



# Review by the President & CEO

Annual General Meeting  
March 16, 2017

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President & CEO



[yitgroup.com](http://yitgroup.com)

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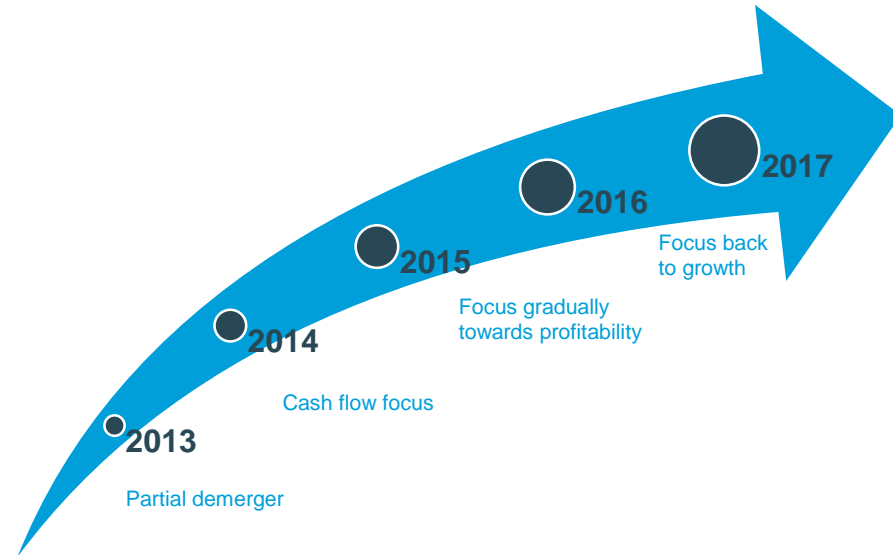
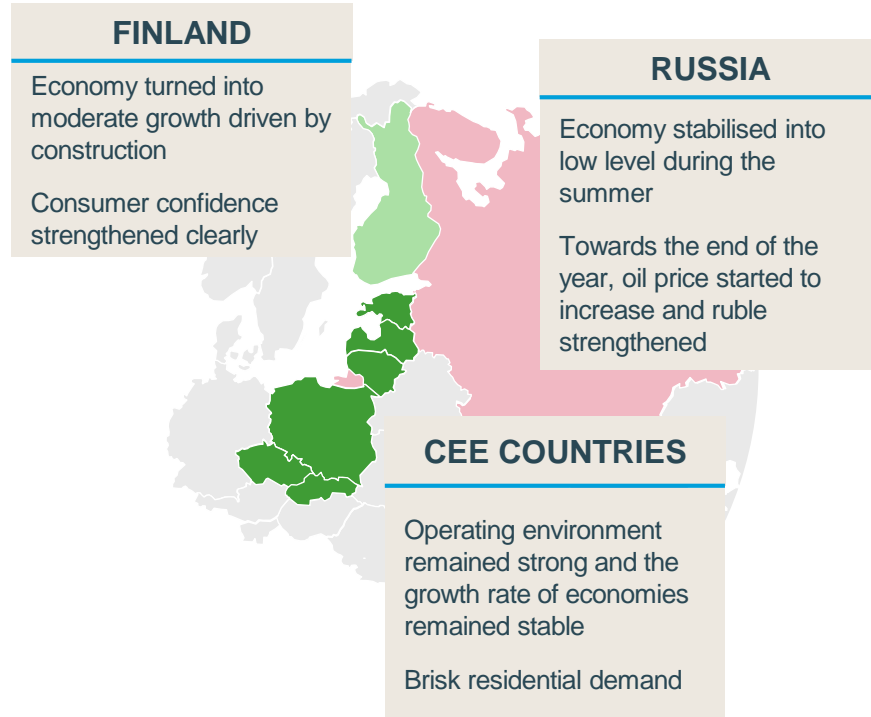


# 1

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Year 2016 in brief

# 2016 marked a turning point for the Finnish economy and YIT's business



## Key highlights in 2016

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Completing the  
capital release  
programme

**~390**

EUR million capital released  
between September 2013  
and December 2016

Shift to consumer  
sales in Finland

**+28%**

growth in consumer sales in  
Finland in 2016

Completing the  
restructuring in  
Russia

**-18%**

decrease in the number of  
apartments under construction  
in 2016

Excellent progress  
in the Tripla project

**45%**

the occupancy rate of the  
Mall of Tripla



# Significant progress in the Tripla project



## The implementation of the Mall of Tripla as a joint venture secured

- ✓ Valid building permits and required decisions from public authorities obtained in spring 2016
- ✓ Investor deals closed, value EUR ~600 million
- ✓ Financing package of EUR 300 million secured

## Joint venture partners

 			
38.75%	38.75%	15%	7.5%

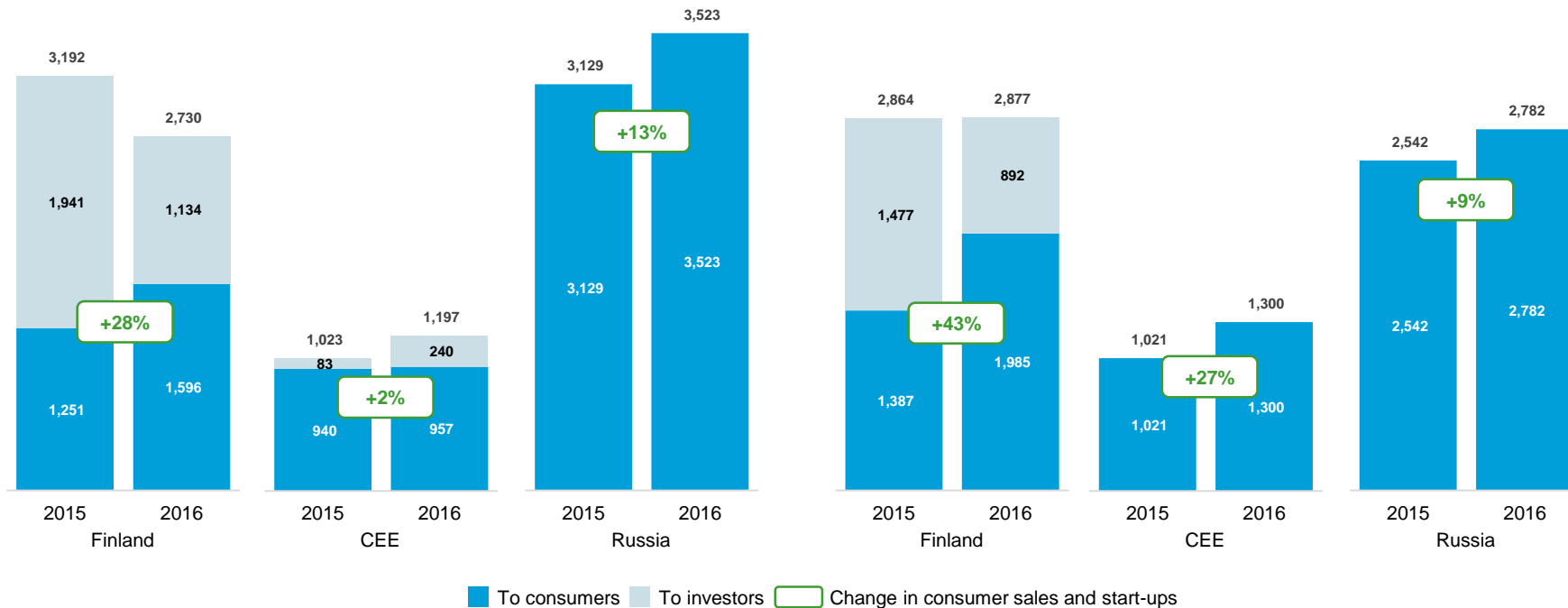
## Tripla progressing as planned

- ✓ Foundation works, excavation and piling done
- ✓ Revenue and EBIT recognition for the Mall of Tripla started
- ✓ Already 45% of the premises of the Mall of Tripla rented out with binding agreements
- ✓ Letter of intent on the implementation of the hotel signed
- ✓ Negotiations for leasing of offices underway
- ✓ Customer register for the apartment construction project being collected

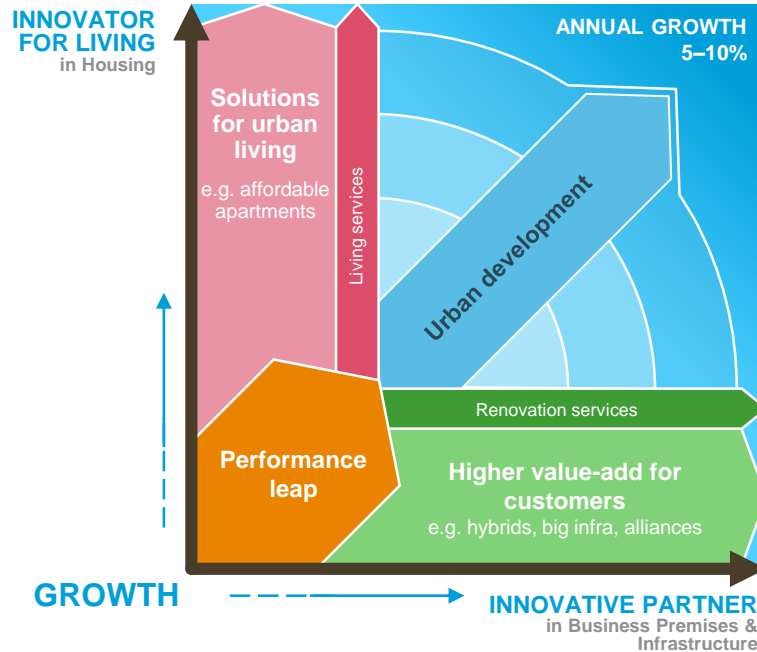
# Residential consumer sales and start-ups increased in all geographical areas

Apartment sales, units

Apartment start-ups, units



# Renewed strategy for 2017-2019 published: More life in sustainable cities





# We are making a difference

Care for customers



- Proactive customer experience management
- WOW service attitude
- Digital customer journey

Visionary urban development



- Strengthened long-term city development
- Hybrid and area development
- Concepts

Passionate execution



- Latest knowledge and more diversity
- Empowered teams
- Standardisation and pre-fabrication

Inspiring leadership



- Involving and encouraging people
- Network excellence
- Preferred employer

# Financial targets and the outcome in 2016

Long-term financial target	Target level	2016
Revenue growth	5–10% annually on average	8%, 9% at comp. fx
Return on investment	15%	4.7% (7.0%) <sup>1</sup>
Operating cash flow after investments	Sufficient for dividend payout	EUR -43.1 million
Equity ratio	40%	35.1%
Dividend payout	40 to 60% of net profit for the period	373.3% <sup>2</sup> (95.3%) <sup>3</sup>

- Revenue growth target achieved
- Return on investment calculated with adjusted operating profit turned into growth
  - The ratio still on an unsatisfactory level
- Cash flow target specified during the year
  - Going forward, the cash flow target is operating cash flow after investments sufficient for paying dividends
- However, the aim is not to increase the net debt level

All figures according to segment reporting (POC)

<sup>1</sup> Calculated with adjusted operating profit <sup>2</sup> Board of Directors' proposal to Annual General Meeting <sup>3</sup> Calculated with adjusted EPS

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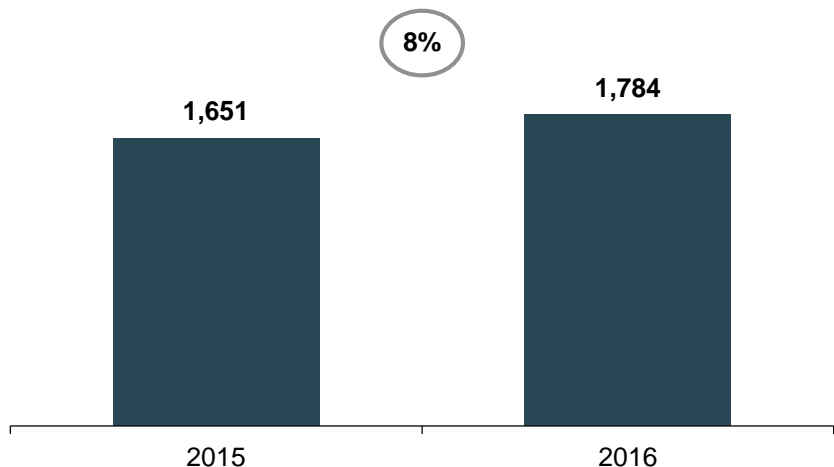
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Financial Statements 2016

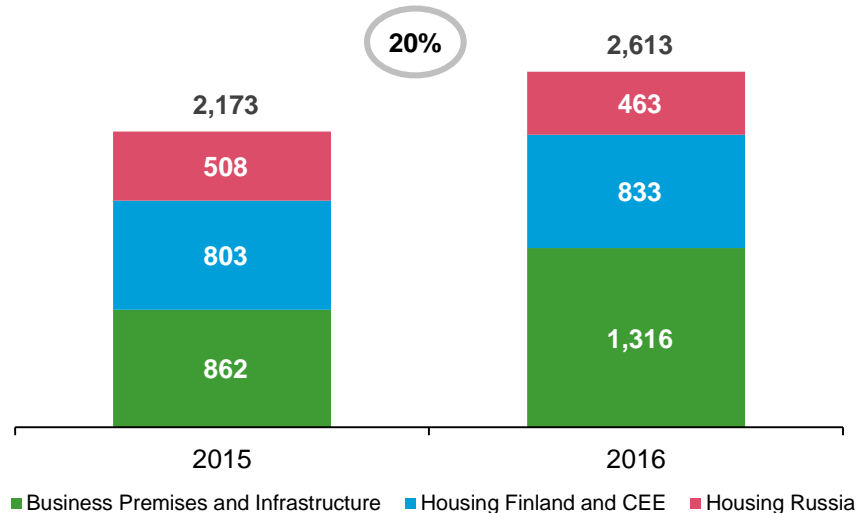
# Revenue and order backlog

- Revenue increased by 9% at comparable exchange rates. Growth was strongest in the Business Premises and Infrastructure segment due to the progress in Mall of Tripla project, among other things
- Order backlog grew by 20%, growth seen especially in the Business Premises and Infrastructure segment

Revenue, EUR million



Order backlog, EUR million

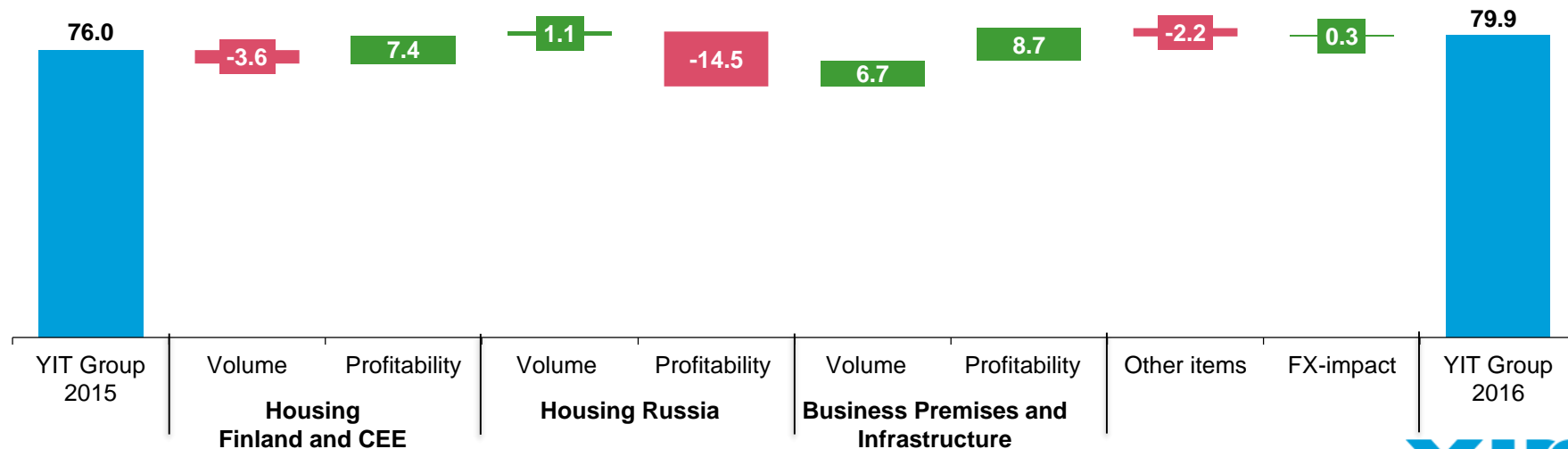


All figures according to segment reporting (POC)

# EBIT-bridge 2015 – 2016

- Positive development driven by Business Premises and Infrastructure segment
- In Housing Finland and CEE, shift from investor sales back to consumer sales and less capital release actions in Finland had a positive impact on profitability
- In Housing Russia, profitability burdened by lower project margins

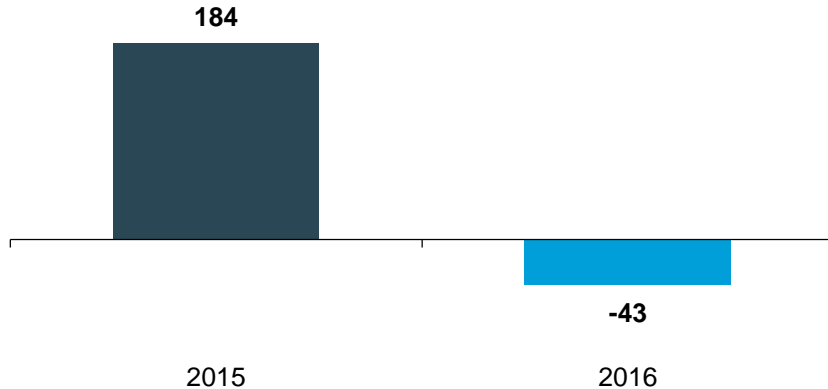
Adjusted operating profit (EUR million), change 2015 – 2016: 5%



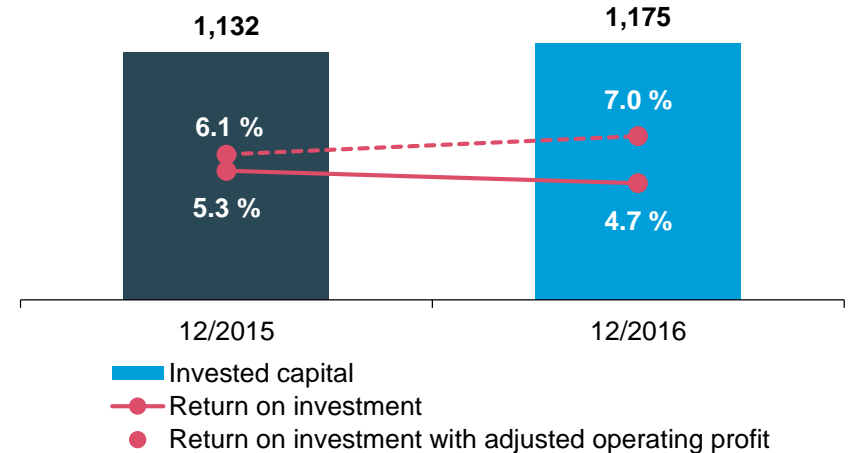
# Cash flow and invested capital

- Negative cash flow resulted from investments in joint ventures and growth in apartment inventory in the Housing Finland and CEE segment, among other things
  - Investments in the joint ventures of Mall of Tripla and the Kasarmikatu office project: around EUR 64 million

Operating cash flow after investments, EUR million



Invested capital and return on investment, EUR million and %



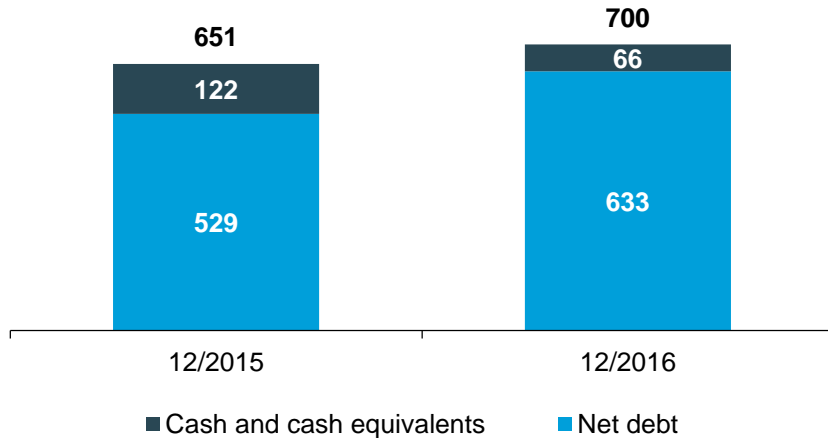
All figures according to segment reporting (POC)



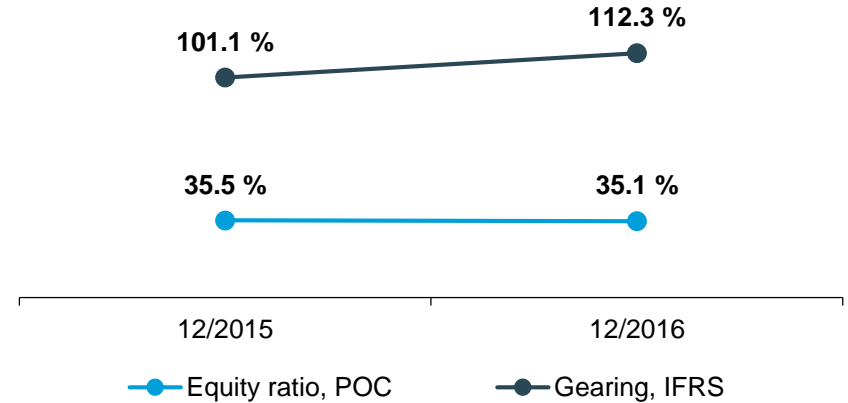
# Net debt and balance sheet ratios

- Increase of net debt due to negative cash flow during the year, strong liquidity buffer
- Balance sheet ratios improved at the end of the year but remain on an unsatisfactory level

Interest-bearing debt (EUR million), IFRS

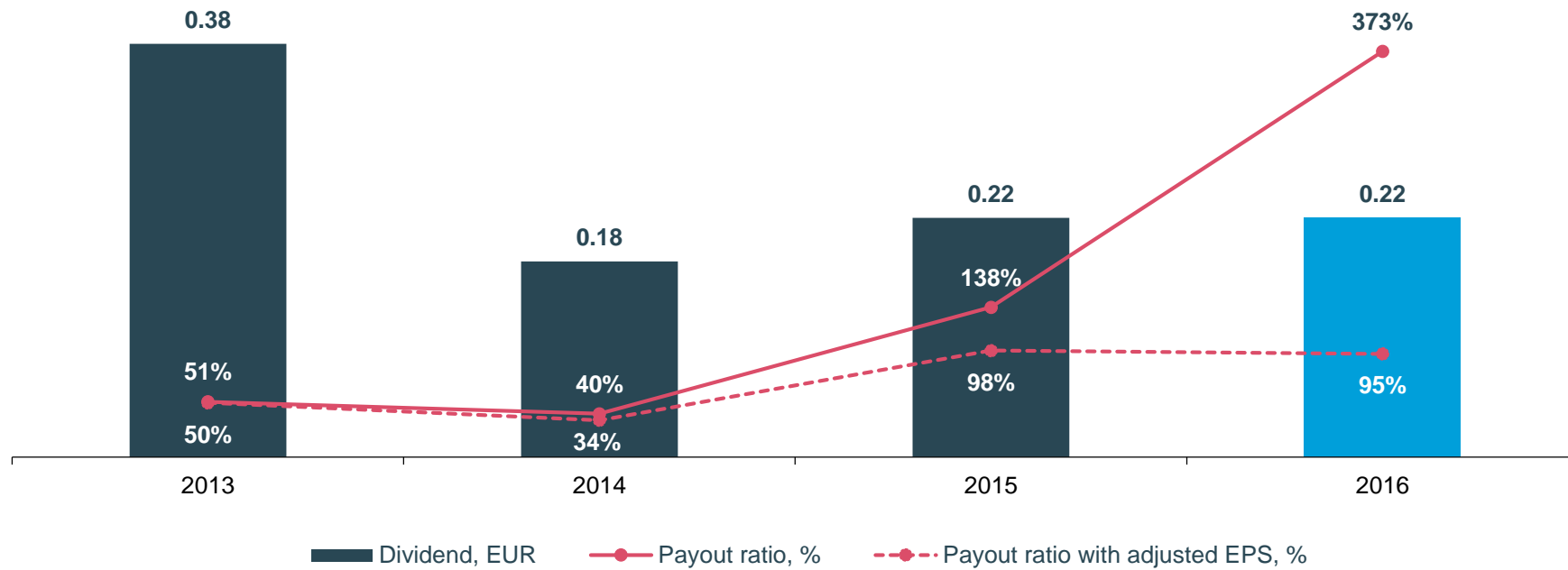


Equity ratio and gearing, %



# Proposal to the AGM: Dividend of EUR 0.22 per share

Dividend per share, EUR



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Outlook for 2017

# Key priorities in 2017

## 1 Improving profitability

- Improving business mix
- Decreasing construction costs
- Proactive care for customers

## 2 Intensifying growth

- Strengthened resources in early-phase project development
- Living and renovation services
- Managing Tripla and strong backlog of orders

## 3 Increasing capital efficiency

- Further increasing the role of partnerships in investments
- Continuing capital release
- Reducing invested capital in Russia

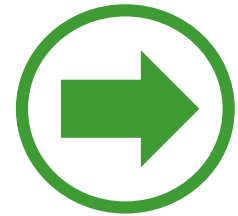


Helsinki Central Library Oodi  
Helsinki, Finland

# Market outlook, expectations for 2017

## Finland

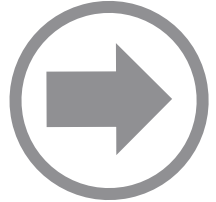
- Consumer demand to remain on a good level and to focus on small, functional and affordable apartments
- Investor activity to decline slightly, even more focus will be paid on the location
- Residential price polarisation between growth centres and other Finland to continue
- Availability of mortgages to remain good
- Tenant interest for business premises to pick up slightly in the growth centres. Investor activity on a good level, focus on prime locations in the Capital region
- Business premises contracting to remain active
- New infrastructure projects to revitalise the market
- Construction costs expected to increase slightly
- Construction volume growth expected to moderate
- Bank regulation and increased capital requirements might have an impact on the construction and real estate development
- The increased competition for skilled labour due to high construction activity expected to continue



# Market outlook, expectations for 2017

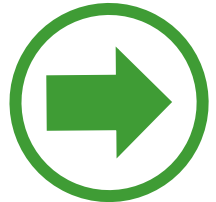
## Russia

- Macro environment to remain stable on the current level, the stabilization of the economy to have a moderate positive impact on the residential market
- Residential prices stable
- Residential demand to focus on small and affordable apartments
- The ending of the state mortgage subsidy program will create uncertainty, however the significance of the program has diminished due to decreased interest rate levels
- Construction cost inflation to moderate



## CEE

- Residential demand to remain on a good level
- Good access to financing, low interest rates to support the residential demand
- Residential prices to remain stable or increase slightly
- Construction costs to increase slightly
- Business premises tender market estimated to pick-up in most of the CEE countries





# Guidance for 2017\* (segment reporting, POC)

The Group revenue is estimated to **grow by 0%-10%**.

The **adjusted operating profit\*\*** is estimated to be in the range of **EUR 90-105 million**.

\*The guidance remains unchanged and the reasoning for the guidance can be read in the Financial Statements Bulletin for 2016

\*\*The adjusted operating profit does not include material reorganisation costs, impairment or other items impacting comparability



# Successes in the beginning of 2017



- The agreement to sell an office and logistics property to be constructed in Vantaa to a fund managed by Aberdeen signed, value EUR ~35 million
- The second phase of the Ranta-Tampella area development project started in Tampere, Finland, value EUR ~30 million
- The contract on the construction of a terminal project for Posti in Vantaa signed, value EUR ~29 million
- A plot for an area development project of over 350 apartments acquired in Prague, the Czech Republic
- Regenero, a joint venture formed by YIT and HGR Property Partners, acquired its first property in Espoo, Finland for a development project

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do it.**