

# Building and Industrial Services

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# Building and Industrial Services



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# Building and Industrial Services



**We create and maintain desired conditions inside properties. We help industry to improve operational productivity and reliability and offer services for making energy use more efficient.**

- All technical building system solutions
  - Heating, ventilation, piping, cooling, electrification, security, automation and fire fighting systems
- New installations, service and renovation
- Facility management
- Energy-efficiency and expert services
- Project deliveries to industry
  - Piping systems, tanks, boilers, electrification, automation, ventilation, water treatment
- Maintenance to industry

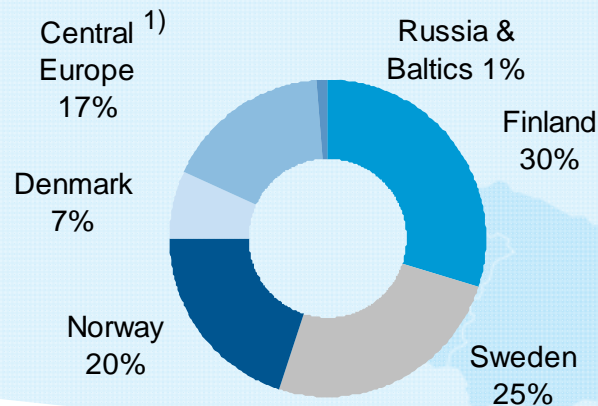
# Building and Industrial Services Operations in 14 countries

## Market position

### Building systems services: Industrial services:

- Largest in the Nordic countries
- Largest in Lithuania
- Strong foothold in Central Europe
- Leading Nordic provider in its product areas

## Revenue by country, 1-6/09



1) Germany, Austria, Poland, Czech Republic, Hungary, Romania



# Building and Industrial Services

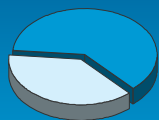
## Low capital, high return on investment

Share of YIT Group 1-6/09



**Revenue**

**62%**



MEUR 1,067



**EBIT**

**58%**



MEUR 57



**Invested capital**

**24%**



MEUR 371



**Personnel**

**75%**



18,208



**Return on investment**

**54.9%**

(2008)



**Type of business:**

**Cash flow**

**Service and maintenance  
54% of revenue**

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# Market environment and trends





# Market environment and trends

- Slight increase continues in technical service and renovation
- New investments in building technical systems and industry decreasing
- Municipalities need to find new solutions
- Consolidation of fragmented market continues
- Demand on energy efficiency services increasing



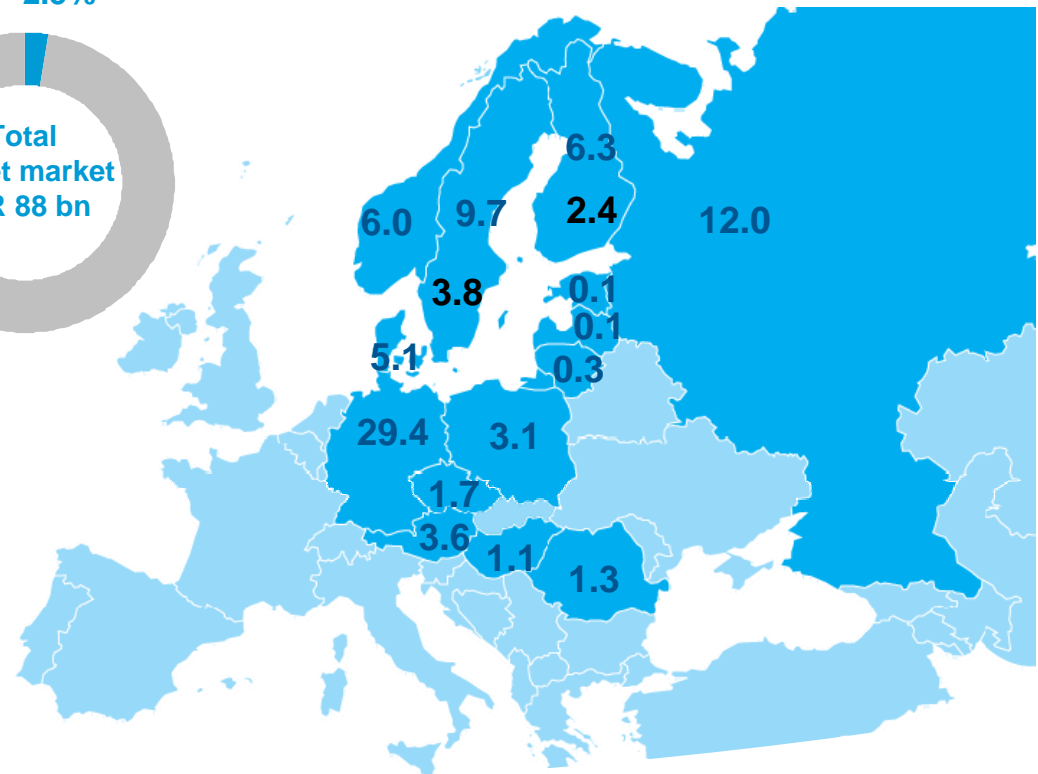


# Building technical systems market in YIT operating countries

- Building technical systems market in 2008 estimated at 88 billion euros
- Industrial services market in 2009 estimated at 6.2 billion euros in Finland and Sweden
- Western European market has shifted towards renovation in 2009, Central Eastern European market is driven by new construction

Market size estimate in 2008

YIT total market share:  
2.5%

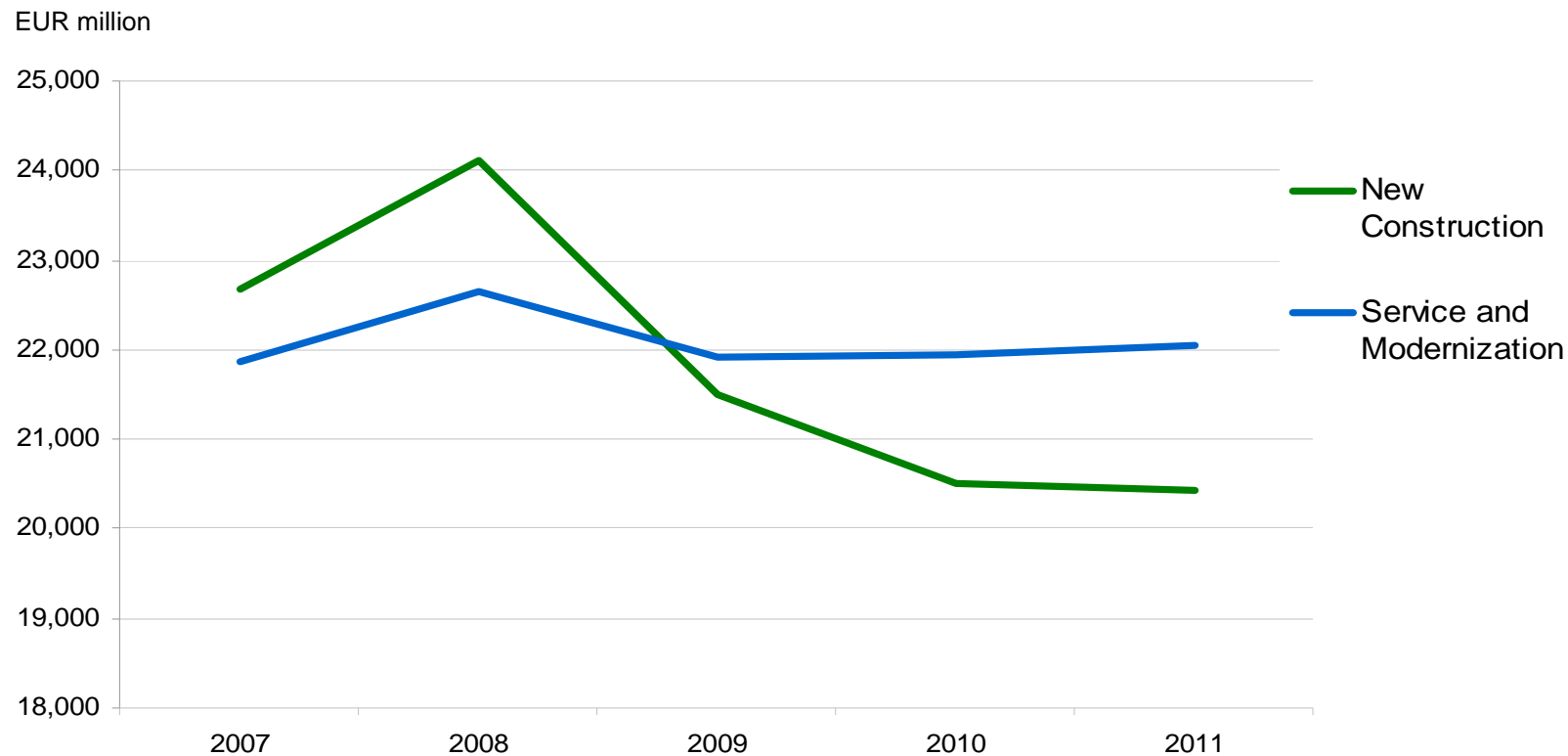


Building technical systems market, EUR bn

Industrial services market, EUR bn

# Market shift towards renovation

## Building Systems non-residential market

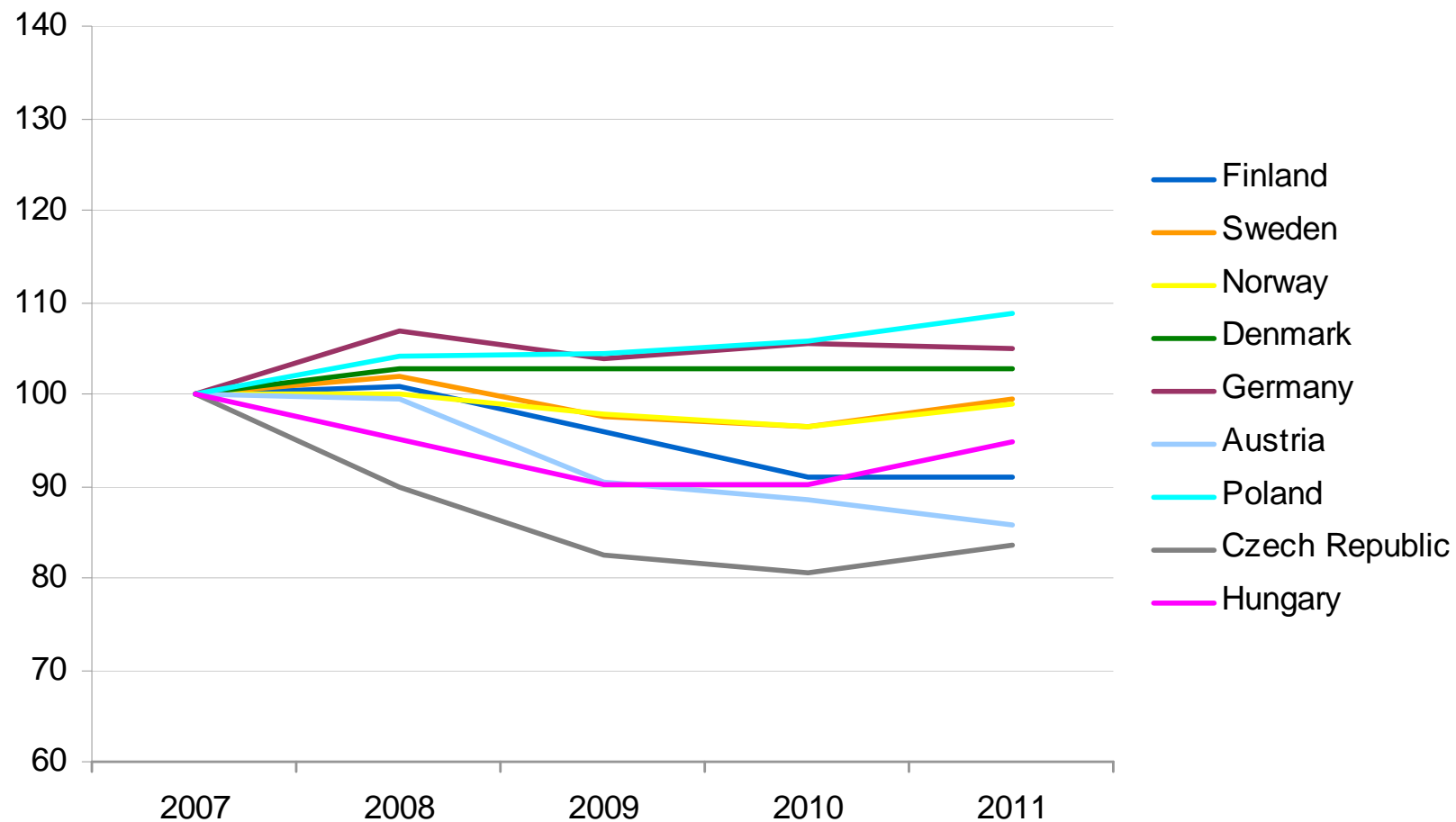


Source: Euroconstruct and YIT's estimate of the total building systems market in the non-residential sector in Sweden, Finland, Norway, Denmark, Germany, Austria, Czech Republic, Hungary and Poland. Non-residential building technical systems market size is estimated to be 25 % of new non-residential construction volume and 35 % of non-residential renovation volume.

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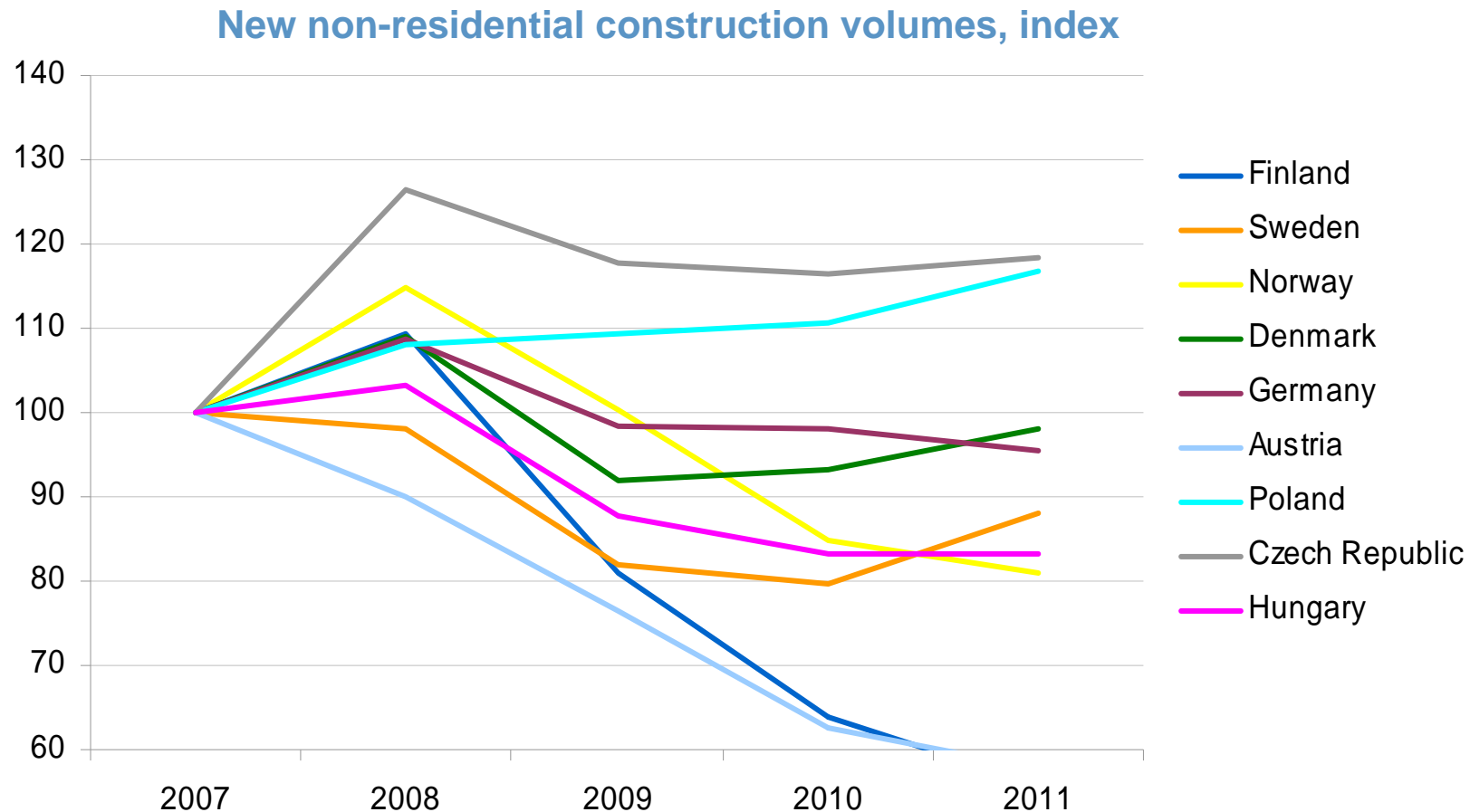
# Steady demand in technical service and maintenance

Service and modernisation volumes, index



Source: Euroconstruct, VTT and YIT's own estimate

# Investments in building technical systems decreasing



Source: Euroconstruct, VTT and YIT's own estimate

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# Municipalities need to find new outsourcing solutions in Finland and Sweden

Sweden	Finland	Norway and Denmark	Germany and Austria
Market opening up for technical maintenance outsourcings	Market slowly opening up in public outsourcings	Low activity in public outsourcings	Business as usual in public outsourcings
<ul style="list-style-type: none"><li>• Public buildings<ul style="list-style-type: none"><li>-schools, daycare centers, retirement homes, indoor swimming pools, sport halls, libraries</li></ul></li><li>• New companies<ul style="list-style-type: none"><li>-water treatment facilities, heating and district heating plants</li></ul></li><li>• Regional county councils<ul style="list-style-type: none"><li>-hospitals</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Public outsourcings<ul style="list-style-type: none"><li>• schools, offices, health care</li></ul></li><li>• Public utility companies</li></ul>	<ul style="list-style-type: none"><li>• Low activity due to political priorities</li></ul>	<ul style="list-style-type: none"><li>• Public outsourcing has been going on for several decades</li><li>• Market develops steadily and outsourcing continues</li><li>• Health care and education have been privatised and maintenance outsourced</li></ul>



# Consolidation of fragmented market continues

- Fragmented market
  - only a few large companies in each country
  - few bigger international multi-discipline companies
  - large number of smaller players focusing on one discipline in selected regions
- Increasing number of small and medium-sized companies are coming up for sale
- Some international players have expanded geographically by acquisitions
- Equity investors still owners in companies

# Demand on energy efficiency services increasing

## EU long term objectives

- Emissions down by 20%
- Renewable sources of energy up by 20%
- Increase in energy efficiency up by 20%

**26%**  
Industry



**33%**  
Traffic



**41%**  
Existing buildings



Source: CEPMC

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# Demand on energy efficiency services increasing

## **Legislation**

- EU directives implemented into national legislation

## **Driven by public sector**

- Public investments
  - ~ 90 % of current volume
  - long term projects
  - EPC (energy saving contract) projects for hospitals, schools and offices
- Stimulus packages
  - construction and renovation (Austria, Germany, Sweden)
  - public investment support for ESCO projects available in Finland

## **Start-up by private property owners**

- customers look for guaranteed energy savings
- shorter expected payback period
- project time frames 1-3 years

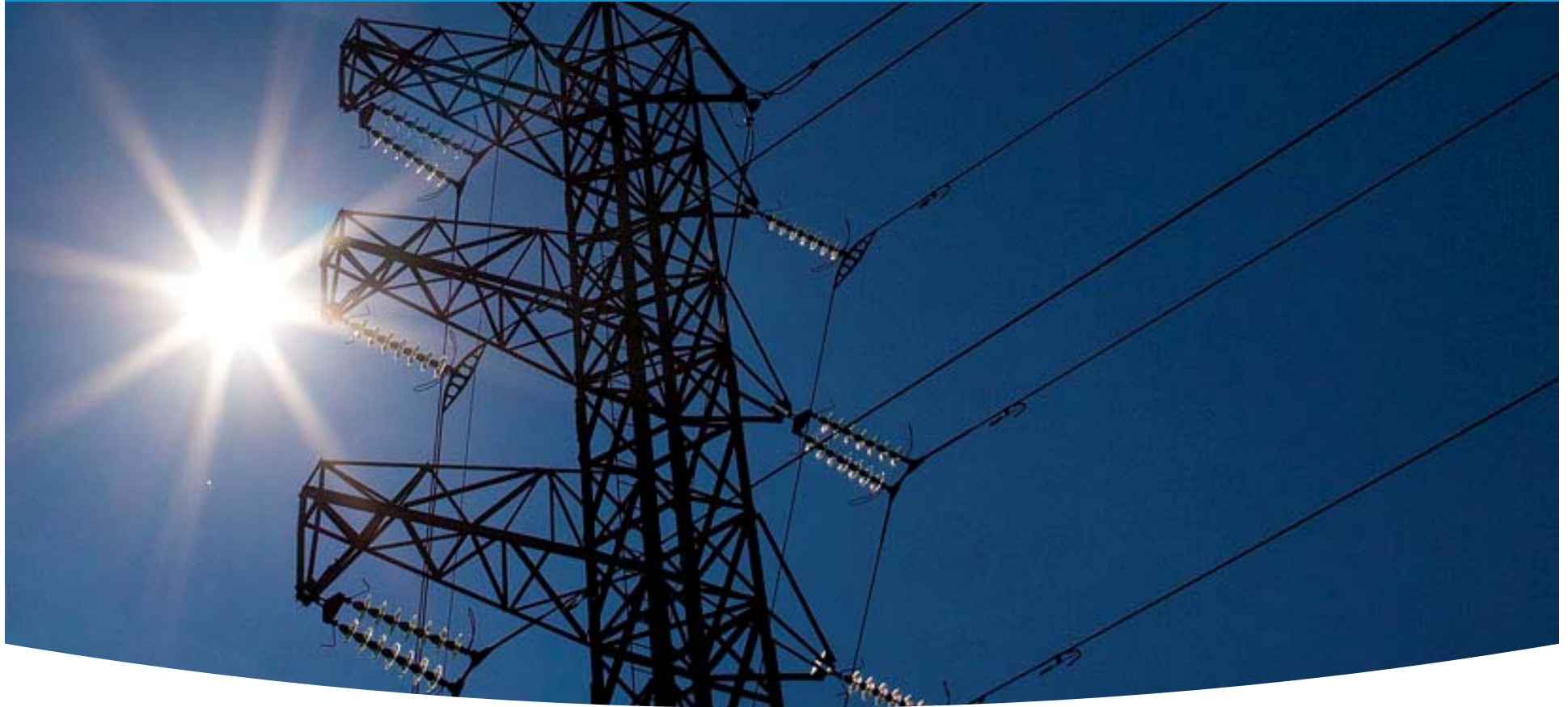
## **Energy intensive industry driven by chemical, pulp and paper and steel industries**

- short payback projects
- project time frames 1-3 years

EPC=energy saving contract

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# Strategic focus areas





# Strategic focus areas

Increase market share in Nordic countries and Western Europe

Increase service and renovation

Forerunner in energy-saving solutions

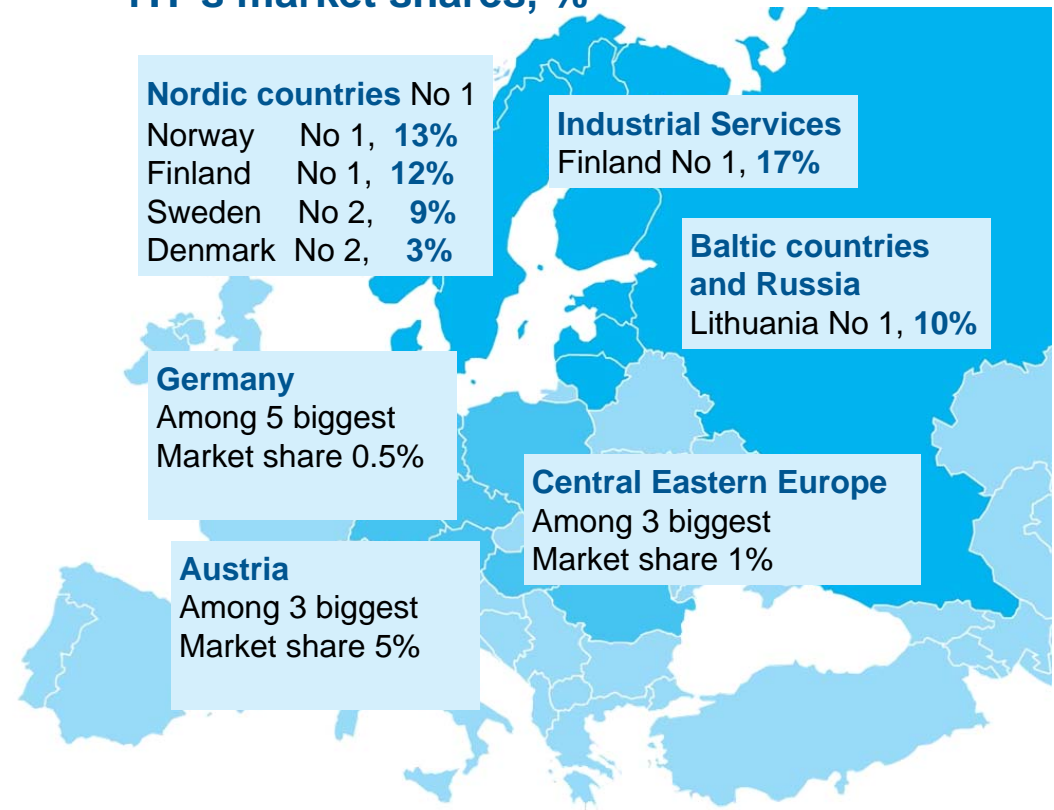




# Increase market share in Nordic countries and Western Europe

- **Full scope of services and technical competence**
  - Design, installation, operation, service, renovation and technical facilities management
  - Heating, ventilation, piping, cooling, electrification, security, automation and fire fighting
- **Organic growth and acquisitions**

## YIT's market shares, %



# Acquisition criteria

## Acquisition targets

- Fulfil disciplines in selected areas
- Large share of service business

## Acquisition criteria

- Strategic match and operative synergies
- Price and payback period
- Business culture and competent personnel
- Opportunities for company development



# Strategy execution

## MCE acquisition in line with plans

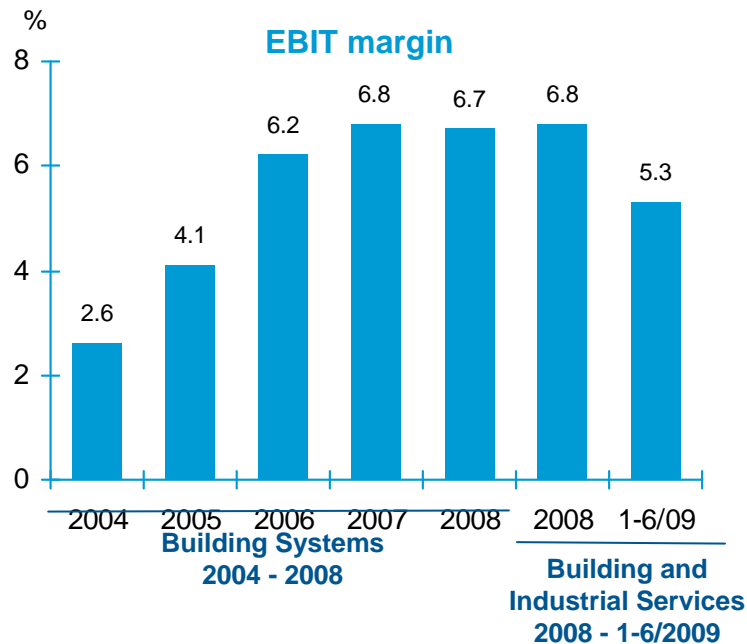
### Major acquisitions

ABB acquisition  
(2003):

- Nordic countries, Russia, Baltics

MCE acquisition  
(2008):

- Germany, Austria, Poland, Czech Republic, Hungary, Romania



In the beginning of 2009 Building Systems and Industrial Services were merged into one business segment, Building and Industrial Services.

### MCE development process

**Next target:**  
Growth and expansion

**In process:**  
Improve profitability  
and increase long-term service  
and maintenance agreements

**Completed:**  
Fast and  
effective  
integration

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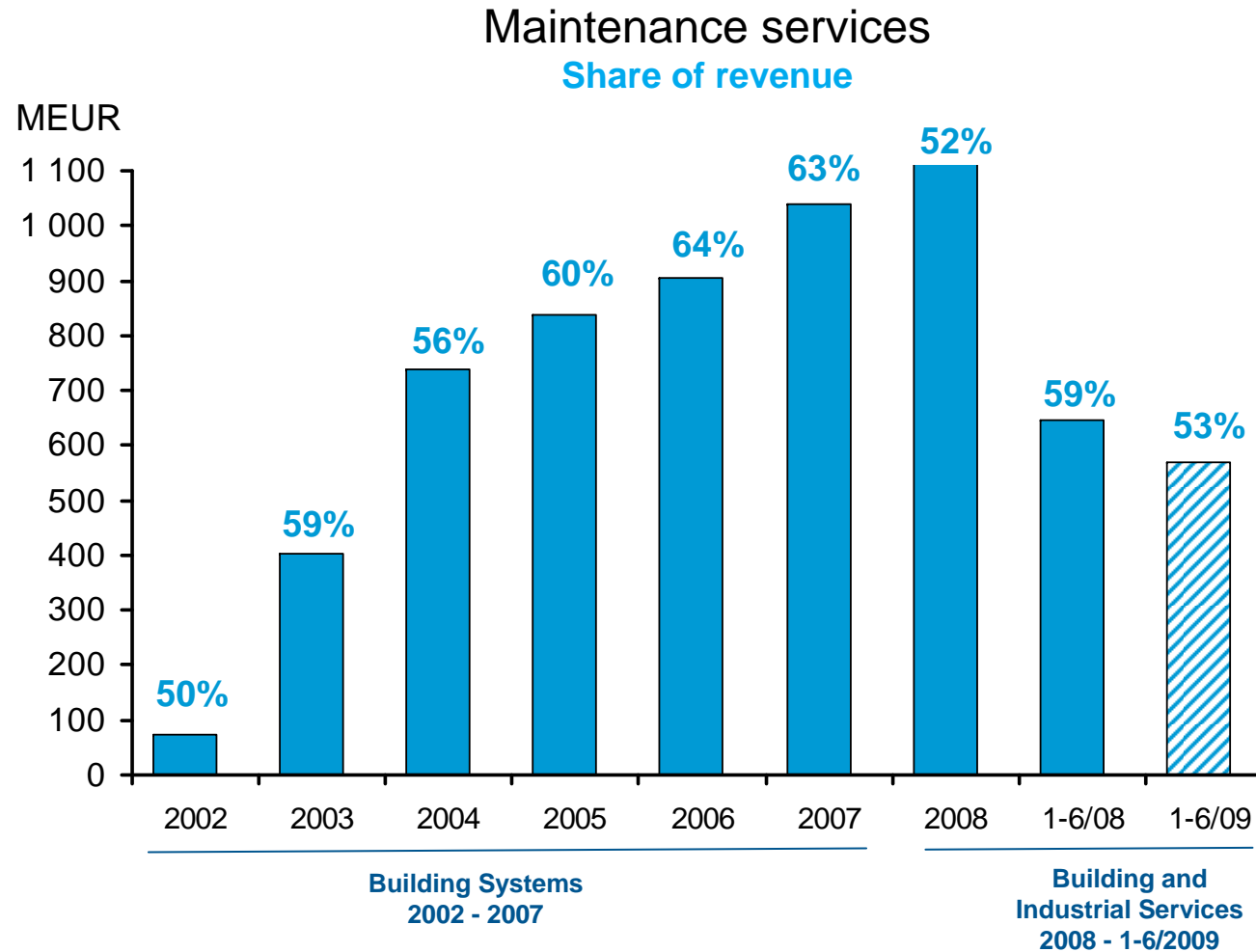


# Increase service and maintenance

- Long-term multidiscipline service agreements
  - HVAC, cooling, fire, electricity, automation, security, energy saving
- Technical systems maintenance outsourcing in public and private sectors
- Own innovative solutions
  - Technical outsourcing, own total technical solutions
- Nationally local presence
  - Availability 24/7

# Strategy execution

## Service and maintenance



In the beginning of 2009 Building Systems and Industrial Services were merged into one business segment, Building and Industrial Services.

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# Forerunner in energy-saving solutions

## New construction



- LuxCool and ClimaCeil for high efficiency building technical systems
- e-drift and niagara building automation
- Electrical automation for power plants
- Heat recovery and accumulators for industry

## Modernization



- EPC projects in building technical systems and energy intensive industry
- LuxCool and ClimaCeil for building technical systems
- Boiler modernization concept for energy industry

## Service



- Energy-saving and operational guarantee in EPC projects
- Multidiscipline service
- Remote operating and monitoring
- e-drift and niagara building automation

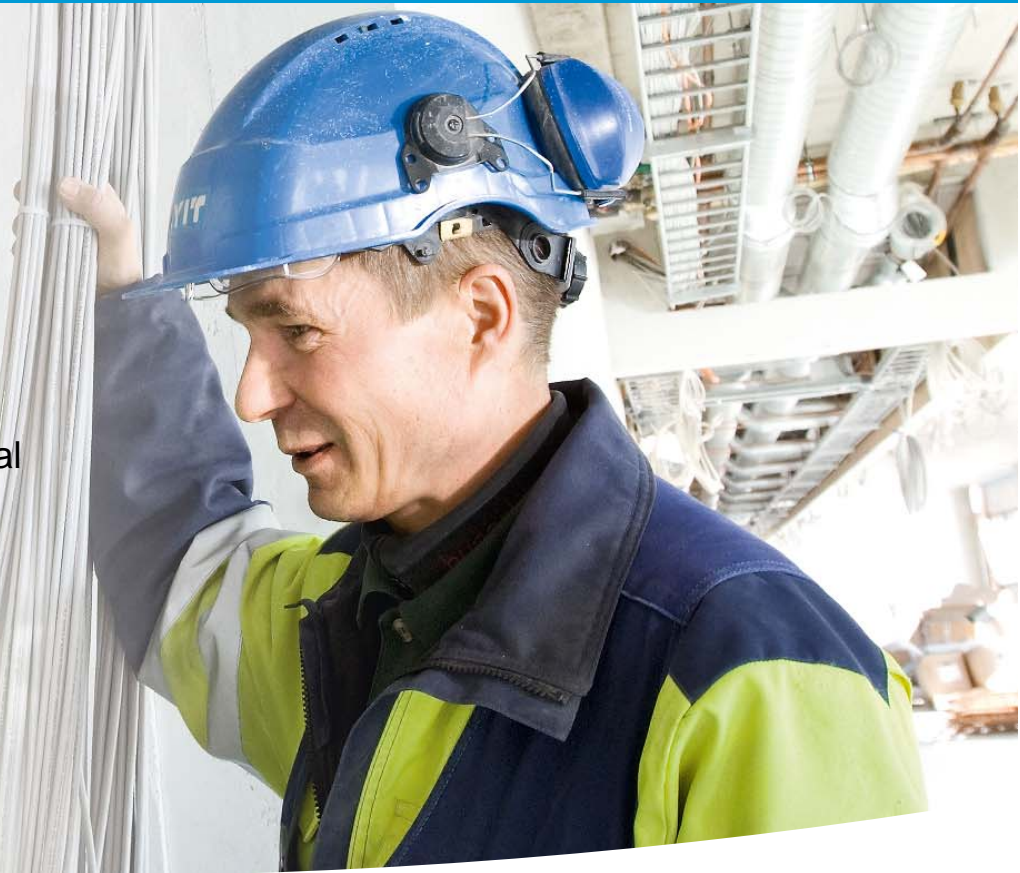
EPC=energy saving contract

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# Strategy execution

## Energy-saving solutions and automation strengthened

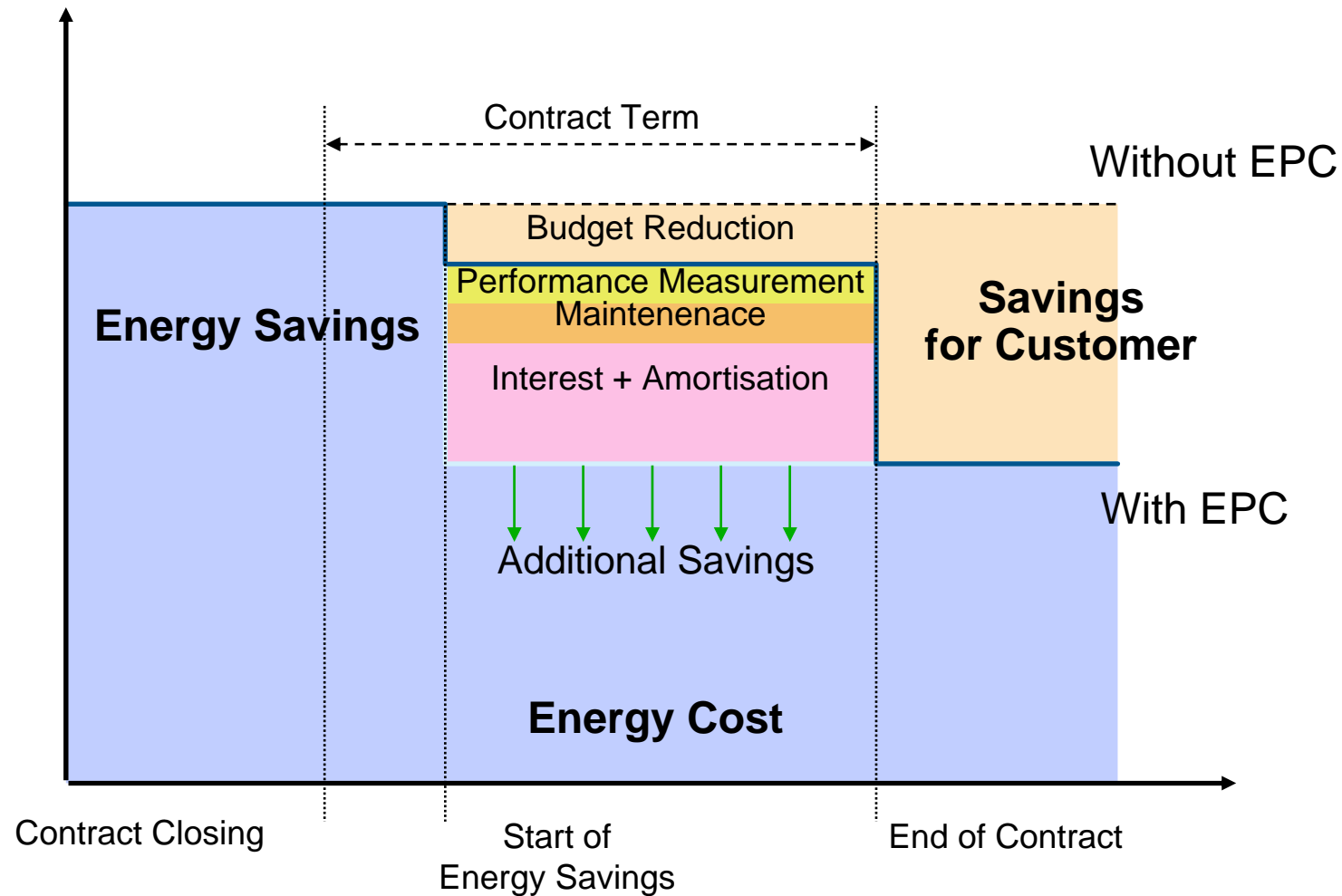
- **Strong foothold in EPC markets in Sweden, Finland and Central Europe**
  - Costs are funded by the realised energy savings
- **Finnish market leader in industrial EPC**
  - Industrial Services EPC customers savings add up to 300 000 MWh (equal to 15 000 households/annum) and 100 000 tCO<sub>2</sub> (equal to 30 000 cars/annum)
- **Energy efficiency and indoor climate optimizing ClimaCeil concept in Norway and LuxCool in Finland**



EPC= energy saving contract

# Energy performance contracting

## Characteristics of energy cost



EPC = Energy Performance Contracting

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# Competitive edges

- **Nationally local presence**
- **Full scope of services**
- **Own innovative solutions**
- **Deep technical competence**
- **Acquisition strategy and implementation competence**

