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PRESENTATION

Essi Nikitin
Hi, everyone. Welcome to YIT's Financial Statements Bulletin 2025 Webcast. My name is Essi Nikitin, and I'm heading the Investor Relations at YIT. The results will be presented to you by our CEO, Heikki Vuorenmaa and interim CFO, Markus Pietikäinen. Without further ado, I will hand over to Heikki to go through the latest developments in the company. Please go ahead, Heikki.

Heikki Vuorenmaa
Thank you very much, Essi, and welcome, everyone, to today's webcast. Today we will have a comprehensive agenda ahead of us. At first, we review our full year 2025 performance. Then we will take the deep dive into the fourth quarter, and following up on providing some additional details regarding the news related to earlier today.

But let's begin with the overview of the full year. So, the first year of our strategy that we introduced 2024, is now behind. We've made progress across the several targets areas, including our adjusted operating profit margin, return on capital employed, gearing, and the customer and employee NPS levels. Our financial position continued to strengthen. It was supported by improved financing terms and €120 million reduction in the net debt.

The business segments delivered different types of performance throughout the year. In the Residential Finland, the inventory of unsold completed apartments declined, and we initiated new consumer project in response to market demand. However, that activity in the primary market remained limited. Within the Residential CEE, our apartment sales grew by over 30% as the market conditions strengthened. We launched a record level of new project starts. Both of these will further establish this region as our principal residential market within the company. The Infrastructure segment achieved robust results. Revenue increased more by more than 30%, and the positive trend across all the key performance indicators continued throughout the year. In the Building Construction, we secured multiple new contracts with both public and private sectors, and continued to focus on capital release from non-strategic assets.

For the full year of 2025, our revenue decreased while the adjusted operating profit increased. Full year revenue amounted at close to €1.8 billion, and adjusted operating profit increased to €54 million, representing 3.1% of the total revenue. The profitability continues to improve, however, as our strategic objective is to exceed 7%, further progress and actions are required.

Our full year operating profit improved to €45 million. That is approximately €100 million more than in 2024. This improvement was primarily driven by improved operational performance, and significantly reduced adjusting items compared to the previous year. Adjusting items in 2025 amounted to €9 million, which were associated, for example, to our operations in Sweden. In contrast, transformation related to adjusting items in 2024 were substantially higher at €86 million, even including that gains from selling of our equipment at the beginning of 2024. But let's close the full year results now and move to the Q4 2025 overview.

And we start with some key highlights from the quarter. Revenue and adjusted operating profit both increased. The net debt and gearing continue to decline, and it's reflecting the good progress in the capital efficiency initiatives as well as the strong operational cash flow during the quarter. Our order books increased in both contracting segments, supported by a robust Industrial Construction activity. Residential CEE delivered a solid quarter, with a higher revenue and profit. Market conditions remains favorable for us.

The revenue growth for the quarter was driven by the Residential CEE and Infrastructure segments, while the revenue from Building Construction and Residential Finland declined year-over-year. This was actually the first quarter since second quarter 2023, in which the group's revenue increased. Adjusted operating profit increased from €13 million to €25 million during the period, resulting in adjusted operating profit margin of 4.5%. Overall, quarterly performance aligned with our internal expectations. But now, it's time to double click on the segment performance and we start from the Residential Finland.

Market conditions continue to influence the performance of this segment. And that is of course reflected across all the key performance indicators. Also, there has been improvements in the segment performance during 2025. It is evident that the additional measures are necessary given the financial results relative to our established strategic targets. And we will discuss some of these actions in more detail later.

During the quarter, our unsold completed apartments inventory continued to decline in the Helsinki metropolitan area. Several projects reached full occupancy. However, overall inventory in the Capital Region remains higher than we prefer. We achieved a total of 211 completions during the quarter, primarily outside of the capital area. While the inventory levels in those regions have increased slightly, they continue to be within normal or low ranges. On the full year comparison, our unsold apartment inventory declined approximately 25%. It is, again, important to note, that there are no scheduled completions in the Residential Finland business over the next six months.

And when we look our starts, sales, and the inventory levels, we have now achieved balance between those three different elements. We have been reducing approximately 50% of the unsold inventory what we observed in 2024 from those levels. Initiation of a new project is guided by the consumer demand, and the current product portfolio has also experienced a significant transformation in a past year. We remain to launch new developments in accordance with the evolving market requirements.

Completions in 2026 will be again backend-loaded, mostly focused on fourth quarter. Overall, there is a moderate increase in project projected completions from 2025. However, it is important to highlight that the 450 units that we are expected to complete during 2026 still fall significantly below the typical levels what we have had in this business on historical terms.

But leaving the Residential Finland behind and moving to our business at the Central Eastern European countries. We achieved a significant number of project completions in the fourth quarter, and that resulted In increased revenue and profit compared to the same period last year. The profitability margin for the full year was temporarily affected by the upfront investments and our ongoing regional expansion, which are part of the our strategic initiatives. Project gross margins have remained at targeted level, and the market conditions continue to be favorable. And also, despite increased investments in the new project starts and plots in 2025, capital employed remains well-managed and under control.

In the fourth quarter, we saw total of 873 homes within the Residential CEE market. Out of this, 286 were sold directly to consumers, while the remainder were sold to investors, or cooperative housing companies. The sales performance remained strong across all operating countries. So, following of that, there has been a significant acceleration in the project starts last year, and we started construction on a total of 1,600 apartments in 2025. Our current plot inventory is sufficient to support the development of approximately 15,000 additional homes. However, in selected cities, we are seeking opportunities to accelerate growth and further invest in the plot reserves to secure our future development pipeline.

For the 2026, we are anticipating an approximately 50% increase in completion compared to 2025. The business continues to demonstrate significant seasonality, as you can observe from the slides. The Residential completions are expected primarily in the fourth quarter. And as our financial reporting adheres to IFRS standards, both revenue and profits are recognized exclusively upon completion.

Sales from our joint venture projects are also progressing well. During the quarter we sold a total of 220 YIT homes, and are particularly pleased with the launch of sales in our new Kalevala project in Czechia. This year, the completion targets with the joint venture business model is set to increase to 650 units, which then will bring additional 40% volume next to our standalone projects. We will continue to utilize these SPV structures for selected projects in the Residential CEE region. It provides us flexibility on the project starts, and minimizes our own equity investment requirements for those selected projects. And as always, all equity commitments are fully disclosed in our annual reports.

But leaving the Residential segments now behind, and moving to Infrastructure. Our infrastructure segment delivered a revenue increase of over 30% in 2025, exceeding €500 million for the full year. The growth was primarily driven by the successful tendering across the various Infrastructure construction segment, and higher volumes within the Industrial Construction. The profitability remained consistently above the 4% throughout the year, and the team continues to seek further internal efficiencies to achieve the strategic targets established for the segment. The improvement in the capital employed during the fourth quarter was largely connected to our operations in Sweden, where several projects were successfully completed at the year-end.

Our order book also is strong, and has grown compared to the previous quarter. It is on a robust level of 20 months work and the level is nearly €900 million. When we looked the Infra market here in Finland, so that market remains dynamic, both in private as well as in the public sector. In early 2026, we announced a strategic investment to acquire rail construction capabilities, further strengthening our position within the Finnish infrastructure market. Notable highlights from Q4 include the order of excavation works for the Vantaa Energy Project, and the data development in Kouvola, both which are already now under production.

Moving on to the Building Construction. The main news from this segment during the Q4, was the capital release from Tripla Mall Ky, totaling of €51 million. It reduced the capital employed on this segment significantly. For the full year, the profitability increased despite the decline in the revenue. The adjusted operating profit over the past 12 months stands at 2.5%, indicating that the additional efficiency improvements are necessary to achieve the segment strategic targets.

The order book has increased compared to the previous quarter, with the team achieving notable success in tendering activities, particularly during the fourth quarter. The order book represents approximately 18 months of work and approaches €1 billion in value. A few highlights from the quarter include the school project in Espoon Koulutaival Oy, Swimming and Sports Hall in Helsinki, and the implementation phase of the Kupittaa project in Turku. It is important to note, that the certain project values added to the order book in full, only after the development phase is completed.

Then, when we look at our key operational metrics, we can say that the homes currently under the production is about 3,700 units. 80% of the production is concentrated within the Residential CEE area. Project margin deviations remained well managed, and implemented measures to enhance the productivity are evident throughout the project portfolio. The status of the overall supply chain remains robust.

Then when we look at overall market and our assessment of the market situation, it remains unchanged. The Central Eastern Europe Residential sector continues to demonstrate favorable conditions, whereas in Finland, primary market sales volumes are not expected to increase in 2026. The Infrastructure market is performing well, and Building Construction, which includes several types of construction activities, remains stable.

This concludes my remarks for now, and I will hand over, Markus, to you, provide more detailed overview of our financial performance. Thank you.

Markus Pietikäinen
Thank you. I will walk you through the financials.

This is a Q4 2025 summary slide. Return on capital employed was at 3.9% at the end of Q4, up year-on-year from 2.1%. Operating cash flow after investment was in line with Q4 2024 at €111 million. Gearing at 71%, which is close to the strategic target of between 30% to 70%. Net debt down €120 million year-on-year at €560 million. Guidance, €70 million to €100 million adjusted operating profit for continuing operations in 2026. Let's look at each of these topics in more detail in the following slides.

Capital release and capital efficiency in business operations are top priorities for us. And during the Q4, we released almost €100 million of capital. This was especially supported by the successful refinancing of Tripla Mall, which enabled Tripla Mall Ky to pay us €51 million as return on capital and profit distributions. Our return on capital employed improved by 1.8 percentage points from 2024, to 3.9%. We will continue to drive profits and capital turnover to reach our financial target of at least 15% by the end of 2029.

Some highlights regarding capital employed from the segments. In Residential CEE, we're able to release €30 million of capital during the year, even though at the same time, our apartments under production have increased by over 60%. This is mainly thanks to our apartment sales and strong plot portfolio. The Infrastructure segment continues to operate with negative capital employed, supporting the whole group's financial performance.

Let's move on to the cash flow development. The operating cash flow after investment has been positive for the last two years. Here, we can see strong seasonality with most of the positive cash flow being realized in Q4, just like in 2024. The seasonality reflects the timing of the residential completions. The operating cash flow after investment was €65 million for 2025. We will continue the work to improve cash generation.

Gearing decreased to 71%, down by 17 percentage points year-on-year, supported by positive operating cash flow and hybrid bond issuance in Q2 2025. Net interest bearing debt was €560 million at the end of Q4. This is a decrease of €120 million from the end of 2024, and €235 million from the end of 2023. The net interest bearing debt include IFRS 16 lease liabilities of €258 million, as well as housing company loans of €130 million. The housing company loans decreased by some €50 million year-on-year.

This is an overview of the main components of assets and liabilities. YIT had €712 million worth of plots enabling a pipeline of some 15,000 apartments, both in Finland and the CEE countries. This is down by to €81 million year-on-year. The book value of the completed inventory amounted to €322 million. This is down by €72 million year-on-year. Production has increased by around €60 million as we have accelerated our production, especially in the favorable Residential markets of the CEE countries. The book value of Tripla Mall is now €136 million, reflecting the €51 million capital return received during the quarter. The adjusted net debt was €173 million, and this excludes the operation IFRS 16 lease liabilities and housing loans. The maturity structure remains also in balance. When comparing interest bearing debt to our key assets, we can see that our underlying asset base is 2 times the gross debt number.

When we announced our strategy in November 2024 for the next five years, we said that our strategic focus in capital allocation is to only employ capital to our residential projects during the construction period. Today, we announced that we have defined non-strategic items that are not part of the company's strategic core operations in line with our strategy, and which we intend to dispose of in the strategy period. These non-strategic items are in the Residential Finland and Building Construction segments, and include, for example, our investment in the Mall of Tripla, equity investments in long-term property development, and completed self-developed commercial projects with sales risk. The total value of these non-strategic items was €340 million at the end of 2025, which is 2 times our adjusted net debt.

This also brings changes to our financial reporting. Going forward, the profit impact from non-strategic strategic items is excluded from the adjusted operating profit. Also, capital employed will be presented as operative capital employed, which includes assets and businesses aligned with the company's strategy. Return on capital employed will be calculated based on the operative capital employed. As a result of the change, the reported adjusted operating profit and operating capital employed will more clearly reflect the profitability, capital usage, and capital efficiency of the company's strategic business operations. The changes will take place starting from the beginning of 2026. The changes do not have any impact on the company's financial targets.

Then on to the guidance. We expect the Group adjusted operating profit for continuing operations to be between €70 and €100 million in 2026. The guidance is aligned with the new adjusted operating profit definition, which was discussed in the previous slide. The residential market in the Baltic countries and Central Eastern Europe is expected to continue favorably, contributing positively to Residential CEE segment's capability to generate profit. In Finland, the primary apartment market volumes are not expected to increase in 2026. In Residential Finland segment, low amount of completions during 2026 will limit the segment's capability to generate profit. In Building Construction, the operational performance is expected to improve. In Infrastructure, the operational performance is expected to remain stable.

Heikki Vuorenmaa
Thank you very much, Markus. And there are also several important topics remaining, like I said in the beginning of the of the webcast, that we need to address, and those are primarily regarding the news released earlier today.

But before going there, so let's take a look on how did we do the progress against our strategic targets now on the full year basis. We achieved improvements in our adjusted operating profit margin and return on the capital employed despite ongoing revenue decline in 2025. Each segment advanced in line with its respective plans, given the prevailing market conditions. And the internal performance and efficiency indicators are trending positively. This gives us a good foundation to enter the second year of our strategy execution.

And as a result of the progress, we are increasing the growth targets previously communicated for our contracting segments. The industrial construction business pipeline has exceeded expectations, supporting us to double the revenue growth targets for both the Infrastructure and Building Construction segments throughout the strategy period. Accordingly, we will – we intend to reorganize our energy and industrial construction operations into a new digital infrastructure business unit. In external reporting, we continue to share both revenue and profits under both contracting segments for now. Over the past 12 months, we have strengthened our team by recruiting additional talent, and we will continue to do so to enhance our capability to deliver the comprehensive turnkey solutions for our customers in the digital infrastructure space.

But while we are witnessing a faster than expected progress in the digital infrastructure business, it remains essential to pursue additional operational efficiencies to align our operations with the current market conditions, both in Residential Finland and Building Construction segments. We intend to transition from a region aligned management structure, to function based organization. And this shift will enhance our focus on core capabilities, and provide greater flexibility to scale the business in response to the market demand.

In connection to this change, we are we're also evaluating our internal management processes, how we are following up the performance, and evaluating if we would move to percent of completion management system. This could also then impact the external segment reporting principles as well.

Today, we have initiated change negotiations in Finland, to plan for these needed changes. The estimated cost savings are projected at €15 million, with full realization expected by the end of 2027. Our forthcoming quarterly reports will include updates on the progress towards these targets. But this is all for now and, Operator, it is time to for the questions.

QUESTION AND ANSWER SECTION

Operator
The next question comes from Svante Krokfors from Nordea. Please go ahead.

Svante Krokfors
Good morning. Thank you, Heikki, Markus, and Essi for the presentation. A couple of questions. First one regarding the slow apartment sales in Finland. What kind of measures are you taking to continue to reduce the number of unsold apartments going forward?

Heikki Vuorenmaa
Thank you, Svante. And, of course, when we looked at demand picture and the activities that are taken, so we have been applying different type of campaigns during the past couple of years to, to significantly reduce the inventory levels from, let's say, the highest level that what we had in 2024. Those have been quite effective when we looked at certain cities outside of the capital area, where we see that we are actually operating in a relatively normal levels and achieving our fair share of the market. The inventory level remains elevated here in the capital region, and we need to look then project by project selectively, what type of actions are needed in order to boost the sales there.

Svante Krokfors
Okay. Thank you. That's quite clear. Then a question regarding the EBIT guidance for 2026. What kind of assumptions do you have for the high end and the low end of the guidance, I guess? You mentioned that

Residential Finland will have difficulties to generate positive results this year, so where where will the €30 million to 50 million – sorry, €20 million to €50 million increase from the €50 million baseline, come from?

Heikki Vuorenmaa
Yeah. If you look at the overall different segments, so what is quite notable, is amount of completions that will take place in our Residential CEE business this year compared to the previous year. So, we expect the completions to increase by 50% compared to 2025. We also, like said, so we expect our operative performance in the contracting, both contracting segments, to improve, while we do not expect the market conditions in the Residential Finland to improve in 2026. As usual, so there is, at this point of in time, so there are uncertainties in the market picture, which is then reflecting the range of our guidance that we we have given today.

Svante Krokfors
Okay. Thank you. And could you tell us something about the timing of the €15 million cost saving you announced by the end of 2027, will that have an impact on 2026?

Heikki Vuorenmaa
So we have initiated the change negotiations, or kind of communicated that we will initiate the change negotiations today. So, we will come back to the further details, as well as the specific outcomes then on the following quarterly result, as we have made progress against the target.

Svante Krokfors
Okay. Thank you. That is all from me.

Heikki Vuorenmaa
Thank you, Svante.

Operator
The next question comes from Anssi Raussi from SEB. Please go ahead.

Anssi Raussi
Yes. Hi, all, and thank you for the presentation. Just one question from me, and it's regarding your financing expenses. So, how should we think about financing items in 2026? Like, let's say, if we compare it to Q4 run rates, or what kind of impacts or factors you see here?

Heikki Vuorenmaa
Thank you, Anssi, for the question. We do not specifically provide a guidance on that specific element, but, Markus, if you want to maybe give a bit flavor on that topic.

Markus Pietikäinen
Sure. Thank you, Anssi, for the question. I think it's a, it will be an equation of partial capital release program, how that will progress. As you've seen, we've now announced that the €340 million is non-strategic in the balance sheet. And obviously, this will be disposed by the end of the strategy period 2029. So very much, that depends on the financing cost based on the timing of those disposals. Otherwise, I think that that's the biggest delta, if you will, for that item.

Anssi Raussi
Okay. Understood. Thanks.

Heikki Vuorenmaa
Thank you, Anssi.

Operator
There are no more questions at this time, so I hand the conference back to the speakers for any closing comments.

Essi Nikitin
As there are no more questions, we thank you all for participating and wish you a great rest of the day.

Heikki Vuorenmaa
Thank you.

Markus Pietikäinen
Thank you. Bye.