



Picture: Sarc Architects

ECOSYSTEM DRIVING FUTURE GROWTH AND PROFITABILITY

JUHA KOSTIAINEN, EVP, URBAN DEVELOPMENT

ESA NEUVONEN, EVP, BUSINESS PREMISES AND PARTNERSHIP PROPERTIES

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LOCAL SERVICE CENTRE HERTSI
HELSINKI, FINLAND



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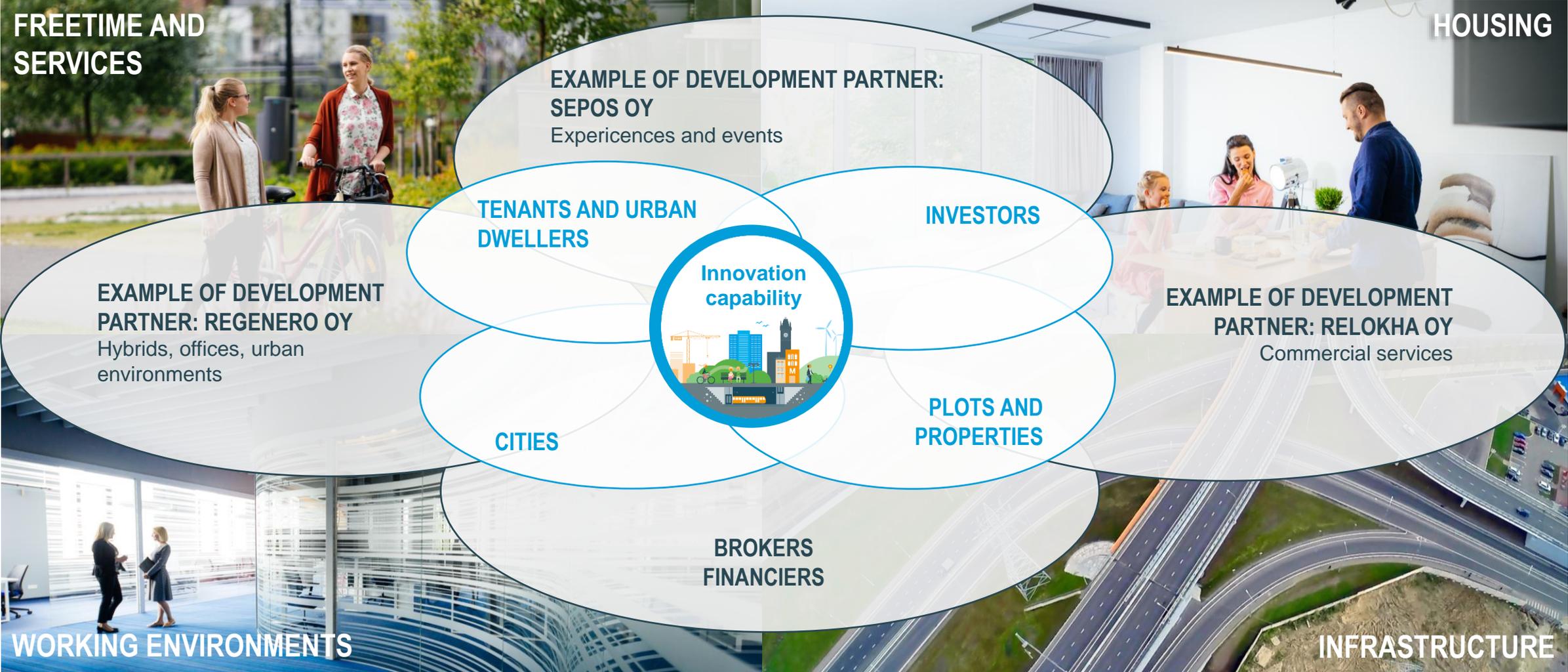
Urban development ecosystem



**VISION:
MORE LIFE IN
SUSTAINABLE
CITIES**



Urban development ecosystem



Trends in urban development

FREETIME AND SERVICES



- Major shopping malls mostly done
- Megaprojects will be based on experiences and events
- Local shopping centers are still needed

WORKING ENVIRONMENTS



- Knowledge-intensive business activities appreciates urban areas
- Industry and logistics seek good transportations connections (plots usually owned by cities), funds in logistics
- Bigger projects, bigger risks

LIVING



- Demand for real urban areas with good access to public transportation
- Greeneries
- Walking and cycling
- Proximity to services
- Area development, branding, services needed in area
- Distance work

PROPERTY CONVERSIONS



- Reuse and conversions
- Creative environments
- Base for versatile mixed use and hybrid projects
- Strongly supported by cities

CITIES



- More density and infill, area revitalisation
- Mixed use urbanism
- Utilisation of public transportation hubs
- Brownfields development and conversions
- Trustworthy partners are needed
- SOTE – services and finance needs

Some examples of projects under development

YIT'S ONGOING PROJECT



JOINT PROJECTS WITH DEVELOPMENT PARTNERS



URBAN DEVELOPMENT IDEAS



UNDER COMPETITION



2

Partnership properties



NUPPU APARTMENT BUILDING PROJECT
BRATISLAVA, SLOVAKIA

Targets of the Partnership properties segment

TARGETS SET 2017

1 IMPROVE GROUP'S GROWTH CAPABILITY



STRONG AND DIVERSE PROJECT PIPELINE

2 IMPROVE VISIBILITY ON TRUE VALUE OF EXISTING ASSETS



FAIR VALUATION

3 CREATE PORTFOLIO OF STABLE CASH FLOWS



RENTAL INCOMES AND CAPITAL GAINS

ADDITIONAL TARGET IN 2018

4 PROVIDE STABLE OPERATING PROFIT



PART OF NON-CYCLICAL BUSINESSES

Improving Group's growth capability

**INVESTMENT CAPACITY
INCREASED
TO EUR 2 BILLION
FROM EUR 1 BILLION**
compared to year ago

- New published development projects:
 - Keilaniemenranta area development project
 - ÅB Lunastustontti I Ky plot fund
 - Telia Campus

**YIT'S NEW ROLE HAS GAINED
POSITIVE FEEDBACK AND
REACTION FROM INVESTOR
PARTNERS**

- New role aligns targets with partners and gives better understanding how to develop projects

**MULTIPLE OPPORTUNITIES
UNDER DEVELOPMENT**
which gross value sums up
to EUR 2 billion

- Several potential big projects under negotiation
- Need to further increase investment capacity
- Additionally optimising capital employed might mean decreasing ownerships in some projects

Establishing a portfolio enabling stable profits annually

CREATING A PORTFOLIO OF STABLE CASH FLOWS

Solid project pipeline will be generating significant cash flows and profits annually

...AND STABLE PROFITS

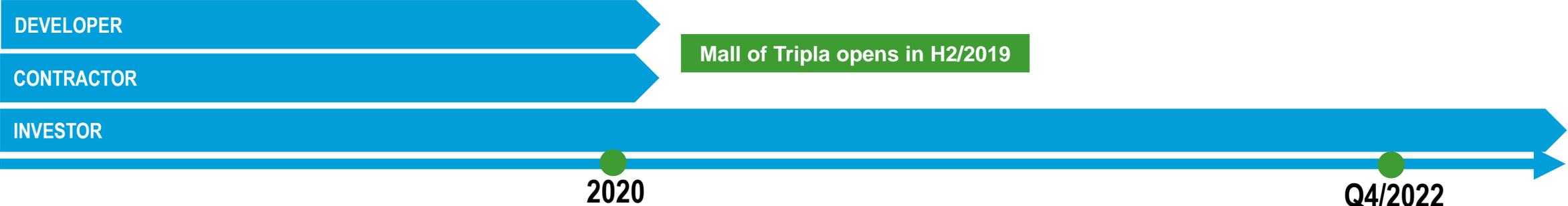
- 2018 Profits are mainly from capital gains and smaller recurring revenue sources
- 2019 → Mall of Tripla will be opened and profit will be generated from all three sources in relevant scale



¹ Consolidated through JV-profits, when asset is ready and in final use

Revenue recognition structure and timeline in Mall of Tripla

YIT ROLE FROM DEVELOPER-CONTRACTOR TO INVESTOR



CURRENT RECOGNITION

61.25% according to construction

Of contract revenue and profit (in Business premises)

YIT has option to decrease YIT's ownership to **20%** (in Partnership properties)

RECOGNITION IN Q4/2019

Remaining 38.75% in one recognition

Of contract revenue and profit (in Business premises)

Fair valuation starts (in Partnership properties)

RECOGNITION AFTER Q4/2019

Profit generated from three sources (in Partnership properties)

- Rental income through JV ownership
- Fair value changes
- Capital gains, option to lower ownership down to 20%

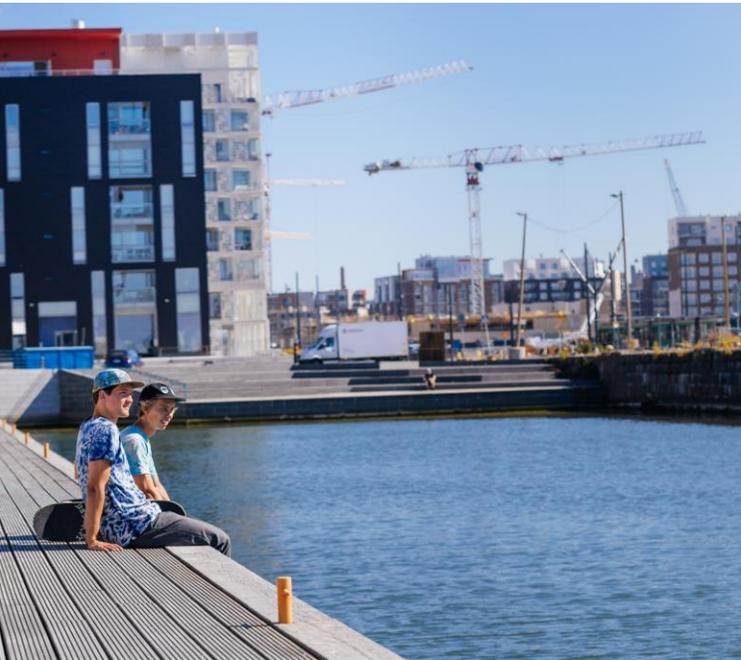
FULL PROFIT CAN BE REALISED FROM Q4/2022

YIT is free to divest fully ownership from Q4/2022 onwards (in Partnership properties)

- Mall of Tripla JV has funding in place till Q2/2028
- Long-term funding allows YIT to divest its ownership fully at optimal time between 2023-2028



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

