



## YIT - Solid foundation for future growth

Roadshow Edinburgh

December 5, 2014

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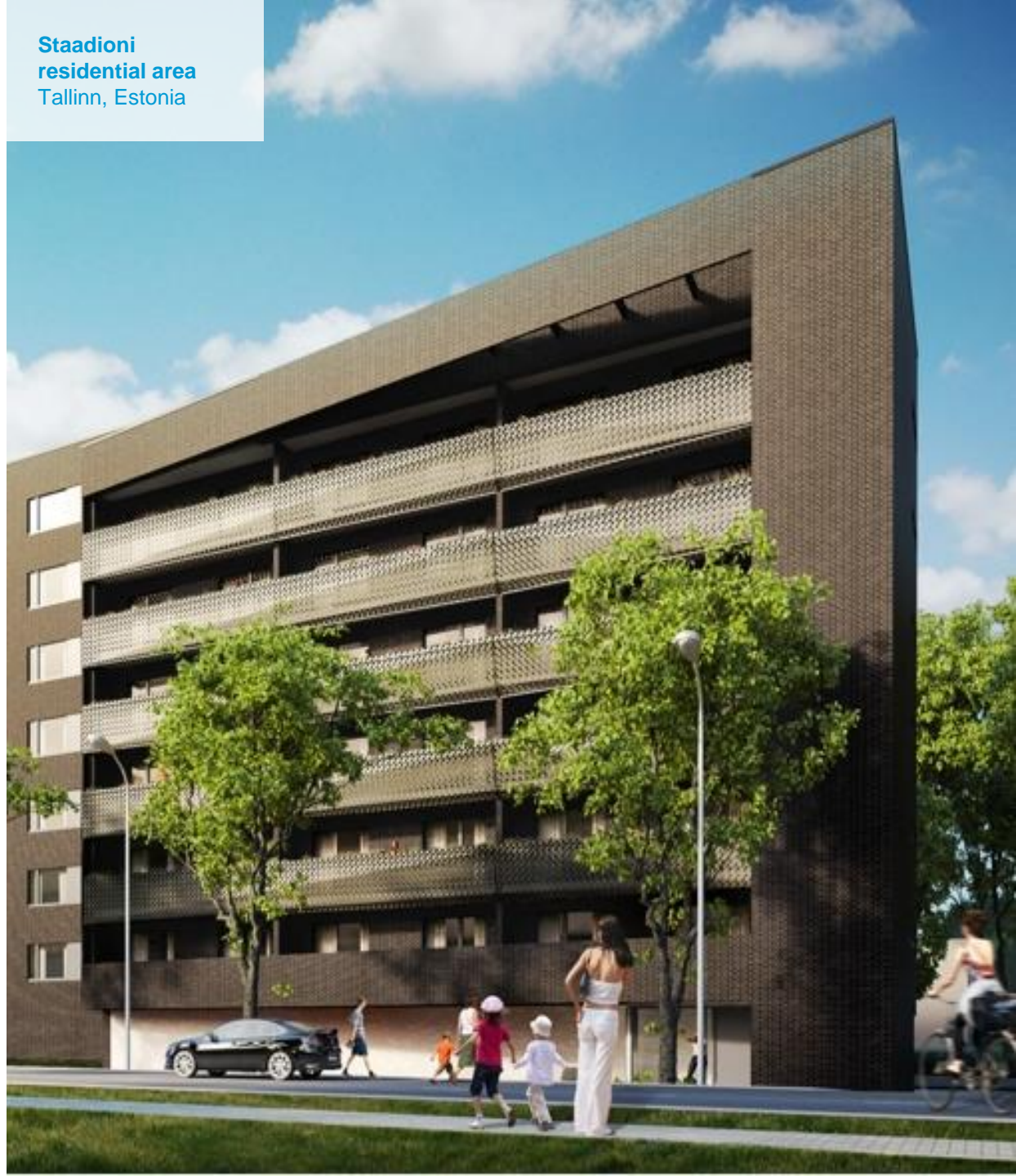


Stadioni  
residential area  
Tallinn, Estonia

# 1

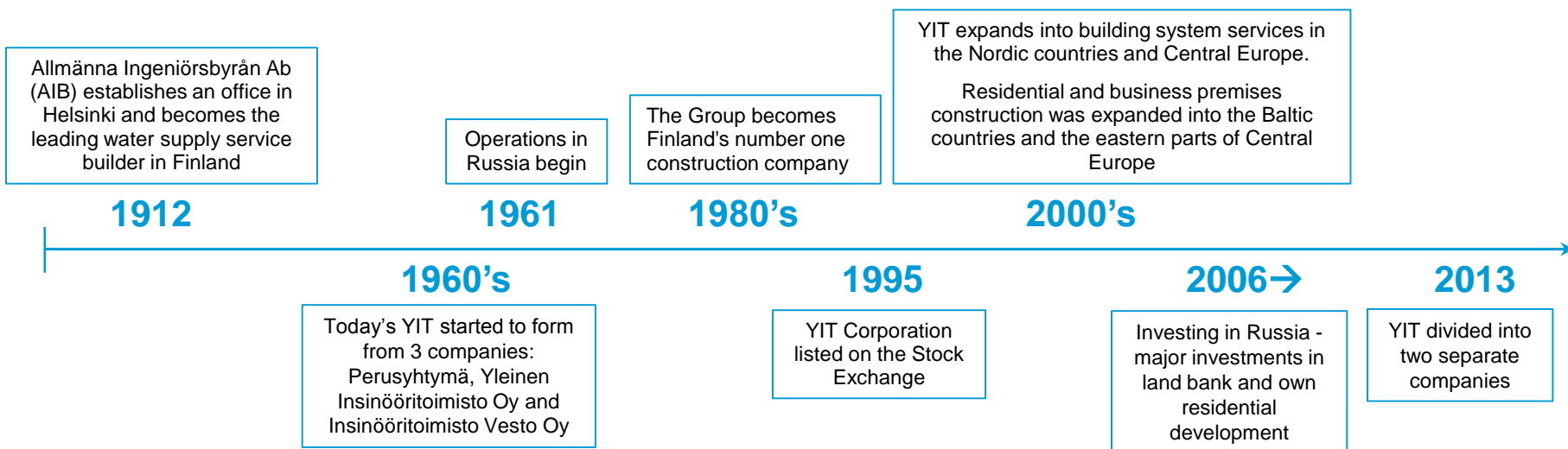
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Demerger  
and new YIT



# Right time to move to the next development phase

Over 100 years of experience in Finland, over 50 in Russia



## The demerger

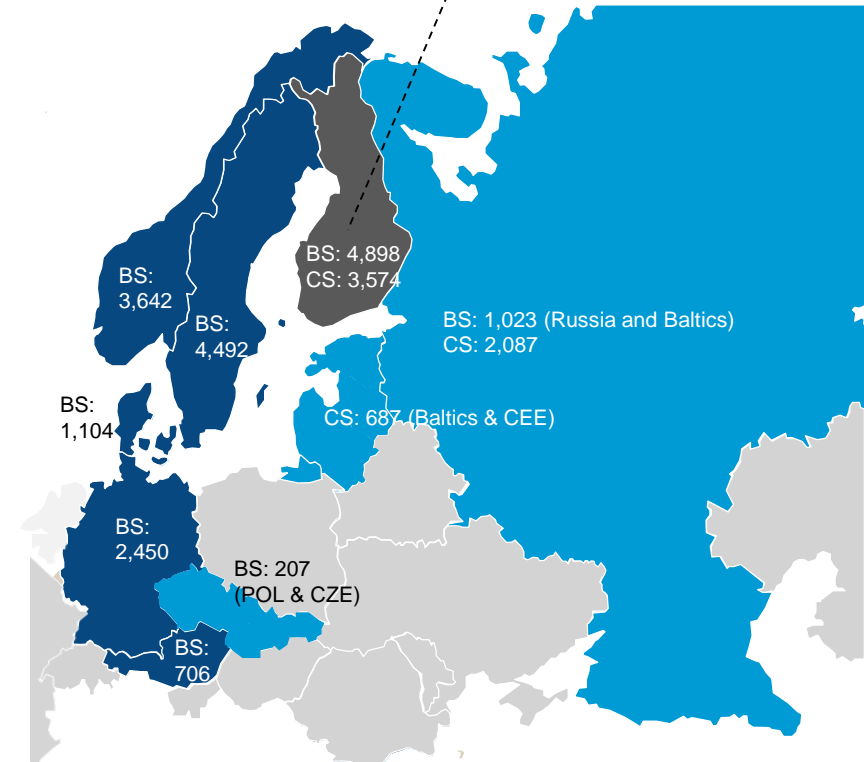
- Building Services demerged into Caverion on June 30, 2013. YIT continues to provide Construction Services
  - Initiative from the Board of Directors – supported by main owners
- Both companies large enough to grow independently

# Rationale for the partial demerger

- Independent strategies and different business models
  - Capital intensive Construction Services seeking growth from Russia, the Baltic countries and Central Eastern Europe and from Finland
  - Stable Building Services growing in developed Northern and Central Europe
- Meaningful geographical overlap only in Finland
- Better management focus in separate companies
- Good financing opportunities for both companies, large enough to grow independently
  - Stable cash generation in Building Services
  - Successful business model development in Construction Services

- Building Services sales exceeding EUR 50 million
  - Construction Services sales exceeding EUR 50 million\*
- Figure shows # of employees by country / region\*\*

*Finland is the only country with both Building Services and Construction Services sales exceeding EUR 50 million*



Note: Segment level figures (POC) in the annual report 2012

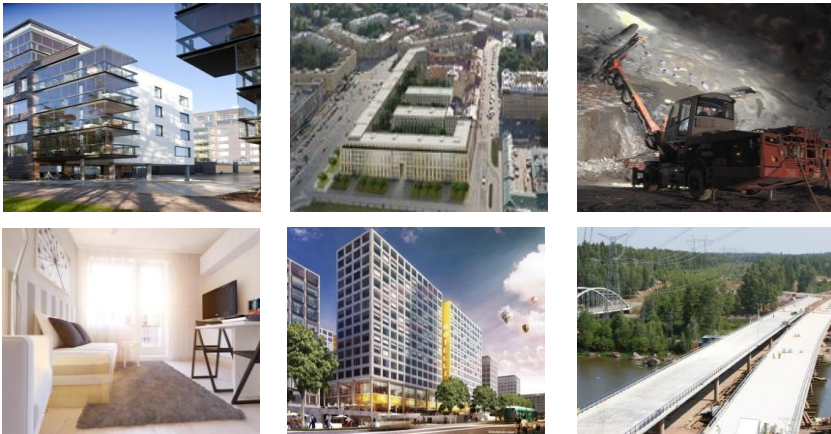
\*) The Baltic countries, the Czech Republic and Slovakia together have CS sales exceeding EUR 50 million

\*\*\*) Number of employees on Dec 31, 2012; In addition 396 employees in YIT Corp. and other Group Service functions and 17 BS employees in Asia

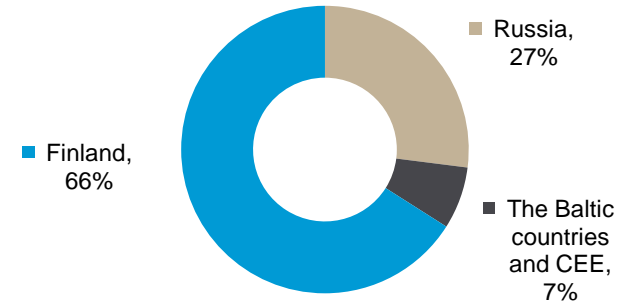


# YIT Group in brief

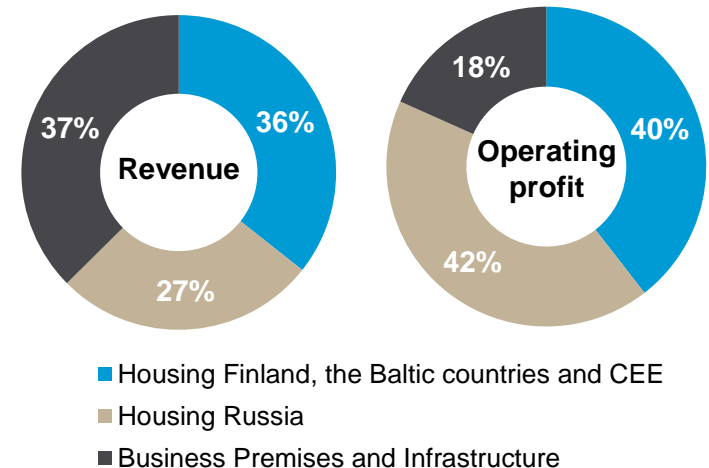
- Residential development, business premises and infrastructure
  - Focus on self-developed projects
- Operations in 7 countries
- Revenue EUR 1.9 billion in 2013
- Operating profit EUR 153 million in 2013
- More than 6,000 employees
- Share quoted on NASDAQ OMX Helsinki (Large cap, Industrials)
- Over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



## Revenue by geographical area 2013



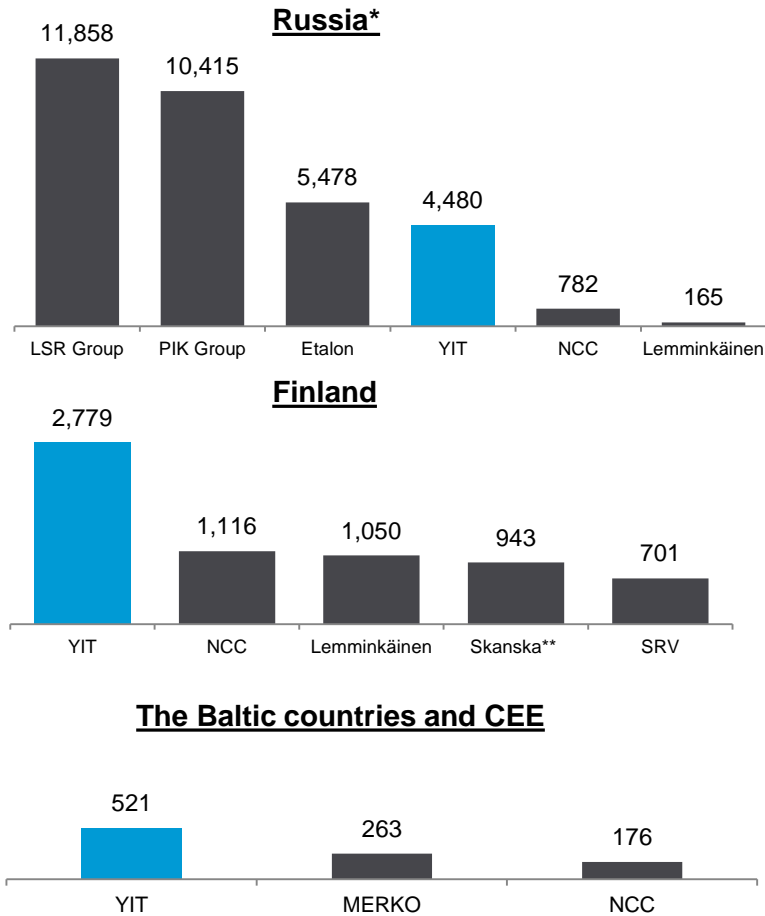
## Revenue and operating profit by business area 2013



# Strong market position in all markets in Housing

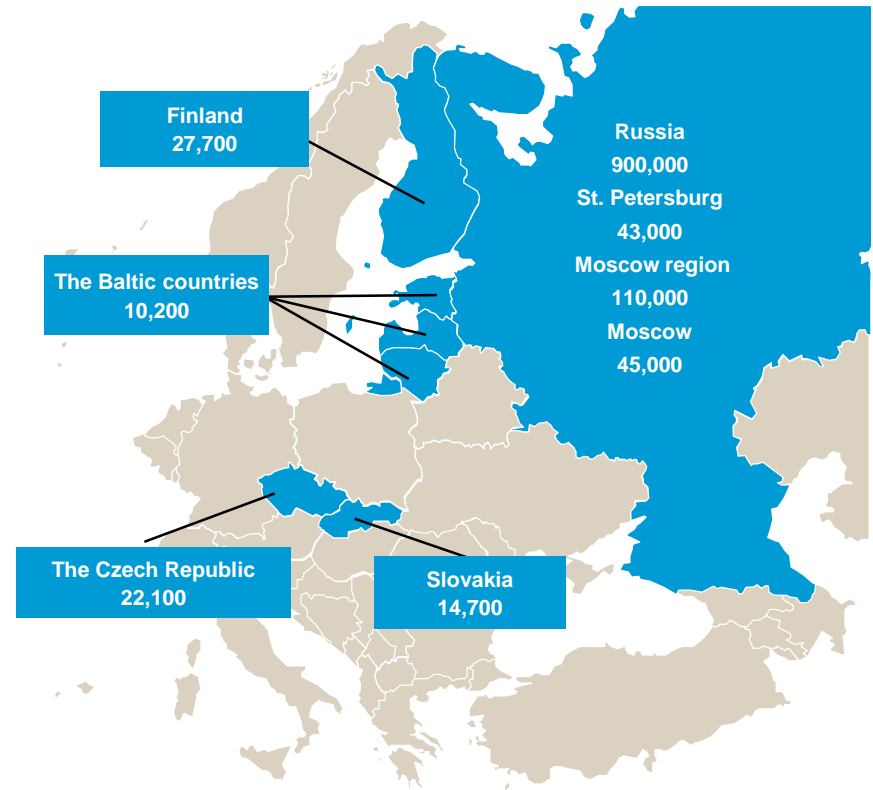
## Market leader in Finland, largest foreign residential developer in Russia

**Listed competitors in residential markets**  
Number of apartments sold in 2013



\* Companies listed outside Russia, \*\* Own development

**Residential markets in 2013**  
Number of apartments\*\*\*

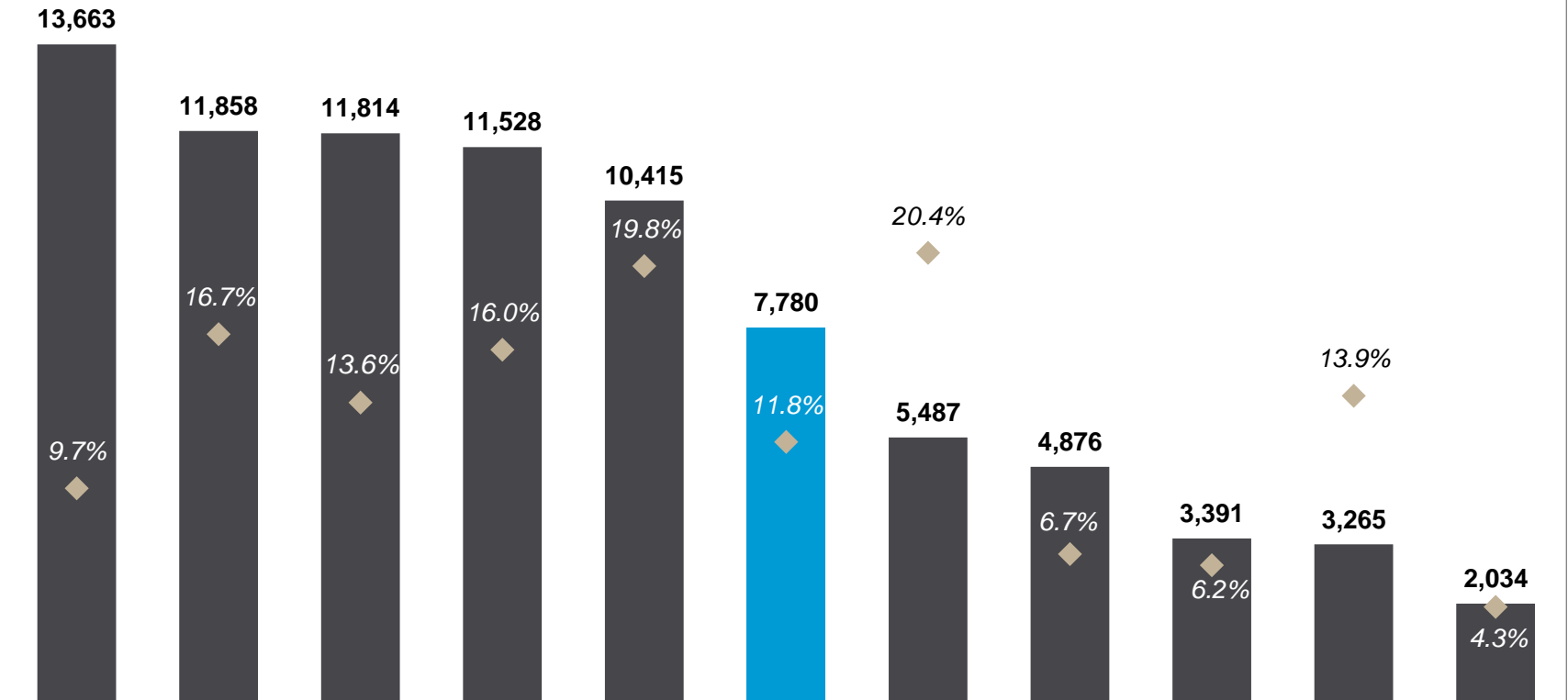


\*\*\* Source: Euroconstruct (start-ups) and Forecon (completions), June 2014

# YIT a significant player on European level in housing

■ Housing sales (units) in 2013

◆ EBIT-% in Housing business in 2013





# Board of Directors

Versatile expertise on board work, finance, construction industry and Russia



**Reino Hanhinen**  
Chairman

Born 1943  
M.Sc. (Eng.), D.Sc.  
(Tech.) h.c.

Former CEO of YIT

Independent of  
company: YES

Independent of  
owners: YES

Share ownership:  
106,800



**Kim Gran**  
Vice Chairman

Born 1954  
B.Sc. (Econ.)

Former President  
and CEO of Nokian  
Tyres Plc.

Independent of  
company: YES

Independent of  
owners: YES

Share ownership:  
7,700



**Satu Huber**  
Board Member

Born 1958  
M.Sc. (Econ.)

Deputy CEO of Elo  
Mutual Pension  
Insurance Company

Independent of  
company: YES

Independent of  
owners: YES

Share ownership:  
3,600



**Erkki Järvinen**  
Board Member

Born 1960  
M.Sc. (Econ.)

President and CEO  
of Tikkurila Group

Independent of  
company: YES

Independent of  
owners: YES

Share ownership:  
0



**Juhani Pitkäkoski**  
Board Member

Born 1958  
LL.M.

SVP, M&A of  
Caverion Corporation

Independent of  
company: NO

Independent of  
owners: YES

Share ownership:  
48,100



**Teuvo Salminen**  
Board Member

Born 1954  
M.Sc. (Econ.)

Board professional

Independent of  
company: YES

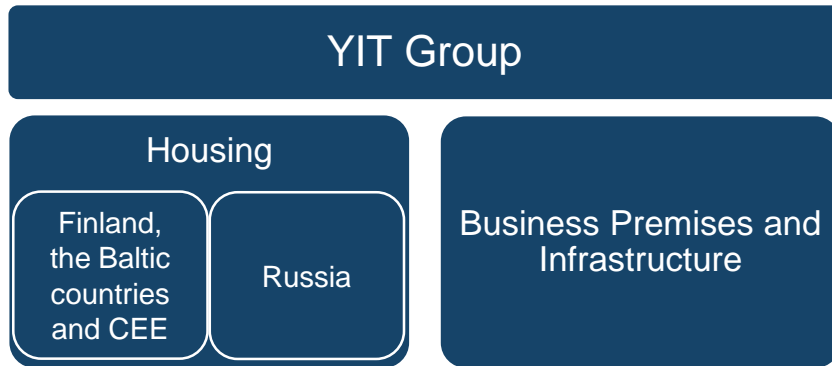
Independent of  
owners: YES

Share ownership:  
7,250

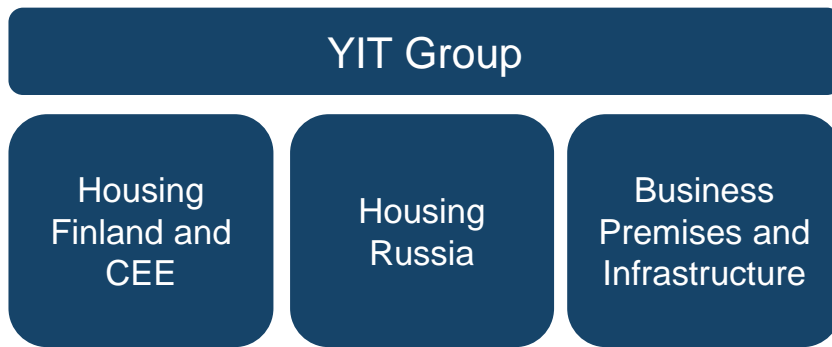
Ownership on November 3, 2014 including the holdings of the persons themselves, their close associates and their controlled corporations.

# Group structure and composition of the Group Management Board

## Group structure as of January 1, 2014



## Group structure as of January 1, 2015



## Group Management Board



**Kari Kauniskangas**  
President and CEO,  
Head of Housing  
(share ownership: 17,624)



**Tero Kiviniemi, EVP,**  
Head of Business  
Premises and  
Infrastructure  
(share ownership: 10,692)



**Teemu Helppolainen**  
Head of business  
area Housing Russia  
(share ownership: 4,800)



**Timo Lehtinen**  
CFO  
(share ownership: 8,550)



**Juhani Nummi**  
Business  
Development  
(share ownership: 2,499)



**Pii Raulo**  
HR  
(share ownership: 5,240)

### The extended management board includes also the heads of Business Divisions:

- Kari Alavillamo
- Jouni Forsman
- Harri Isoviita
- Pavel Kocherezhkin
- Matti Koskela
- Timo Lehmus
- Tom Sandvik
- Mikhail Voziyanov

Ownership on November 3, 2014





# 2

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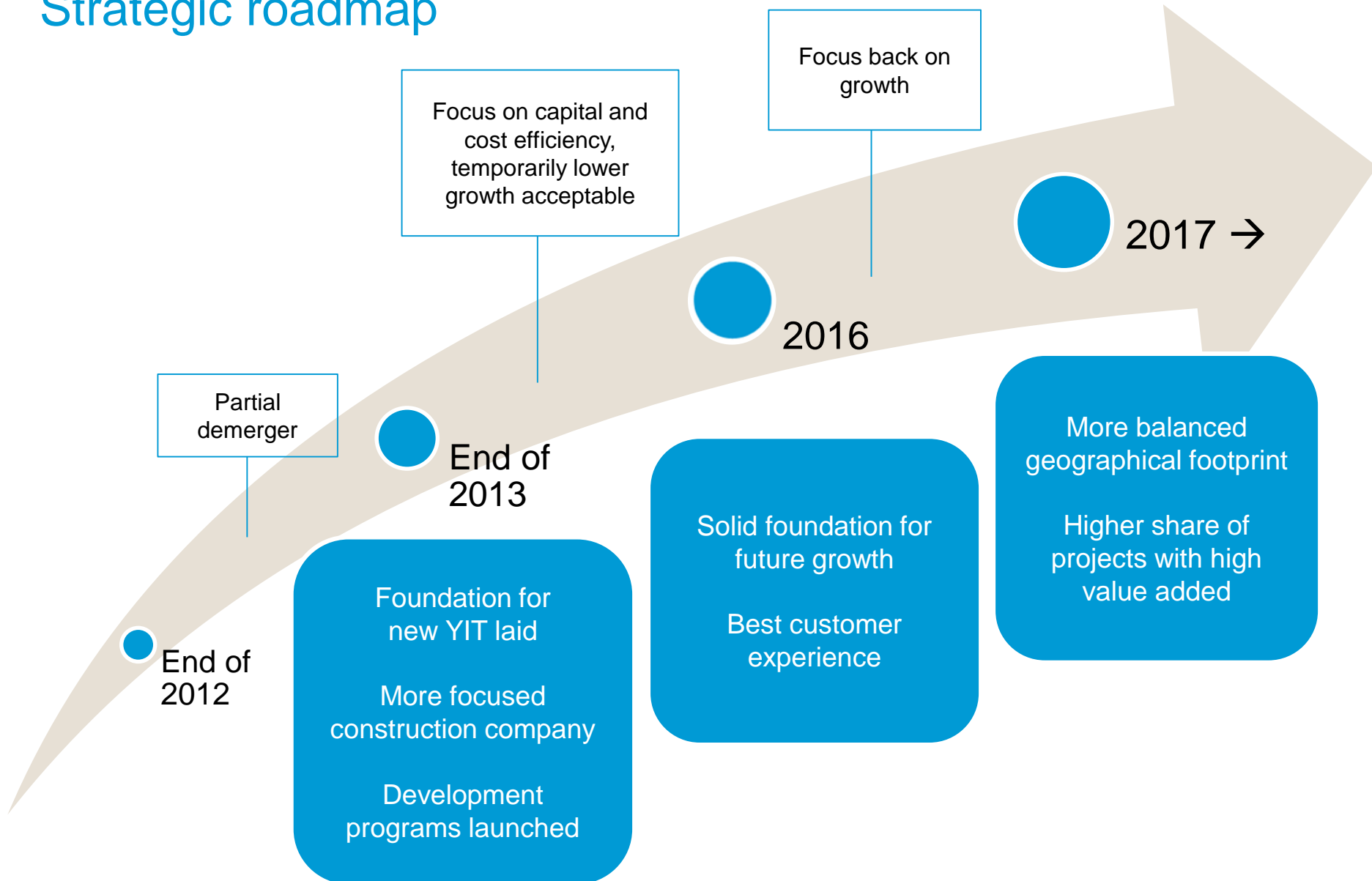
## Strategy and business model



Forest residential area  
Yekaterinburg, Russia



# Strategic roadmap



# 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

# 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%

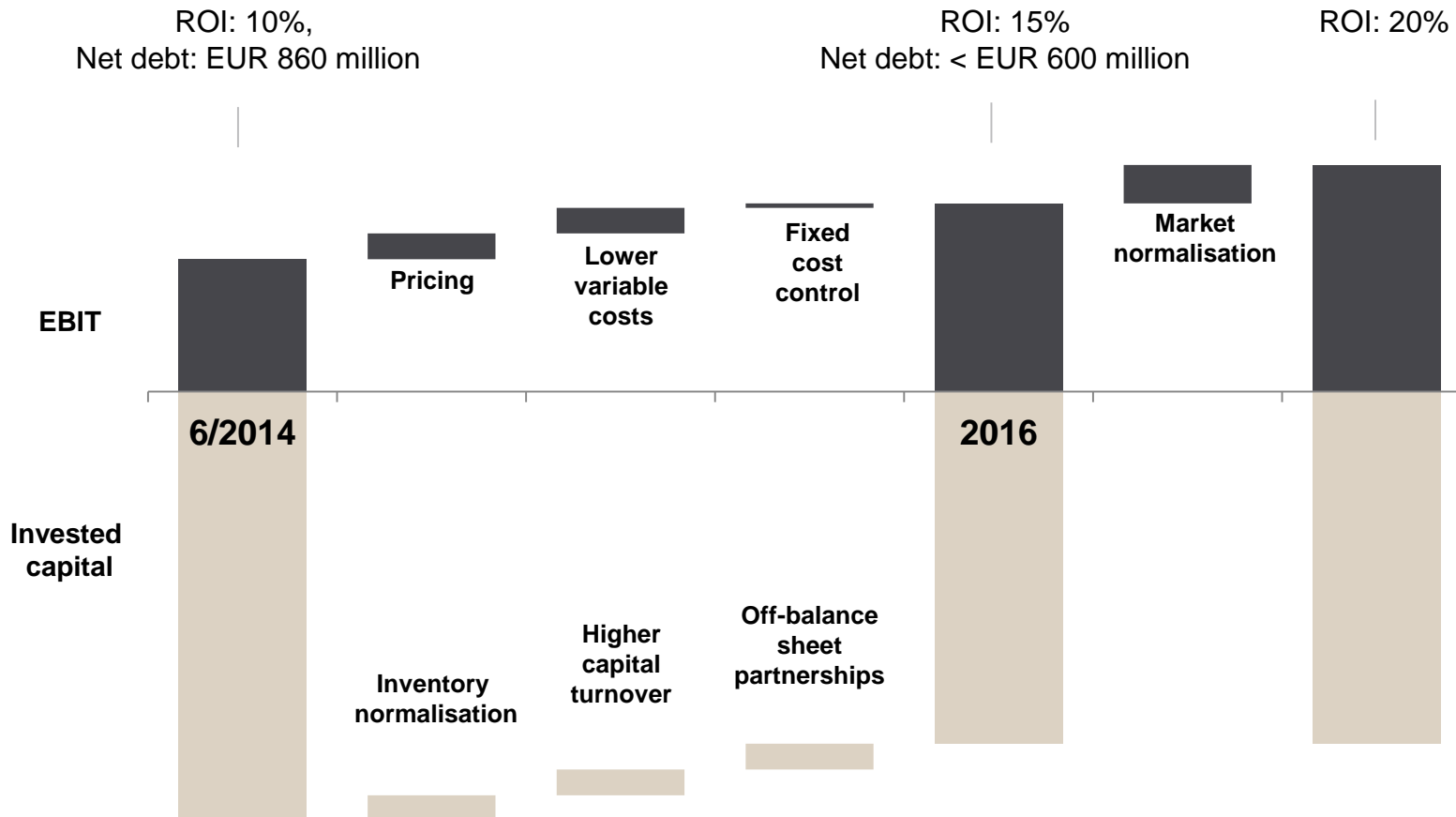
	Targets for 2015 – 2016
Revenue growth	0 - 5% annually
Return on investment	15%
Net debt (IFRS)	Under EUR 600 million

Segment figures (POC)

- In the short term, the focus will be on improving capital and cost efficiency 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 reaching the targets



# 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

# Focused development to improve profitability and strengthen the forerunner position



## Group-wide development programs

Centralized coordination, decentralized development

*"Best living experience"*

### Housing development

- New housing concepts
- Area development – "creating better living environments"
- Best customer experience through long-term customership
- Cost-efficiency and design management
- New online services

*"Deeper pocket"*

### Wider financial operating space

- Capital efficiency
- Developing mortgage cooperation

*"Inspiring YIT"*

### Excellent leadership and balanced values

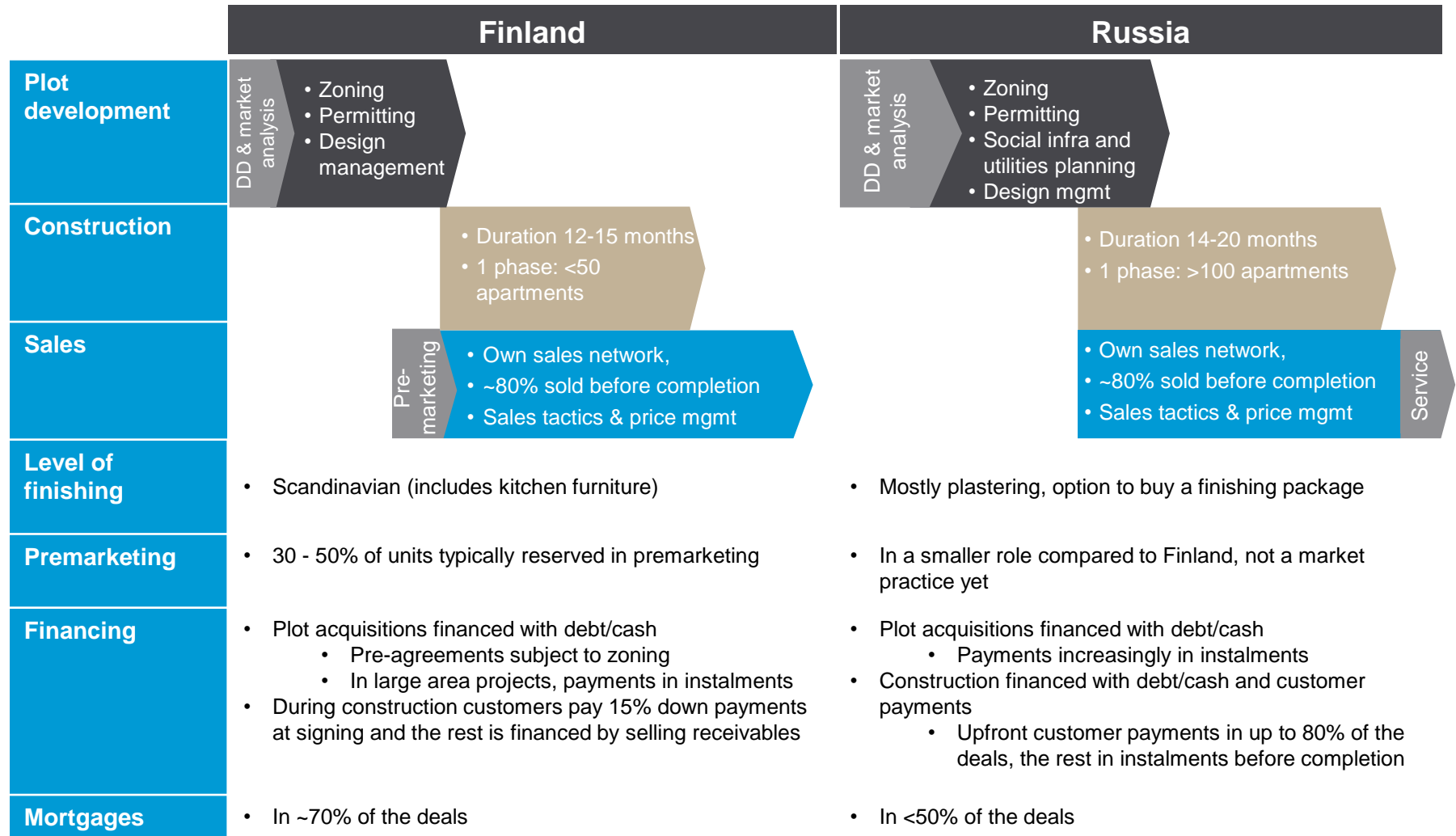
- Strong corporate culture through balanced values; Care, A step ahead, Cooperation, Performance
- Common management and leadership principles
  - Active communication
  - Clear promotion and recruiting criteria
  - Training programs
  - Rewarding

# Value creation: Long value chain with key competences in-house





# Business model – Self-developed housing



# Business model – Business Premises and Infrastructure, focus on high value added projects



## Business Premises

- Contracting and co-operation projects
  - Schools, hospitals, offices etc.
  - Very low capital employed
  - Cash flow positive, advance payments
  - Increasing role in development
- Own development
  - Own concepts, e.g. commercial centres, offices, assisted living facilities
  - Anchor tenants typically secured before starting construction and investor in an early phase
  - Financing by selling receivables after the investor is secured

## Infrastructure

- Contracting and co-operation projects
  - E.g. route projects, rail and metro, power plants, road maintenance
  - Low capital employed
  - Cash flow positive, advance payments
  - Role of alliance and PPP models increasing
    - Active role in development
    - Life-cycle models
    - In PPPs, financing on a project company level
- Own development,
  - E.g. wind farms, parking
  - Investor before start-up
  - Project financing

Internal co-operation in large projects

# 3

## Key financials

Tripla  
Helsinki, Finland





# Key figures

EUR million	7-9/2014	7-9/2013	Change	1-9/2014	1-9/2013	Change
Revenue	485.7	454.7	7%	1,340.2	1,337.6	0%
Operating profit	33.5	37.4	-10%	95.1	111.6	-10%
Operating profit margin	6.9%	8.2%		7.1%	8.3%	
Order backlog	2,736.0	2,813.4	-3%	2,736.0	2,813.4	-3%
Profit before taxes	22.6	29.9	-24%	66.5	90.3	-26%
Profit for the review period*	16.8	23.1	-27%	51.0	69.6	-27%
Earnings per share, EUR	0.13	0.18	-28%	0.41	0.55	-25%
Operating cash flow after investments	40.7	-82.0		12.0	-164.2	
Return on investment, last 12 months	9.1%	12.3%		9.1%	12.3%	
Equity ratio	35.8%	37.0%		35.8%	37.0%	
Net debt (IFRS)	817.9	857.3	-5%	817.9	857.3	-5%
Gearing (IFRS)	127.2%	123.7%		127.2%	123.7%	
Personnel at the end of the period	6,032	6,384	-6%	6,032	6,384	-6%

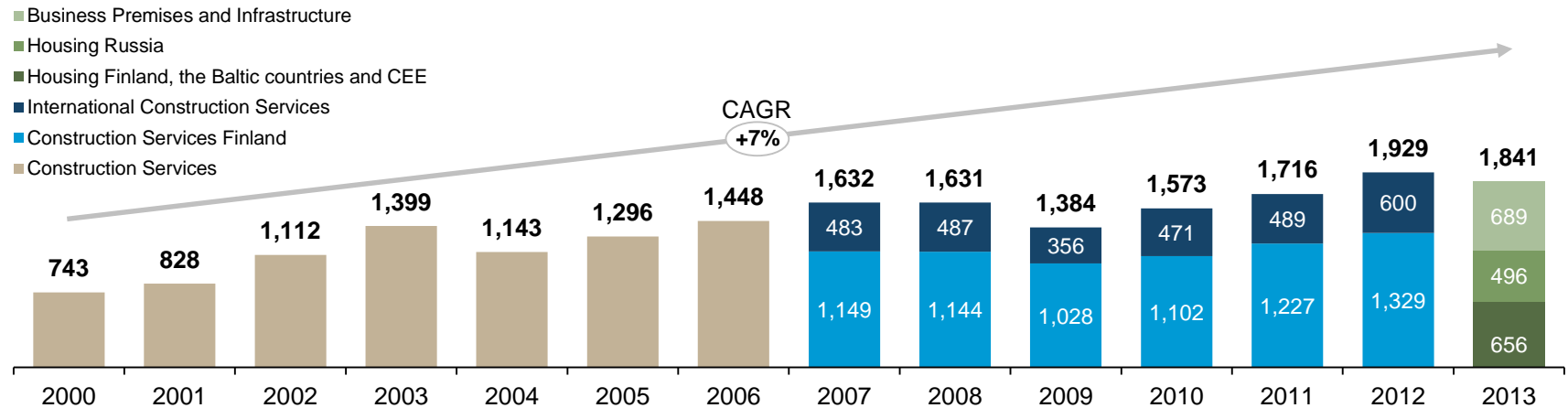
\* Attributable to equity holders of the parent company

Note: Figures according to segment reporting (POC) unless otherwise stated

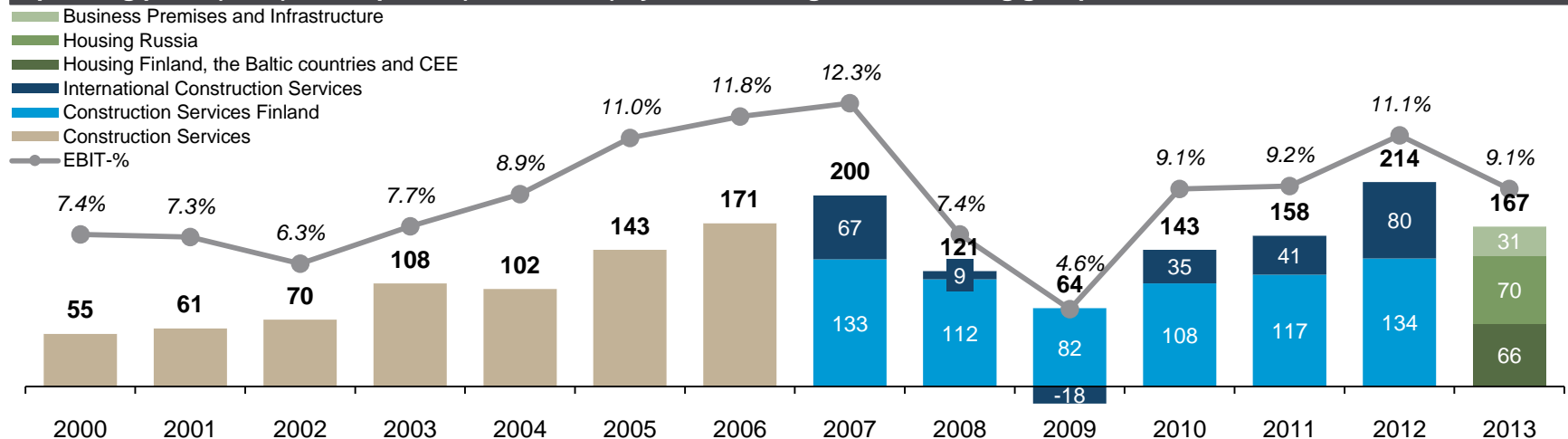


# Revenue growth and healthy profitability through economic cycles

## Revenue development (EUR million) by business segment



## Operating profit (EBIT) development (EUR million) by business segment, excluding group costs



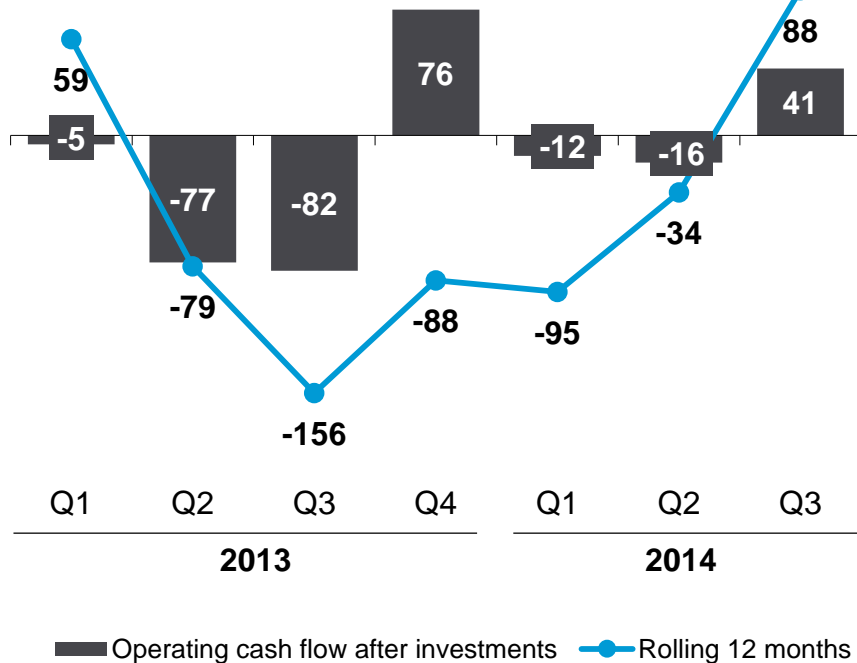
Note: Segment level figures (POC), i.e. sum of Construction Services related segment figures in YIT financial reporting and thus excluding effect of other items.

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

## Cash flow, EUR million

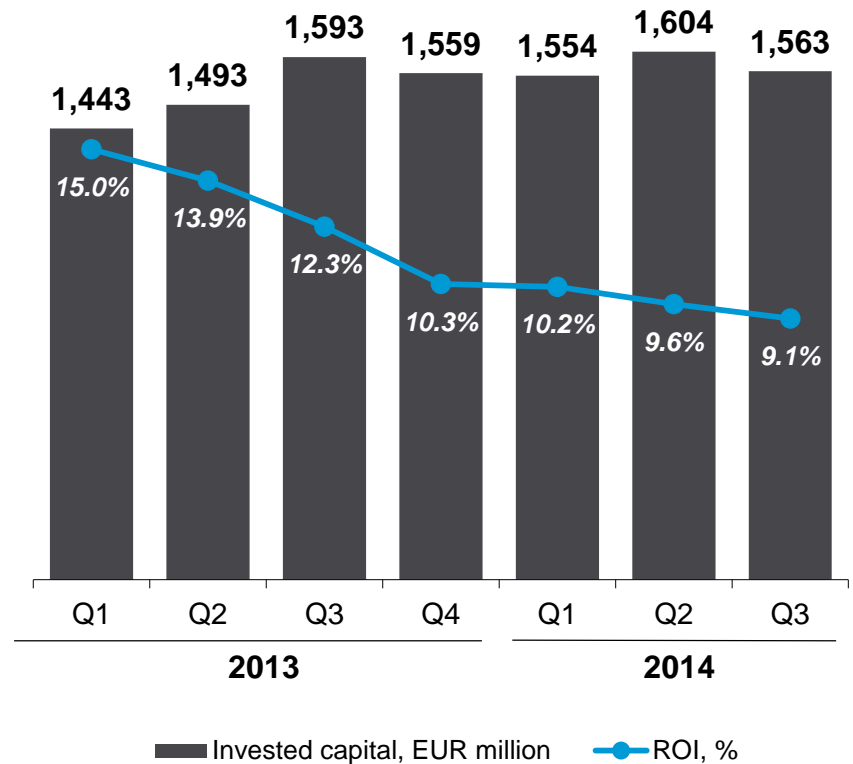
2013: EUR -88 million

1-9/2014: EUR 12 million



## Invested capital and ROI

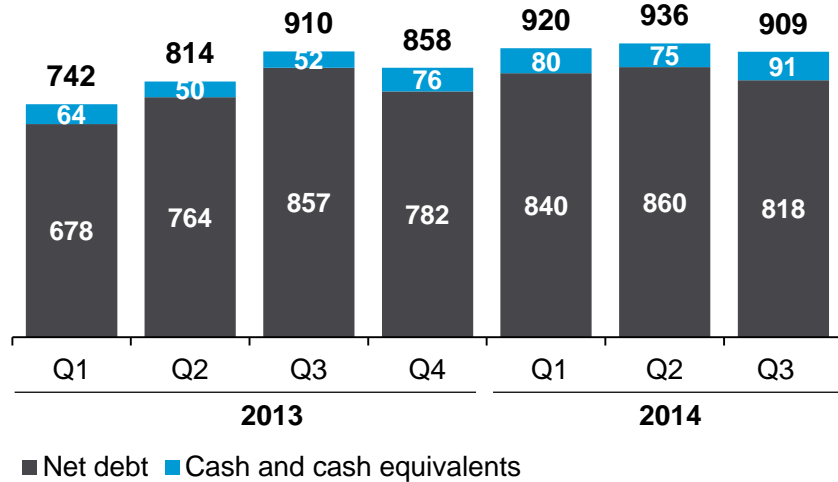
Short term target by the end of 2016: ROI 15%



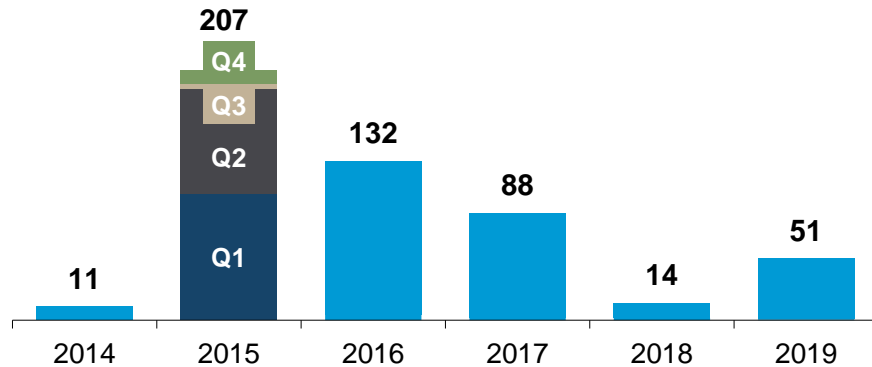
According to segment reporting (POC)

# Maturity profile of long-term debt has improved

Interest-bearing debt (EUR million), IFRS



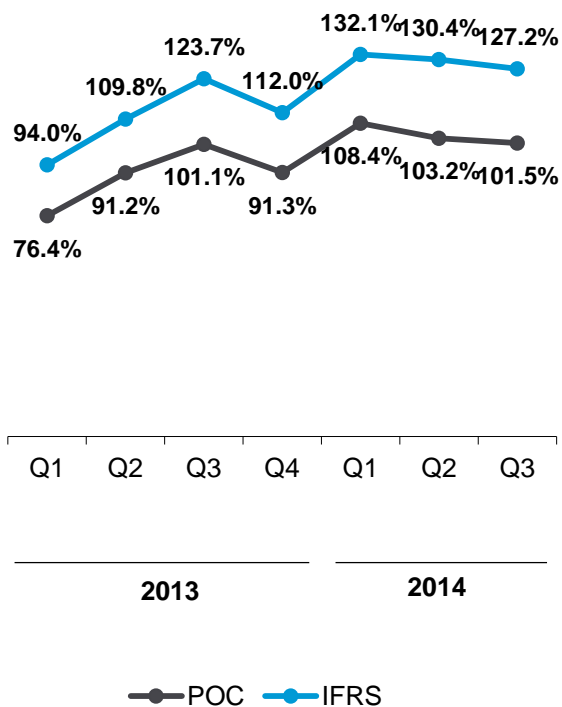
Maturity structure of long-term debt 9/2014 (EUR million)



- Strong liquidity buffer as a back-up for operational activities
  - Overdraft facilities EUR 60 million
  - New EUR 300 million syndicated long-term revolving credit facility signed in October. The new facility will replace the old bilateral facilities of same amount
- EUR 80 million of refinancing concluded in Q3/2014
  - EUR 50 million pension loan maturing in August 2019
  - EUR 30 million term loan maturing in August 2017
  - Average interest of the new loans below the average interest of YIT's debt portfolio

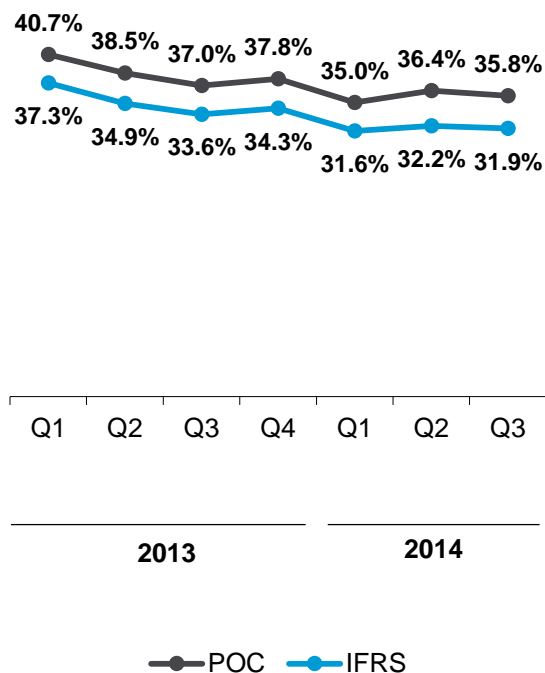
# Gearing has decreased slightly

Gearing (%)



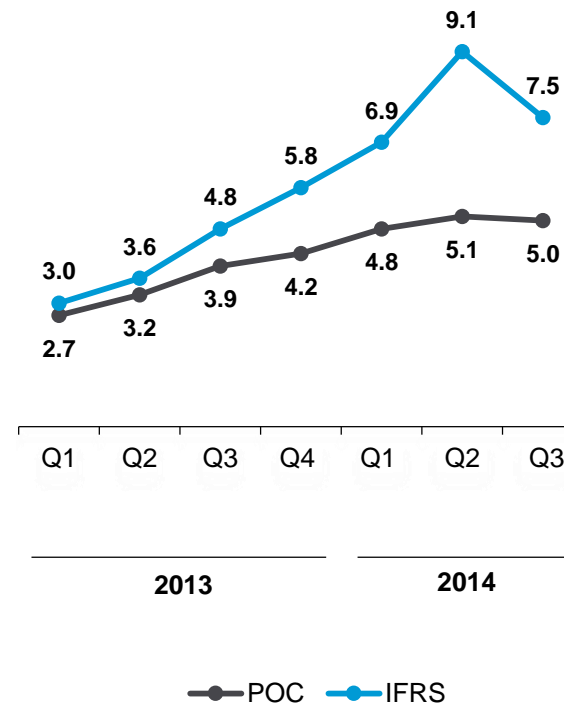
Financial covenant tied to gearing (maximum level of 150.0%, IFRS) in the RCFs signed in October.

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)

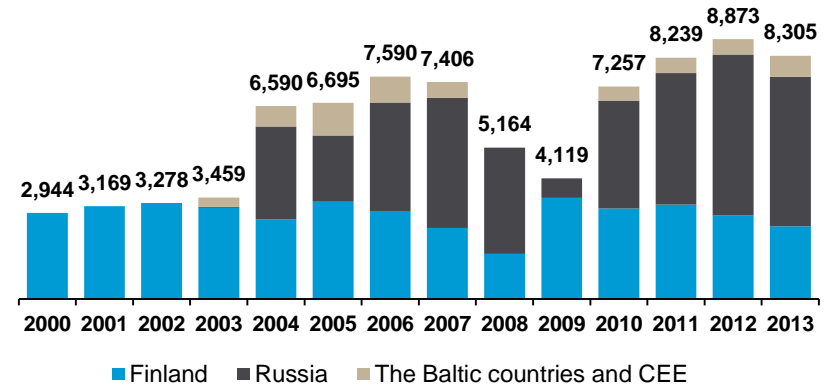




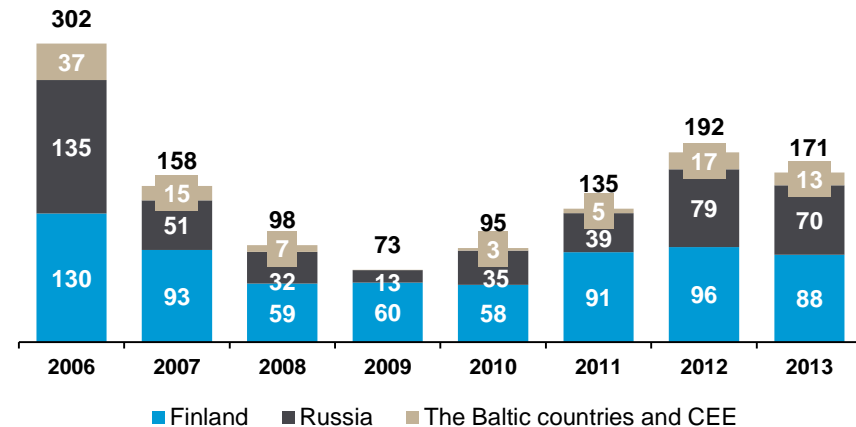
# Financial flexibility is good

- Good ability to manage cash flow
  - Start-ups adjusted according to demand
  - Opportunity to adjust plot investments; existing plot reserve provides a good base for the coming years
- Flexibility in production costs
  - Both own personnel and subcontractors at construction sites
  - Use of rental equipment to manage the volatility in production volumes
  - Temporary layoffs possible in Finland
- Focus on payment terms in plot acquisitions
  - In Russia, payment schedule for plots tied increasingly to permitting process and start-ups
  - In Finland, a common practice to have preagreements that are subject to zoning

Housing start-ups 2000-2013 (pcs)



Cash flow of plot investments 2006-2013 (EUR million)



# Good progress in capital release

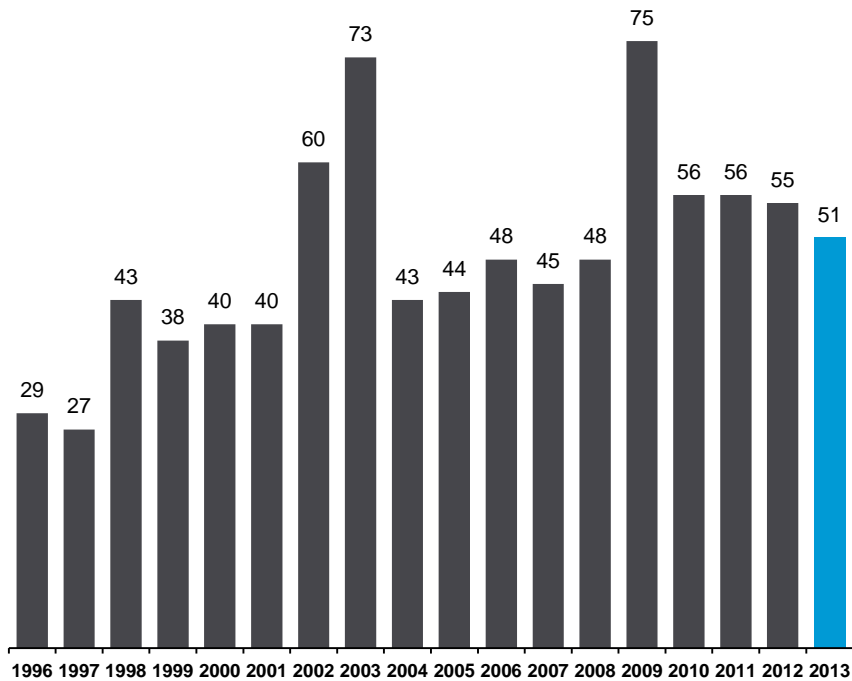
- The Ukrainian crisis has increased cautiousness of Western players in Russia which has slowed down the sales of slow-moving assets

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

# A solid dividend payout

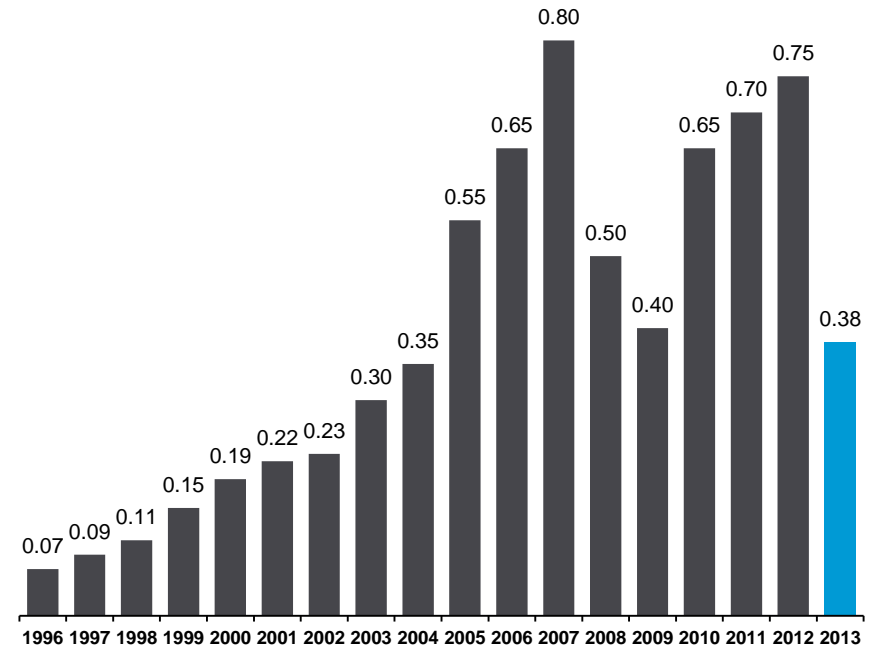
## Payout ratio (%)

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**

# 4

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## Housing



Uus Kalamaja area  
Tallinn, Estonia



# Housing

## Market leader in residential development

### Business areas

- **Finland, the Baltic countries and CEE**
  - Focus on self-developed projects, selectively contracting
- **Russia**
  - Only self-developed projects

### Competitive edges

- Over 100 years' experience in Finland and over 50 years' experience in Russia
- Strong, reliable brand and solid market position
- Superior project management skills in complex projects
- Strong plot portfolio and own sales network
- Excellence in design management



### Housing in figures (2013)

<b>Revenue</b>	EUR 1,152 million
<b>Operating profit*</b>	EUR 136 million
<b>ROI</b>	11.2 %
<b>Plot reserves</b>	EUR 588 million
<b>Employees</b>	~3,800
<b>Residential start-ups</b>	8,305
<b>Apartments under construction (12/2013)</b>	15,404

\*Excluding non-recurring items

# 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

<b>240</b>	<b>130</b>
2002	2014



## Demographic changes

Share of 65+ people in the population, Finland

<b>12%</b>	<b>26%</b>
1980	2030E

Number of households, Finland

<b>1.8 m</b>	<b>2.6 m</b>
1980	2013

## Digitalisation



## Consumerism



**Demand for modern apartments in the Baltic countries and CEE**

Low living space per capita

**< 30 sq. m.**

Poor quality of existing buildings

Favourable macro outlook and Improving purchasing power

# Market trends and drivers in Housing Russia

Larger middle class

Migration to growth centres

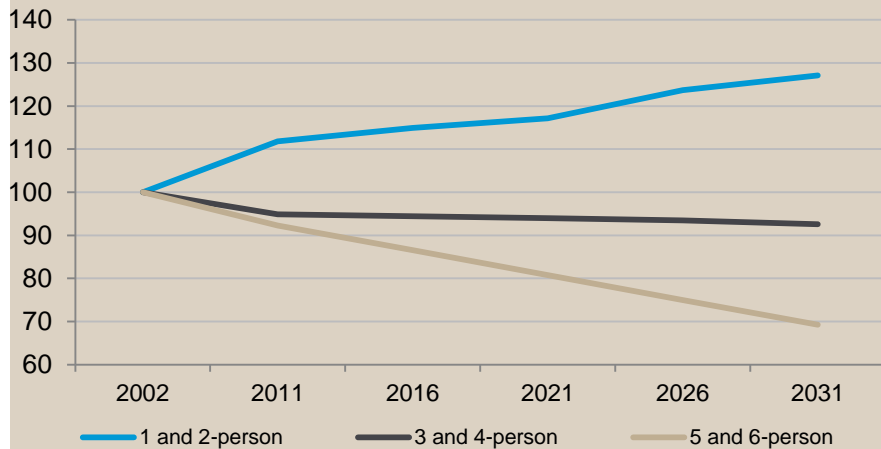


Developing mortgage market

Political support for residential development

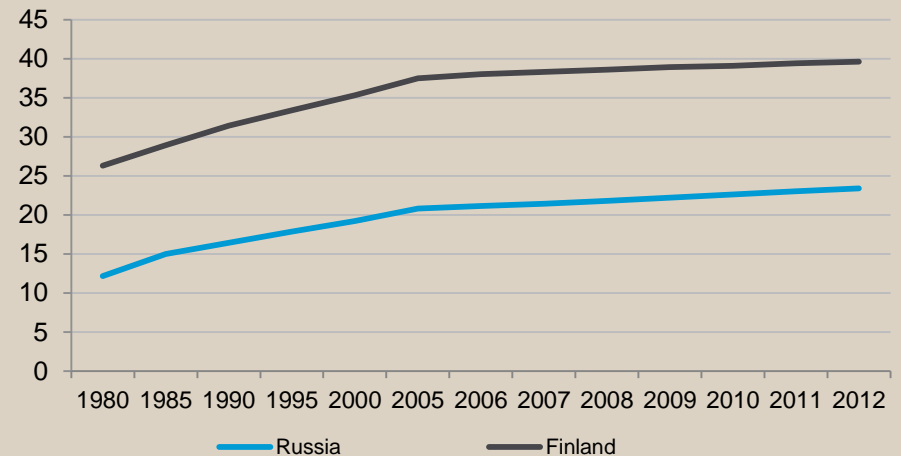
## Growing number of households

Number of households in Russia by household size, index



## Low living space per person

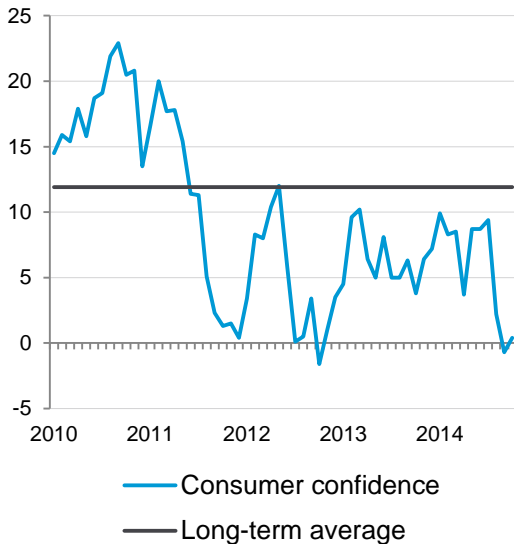
Availability of housing per capita, sq. m. in 2012



# Housing: Operating environment in Finland in Q3/2014

- Consumers continued to be cautious, but investors remained active

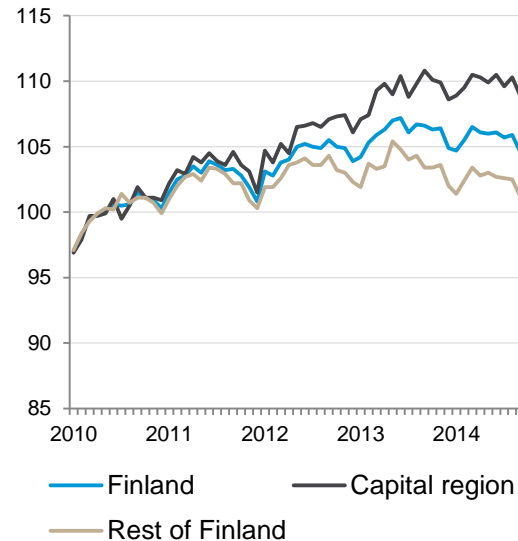
**Consumer confidence  
1/2010-9/2014**



Sources: Statistics Finland and Bank of Finland

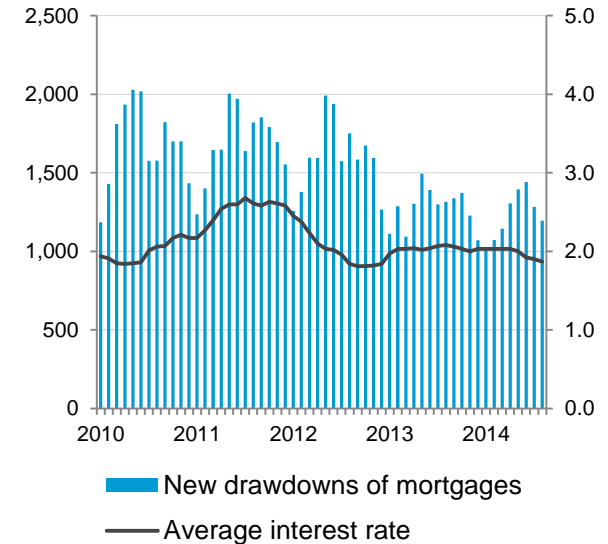
- Polarisation of residential prices between the capital region and other parts of Finland continued
- Good demand for small, affordable apartments

**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, %)**

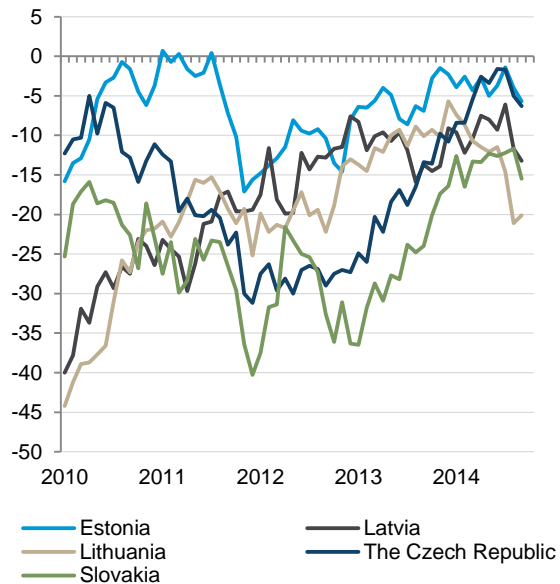




# Housing: Operating environment in the Baltic countries and Central Eastern Europe (CEE) in Q3/2014

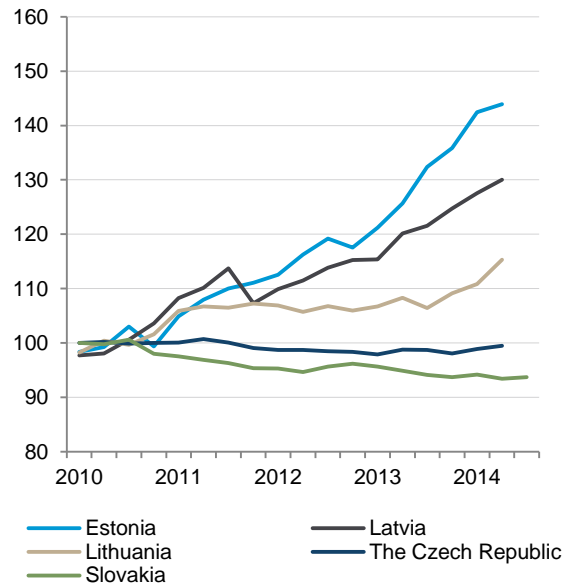
- Geopolitical tensions have weakened the consumer confidence

**Consumer confidence**



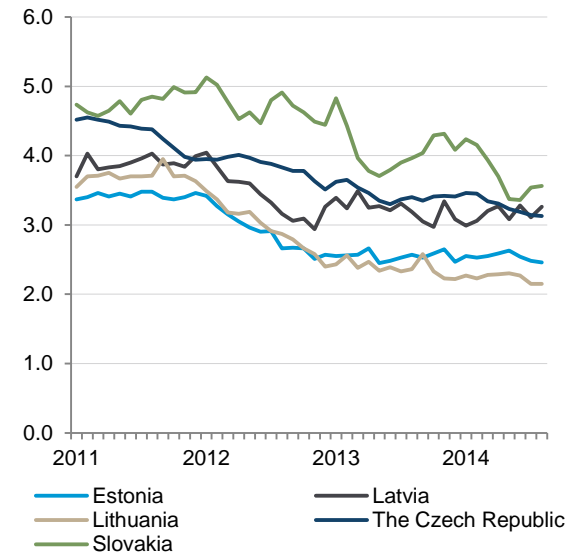
- Positive development in the macro economy has supported the residential market
- Residential prices have increased slightly

**House price index, 2010=100**



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

**Average interest rate of mortgages (%)**

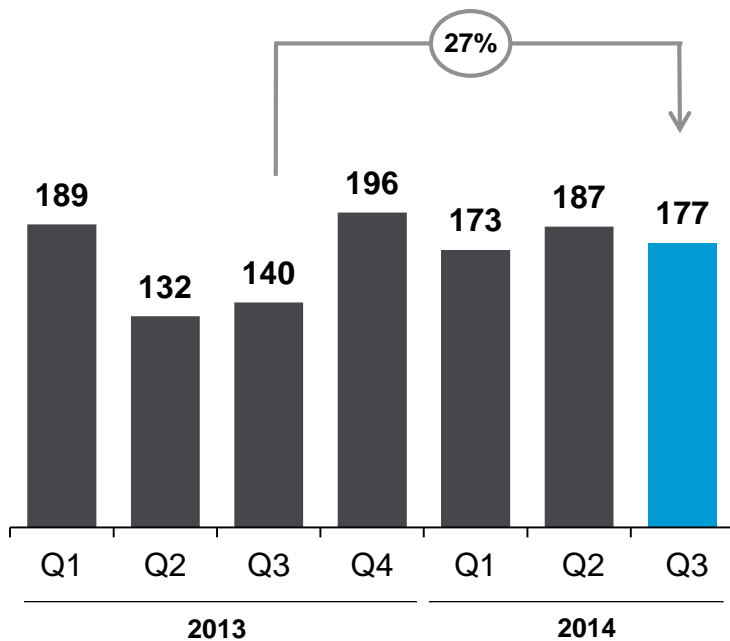


Sources: European Commission, National Statistics Offices and National Central Banks

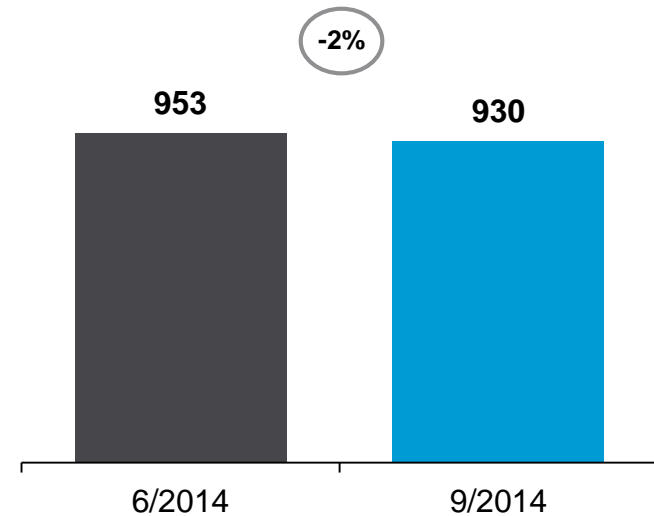
# Housing Finland, the Baltic countries and CEE: Revenue has continued to grow

- Good progress in investor deals in Finland and in consumer sales in the Baltic countries and CEE

Revenue (EUR million)



Order backlog (EUR million)

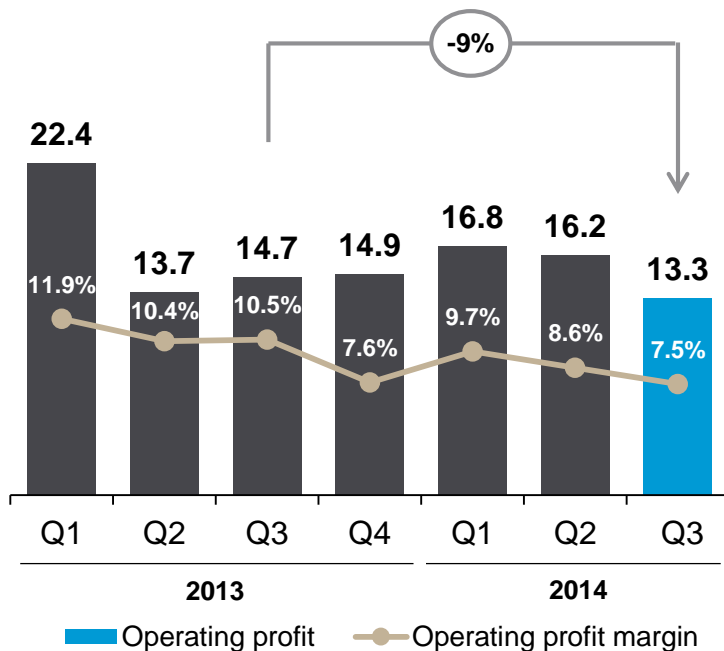


All figures according to segment reporting (POC)

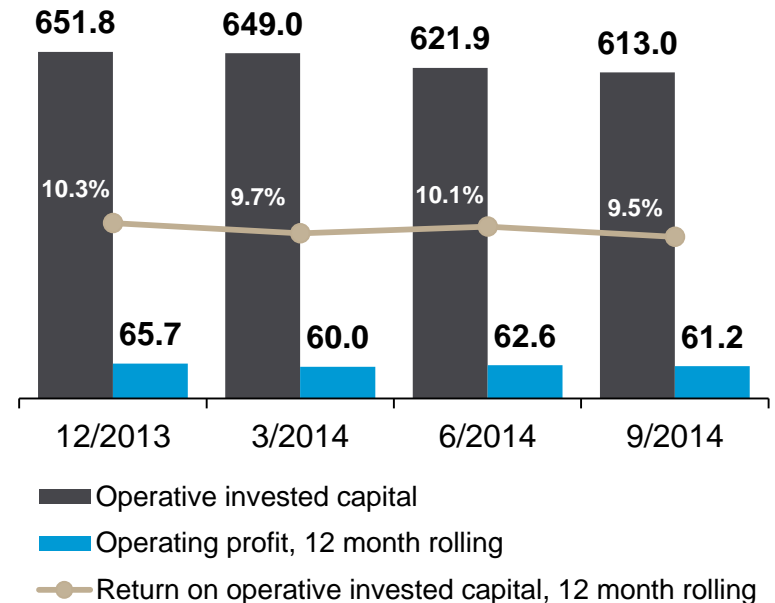
# Housing Finland, the Baltic countries and CEE: Profitability impacted by cash flow focus

- Profitability has been negatively impacted by changes in the sales mix and actions to ensure strong cash flow
- Profitability has continued to improve in the Baltic countries and CEE

Operating profit and profitability (EUR million, %)

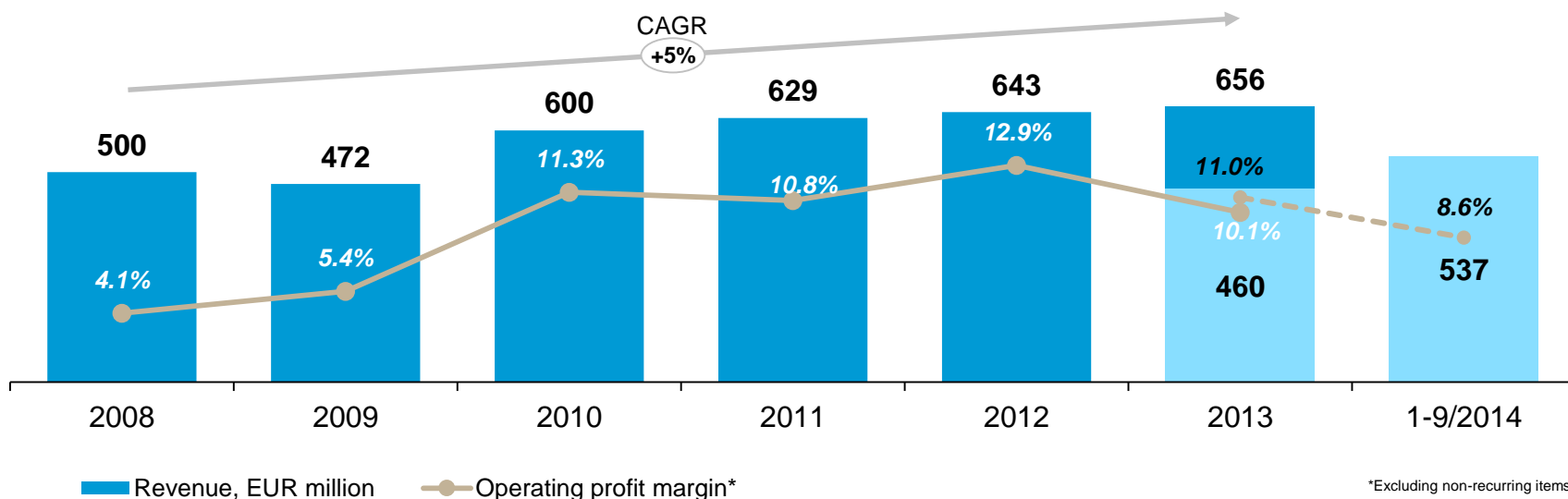
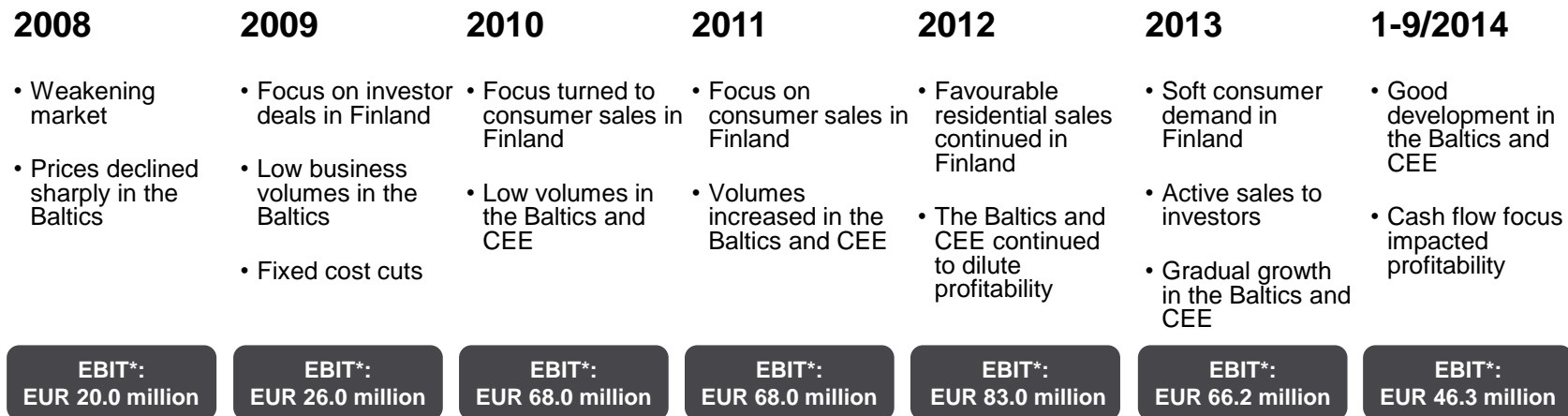


Return on operative invested capital (EUR million, %)



All figures according to segment reporting (POC)

# Housing Finland, the Baltic countries and CEE, longer term development

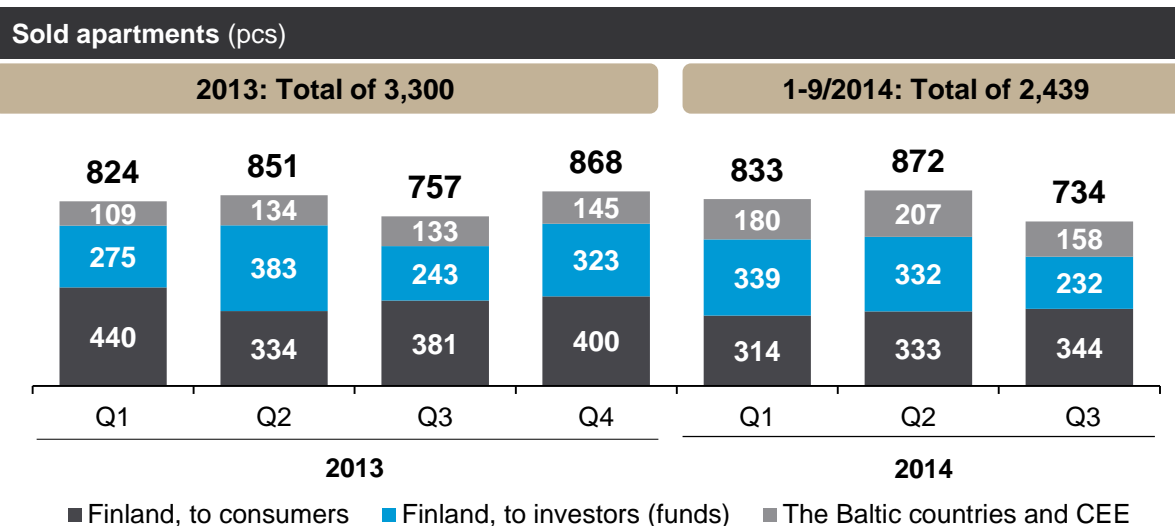


\*Excluding non-recurring items

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.

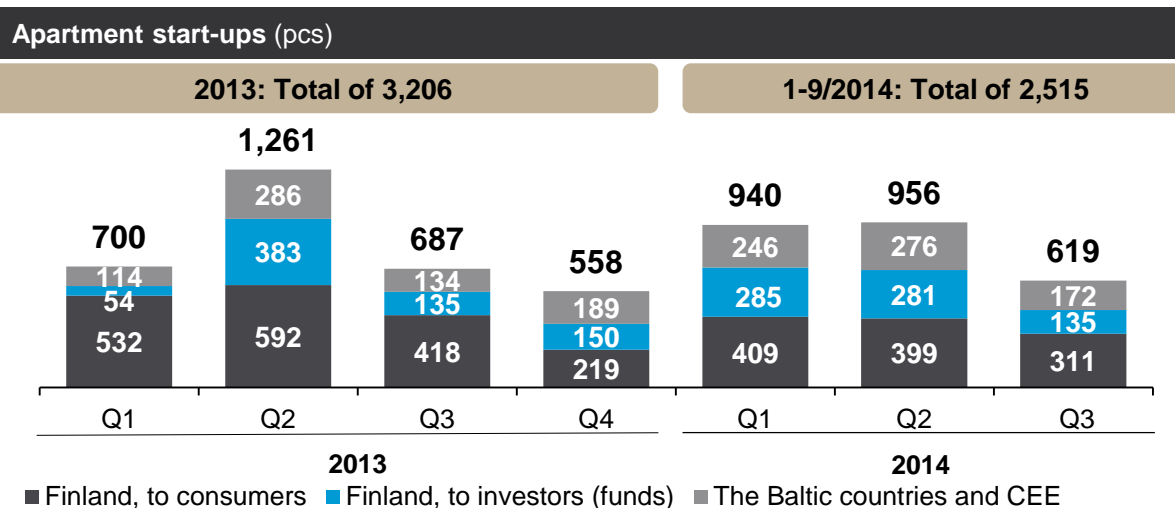


# Housing: Sales volume satisfactory in Finland, growing housing sales in the Baltic countries and CEE



## Finland

- Activity in investor sales has compensated soft consumer demand (48% of sold units 1-9/2014)
- High monthly volatility
- Start-ups on a neutral level
  - Focus on small and affordable apartments



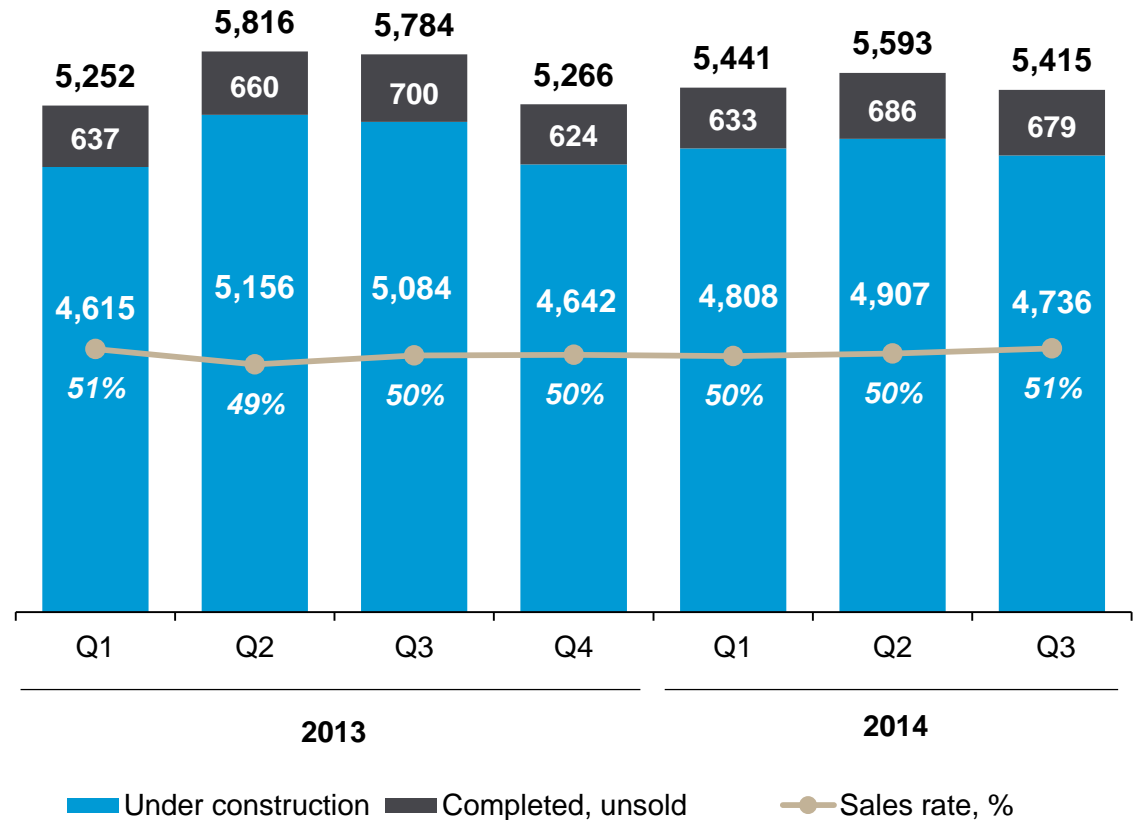
## The Baltic countries and CEE

- Housing sales have grown strongly (+45% 1-9/2014)
- Start-ups increased according to positive expectations on demand

# Housing Finland, the Baltic countries and CEE: More small and affordable apartments in the sales portfolio

- The share of the Baltic countries and CEE of the sales portfolio (units) increased to 37% (28% in 9/2013)
- Number of unsold completed apartments stable in Finland, progress in reducing the level expected in Q4 due to lower completions

Apartment inventory (units)



# Housing: Operating environment in Russia in Q3/2014

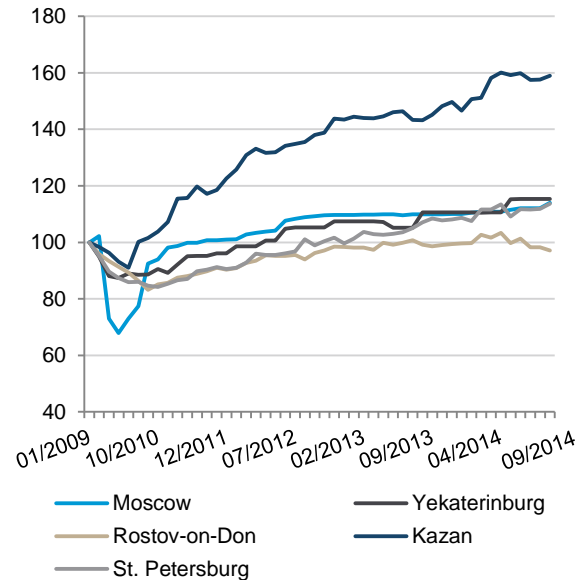
- The ruble weakened again sharply

EUR/RUB exchange rate



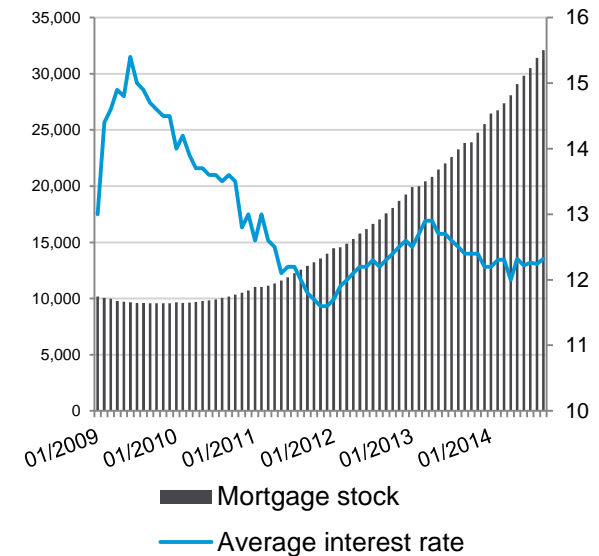
- Residential prices remained stable on average

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, %)

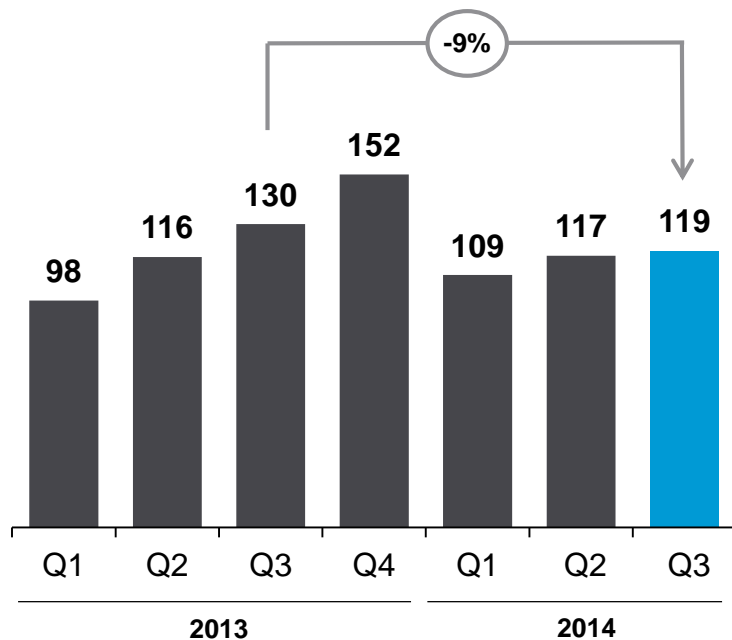


Sources: Reuters, YIT and Bank of Russia

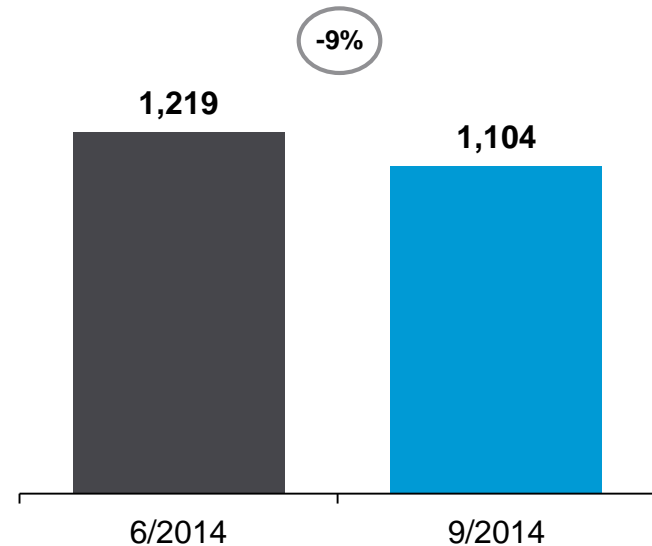
# Housing Russia: Revenue has grown at comparable exchange rates

- Revenue has grown by 15% at comparable exchange rates in 1-9/2014
- Weakening of the ruble decreased the order backlog by EUR 81 million in Q3/2014

Revenue (EUR million)



Order backlog (EUR million)

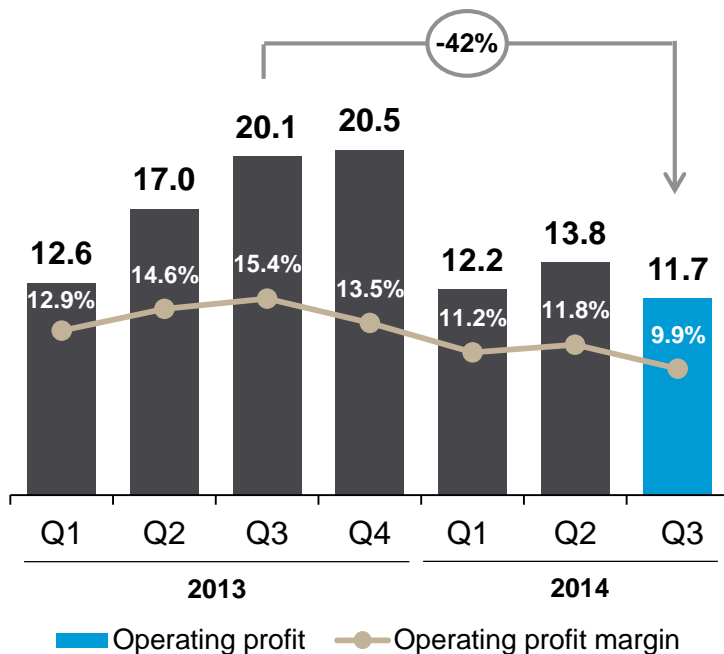


All figures according to segment reporting (POC)

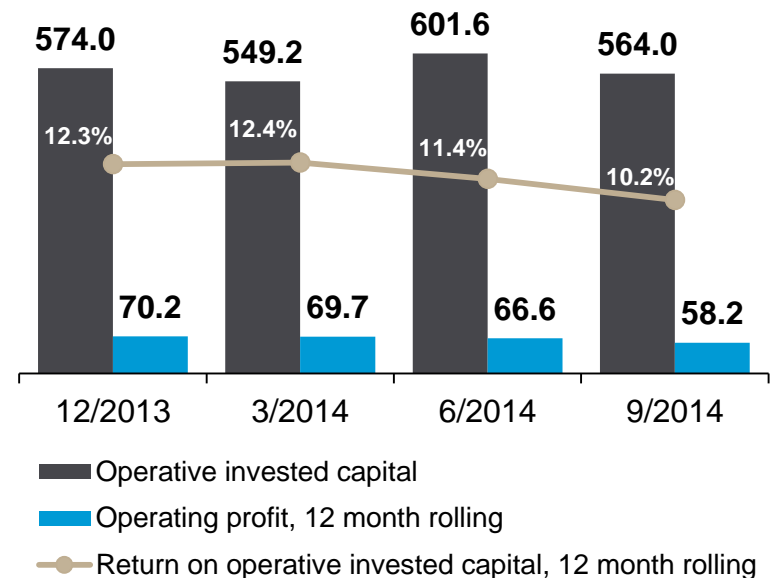
# Housing Russia: Room for improvement in profitability

- Operating profit has decreased due to lower revenue and weaker profitability
- Profitability impacted by modest price development and higher share of lower-margin projects

Operating profit and profitability (EUR million, %)



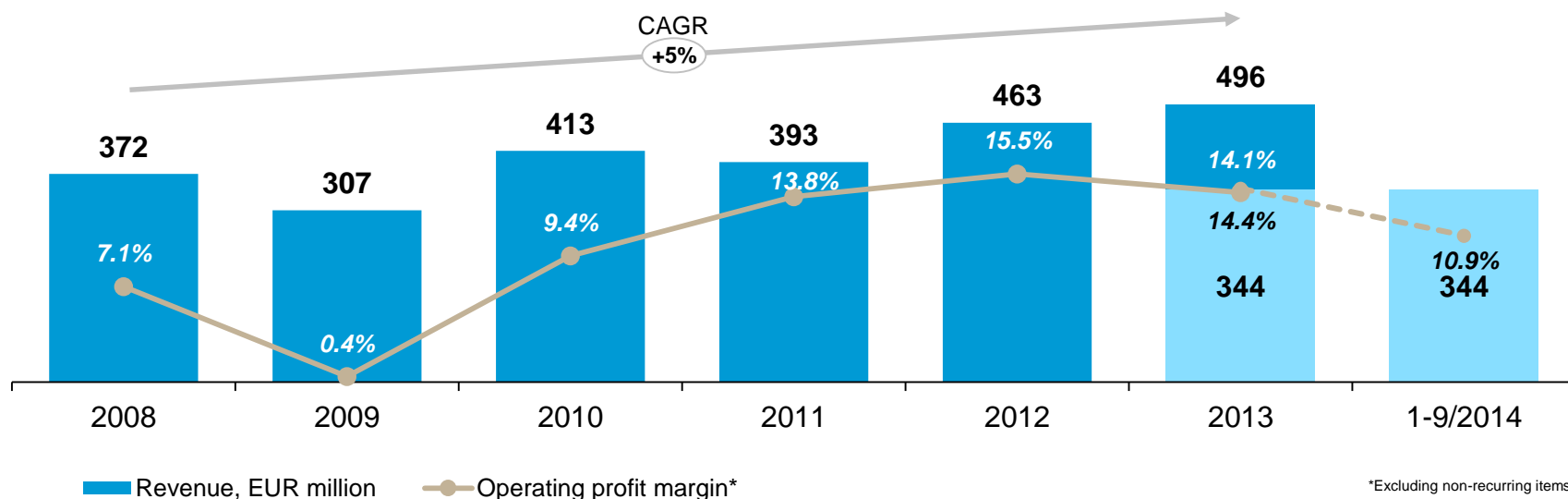
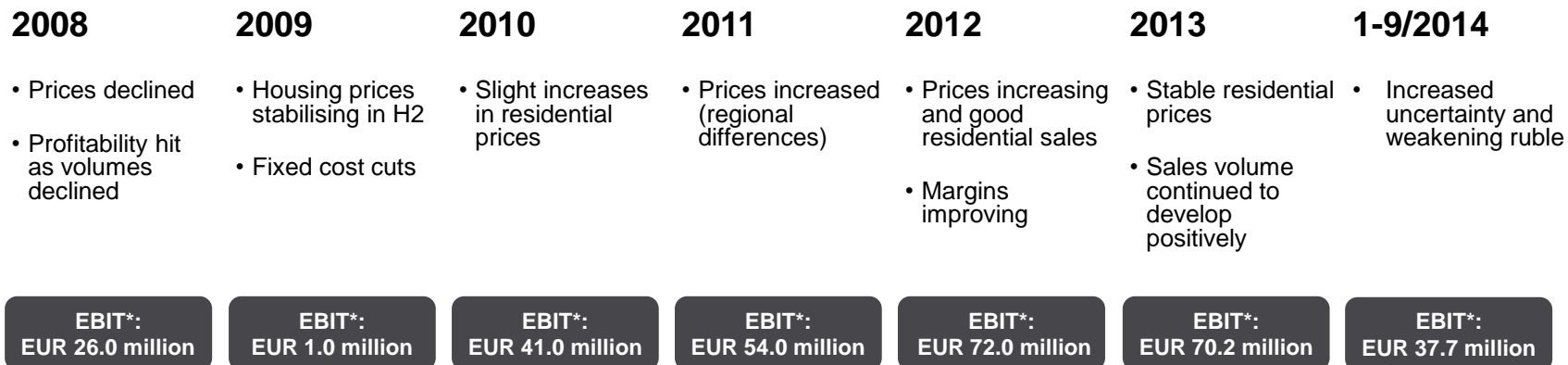
Return on operative invested capital (EUR million, %)



All figures according to segment reporting (POC)



# Housing Russia, longer term development



\*Excluding non-recurring items

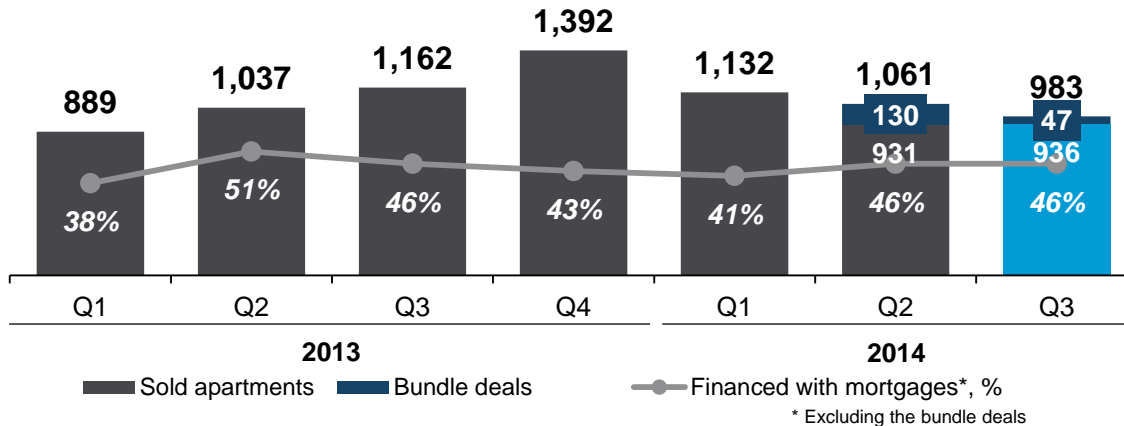
Note: The historical figures for 2008-2012 are calculated for illustrative purposes and are not completely comparable with YIT's segment structure. The main difference is in the division of fixed costs, which in the historical figures are weighted according to revenue and in the official figures are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

# Housing Russia: Consumer sales stable y-o-y

## Sold apartments (units) and share of sales financed with a mortgage (%)

2013: Total of 4,480 (44%)

1-9/2014: Total of 3,176 (44%\*)

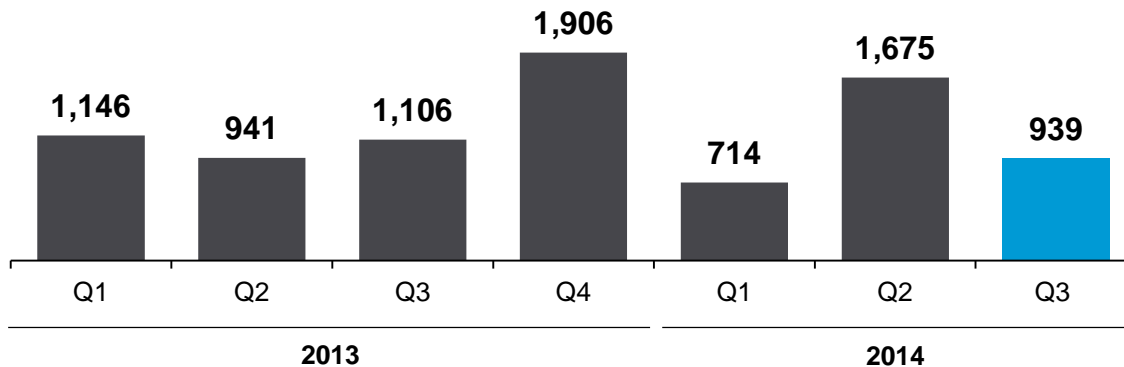


- Consumer sales on previous year's level, but with different seasonal pattern
- Bundle deals totalling 177 apartments
- Start-ups according to sales

## Apartment start-ups (units)

2013: Total of 5,099

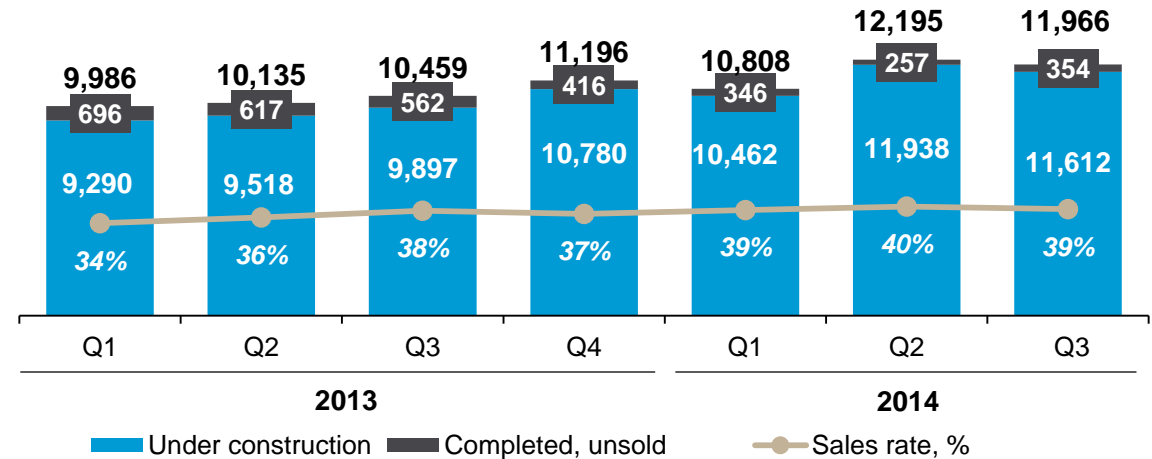
1-9/2014: Total of 3,328



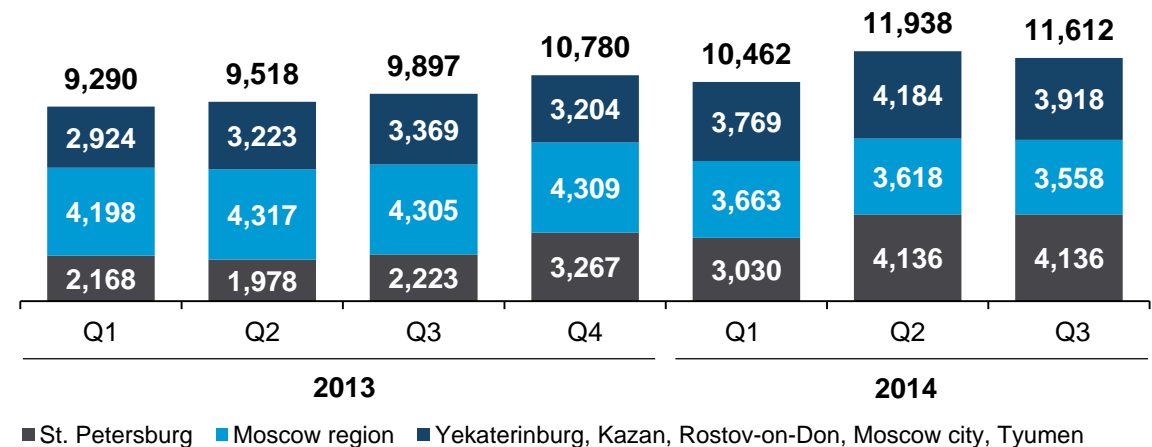
# Housing Russia: Solid sales portfolio

- Completed unsold apartments still on a low level
- Permit process has lengthened in the Moscow region

Apartment inventory (units)



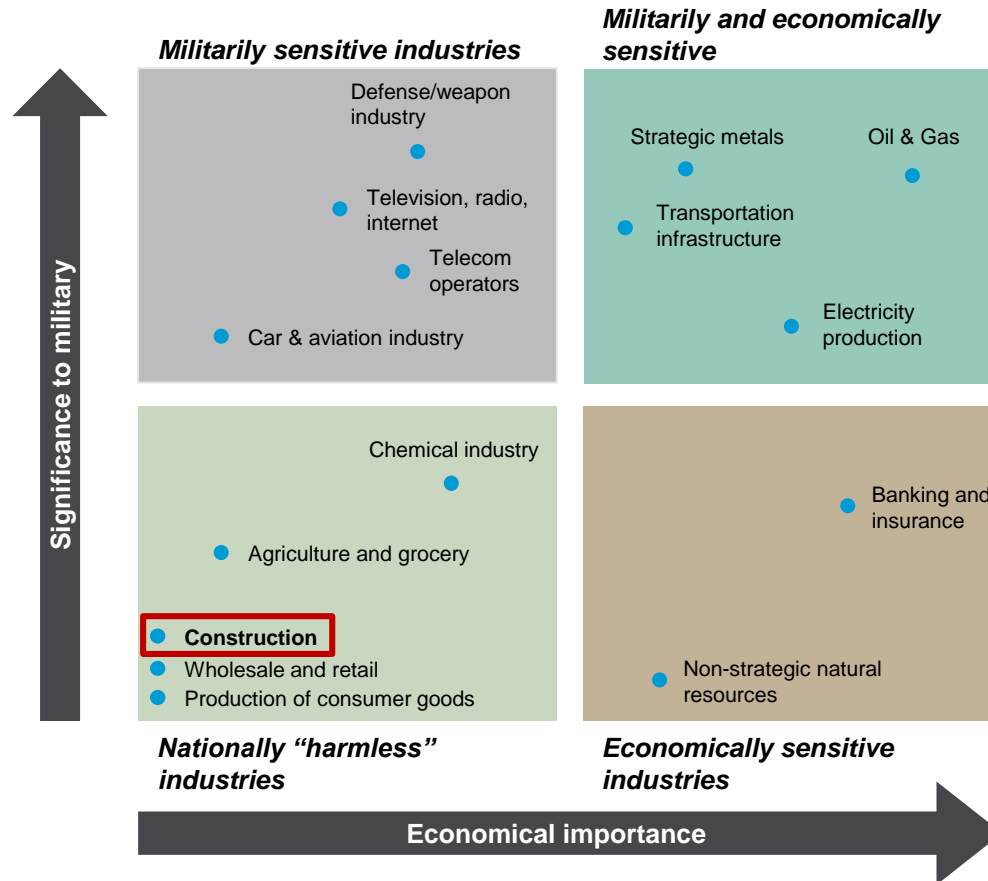
Apartments under construction by city (units)



# 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

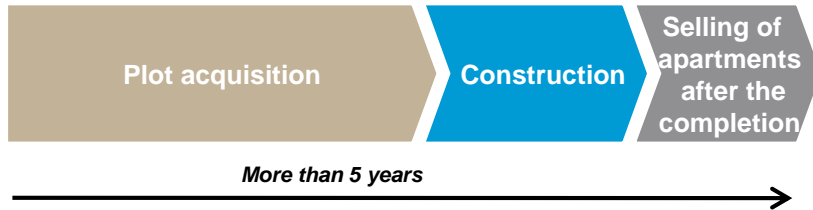
# Construction business is not a politically sensitive sector in Russia



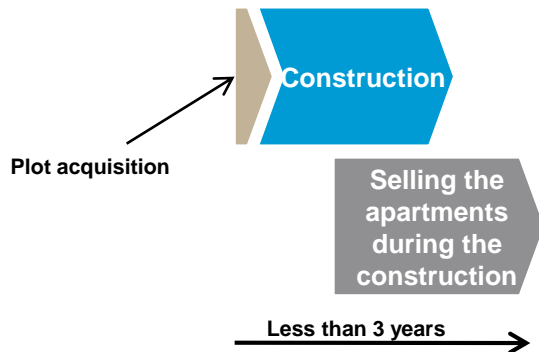


# YIT's cash flow profile has clearly improved in Russia after the financial crisis

## Cash conversion cycle before



## Cash conversion cycle today



- Today, YIT aims to pay for the plots when starting construction

## Capital invested and Housing Russia revenue, EUR million



\*At the end of the period

Invested capital: 2006–2008: according to POC, 2009–2013: according to IFRIC 15 2006-2011: including building systems business, which was transferred to a new established company named Caverion Corporation 6/2013

# 5

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## Business Premises and Infrastructure



Commercial centre Dixi  
Vantaa, Finland

# Business Premises and Infrastructure

## Business areas

- **Business Premises:** Offices, shopping centres, public premises, care facilities, renovation of existing premises
- **Infrastructure:** Roads and railways, power plants, road maintenance

## Competitive edges

- Superior project management skills in complex projects
- Innovative concept driven business model
- Skilled personnel and special equipment
- Expertise in different kinds of projects from small special works to large scale public-private-partnerships and hybrids
- Increasing focus in own development and co-operation projects



## Segment in figures (2013)

Revenue	EUR 689 million
Operating profit*	EUR 31 million
ROI	20.6%
Plot reserves	EUR 94 million
Employees	~2,000

\*Excluding non-recurring items

# Opportunities for YIT

- Need to adapt to the 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

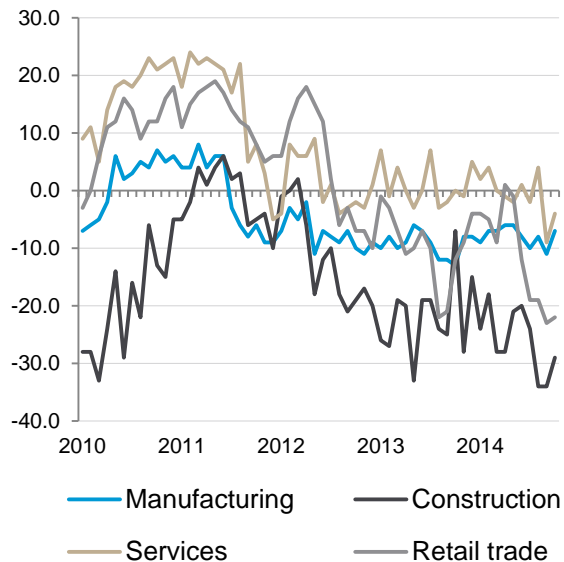
# Business Premises and Infrastructure: Operating environment in Q3/2014

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

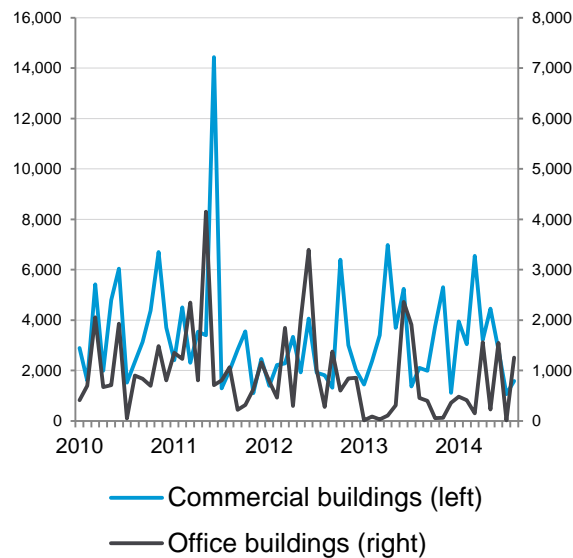
- End-users cautious in the office and retail sectors
- Investor interest on a good level in prime locations, but weak elsewhere
- Activity focused on the secondary market

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

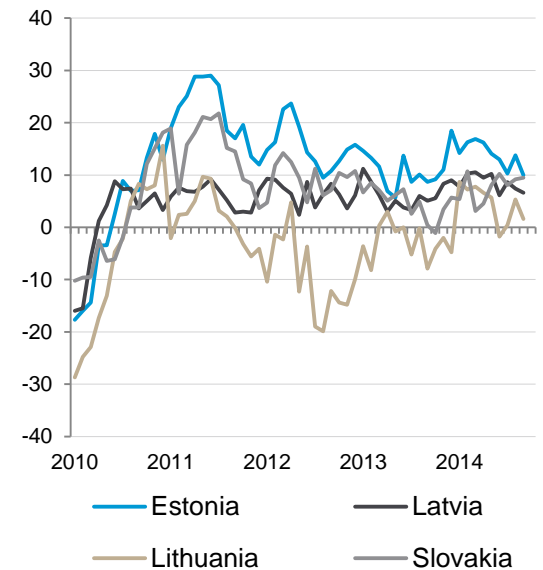
Confidence indicators in Finland



Granted building permits in Finland, thousand m<sup>3</sup>



Retail trade confidence in the Baltic countries and Slovakia



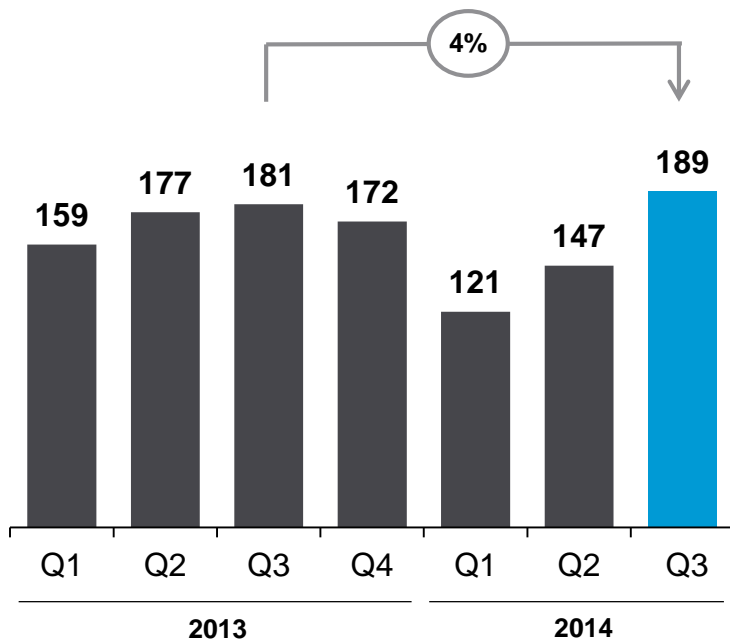
Sources: EK Confederation of Finnish Industries, Statistics Finland and European Commission



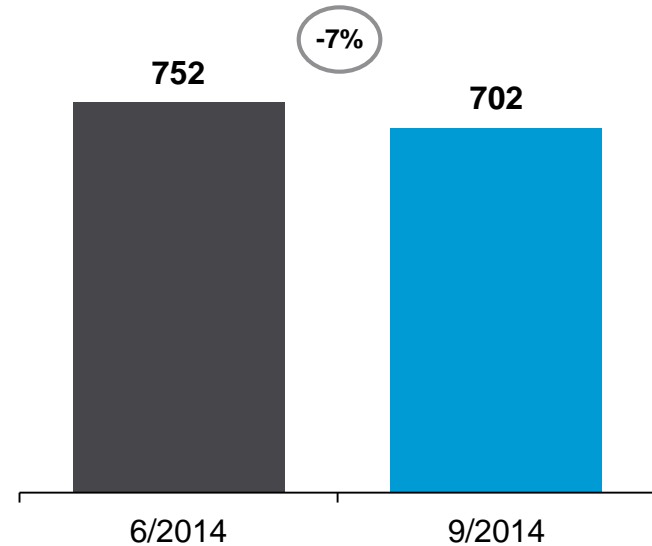
# Business Premises and Infrastructure: Revenue grew in Q3

- Revenue negatively impacted by weak business premises market
- Sale of several self-developed business premises projects in Q3/2014
- The order backlog decreased due to the sales of business premises projects

Revenue (EUR million)



Order backlog (EUR million)

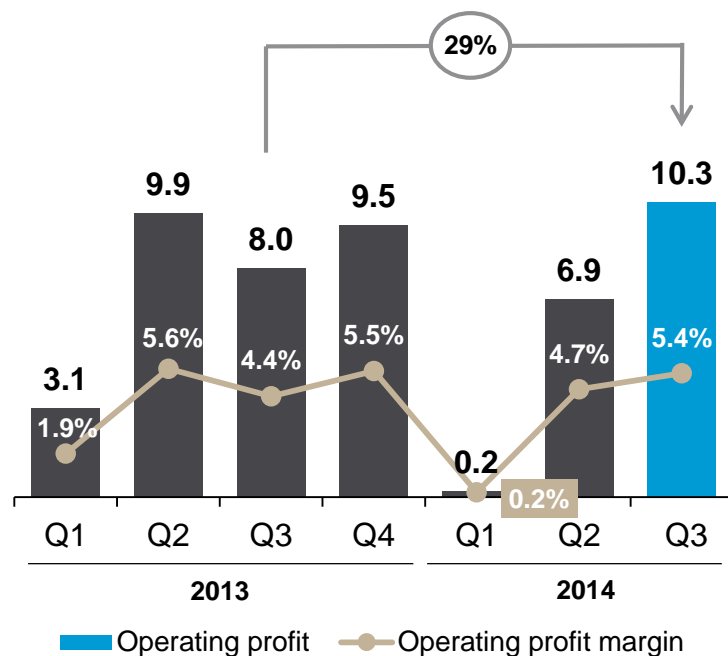


All figures according to segment reporting (POC)

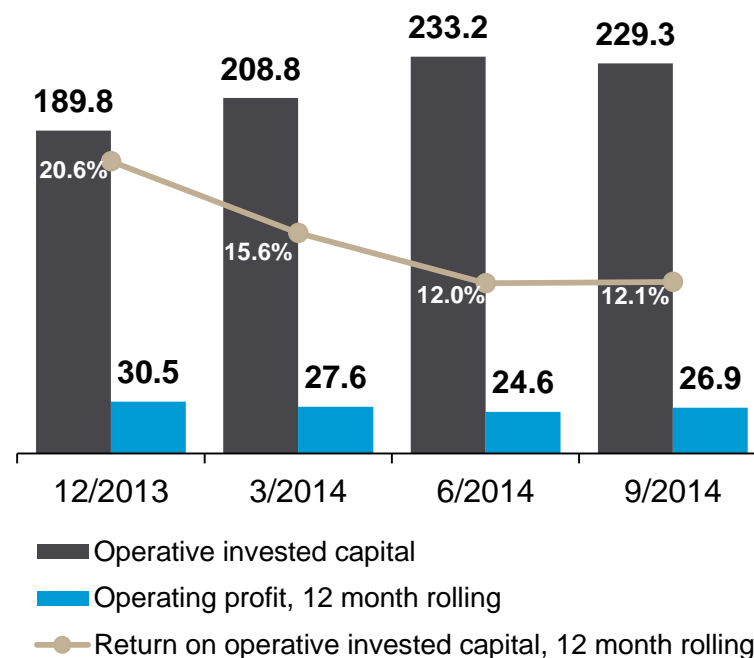
# Business Premises and Infrastructure: Volatility in operating profit in 2014

- The segment's low volume has had a negative impact on profitability
- Higher sales volume strengthened profitability in Q3/2014
- Stable development in Infra Services

Operating profit and profitability (EUR million, %)



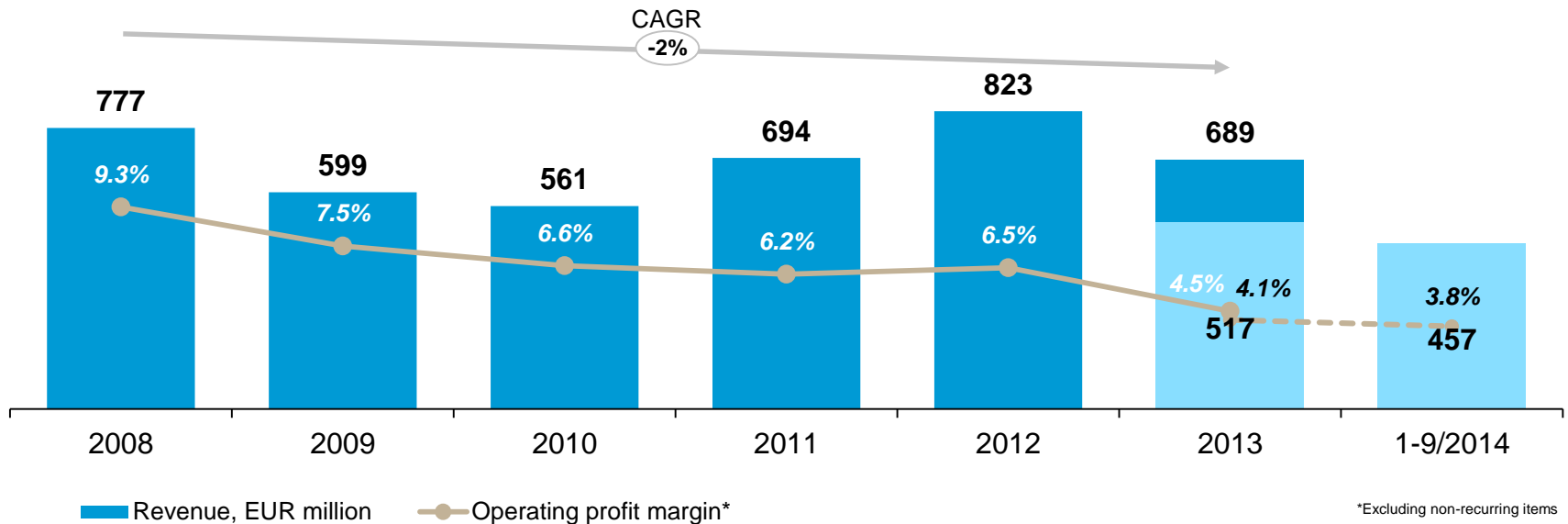
Return on operative invested capital (EUR million, %)



All figures according to segment reporting (POC)

# Business Premises and Infrastructure, longer term development

2008	2009	2010	2011	2012	2013	1-9/2014
<ul style="list-style-type: none"> <li>• Good development in Business Premises due to "old" order backlog</li> <li>• Good development in Infra Services</li> </ul>	<ul style="list-style-type: none"> <li>• Weakening business premises market</li> <li>• Good performance in Infra Services</li> <li>• Fixed cost cuts</li> </ul>	<ul style="list-style-type: none"> <li>• Signs of improvement in the business premises market</li> <li>• Stable development in Infra Services</li> </ul>	<ul style="list-style-type: none"> <li>• Infra Services weak in H1, improvement in H2</li> <li>• Result improved in Business Premises</li> </ul>	<ul style="list-style-type: none"> <li>• Stable development in Business Premises</li> <li>• Stable development in Infra Services</li> </ul>	<ul style="list-style-type: none"> <li>• Weak business premises market</li> <li>• Good performance in Infra Services</li> </ul>	<ul style="list-style-type: none"> <li>• Weak business premises market</li> <li>• Profitability was weakened by low volume</li> </ul>
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: 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 projects (e.g. Naantali CHP and Ring Road III junction)
- Progress in wind power projects
- Market share has 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



E18  
Ahvenkoski, Finland



# 6

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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.



Apila residential area  
Moscow region, Russia

# Concluding remarks

Growth from self-developed and co-operation projects

Solid track record in profitability and execution through economic cycles

Strong market position and long experience from Finland and Russia

Current focus on cash flow and capital efficiency

Firm dividend payer

Solid corporate governance





# 7

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## Appendices

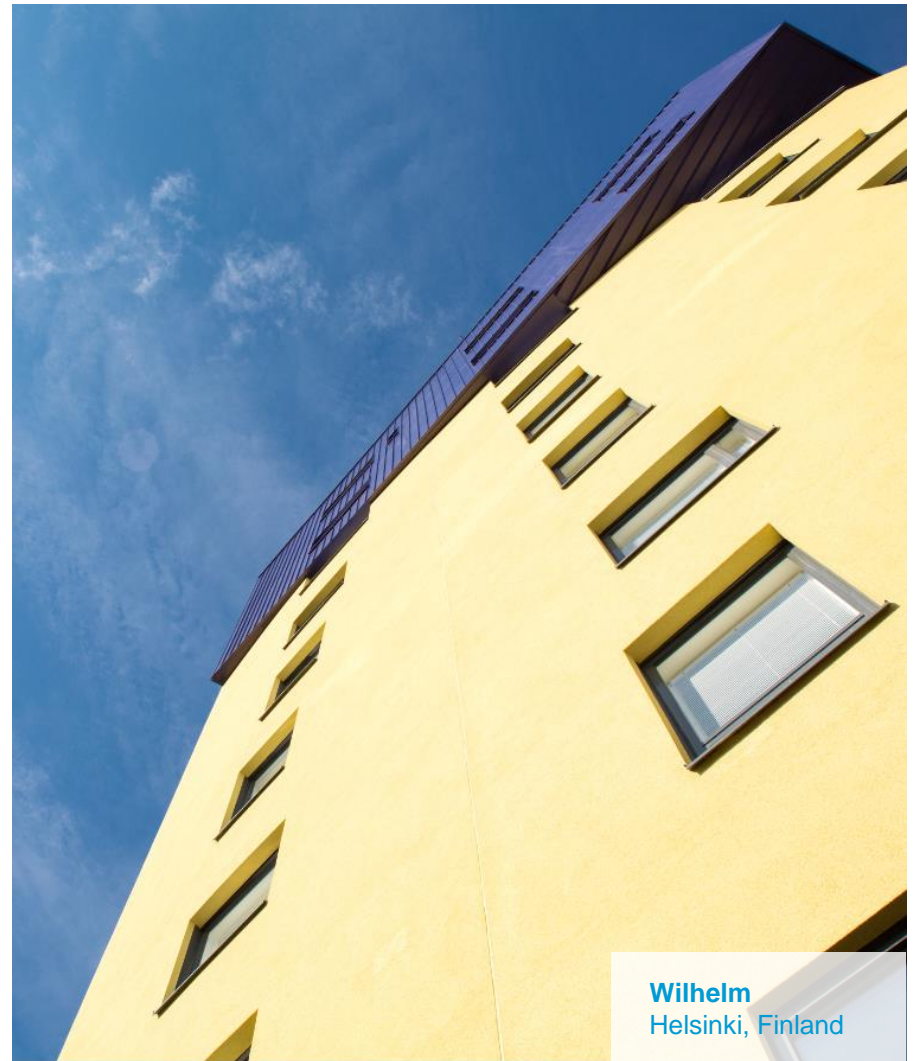


**Konepaja residential area**  
Helsinki, Finland



# Appendices

- I. Additional financial information
- II. General economic indicators
- III. Housing indicators
- IV. Business premises and infrastructure construction indicators
- V. Ownership



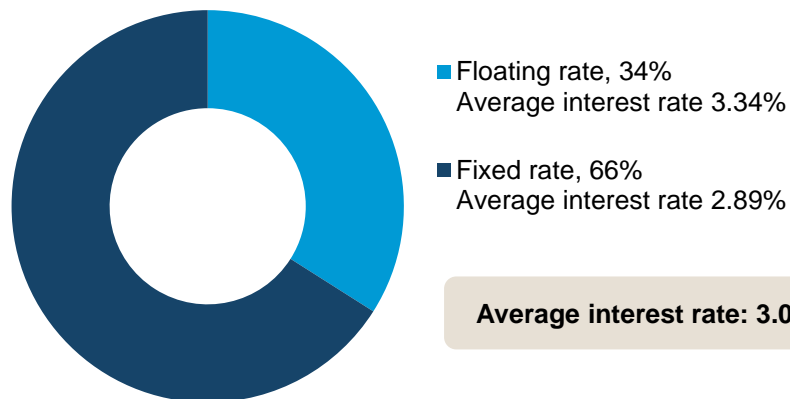
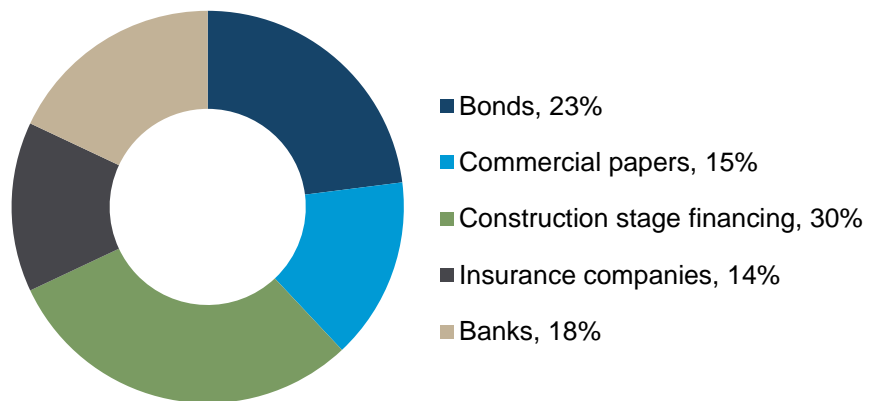


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Additional  
Financial  
information

# Balanced debt portfolio

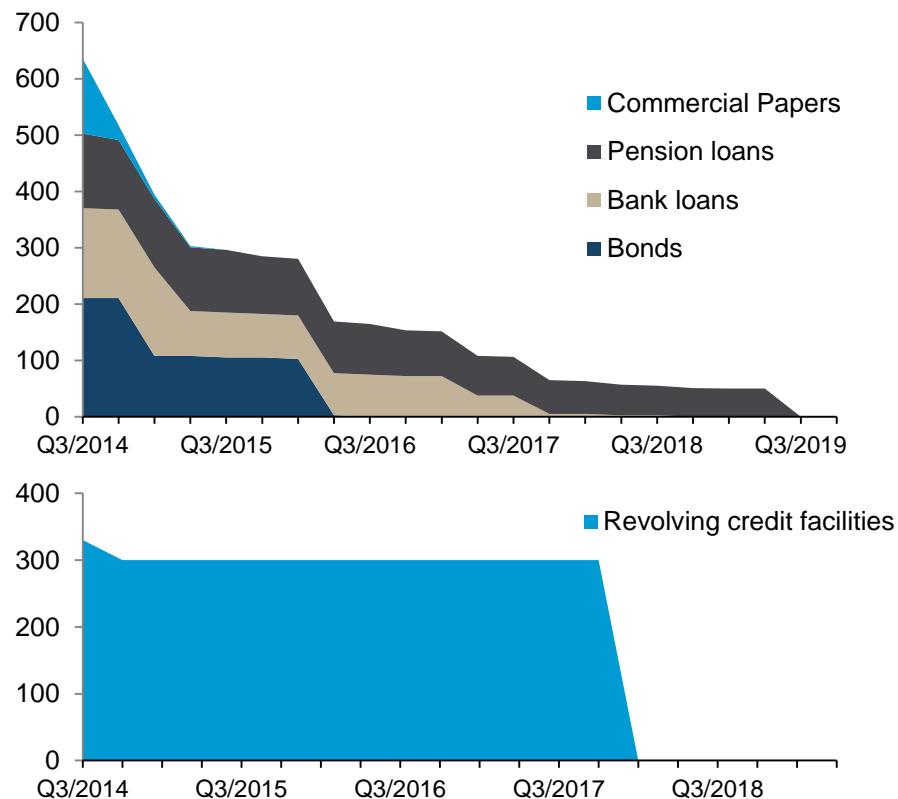
## Debt portfolio 9/2014, EUR 909 million



**Average interest rate: 3.04%**

## Maturity structure

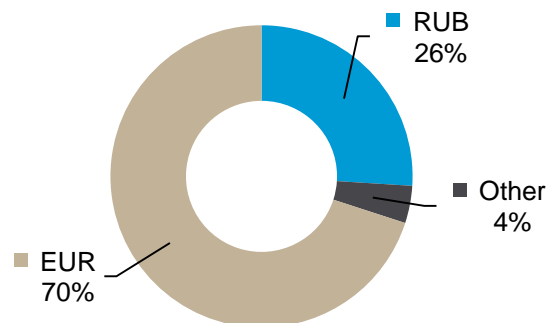
### Maturity profile (excluding construction stage financing) (EUR million), 9/2014



New EUR 300 million syndicated long-term revolving credit facility signed in October. The new facility will replace the old bilateral facilities by same amount. EUR 30 million of the old facilities will mature in December 2014.

# Weakening of the ruble has weighed on the results

## Revenue split 1-9/2014



## Impact of changes in foreign exchange rates (EUR million)

	Q1/2014	Q2/2014	Q3/2014
Revenue, POC*	-21.8	-19.2	-12.9
EBIT, POC*	-2.9	-2.5	-1.3
Order backlog, POC**	-81.6	60.0	-80.7
Equity, IFRS** (translation difference)	-29.5	20.6	-28.2

\* Compared to the corresponding period in 2013

\*\* Compared to the end of previous quarter

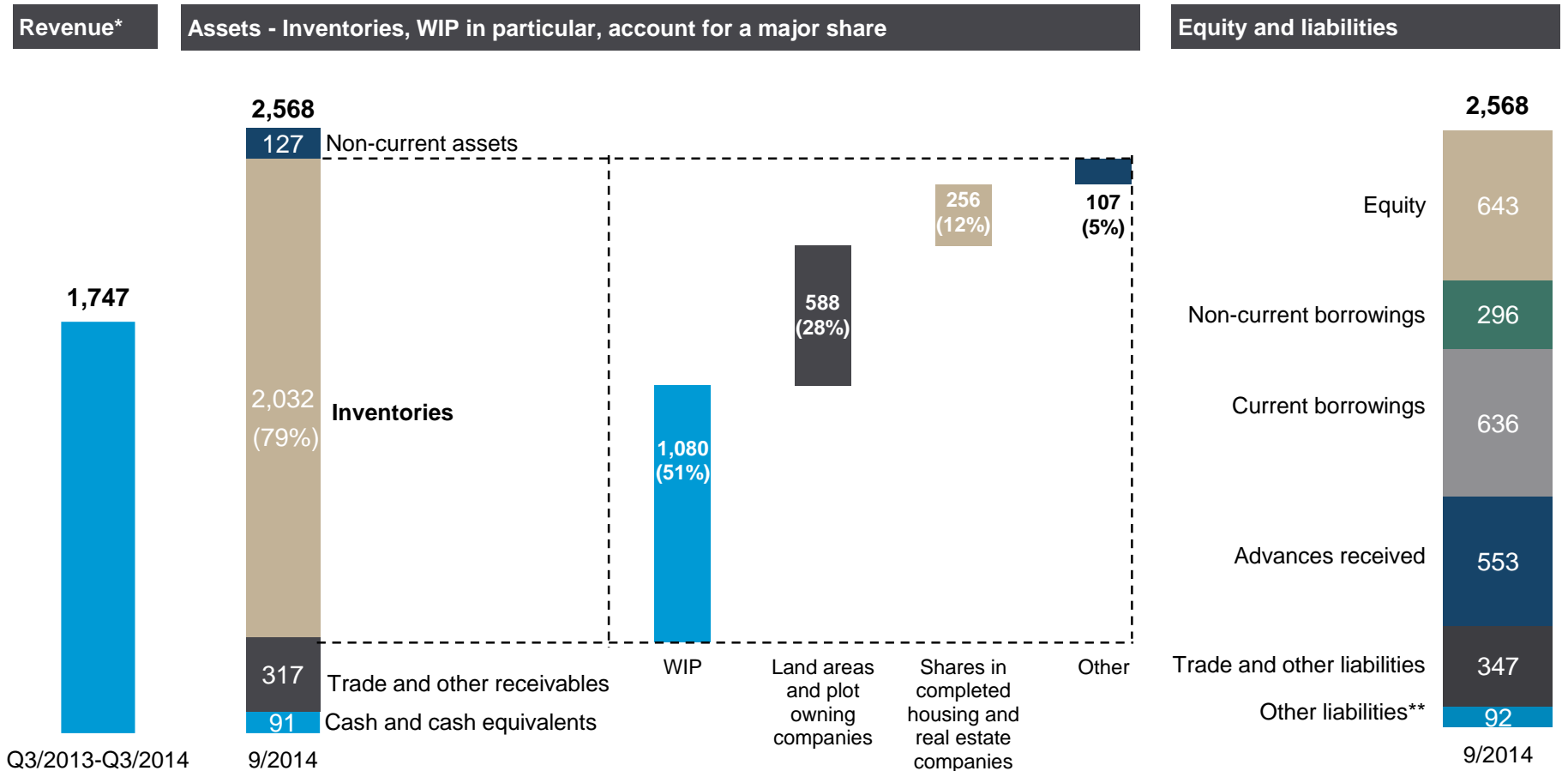
- The Russian ruble was 15% weaker in 1-9/2014 on average compared to the comparison period

## Principles of managing currency risks

- Sales and costs typically in same currency, all foreign currency items hedged  
→ no transaction impact
- Currency positions affecting the income statement are hedged
  - Loans to subsidiaries in local currency (excluding equity-like investments in Russia), EUR 137.9 million in 9/2014 to Russian subsidiaries
- Equity and equity-like investments in Russia not hedged
  - Considered to be of permanent nature
  - FX changes recognized as translation difference in equity
  - Total exposure: EUR 364.9 million in 9/2014

# Consolidated balance sheet

as of September 30, 2014 (EUR million)



Note: All figures according to Group reporting (IFRS)

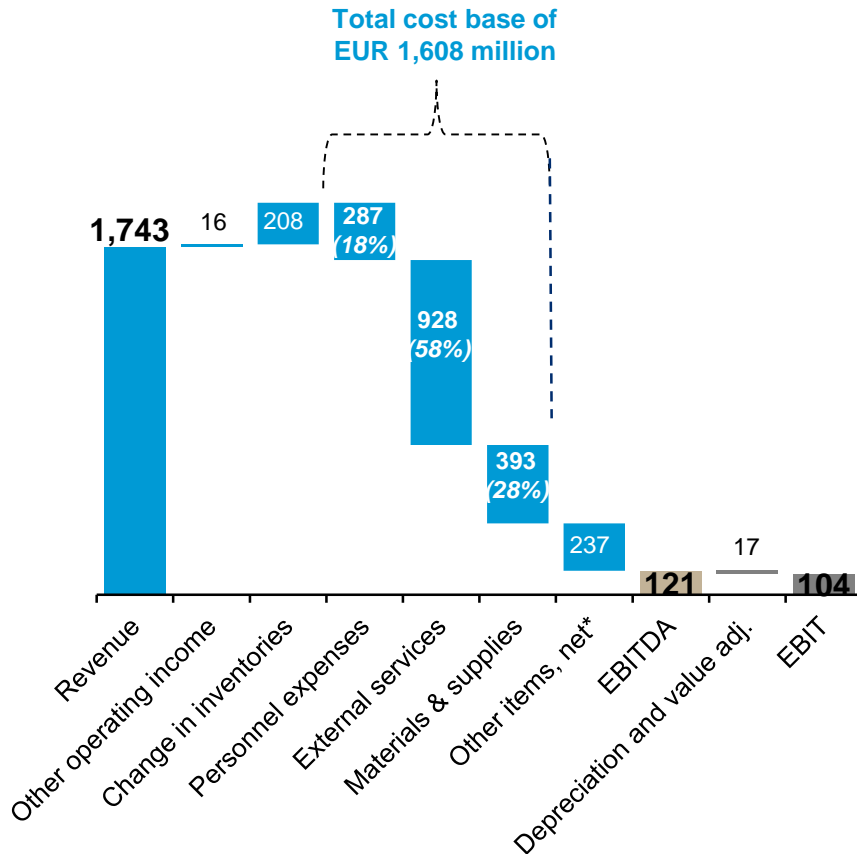
\*) Last 12 months

\*\*) Includes deferred tax liabilities, pension obligations, provisions and other liabilities

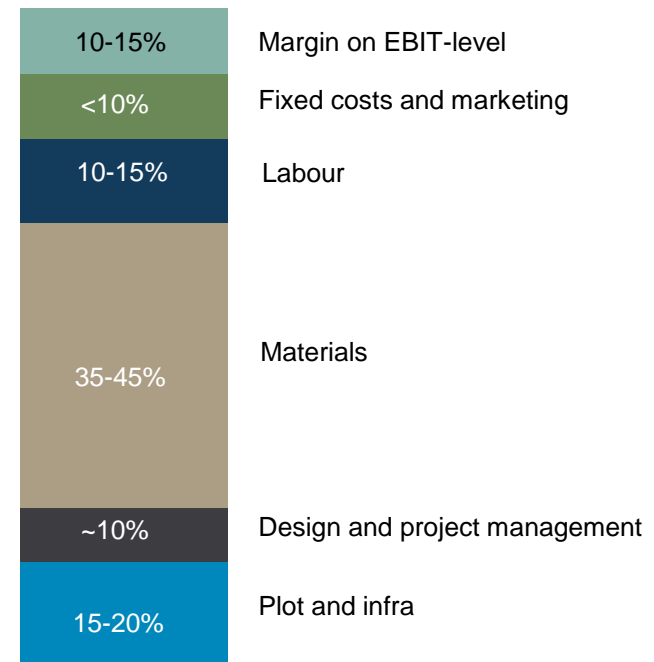
# YIT's cost base in 2013

External services account for a major share of YIT's costs

IFRS, EUR million (% of cost base before EBITDA)



Indicative cost structure of a Finnish residential project



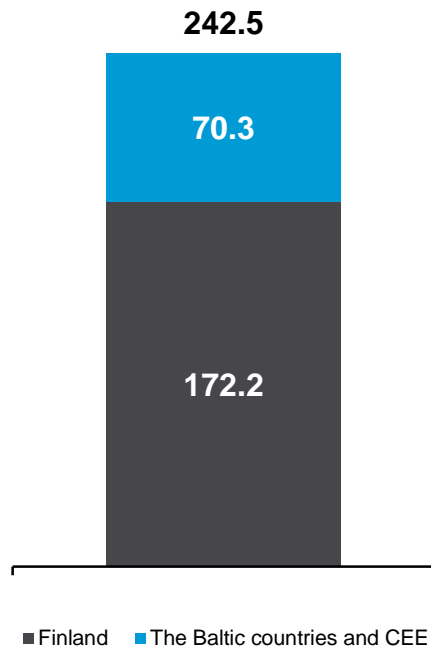
\*) Includes: Other operating expenses, share of results in associated companies and production for own use  
NOTE: Figures based on Group reporting (IFRS)



# Capital invested in plot reserves, 9/2014: EUR 589 million

## Housing Finland, the Baltic countries and CEE

2013 use of plot reserves (EUR million)	75
Finland	63
The Baltic countries and CEE	12



## Housing Russia\*

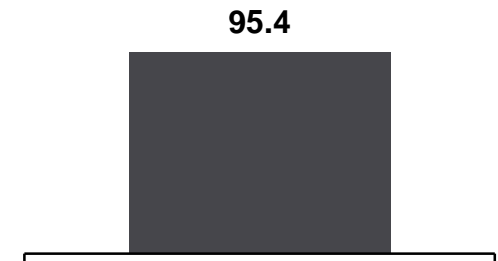
2013 use of plot reserves (EUR million)	74
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\*Includes Gorelovo industrial park

## Business Premises and Infrastructure

2013 use of plot reserves (EUR million)	14
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# Construction stage financing

## Financing of construction in a typical residential development project in Finland:

- YIT's subsidiary YIT Construction sells the contract receivables from Housing corporations (also owned by YIT) to financial institutions
  - Due upon completion
  - Sold in line with the progress of the project
- Customers' down payments 15% of value

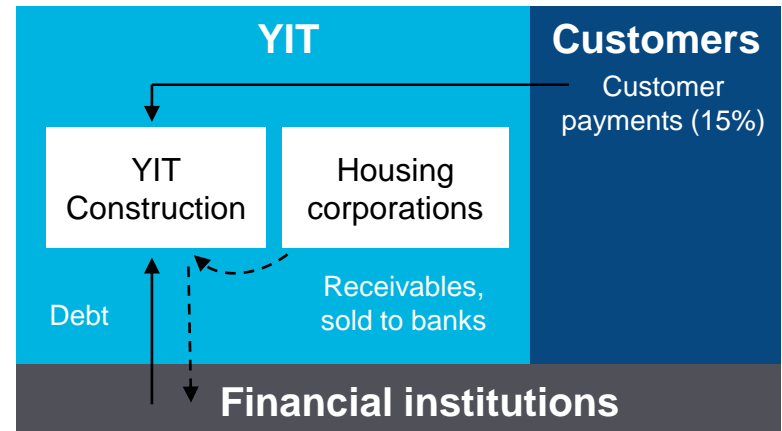
### → Financing for construction

### Limited refinancing risk:

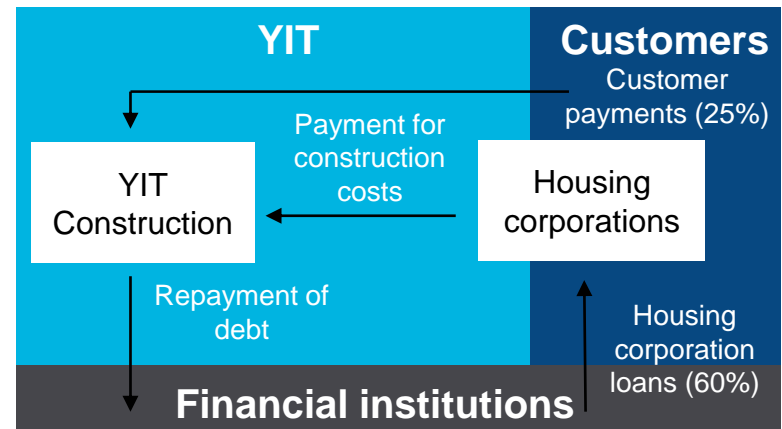
- Sold receivables are included in current borrowings as they are linked to current assets. However, there is limited refinancing risk:
- Upon completion, Housing corporations pay for the construction by drawing housing corporation loans
  - 50-70% loan-to-value
  - +20 year maturities
  - The terms and conditions are agreed upon already when starting construction
- Customers pay the rest of the sales price

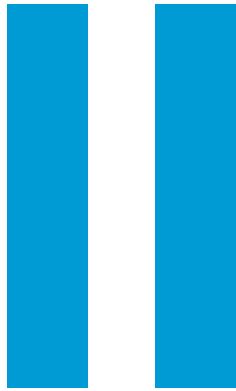
### → Refinancing of the sold receivables

## During construction:



## Upon completion:



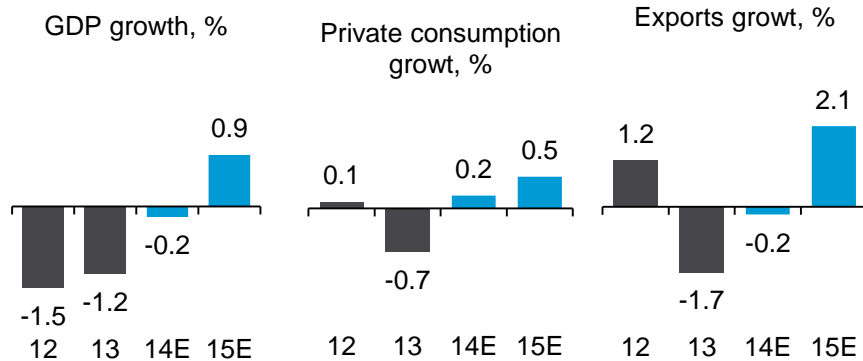


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General  
economic  
indicators

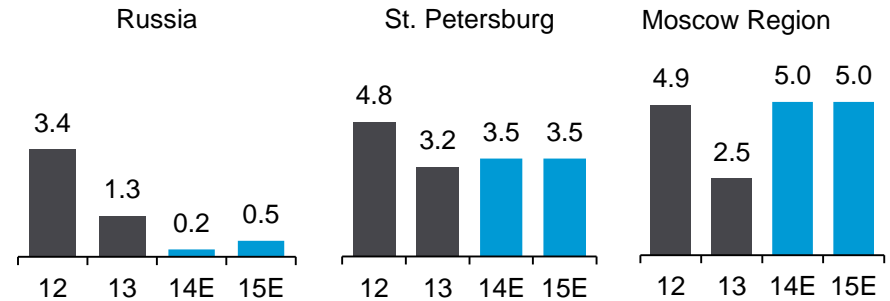
# Macro environment: Finland and Russia

## Finland



- Lay-offs continue
- Government austerity
- Weakening purchasing power
- Good access to financing
- First positive signs from new orders in manufacturing

## Russia (GDP growth, %)

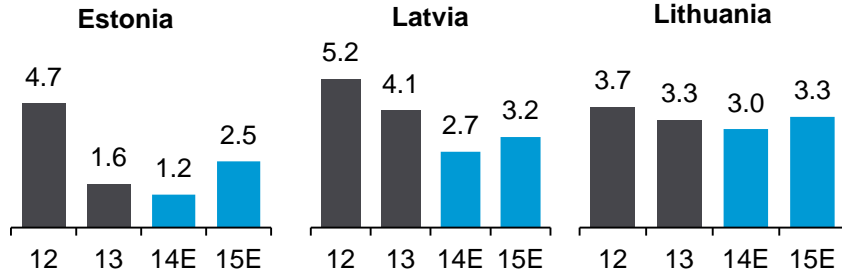


- Geopolitical tensions have increased uncertainty
- Weakening ruble
- High inflation
- Good access to mortgage financing
- Major regional differences

Sources: GDP-growth Finland and Russia: IMF, October 2014, Finland private consumption and exports growth: Nordea, September 2014, GDP-growth St. Petersburg and Moscow Region: Forecon, June 2014

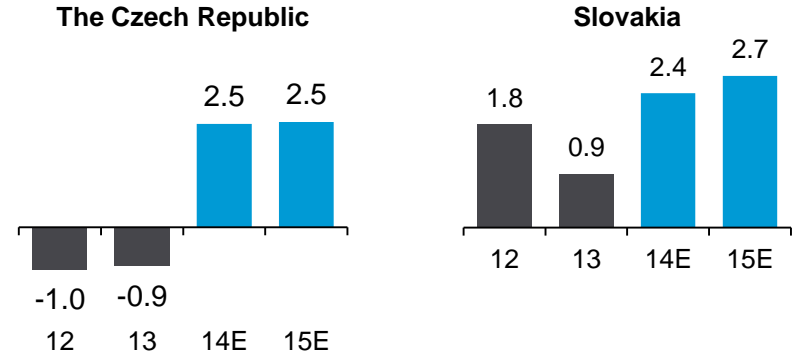
# Macro environment: The Baltic countries and CEE

The Baltic countries, GDP growth, %



- Geopolitical tensions have increased uncertainty recently
- Increasing purchasing power supports growth
- Lithuania adopting the euro on January 1, 2015

Central Eastern Europe, GDP growth, %



- The Czech Republic
  - Country has risen out of recession
  - New government in place
- Slovakia
  - Strong growth expected in coming years



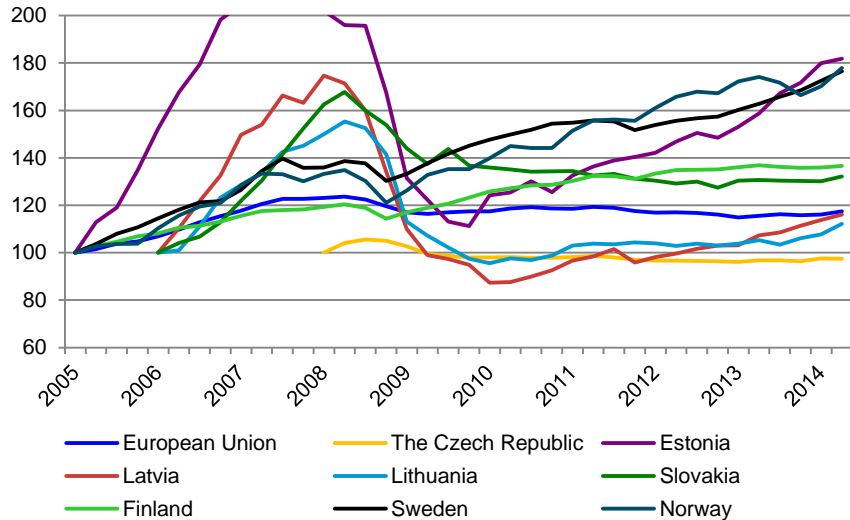
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## Housing indicators

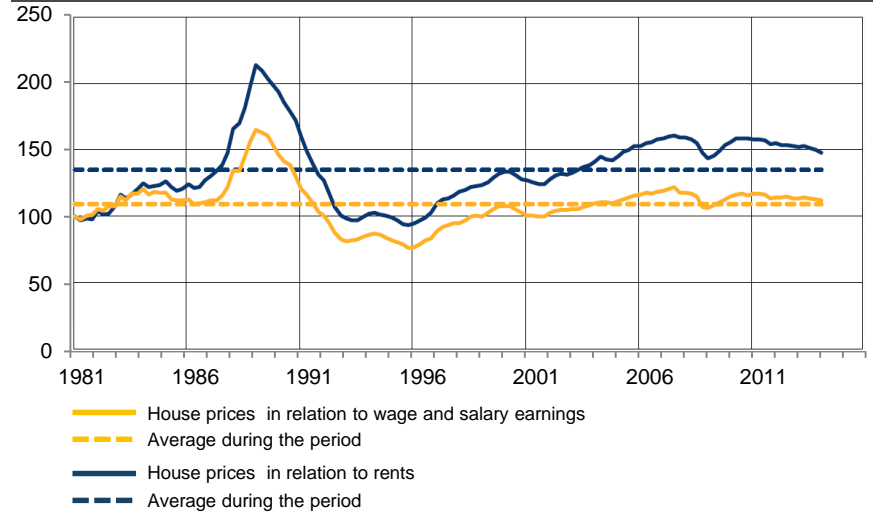


# Market fundamentals in YIT's operating countries

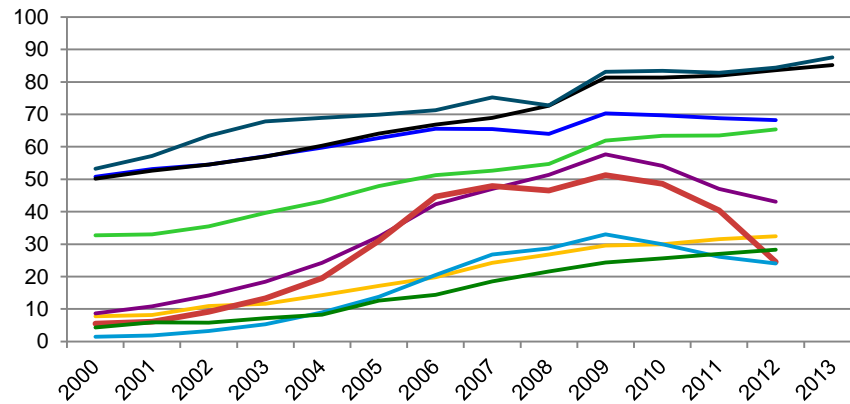
House price index in different countries



House prices in relation to income and rents in Finland, index (100=1981)



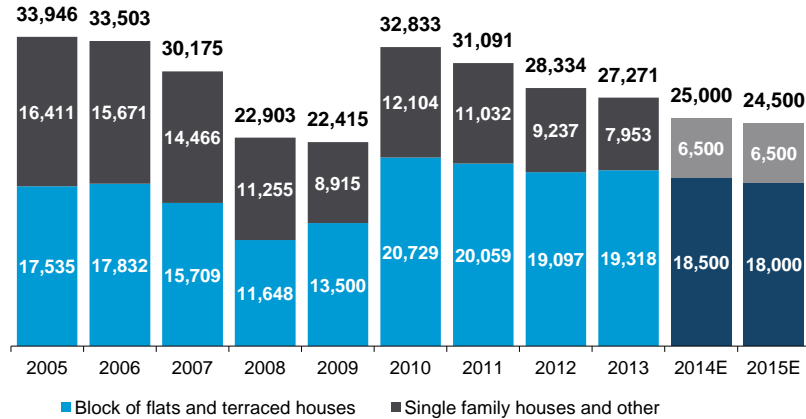
Households debt to GDP (%)



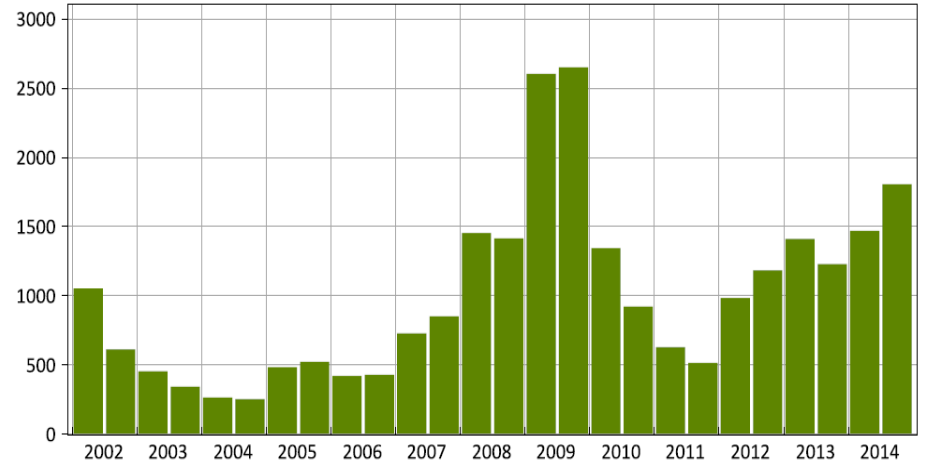
Source: Eurostat, Bank of Finland, Newsec, Colliers, Jones Lang LaSalle, CBRE

# Finland – Housing start-ups expected to decrease in 2014

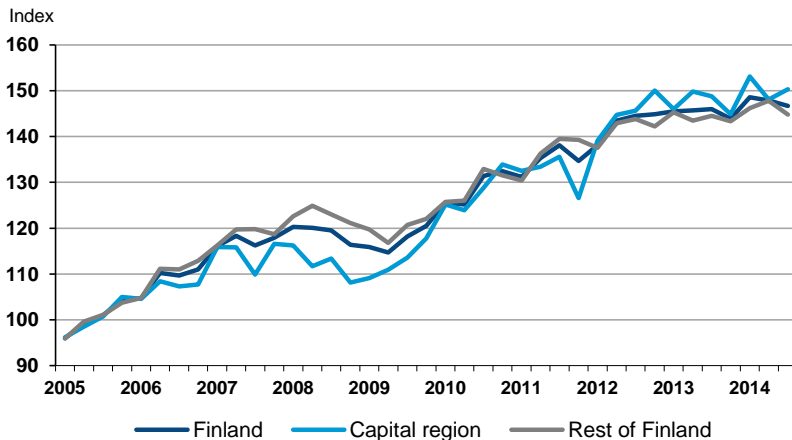
## Residential start-ups, units



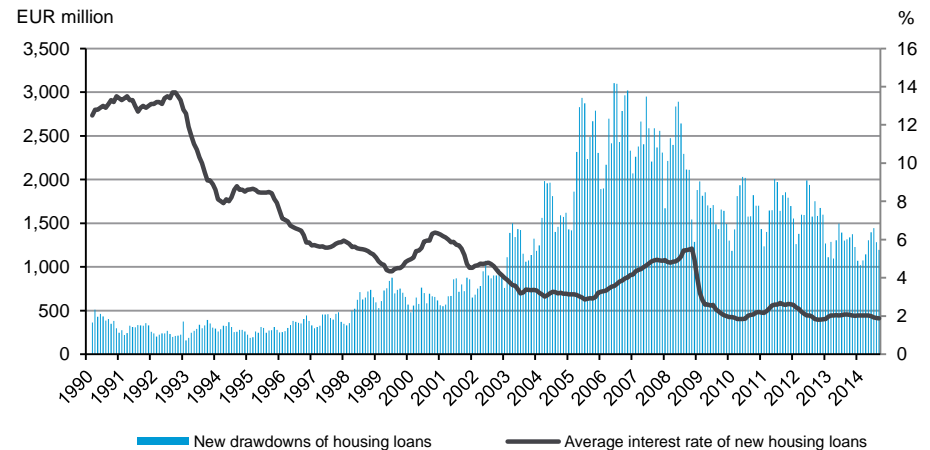
## Unsold completed units (residential development projects)



## Prices of new dwellings



## Volume of new mortgages and average interest rate

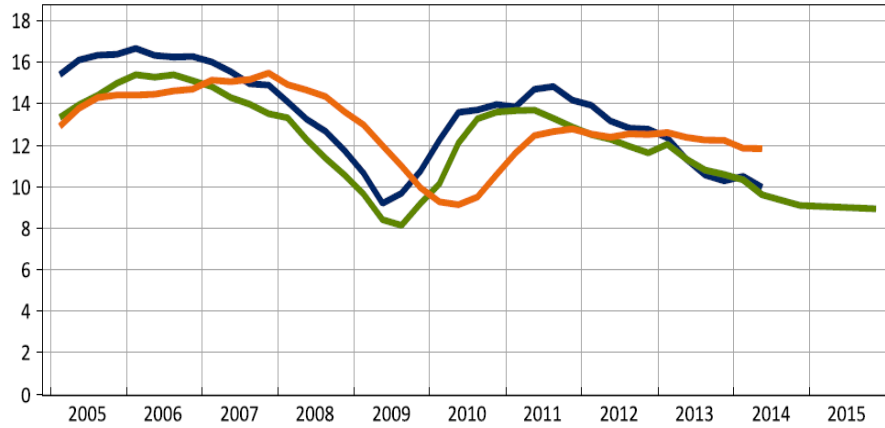


Sources: Residential start-ups: 2005-2013 Statistics Finland, 2014E - 2015E RT Confederation of Finnish Construction Industries, October 2014, Consumer confidence: Statistics Finland October 27, 2014  
 House prices: Statistics Finland October 28, 2014, Loans and Interest rates: Bank of Finland September 30, 2014, Unsold completed units: Confederation of Finnish Construction Industries RT, October 2014  
 YIT | 77 | Investor presentation, December 2014



# Housing indicators have weakened slightly in Finland

Building permits, start-ups and completions, million m3

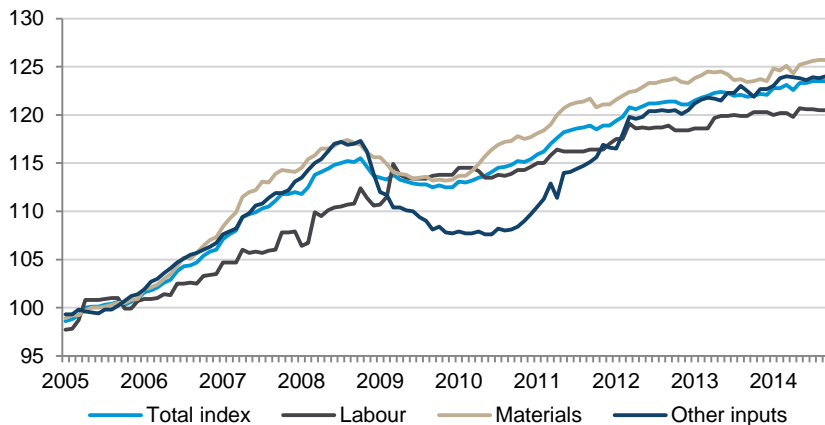


— Completions — Starts — Permits

Consumer confidence - Views on economic situation in one year

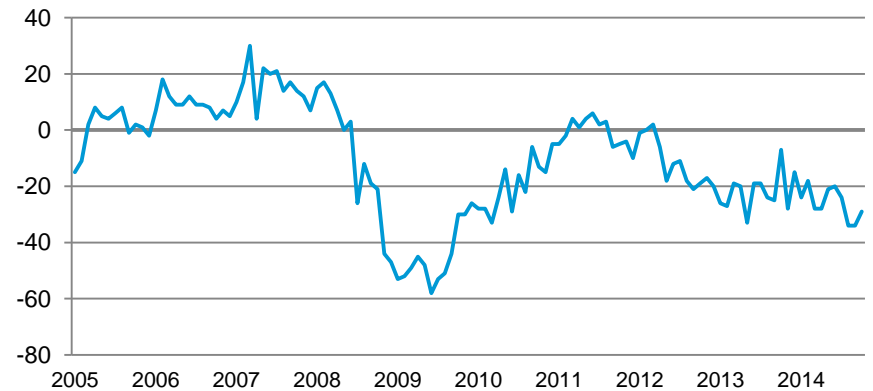


Construction cost index (2005=100)



— Total index — Labour — Materials — Other inputs

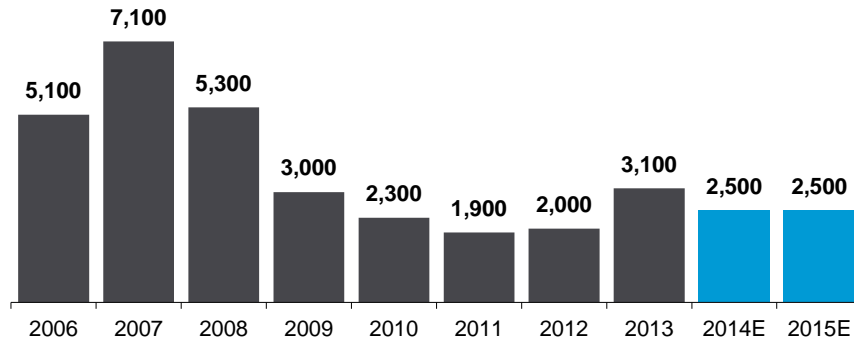
Construction confidence



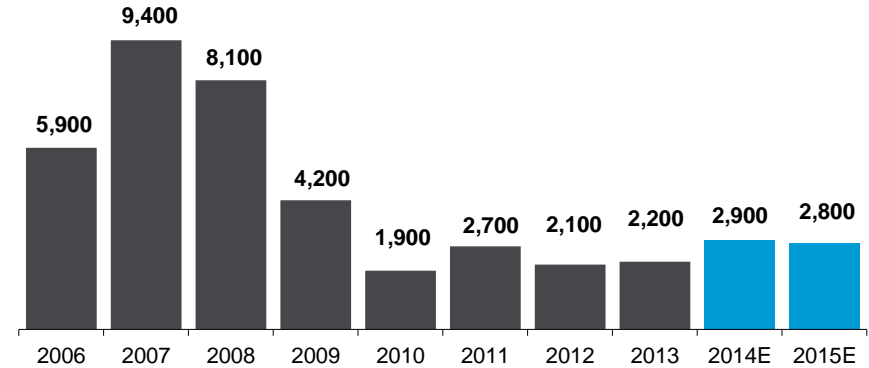
Sources: Confederation of Finnish Construction Industries RT, Confederation of Finnish Industries EK, Statistics Finland

# The Baltic countries – Growth is expected in residential construction

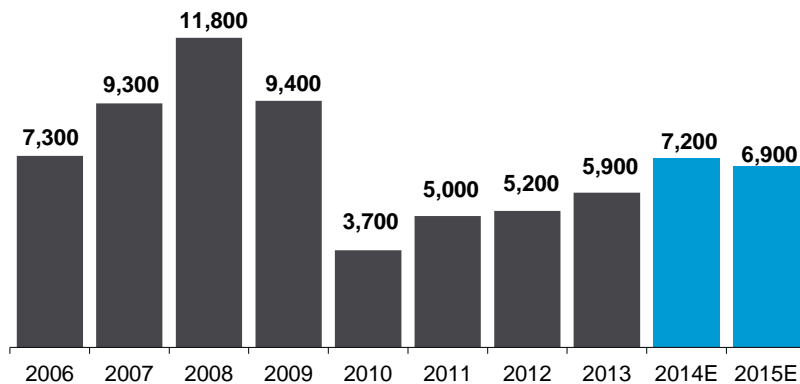
Residential completions in Estonia, units



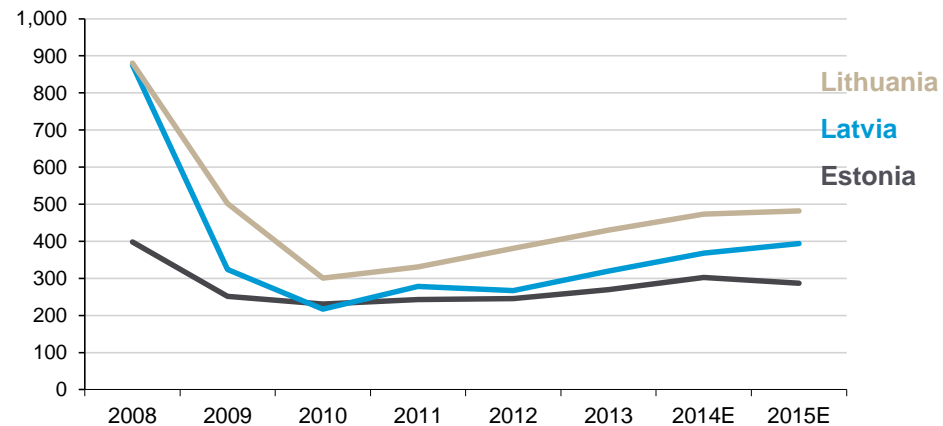
Residential completions in Latvia, units



Residential completions in Lithuania, units



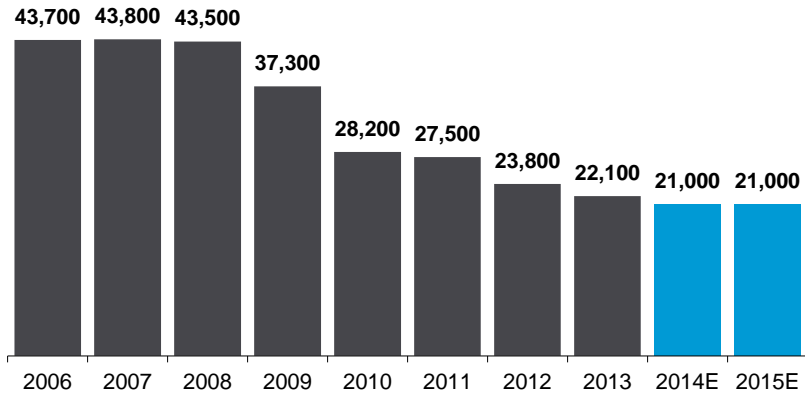
New residential construction in the Baltic countries, EUR million



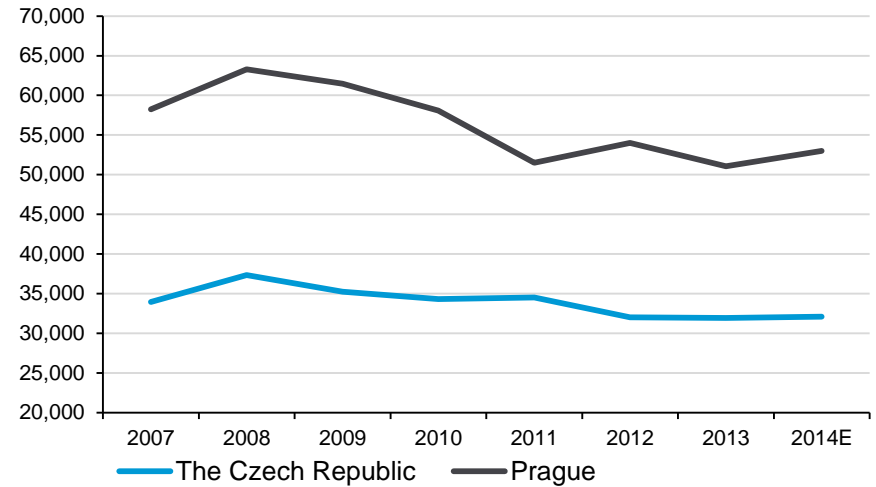
Source: Forecon, June 2014

# The Czech Republic and Slovakia – Start-ups forecasted to remain relatively low

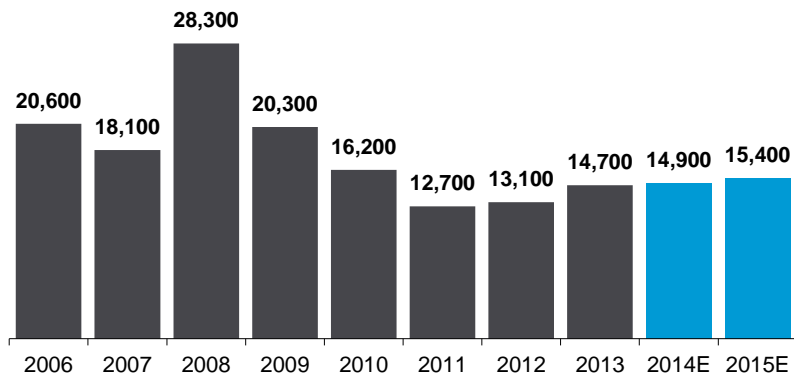
Residential start-ups in the Czech Republic , units



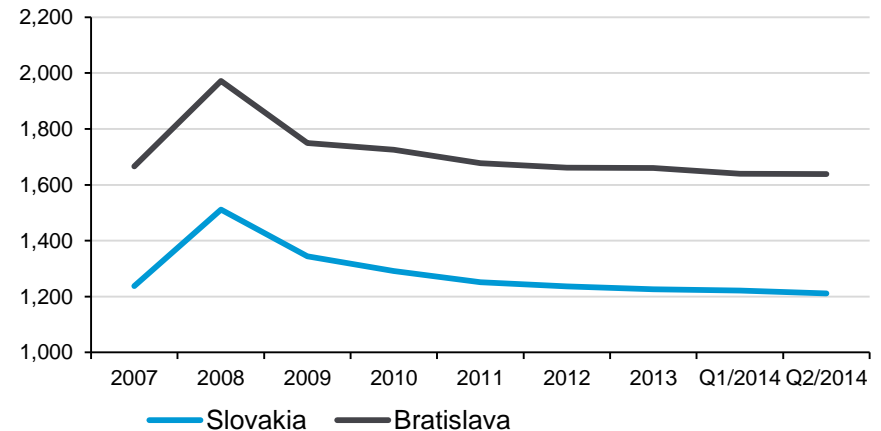
Housing prices in the Czech Republic and Prague CZK/ sq. m.



Residential start-ups in Slovakia, units



Housing prices in Slovakia and Bratislava, EUR/ sq. m.

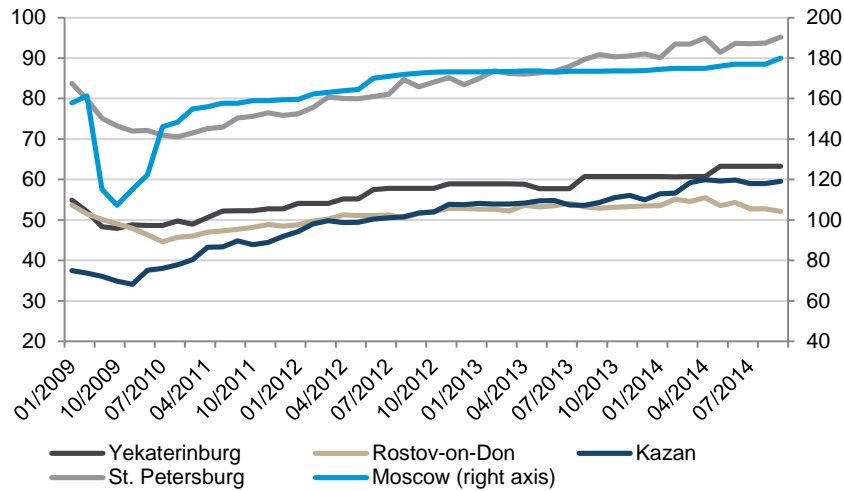


Sources: Residential start-ups: Euroconstruct June 2014, Other data: The Czech Republic: JLL 2013, Slovakia: National Bank of Slovakia, September 2014

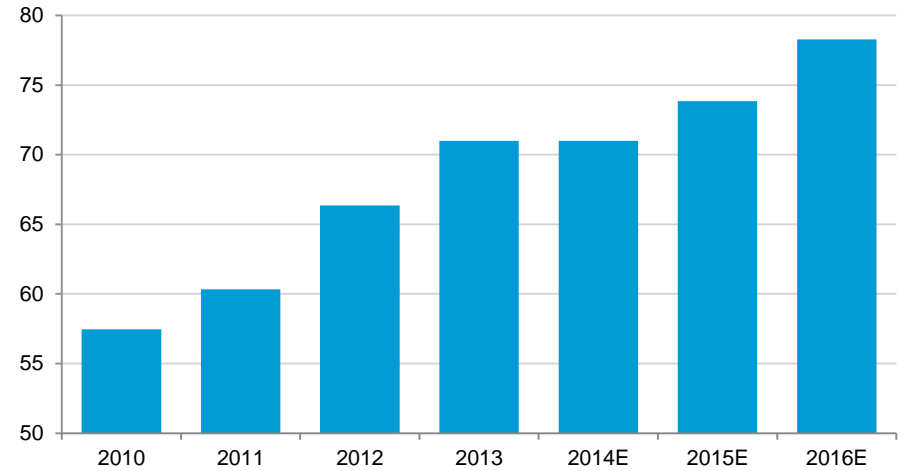


# Russia – Housing indicators

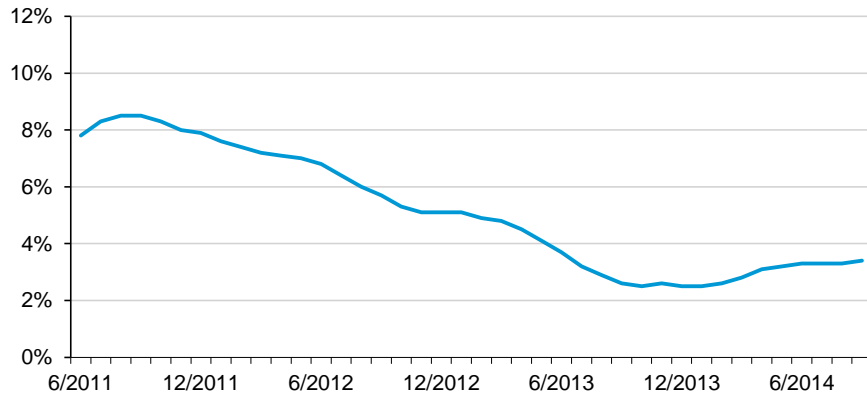
House prices in primary markets, thousand RUB (1/2009-9/2014)



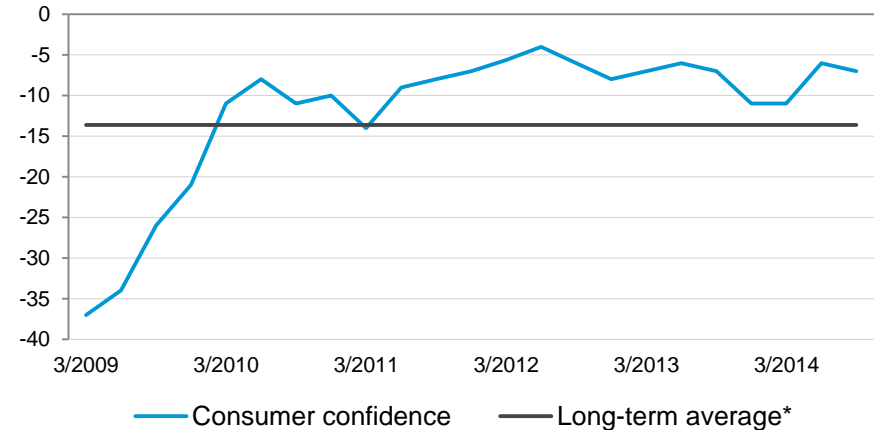
New residential construction, EUR billion



Inflation in building materials 6/2011-9/2014



Consumer confidence



\*Average 12/1998-9/2014

Sources: House prices: YIT, New residential construction volume: Forecon, June 2014, Inflation in building materials: PMR Construction review, Consumer confidence: Reuters



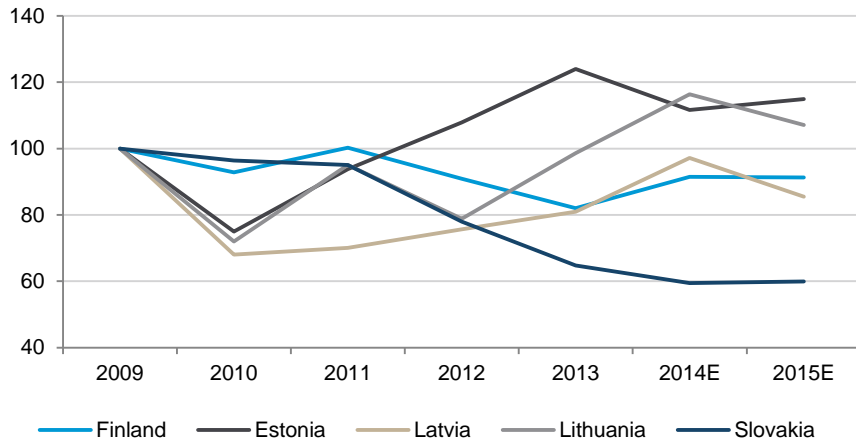
# IV

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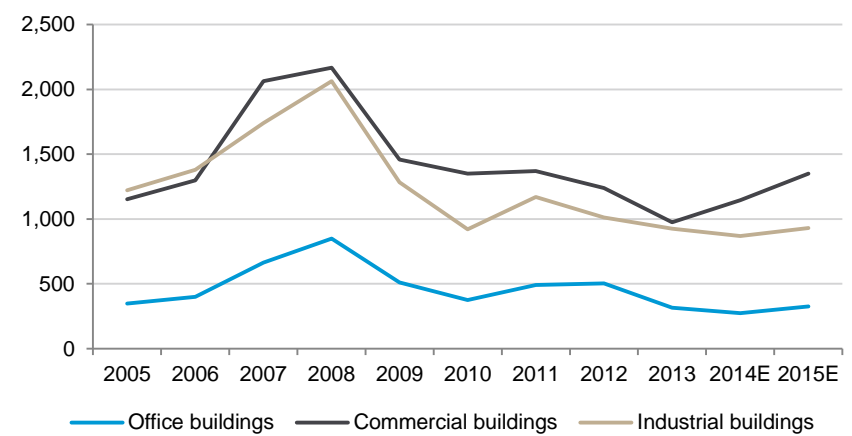
**Business  
premises and  
infrastructure  
construction  
indicators**

# Non-residential construction forecasted to pick up slightly

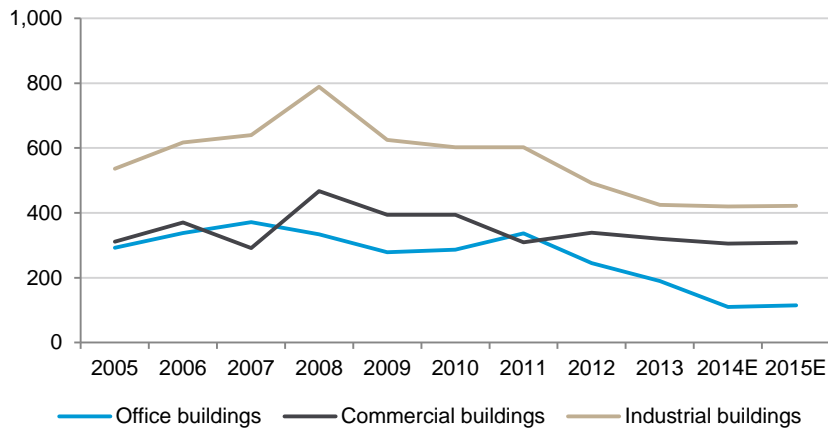
New non-residential construction volumes, index



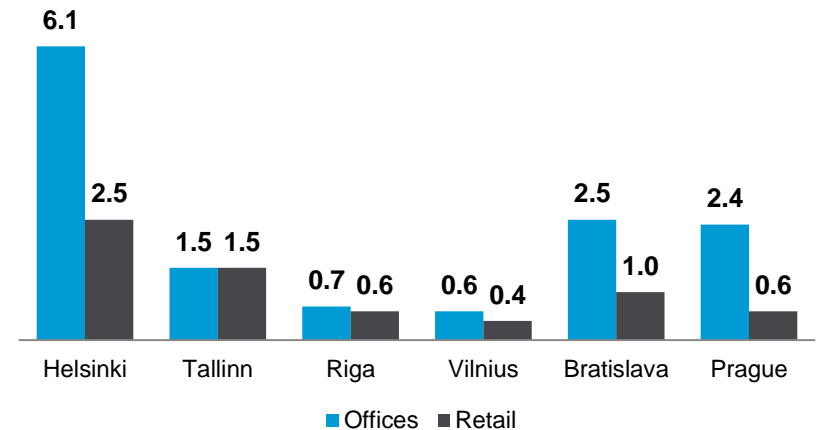
New non-residential construction in Finland, EUR million



New non-residential construction in Slovakia, EUR million



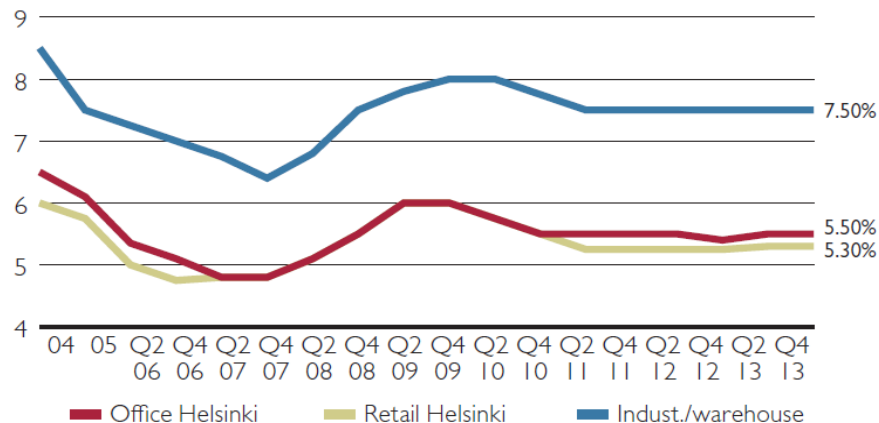
Business premises stock per capita in the capital cities, sq. m.



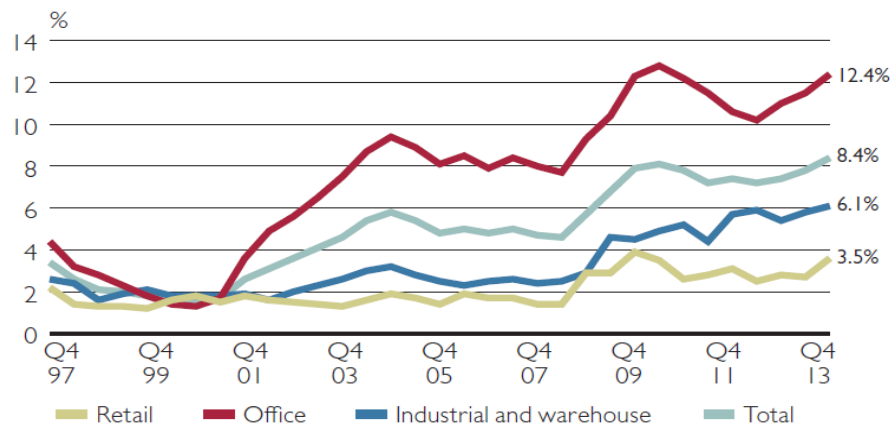
Sources: Euroconstruct and Forecon, June 2014, Newsec, Colliers, Jones Lang LaSalle, CBRE

# Finland – Yields have increased slightly

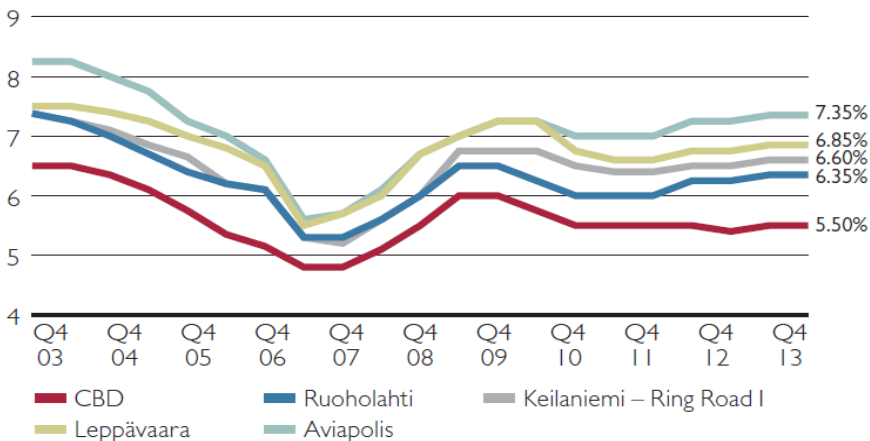
Prime yields in Helsinki Metropolitan Area, %



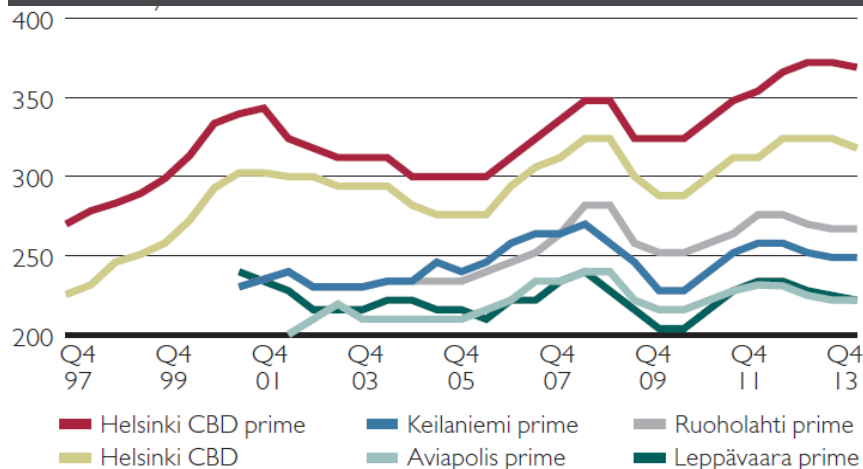
Vacancy rates in Helsinki Metropolitan Area



Office yields in Helsinki Metropolitan Area, %



Rental levels of office space in Helsinki Metropolitan Area, EUR / sq. m. / year

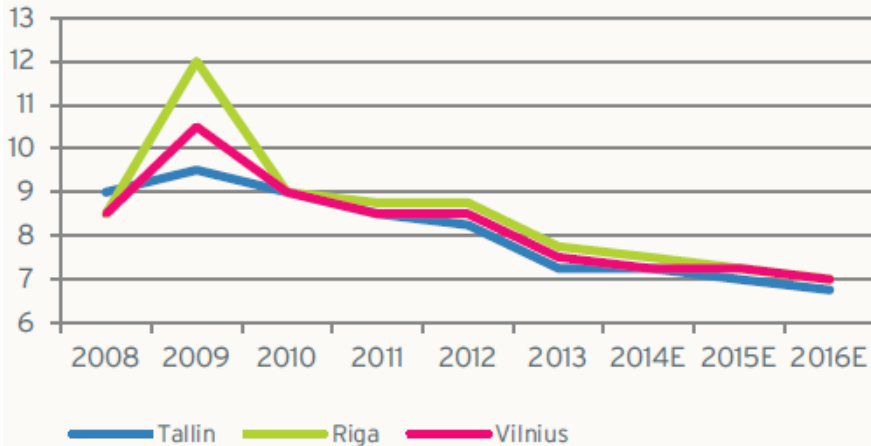


Sources: Catella Property Market Trends Finland, February 2014, Newsec Property Outlook, March 2014

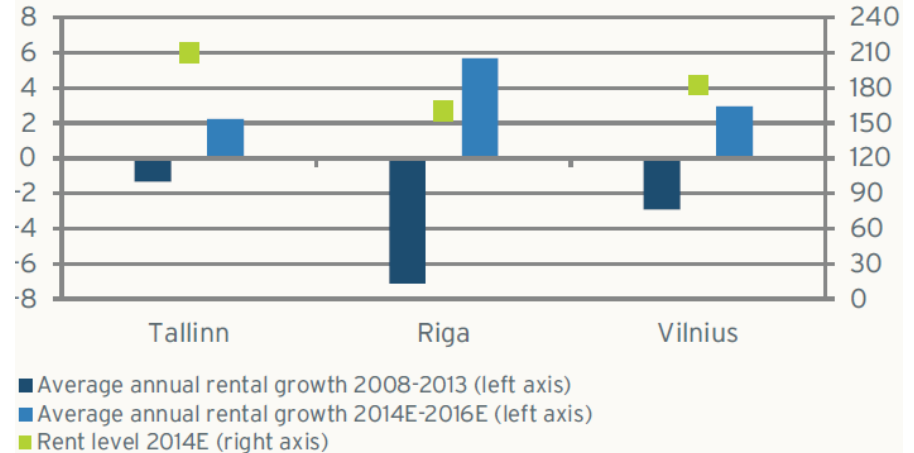


# The Baltic countries – Yields are expected to decrease

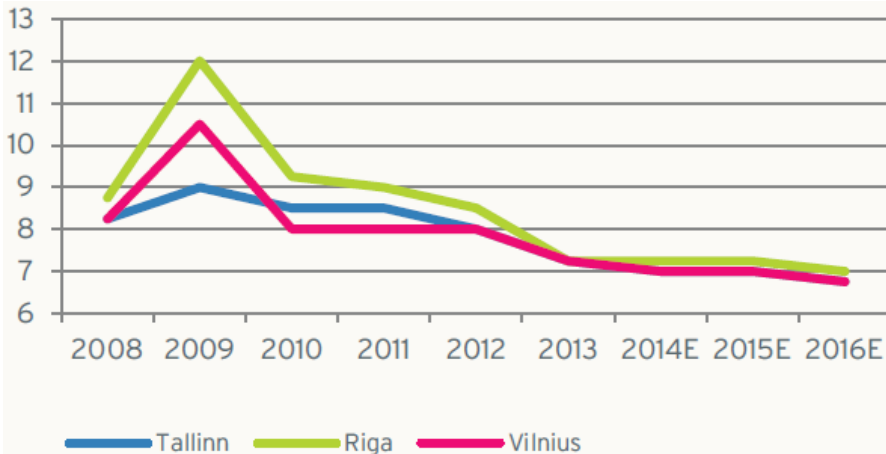
Prime office yields in the Baltic countries, %



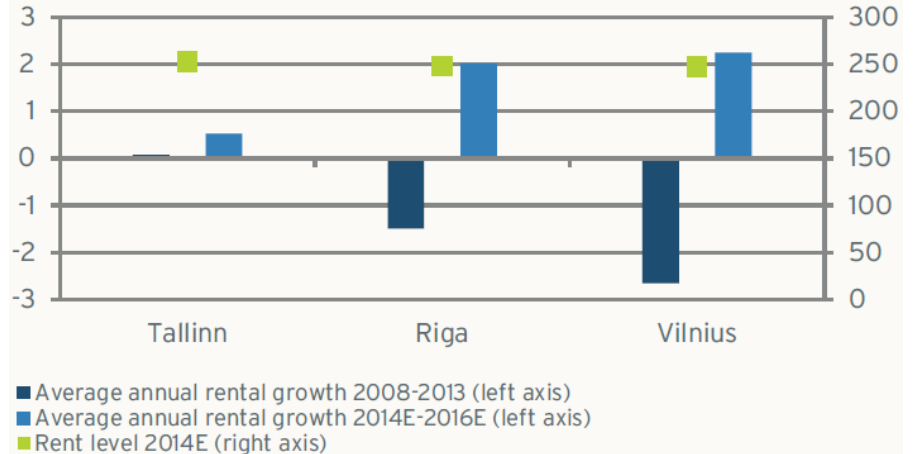
Prime office rents in the Baltic countries, % and EUR / sq. m. / year



Prime retail yields in the Baltic countries, %

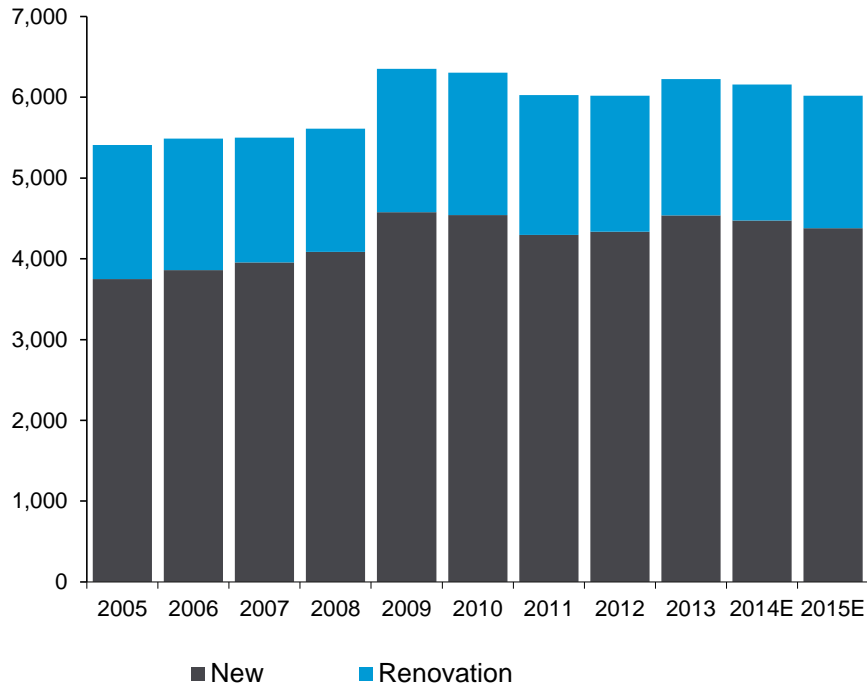


Prime retail rents in the Baltic countries, % and EUR / sq. m. / year

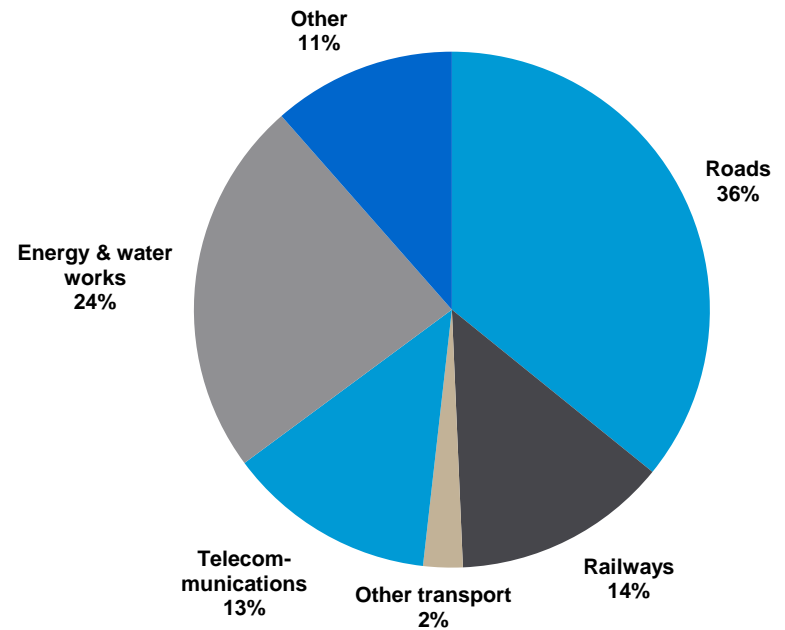


# Infrastructure construction – Market expected to decrease slightly in 2014

Infrastructure market in Finland, EUR million



Infrastructure sectors in Finland (2013)



Source: Euroconstruct, June 2014

VI

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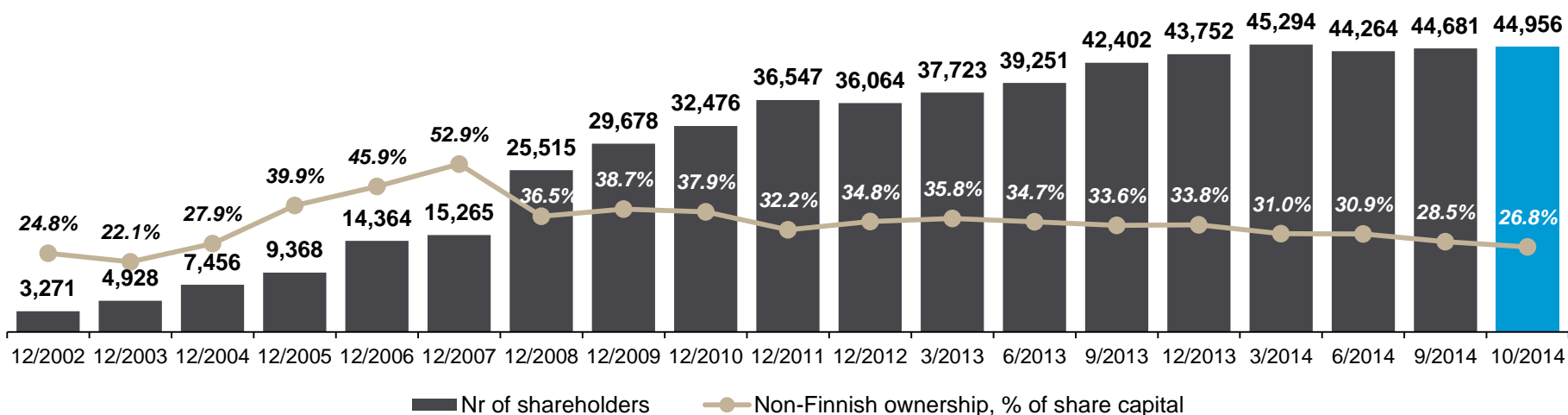
Ownership



# YIT's major shareholders

October 31, 2014

Shareholder	Shares	% of share capital
1. Structor S.A.	12,750,000	10.02
2. Varma Mutual Pension Insurance Company	11,492,100	9.03
3. Mandatum Life Insurance Company Ltd.	4,286,675	3.37
4. Herlin Antti	4,274,180	3.36
5. LähiTapiola Mutual Insurance Company	3,335,468	2.62
6. OP funds	2,690,102	2.11
7. Etera Mutual Pension Insurance Company	1,700,000	1.34
8. Society of Swedish Literature in Finland	1,680,400	1.32
9. YIT Corporation	1,638,678	1.29
10. The State Pension Fund	1,635,000	1.29
Ten largest total	45,482,603	35.75
Nominee registered shares	20,299,694	15.96
Other shareholders	61,441,125	48.29
<b>Total</b>	<b>127,223,422</b>	<b>100.00</b>



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