

YIT Capital Markets Day 2021

23 November, 2021 | Helsinki

Program

TIME	TOPIC	PRESENTER	PAGE
1:00 p.m.	Opening remarks	Tommi Järvenpää / VP, Investor Relations	
1:05 p.m.	Creating sustainable success through sustainable living	Markku Moilanen / President and CEO	7
1:30 p.m.	Sustainable success will deliver our financial targets	Tuomas Mäkipeska / CFO	31
1:50 p.m.	Q&A		
2:10 p.m.	Break		
2:30 p.m.	Driving growth in growing cities	Antti Inkilä / EVP, Housing	45
2:50 p.m.	Focusing on core types of project to generate strong profit and stable cash flow	Tom Ekman / EVP, Business Premises	55
3:05 p.m.	Leveraging competencies to generate strong profit and stable cash flow	Pasi Tolppanen / EVP, Infrastructure	63
3:20 p.m.	Fueling growth and profitability	Ilkka Tomperi / EVP, Property Development	73
3:40 p.m.	Q&A		
4:00 p.m.	Breakouts: ESG, Housing growth, Property Development		
5:00 p.m.	Cocktails and dinner		

Presenters



Markku Moilanen
President & CEO

Markku joined the company
in April 2021.



Tuomas Mäkipeska
CFO

Tuomas joined the company
in November 2021.



Antti Inkilä
EVP, Housing

Antti has been with
the company since 1994.



Tom Ekman
EVP, Business Premises

Tom has been with
the company since 1998.

Presenters



Pasi Tolppanen
EVP, Infrastructure

Pasi joined the company
in August 2021.



Ilkka Tomperi
EVP, Property Development

Ilkka joined the company
in August 2021.



Tommi Järvenpää
VP, Investor Relations

Tommi has been with
the company since 2019.



Juha Kostainen
EVP, Urban Development

Juha has been with
the company since 2012.

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#YITCMD21

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**It's time to
build a better
tomorrow.
Now.**

**Creating
sustainable
success through
sustainable living**

Markku Moilanen – President and CEO

Creating sustainable success through sustainable living

We have defined clear strategies and targets for our businesses

We are now well positioned to deliver predictable, market-leading results

We have a clear direction to leverage opportunities in sustainability



Sustainable living is a key challenge for our planet – and our opportunity

Urbanisation

Urbanization increases the pressure to build in growing cities, setting higher requirements on built environments.

Sustainable development

Climate change requires us to rethink how resources are used. Lifecycle thinking becomes more critical.

We have a strong customer focus and a clear purpose

Creating better living environments

With over a hundred years' expertise from building foundations for better living...

...we make sustainable living easy for people, business and our society.

We have a solid foundation with best-in-class competence and strong market position...



Strong brand



Talented people



Satisfied customers



Strong local presence

**...however,
our recent
performance
has not been
satisfactory**



Inconsistent focus



Nonoptimal capital allocation



Project delivery issues



Inefficient operating model

**So, we are
launching
a new strategy
for 2022-2025
to deliver
predictable results**

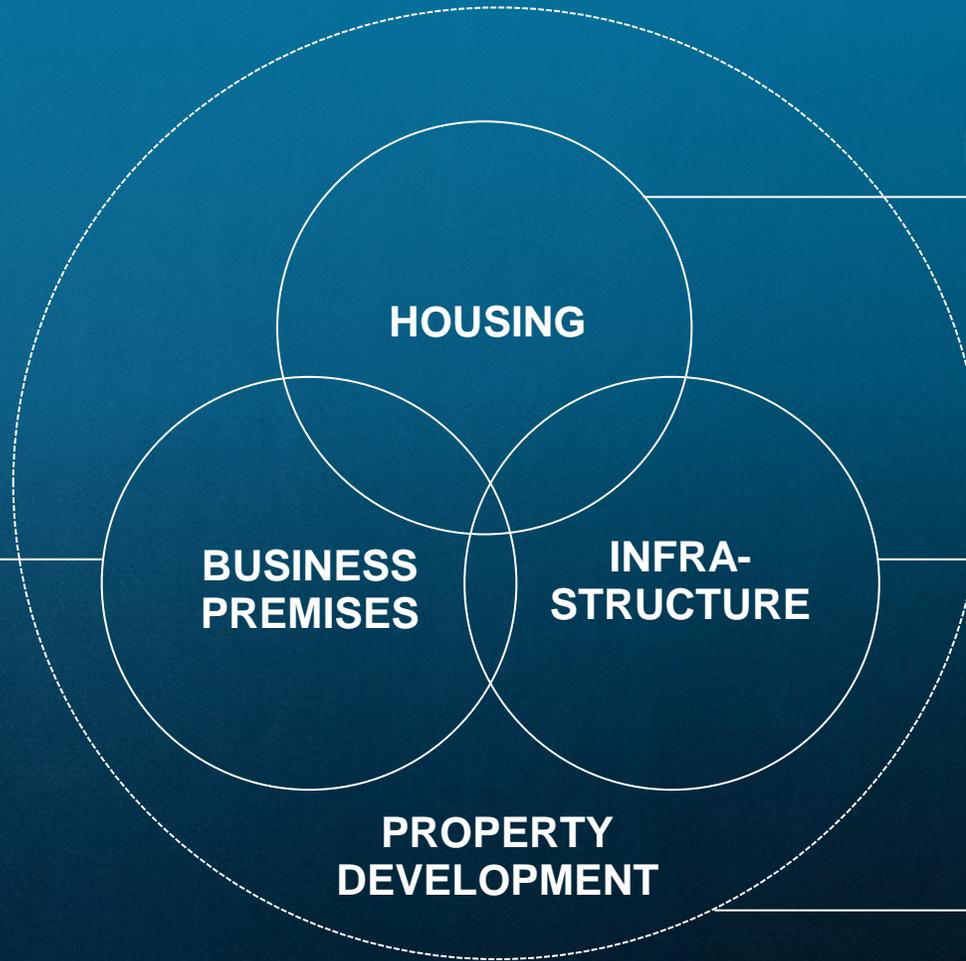
Redefined and clarified
business model with clear focus

Execution through
3 strategic priorities

Solid path to reach
EBIT of 6%

We have redefined and clarified our business model

Focus on core project types to generate strong **profit** and stable **cash flow**



Drive **growth** in growing cities

Leverage competencies to generate strong **profit** and stable **cash flow**

Fuel growth in housing and **profitability** in the other segments

Sustainable success through 3 strategic priorities

FOCUS

- Grow in housing
 - Evaluate strategic options in Russia
 - Service business no longer in focus
 - Divest non-core assets
-

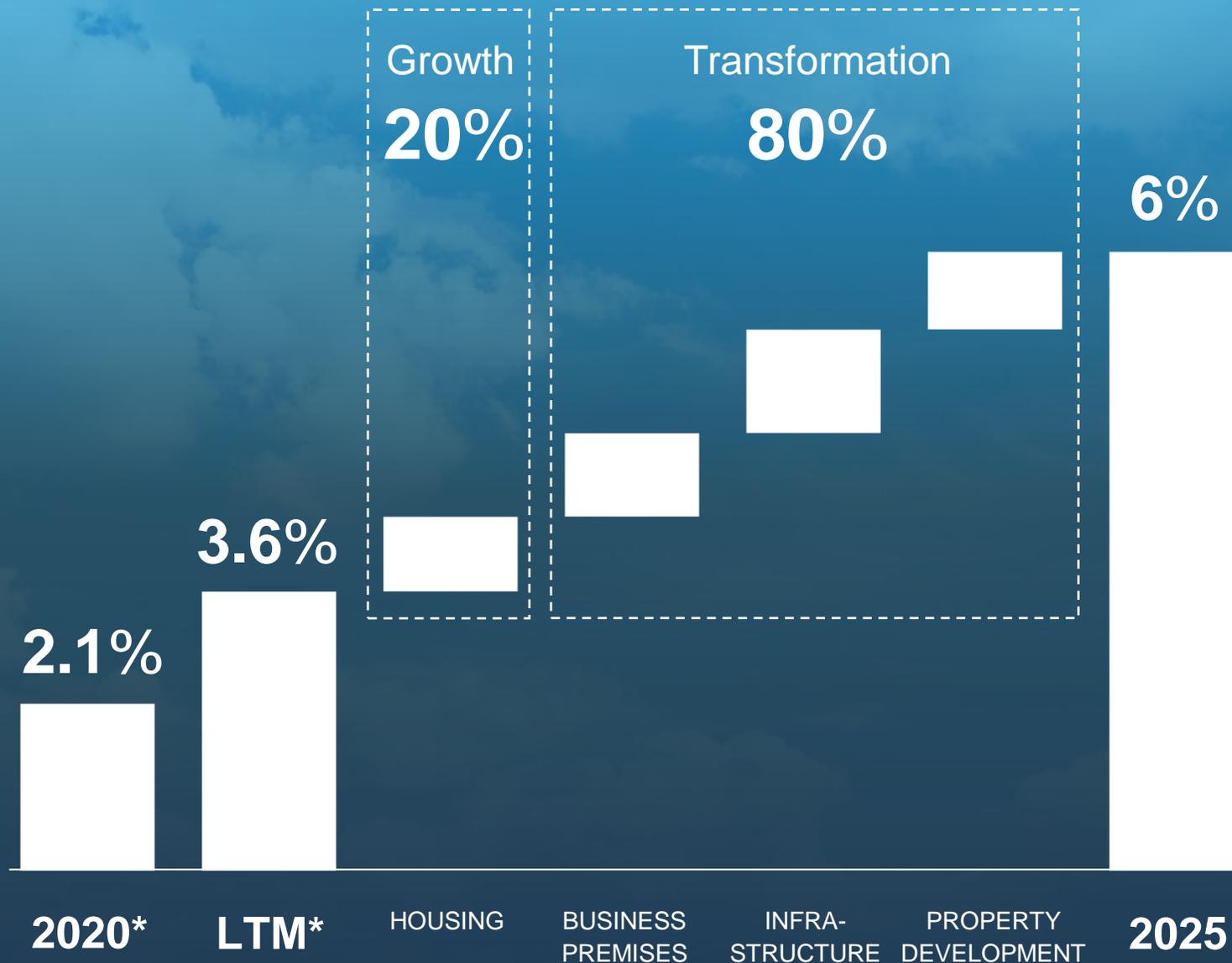
PRODUCTIVITY

- Execute transformation in Infrastructure and Business Premises
 - Drive efficiency in production and scale in supply chain
 - Implement an agile and empowering operational model
-

ESG

- Commit to SBTi to reach 1.5°C global warming goal
- Decrease accident frequency
- Advance ESG matters throughout supply chains

**We will drive
growth and
transformation
to reach a
6% EBIT**



* Adj. EBIT excl. Housing Russia, management estimates



Housing

We build functional
and sustainable homes and
environments in growing cities,
making sustainable
living easy.



Housing

Drive growth
in growing cities

FOCUS

- Grow in selected cities in Finland, Poland, Czech Republic and Slovakia
- Our plot reserve enables 44,000 new homes
- We will invest additional €200 million in attractive urban plots to build 5,000 homes for our customers

PRODUCTIVITY

- Reduce lead times by 20% by 2025

TARGET

Revenue

+20%*

EBIT

>10%

*Baseline 2020



Business Premises

We build and renovate schools, hospitals, commercial and public spaces to ensure optimal usability over the life cycle.



Business Premises

Focus on core types of project to generate strong profit and stable cash flow

FOCUS

- Reinforce focus on project selection and tendering
- Increase share of self-developed, life cycle and competence-based projects

PRODUCTIVITY

- Utilise rigorous risk management
- Improve project execution efficiency

TARGET

EBIT
> 4%



Infrastructure

We build railroads, bridges, tunnels, structures and facilities in demanding environments to enable a smoother flow of sustainable living for people, businesses and society.



Infra- structure

Leverage
competencies to
generate strong profit
and stable cash flow

FOCUS

- Concentrate on core competencies
- Be selective based on technical, financial, and contractual drivers

PRODUCTIVITY

- Continue project portfolio renewal
- Improve project delivery

TARGET

EBIT
> 4%



Property Development

We develop future-proof urban environments, catering for changing needs of sustainable living for people, businesses and society.



Property Development

Fuel growth
and profitability

FOCUS

- Start 1-3 self-developed projects per year to generate gross margin for entire YIT
- Target large projects only when we have a clear competitive advantage, manageable risk, and optimal capital employment

PRODUCTIVITY

- Improve customer focused end-to-end project delivery
- Rightsize investment portfolio, divest non-core assets

TARGET

ROCE

>10%

**EBIT of 6% will
be achieved with
solid balance
sheet and
growing
dividend**

EBIT
6%

GEARING
<50%

DIVIDEND
**Stable
growth**

Why we focus on sustainable living

1.5°C

Buildings generate almost 40% of annual global CO2 emissions.

We commit to Science Based Targets (SBTi) to contribute to goals set in the Paris Agreement.

How we focus on sustainable living

e

- Halve emissions from own operations (Scopes 1 & 2)
- Reduce indirect emissions (Scope 3)

s

- Continue offering better living environments for the society
- Decrease accident frequency and pursue zero-harm workplace

g

- Continue zero tolerance in grey economy, corruption, labour exploitation and discrimination
- Require ESG commitment throughout supply chains

Creating sustainable success through sustainable living

We have defined clear strategies and targets for our businesses

HOUSING
GROWTH

20%

We are now well positioned to deliver predictable, market-leading results

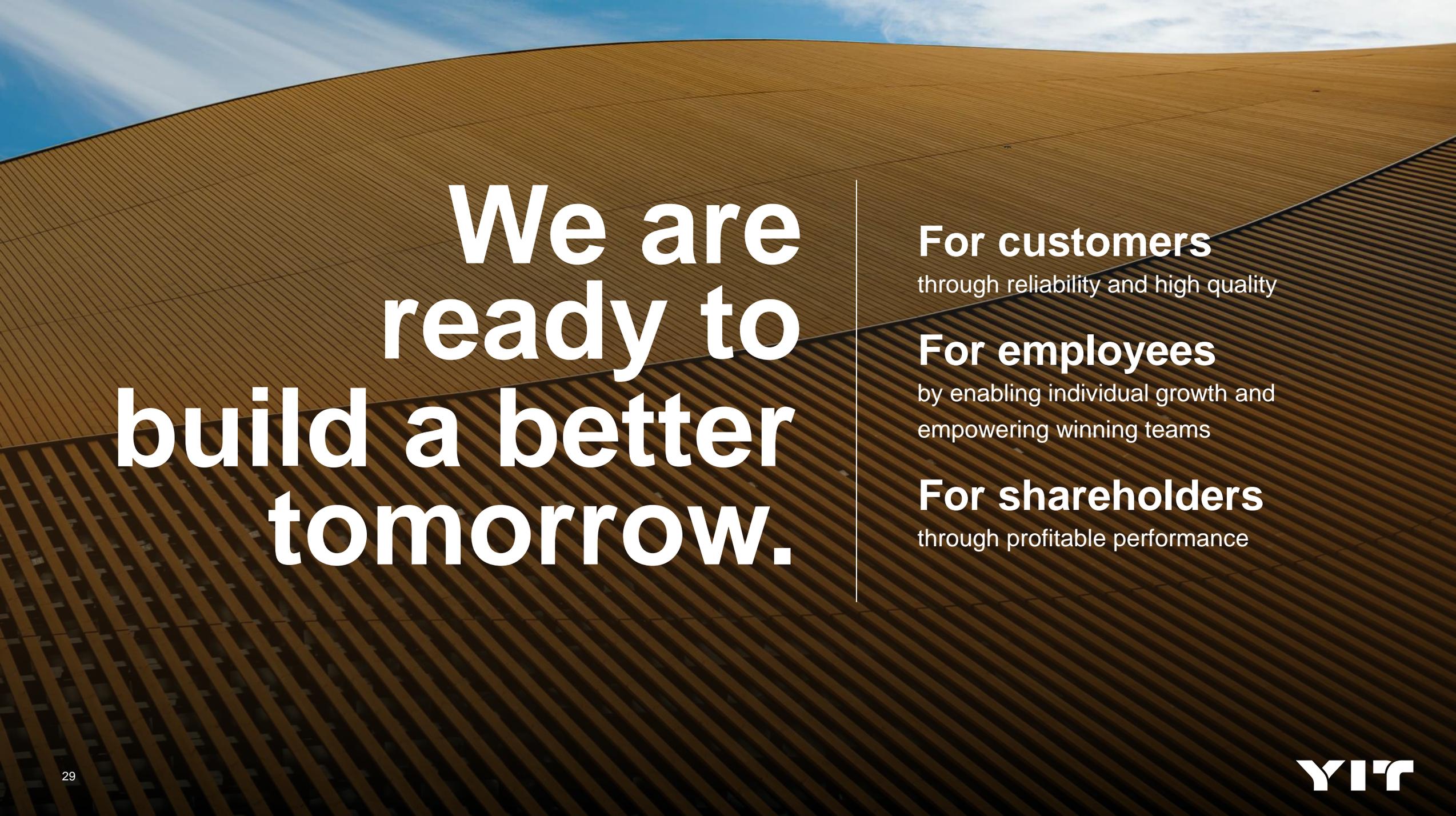
EBIT

6%

We have a clear direction to leverage opportunities in sustainability

COMMITMENT
TO

1.5 °C



**We are
ready to
build a better
tomorrow.**

For customers
through reliability and high quality

For employees
by enabling individual growth and
empowering winning teams

For shareholders
through profitable performance



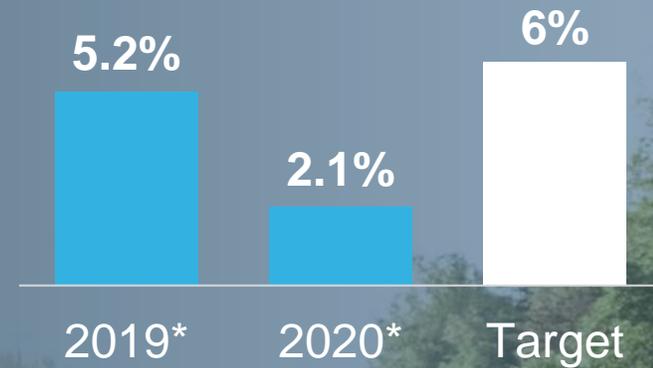
Now.

**Sustainable
success will
deliver our
financial
targets**

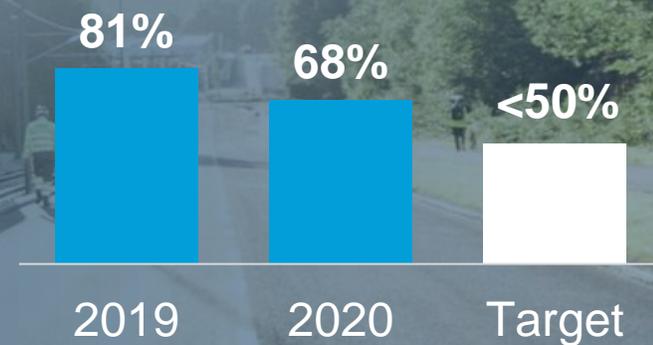
Tuomas Mäkipeska
Chief Financial Officer

Our success is measured by updated financial targets for 2025

EBIT
6%



GEARING
<50%



DIVIDEND
Stable
growth



* Adj. EBIT excl. Housing Russia, management estimates

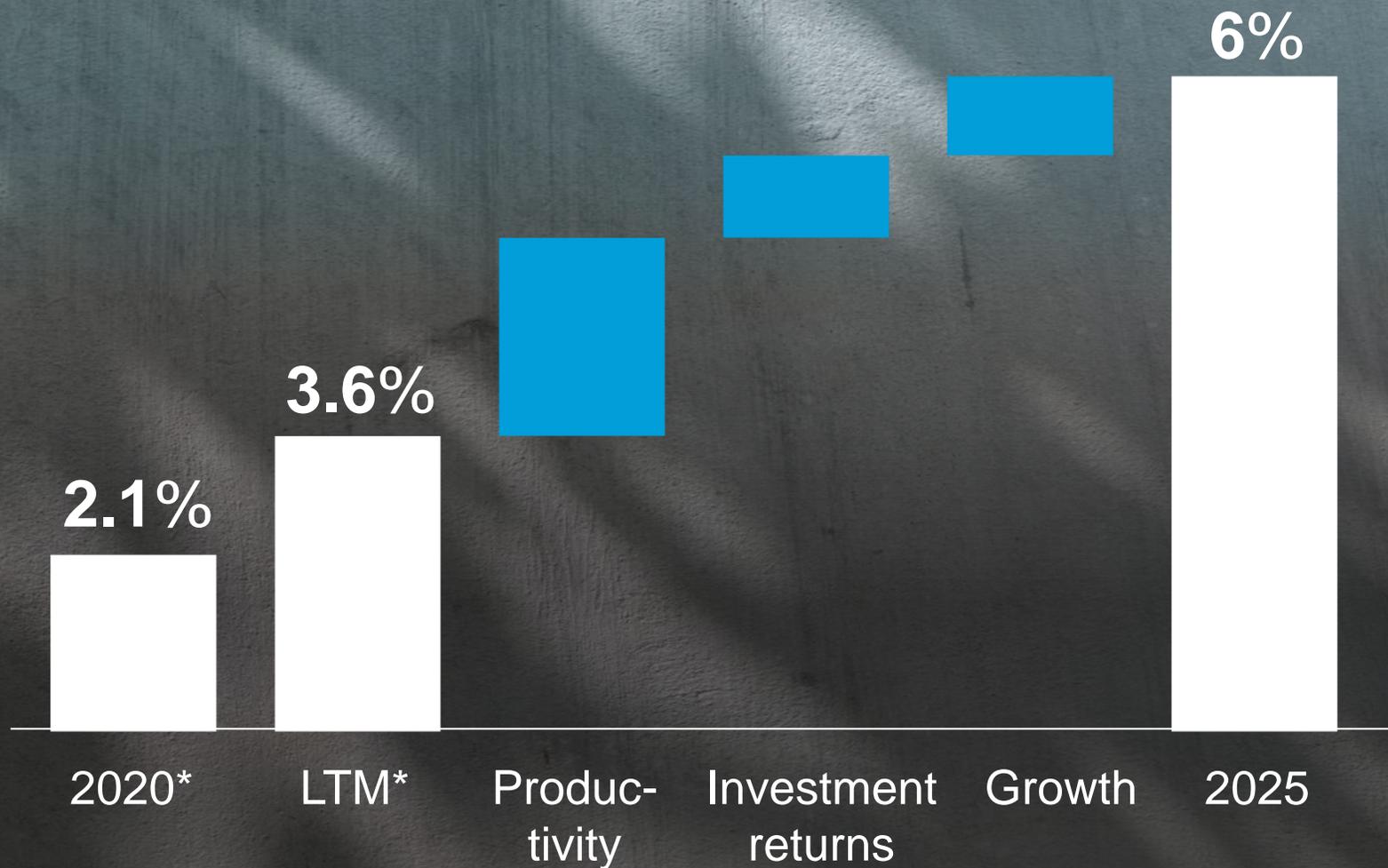
Sustainable success will deliver our financial targets

Our measures to improve productivity unlock significant potential

Our capital allocation supports growth with manageable risk

Our value generation is enabled by rigorous strategy execution

Our focus on productivity and profitable growth will nearly triple our EBIT margin



* Adj. EBIT excl. Housing Russia, management estimates

**Our
measures
to improve
productivity
unlock
significant
potential**

OPERATING MODEL

Annual savings of

€15-20 million by 2023*

PROJECT MANAGEMENT

>€50 million by 2024*

FURTHER POTENTIAL

Supply chain management

*Baseline 2020

**We are
rightsizing our
asset portfolio
to achieve
a step-up in
investment
returns**

DIVEST NON-CORE ASSETS

- Mall of Tripla

KEEP PORTFOLIO SIZE MODERATE

Total investment portfolio of

<€200 million

FOCUS ON MINORITY OWNERSHIPS

- Ownerships of <50%
- Equity stakes of €10-30 million

**Our focus
on Housing
drives
profitable
growth**

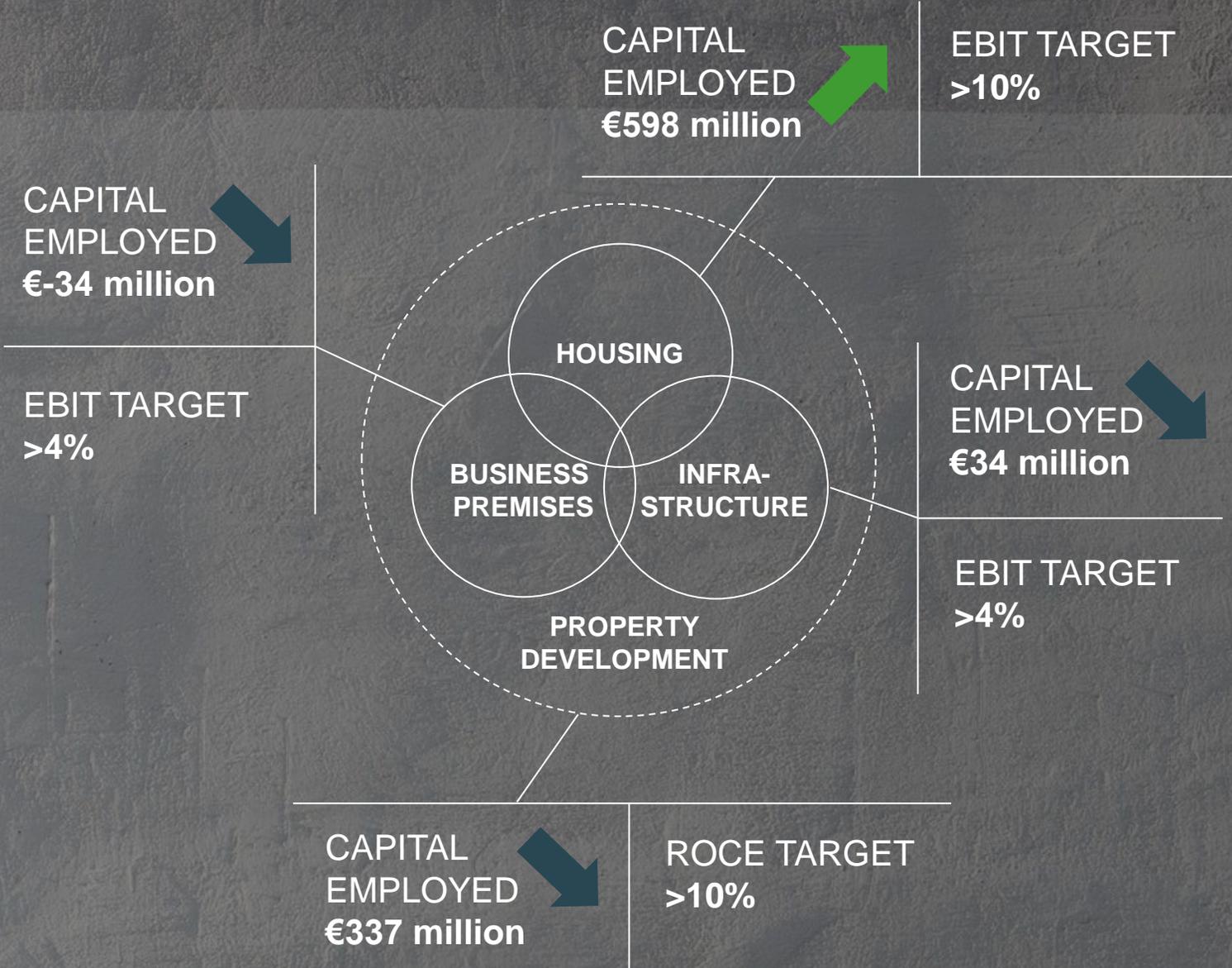
**GROW HOUSING REVENUE BY
>20%***

- Focus on selected cities
- Additional plot investments of €200 million by 2025

**ACHIEVE HOUSING EBIT OF
>10%**

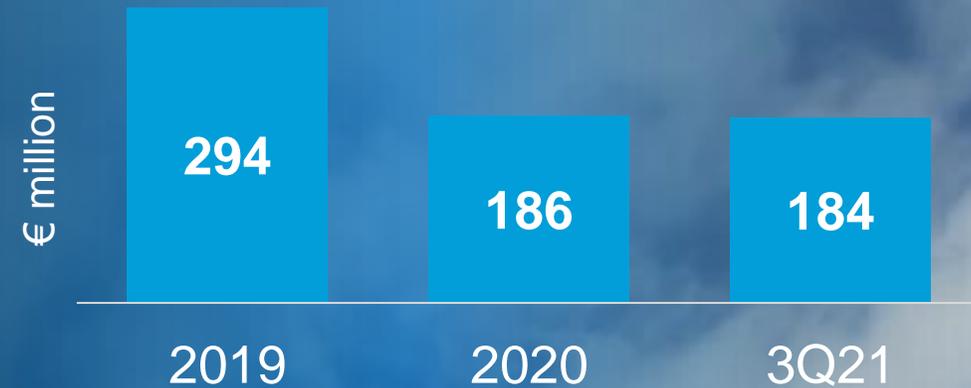
- Lead time reduction of 20% by 2025

Our capital allocation supports growth with manageable risk



Russia:
**De-risking
of operations
and
allocating
capital to
growth areas**

CAPITAL EMPLOYED IN RUSSIA



NON-BALANCE SHEET ITEMS

Russian escrow accounts

€106

million at 3Q21

Our updated financial targets and clear criteria steer capital allocation

CASH GENERATION 2022-2025

Free cash flow
before growth
investments

Capital release
from non-core
operations

CAPITAL ALLOCATION PRIORITIES 2022-2025

Dividends

Strong
balance
sheet

Housing growth

Investment portfolio

Our value generation is enabled by solid and sustainable balance sheet...

OPERATING CASH FLOW AFTER INVESTMENTS



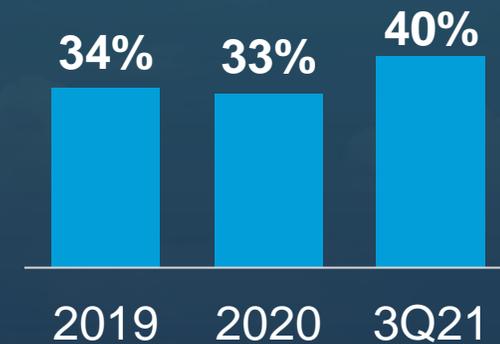
GEARING



NET INTEREST-BEARING DEBT



EQUITY RATIO



... and rigorous strategy execution

- HOUSING**
- BUSINESS PREMISES**
- INFRA-STRUCTURE**
- PROPERTY DEVELOPMENT**

Execute transformation and implement systematic performance management

PROFITABLE GROWTH >20%

TRANSFORMATION

GENERATE CASH PROFITABLY

TRANSFORMATION

GENERATE CASH PROFITABLY

DEVELOP MORE BALANCED INVESTMENT PORTFOLIO

2021

2022

2023

2024

2025

Sustainable success will deliver our financial targets

Our measures to improve productivity unlock significant potential

Our capital allocation supports growth with manageable risk

Our value generation is enabled by rigorous strategy execution



Driving growth in growing cities

Housing

Antti Inkilä

Executive Vice President



Housing

We build functional
and sustainable homes and
environments in growing cities,
making sustainable
living easy.



Driving growth in growing cities

We focus on cities of economic growth and stability

We improve productivity by decreasing construction lead times

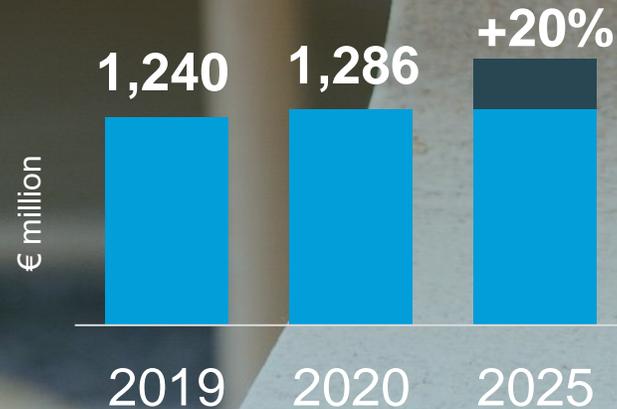
We are enabling a sustainable lifestyle for our customers



We are aiming for substantial growth, profitably

GROW REVENUE...

> **20%***



...WITH EBIT

> **10%**



*Baseline 2020
All figures Housing Finland & CEE



We focus our growth on cities of economic growth and stability

- Grow in selected cities
- Maintain market position
- Capital to be released





Urbanisation and demographic changes continue to support housing market demand

FINLAND



CZECH REPUBLIC



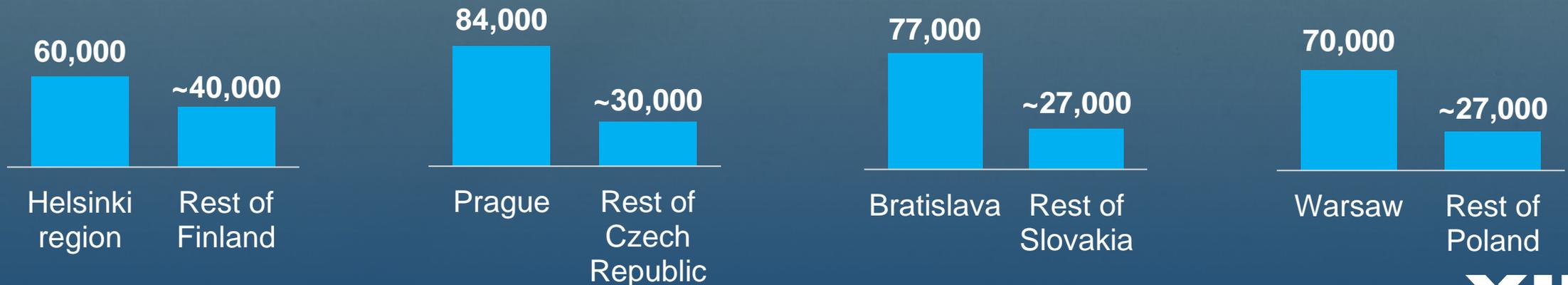
SLOVAKIA



POLAND



GDP per capita in 2019**





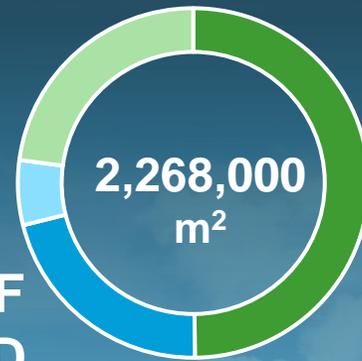
A strong plot reserve enables growth – we will invest additional €200 million in new plots by 2025

OUR CURRENT PLOT RESERVE

2,268,000 m² =
~33,000 apartments

753,000 m² =
~11,000 apartments

GROWTH AREAS



REST OF FINLAND



- Zoning completed
- Zoning in progress



Our productivity improvements will strengthen our profitability, support customer satisfaction and benefit the environment

Construction
lead times

-20%

by 2025

- Lean production methodology
- Industrial construction: modules and pre-fabricated products
- Better scheduling with takt-timing
- More efficient logistics and supply chain management
- Improved utilisation of Building Information Model (BIM)



We are the sustainable choice for our customers

SHARE OF BUILDINGS' LIFE CYCLE EMISSIONS



Low-carbon materials



Pre-fabricated modules



Sorting and recycling



Renewable energy



Efficient machinery



Geothermal heating



Waste heat recovery



Local energy networks



Efficient cooling systems



Driving growth in growing cities

We focus on cities of economic growth and stability

We improve productivity by decreasing construction lead times

We are enabling a sustainable lifestyle for our customers



**Focusing on
core types of
project
to generate
strong profit
and stable
cash flow**

Business Premises

Tom Ekman

Executive Vice President



Business Premises

We build and renovate schools, hospitals, commercial and public spaces to ensure usability, sustainability and adaptability over the life cycle.



Focusing on core types of project to generate strong profit and stable cash flow

We reinforce our focus on project selection and tendering

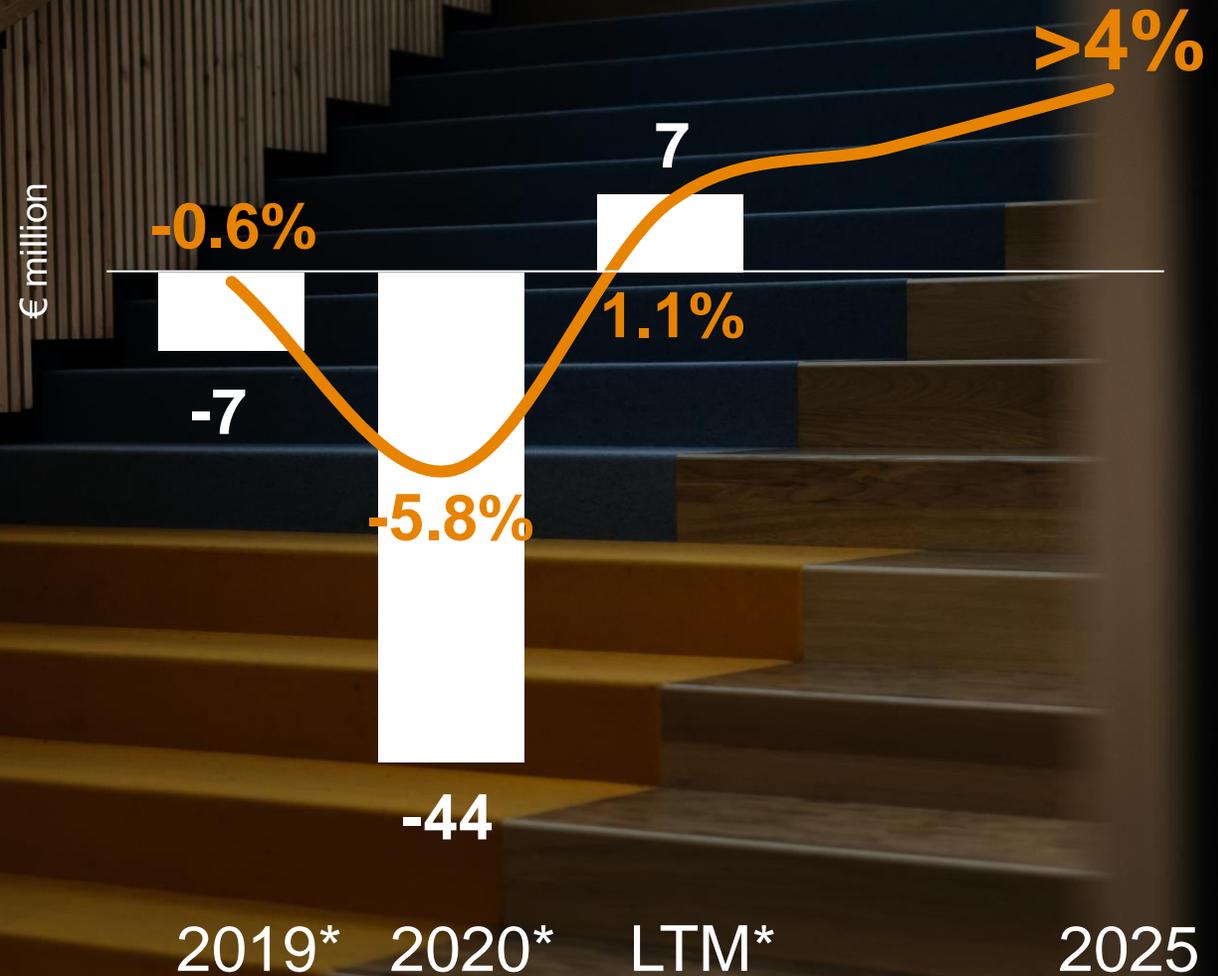
We answer to customer needs through sustainable offering

We are improving project delivery



Our transformation started in 2020 and is progressing well to **>4% EBIT**

EBIT & EBIT-MARGIN



*Adj. EBIT



We are moving from a price-driven to a value adding portfolio

OUR SELECTION CRITERIA



Contractual

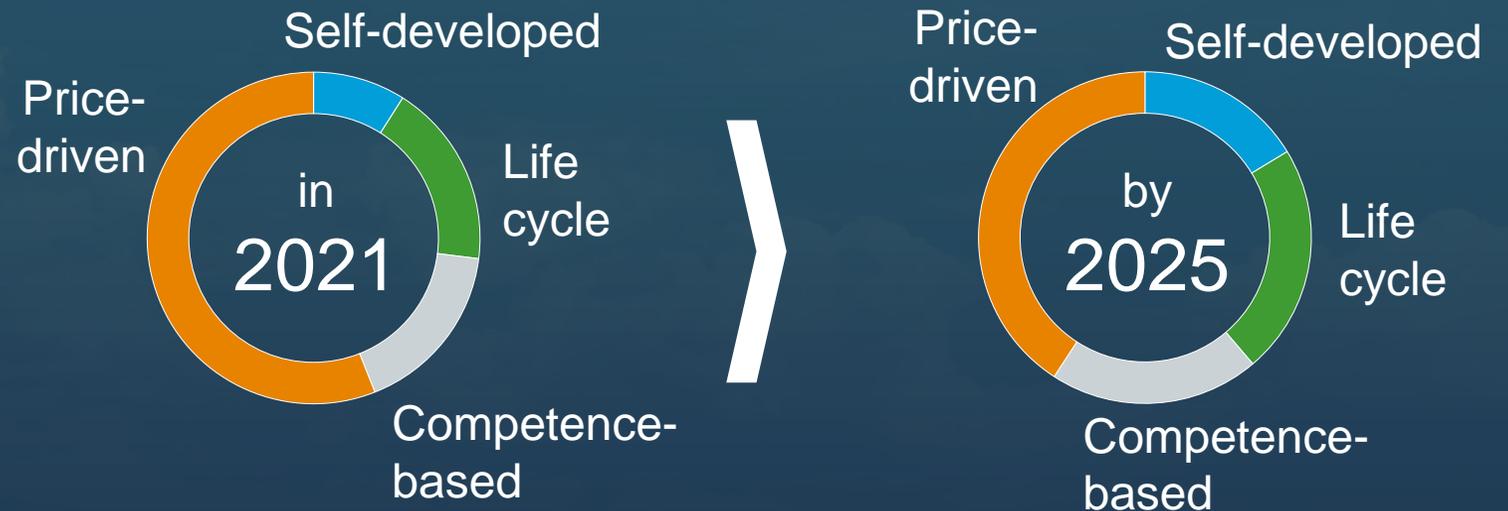


Financial



Resources

OUR PROJECT PORTFOLIO BY ORDER BOOK





Precise project delivery is essential for productivity and profitability improvements

Ensure accurate cost estimation and tender management

Minimise net deviations in project delivery

Assure efficient organisation and sufficient project resources



We offer sustainable solutions for our customers

Mansikkala wooden school, Imatra

HEALTHY AND INSPIRING LEARNING ENVIRONMENT FOR

1,350
CHILDREN

The H Building of the Vaasa Central Hospital

SAFE AND HEALTHY PREMISES TO SERVE

326,000
CUSTOMER VISITS ANNUALLY

University of Helsinki main building

RENOVATING HISTORICALLY SIGNIFICANT BUILDING FROM

1832

OUR OPERATIONS

- Co-operations with customers
- Sustainable solutions during building's life cycle
- Fossil-free sites



Focusing on core types of project to generate strong profit and stable cash flow

We reinforce our focus on project selection and tendering

We answer to customer needs through sustainable offering

We are improving project delivery



Leveraging competencies to generate strong profit and stable cash flow

Infrastructure

Pasi Tolppanen
Executive Vice President



Infrastructure

We build railroads, bridges, tunnels, structures and facilities in demanding environments to enable a smoother flow of sustainable living for people, businesses and society.



Leveraging competencies to generate strong profit and stable cash flow

We have started our transformation to profitability

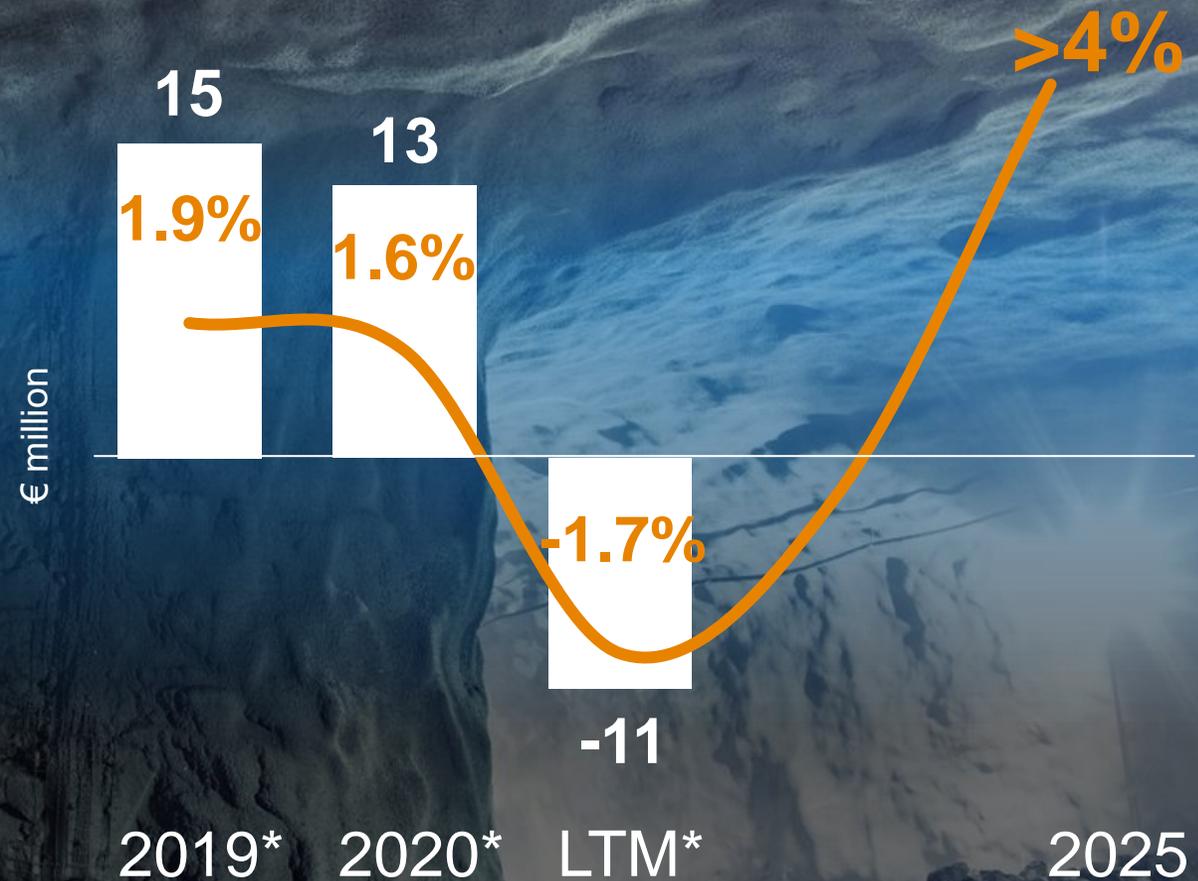
We are more focused on project selection based on our core competences

We are building foundations for a sustainable society



We have started our transformation to **>4% EBIT**

EBIT & EBIT-MARGIN



*Adj. EBIT



Improving
order book
points our
way to
profitability

REVENUE SHARE OF LEGACY PROJECTS





We are moving from a price-driven to a value adding portfolio

OUR SELECTION CRITERIA



Technical



Financial



Contractual

OUR PROJECT PORTFOLIO BY ORDER BOOK





Investments in sustainable infrastructure support the entire market



>30 new rail and tram projects under development in Finland



>200 wind park projects under development in Finland



**We are
building
foundations
for a
sustainable
society**

**Blominmäki
wastewater
treatment**

CLEAN WATER FOR
400,000
PEOPLE

**The Crown
Bridges**

CONNECTING
13,500
NEW RESIDENTS
TO PUBLIC
TRANSPORTATION

**Tampere
tramway**

30,000
DAILY COMMUTERS
WITH RENEWABLE
ENERGY

OUR OPERATIONS

- Carbon footprint calculation
- Co-operation between stakeholders
- Fossil-free sites



Leveraging competencies to generate strong profit and stable cash flow

We have started our transformation to profitability

We are more focused on project selection based on our core competences

We are building foundations for a sustainable society



Fueling growth and profitability

Property Development

Ilkka Tomperi
Executive Vice President



Property Development

We develop future-proof urban environments, catering for changing needs of sustainable living for people, businesses and society.



Fueling growth and profitability

We minimise environmental impacts during the building's entire life cycle

Our new business model will feed high-margin projects for construction segments

We are rightsizing our investment portfolio



The design phase is the key in minimising environmental impacts during the building's entire life cycle

- Materials and solutions to reduce embodied carbon and to contribute to reducing emissions during the operational life
- Smart technology, health and wellbeing in focus
- Green finance requirements tightening and investors' increasing focus on reducing carbon footprint





Our new business model will feed high-margin projects for construction segments and generate additional development margins and investment returns



Urban and project development



Life cycle services and Workery+



Smart equity



**We develop
sustainable,
high-quality
urban
environments
for our end
customers**

1-3 self-developed projects per year

Development pipeline includes offices, logistics, mixed-use projects, social infra and wind parks

Centralised development capabilities to

- Drive growth
- Support construction segments
- Connect urban and project development



We will only offer services that add value

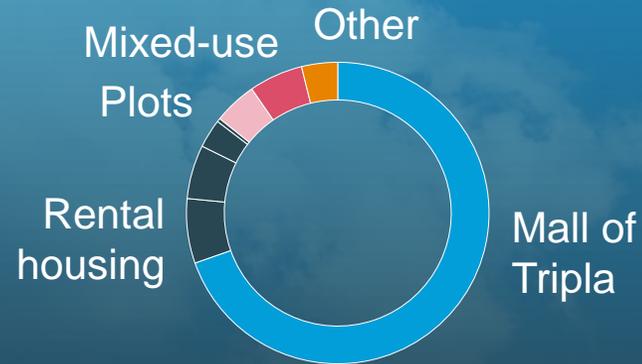
Real estate management services in life cycle projects

Space-as-a-Service: Workery+



Smart equity – divesting non-core assets to rightsize investment portfolio

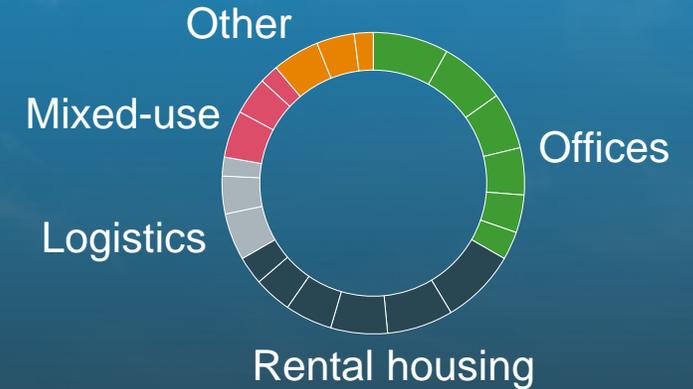
CURRENT PORTFOLIO¹ €260 million



- 14 investments
- Mall of Tripla: €182 million of current NAV to be divested by 2024

¹ Investment portfolio balance sheet value

TARGET PORTFOLIO BY 2025² <€200 million



- 15–25 investments
- Mall of Tripla divested
- Preferred ranges:
 - Minority ownerships of <50%
 - Equity stakes of €10–30 million on average

² For illustrative purposes only



New portfolio focus enables us to achieve

> **10%**

Return on capital
employed



Fueling growth and profitability

We minimise environmental impacts during the building's entire life cycle

Our new business model will feed high-margin projects for construction segments

We are rightsizing our investment portfolio

Thank you!

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