



# STRENGTHENING THE FINANCIAL STABILITY

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ILKKA SALONEN, CFO



# Agenda

- 1 Financing
- 2 Financial targets
- 3 Cyclicity in business
- 4 Capital efficiency
- 5 Update on IFRS 16
- 6 Guidance





# 1

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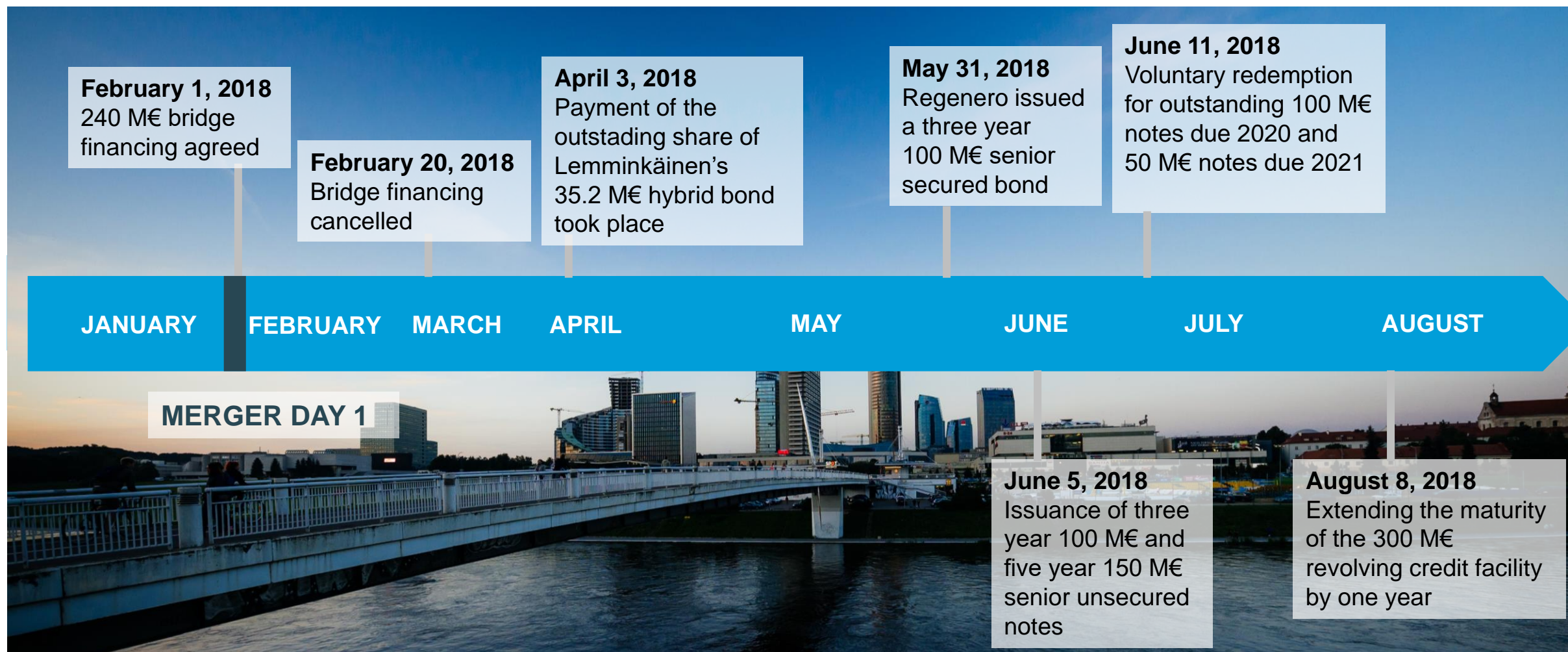
## Financing



SHOPPING CENTRE LAUTTIS, HELSINKI, FINLAND

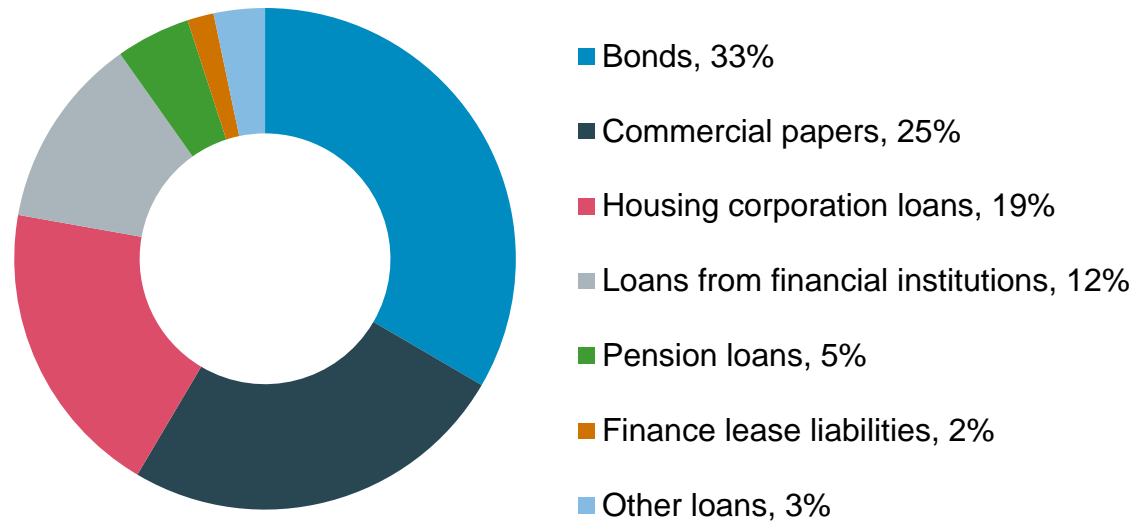


# Financing activities during 2018



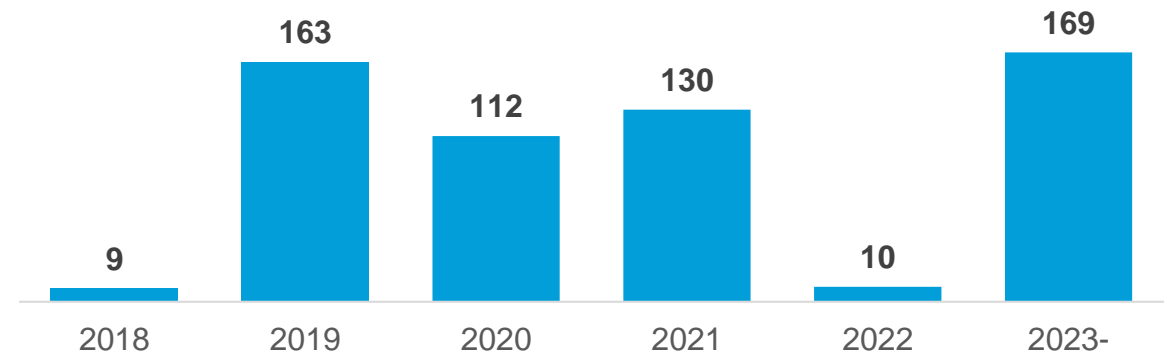
# Balanced debt portfolio

DEBT PORTFOLIO<sup>1</sup> AT THE END OF 6/2018, EUR 1,068.7 MILLION



<sup>1</sup>Debt portfolio based on actual reported figures as at June 30, 2018

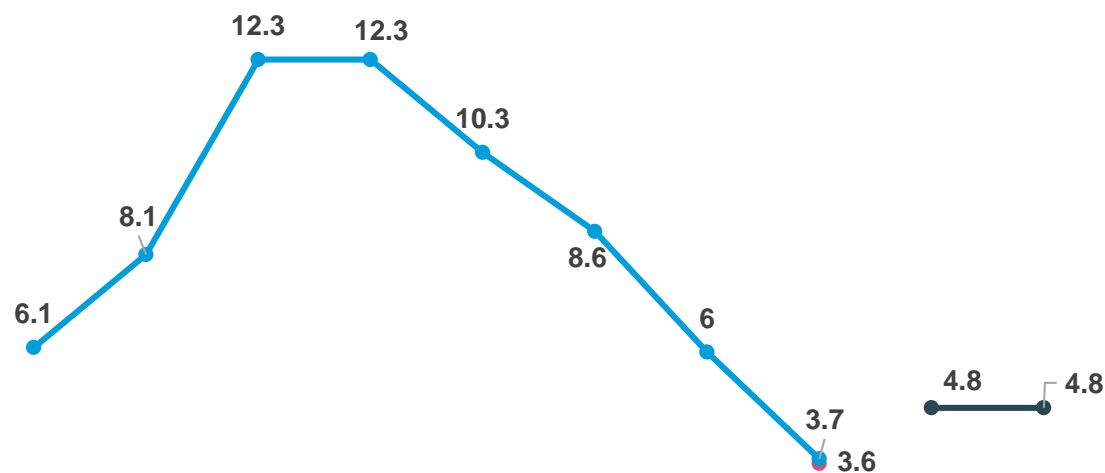
MATURITY STRUCTURE, NOMINAL AMOUNTS<sup>1</sup> (EUR million)



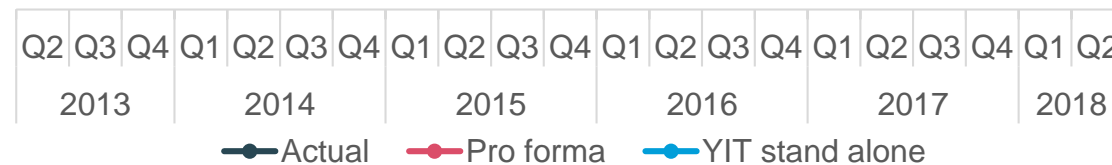
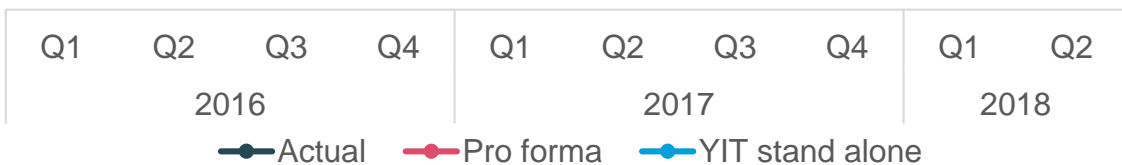
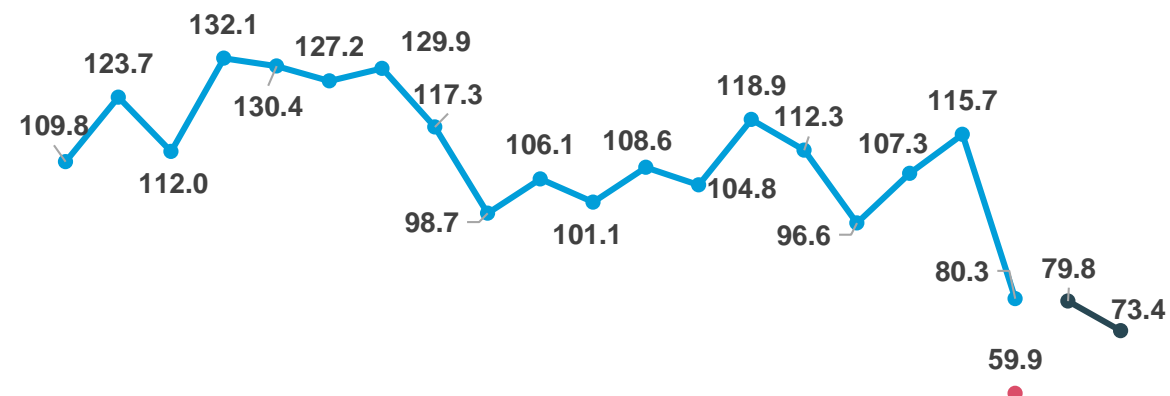
<sup>1</sup> Excluding housing corporation loans, EUR 206.2 million (these loans will be transferred to the buyers of the apartments when the units are handed over), and commercial papers, EUR 267,8 million.

# Net debt/ Adjusted EBITDA and Gearing

NET DEBT / ADJUSTED PRO FORMA EBITDA (multiple, x)



GEARING<sup>1</sup> (%)



Q4/2018 figures are pro forma based and actual reported figures since Q1/2018.

<sup>1</sup> YIT has changed the definition of gearing so that interest-bearing receivables are included in the calculation.





# 2

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## Financial targets



PURJEENTEKIJÄ APARTMENT BUILDING PROJECT  
LAUTTASAARI, HELSINKI, FINLAND



# Financial targets

Financial target	Long-term target level	Status at year end 2017
ROCE-%	>12%	8.8% <sup>1</sup> 
Gearing	30-50%	80.3% <sup>1</sup> 59.9% <sup>2</sup> 
Dividend per share	Growing annually	EUR 0.25 

<sup>1</sup> YIT stand alone

<sup>2</sup> Pro forma figure



# 3

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## Cyclicalty in business

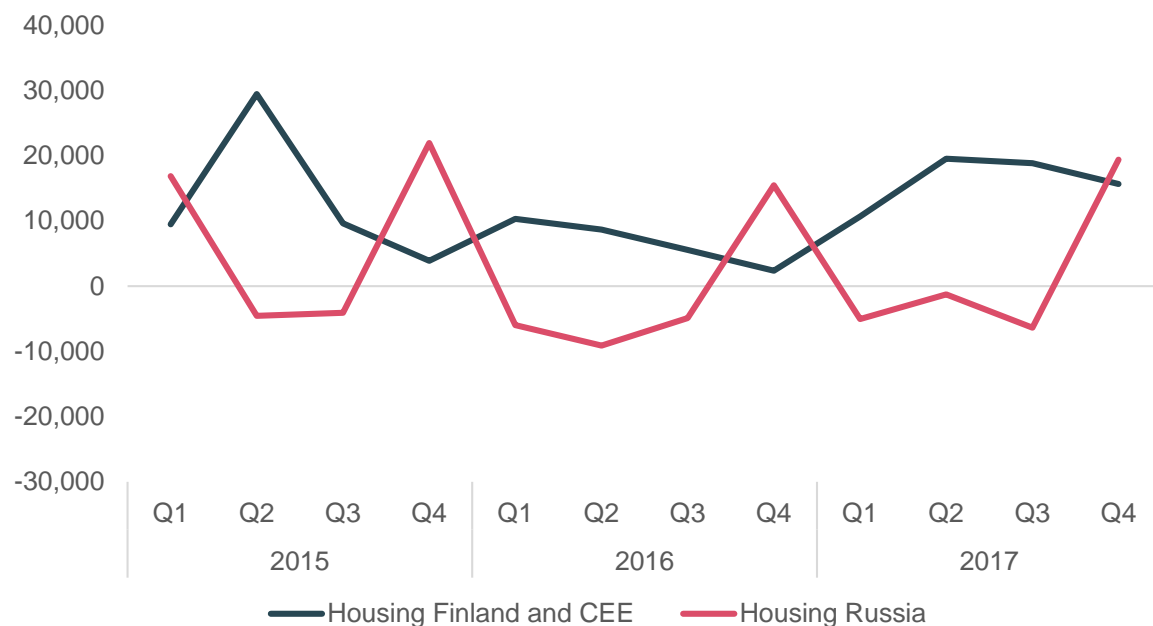


AVIAPOLIS RAILWAY STATION  
VANTAA, FINLAND

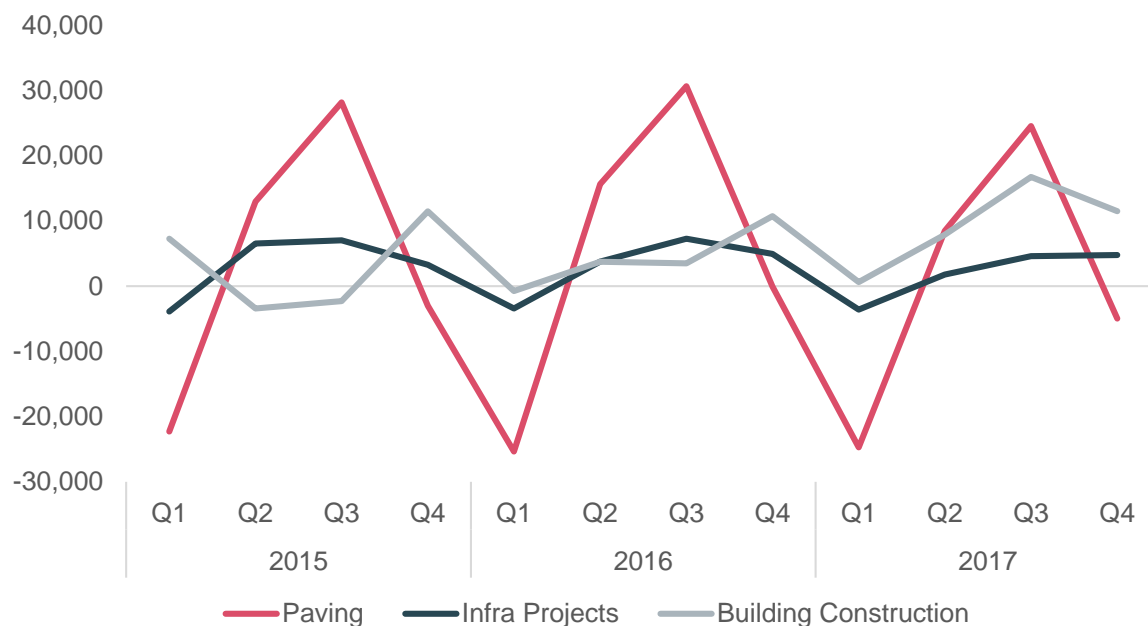
# Cyclicality in profit generation

- In housing segments, revenue and profit recognition is highly dependent on the number of completed apartments
- Paving and Infrastructure projects are cyclical within the year, especially paving business has practically no operations in Q1, which is reflected as low revenue and negative profit
- Infrastructure project segment is counter cyclical to housing and business premises

ADJUSTED EBIT DEVELOPMENT IN YIT BEFORE THE MERGER



ADJUSTED EBIT DEVELOPMENT IN LEMMINKÄINEN BEFORE THE MERGER



All figures are IFRS based



# Strategic priority: non-cyclical businesses

## SERVICES (LIVING AND PROPERTY MANAGEMENT SERVICES, ROAD MAINTENANCE)

- Long-term service agreements with good predictability
- Combined annual revenue above EUR 100 million

## PARTNERSHIP PROPERTIES

- Mix of rental incomes, fair valuation and capital gains to support stable annual performance

> 100 M€  
OF ANNUAL  
OPERATING PROFIT  
FROM 2019 ONWARD

## RENOVATION

- Demand growing through out the economic cycles
- Renovation market is expected to continue its steady growth (approx. 2%)
- Combined annual approx. EUR 200 million

## PAVING AND MINERAL AGGREGATES

- Demand stable through out the economic cycles
- Utilising growing demand for sustainability: material and resource efficiency, recycling
- Combined annual revenue approx. EUR 600 million

# 4

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## Capital efficiency



REDING TOWER 2, REDING,  
RAČA, BRATISLAVA, SLOVAKIA



# Cornerstones of success: capital efficiency

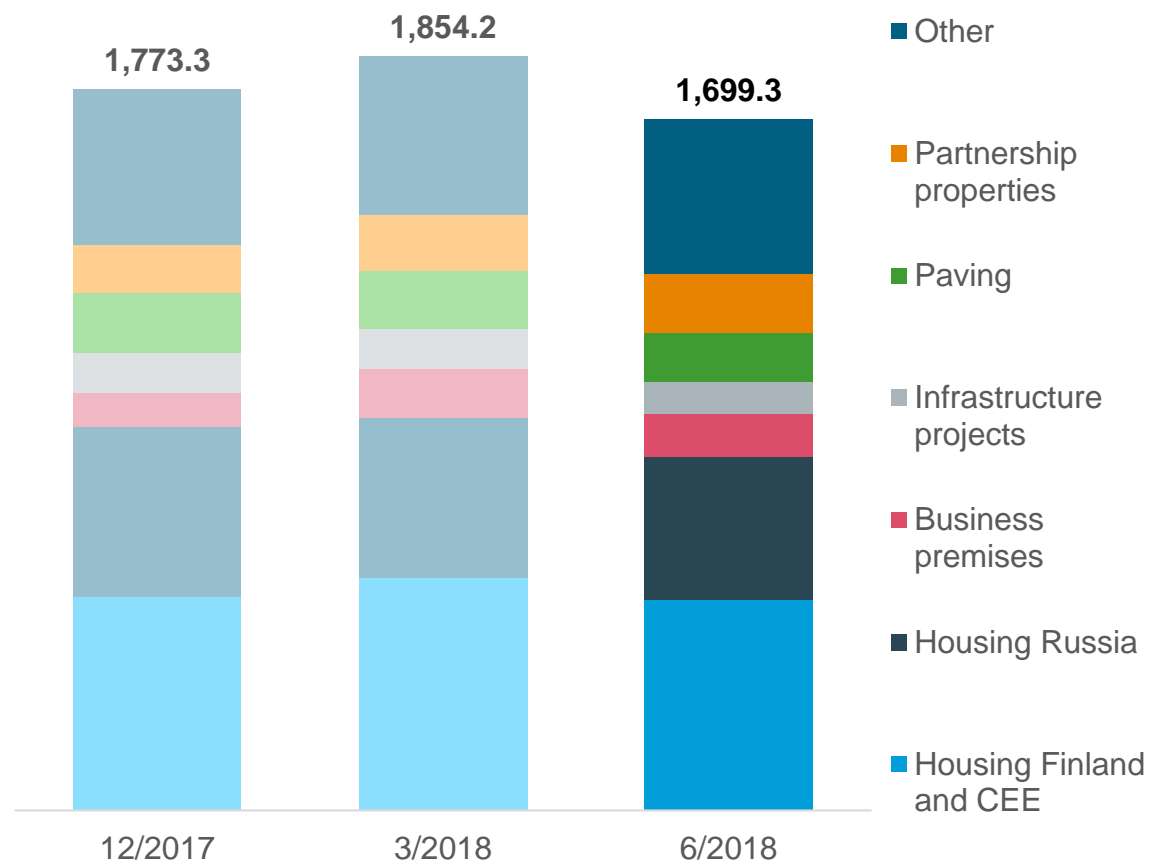
- Improving operating profit through higher productivity and realised synergies
- Reducing capital employed in Russia
- Reducing working capital
- Divesting slow moving assets
- Utilising co-investments and external funds
- Decreasing financing costs
- Reducing ownership in Mall of Tripla step by step (18.75% available to sell)



**EUR +150 MILLION FREE CASH FLOW ANNUALLY**

**GEARING 30-50%**

**CAPITAL EMPLOYED BY SEGMENTS<sup>1</sup>** (at the end of period)



# 5

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## Update on IFRS 16

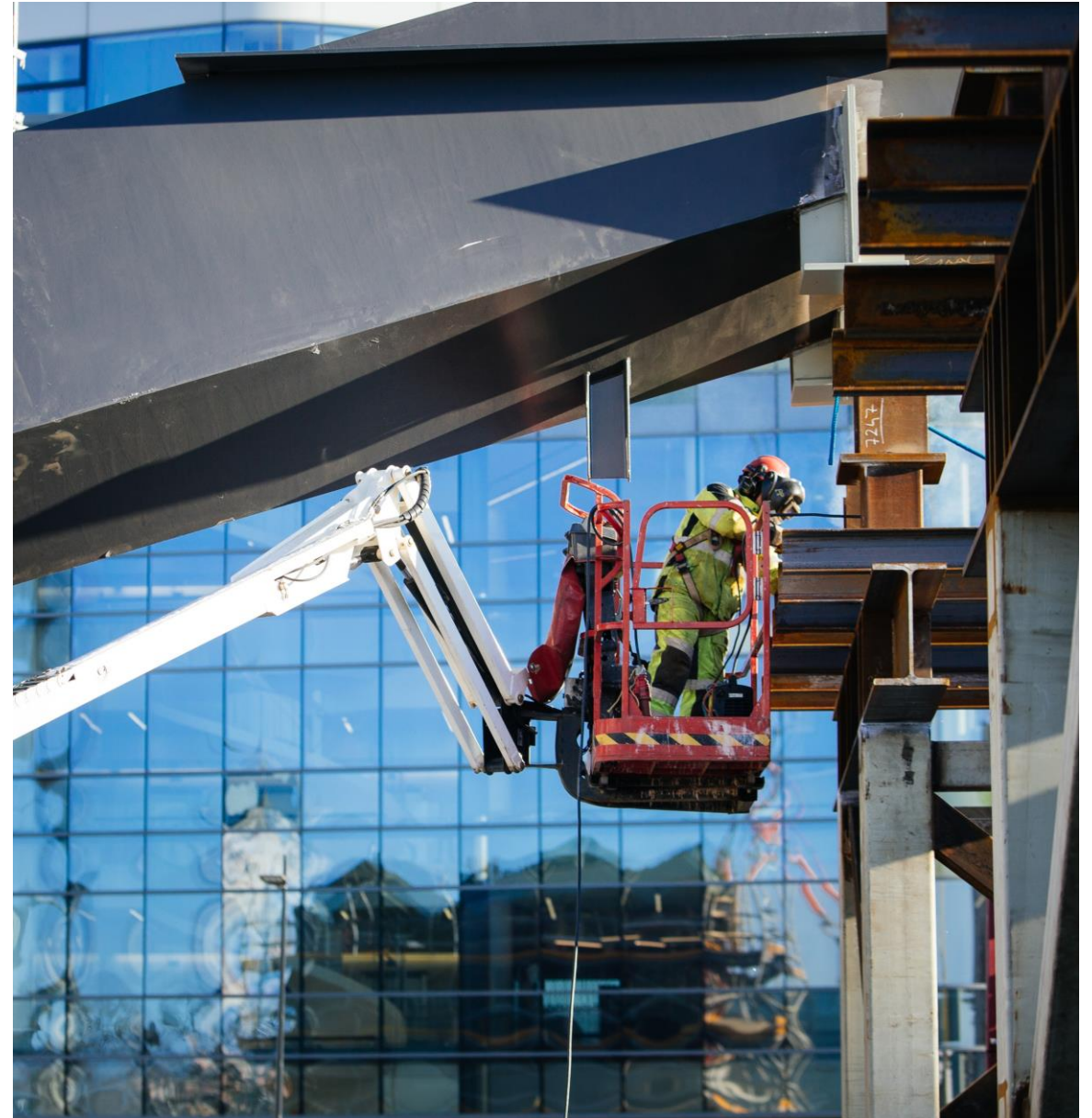




# IFRS 16 Leases - update

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- New IFRS 16 will be effective on the 1<sup>st</sup> of January 2019.
- Lease agreements will be recognised in balance sheet.
- According to the current estimate
  - the adoption of the standard will increase the amount of property, plant and equipment, inventories and financial liabilities.
  - the standard is not expected to have a significant impact on profit for the accounting period or equity.
- The balance sheet total is estimated to increase EUR 200-300 million. The adoption of the standard will also have a positive impact on EBITDA.
  - Estimates will be updated when further information is available.



# 6

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## Guidance



KASARMIKATU 21, OFFICE BUILDING PROJECT  
HELSINKI, FINLAND



# Guidance for 2018 unchanged (as given on June 27, 2018)

The Group **pro forma revenue 2018** is estimated to **decrease by -2% – -6%** from pro forma revenue 2017 (pro forma 2017: EUR 3,862.5 million).

In 2018, the **adjusted pro forma operating profit<sup>1</sup>** is estimated to be in the range of **EUR 130–160 million** (pro forma 2017: EUR 138.9 million).

## GUIDANCE RATIONALE

- The guidance for 2018 is based on, among others, the estimated timing of completions of residential projects under construction and the company's solid order backlog. YIT estimates that in 2018 approximately **5,300–5,700 apartments** in Finland and CEE, and approximately **2,400–3,300 apartments** in Russia will be completed, most of them during the last quarter of 2018.
- At the end of June, **53%** of the backlog was sold.
- In the third quarter, the adjusted pro forma operating profit<sup>1</sup> is expected to be on the good level of last year, driven especially by the paving season.
- During the first months of the year, YIT has signed several significant, long-term lease agreements and the estimate regarding the adjusted operating profit<sup>1</sup> includes divestment of some of the business premises in the Helsinki metropolitan area to final investors during the fourth quarter. In the fourth quarter, the adjusted pro forma operating profit<sup>1</sup> is expected to be clearly better than last year.

<sup>1</sup> The adjusted operating profit reflects the result of ordinary course of business and does not include material reorganisation costs, impairment charges or other items affecting comparability. Adjusted operating profit is disclosed to improve comparability between reporting periods. Adjusting items are defined more precisely in the tables section of the January–June 2018 Interim Report. YIT reports in accordance with IFRS principles.