



# YIT – More life in sustainable cities

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# Agenda

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YIT and Q3 in brief

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3

Infrastructure as part of  
YIT's strategy



Kyrönsalmi Bridge  
Savonlinna, Finland

# 1

## YIT and Q3 in brief



E18 Hamina-Vaalimaa  
Finland

1912 1920 1950 1960 1970 1987 1995 2000 2013 2015

Allmänna  
Ingeniörsbyrån Ab  
(AIB) opens an office  
in Helsinki.

Finnish  
businessmen  
establish Yleinen  
Insinööritoimisto  
to continue the  
operations. The  
company grows to  
become Finland's  
leading builder of  
water supply and  
sewerage plants.

YIT's Russian  
operations begin  
in 1961.

The company  
expands its  
construction  
operations and  
starts to export  
construction services  
to the Middle East  
until 1990.

YIT grows to  
become  
the largest  
construction  
company and  
exporter in  
Finland.  
(1970)

YIT and  
Perusyhtymä  
merge, becoming  
YIT Corporation.

YIT  
Corporation  
is listed on  
the stock  
exchange.

In the 2000s,  
YIT expands its  
operations to  
building services in  
the Nordic  
countries and  
Central Europe.  
Housing and  
business premises  
construction is  
expanded to the  
Baltic countries  
and Central  
Europe.

YIT undergoes a  
demerger to form two  
separate companies.  
YIT continues  
construction operations  
and building services  
are transferred to a  
newly formed publicly  
listed company,  
Caverion.

YIT enters  
the Polish  
market

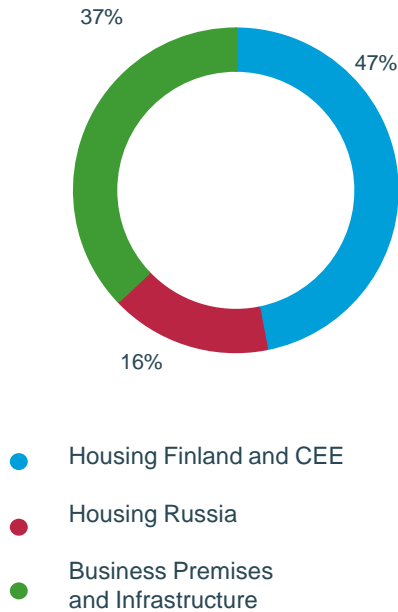


A step  
ahead  
since  
1912.

YIT

# A real estate developer and construction company with solid track record

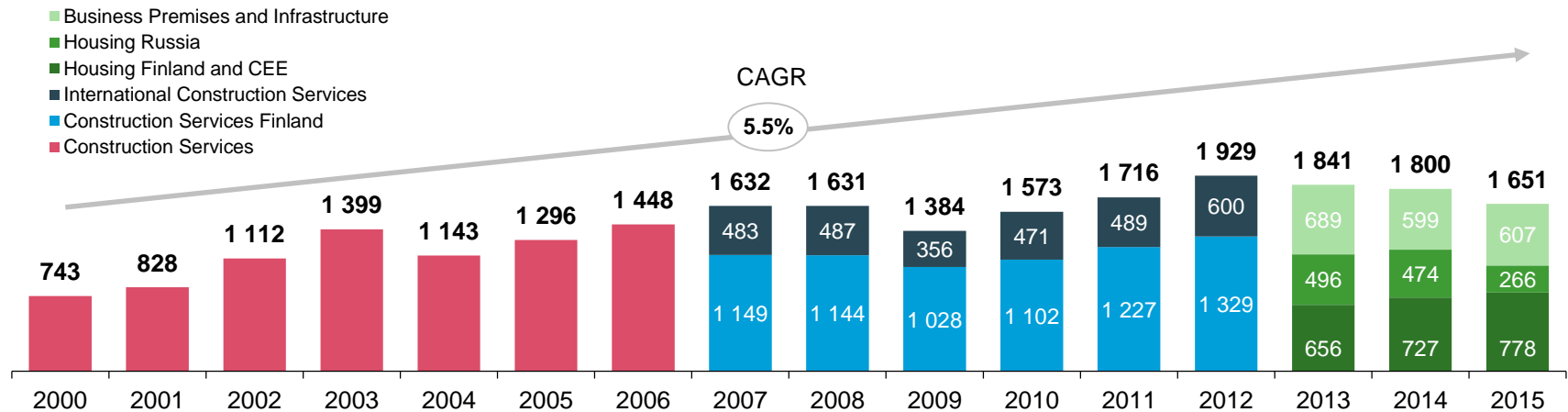
Revenue by segment, EUR 1.7 bn



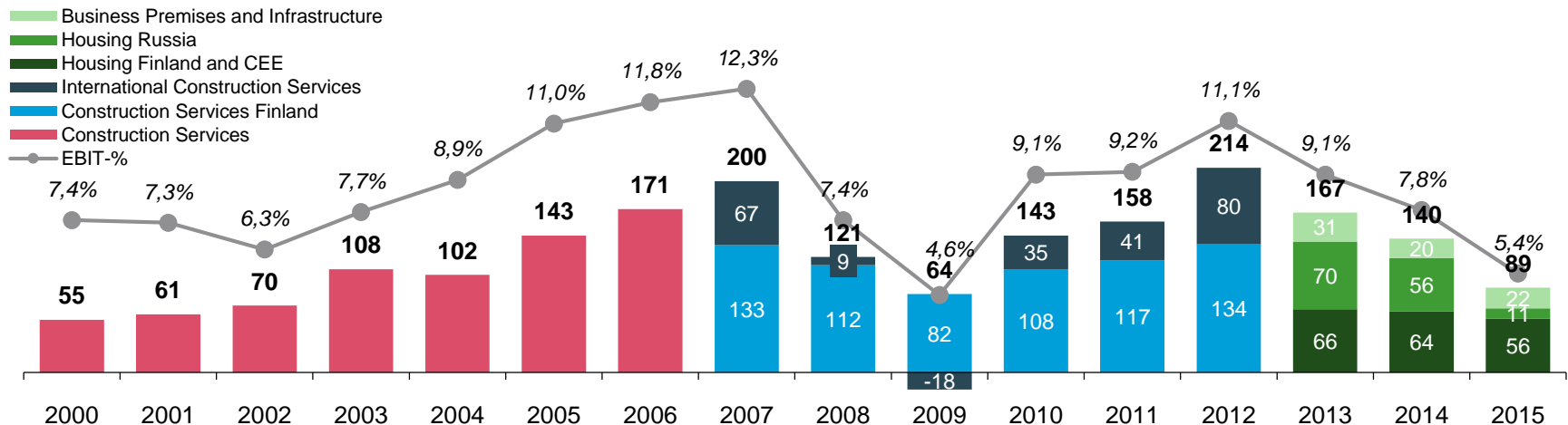
Figures based on segment reporting (POC), %-shares excluding other items  
\*Excluding adjustments.

# Revenue growth and healthy profitability through economic cycles

## Revenue development (EUR million) by business segment



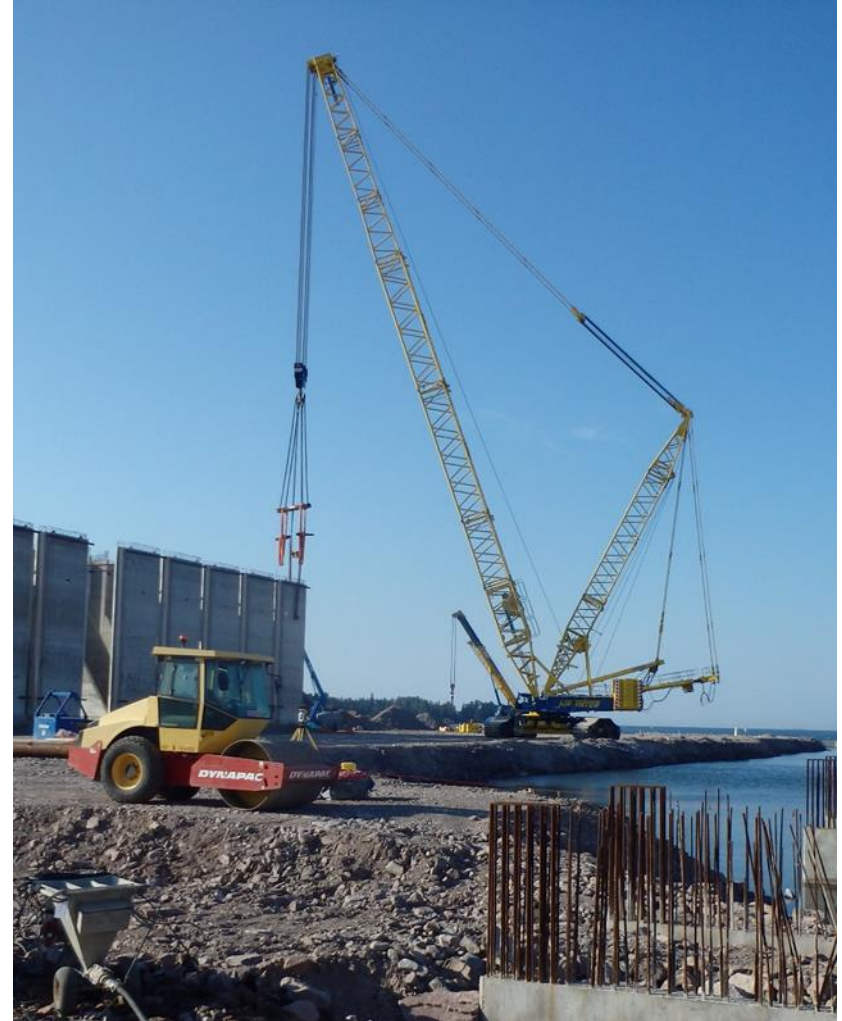
## Operating profit (EBIT) development (EUR million) by business segment, excluding group costs and adjustments



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.

# Key messages in Q3/2016

- Adjusted operating profit in Housing Russia turned positive due to good sales
- High consumer start-ups in Finland, however the start of sales in certain new projects postponed to Q4 in Finland and CEE
- Large projects proceeded well in Business Premises and Infrastructure, several new projects won
- Renewed strategy published and strategy implementation started

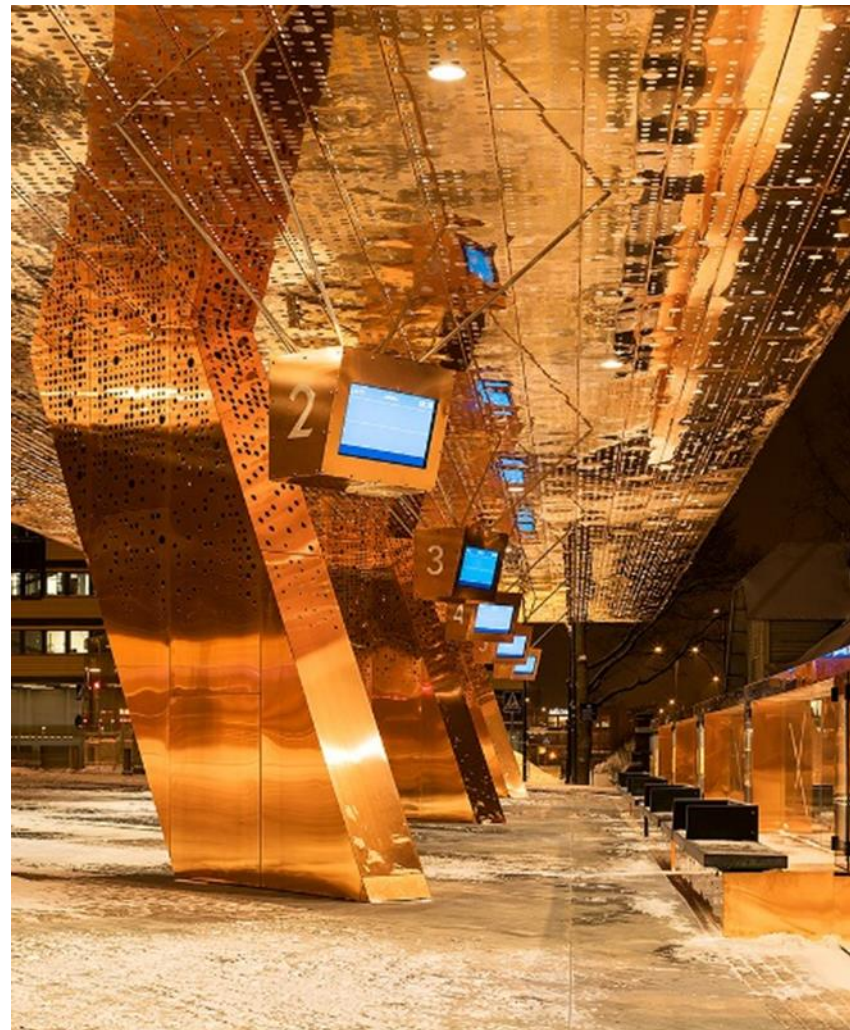


# Guidance for 2016 (segment reporting, POC) unchanged

**The Group revenue growth** is estimated to be in the range of **5-10%** at comparable exchange rates.

**The adjusted operating profit\*** is estimated to grow from the level of 2015 (2015: EUR 76.0 million).

- Over 60% of Q4/2016 revenue from sold projects and signed pre-agreements. The rest from new sales and capital release
- In Business Premises and Infrastructure, the profit performance in H2/2016 is estimated to be on the level of H1/2016
- The demanding market environment in Russia is expected to keep the profitability of Housing Russia on a low level
- Similarly to the year 2015, investor projects' share of revenue is estimated to remain high in Housing Finland and CEE, which impacts the segment's adjusted operating profit margin negatively
- Capital release is expected to dilute the adjusted operating profit margin



# 2

Operating  
environment



# Slow growth in Finland driven by construction, some positive signs from Russia, CEE growth speed stabilising

## FINLAND

Construction the main driver of the Finnish economy

Green shoots from the manufacturing confidence but exports still subdued

Consumer confidence strong, but consumption not enough to accelerate the GDP growth

## BALTIC COUNTRIES

Private consumption still the main driver for growth

Residential market the strongest in Lithuania. Recovery in housing market expected to start soon in Latvia

2016: 1.0%  
2017: 1.0%  
2018: 1.0%

2016: 2.0%  
2017: 2.7%  
2018: 3.2%\*)

2016: 2.3%  
2017: 3.2%  
2018: 3.5%

2016: 2.6%  
2017: 3.1%  
2018: 3.0%

2016: 3.3%  
2017: 3.3%  
2018: 3.4%

2016: 2.4%  
2017: 2.6%  
2018: 2.6%

2016: 3.2%  
2017: 3.2%  
2018: 3.1%

2016: -0.7%  
2017: 1.3%  
2018: 1.5%

## RUSSIA

Russia emerging from the recession, growth expected to be slow

Retail sales lagging behind the real wages growth, savings rate increasing

Oil price has stabilised recently, but upside potential limited by supply dynamics

## CEE COUNTRIES

Growth speed stabilising in the CEE countries, outlook still solid

Overheating and cost pressure posing risks

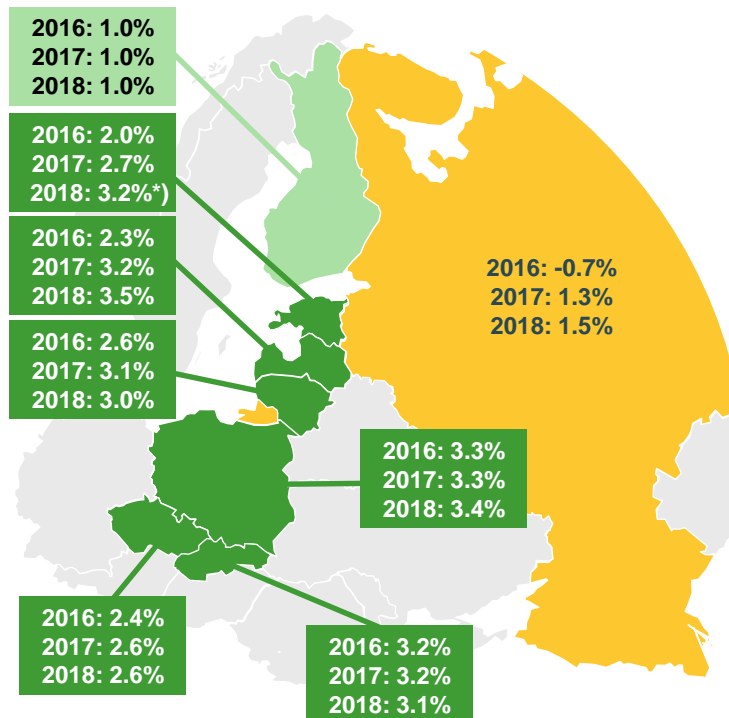
Record active investment market

## GLOBAL

US elections posing a major risk for the global outlook

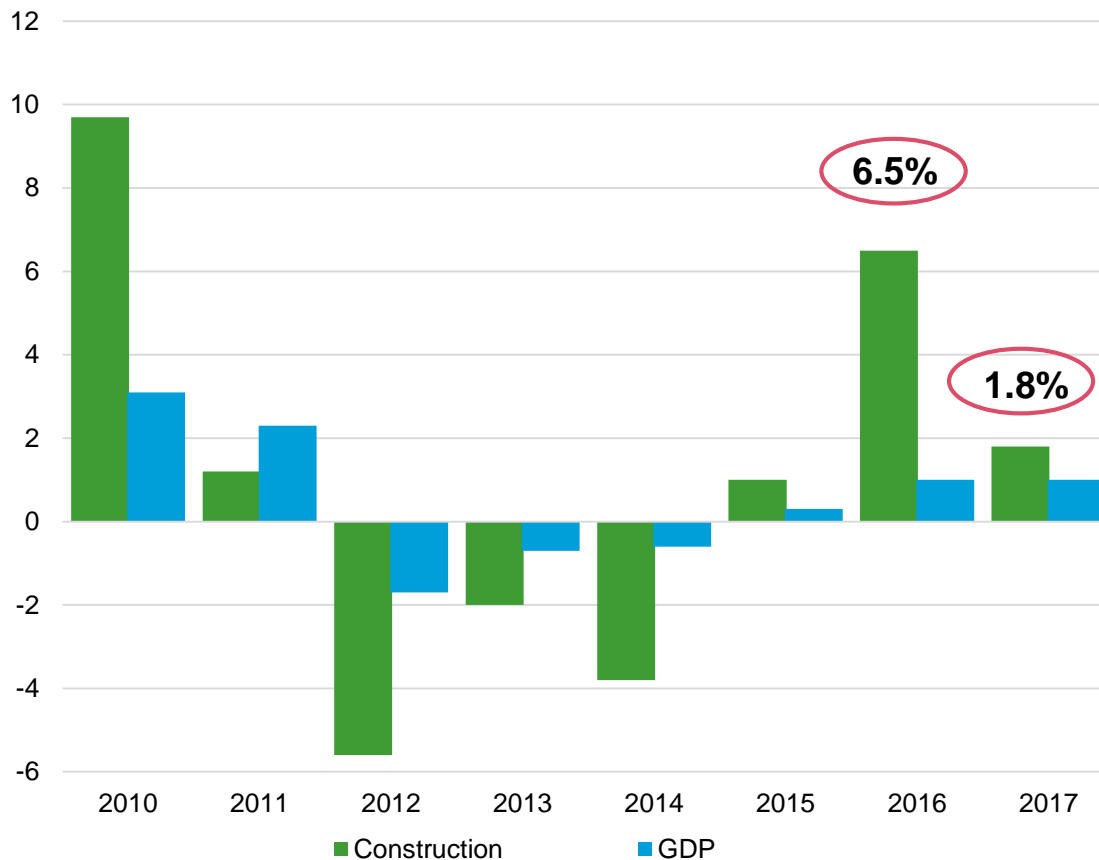
Tensions related to Syrian crisis, overall political situation unstable

Brexit negotiations starting in Q1/2017



# Operating environment - Finland

Construction vs. GDP, % y/y



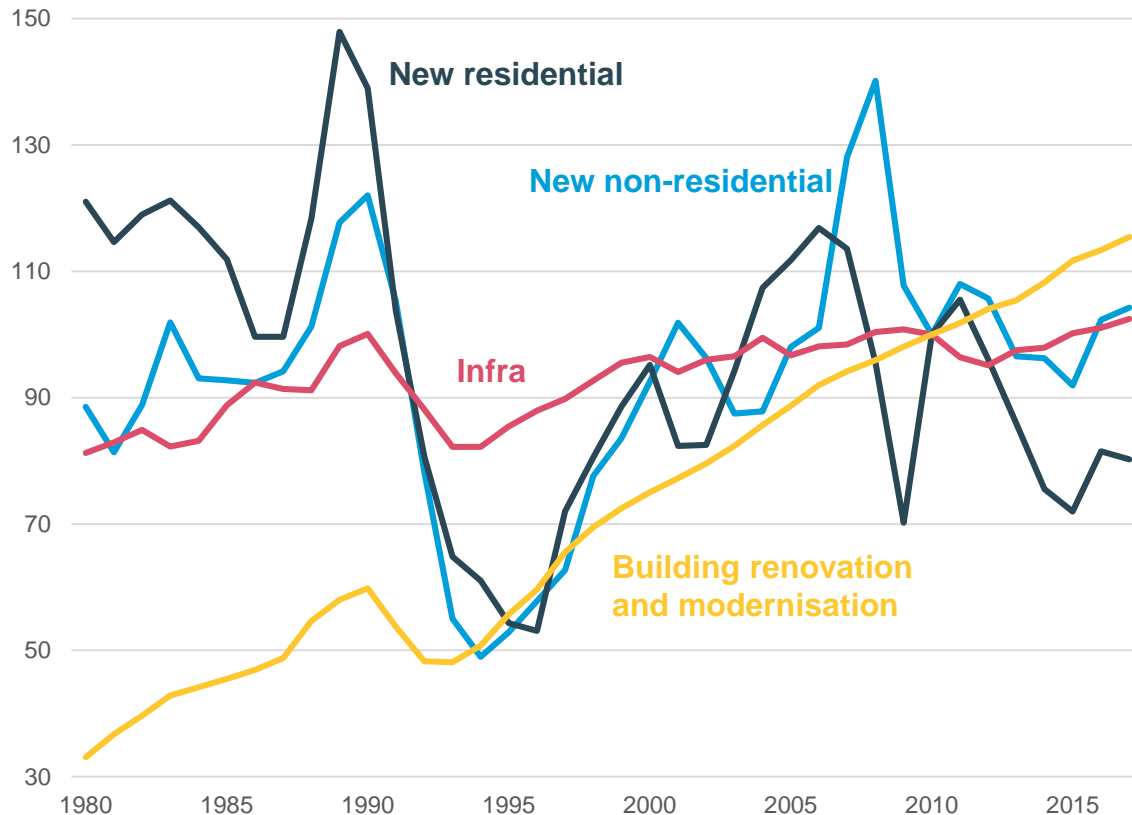
- **Construction growth** expected after years of mediocre development. Latest growth estimate +6.5% for 2016
- **National competitiveness contract** will improve stability in the society
- **Human resources** is a key issue in the industry

Source: Macrobond/Confederation of Finnish Construction Industries RT /Bloomberg

# Construction volume development by business idea in Finland

## Finnish market

Construction volume, index 2010=100



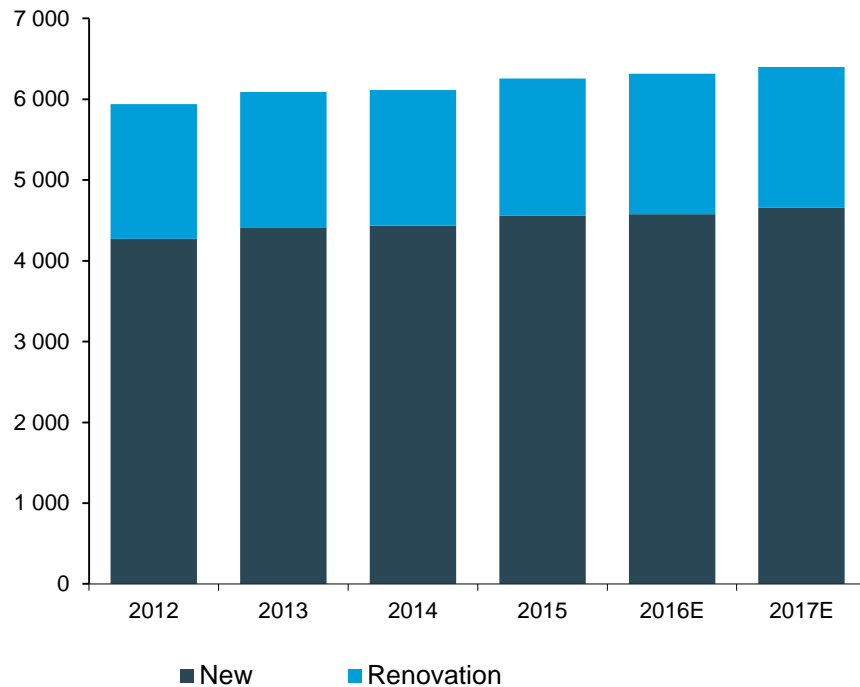
- **Urban development** is a major driver of opportunities
- **Strong growth of renovation** continued, especially in residential
- **Health and care** market structures changing
- **Industrial and energy** sectors are investing
- **Infra market outlook improved**
  - Government decisions (4/2016) positive for 6 road and rail projects in Finland
  - EUR 600 million budget for road and rail maintenance

Source: Macrobond/Confederation of Finnish Construction Industries RT, Euroconstruct

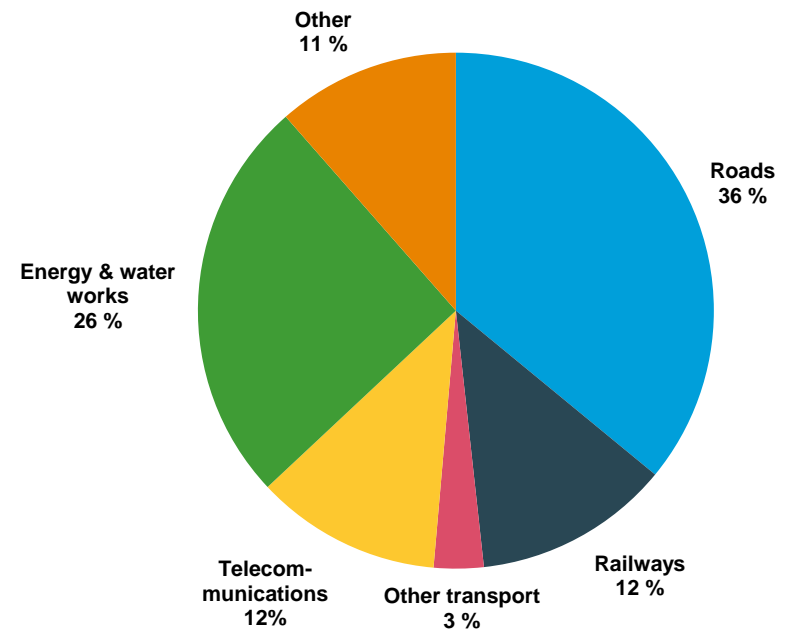
# Infrastructure construction in Finland

## Market expected to remain stable in 2016

Infrastructure market in Finland, EUR million

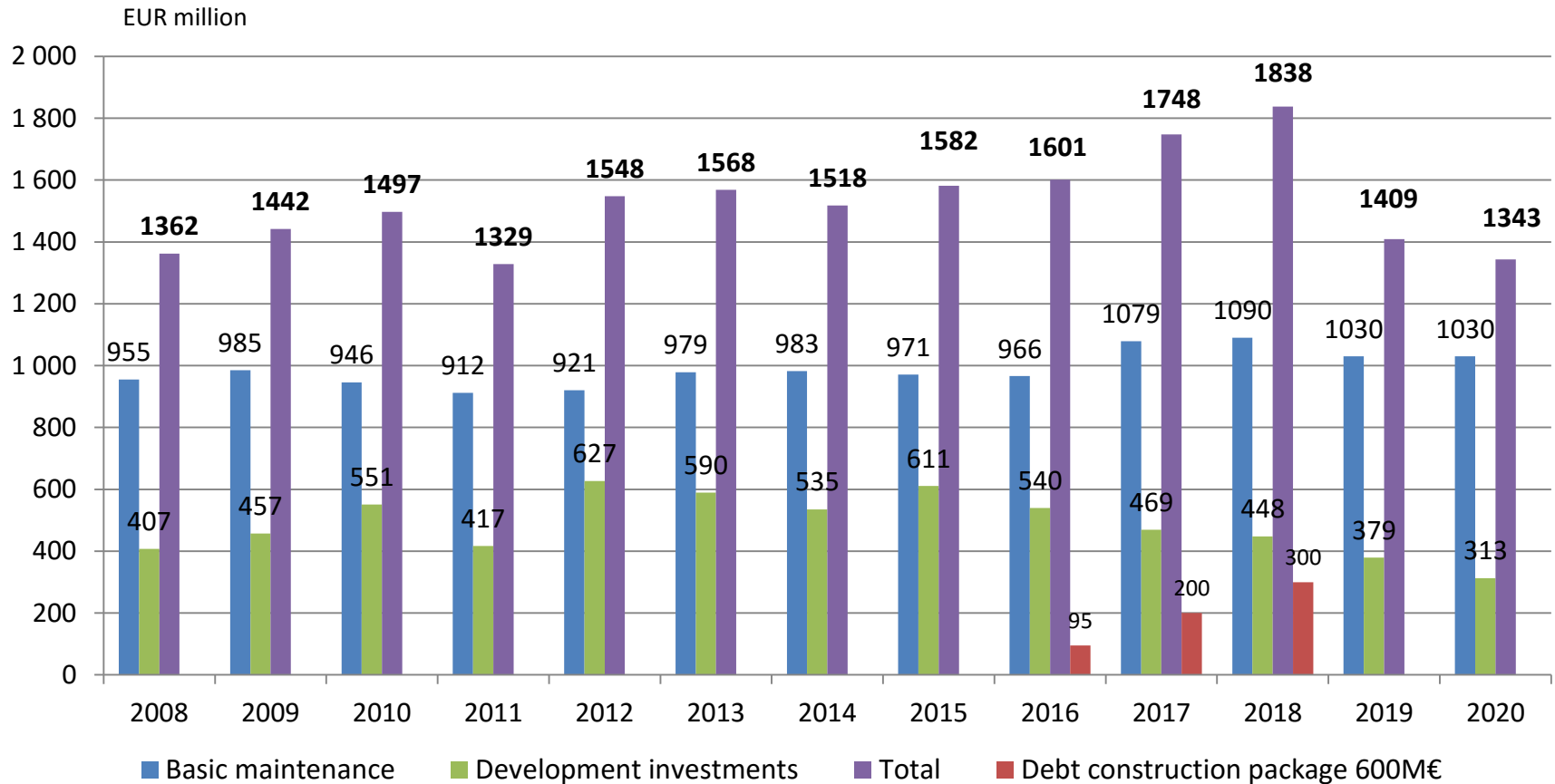


Infrastructure sectors in Finland (2015)



Sources: Euroconstruct, June 2016

# Government spends more on maintenance than on new investments



Source: TAE, Finnish Transport Agency

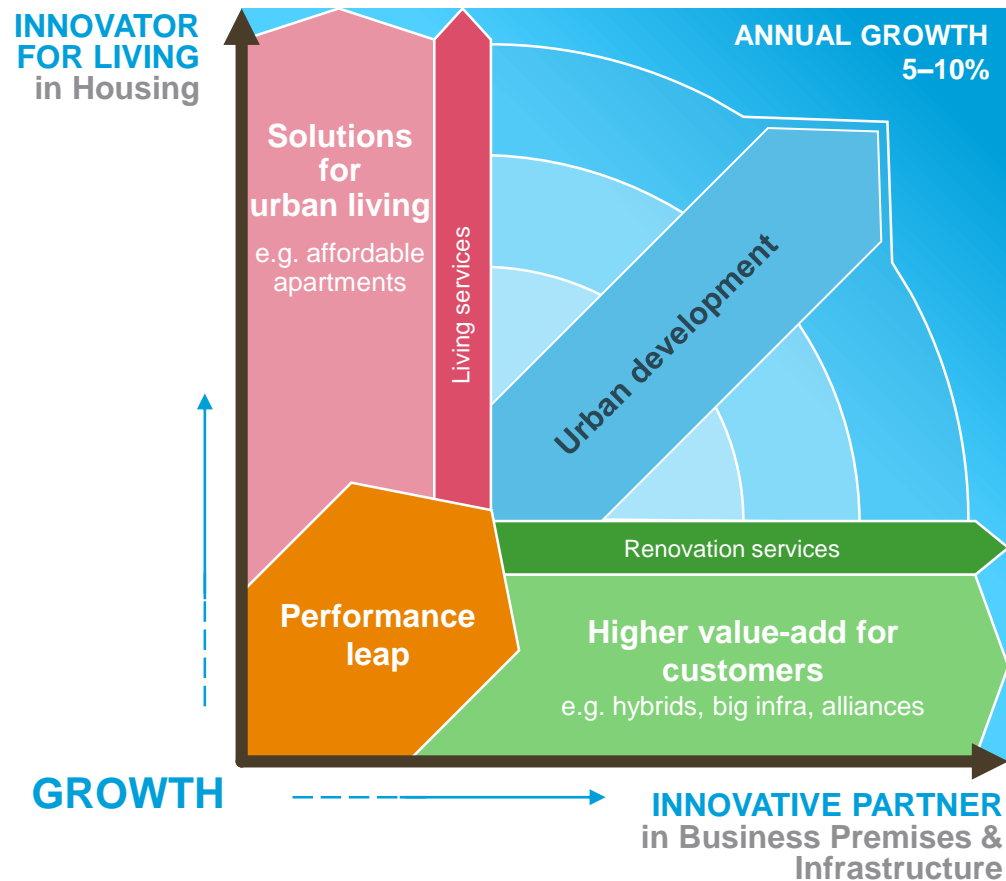
# 3

Infrastructure part  
of YIT's strategy



# Renewed strategy for 2017–2019

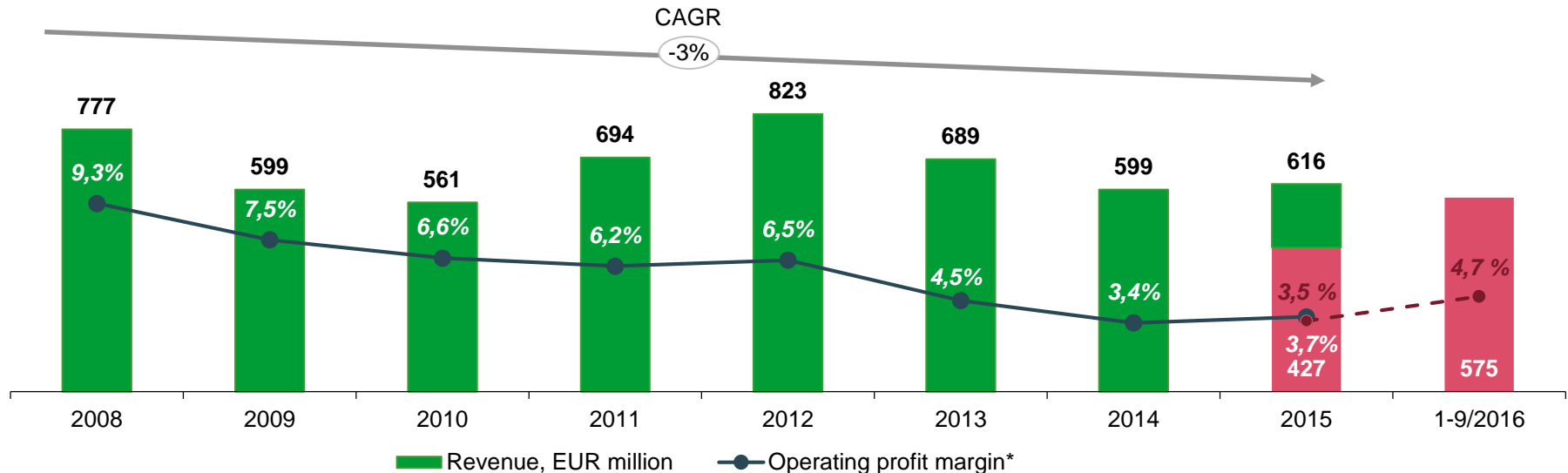
## More life in sustainable cities



# Business Premises and Infrastructure

## Revenue increased in Q3

- Good progress in the segment, increased revenue and improved profitability in 1-9/2016
  - Profit performance for H2/2016 expected to be on the level of H1/2016
- Solid order backlog, Q3/2016 +47% y-o-y, supports growth and profitability improvement
- Large projects, especially Mall of Tripla and E18 Hamina-Vaalimaa, have proceeded well
- Success in tenders recently



\* Excluding adjustments

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 segments estimated true share of the fixed costs.

# A step ahead in infrastructure construction services with over 100 years of Northern experience

## Key infra segments served include

- Traffic, incl. roads, rail, bridges (construction and maintenance services)
- Energy and industry, including wind power construction and development
- Foundations, water and harbour construction
- Rock excavation and mining
- Structural engineering

## Our approach - strong technical capabilities combined with partnerships for the best customer value

- High value added, tailored services to support customers' businesses and operations
- Services ranging from contracting to broader responsibility models, including
  - Design and build
  - Alliance
  - Lifecycle / Public-Private-Partnership (PPP) models



Rock excavation, e.g., Posiva



Harbour construction, e.g., Helsinki Vuosaari harbour



Mixed-use, hybrid and area solutions, e.g., Pasila Tripla in Helsinki

# Naantali CHP Plant (NA4) construction utilizing alliance model

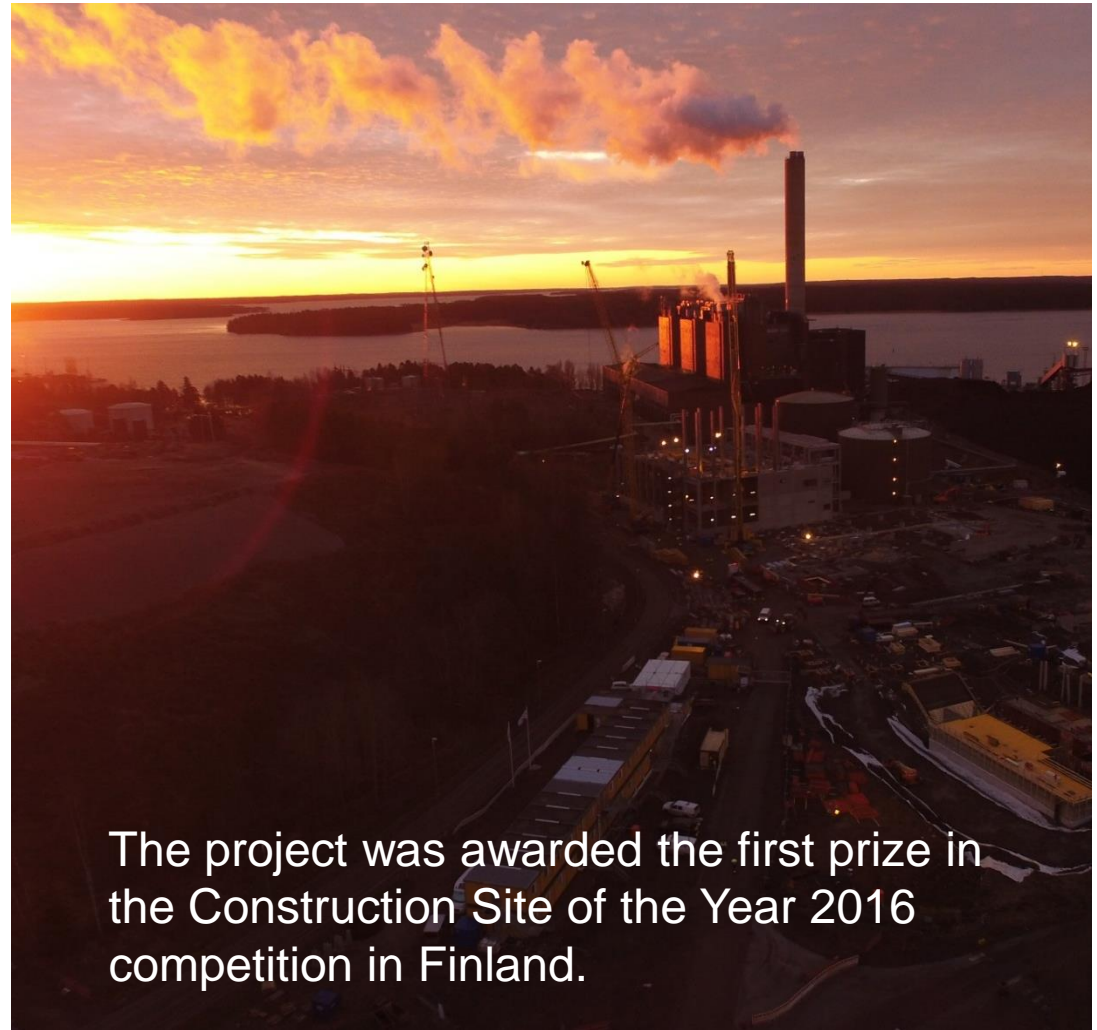
Customer: Turun Seudun Energiatuotanto Oy  
(of which Fortum owns 49,5%)

New CHP unit adjacent to the current one.  
Total project value ca. 260 Me, YIT's  
construction over 45 Me

First industrial alliance in Finland, parties: Turun  
Seudun Energiatuotanto, A-insinöörit, AX LVI  
Consulting and YIT

Project in the implementation phase 5/2015 –  
9/2017, development phase 10/2014 - 4/2015

- Genuine alliance model
- Innovative collaboration with supporting work processes (eg . Big Room, Target Value Design, Virtual innovation process, Last Planner)
- Significant savings and improvements compared to the traditional operations have been achieved
- Key result areas achieved with very good results
- Quality of design is of high level and cooperation between design and production has been extraordinarily good



The project was awarded the first prize in  
the Construction Site of the Year 2016  
competition in Finland.

# E18 Projects; Koskenkylä-Kotka to Hamina-Vaalimaa, Finland

**E18** interconnects the largest cities, harbours and airports of South Finland. Customer: Finnish Transport Agency

**Project I** (inv. 340 Me): Koskenkylä – Kotka PPP

- 53 km, completed in autumn 2014 by consortium of YIT and Destia
- Currently under a life cycle agreement extending to 2026
- PPP-project partners Finnish Transport Agency, Meridiam, Ilmarinen, Destia and YIT
- First prize in the Construction Site of the Year 2013 competition in Finland

**Project II** (126 Me): Hamina bypass road

- 9 km, completed in autumn 2015
- Constructed by consortium of YIT and Kesälahden Maansiirto

**Project III** (inv. 265 Me): Hamina – Vaalimaa PPP

- 32 km, ongoing project with YIT as the main contractor. estimated completion in 2018
- Implemented under a life cycle agreement extending to 2034
- PPP-project partners are Finnish Transport Agency, Meridiam and YIT





## OUR PRINCIPLES

SAFETY FIRST

QUALITY IS EVERYTHING

UNDERSTANDING AND  
FULFILLING CUSTOMER NEEDS

EMBEDDED SUSTAINABILITY

OPEN MINDSET AND  
SMART WAYS OF WORKING

**Together  
we can  
do it.**