

# Construction Services Finland

Tero Kiviniemi  
President  
Construction Services Finland

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# Construction Services Finland



Together we can do it. **YIT**



# Construction Services Finland

We construct the necessary premises for living, working, business and public services as well as the functional technical infrastructure.

- **Residential construction**

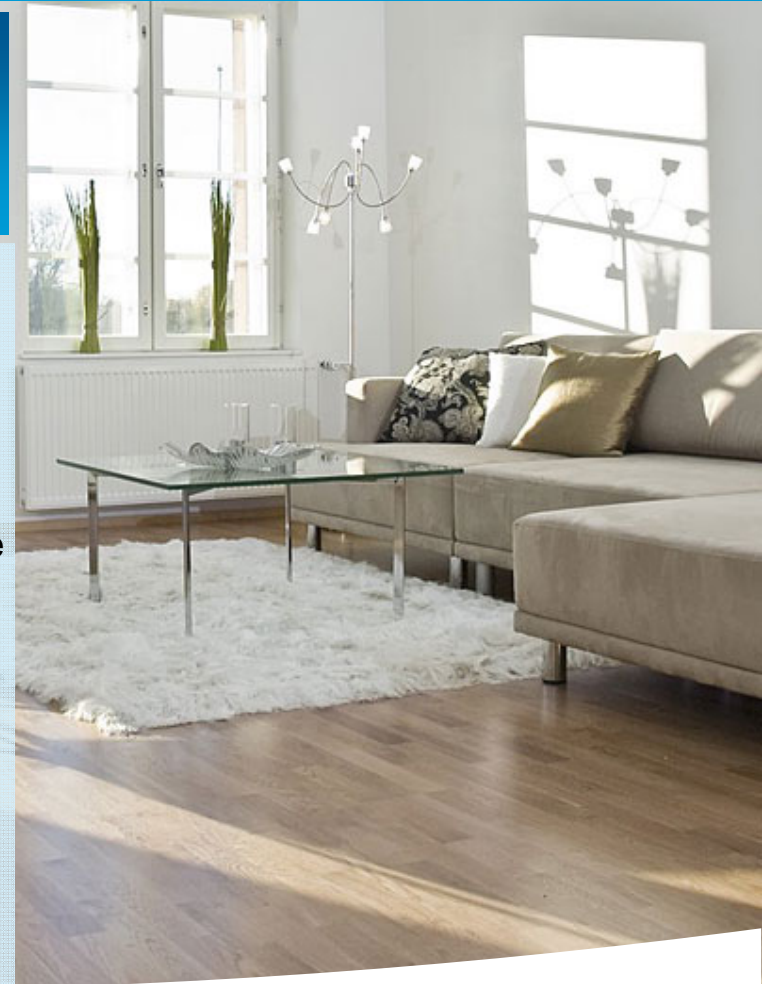
- Residential units and entire areas, leisure-time housing
- Renovation services for residential buildings

- **Business premises**

- Office, retail and logistics premises, leisure centres
- New construction, renovation, changing the purpose of use
- Investment solutions (Property Business)

- **Infrastructure**

- Roads, routes, bridges, harbours, sports facilities
- Ground engineering, rock excavation, water supply and sewerage
- Technical services for municipalities
- Maintenance



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# Construction Services Finland

## Market position

### Market position

- Largest construction company in Finland
- Largest residential developer
- One of the largest commercial real estate developers
- One of the most profitable infrastructure contractors
- Largest private company in road maintenance

### Key figures 1-6/09

- |                            |                             |
|----------------------------|-----------------------------|
| • Revenue MEUR 493         | • Residential construction: |
| • Operating profit MEUR 41 | • Start-ups 1,056           |
| • Personnel 3,208          | • Sold 1,332                |



# Construction Services Finland

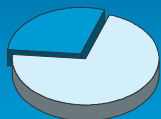
## Key figures

Share of YIT Group (1-6/09)



**Revenue**

29%



MEUR 493



**EBIT**

42%



MEUR 41



**Invested capital**

32%



MEUR 481



**Personnel**

13%



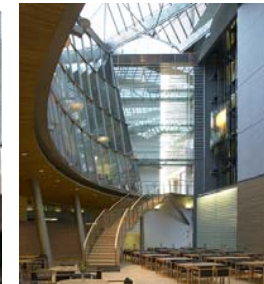
3,208



**Return on investment**

28.0%

(2008)



**Type of business:**

Cash flow & investment business

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# Market environment and trends

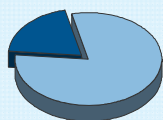




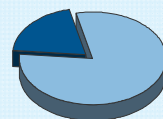
# Construction market in Finland

## YIT market share of the potential market

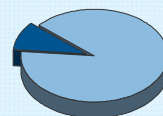
Housing ~20%



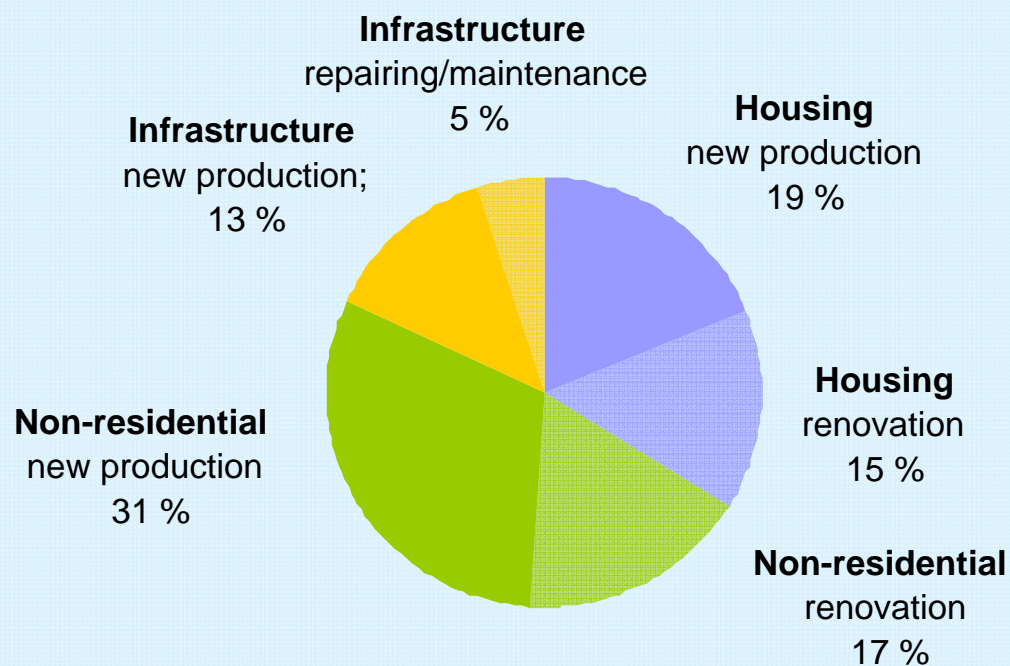
Business premises ~20%



Infraservices ~10%



## Total construction market in Finland EUR 29.5 billion

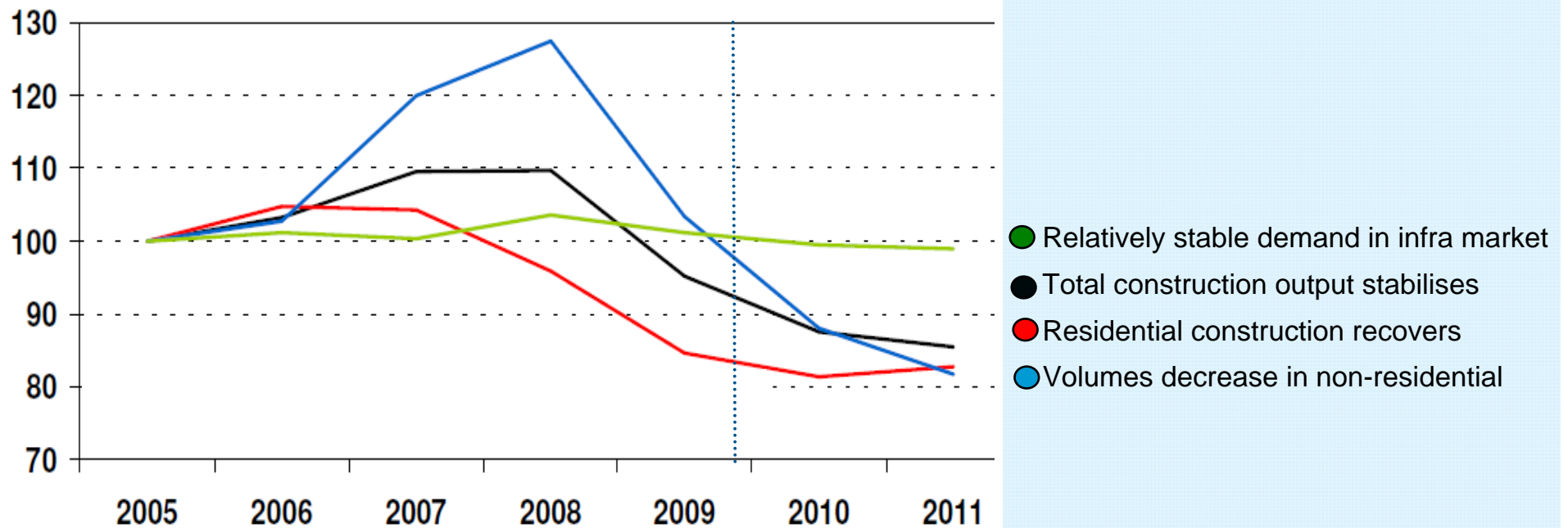


Source: Euroconstruct, June 2009



# Development by sector

Total Construction Output by Sector from 2005 to 2011  
2005 = 100



Source: Euroconstruct, June 2009

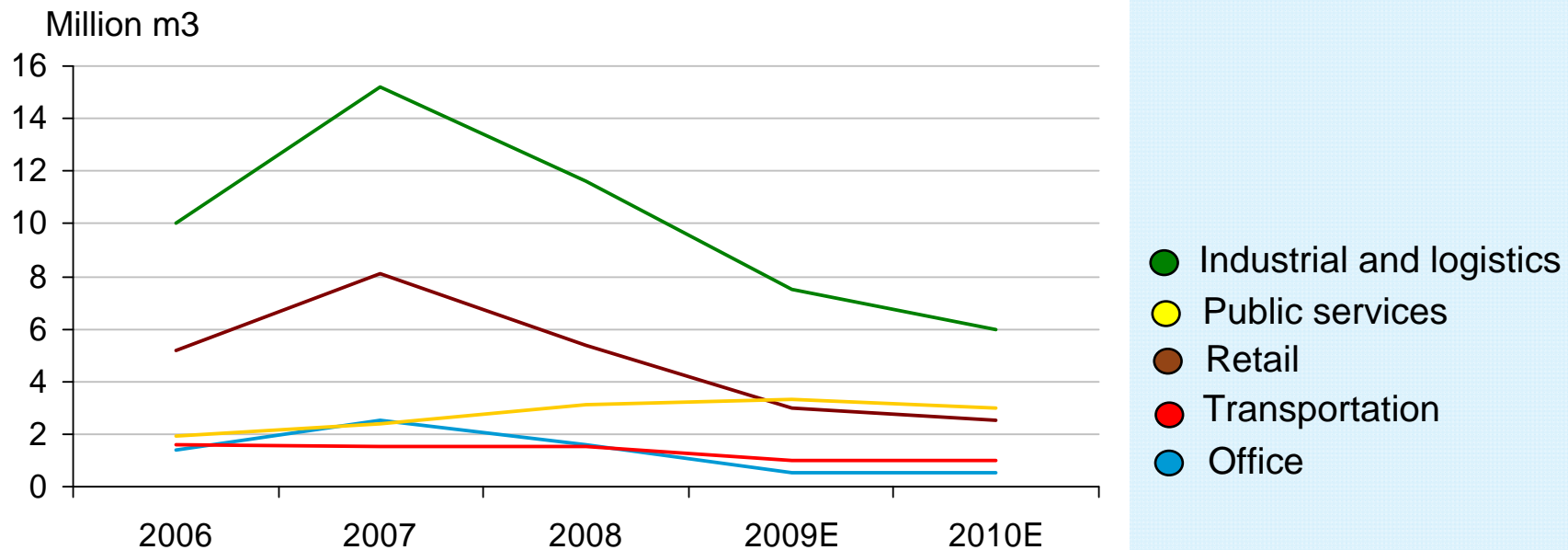
# Trends in non-residential market

- Volumes in new construction decreased to a half compared with 2007-2008 - development stabilizes 2010 at the earliest
- Activity by foreign and domestic investors picking up
- Demand for offices decreased clearly, moderate demand for retail and industrial premises
- Need for renovation and changing the purpose of use continues - tenants active in the market



# Volumes in new construction decreased clearly

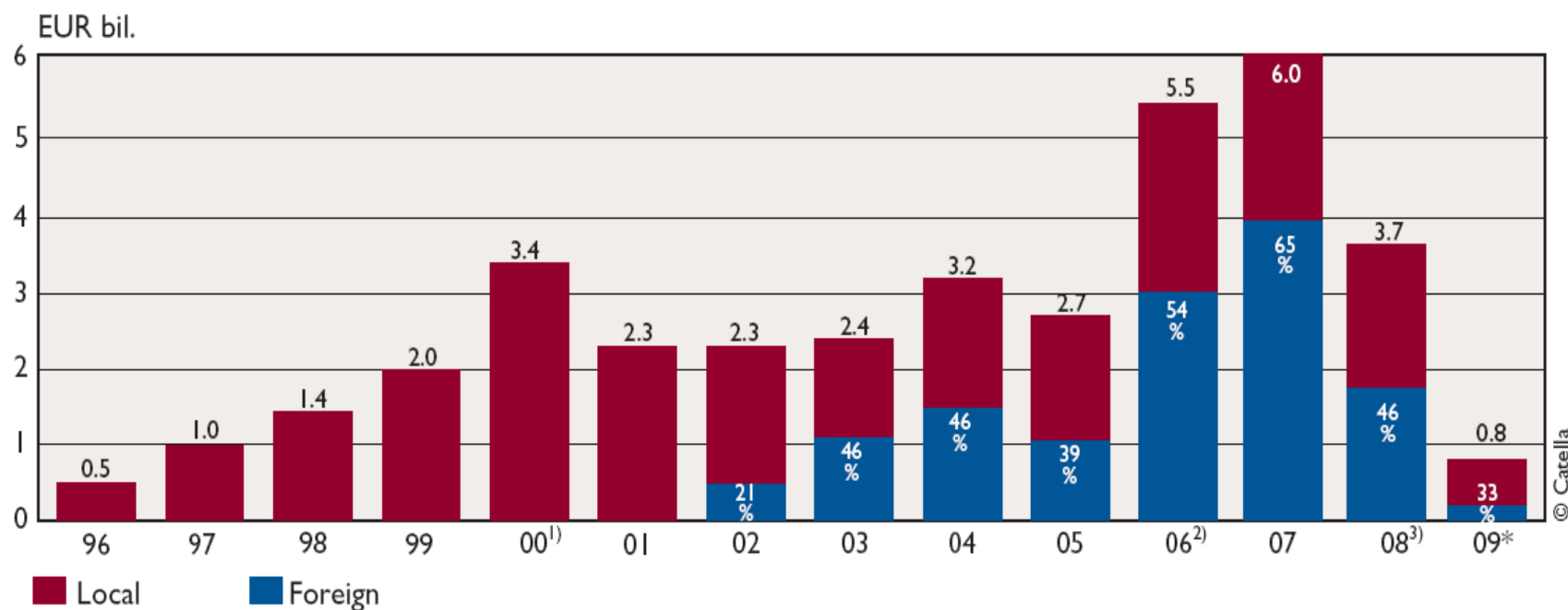
Start-ups in Finland, by building type



Source: Statistics Finland and The Confederation of Finnish Construction Industries (RT), April 2009.

# Activity by foreign and domestic investors picking up

## Transaction volume in Finland 1996 - 2009



<sup>1)</sup> Aleksia sale approx. EUR 1.1 bil.

<sup>2)</sup> Sponda – Kapiteeli deal EUR 1.3 bil.

<sup>3)</sup> Capman purchased hotel portfolio EUR 0.8 bil.

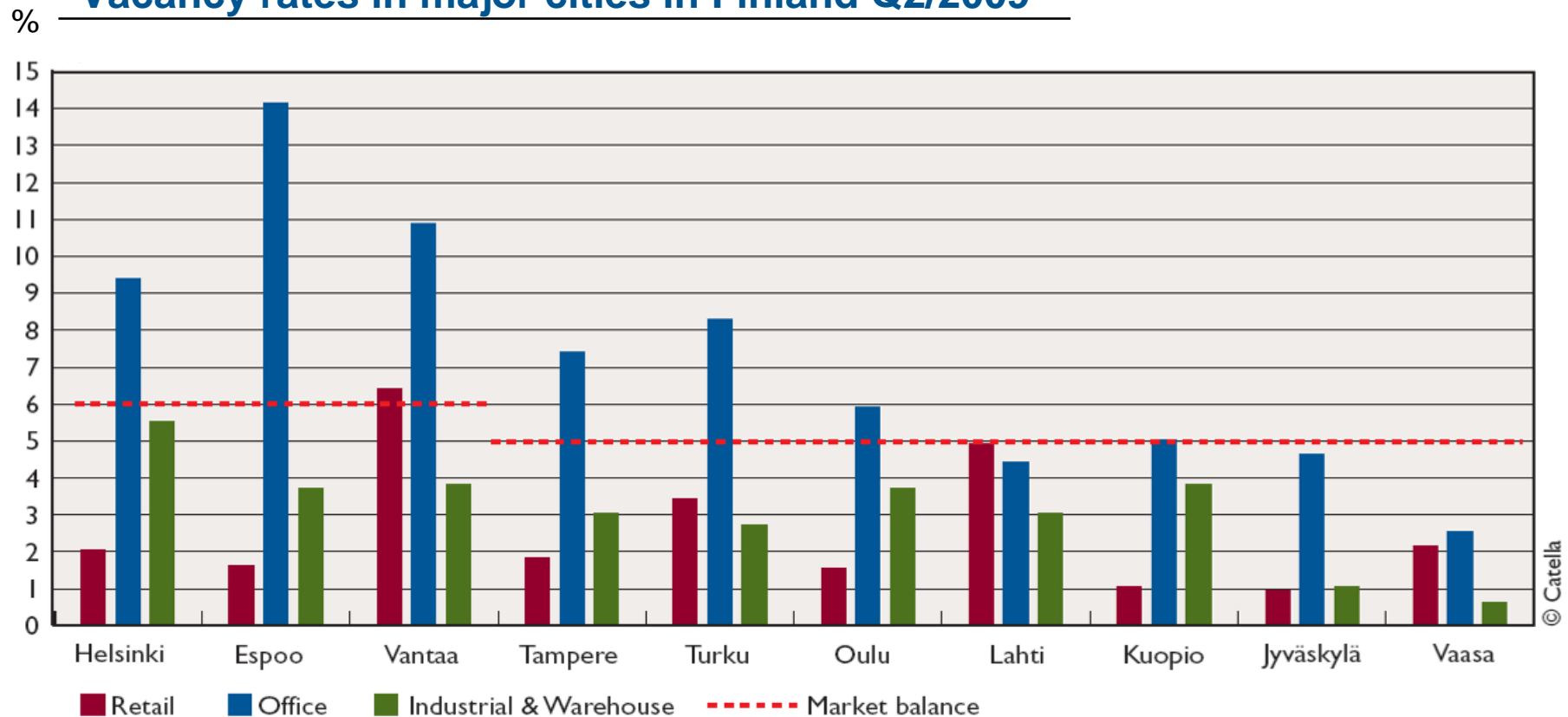
\* Situation 26.8.2009

Source: Catella Property Group



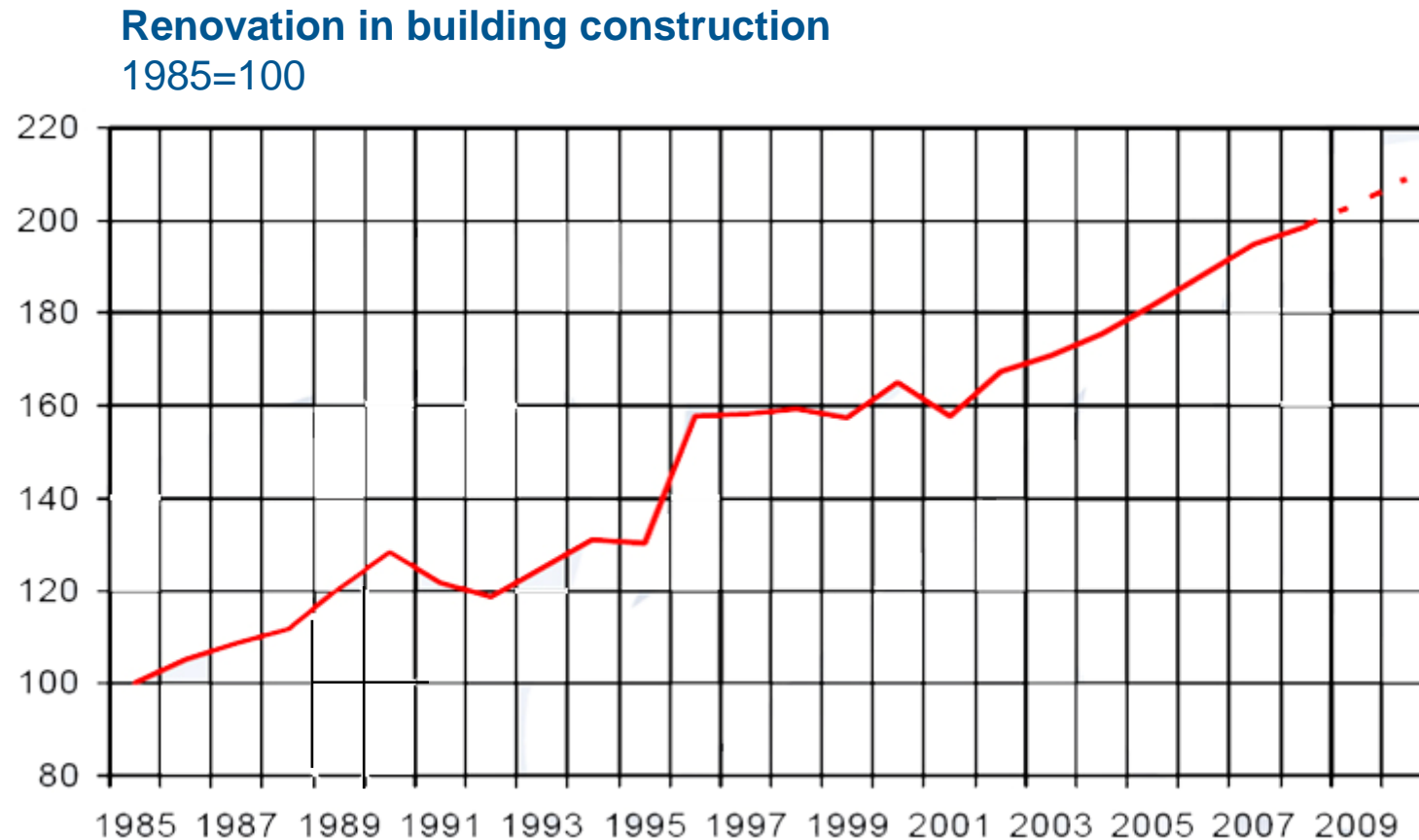
# Moderate demand for retail and industrial premises

Vacancy rates in major cities in Finland Q2/2009



Source: Catella Market Review 9/2009

# Need for renovation continues

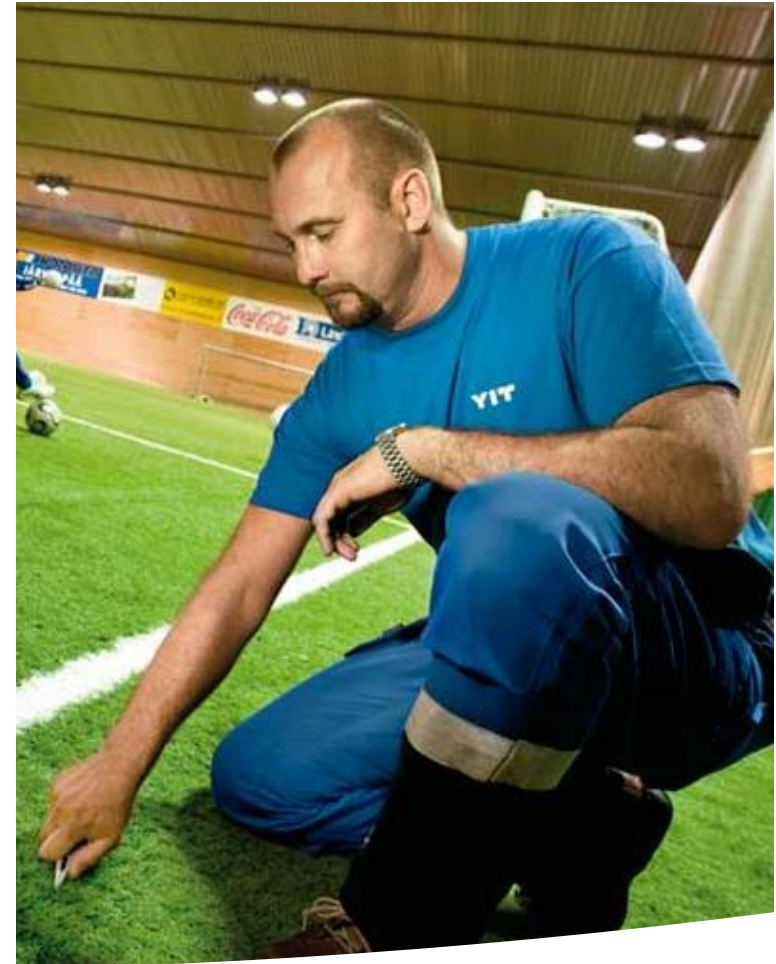


Source: Statistics Finland, RT, April 2009

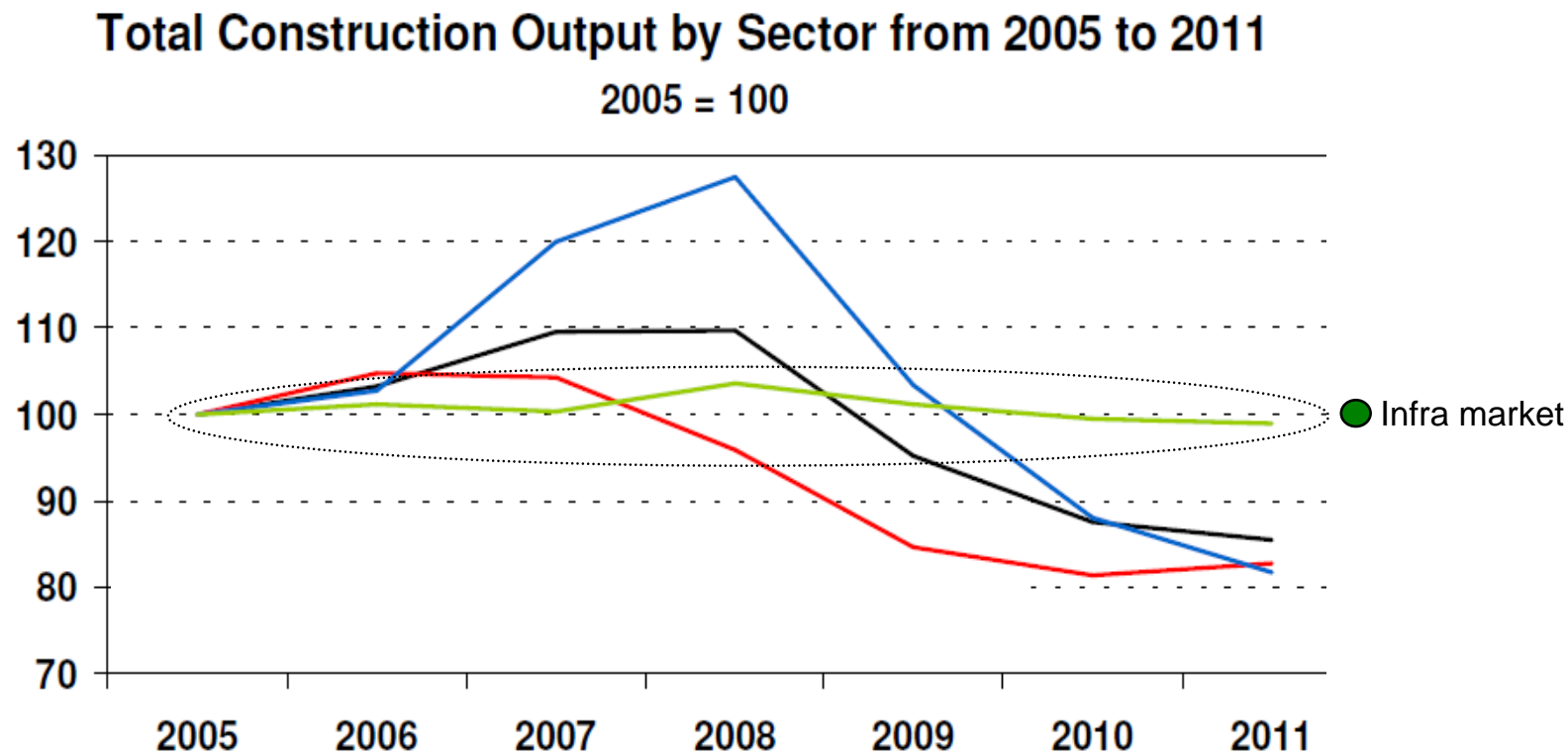
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# Trends in infra services market

- Engineering projects for municipalities, housing and industry decreasing - YIT's potential market volume relatively stable
- Opportunities in new investments
  - Roads and railways
  - Environmental and water supply works
  - Mining industry
- Renovation debt about EUR 2.5 billion
  - 1,000 bridges
  - 1,500 kilometres of main roads
  - 600 kilometres of railways
- Need for basic road and railway maintenance
- The economy in municipalities is weakening rapidly - need to find new solutions



# Relatively stable development in infrastructure market



Source: Euroconstruct, June 2009



# Possibilities in the infrastructure market in Finland



- The Ring Rail Line circular, rail route of the Helsinki Metropolitan Area
- Länsimetro (new underground line)
- E18 (Koskenkylä - Kotka)
- E18 Hamina, life cycle model (PPP)
- Main road 51 (Kirkkonummi - Kivenlahti)
- Highway 6 (Joensuu)
- Highway 8 (Vaasa)
- Highway 14, stage I (Savonlinna city centre)
- Kilpilahti road connection (Sipoo)
- Underground parking hall (rock excavation) in Oulu and in Töölönlahti, Helsinki
- Mäntyluoto Harbour (Pori)
- Espoo waste-water treatment plant

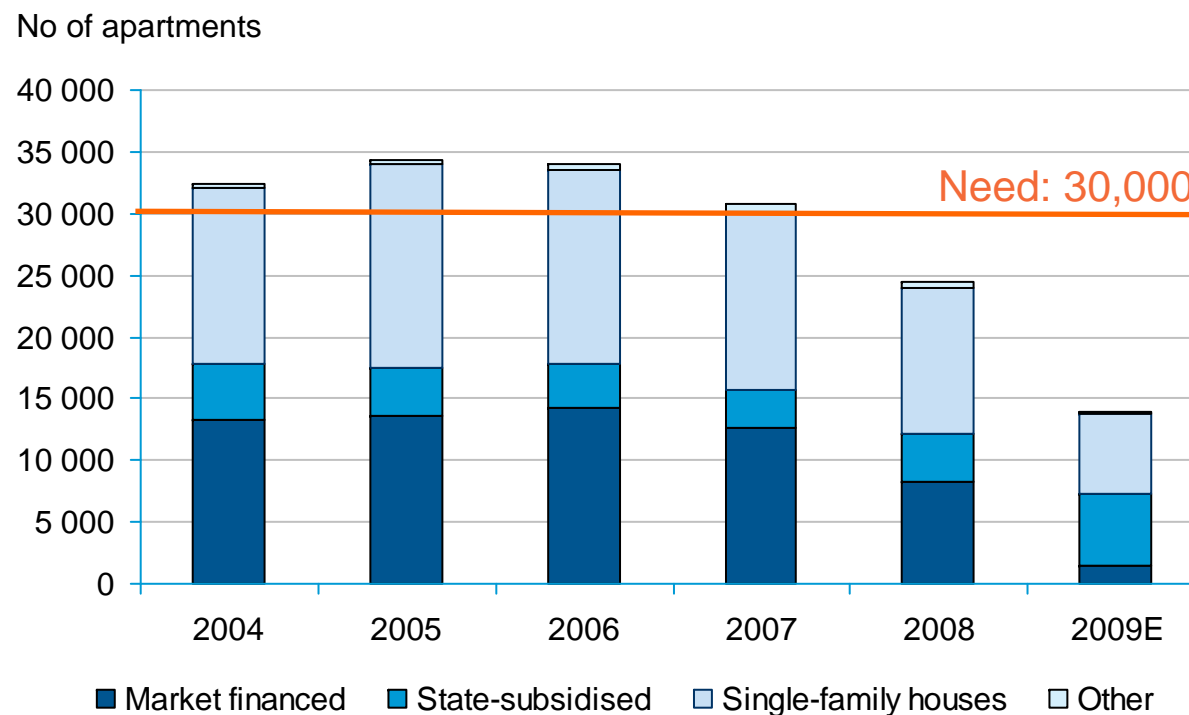
# Trends in residential market

- Need and production unbalanced
  - Need for new homes ~30,000 per year
  - Volumes decreased - focus on rental housing production
  - Relatively low number of new unsold apartments
  - Turn in residential construction volumes and shift to own development projects expected
- Residential sales supported by
  - Limited supply
  - Consumer confidence
  - Low interests rates
- Unemployment development causes uncertainty - situation still relatively good
- Price development moderate compared to household income - development stable or slightly increasing



# Need and residential production unbalanced

## Residential start-ups in Finland



### VTT:

Estimated average need for new apartments 30,000 annually until 2015

### RT:

Estimated start-ups in 2009: 14,000

VTT = VTT Research Centre in Finland

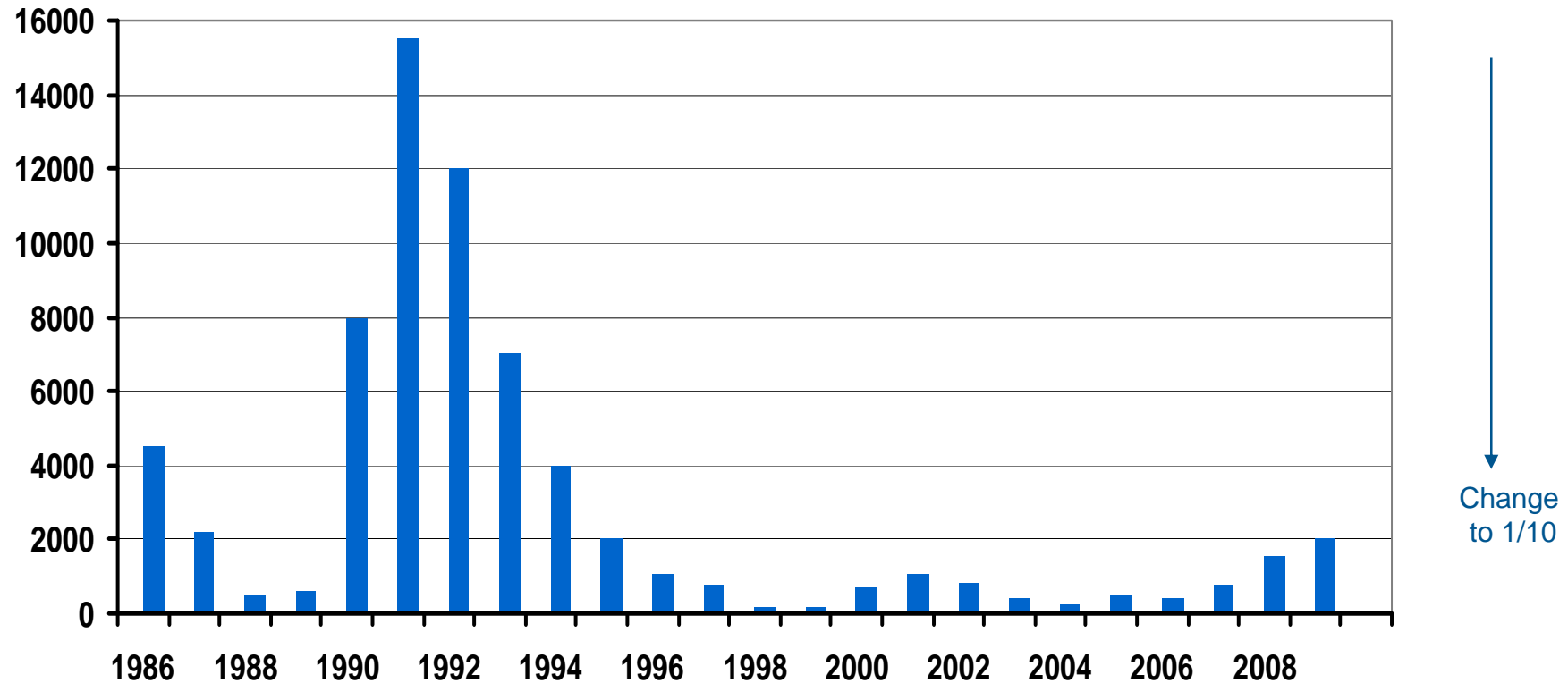
RT = The Confederation of Finnish Construction Industries

Source: The Confederation of Finnish Construction Industries (RT), April 2009.

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# Relatively low number of unsold new residences

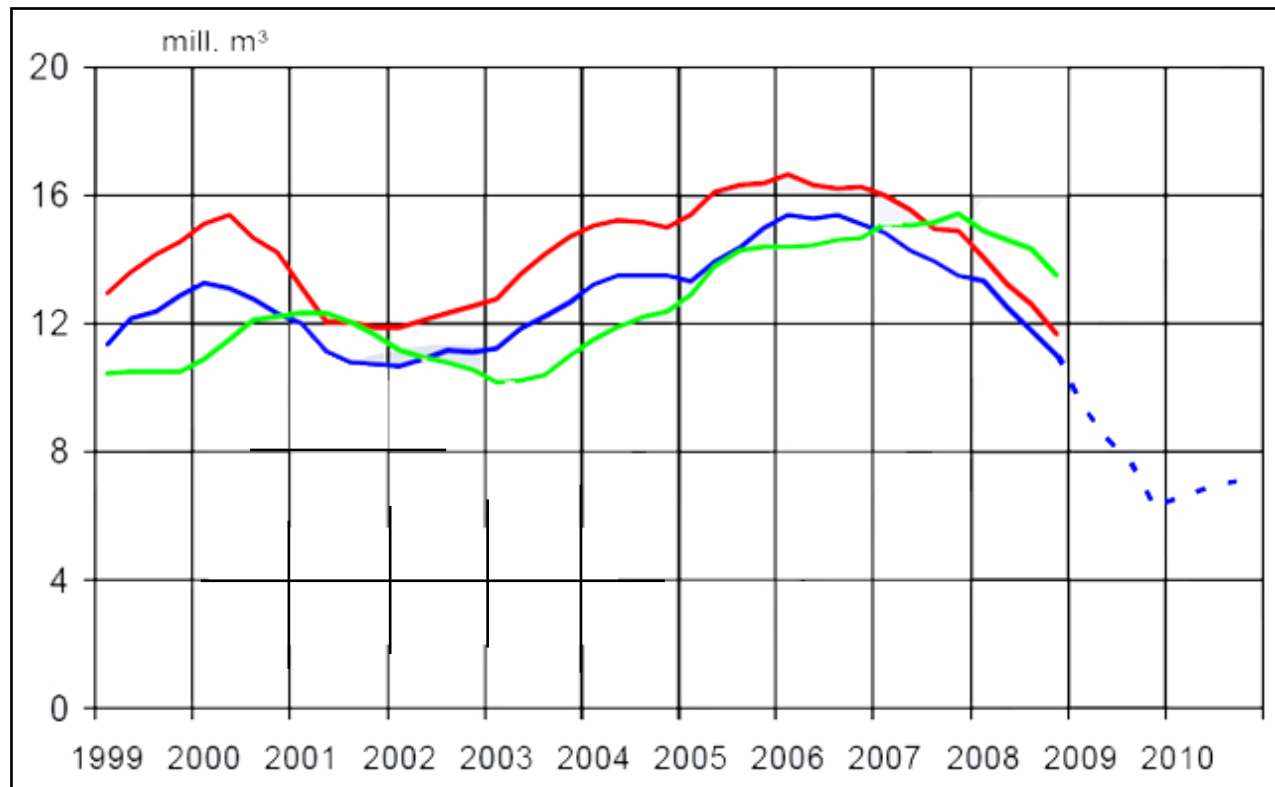


Source: Statistics Finland and The Confederation of Finnish Construction Industries (RT).



# Turn in residential construction start-ups expected

Residential buildings, 4 quarter moving average



Completions

Permits

Start-ups

Source: Statistics Finland and The Confederation of Finnish Construction Industries (RT), April 2009.

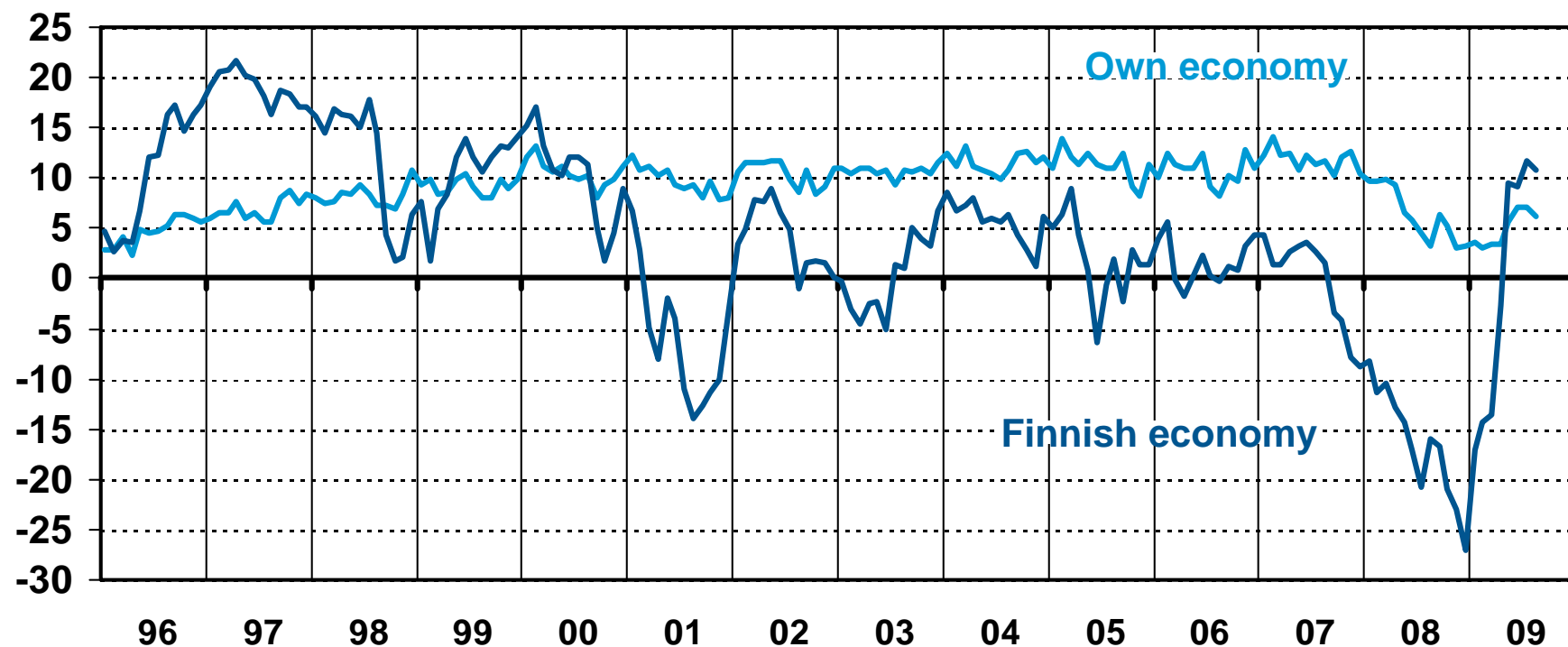
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# Consumer confidence picked up

Views on economic situation after one year

balance figure (percentage of positive answers - negative answers)

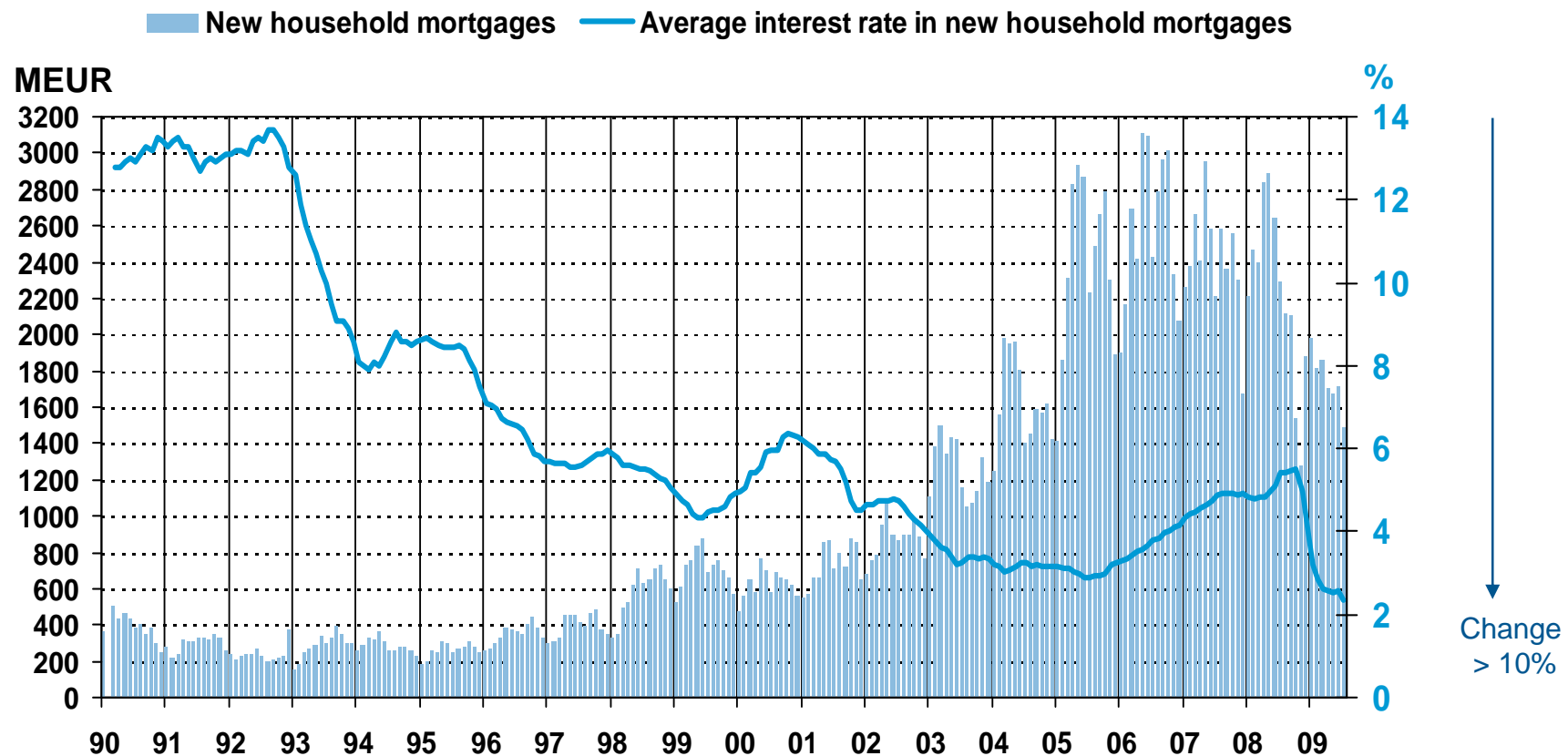


The balance figures are obtained by deducting the weighted proportion of negative answers from that of positive answers. The balance figures can range between -100 and 100 - the higher the balance figure, the brighter the view.

Source: Statistics Finland, Consumer Survey, August 27, 2009.

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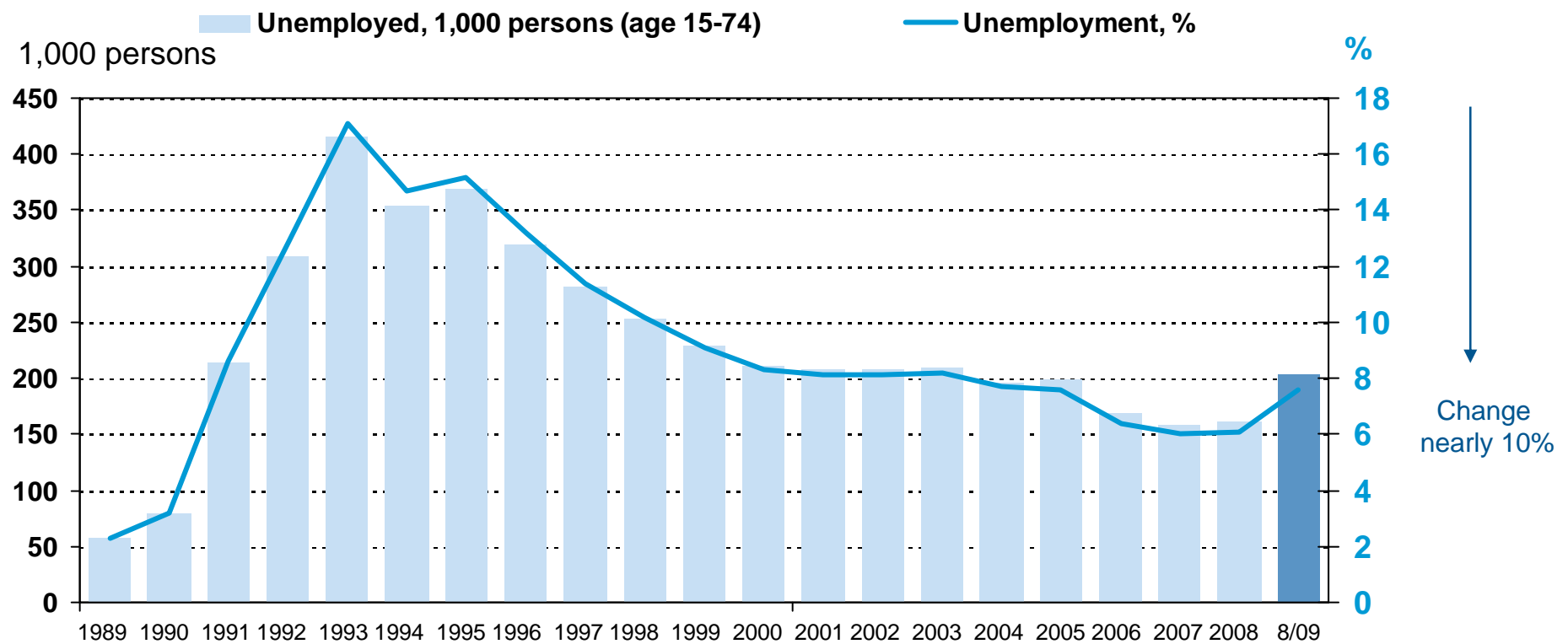
# Low interest rates support housing demand



Source: Bank of Finland, August 31, 2009.

# Employment development creates uncertainty

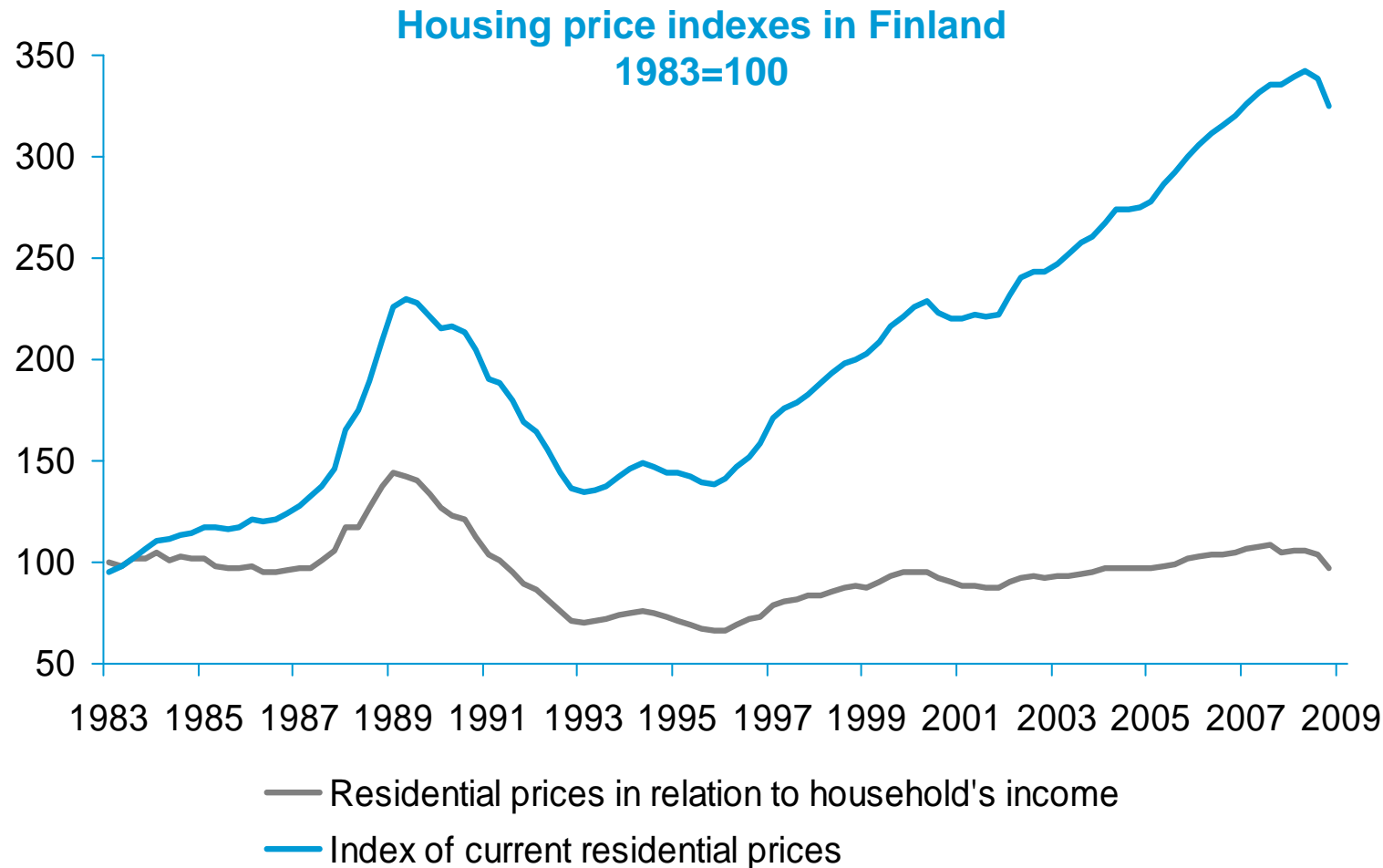
## - situation still relatively good



Source: Statistics Finland



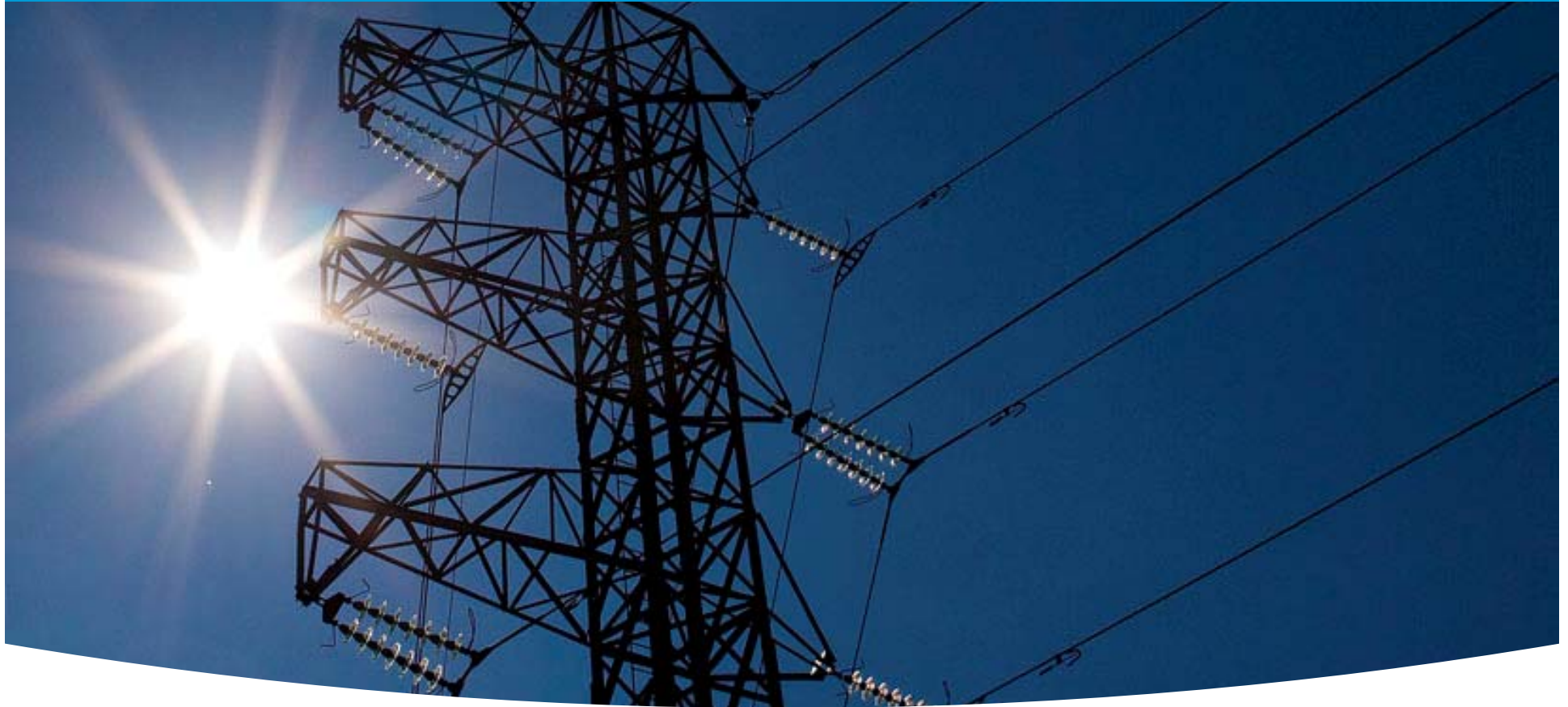
# Housing price development moderate in relation to consumer income



Source: Statistics Finland

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# Strategic focus areas



# Strategic focus areas

Increase  
residential  
development  
projects

Strengthen  
position in  
infrastructure  
services

Focus on existing  
properties in  
non-residential

Continue to  
develop  
competitive edges



# Focus on existing properties in non-residential construction

- Renovation
- Changing the purpose of use
- Own project development
- Better customer management
  - Customer needs are the basis of project
  - Customer-based operations and resources
  - Own sales and renting forces
- New co-operation and risk sharing models





# Strengthen position in infrastructure services



- Contracting
  - Big route projects
  - Rock excavation
  - Mining investments
- Maintenance
  - Roads and railways
- Outsourcings by municipalities
- Own development projects



# Increase residential development projects

- Rapid reactions to adjust operations
  - Increase of rental production in financial turmoil
  - Shift from rental housing to own development started
- Service concepts
  - Leisure-time solutions
  - Senior citizen concepts
  - Renovation services for residential buildings



# Competitive edges

## Continuous market analysis and fast reactions



### Sales

- Understanding customer needs
- YIT and YIT Home brand
- Low-energy concepts



### Cost-efficiency

- “YIT special forces” - most desirable employer
- Global sourcing
- Project and design management



### Common processes

- Occupational safety



### Capital turnover

- Improve cash flow
- Capital efficiency in plot turnover

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