



YIT – Focus on creating solid foundation for profitable growth

Nordea, Finnish large cap summit
Kari Kauniskangas, President and CEO



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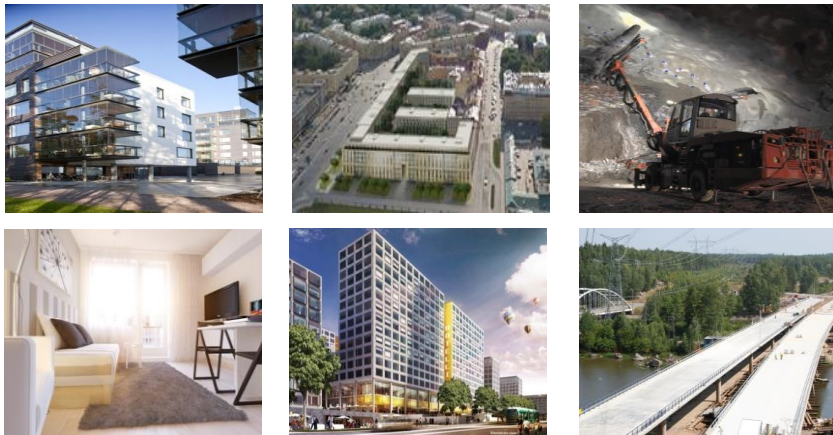
YIT in brief



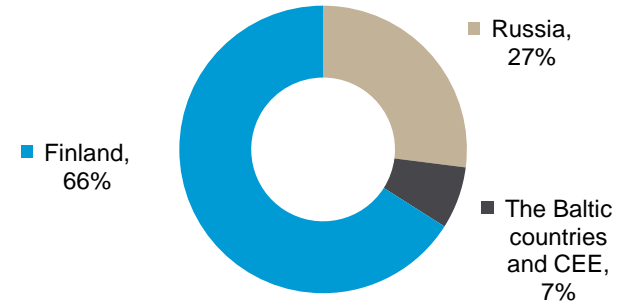
Grand Office
Vilnius, Lithuania

YIT Group in brief

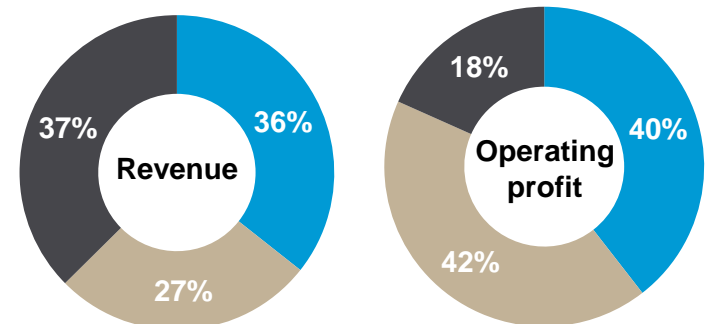
- Residential development, business premises and infrastructure
 - Focus on self-developed projects
- Operations in 7 countries
- Revenue EUR 1.9 billion in 2013
- Operating profit EUR 153 million in 2013
- More than 6,000 employees
- Share quoted on NASDAQ OMX Helsinki (Large cap, Industrials)
- Over 44,000 shareholders at the end of October 2014



Revenue by geographical area 2013



Revenue and operating profit by business area 2013

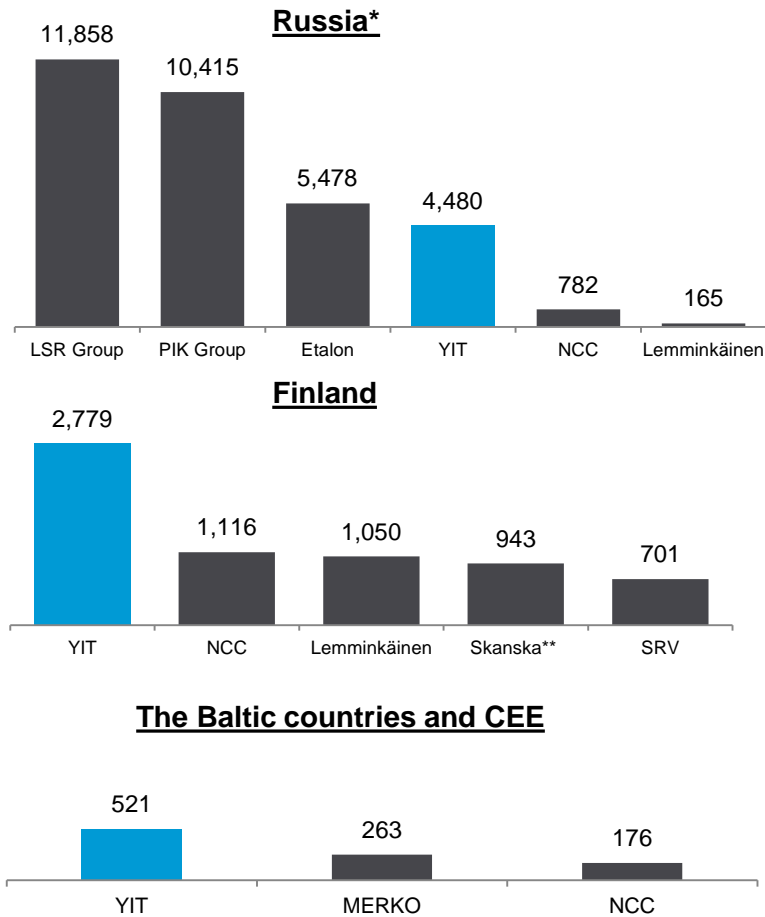


- Housing Finland, the Baltic countries and CEE
- Housing Russia
- Business Premises and Infrastructure

Strong market position in all markets in Housing

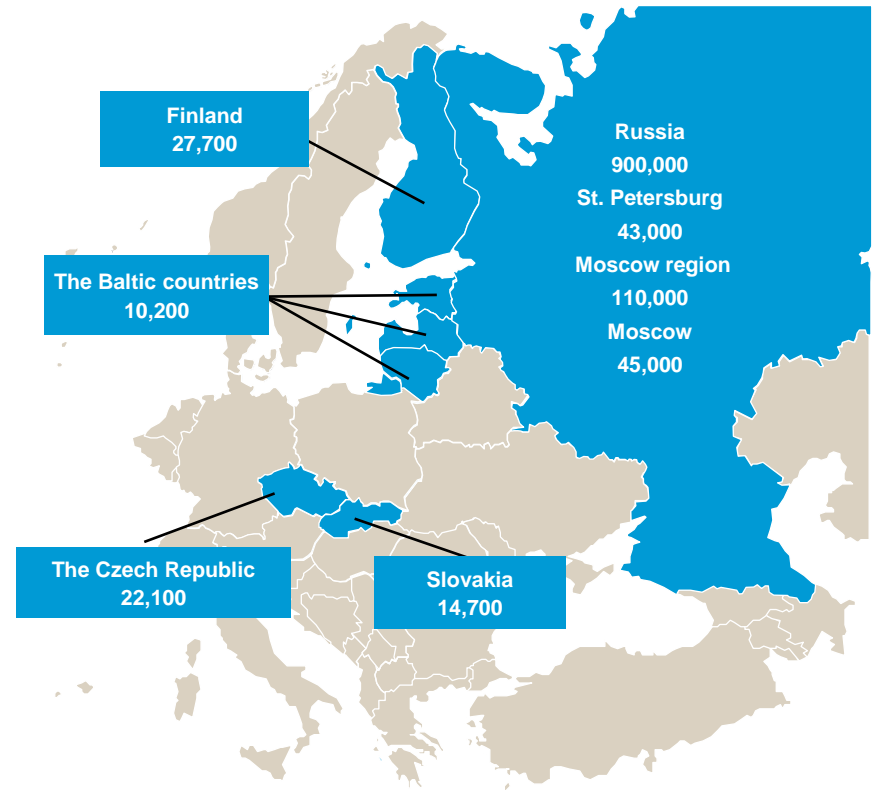
Market leader in Finland, largest foreign residential developer in Russia

Construction companies on YIT's markets
Number of apartments sold in 2013



* Companies listed outside Russia, ** Own development

YIT's markets and market sizes 2013
Number of apartments***



*** Source: Euroconstruct (start-ups) and Forecon (completions), June 2014

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Strategy



Tähystäjä
Espoo, Finland

Strategy for 2015-2017: Solid foundation for future growth



Wider financial operating space

- Releasing capital by normalizing inventory and improving capital turnover
- Increasing utilization of partnerships



Ensuring competitiveness and differentiation

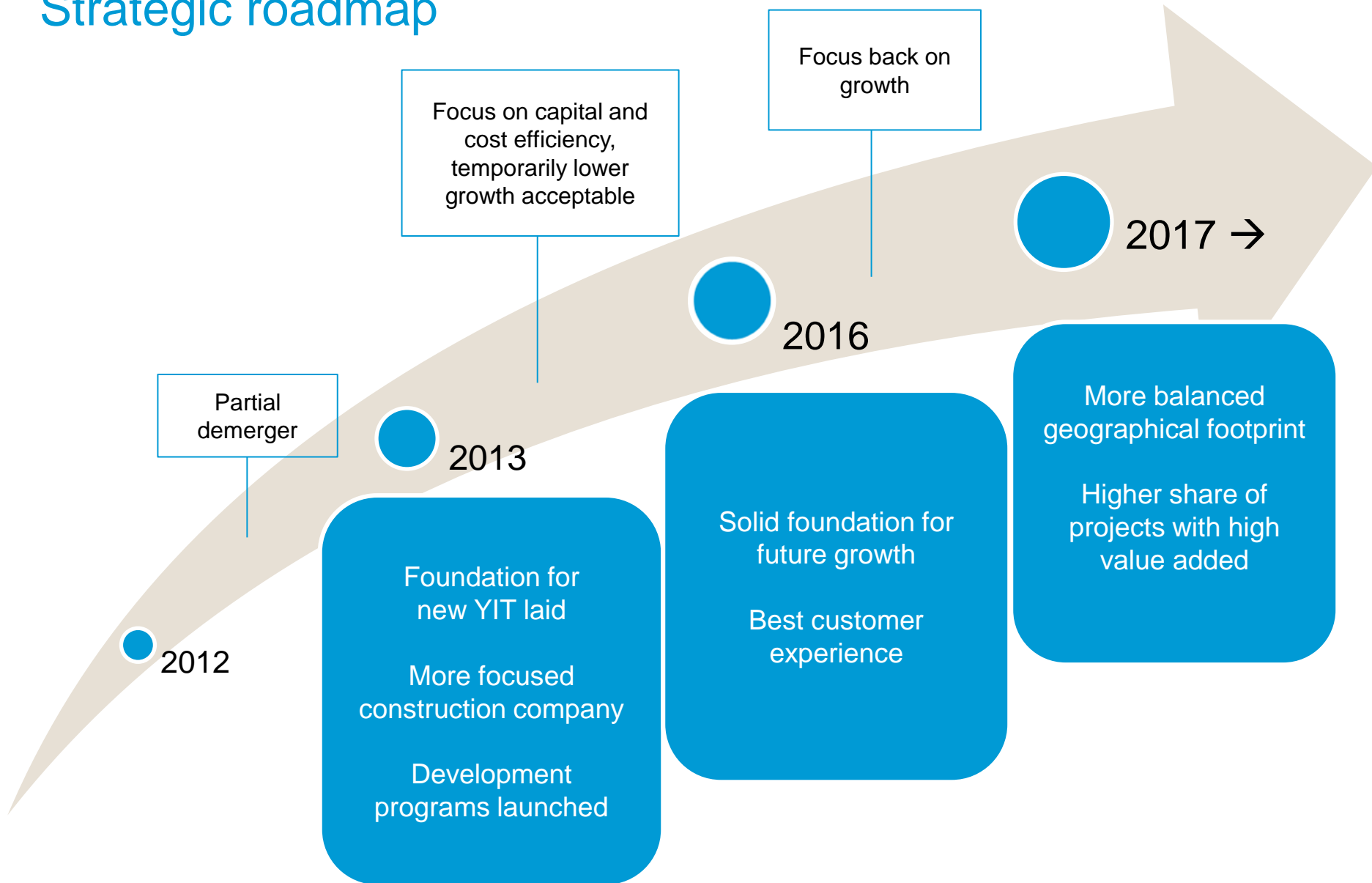
- Affordable and attractive product
- Excellent customer experience



Growth from self-developed and high value added projects

- Operating environment guides the volume and geographical focus of start-ups in Housing
- Co-operation projects and special expertise in Business Premises and Infrastructure
- The weight of Central Eastern Europe will be increased

Strategic roadmap



Financial targets

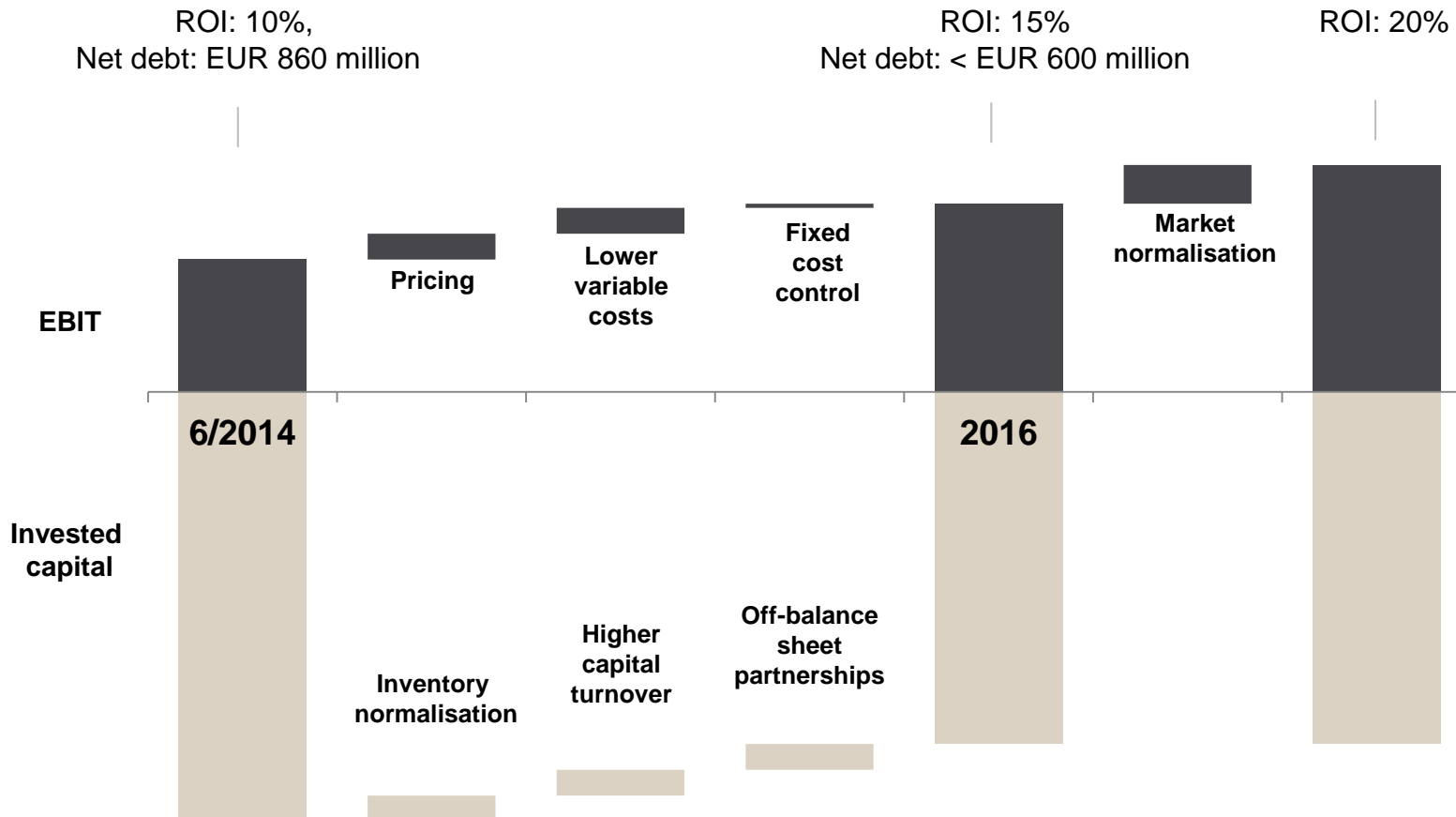
	Long term targets	Status in 2013
Revenue growth	5 - 10% annually on average	-5.1%
Return on investment	20%	10.3%
Cash flow	Operating cash flow after investments sufficient for dividend payout and reduction of debt	EUR -87.9 million
Equity ratio	40%	37.8%
Dividend	Dividend payout 40 to 60% of net profit for the period	50.7%

	Targets for 2015 – 2016
Revenue growth	0 - 5% annually
Return on investment	15%
Net debt (IFRS)	Under EUR 600 million

Segment figures (POC)

- In the short term, the focus will be on improving capital efficiency and cost-effectiveness rather than growth
- The setting of the short-term targets takes into account the weakened macroeconomic outlook
- The development of business functions will continue according to the long-term targets
- Group-wide competitiveness program supports strategic goals

Capital release and the new competitiveness program support reaching the targets



ROI target according to segment reporting (POC), net debt target according to IFRS
 Chart illustrative

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Housing Finland, the Baltic countries and CEE



Uus Kalamaja area
Tallinn, Estonia

Market trends and drivers in Housing Finland, the Baltic countries and CEE

Urbanisation

Finland 10-15 percentage points behind Sweden

Green thinking

E-factor requirements in Finland

240	130
2002	2014



Demographic changes

Share of 65y+ people in the population, Finland

12%	26%
1980	2030E

Number of households, Finland

1.8 m	2.6 m
1980	2013

Consumerism



The Baltic countries and CEE

Low living space per capita

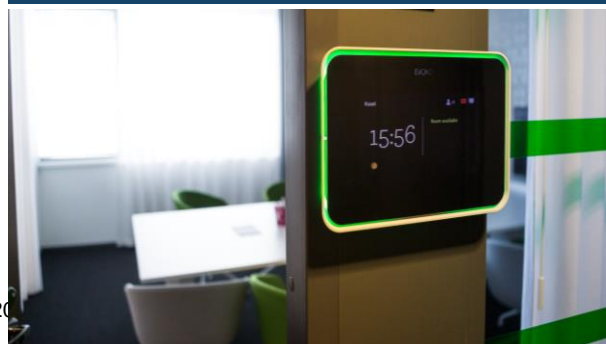
< 30 sq. m.

Poor quality of existing buildings

→ Demand for modern apartments

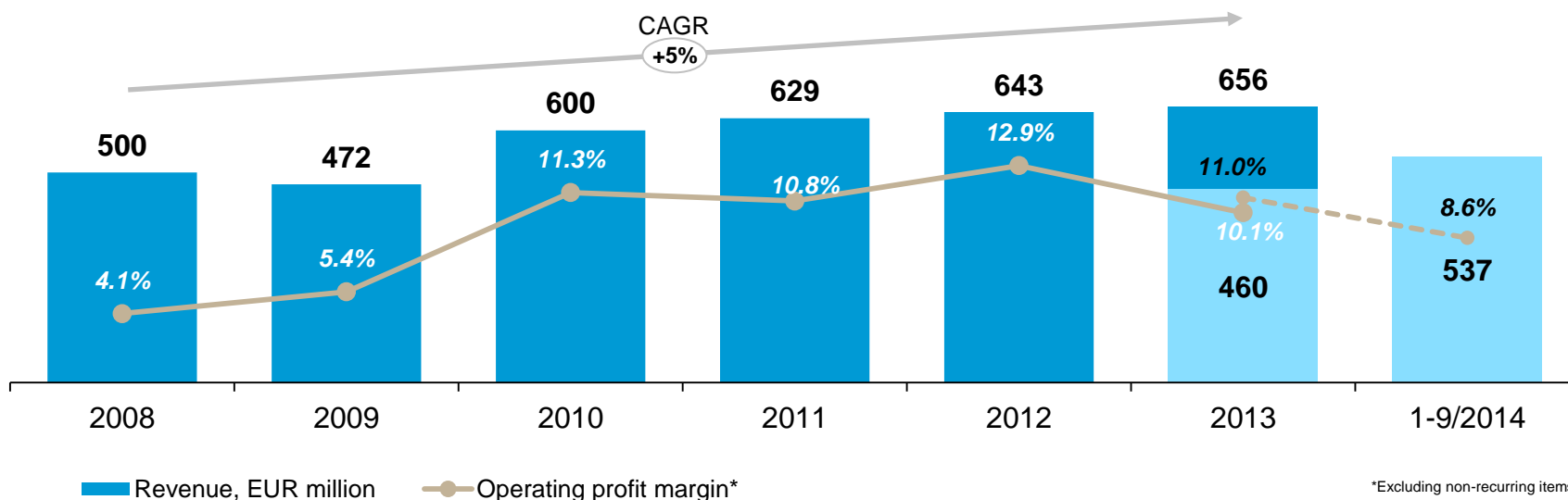
Positive macro outlook

Digitalisation



Housing Finland, the Baltic countries and CEE

2008	2009	2010	2011	2012	2013	1-9/2014
<ul style="list-style-type: none"> • Weakening market • Prices declined sharply in the Baltics 	<ul style="list-style-type: none"> • Focus on investor deals in Finland • Low business volumes in the Baltics • Fixed cost cuts 	<ul style="list-style-type: none"> • Focus turned to consumer sales in Finland • Low volumes in the Baltics and CEE 	<ul style="list-style-type: none"> • Focus on consumer sales in Finland • Volumes increased in the Baltics and CEE 	<ul style="list-style-type: none"> • Favourable residential sales continued in Finland • The Baltics and CEE continued to dilute profitability 	<ul style="list-style-type: none"> • Soft consumer demand in Finland • Active sales to investors • Gradual growth in the Baltics and CEE 	<ul style="list-style-type: none"> • Good development in the Baltics and CEE • Cash flow focus impacted profitability
EBIT*: EUR 20.0 million	EBIT*: EUR 26.0 million	EBIT*: EUR 68.0 million	EBIT*: EUR 68.0 million	EBIT*: EUR 83.0 million	EBIT*: EUR 66.2 million	EBIT*: EUR 46.3 million



Note: The historical figures for 2008-2012 are calculated for illustrative purposes and are not completely comparable with YIT's segment structure. The main difference is in the division of fixed costs, which in the historical figures are weighted according to revenue and in the official figures are more accurately allocated according to each segment's estimated true share of the fixed costs.

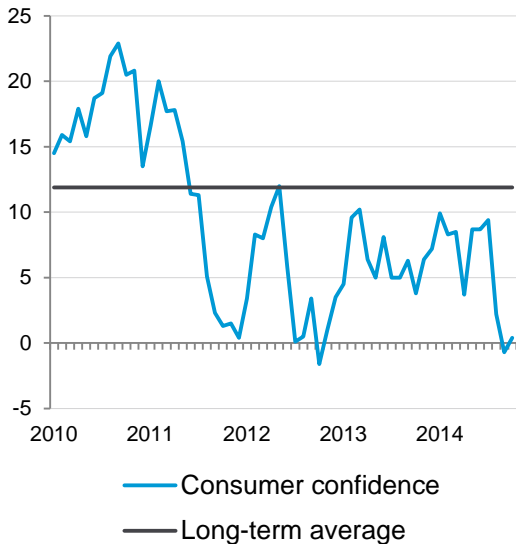
*Excluding non-recurring items



Housing: Operating environment in Finland in Q3/2014

- Consumers continued to be cautious, but investors remained active

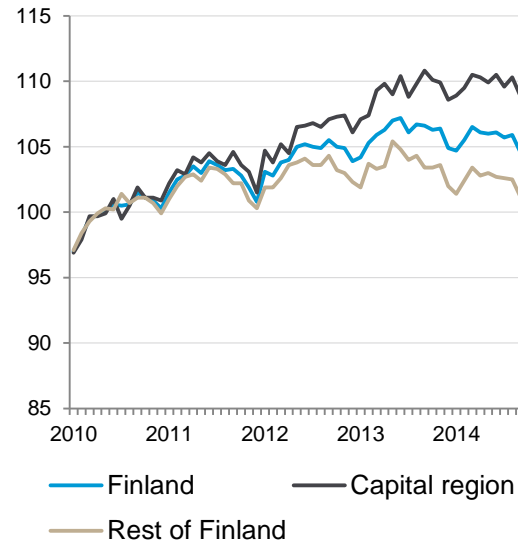
Consumer confidence
1/2010-9/2014



Sources: Statistics Finland and Bank of Finland

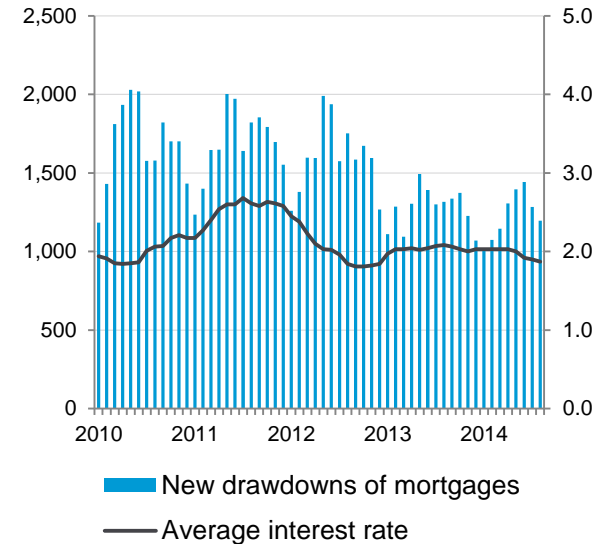
- Polarisation of residential prices between the capital region and other parts of Finland continued
- Good demand for small, affordable apartments

Prices of old apartments, Index (2010=100)



- Mortgage interest rates stayed on a low level and margins continued to decrease slightly
- The volume of new housing loans decreased

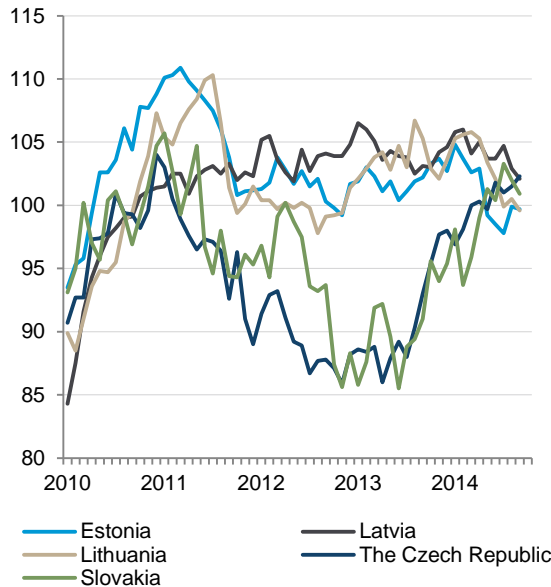
New drawdowns of mortgages and average interest rate, (EUR million, %)



Housing: Operating environment in the Baltic countries and Central Eastern Europe (CEE) in Q3/2014

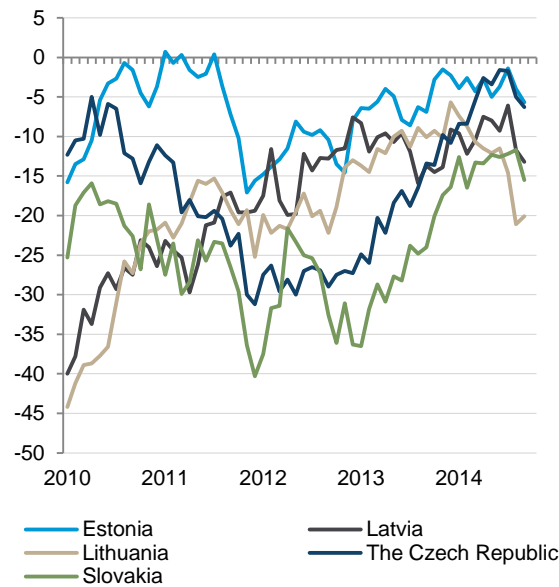
- Positive development in the macro economy has supported the residential market

Economic sentiment



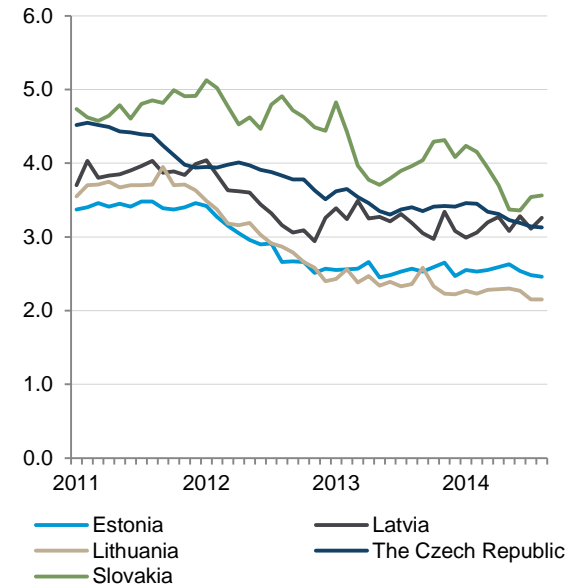
- Geopolitical tensions have weakened the consumer confidence
- Residential prices have increased slightly

Consumer confidence



- Interest rates of mortgages have remained on a low level
- Consumers' access to financing has remained good

Average interest rate of mortgages (%)

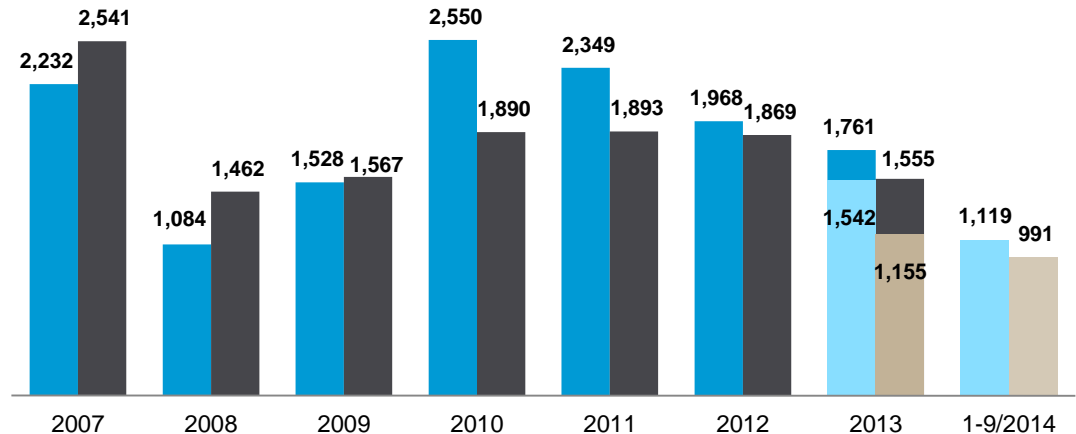


Sources: European Commission and National Central Banks

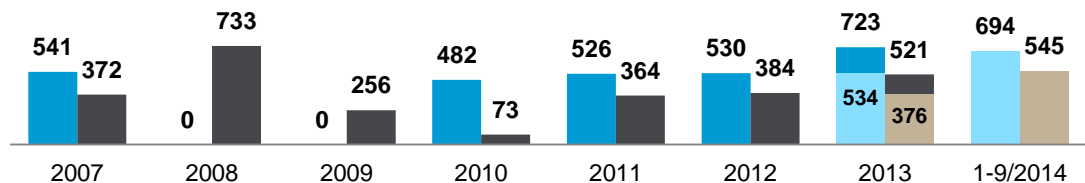
Start-ups increased in the Baltic countries and CEE

- In Finland, start-ups in balance with sales
- Increase in number of investor financed projects in Finland starting 2013
- Strong growth in the Baltic countries and CEE in 1-9/2014
 - Sold units +45% y/y
 - Start-ups increased

Consumer start-ups and sales in Finland*, units



Start-ups and sales in the Baltic countries and CEE, units



■ Start-ups

■ Sales

*Excluding investor sales

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Housing Russia



Forest residential area
Yekaterinburg, Russia

Market trends and drivers in Housing Russia

Larger middle class

Migration

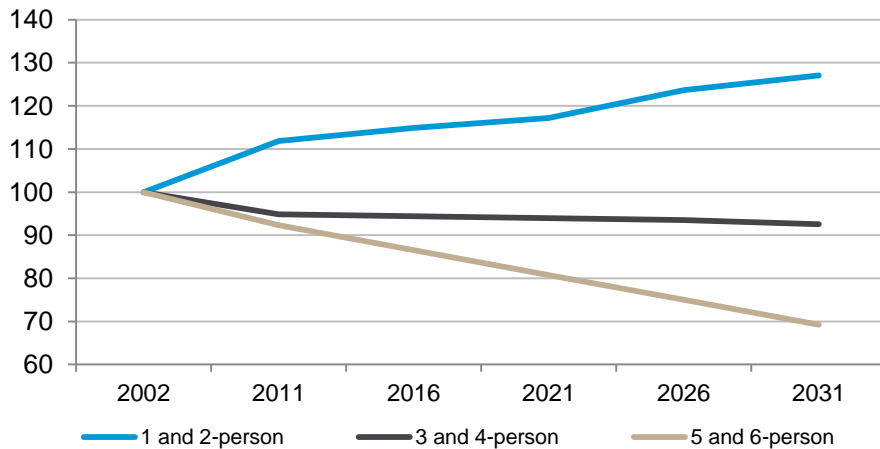


Developing mortgage market

Political support for housing development

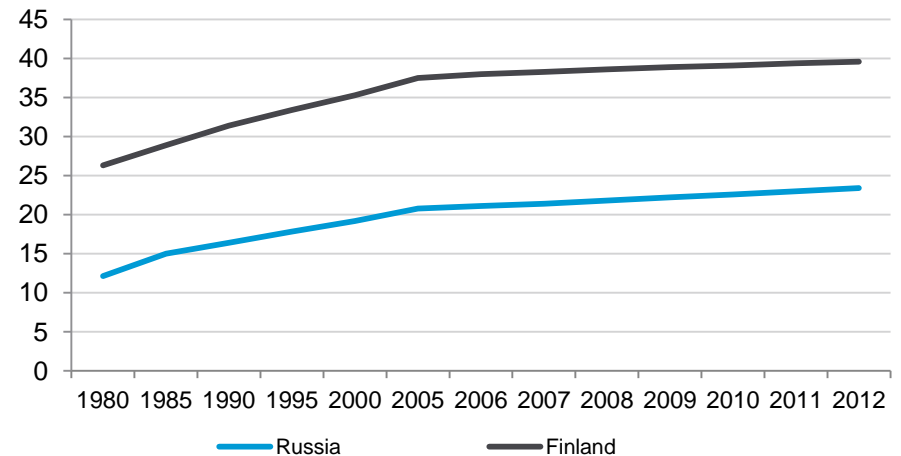
Growing number of households

Number of households in Russia by household size, index



Low living space per person

Availability of housing per capita, sq. m. in 2012



Housing Russia

2008

- Prices declined
- Profitability hit as volumes declined

2009

- Housing prices stabilising in H2
- Fixed cost cuts

2010

- Slight increases in residential prices

2011

- Prices increased (regional differences)

2012

- Prices increasing and good residential sales
- Margins improving

2013

- Stable residential prices
- Sales volume continued to develop positively

1-9/2014

- Increased uncertainty and weakening ruble

EBIT*:
EUR 26.0 million

EBIT*:
EUR 1.0 million

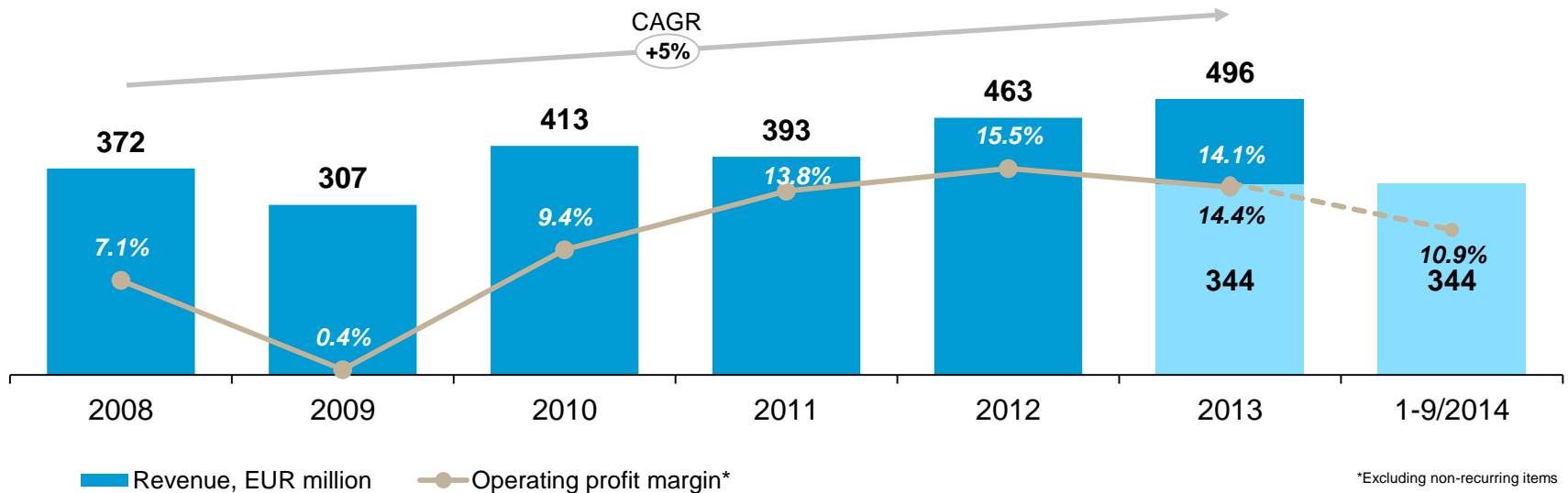
EBIT*:
EUR 41.0 million

EBIT*:
EUR 54.0 million

EBIT*:
EUR 72.0 million

EBIT*:
EUR 70.2 million

EBIT*:
EUR 37.7 million



*Excluding non-recurring items

Note: The historical figures for 2008-2012 are calculated for illustrative purposes and are not completely comparable with YIT's segment structure. The main difference is in the division of fixed costs, which in the historical figures are weighted according to revenue and in the official figures are more accurately allocated according to each segment's estimated true share of the fixed costs.

Housing: Operating environment in Russia in Q3/2014

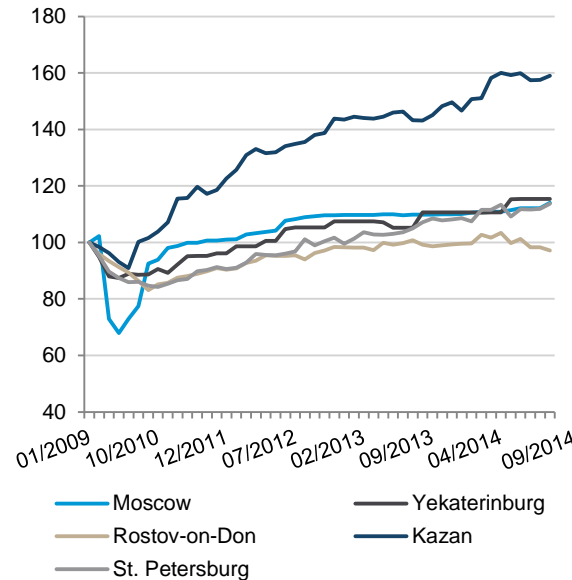
- The ruble weakened again sharply

EUR/RUB exchange rate



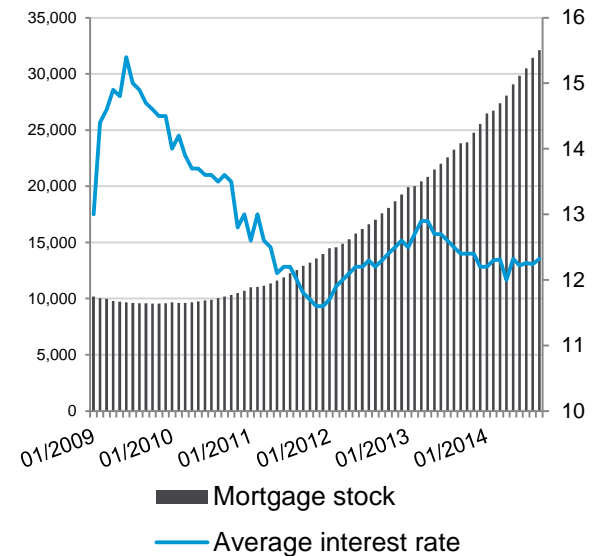
- Residential prices remained stable on average

Prices of new apartments, Index (2009=100)



- The mortgage stock has continued to grow
- Mortgage interest rates have increased slightly

Mortgage stock and average interest rate, (RUB billion, %)

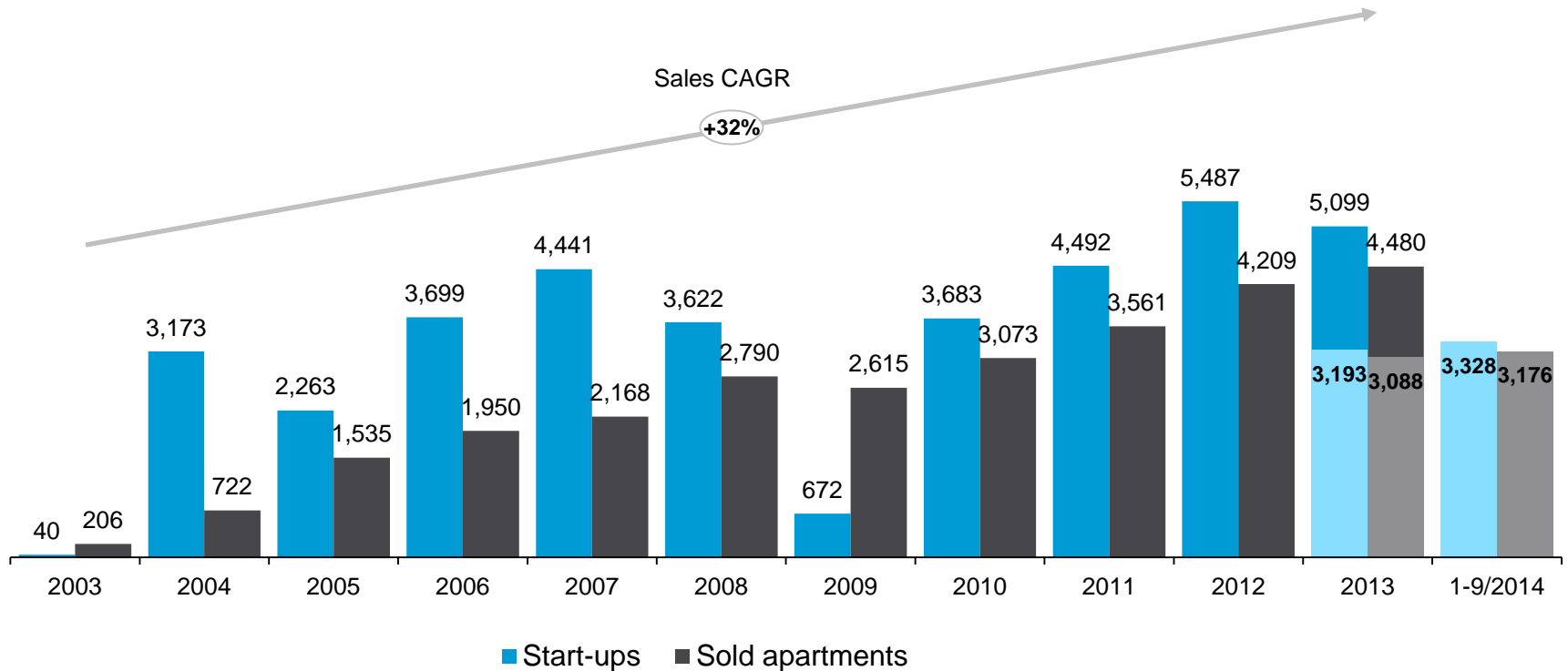


Sources: Reuters, YIT and Bank of Russia

Strict regional allocation and maintaining critical mass

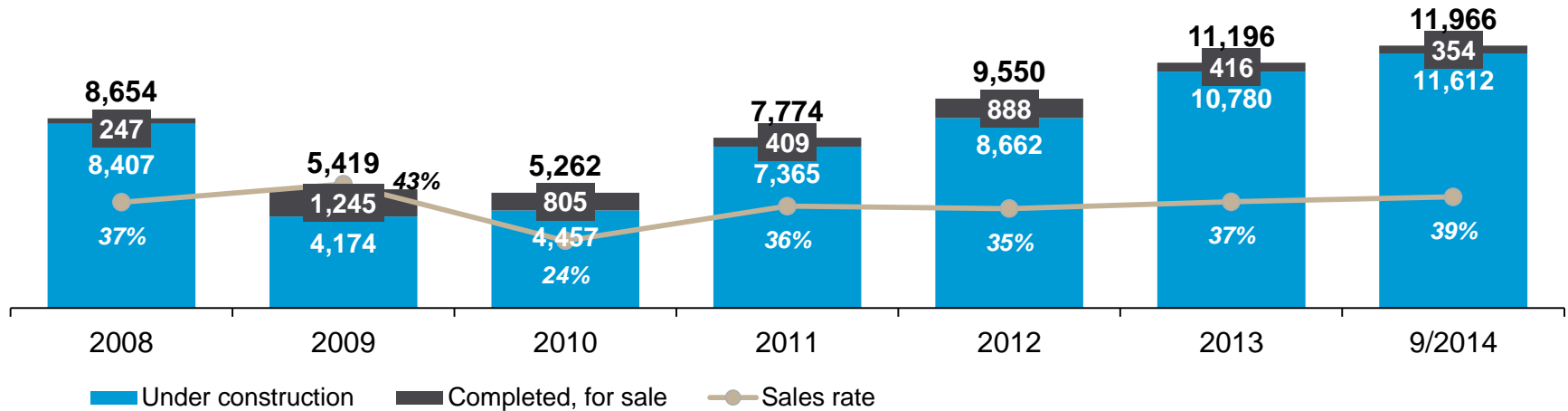
- Start-ups are balanced with sales

Start-ups and sold apartments, units

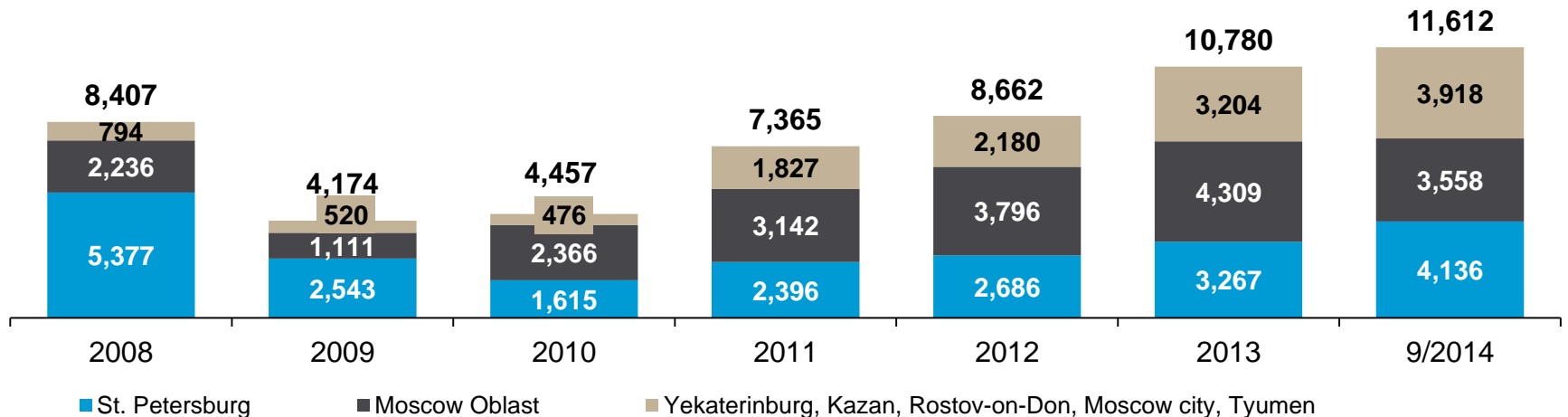


Portfolio is geographically balanced

Apartment inventory at the end of the period, units



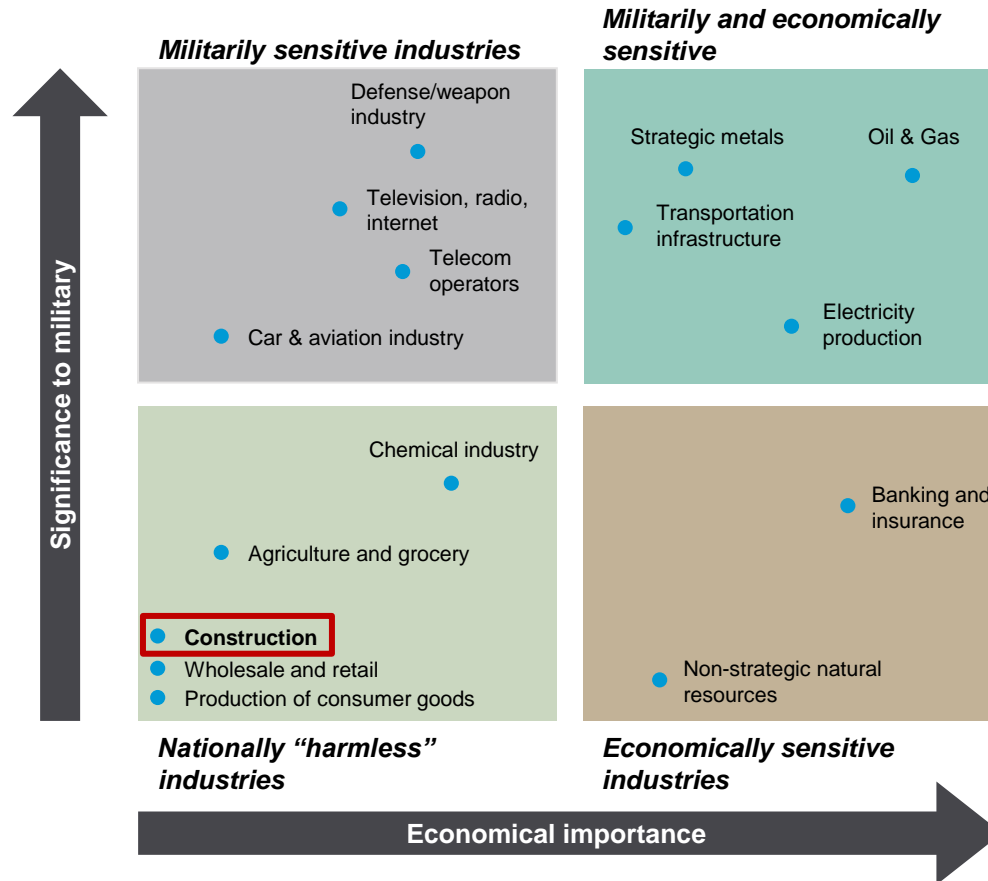
Apartments under construction buy city at the end of the period, units



Plans for alternate scenarios in Russia

	Normalized situation	Continuing uncertainty	Escalation of crisis	Large-scale conflict
Plot acquisitions	Increase plot acquisitions	Continue strategic plot acquisitions	Only critical plot acquisitions	Stop plot acquisitions
Start-ups	Increase start-ups according to growth target	Continue strategic start-ups	Only critical start-ups	Stop start-ups
Construction	As planned	As planned	As planned	Slowdown, however filling contractual obligations, stop projects with no sales
Pricing	Dynamic pricing	Dynamic pricing	Accelerate sales with pricing	Accelerate sales with pricing
Costs	Pursue improved project profitability	Pursue improved project profitability	Renegotiate subcontracts, reduce fixed costs	Restructuring and major adjustments of size of operations

Construction business is not a politically sensitive sector in Russia



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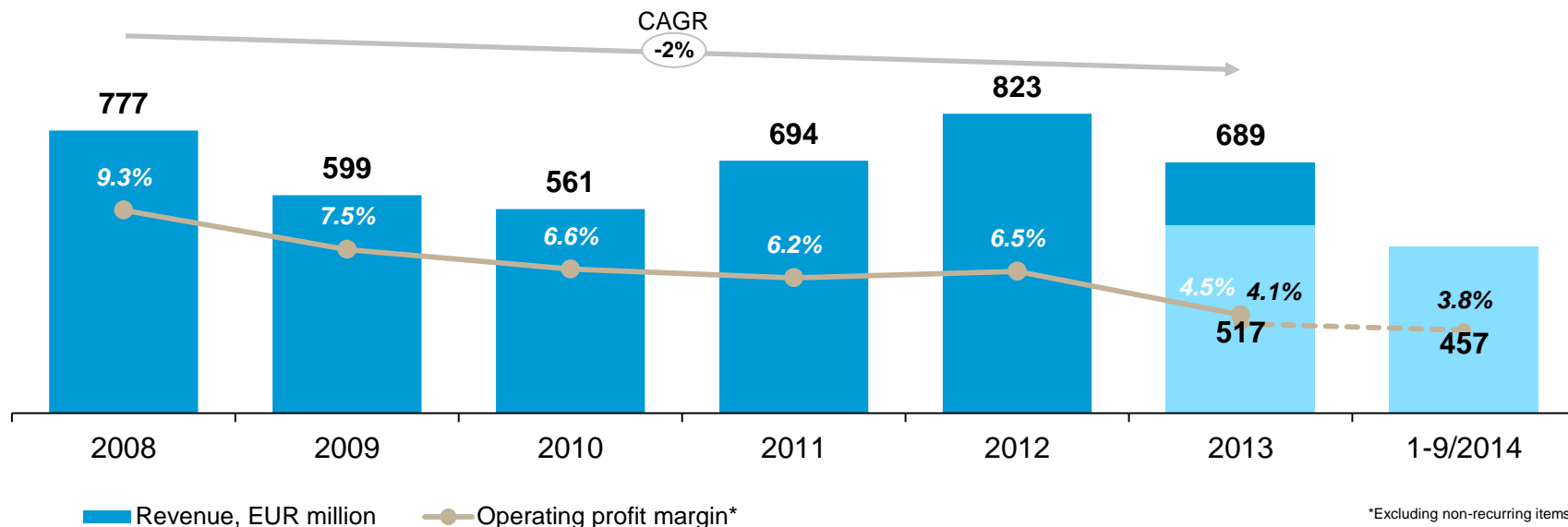
Business Premises and Infrastructure



Commercial centre Dixi
Vantaa, Finland

Business Premises and Infrastructure

2008	2009	2010	2011	2012	2013	1-9/2014
<ul style="list-style-type: none"> • Good development in Business Premises due to "old" order backlog • Good development in Infra Services 	<ul style="list-style-type: none"> • Weakening business premises market • Good performance in Infra Services • Fixed cost cuts 	<ul style="list-style-type: none"> • Signs of improvement in the business premises market • Stable development in Infra Services 	<ul style="list-style-type: none"> • Infra Services weak in H1, improvement in H2 • Result improved in Business Premises 	<ul style="list-style-type: none"> • Stable development in Business Premises • Stable development in Infra Services 	<ul style="list-style-type: none"> • Weak business premises market • Good performance in Infra Services 	<ul style="list-style-type: none"> • Weak business premises market • Profitability was weakened by low volume
EBIT*: EUR 72.0 million	EBIT*: EUR 45.0 million	EBIT*: EUR 37.0 million	EBIT*: EUR 43.0 million	EBIT*: EUR 53.0 million	EBIT*: EUR 31.0 million	EBIT*: EUR 17.3 million



*Excluding non-recurring items

Note: The historical figures for 2008-2012 are calculated for illustrative purposes and are not completely comparable with YIT's segment structure. The main difference is in the division of fixed costs, which in the historical figures are weighted according to revenue and in the official figures are more accurately allocated according to each segment's estimated true share of the fixed costs.

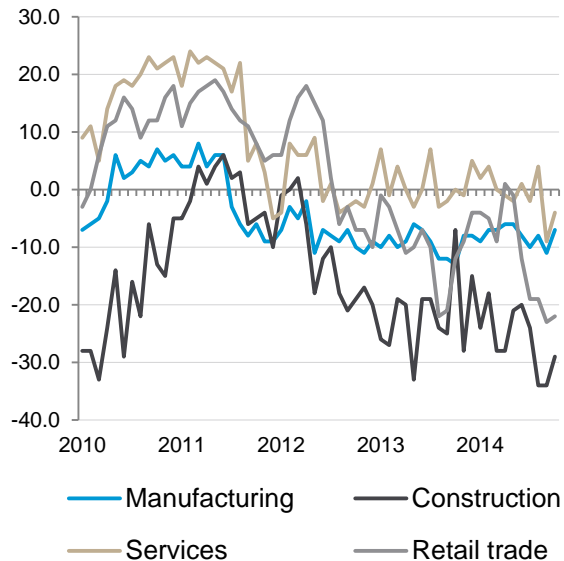
Business Premises and Infrastructure: Operating environment in Q3/2014

- Office and commercial markets remained weak, opportunities in care and industrial sectors
- Market for contracting stable

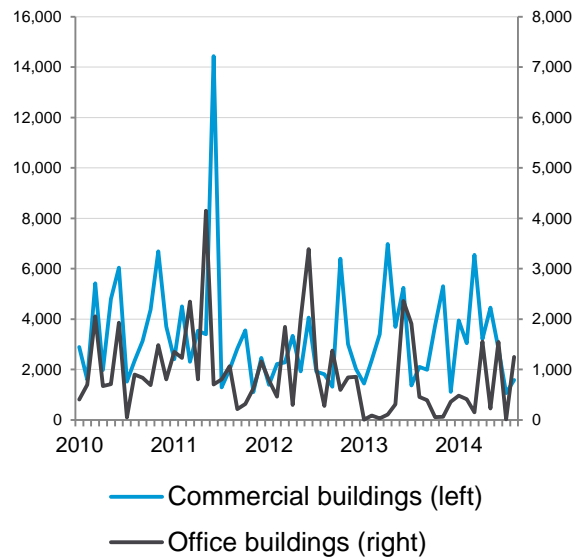
- End-users cautious in the office and retail sectors
- Investor interest on a good level in prime locations, but weak elsewhere
- Activity focused on the secondary market

- Positive macro outlook continues to support the business premises market in the Baltic countries and Slovakia

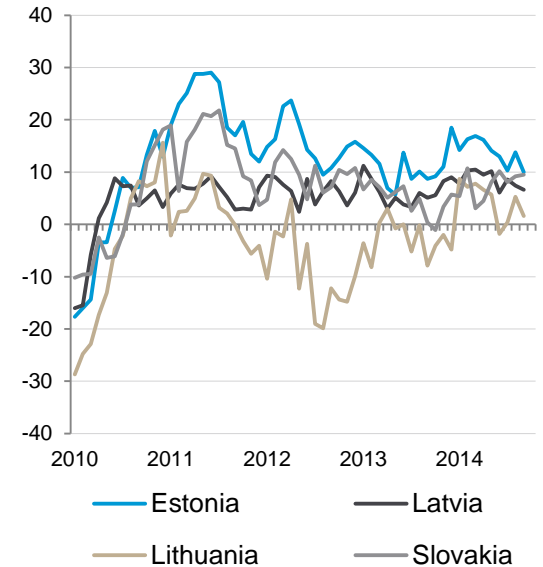
Confidence indicators in Finland



Granted building permits in Finland, thousand m³



Retail trade confidence in the Baltic countries and Slovakia



Sources: EK Confederation of Finnish Industries, Statistics Finland and European Commission

Opportunities for YIT

- Need to adapt to changing operating environment
 - Traditional segments suffering from weak macro in Finland, keep position in office, retail, logistics
 - More co-operation models (PPP's and alliances)

Growth opportunities



Hybrids



Care facilities



Energy and industrial properties



Renovation and change of purpose



Road maintenance



The Baltic countries and CEE

Business Premises: Success in selling self-developed projects and winning new contracts

- Sale of self-developed projects worth over EUR 100 million in Q3
 - The shopping centre of Tikkurila Commercial Centre Dixi in Vantaa, Finland
 - Grand Office business premises in Vilnius, Lithuania
 - Osmontie office premises in Helsinki, Finland
 - Day care and assisted living facilities in Finland
- Hybrid projects proceeded as planned

The largest ongoing self-developed business premises projects						
Project, location	Value, EUR million	Project type	Completion rate	Estimated completion	Sold/unsold	Leasable area sq. m.
Dixi, Tikkurila railway station, Vantaa	~35	Retail	95%	12/2014	Sold	5,200
Dixi, Tikkurila railway station, Vantaa	~20	Office	95%	12/2014	Sold	6,000
Lauttasaari shopping centre, Helsinki	-	Retail	3%	2/2017	Unsold	5,700
BW Tower, Lahti	-	Office	13%	11/2015	Unsold	7,500

Infrastructure: New projects using the alliance model

- Success in winning new alliance projects (e.g. Naantali CHP and Espoo Road maintenance)
- Progress in wind power projects
- Market share increased in road maintenance
- E18 opened for traffic ahead of schedule

The largest ongoing business premises and infrastructure contracts

Project	Value, EUR million	Project type	Completion rate	Estimated completion
E18 Pulteri	~190	Infra	97%	1/2015
E18 Hamina bypass	~60	Infra	93%	12/2014
Ring Road III junction	~40	Infra	35%	12/2016
Naantali CHP power plant	~40	Infra	0%	9/2017
Espoo's road maintenance contract	~30	Infra	0%	10/2019



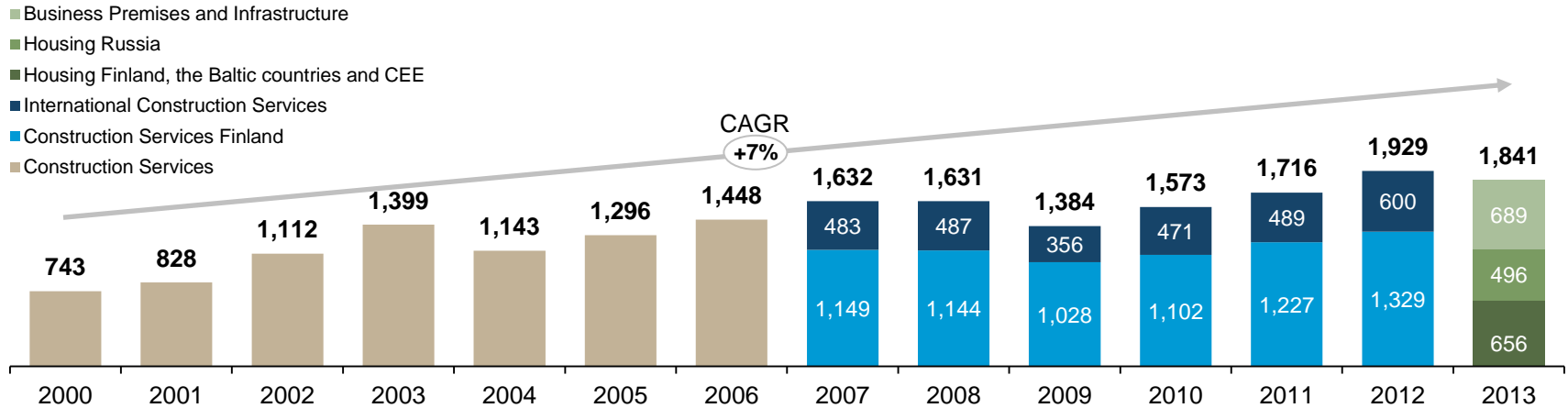
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Key financials

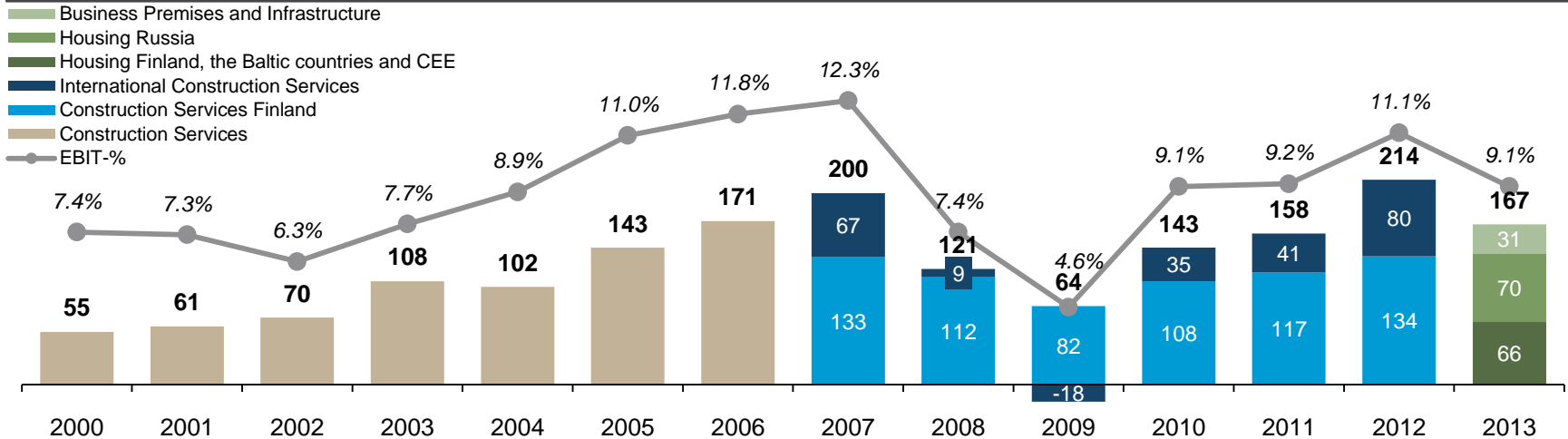


Revenue growth and healthy profitability through economic cycles

Revenue development (EUR million) by business segment



Operating profit (EBIT) development (EUR million) by business segment, excluding group costs (~ 1%)



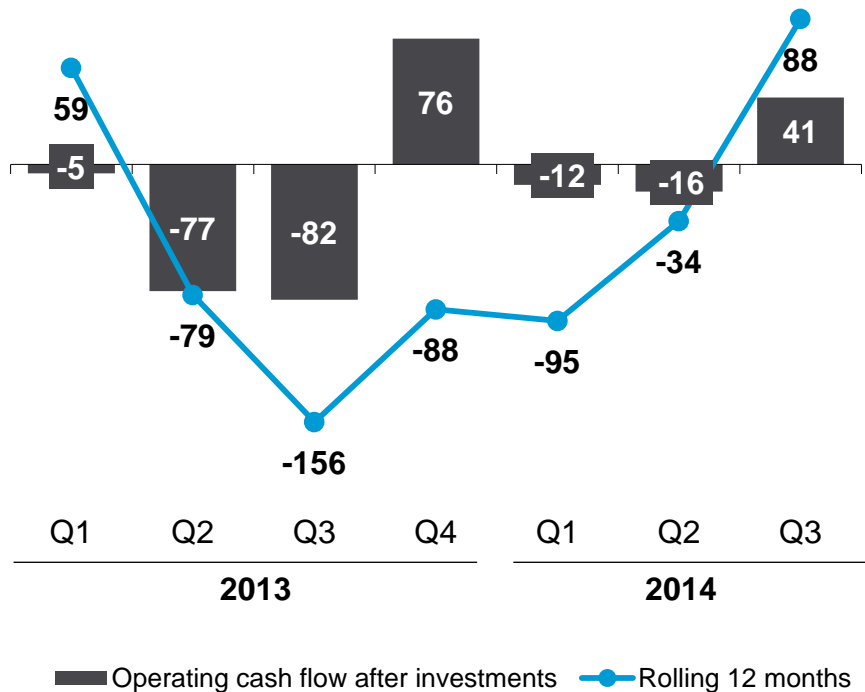
Note: Segment level figures (POC), i.e. sum of Construction Services related segment figures in YIT financial reporting and thus excluding effect of other items.

Cash flow after investments and dividends targeted to be positive in 2014

Cash flow, EUR million

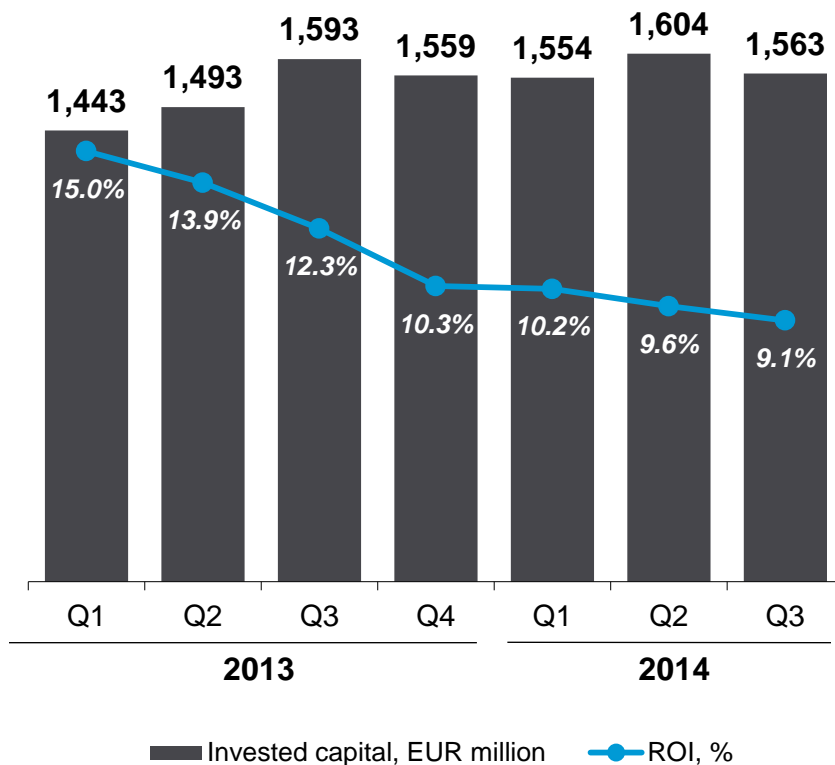
2013: EUR -88 million

1-9/2014: EUR 12 million



Invested capital and ROI

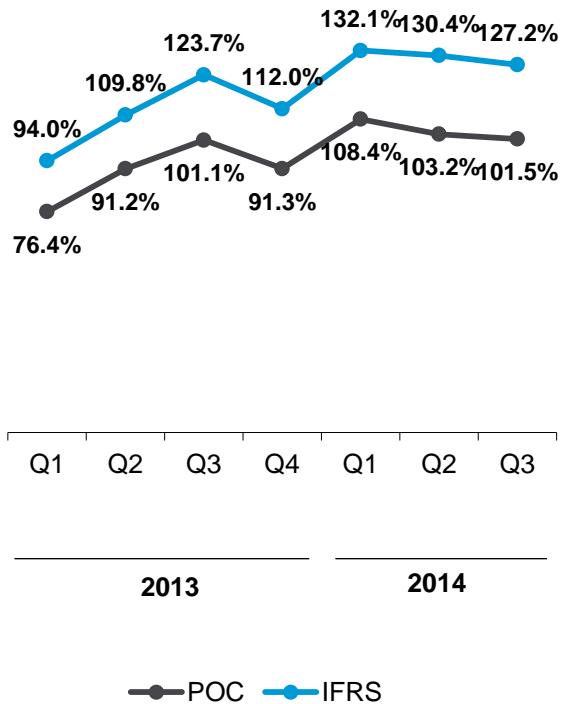
Short term target by the end of 2016: ROI 15%



According to segment reporting (POC)

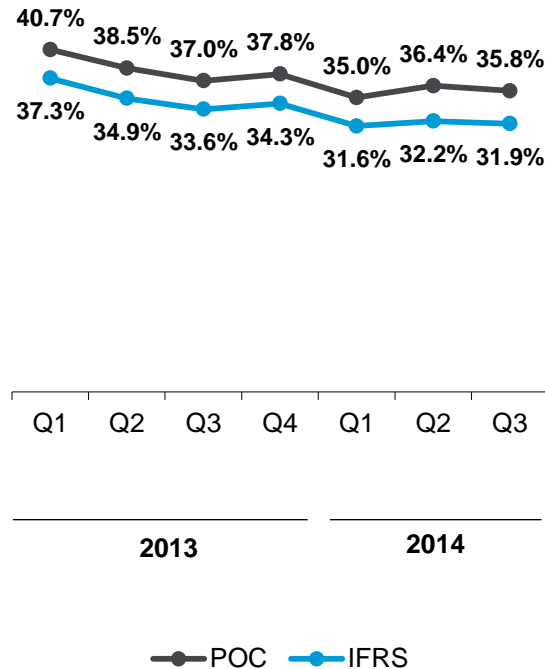
Gearing has decreased slightly

Gearing (%)



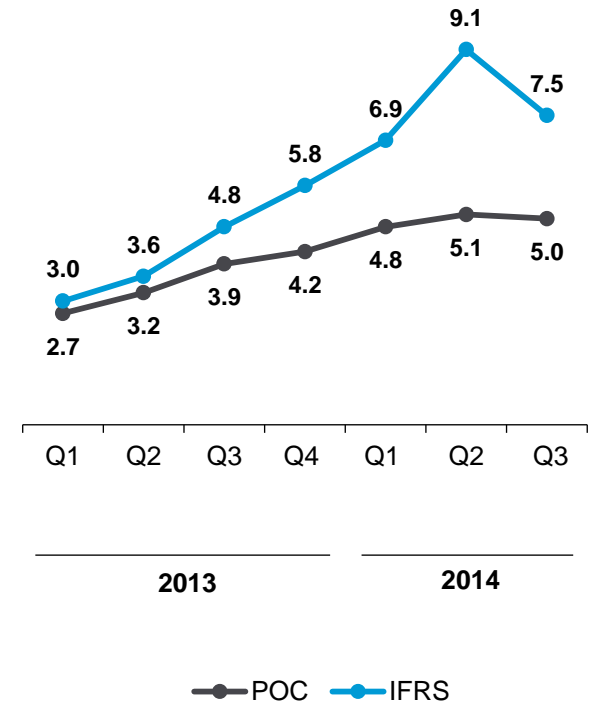
Financial covenant tied to gearing (maximum level of 150.0%, IFRS) in the RCFs signed in October.

Equity ratio (%)



Financial covenant tied to the equity ratio (minimum level of 25.0%, IFRS) in bank loans and RCFs.

Net debt/EBITDA (Multiple, x)



Positive progress in capital release

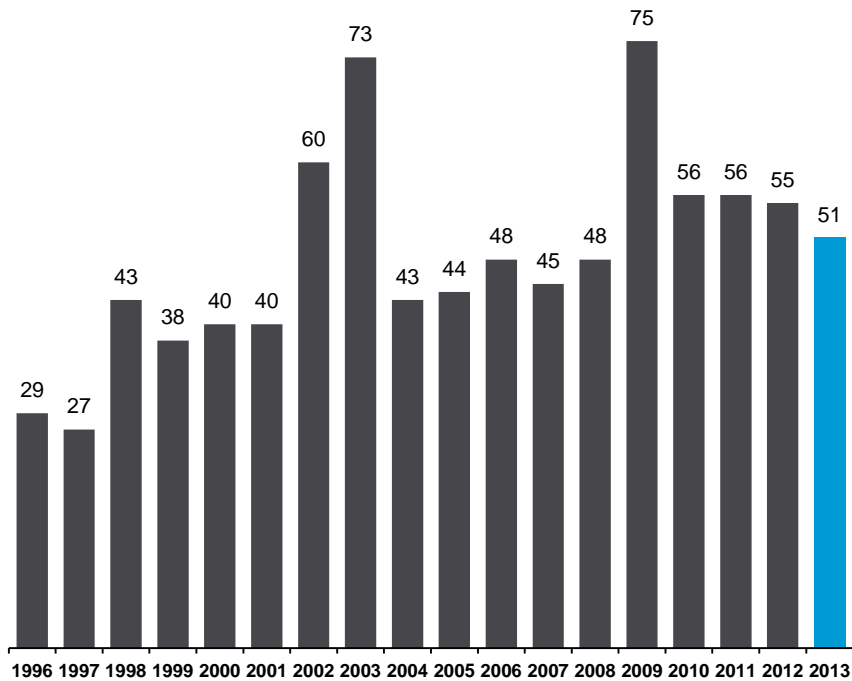
- The Ukrainian crisis has increased cautiousness of Western investors in Russia which has slowed down the sales of slow-moving assets

Target for capital release	Actions in Q3/2014	Cumulative progress since 9/2013
Reducing the inventory of unsold completed apartments in Finland >EUR 50 million	<ul style="list-style-type: none"> Active sales to investors covering a wide variety of apartments 	<ul style="list-style-type: none"> No net progress so far
Selling self-developed business premises projects in Finland (currently under construction) EUR 80 million	<ul style="list-style-type: none"> Sale of the shopping centre of Tikkurila Commercial Centre Dixi in Vantaa 	<ul style="list-style-type: none"> Sales value of over EUR 70 million (not fully visible in revenue and cash flow yet)
Slow-moving assets >EUR 150 million	<ul style="list-style-type: none"> Several smaller deals in Russia, sale of the Grand Office business premises located in Vilnius 	<ul style="list-style-type: none"> EUR 44 million sold or agreed (not fully visible in revenue and cash flow yet)
New off-balance sheet partnership models in plot acquisitions >EUR 100 million	<ul style="list-style-type: none"> No deals in Q3/2014 	<ul style="list-style-type: none"> The value of plots financed by external partner EUR 34 million

A solid dividend payout

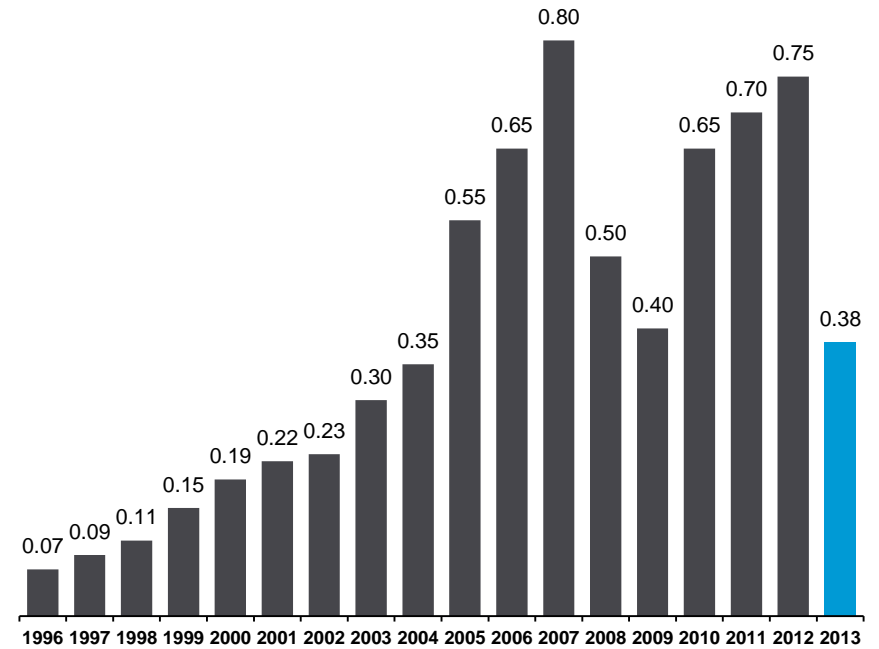
Payout ratio (%)

Note: Historical figures are YIT Group pre demerger



Dividend / share (EUR)

Note: Historical figures are YIT Group pre demerger



**Strategic target: Dividend payout
40-60% of net result**

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Looking ahead and conclusions



Pushkin
St. Petersburg, Russia

Market outlook 2014, Housing

Finland

- Housing start-ups expected to decrease. Forecasted start-ups 25,000 units in Finland in 2014 (RT Confederation of Finnish Construction Industries, October 2014) while the estimated long-term annual need is 24,000-29,000 units (VTT Technical Research Centre of Finland, January 2012)
- YIT expects housing prices to remain stable on average, polarisation continues
- Macro uncertainties and below-average consumer confidence continue to impact the residential market
- Mortgage interest rates are expected to remain low

The Baltic countries, the Czech Republic and Slovakia

- Housing construction volumes expected to increase in the Baltic countries (Forecon, June 2014)
- Housing start-ups expected to decrease slightly in the Czech Republic and increase slightly in Slovakia (Euroconstruct, June 2014)
- YIT expects housing prices to increase slightly
- The weakened macroeconomic outlook in Russia may have a negative effect on the housing market

Russia

- Housing construction is estimated stay on a par with the previous year (Forecon, June 2014)
- YIT expects housing prices to be stable on average and mortgage rates to increase during the rest of the year
- Weakened macro outlook might impact the residential market

Housing starts*



Housing prices



Mortgage interest rates



Consumer confidence



*Source: RT Confederation of Finnish Construction Industries, October 2014

Housing construction volumes**,
The Baltic countries



Housing starts**,
The Czech Republic and Slovakia



Housing prices



**Sources: Forecon and Euroconstruct, June 2014

Housing construction volumes***



Housing prices



Mortgage interest rates



***Source: Forecon, June 2014

Market outlook 2014, Business Premises and Infrastructure

Business premises in Finland

- Demand for business premises expected to remain weak
 - Commercial construction is expected to remain stable and office construction to remain weak as vacancy rates remain high (RT Confederation of Finnish Construction Industries, October 2014)
- Demand for good projects in prime locations expected to be good

Business premises in the Baltic countries and Slovakia

- New non-residential construction is expected to grow by 9% in the Baltic countries (Forecon, June 2014)
- New non-residential construction is expected to decrease by 8% in Slovakia (Euroconstruct, June 2014)

Infrastructure in Finland

- Infrastructure construction forecasted to decrease slightly (RT Confederation of Finnish Construction Industries, October 2014)
- Competition for smaller contracts expected to remain tough
- The government expected to initiate further investment into the rail network in the capital region (west metro extension)

Market*



Commercial construction*



Office construction*



Vacancy rate



*Source: RT Confederation of Finnish Construction Industries, October 2014

New non-residential construction**, the Baltic countries



New non-residential construction**, Slovakia



**Sources: Forecon and Euroconstruct, June 2014

Infrastructure construction***



Competition



***Source: RT Confederation of Finnish Construction Industries, October 2014

Margin guidance for 2014 lowered in October

The Group revenue based on segment reporting is estimated to grow by **0–5%** at comparable exchange rates.

The operating profit margin based on segment reporting is estimated to be in the range of **6.5-7.3%** excluding non-recurring items.

Increased uncertainty over the general macroeconomic development impacts YIT's business operations and customers.



Concluding remarks

Current focus on cash flow and capital efficiency

Strong market position and long experience from Finland and Russia

Solid track record in profitability and execution through economic cycles

Growth from self-developed and co-operation projects

Firm dividend payer

Solid corporate governance



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do it.**