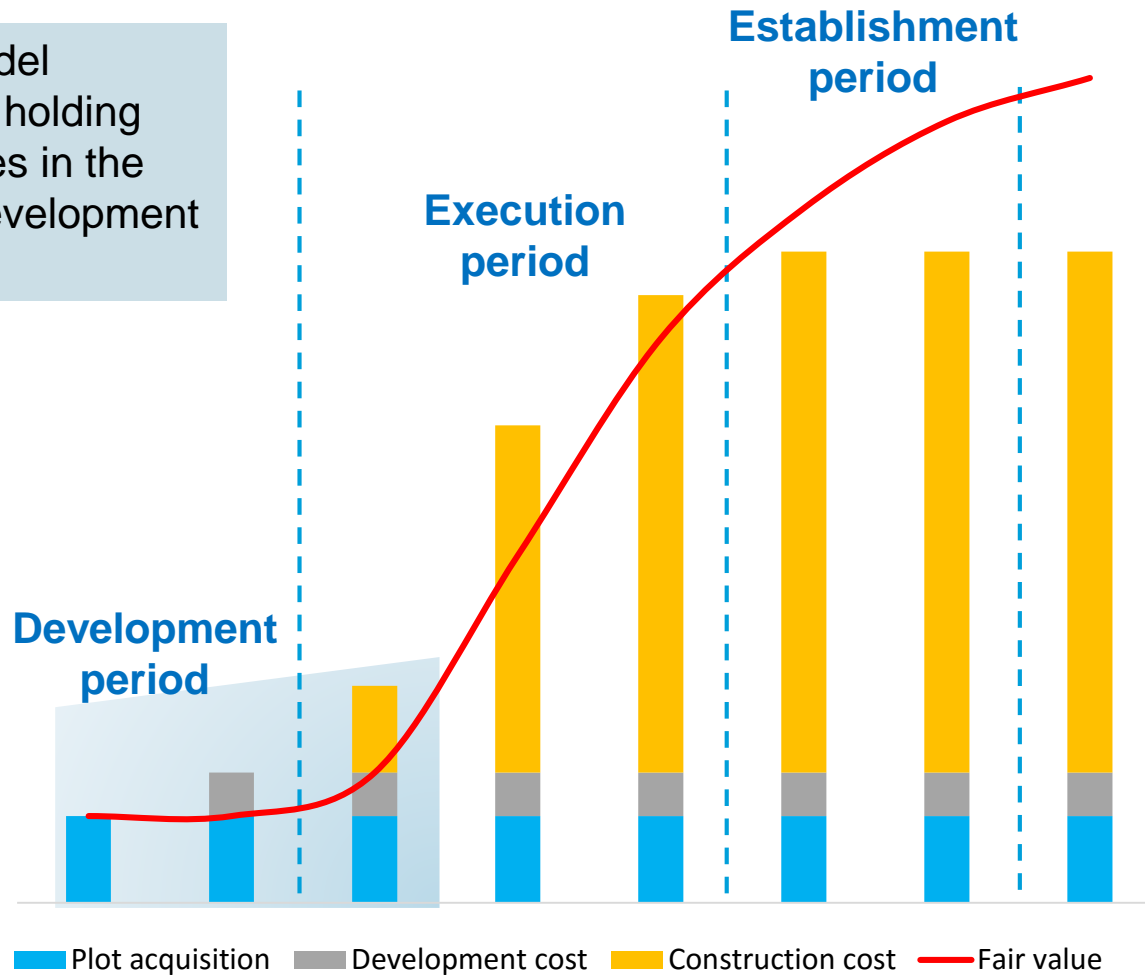
- ✓ Unique position in outperforming project development capability
- ✓ Aim to create a long-term partner structure with investors
- ✓ Opportunity to...
 - ✓ enjoy monthly rental income streams
 - ✓ create an optimal structure from investor perspective
 - ✓ create direct relationships with end-users
 - ✓ create an active service development structure

Portfolio types and characteristics



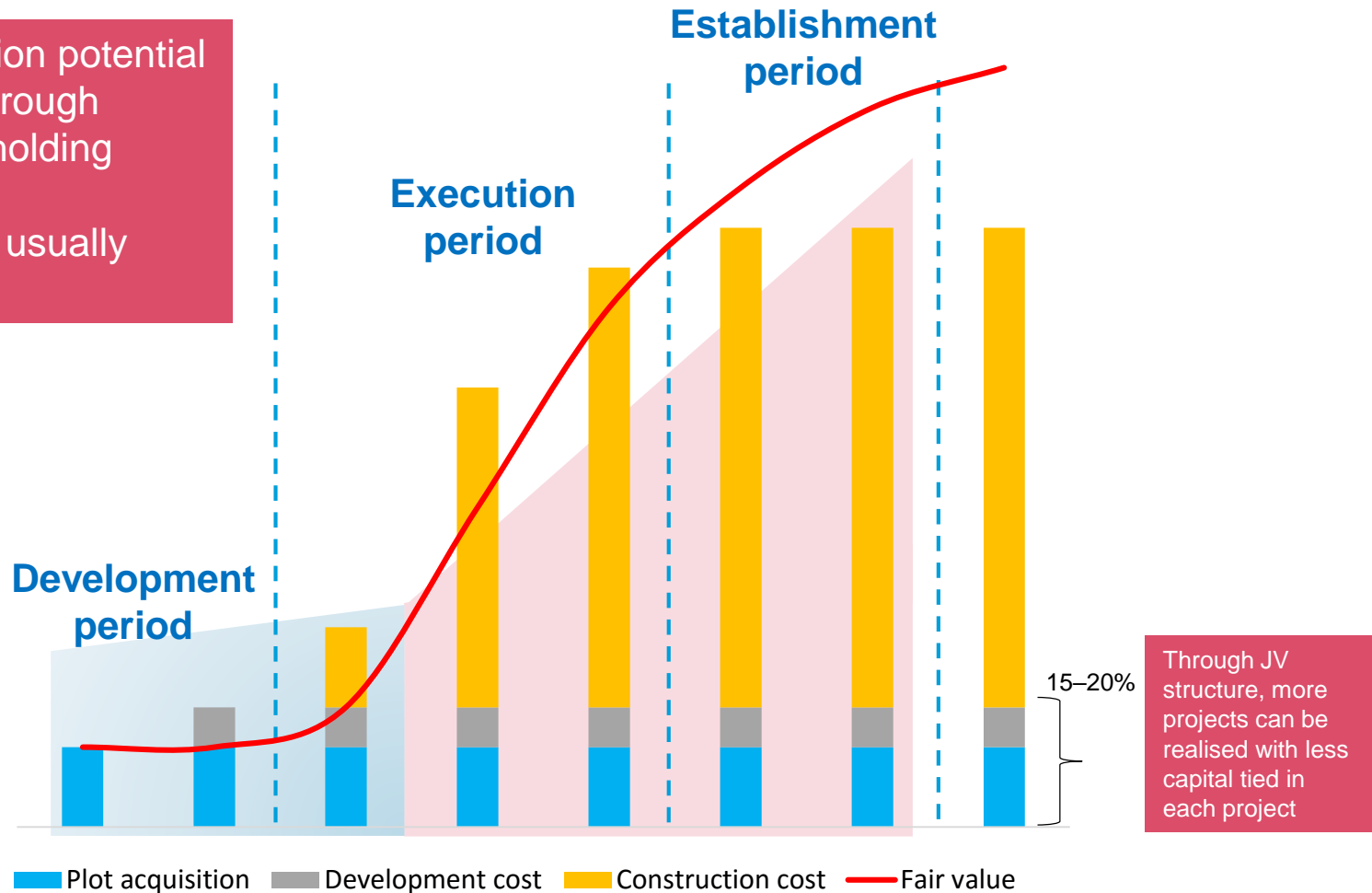
How value creation is increased through ownership

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



YIT's role extended from development to establishment

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



Case Tripla: Targeted impact of Partnership Properties

- The end of 2019 / beginning of 2020: **Mall of Tripla generating cash flow**, intention to value investment based on cash flow → **impact on income statement**
- Accumulated project margins of own investment are recognised and reported indirectly to profit and loss statement through consolidation of JVs and funds → **impact on income statement**
- **Divestment process of ownership** to begin at the end of 2022 at the earliest



Current view on reporting of the new segment – starting from Q1 2018



Assets

- Initial assets include Mall of Tripla, HaVa E18, Tietotie property, YCE Housing I fund and selected land plot funds
- Details and key figures on assets will be provided
- Information on development pipeline will be provided

Valuation

- Land and buildings owned by JVs and funds fair valued when construction is completed and rental income producing. Assets under development and construction are at cost on balance sheet
- Valued by YIT, an external opinion provided regularly by distinguished external appraiser
- Valuation of assets done at joint venture level by YIT, possibly valuation reports are published in Annual Report

Income statement effect

- Fair value changes reported through consolidation of JVs and funds
- Eliminated project margins (of own JV-investment) reported indirectly through consolidation of JVs and funds

Benefits of the new segment and changes in business model

Benefits

- Improved investment capability for large and long-term project development
- Capital efficient structure
- Improved tolerance against delays in development stage
- Risk sharing
- New ownership and service based business models
- Aim to create repeatable and functioning co-investment structures

Changes in business model

- Possible change in value of selling plots to a joint venture owned project
- Eliminated project margins of own JV-investment can be recognised through JV consolidation when project is completed and fair valued
- Quarterly valuation of investment assets once cash flow producing
- Monthly rental cash flow
- Income from divestments

**Together
we can
do it.**

Disclaimer

This presentation has been prepared by, and the information contained herein (unless otherwise indicated) has been provided by YIT Corporation (the "Company"). By attending the meeting or event where this presentation is made, or by reading the presentation slides, you agree to be bound by the following limitations. This presentation is being furnished to you solely for your information on a confidential basis and may not be reproduced, redistributed or passed on, in whole or in part, to any other person.

This presentation does not constitute or form part of and should not be construed as, an offer to sell, or the solicitation or invitation of any offer to buy, acquire or subscribe for, securities of the Company or any of its subsidiaries in any jurisdiction or an inducement to enter into investment activity. No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investments decision whatsoever. The information contained in this presentation has not been independently verified. No representation, warranty or undertaking, expressed or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein. Neither the Company nor any of its respective affiliates, advisors or representatives nor any other person shall have any liability whatsoever (in negligence or otherwise) for any loss however arising from any use of this presentation or its contents or otherwise arising in connection with the presentation. Each person must rely on their own examination and analysis of the Company and the transactions discussed in this presentation, including the merits and risks involved.

This presentation includes "forward-looking statements". These statements contain the words "anticipate", "will", "believe", "intend", "estimate", "expect" and words of similar meaning. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. These forward-looking statements speak only as at the date of this presentation. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The Company cautions you that forward-looking statements are not guarantees of future performance and that its actual financial position, business strategy, plans and objectives of management for future operations may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. In addition, even if the Company's financial position, business strategy, plans and objectives of management for future operations are consistent with the forward-looking statements contained in this presentation, those results or developments may not be indicative of results or developments in future periods. Neither the Company nor any other person undertakes any obligation to review or confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this presentation.

Disclaimer

Important information regarding the merger of YIT and Lemminkäinen

The information contained in this presentation regarding the merger of YIT Corporation ("YIT") and Lemminkäinen Corporation ("Lemminkäinen") (unless otherwise indicated) has been provided by YIT and Lemminkäinen. By attending the meeting where this presentation is made, or by reading the presentation slides, you agree to be bound by the following limitations. This presentation is being furnished to you solely for your information on a confidential basis and may not be reproduced, redistributed or passed on, in whole or in part, to any other person.

This presentation does not constitute a notice to an extraordinary general meeting or a merger prospectus and as such, does not constitute or form part of and should not be construed as, an offer to sell, or the solicitation or invitation of any offer to buy, acquire or subscribe for, any securities or an inducement to enter into investment activity. Any decision with respect to the proposed statutory absorption merger of Lemminkäinen into YIT (the "Merger") should be made solely on the basis of information to be contained in the actual notices to the extraordinary general meeting of YIT and Lemminkäinen, as applicable, and the merger prospectus related to the Merger as well as on an independent analysis of the information contained therein. You should consult the merger prospectus for more complete information about YIT, Lemminkäinen, their respective subsidiaries, their respective securities and the Merger.

The distribution of this presentation may be restricted by law and persons into whose possession any document or other information referred to herein comes should inform themselves about and observe any such restrictions. The information contained herein is not for publication or distribution, directly or indirectly, in or into Canada, Australia, Hong Kong, South Africa or Japan. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This presentation and any materials distributed in connection with this presentation are not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. The information contained in this presentation has not been independently verified. No representation, warranty or undertaking, expressed or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein. Neither YIT nor Lemminkäinen, nor any of their respective affiliates, advisors or representatives or any other person, shall have any liability whatsoever (in negligence or otherwise) for any loss however arising from any use of this presentation or its contents or otherwise arising in connection with the presentation. Each person must rely on their own examination and analysis of YIT, Lemminkäinen, their respective subsidiaries, their respective securities and the Merger, including the merits and risks involved.

This presentation includes "forward-looking statements." These statements may not be based on historical facts, but are statements about future expectations. When used in this presentation, the words "aims," "anticipates," "assumes," "believes," "could," "estimates," "expects," "intends," "may," "plans," "should," "will," "would" and similar expressions as they relate to YIT, Lemminkäinen, the Merger or the combination of the business operations of YIT and Lemminkäinen identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements are set forth in a number of places in this presentation, including wherever this presentation includes information on the future results, plans and expectations with regard to the combined company's business, including its strategic plans and plans on growth and profitability, and the general economic conditions. These forward-looking statements are based on present plans, estimates, projections and expectations and are not guarantees of future performance. They are based on certain expectations, which, even though they seem to be reasonable at present, may turn out to be incorrect. Such forward-looking statements are based on assumptions and are subject to various risks and uncertainties. Shareholders should not rely on these forward-looking statements. Numerous factors may cause the actual results of operations or financial condition of the combined company to differ materially from those expressed or implied in the forward-looking statements. Neither YIT nor Lemminkäinen, nor any of their respective affiliates, advisors or representatives or any other person undertakes any obligation to review or confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this presentation. The combined financial information is presented for illustrative purposes only.

The combined income statement information has been calculated assuming the activities had been included in one entity from the beginning of each period. The preliminary revenue, adjusted operating profit and operating profit of the combined company have been calculated as a sum of combined financial information for the twelve months ended 31 December 2016. The combined financial information is based on a hypothetical situation and should not be viewed as pro forma financial information.

This presentation includes estimates relating to the synergy benefits expected to arise from the Merger and the combination of the business operations of YIT and Lemminkäinen, which have been prepared by YIT and Lemminkäinen and are based on a number of assumptions and judgments. Such estimates present the expected future impact of the Merger and the combination of the business operations of YIT and Lemminkäinen on the combined company's business, financial condition and results of operations. The assumptions relating to the estimated synergy are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause the actual synergy benefits from the Merger and the combination of the business operations of YIT and Lemminkäinen, if any, to differ materially from the estimates in this presentation. Further, there can be no certainty that the Merger will be completed in the manner and timeframe described in this presentation, or at all.

Notice to Lemminkäinen Corporation Shareholders in the United States

The YIT Corporation shares to be issued in connection with the merger have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and are being issued in reliance on the exemption from registration set forth in Rule 802 under the Securities Act.

YIT Corporation and Lemminkäinen Corporation are Finnish companies and the issuance of YIT Corporation shares will be subject to procedural and disclosure requirements in Finland that may be different from those of the United States. Any financial statements or other financial information included on this presentation may have been prepared in accordance with non-U.S. accounting standards that may not be comparable to the financial statements of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

It may be difficult for U.S. shareholders of Lemminkäinen Corporation to enforce their rights and any claims they may have arising under U.S. federal securities laws in connection with the merger, since YIT Corporation and Lemminkäinen Corporation are located in non-U.S. jurisdictions, and some or all of YIT Corporation's and Lemminkäinen Corporation's officers and directors may be residents of countries other than the United States. As a result, U.S. shareholders of Lemminkäinen Corporation may not be able to sue YIT Corporation or Lemminkäinen Corporation or their respective officers and directors in a court in Finland for violations of U.S. federal securities laws. Further, it may be difficult to compel YIT Corporation or Lemminkäinen Corporation to subject themselves to the jurisdiction or judgment of a U.S. court.

Lemminkäinen Corporation's shareholders should be aware that YIT Corporation may purchase Lemminkäinen Corporation's shares otherwise than under the merger, such as in open market or privately negotiated purchases, at any time during the pendency of the proposed merger.