



# Invitation

We are pleased to invite you to the Hättö Villa in Inkoo islands.

## YIT's Analyst Day

Time: Wednesday, June 4, 2014

Place: Hättö, Inkoo

### Welcome!

YIT Corporation

Timo Lehtinen  
CFO

Sanna Kaje  
VP, Investor Relations

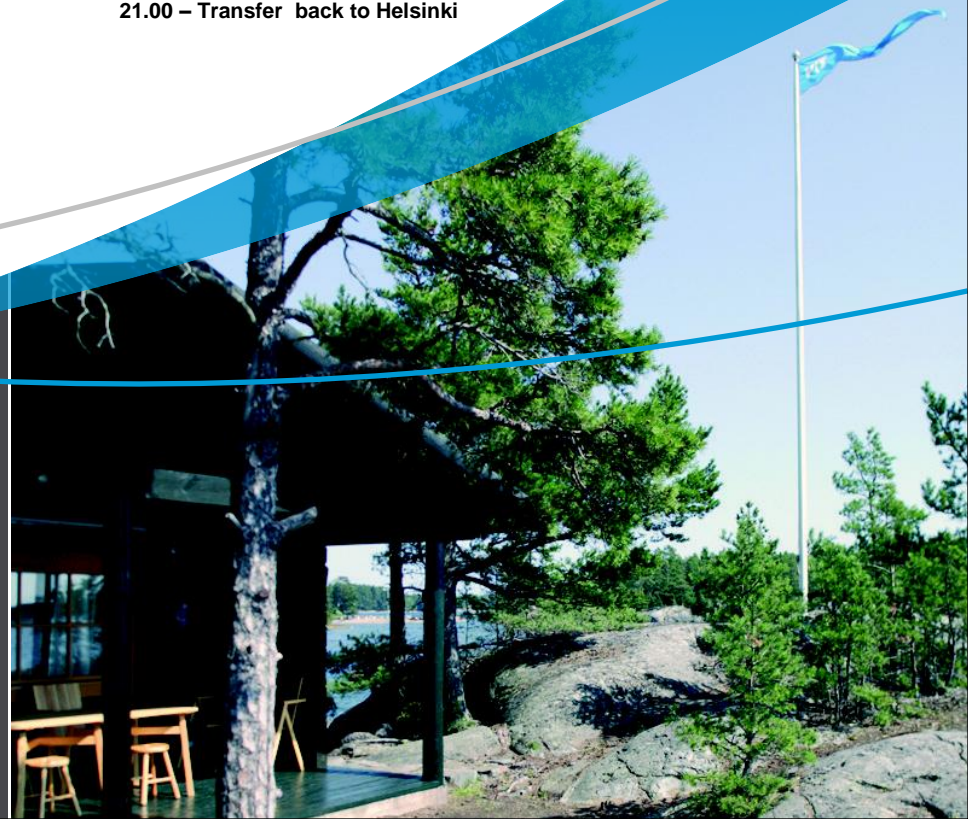
**RSVP.** Please register by May 22, 2014 to Annukka Heiskanen  
([annukka.heiskanen@yit.fi](mailto:annukka.heiskanen@yit.fi) or +358 40 357 0905)

Please, notify us about your special diet or allergies.

Equipments: Clothes according to weather (windproof), swim suit. Rain clothes and shoes available at the villa.

## Program

- 09.00 Meeting point: By bus from Kiasma  
(address: Mannerheiminaukio 2, Helsinki)
- 09.30 – 10.30 Site visit at MotorCenter Suomenoja
- 12.00 *Lunch (with business update)*
- 13.00 – 15.00 Presentations:  
Tom Sandvik: The Baltic countries and CEE  
Tapio Salo and Jukka Kalliomäki:  
Project Tripla and project financing
- 15.00 Trip to nature or fishing
- 16.30 – 18.30 Sauna
- 18.30 – 21.00 *Dinner*
- 21.00 – Transfer back to Helsinki**



# Information of Hättö

## Hättö story

Hättö belongs to the Hättö nature conservation area, which was first founded in 1946 by Ragnar Krüger, who was the founder of Yleinen Insinööritoimisto, a predecessor of today's YIT. The 500 hectare area includes waters and eight major and ten minor islands. The total area of the islands is approximately 200 hectares. Krüger was a great friend of nature. He acquired his first islands in the Hättö area in 1936. Being interested in plants and animals, he planted over 70 hardwood species in the conservation area: more than 40 of these trees and bushes were still found on the island according to the inventory carried out in 2001. He also brought animals, such as ibexes, red deer and fallow deer to the islands, as well as mouflon sheep originating from the mountains of Corsica.

Yleinen insinööritoimisto bought from Krüger a two hectare plot on Hättö island to build a company cottage for entertaining guests. The rest of the conservation area is owned by Ragnar Krüger's heirs. According to the agreement between the family and YIT, YIT is allowed to use the conservation area for its customer events. YIT employs a person responsible for guarding and maintaining the area and for looking after the still existing fallow deer and mouflon populations.

The buildings of Hättö island include the villa designed by Lars Sonck and used by Krüger's heirs, and the YIT guests facilities, which were built in 1972 and designed by Architect's Office Markku Annila. The cottage and sauna buildings were renovated in the summer 2007 to better meet current requirements. The work was carried out on the basis of designs by architect Kaisa Vepsäläinen.

The cottage is maintained and the conservation area guarded by Erik Björklöf, who also takes care of boat transportation to the island and organises fishing and nature trips for guests.

The boat connection to the island leaves from Bäreosund in Inkoo. The trip takes 10-20 minutes, depending on the weather.

Trip to Bäreosund takes about an hour from Helsinki by car.







Reding Tower  
Bratislava, Slovakia

## YIT – Analyst Day 2014

### Operations in the Baltic countries and Central Eastern Europe

Tom Sandvik, Head of the Baltic countries and CEE -division



# Contents

1. YIT in the Baltic countries and CEE
2. Operating environment and market position
3. Strategy and progress
4. Operating countries in brief
5. Summary





# 1

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## YIT in the Baltic countries and CEE



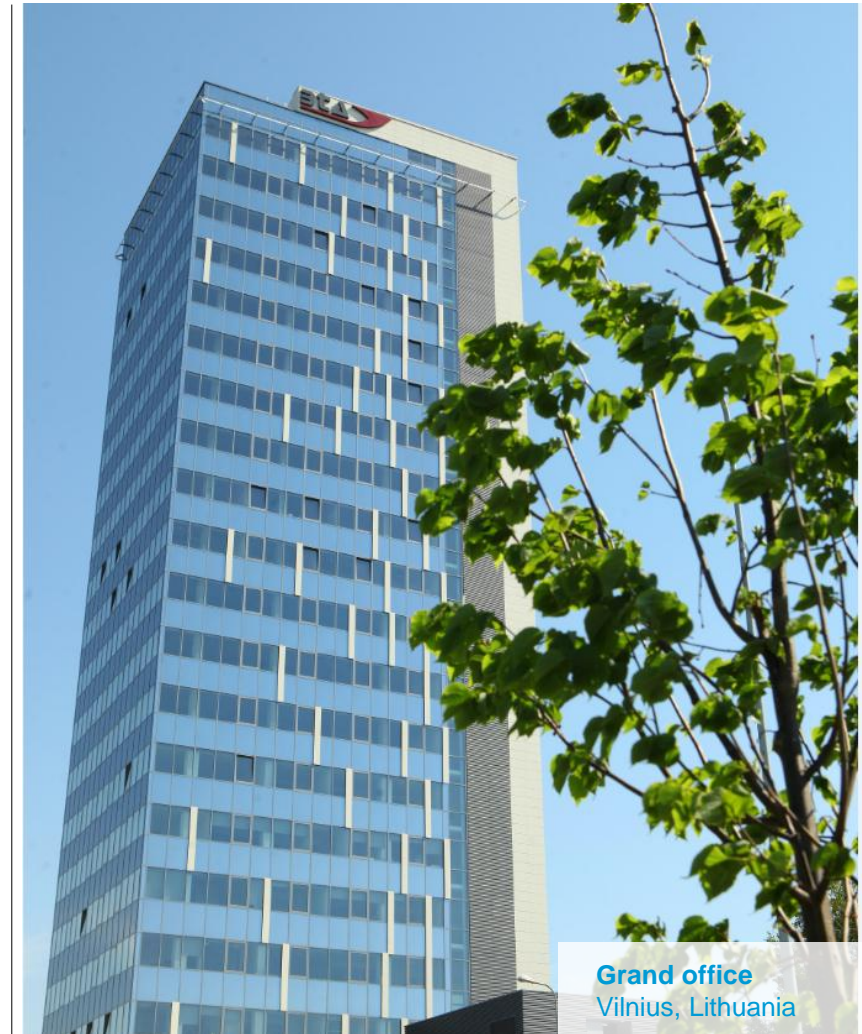
Uus Kalamaja area  
Tallinn, Estonia

# YIT in the Baltic countries and CEE

- Operations in Estonia, Latvia, Lithuania, the Czech Republic and Slovakia
- Business areas
  - Housing: focus on self-developed projects, selective contracting
  - Business Premises: Offices, shopping centres, public premises, renovation of existing premises
- Target group in housing is middle class

## The Baltic countries and CEE in figures (2013)

Revenue	EUR 124 million (7% of group revenue)
Plot reserves	EUR 79 million
Employees	689
Residential start-ups	723 units
Apartments under construction 12/2013	1,062 units

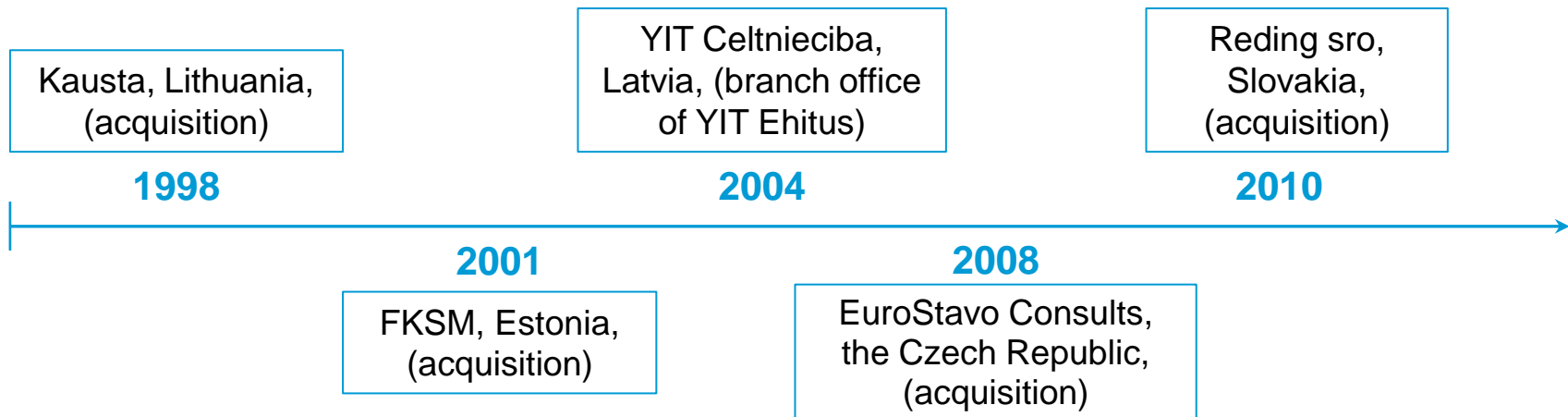


Grand office  
Vilnius, Lithuania



# Timeline of operations in the Baltic countries and CEE

- YIT entered the Baltic market with focus on contracting
- The focus was shifted towards own development which was then interrupted by the financial crisis
- Entry into Slovakian and Czech markets was part of a strategy to expand the construction business to CEE area
  - Fundamental need for new housing and room for improvement in living standards



# 2

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Operating  
environment and  
market position



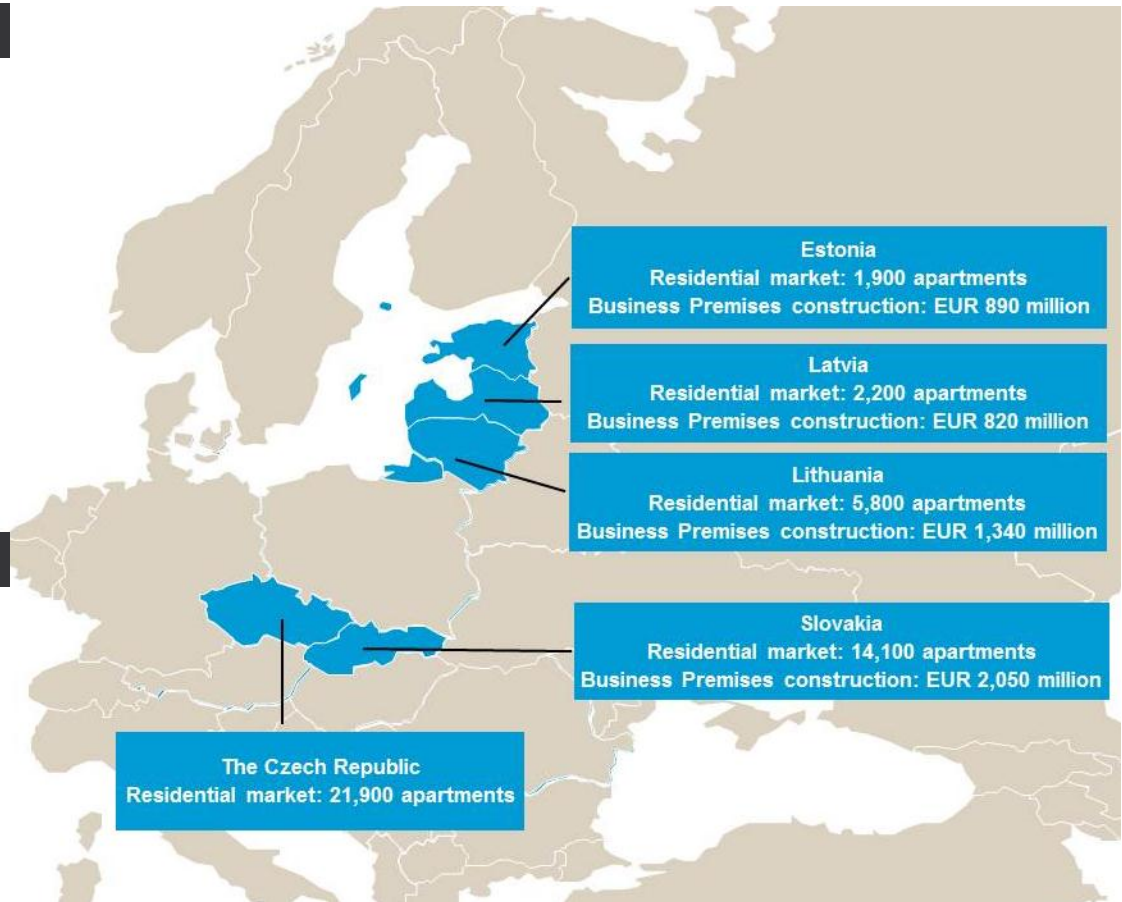
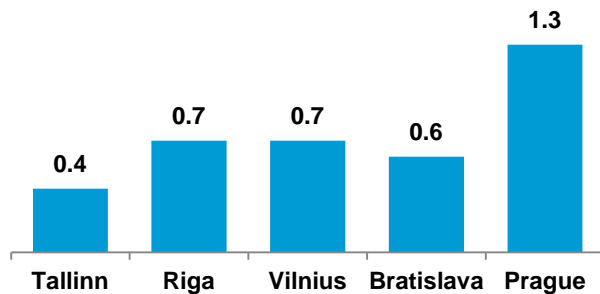


# YIT is the biggest residential developer in the Baltics

## YIT's market position in the housing market

- Estonia – Number 1
- Latvia – Number 1
- Lithuania – Among top 3
- Bratislava, Slovakia – Among top 3
- Prague, The Czech Republic – Among top 5

## Population in the capital cities, millions

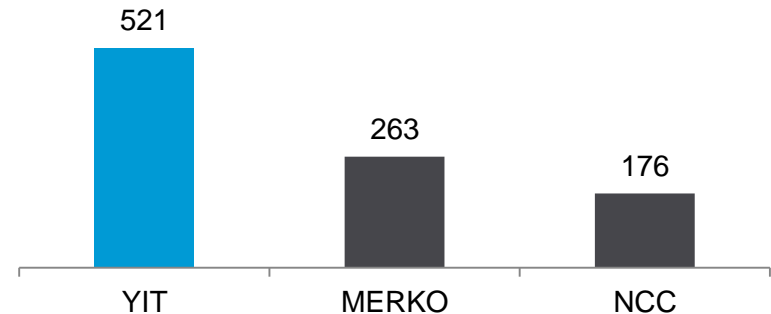


Sources: Euroconstruct, VTT

# Local competitors in every market

- Residential market in the Baltic countries, Slovakia and the Czech Republic is very fragmented
- Different companies in every country, very few big players

Number of apartments sold in the Baltics, 2013

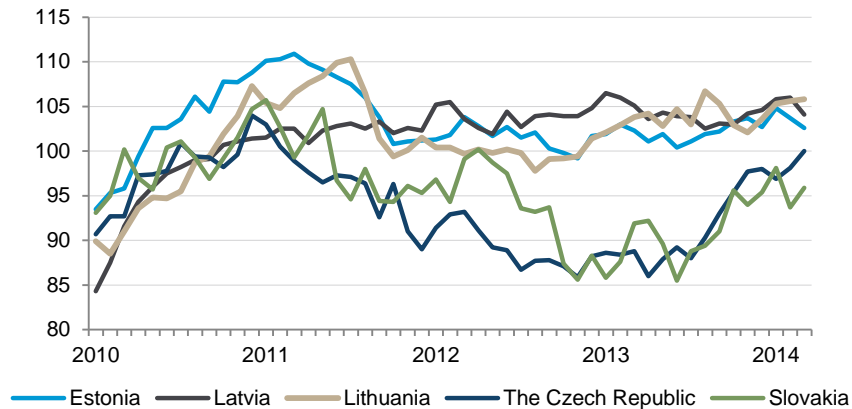


Country	Main competitors in housing	Main competitors in business premises
<b>Estonia</b>	Merko, Nordecon, Rand & Tuulberg AS, Astlanda, Fund	Merko, Nordecon, Rand & Tuulberg AS, Astlanda, Fund
<b>Latvia</b>	Merko, Hanner, NCC, banks (Ektornet, Latectus)	RBS Skals, Re&Re
<b>Lithuania</b>	Eika, Hanner, MG Valda	PST, Mitnija
<b>Slovakia</b>	J&T, Cresco, Penta, Finep	Skanska
<b>The Czech Republic</b>	Central Group, Ekospol, Finep, Skanska, Crestyl	-

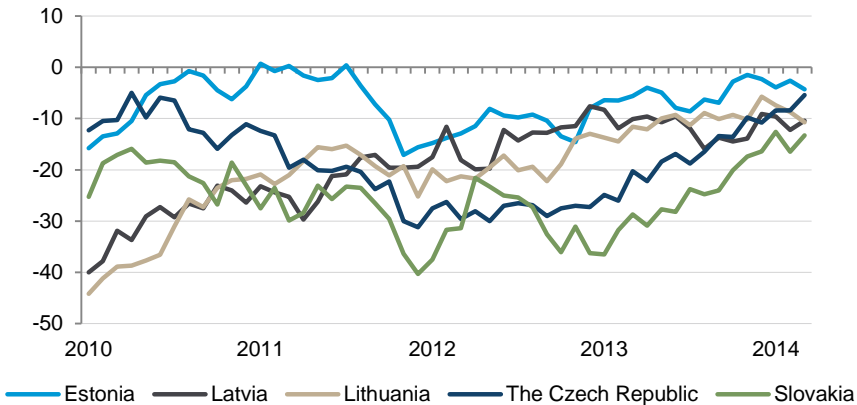


# Key market drivers for Housing

## Consumer confidence



## Economic sentiment



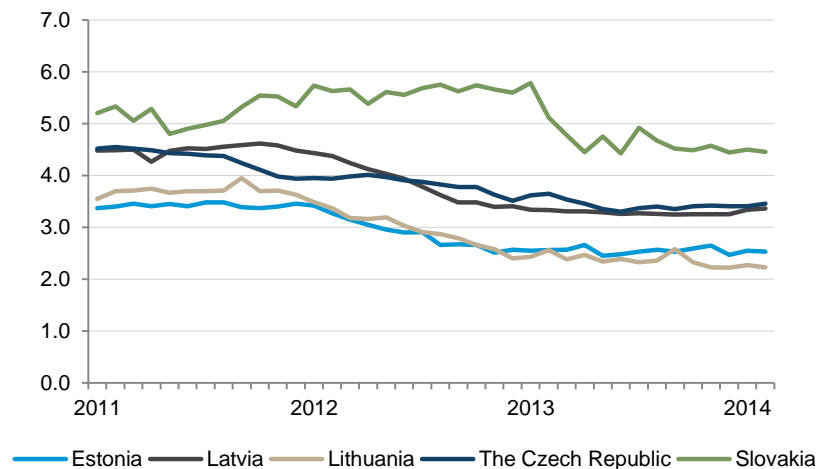
Source: European Commission

- Low living space and demand for high-quality, modern apartments
  - Average living space per capita below 30 sq. m.
- Improving macro outlook
- Housing markets very fragmented in Central Eastern Europe - only a few bigger players in residential construction
- The region's developing housing market offers potential for investors through increased value

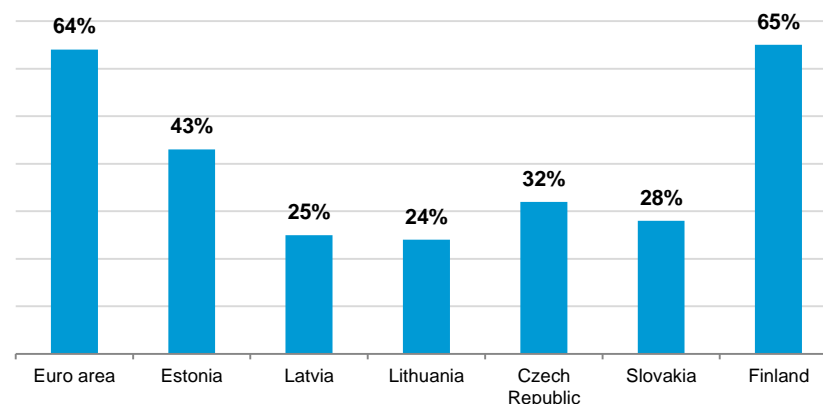
# Mortgage market in the Baltic countries and CEE

- The Baltic countries, Slovakia and the Czech Republic have well-functioning mortgage markets
- Low interest rates
- YIT's good relations with local banks improve customers' access to financing
- The usage of mortgages varies between countries, roughly 30-80% of deals financed with mortgages
  - Mortgages most common in Estonia, Slovakia and the Czech Republic

Average interest rate of mortgages (%)



Gross debt to income, 2012, %



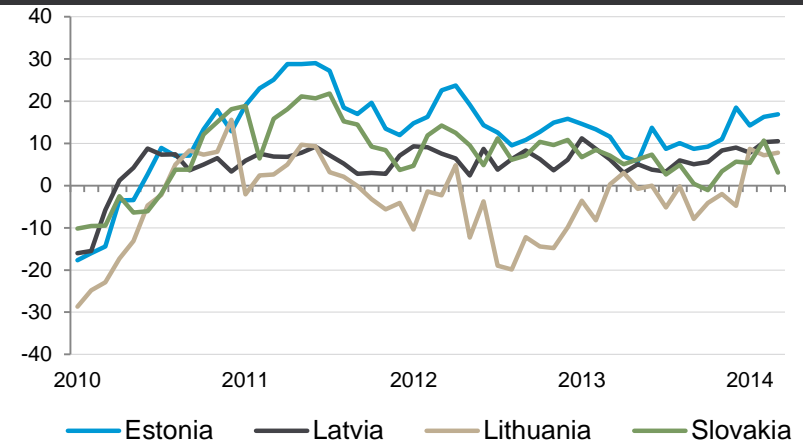
Source: National Central Banks, Eurostat April 2014



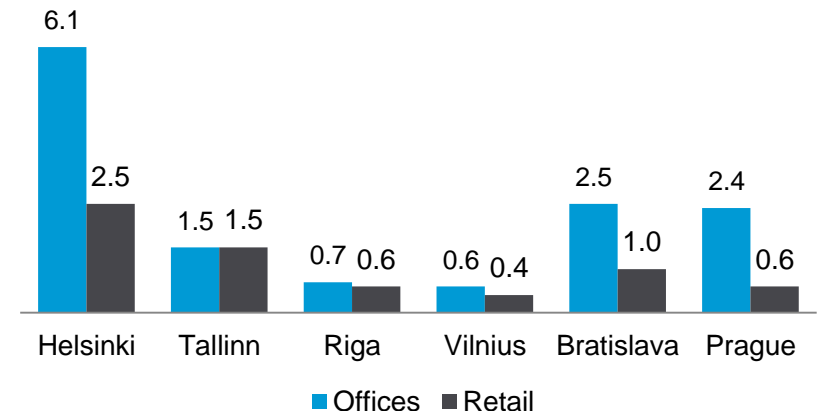
# Key market drivers for Business Premises

- Improving macro outlook
  - Company balance sheets more robust
  - The impact of the Ukrainian crisis limited
- Low business premises stock per capita
- Growing capital cities
- City centre development
- Demand for modern and energy efficient premises

Retail trade confidence in the Baltic countries and Slovakia



Business Premises stock per capita in the capital cities, million sq. m.



Source: European Commission, Newsec, Colliers, Jones Lang LaSalle, CBRE

# 3

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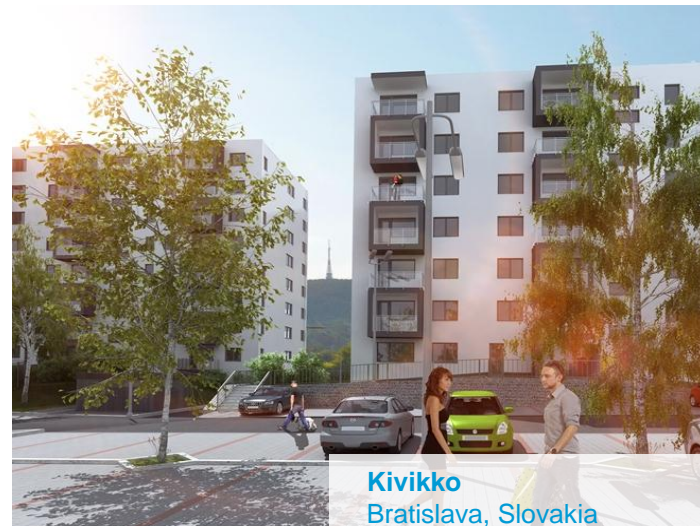
## Strategy and progress





# The role of the Baltic countries and CEE in YIT's strategy

- Geographical diversification evens out economic fluctuations
- Solid growth drivers, target to increase the market share in housing in all markets
- Focus has been shifted towards own development
  - Potential for improved profitability
- Opportunity to utilize Group level know-how and strong brand
- Clear plan for improving capital efficiency



# YIT's competitive edges in the Baltic countries and CEE

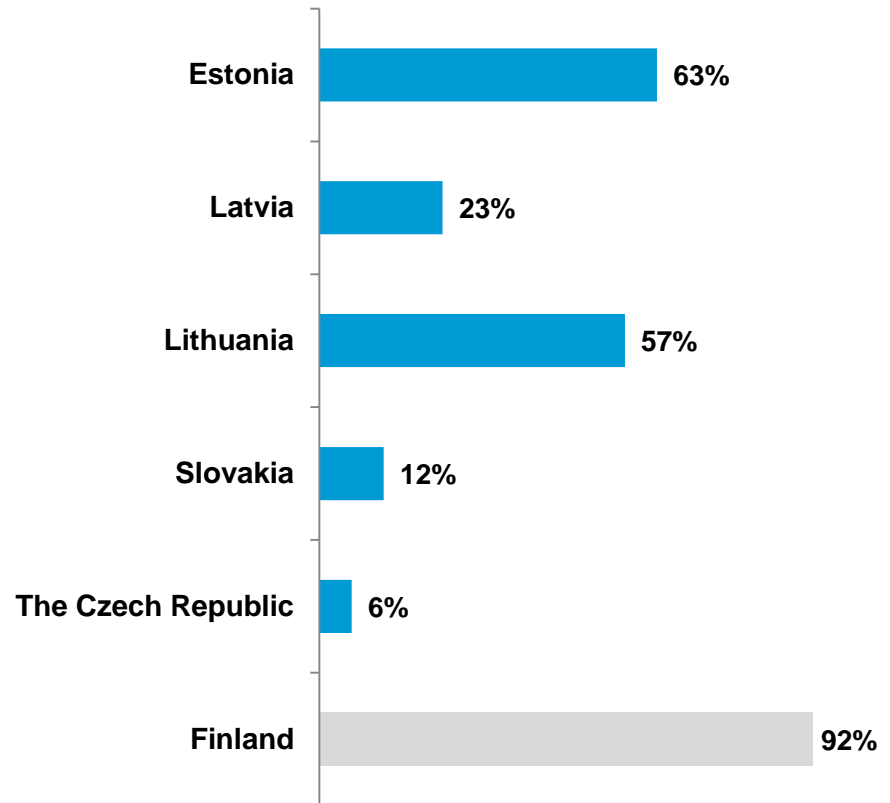
- Finnish design and construction quality highly valued in Eastern Europe
  - According to brand studies, YIT is perceived as a reliable, high-quality brand
- Strong design management and project expertise
- YIT among the first operators to introduce new, more energy-efficient apartment buildings to the market
- Own sales network in each country
- Solid plot portfolio



# YIT considered as a reliable, high-quality brand

- In brand awareness study\* YIT was described as
  - Reliable
  - High-quality
  - Innovative solutions
  - Good customer service
- YIT was well recognized in Estonia and Lithuania, still quite unknown in the Czech Republic and Slovakia

Prompted awareness of YIT in the Baltics and CEE\*, %

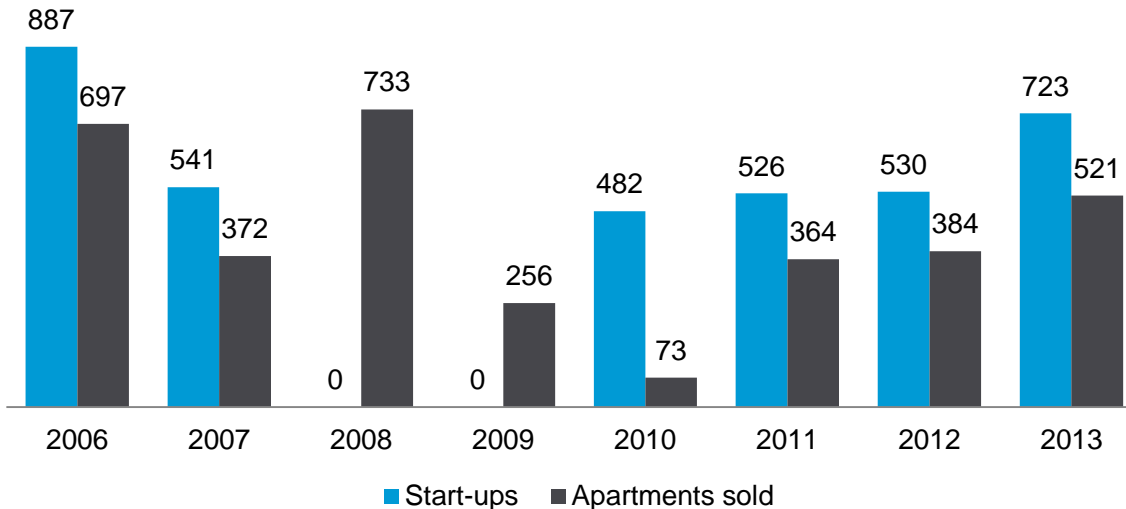


\*TNS Gallup conducted “Developers awareness” study in March 2013. The figures above show which percentage of the respondents in each country are familiar with YIT brand.



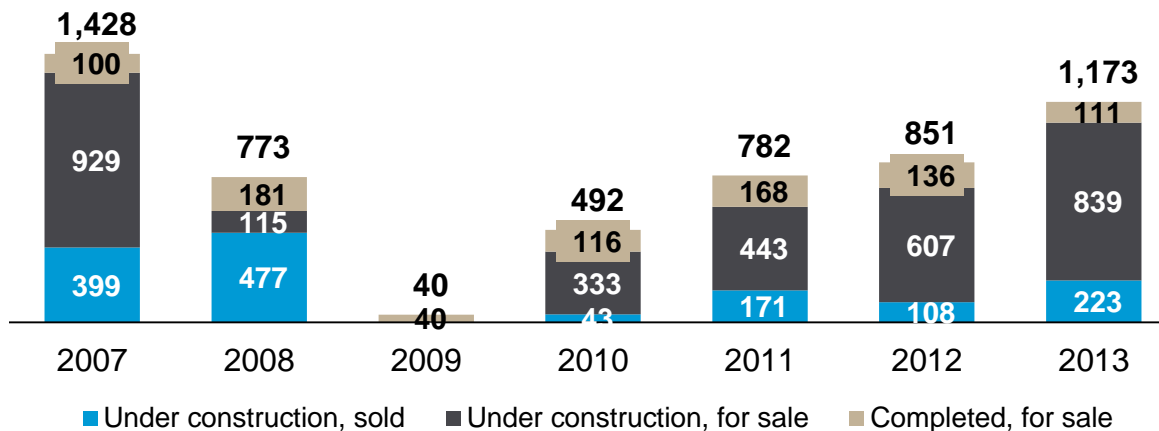
# Recovering housing sales after the financial crisis

Start-ups and sold apartments, pcs



- During the financial crisis, strong focus on inventory reduction through significant discounts
- Sales have recovered since but volumes still low
- Start-ups increased recently in response to improving demand

Apartment inventory at the end of the period, pcs



# 4

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Operating  
countries in brief

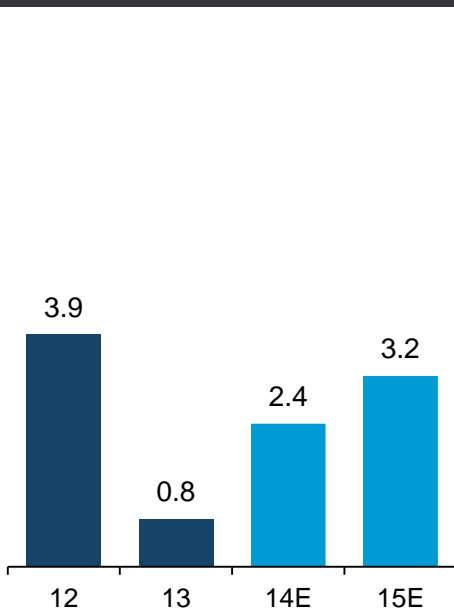


Villinki  
Bratislava, Slovakia

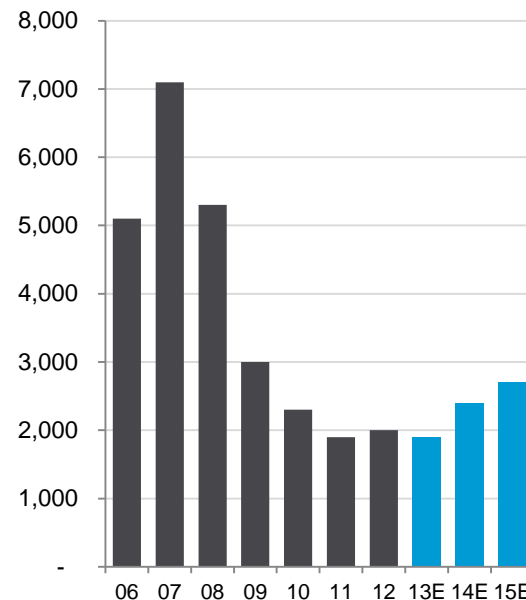
# Estonia - YIT has a solid reputation in the market

- Estonia is a fast-paced market that is dependent on Finnish and Swedish economies
- Future potential in both housing and business premises development

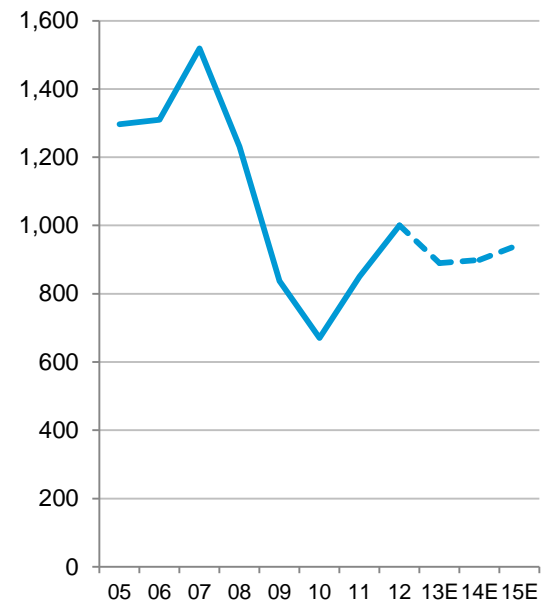
GDP growth, %



New non-residential construction, EUR million



Residential completions, units



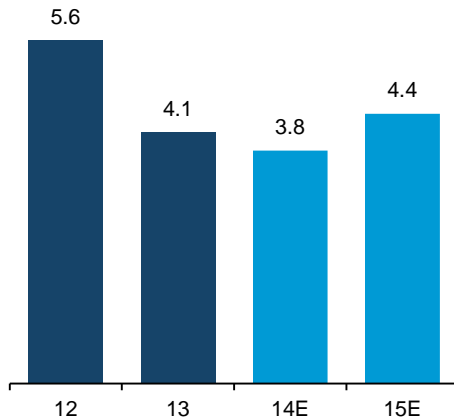
Source: IMF April 2014, VTT Technical Research Centre of Finland, December 2013



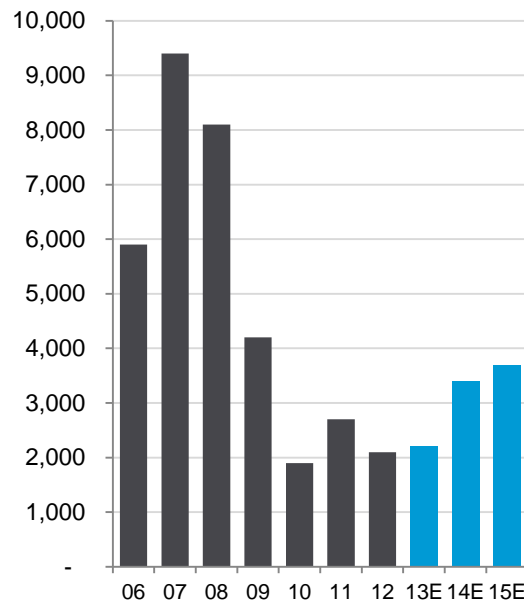
# Latvia - Investment environment improving

- During the financial crisis, banks had to repossess residential projects → still continues to impact the housing market
- Unpredictable permit process, however legislation under way to improve the investment environment
- Potential in housing and business premises development
- 30% of YIT's customers are non-residents, mainly Russians

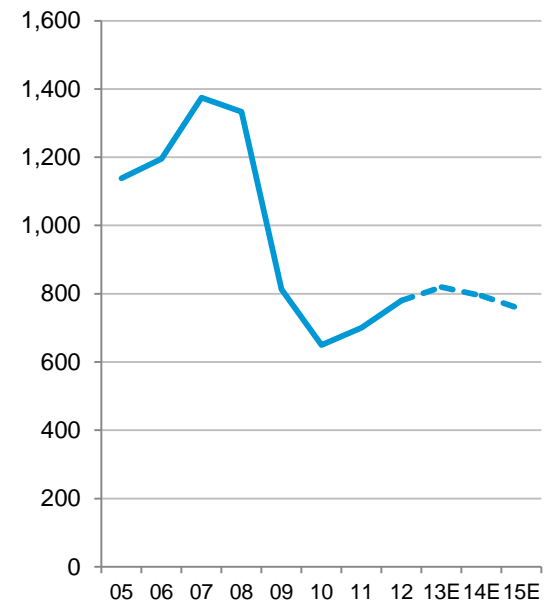
GDP growth, %



Residential completions, units



New non-residential construction, EUR million

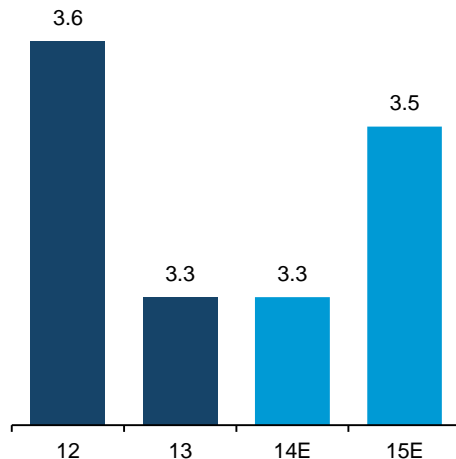


Source: IMF April 2014, VTT Technical Research Centre of Finland, December 2013

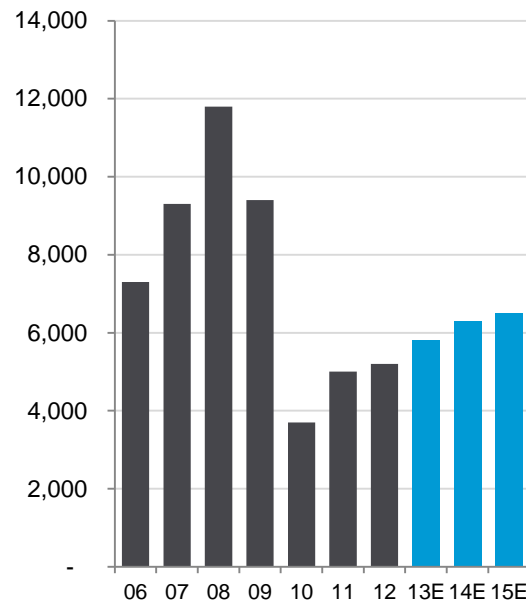
# Lithuania - YIT's brand well-known and highly valued

- Potential in both housing and business premises development
  - Business premises stock per capita very low
- YIT considered as the most respected and reliable contractor in the market

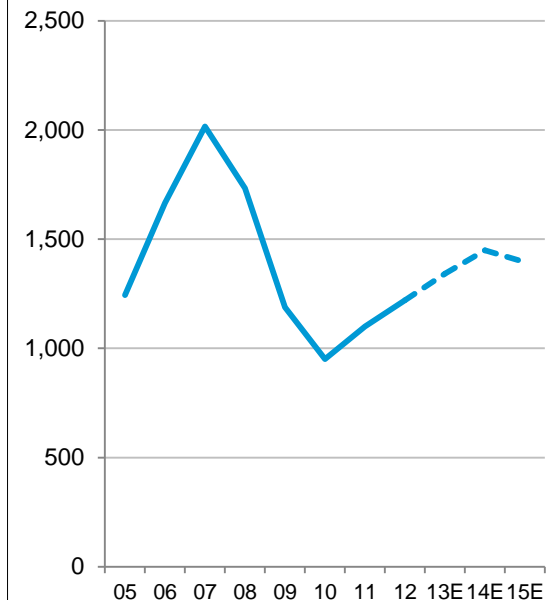
GDP growth, %



Residential completions, units



New non-residential construction, EUR million

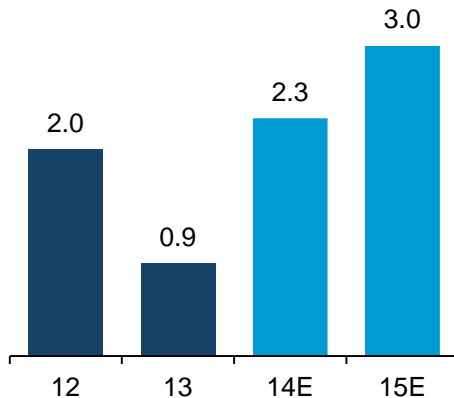


Source: IMF April 2014, VTT Technical Research Centre of Finland, December 2013

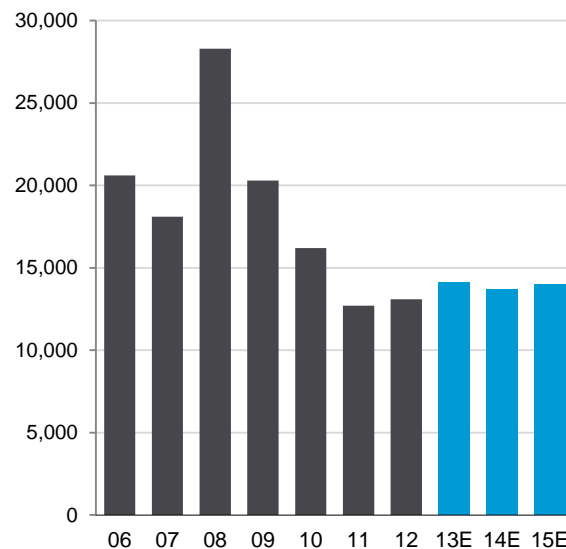
# Slovakia - YIT has achieved a solid market position

- Fragmented housing market
- Construction industry has suffered from tight fiscal policy but the situation is expected to improve
- Potential especially in housing
- YIT Reding recognized as Developer and Construction Company of the year 2014 in Slovakia

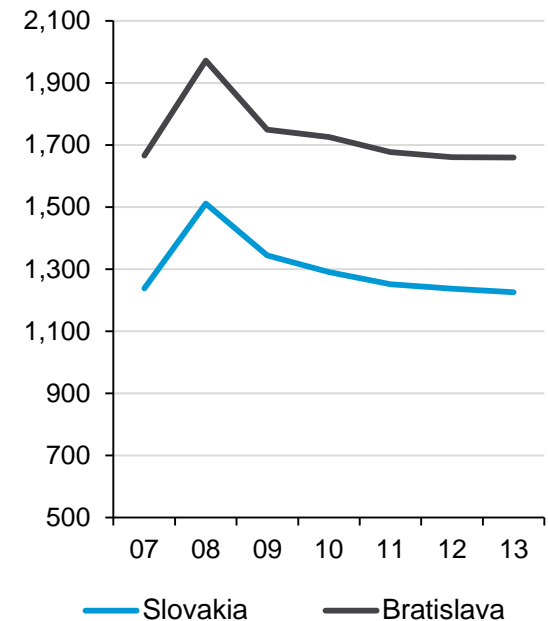
GDP growth, %



Residential start-ups in Slovakia, units



Residential prices, EUR/ sq. m.



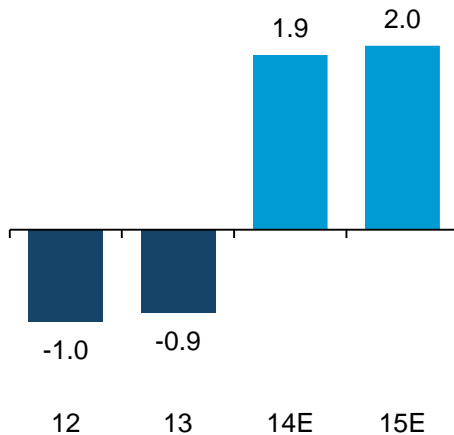
Sources: IMF April 2014, Euroconstruct, November 2013, National Bank of Slovakia, March 2014



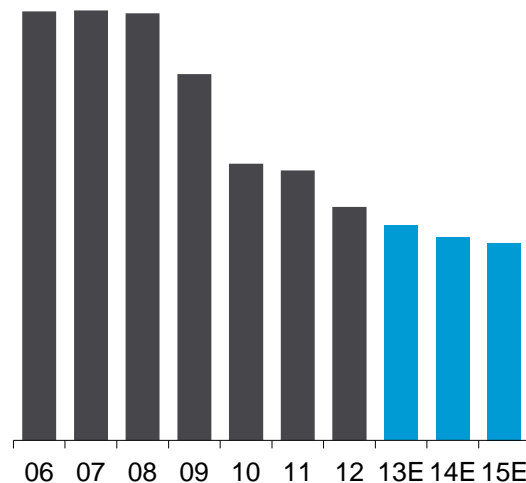
# The Czech Republic - The biggest market with most potential

- The political situation has normalized, unemployment rate is low
- Few big players in the construction market, otherwise very fragmented
- Potential especially in residential development

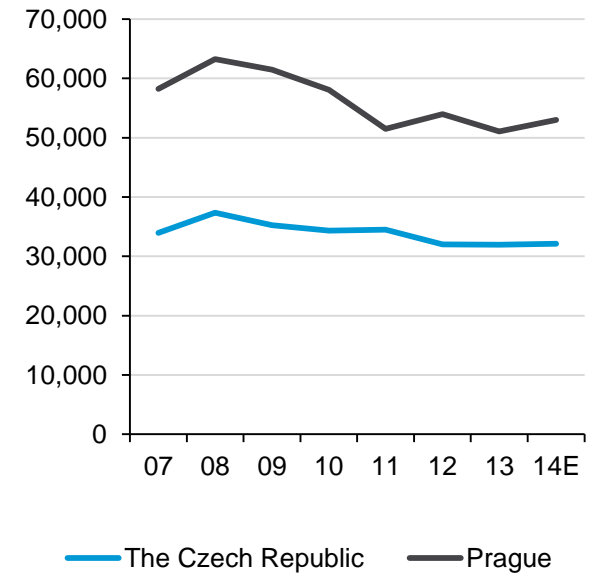
GDP growth, %



Residential start-ups in the Czech Republic, units



Residential prices, EUR/ sq. m.



Sources: IMF April 2014, Euroconstruct, November 2013, JLL 2013

# 4

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## Summary



# Summary

- The Baltic countries and CEE have a significant role in YIT's strategy
- Focus shifted towards own development, potential for improved profitability
- YIT's brand highly valued in the region
- Solid market drivers provide growth opportunities
- Clear plan for improving capital efficiency



Koti Green Motol  
Prague, the Czech Republic





## YIT – Analyst day 2014

### Tripla – The centre of new Pasila

Tapio Salo, SVP Tripla  
Jukka Kalliomäki, Group Treasurer



# Contents

- 1 Pasila – prime location
- 2 The Tripla project
- 3 Project finance
- 4 Summary





# 1

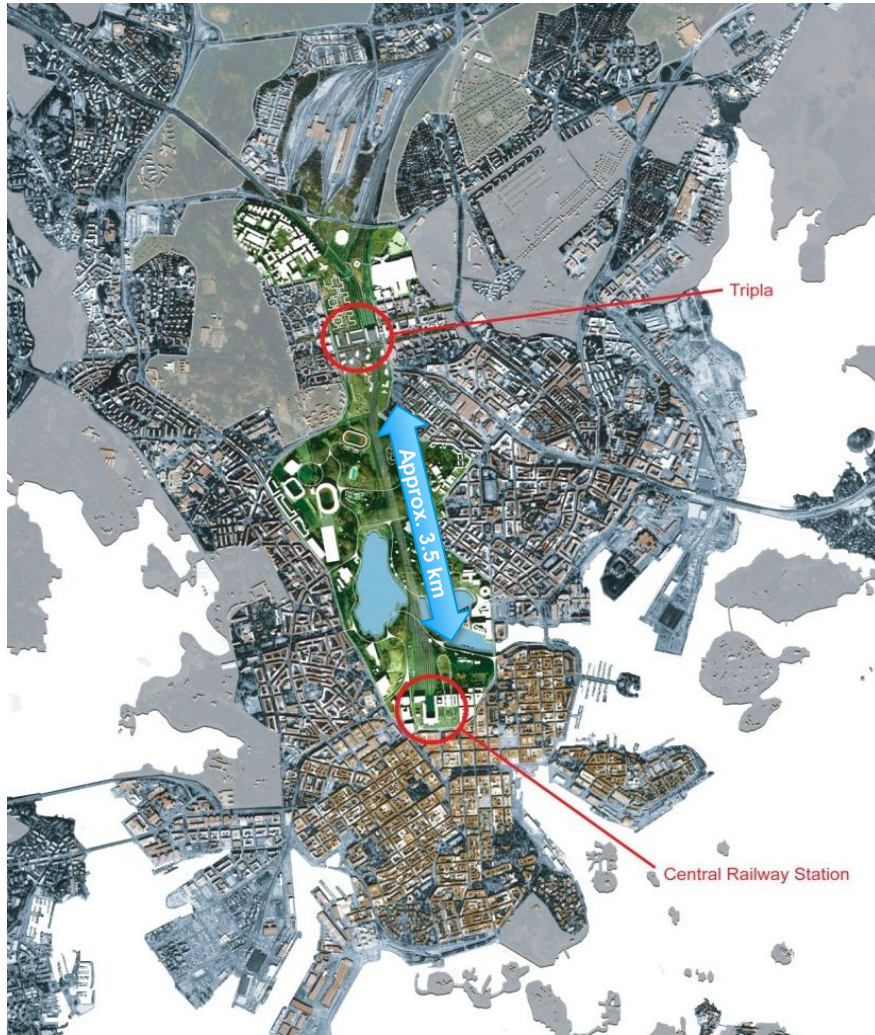
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Pasila –  
prime  
location





# The development of Central Pasila



- City of Helsinki has designated Central Pasila as one of the key development areas for the next decades
- As fully developed new Central Pasila will accommodate more than 5,000 residents and offer jobs for 15,000 people. Daily people flow through Pasila railway station verges on 80,000
- The development plan includes a wide variety of new construction, including residential, commercial and infrastructure. In total the new construction in the area will be approx. 600,000 floor sq. m.
- The overall development undertaking will consist of three individual phases of which Tripla is the first phase



# Pasila now





# Pasila in the future







**TOWER AREA**

**TRIPLA**

**RESIDENTIAL AREA**

**Pasila to become part of downtown**

**ONE PASILA = Central Pasila connects  
East and West**

**500,000 persons within the reach of 30  
min by public transportation**



# Excellent location

- Connection point for all rail traffic in the Helsinki Metropolitan Area
- Also investments in other public transport in connection to the train station
  - Enlarged bus hub
  - Tram extension
  - Metro (City Rail Loop) in the future
- Plans to develop the road network around the Pasila railway station also underway
  - Plans to run one of Helsinki's most active streets through Pasila, with direct access to the railway station and shopping centre

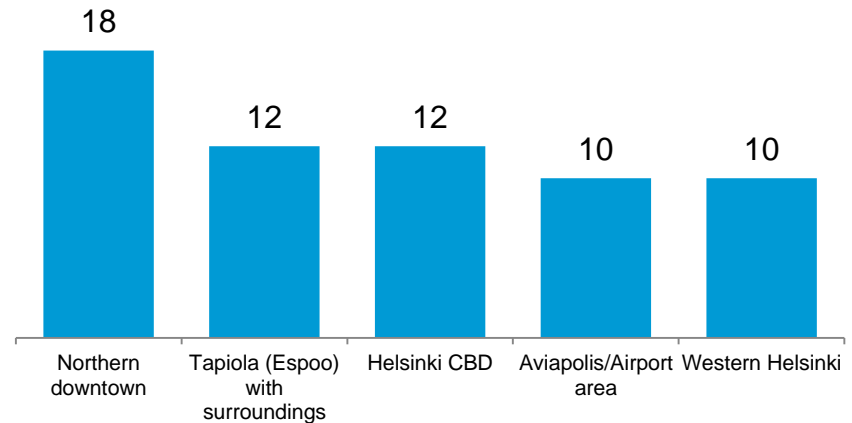


# Location is the key element of suitability for office tenants

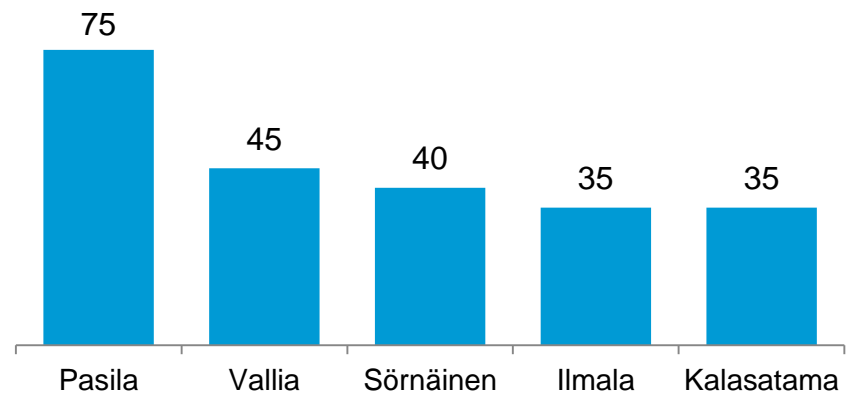
- Northern downtown is tenants' most preferred location for office buildings in the Helsinki Metropolitan Area
- In Northern downtown Pasila is clearly the most preferred location for tenants
- Traffic connections and accessibility, location close to the customer and future prospects for the area were listed as the most important factors for suitability

\*Source: KTI Kiinteistötieto OY "Tulevaisuuden työympäristö –barometri"

Most suitable area in HMA for office buildings, % of answers\*



Most suitable areas in Northern downtown, % of answers\*



# 2

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## The Tripla project





# Tripla - Centre of new Pasila

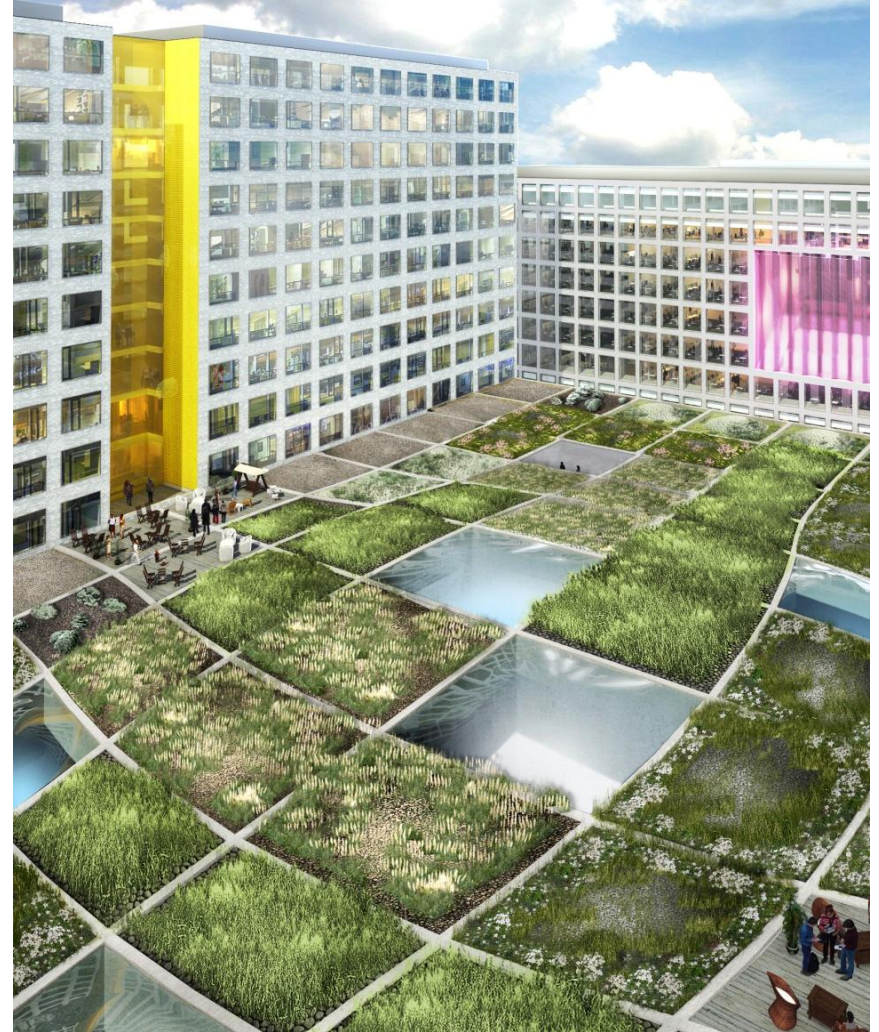
- A complex of three blocks in Central Pasila
- Shopping centre, residential buildings, headquarter-level offices, business park, hotel and city suites, multi-purpose arena
- Permitted building volume 183,000 floor sq. m., totalling 350,000 gross sq. m.
- Construction starts in 2015 after the city plan is confirmed
- Implemented in phases in approximately 10 years
- Employment (construction phase) effect approximately 400 persons on average, 900 persons at best





# Ecological starting point for the design

- Capability for sustainable and ecological design had a significant role in the competition
- In YIT's entry
  - Buildings will be A-class in energy efficiency constructed using sustainable materials
  - Park areas and green roofs cover one third of the roof area
  - Parking places for 3,400 bicycles and charging stations for almost 350 electric cars will be constructed
  - The pure water consumption will be reduced by 20 % from the current consumption level
  - Waste collection will be realized using a central vacuum waste system
  - A life cycle coordinator is responsible for implementing the criteria in all project phases



# YIT is capable of executing the project



- YIT has the wide professional skills required by the project
  - Housing, Business Premises and Infrastructure part of YIT Group
  - Experience from hybrid projects
- Experience from different types of business premises projects; office, retail, public buildings
- Specialized infrastructure knowledge enables constructing demanding infrastructure projects; bridges, tunnels, rail works, underground parking
- Own housing concepts
- Experienced sales team



# Risk management is a key element in the project's success

- Sales risk
  - Flexible schedule
  - Experienced sales team
- Zoning
  - Plot payments subject to zoning
  - Good cooperation with all involved parties
  - YIT representation in all decision making bodies
  - Active and proactive communications
- Technical risks
  - Strong project team with excellent track record in complex projects



# Solid project team

## Steering committee

Chair:  
Deputy CEO Tero Kiviniemi

**Tapio Salo**  
Project director

### Assistant

### HR

### Communications

### Marketing

### Investor sales

### Legal services

### Reporting

### Finance

**Jarkko Pakkala**  
Construction director

### Work safty coordinator

### Project managers

- Building pit, bridges and surroundings
- Parking facilities, metro
- Old train station, rail works, congress center
- Special schemes
- Shopping center, leisure arena
- Apartments
- Facade, covers, body structure
- Hotel, office, suites design management

### Project engineers

**Kari Alavillamo**  
Production director

### Work safety engineer

### Site managers

- Building pit, street areas
- Bridges
- Parking facilities
- Works beneath the railway station
- Hotel, office, shopping center, leisure arena
- Old train station, rail works, congress center, apartments

### Production engineer, infrastructure works

### Cost accounting

### Project engineers

- Schedule, production planning

### Procurement engineers

**Tapio Salo**

### Administrative manager

- Life-cycle coordinator
- Accounting, finance, reporting
- General administration

### Commercial development coordinator

- Leasing
- Concept development

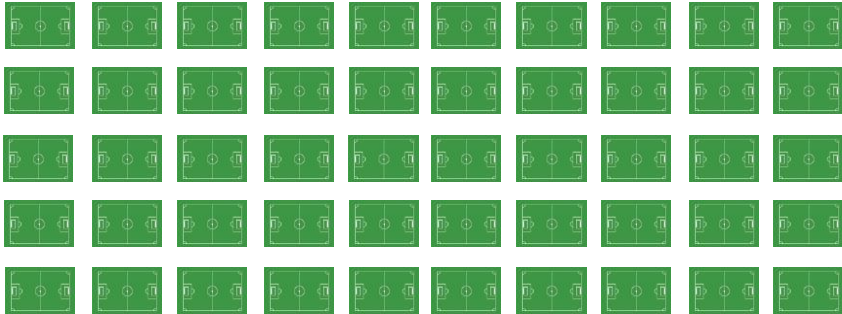
### B2B leasing

- Retail
- Office
- Hotel
- Apartments
- Suites

### Investor sales coordinator



# Tripla in numbers



- Pasila railway station will become the busiest station in Finland, daily:
  - 1,000 trains
  - 450 trams
  - 800 buses
- It is estimated that almost 80,000 passengers will pass through Pasila daily
- Tripla's size, approx. 1,160,000 cubic meters or 333,000 sq. m., equals roughly
  - 10 Finnish Parliament houses
  - The world's biggest luxury cruise line Oasis of the Seas
  - More than 50 football fields

# Comparison of Nordic shopping centres

Finland	Location	Gross leasable area sq. m.
Itis	Helsinki	114,071
Sello	Espoo	97,900
Jumbo Shopping Center	Vantaa	85,000
<b>Tripla</b>	<b>Helsinki</b>	<b>83,500</b>
Kamppi	Helsinki	33,206

Norway	Location	Gross leasable area sq. m.
AMFI Moa	Ålesund	63,699
Storo Storcenter	Oslo	56,000
Sandvika Storsenter	Oslo	55,500
Kvadrat	Stavanger	41,790
Oslo City	Oslo	19,430

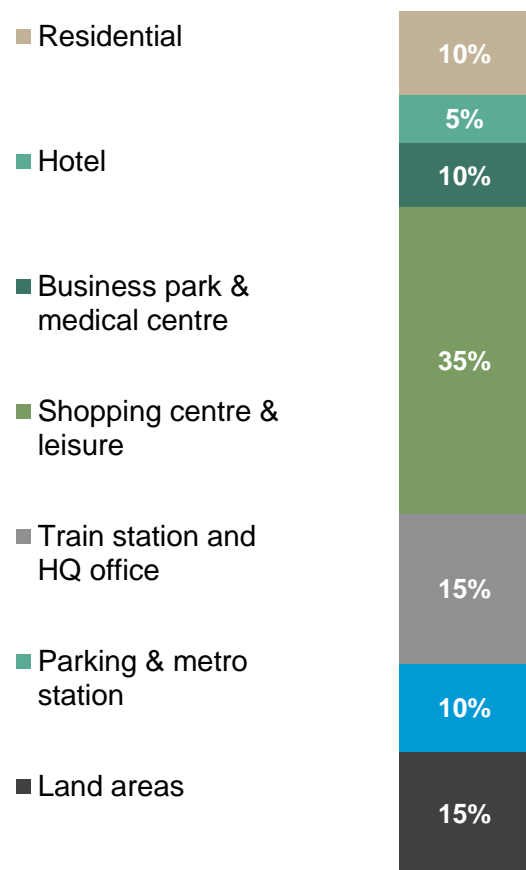
Sweden	Location	Gross leasable area sq. m.
Nordstans Affärscentrum	Gothenburg	73,109
Frölunda Torg	Gothenburg	51,963
Bergvik Köpcenter	Karlstad	54,000
Kista Galleria	Stockholm	45,940
Nordiska Kompaniet	Stockholm	24,020

Denmark	Location	Gross leasable area sq. m.
Field's Shopping Center	Copenhagen	74,000
Kolding Storcenter	Kolding	60,000
Rosengårdcentret	Odense	58,000
Fisketorvet Shopping Center	Copenhagen	39,000
Aalborg Storcenter	Aalborg	35,000

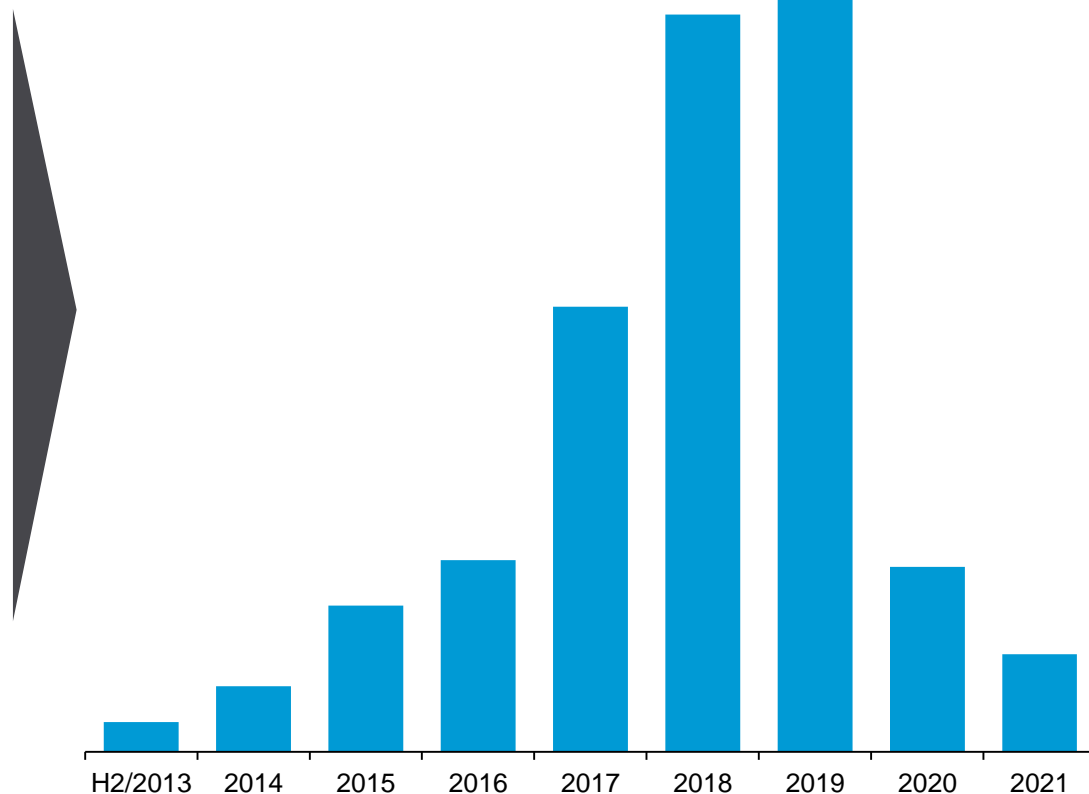
Source: Nordic Council of Shopping Centers and YIT

# Overview of estimated investment cost

Indicative split of total investment



Estimated timing of the investment costs during the project



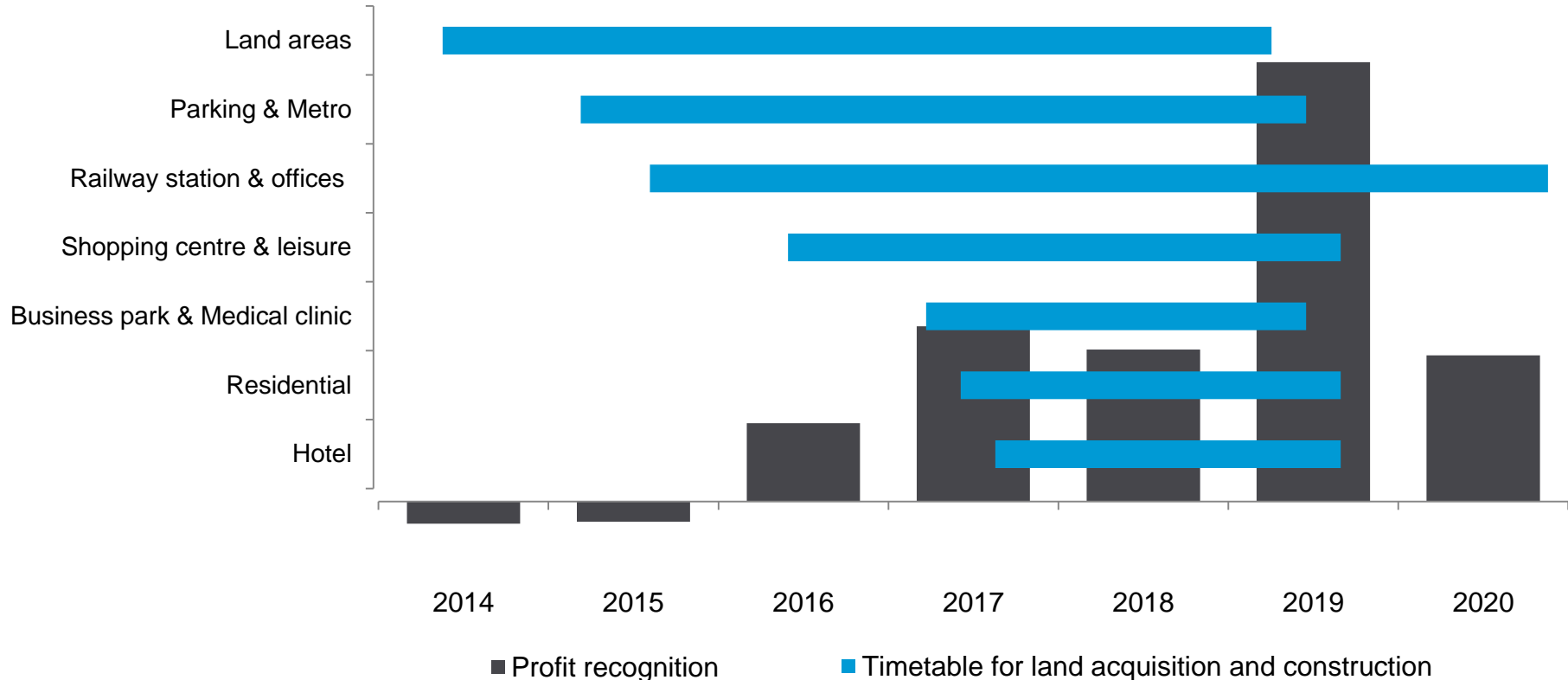
Note: The charts are an illustration of YIT's perception on a general level and do not reflect the actualized figures of YIT Group.



# Cumulative timing of construction

- First infrastructure investments
  - Work tunnel construction starts in 2014
  - Pasila bridge construction starts in 2014
  - Earth moving beneath the railway station starts in 2015
  - Significant infrastructure investments by the City of Helsinki 2014-2025

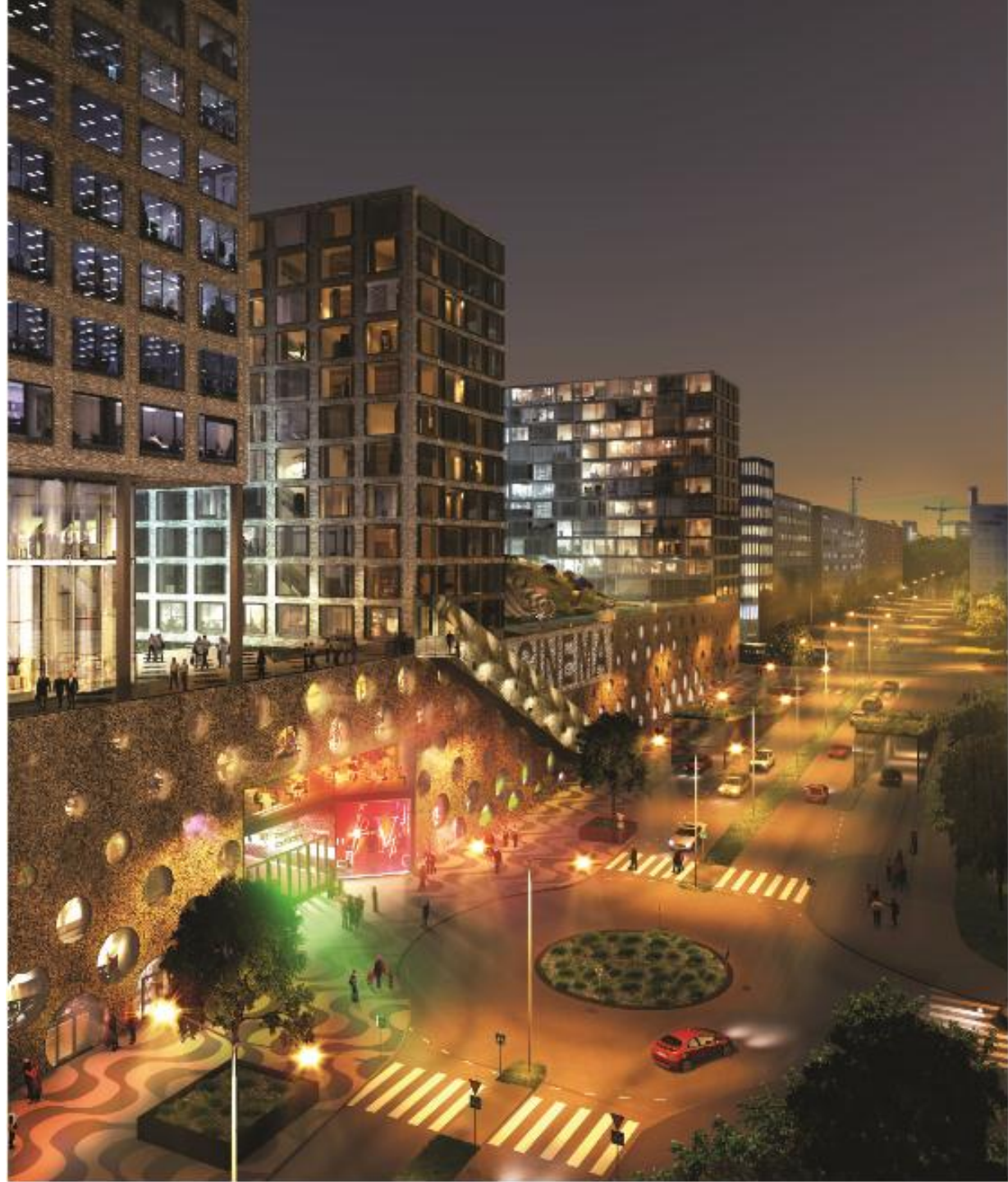
Estimated timing of land acquisitions and construction periods and cumulative profit recognition



# 3

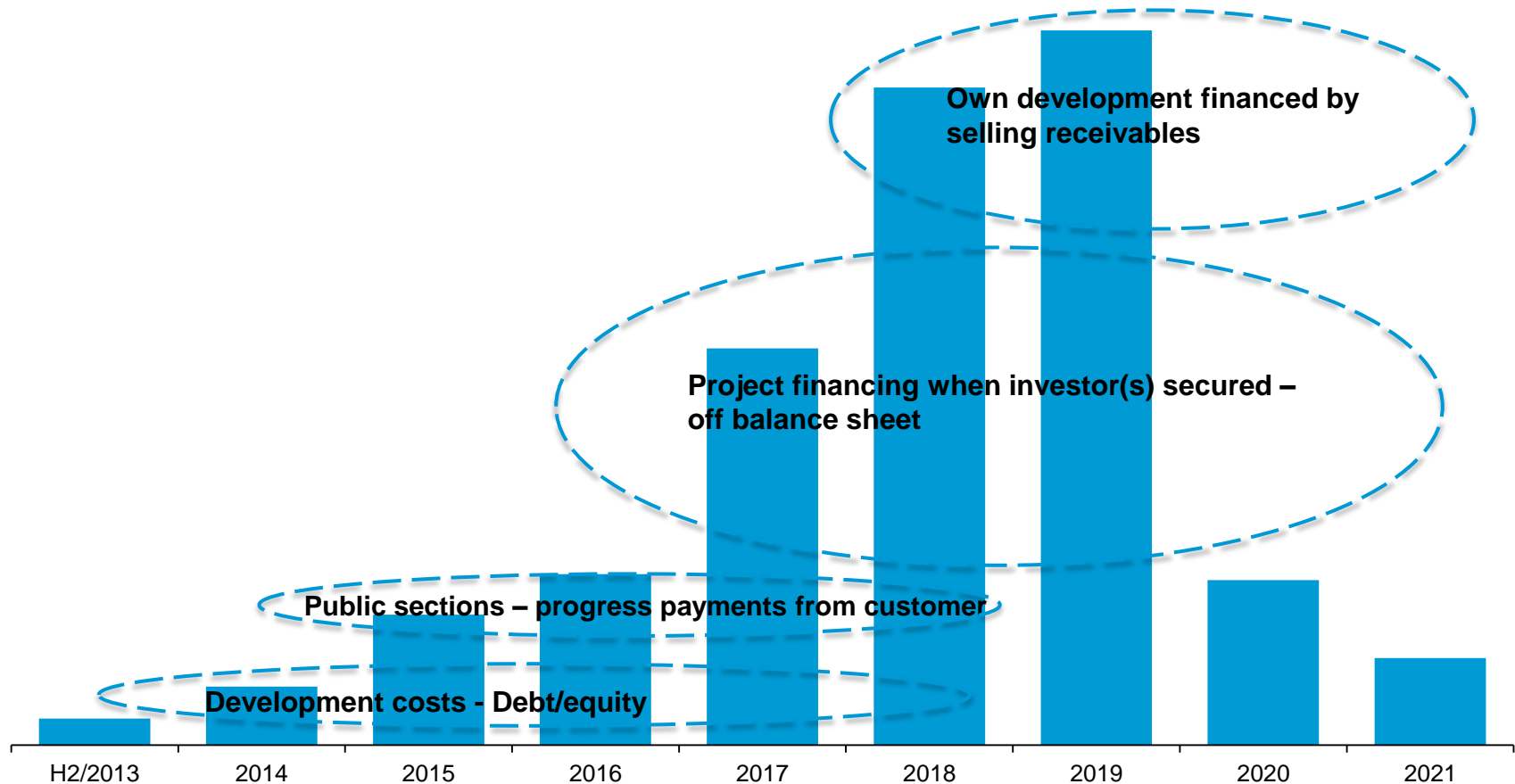
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## Project finance



# Overview of financing of the project

## Financing of different phases of the project



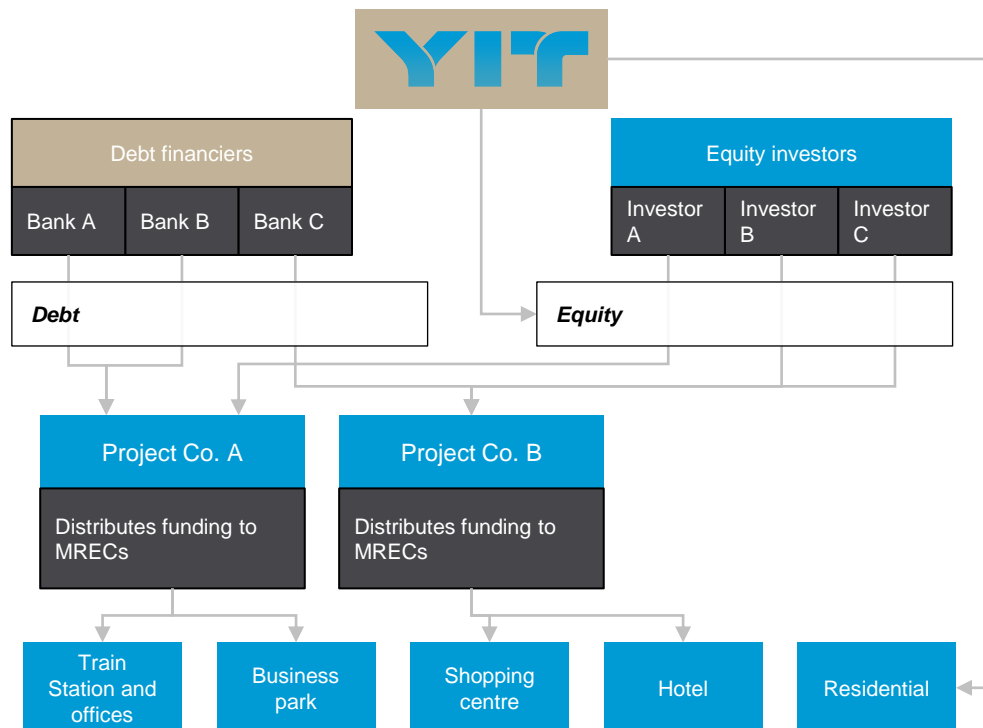
Note: The chart is an illustration of YIT's perception on a general level and does not reflect the actualized figures of YIT Group.



# Project finance in brief

- The role of project finance is increasing in large projects
  - Tightness of government and municipal budgets
  - Benefits from efficient project execution exceed the somewhat higher cost of financing

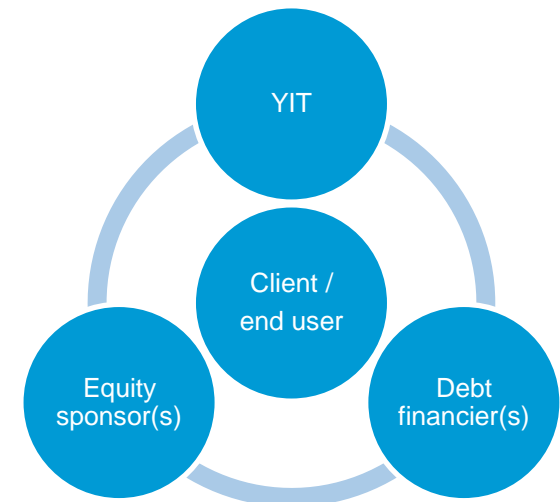
## Potential and indicative structure for project financing in Tripla:



## Lenders' perspective

Project finance essentially means that lenders look to the project's assets and revenue stream for repayment rather than to other sources of security such as the assets of the project sponsors.

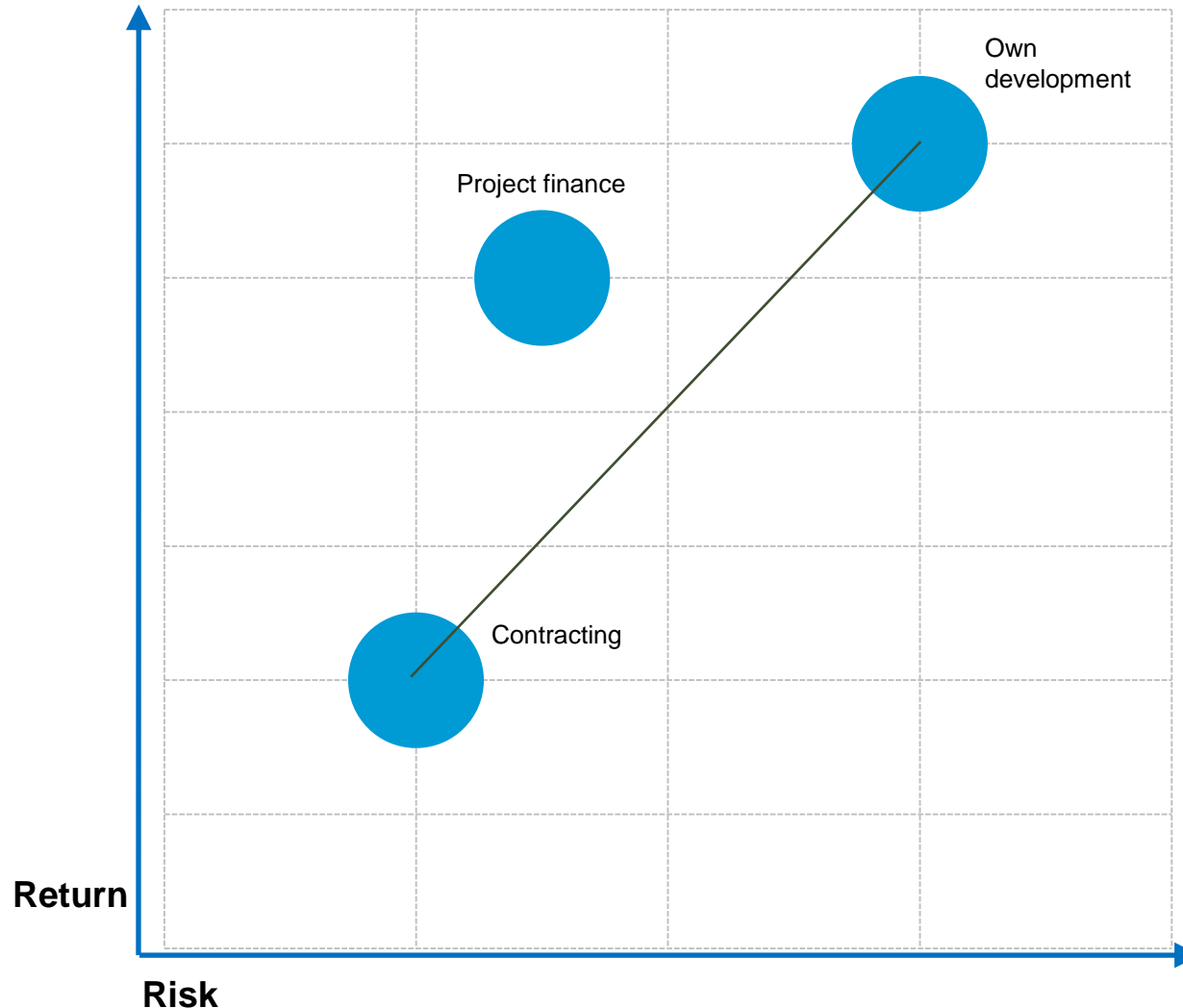
## Project finance involves cooperation



Use of project finance emphasizes the importance of contacts to sponsors and financiers

# Why project finance?

Risk-return relationship in construction business from YIT's point of view



Note: The chart is an illustration of YIT's perception on general level and does not reflect the actualized figures of YIT Group.

- Traditional forms to operate construction business have been low-risk-low-profitability contracting and high-risk-high-profitability development
- Project finance has created a new attractive way of operating
- Project finance improves YIT's opportunity to align the risk-profitability relationship according to market conditions and Group strategy
- The use of project finance offers attractive risk-return relationship to complement the traditional forms of construction business

# Benefits and downsides of project finance in the Tripla project

## Benefits

- Reduces balance sheet burden  
→ improves ROI
- Limited capital requirement enables other simultaneous projects  
→ growth
- Risk sharing  
→ attractive risk-return profile
- Close co-operation  
→ competitive advantage from combining special expertise of the partners

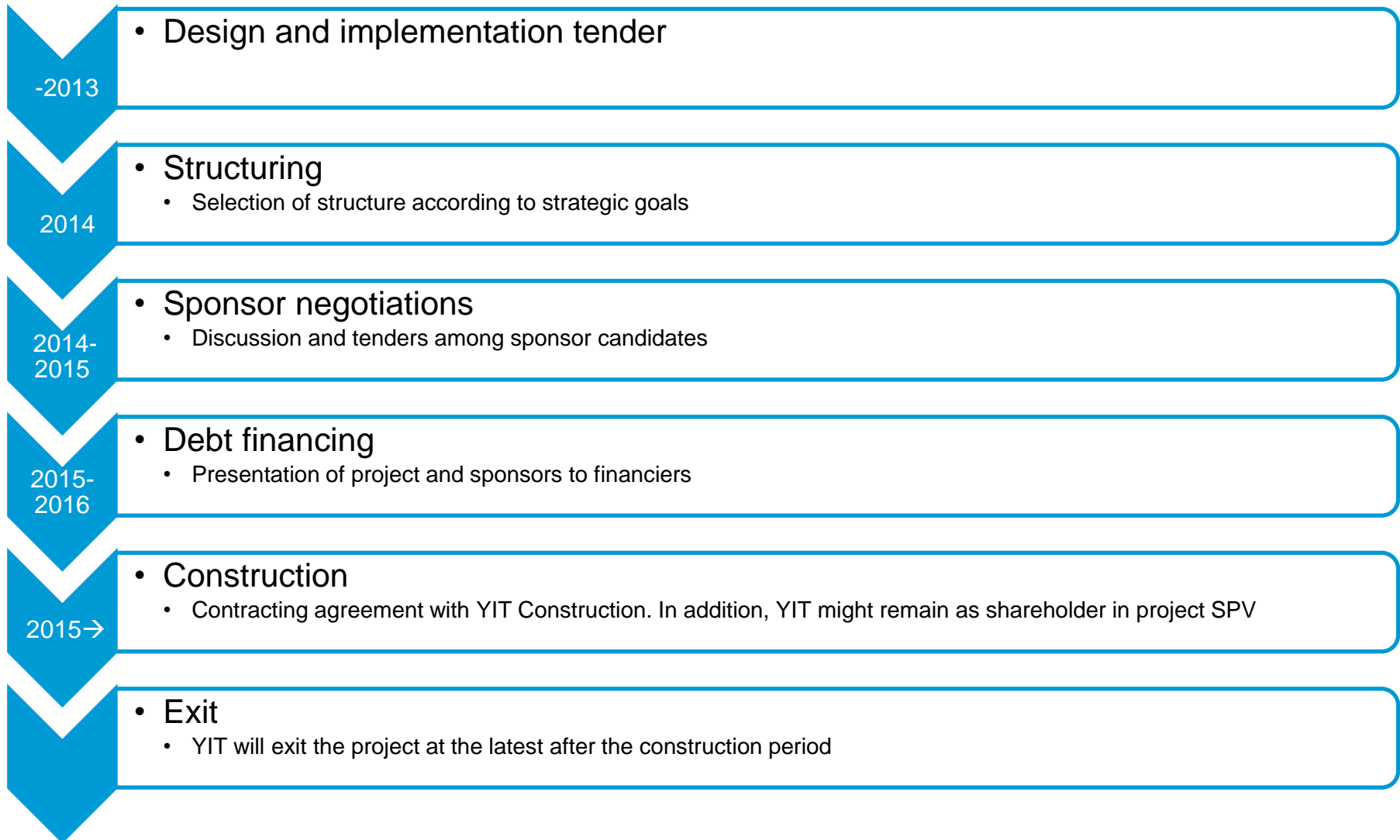
## Downsides

- Profit sharing
- Cost of debt may be higher than on corporate lending





# Indicative project finance process in Tripla project



# YIT's current project finance portfolio

The total revenue potential in YIT's current project finance pipeline exceeds EUR 2 billion

## Central Pasila / Tripla

- YIT selected as the developer
- High profile hybrid with business premises, infrastructure and residential construction
- Construction estimated to begin in 2015



## E18 Highway PPPs

- Kotka-Koskenkylä under construction by a consortium
- Last section, Hamina-Vaalimaa currently in tender competition, winner to be chosen in H1 / 2015
- YIT together with Meridian one of three bidders



## Wind power development

- YIT has three disclosed wind power development projects: Lestijärvi, Kyyjärvi and Pyhäjärvi
- Total number of turbines planned to be 112
- Construction estimated to begin in 2015



# 4

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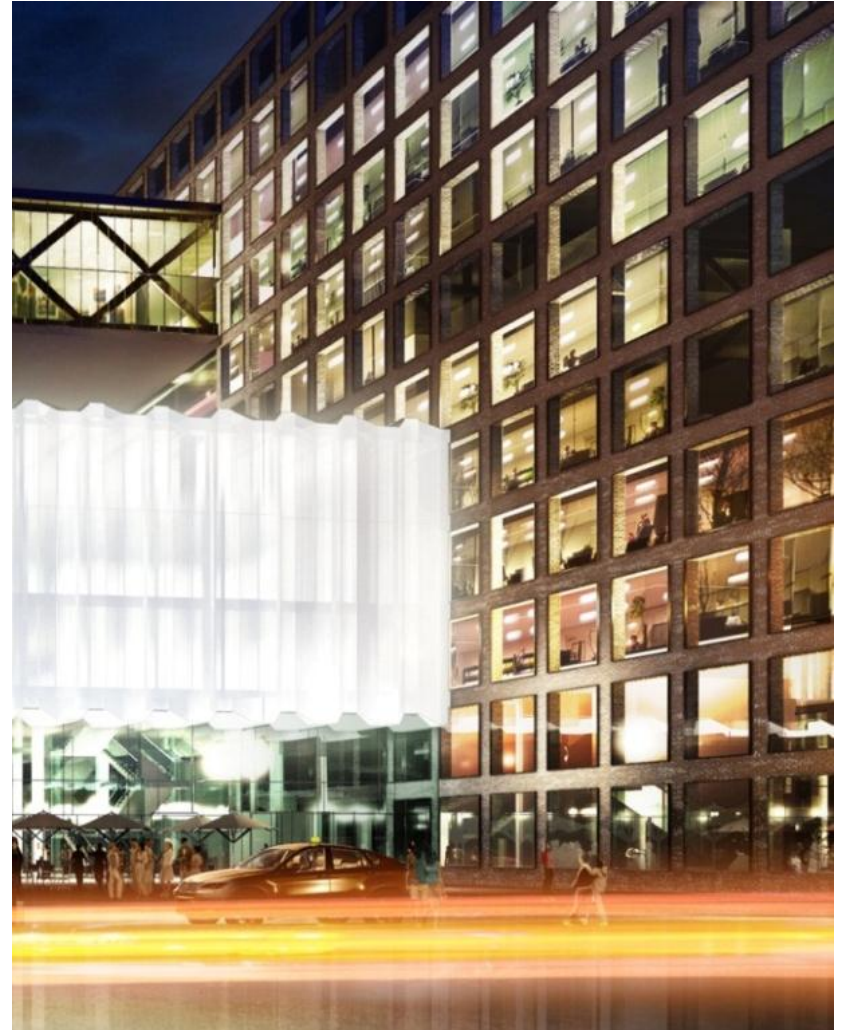
## Summary





# Summary

- Central Pasila is Helsinki's most significant area development project
- Tripla is located in the centre of all rail traffic in Helsinki
- A unique mix of urban-, ecological and user friendly design in the best location
- The project is a great opportunity and YIT is well positioned and has the required capabilities to execute the project
- The project is financed as part of normal operations



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