



# Review by the President & CEO

Annual General Meeting  
March 15, 2015

Kari Kauniskangas  
President & CEO



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

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- Year 2015 in brief
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# YIT's foundations



<b>Vision</b>	A step ahead. With care for people.								
<b>Strategy</b>	<p>Back to profitable growth path</p> <p>Improving profitability    Growth initiatives    Raising capital efficiency</p>								
<b>Mission</b>	Creating better living environments.								
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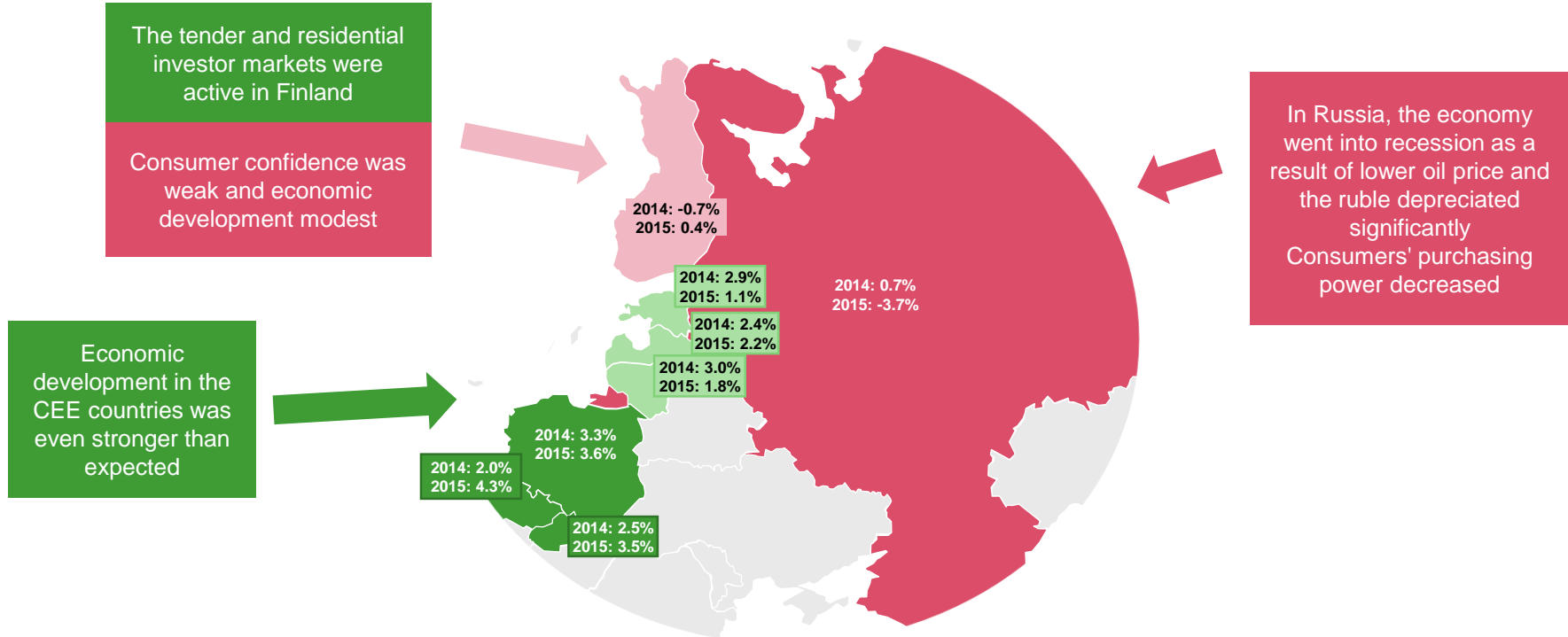
# 1

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Year 2015 in brief

# Twofold operating environment – significant changes in demand

## GDP growth in YIT's operating countries



# Renewal in all segments

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The organisation adapted to the operating environment outlook

100 new white-collar workers hired in Business Premises and Infrastructure

Number of white-collar workers halved in Housing Russia

Raising capital efficiency

→ Free cash flow EUR 336 million during the last two years

Renewing the apartment supply

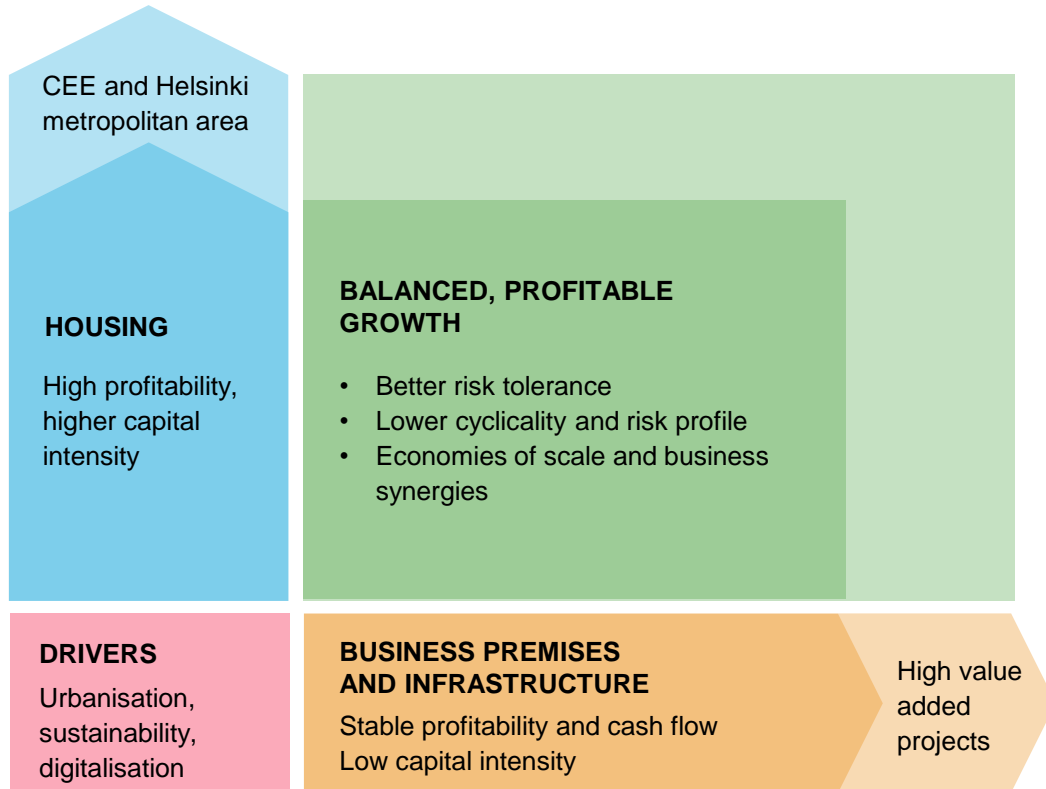
Developing the customer experience and digital services

# Highlights in 2015

- Net debt decreased by EUR 167 million and the strategic target (below EUR 600 million) was reached ahead of schedule
- The Business Premises and Infrastructure segment's order backlog grew 28%
  - In addition, several megaprojects in preparation i.a. the Tripla project and Tampere light rail project
- Residential sales (units) grew 27% in Finland as the opportunities in the investor market were utilised
- Investments into the CEE countries paid off, sales (units) grew 39%
  - Several plots acquired and new unit established in Poland
- Production volumes and risk level were lowered, organisation adjusted substantially in Russia



# Strategic focus areas



- Improving profitability
- Strengthening growth initiatives
- Raising capital efficiency



# 2

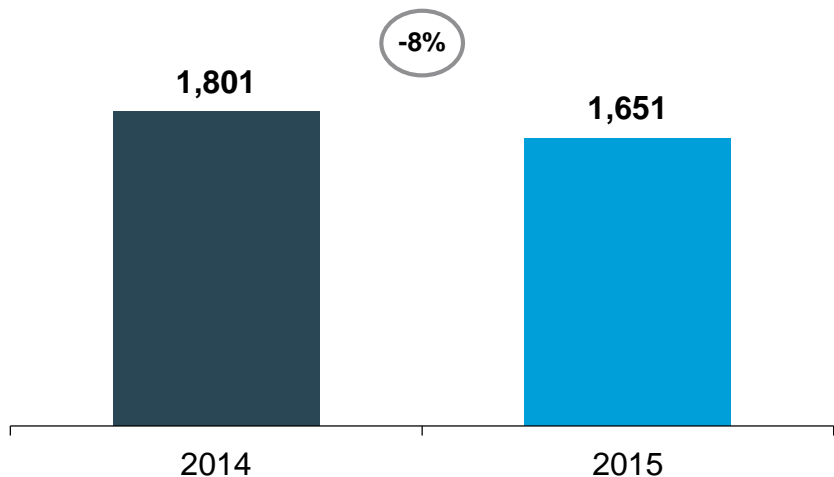
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Financial Statements 2015

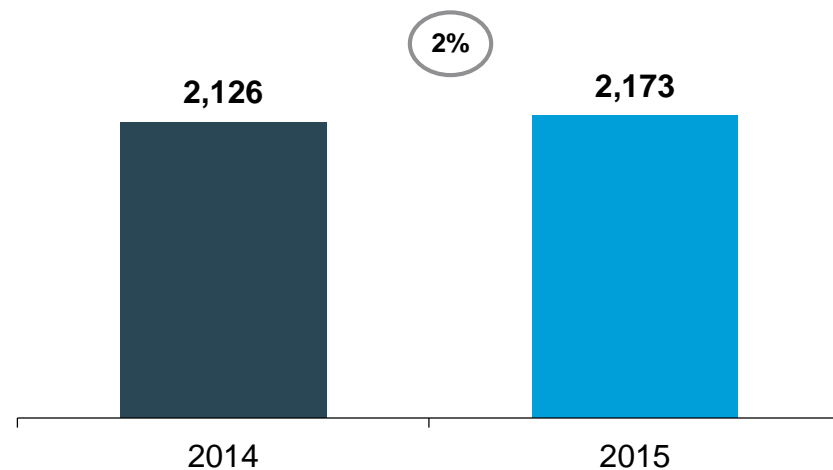
# Revenue and order backlog

- Revenue decreased 3% at comparable exchange rates
- The order backlog grew 2%. The order backlog grew clearly in the Business Premises and Infrastructure segment where significant new projects were won during the year

Revenue, EUR million



Order backlog, EUR million

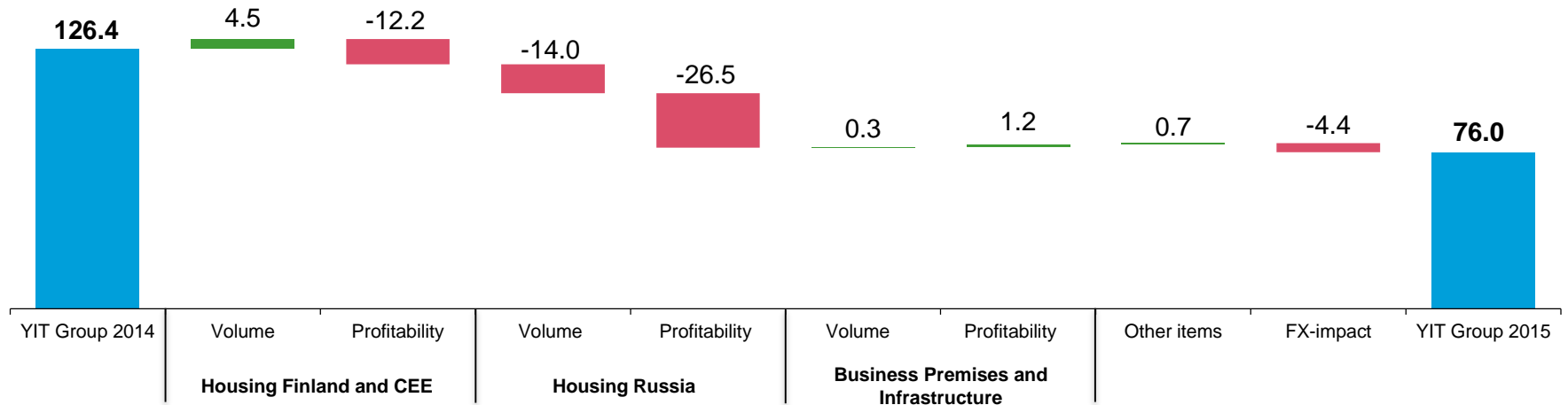


All figures according to segment reporting (POC)

# EBIT – bridge 2014 – 2015

- Profitability burdened by Housing Russia segment's low revenue and weakened project margins as well as the actions to ensure strong cash flow

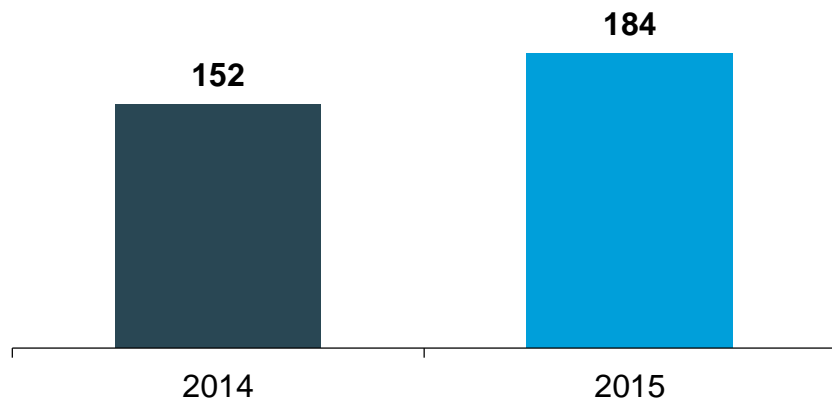
EBIT, excluding non-recurring items (EUR million), change 2014 – 2015: -40%



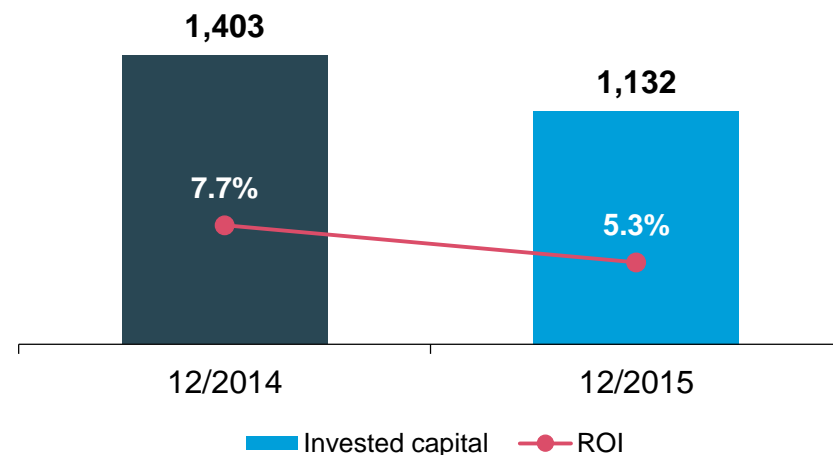
# Cash flow strengthened by improved capital efficiency in 2015

- Cash flow was not strengthened at the expense of investments: Cash flow of plot investments (EUR 138 million) grew 16%
  - CEE's share of the cash flow of plot investments was 44%
- ROI weakened due to the deterioration in operating profit

Operative cash flow after investments, EUR million



Invested capital and ROI, EUR million and %

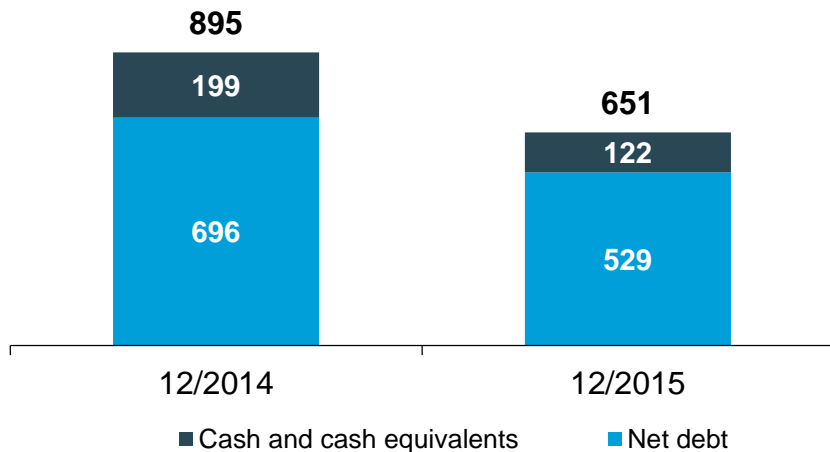


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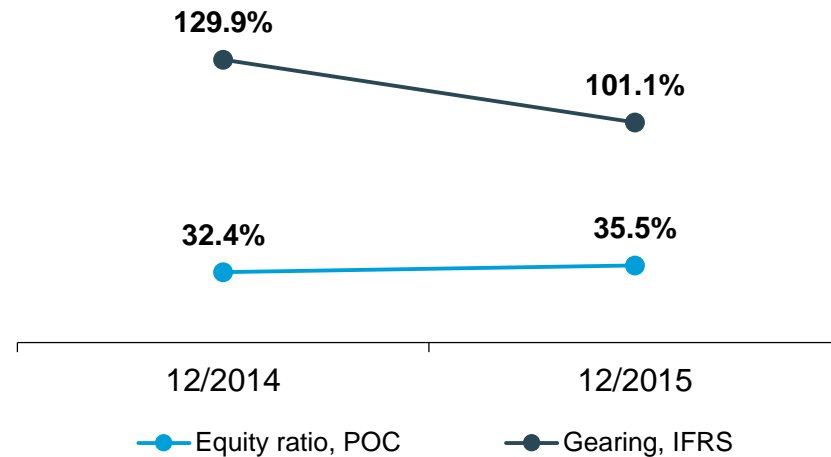
# Net debt decreased and the financial standing improved

- Very strong cash flow decreased net debt
- Weakening of the ruble slowed down improvement of the financial standing

Interest bearing debt (EUR million), IFRS

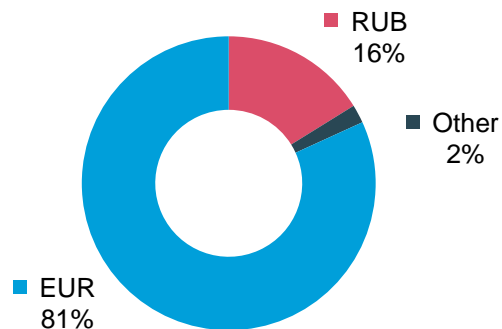


Equity ratio and gearing, %



# Weakening of the ruble impacted the 2015 figures significantly

## Revenue split 2015



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

	2015
Revenue, POC	-88.1
EBIT, POC	-1.3
EBIT excluding non-recurring items, POC	-4.4
Order backlog, POC (comp. 12/2014)	-57.5
Equity, IFRS (translation difference)	-32.9

- The Russian ruble was 25% weaker in 2015 on average compared to 2014

## Principles of managing currency risks:

- Debt investments in Russia are hedged (12/2015: EUR 98.6 million)
  - Currency positions affecting the income statement
- Equity and equity-like investments in Russia are unhedged (12/2015: EUR 219.0 million)
  - Considered to be of permanent nature
  - Hedging costs would have a substantial effect on the result and cash flow
  - Hedging cost in 2015 would have been approximately EUR 40 million

## 2015: Strong cash flow, balance sheet strengthened

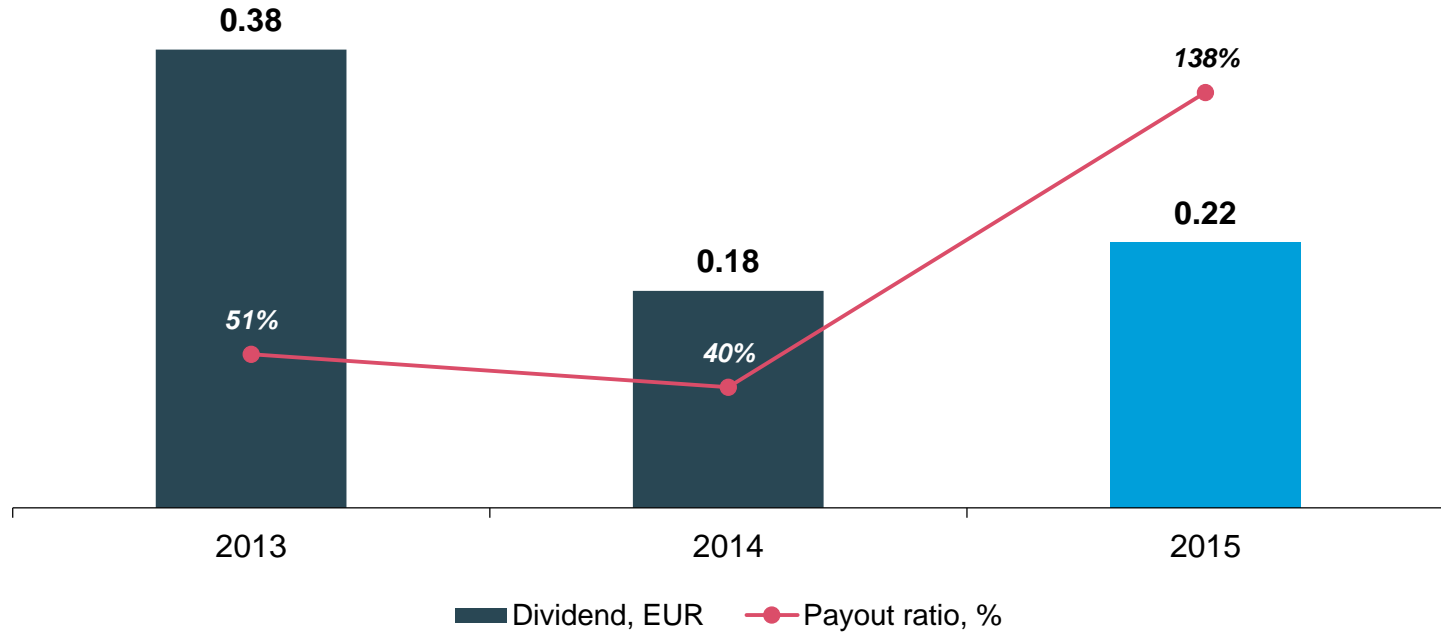
- Short term targets abandoned after reaching the net debt target (<EUR 600 million) ahead of schedule
- Long-term return on investment (ROI) target revised down to 15% from the earlier 20%
- Other long term financial targets remain unchanged

Long-term financial targets	2015	2014
Revenue growth 5 – 10% annually on average	-8%, -3% at comp. exchange rates	-3%, 2% at comp. exchange rates
Return on investment 15%	5.3%	7.7%
Operating cash flow after investments sufficient for dividend payout and debt reduction	EUR 184 million	EUR 152 million
Equity ratio 40%	35.5%	32.4%
Dividend payout 40 to 60% of net profit for the period	137.8%*	40.0%

\* Board proposal to the AGM

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

Dividend per share and payout ratio of net profit, EUR and %





# 3

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Outlook for 2016

# Key priorities in 2016

## 1 Improving profitability

- Shift residential sales to consumers in Finland
- Solid execution of the projects in the order backlog
- Lowering the production costs

## 2 Strengthening growth initiatives

- Solid execution of the major projects in Business Premises and Infrastructure including the Tripla project
- Accelerating growth in CEE countries including the start-up of the first residential project in Poland
- Increase the amount of affordable apartments for sale

## 3 Raising capital efficiency

- Decrease operative invested capital in Russia
- Complete the capital release program
- Increase the amount of partnerships



Merenkulkijanranta  
Helsinki, Finland

# Market outlook, expectations for 2016\*

## Finland

- Consumers cautious, demand to focus on small and affordable apartments in growth centres
- Investor activity to remain on a good level but even more focus will be paid on the location
- Price polarisation, especially between small and large apartments
- Business premises contracting to pick up slightly
- Infrastructure market to remain stable



## Russia

- Weak visibility
- Residential prices stable in nominal terms
- Residential demand to focus on small apartments that are completed or close to completion



## CEE

- The improved economic situation to support residential and business premises demand
- Residential prices are estimated to increase in the Czech Republic, Slovakia and Lithuania, and to remain stable in Poland, Estonia and Latvia



\*The market outlook as a whole remains unchanged and can be read in full length in the Financial Statements Bulletin for 2015

## Guidance for 2016\* (segment reporting, POC)

The **Group revenue growth** is estimated to be in the range of **0-10%** at comparable exchange rates.

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

\* The guidance remains unchanged and the reasoning for the guidance can be read in the Financial Statements Bulletin for 2015

\*\* The adjusted operating profit does not include material reorganisation costs or impairment



# Successes so far in 2016



- The Tripla project is progressing according to plan
  - Purchase agreement for the land areas signed and Pasila railway station bought
  - Construction and investor negotiations are progressing
- Several new business premises projects
  - Office building in Helsinki city centre, Finland
  - Office building in Kalasatama area in Helsinki, Finland (EUR ~25 million)
  - Office building in Bratislava, Slovakia (EUR 12 million)
  - Omasairaala private hospital in Kuopio, Finland (EUR >10 million)
  - Nummi service centre life-cycle project in Hämeenlinna, Finland (EUR 17 million)
  - Office and logistics property in Vantaa, Finland (EUR 13 million)
- Success also in infra projects
- Several new residential start-ups

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