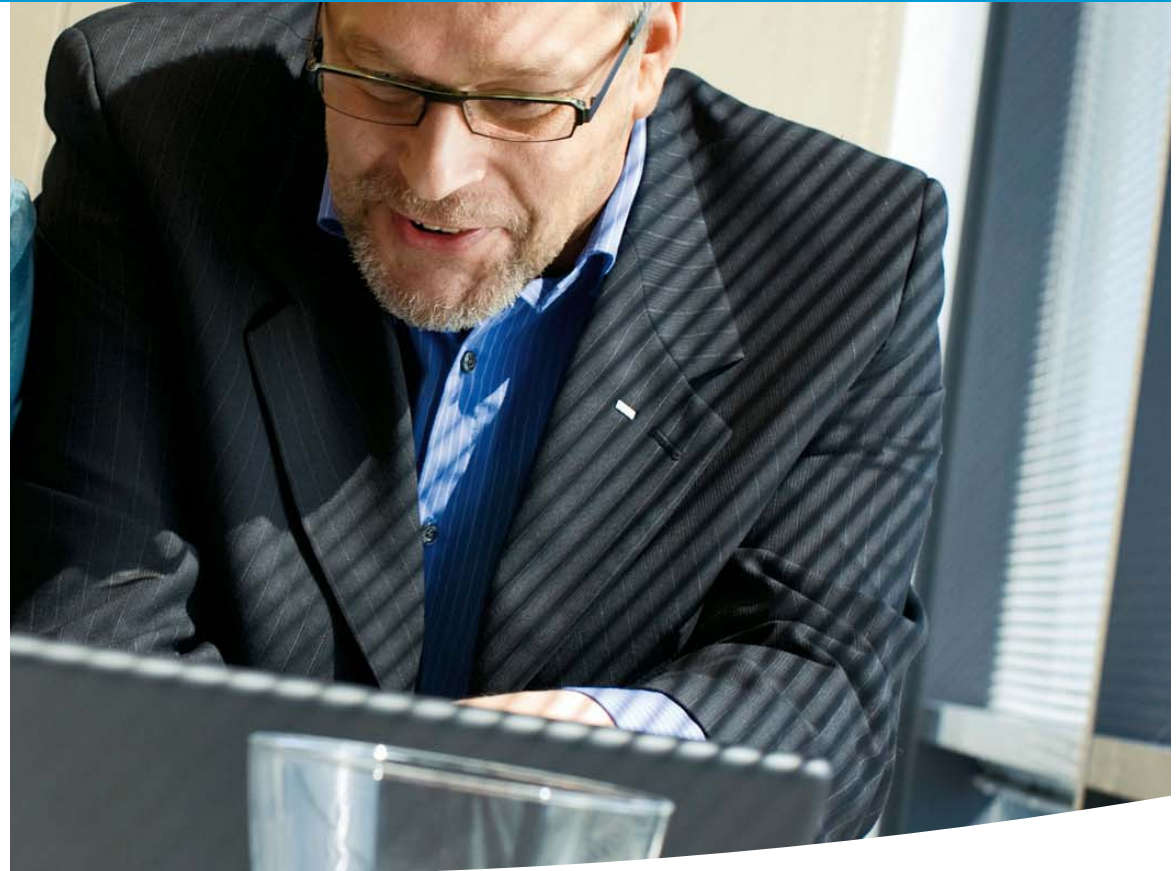


# Capital structure to support profitable growth

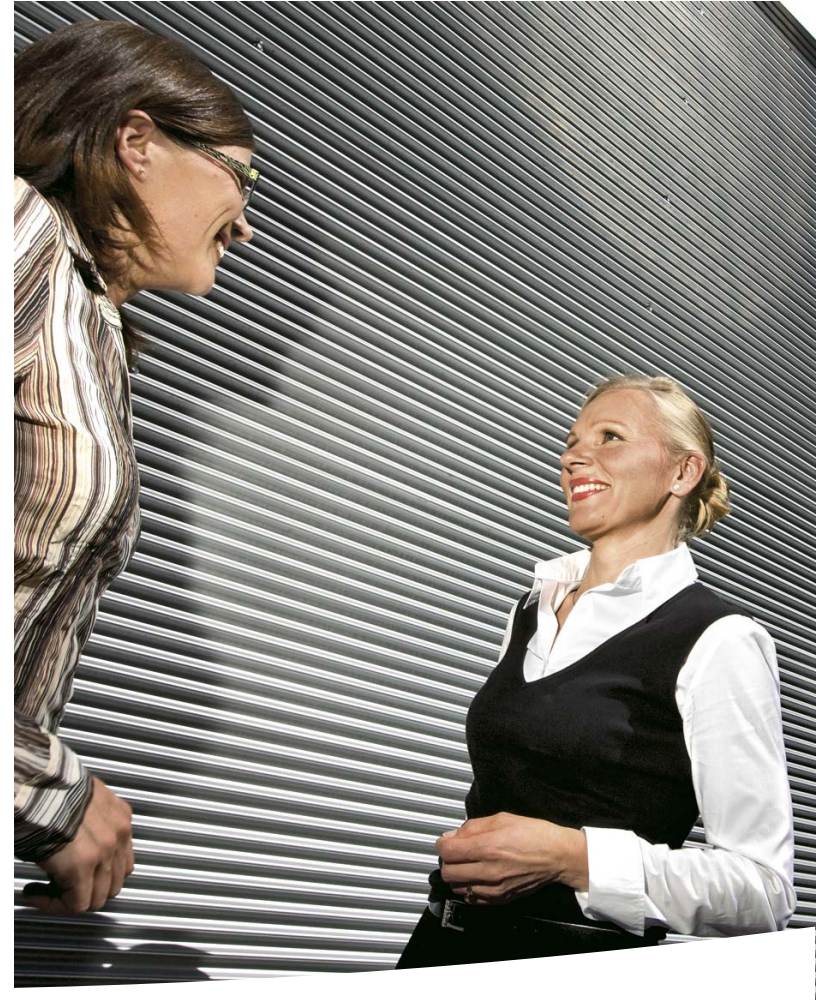
Timo Lehtinen  
CFO  
YIT Corporation

YIT Capital Markets Day  
Helsinki  
September 24, 2009



# Contents

- Capital structure to support profitable growth
- Financing structure
- Changes in interpretation of accounting principles



# Capital structure to support profitable growth





# Capital and return structure

## Building and Industrial Services

Share of revenue: 60%  
Share of invested capital: 23%

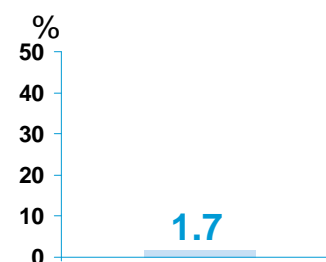
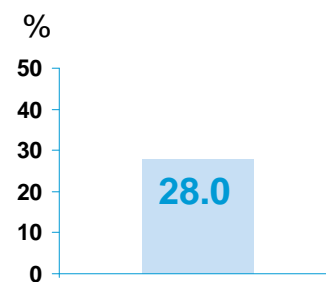
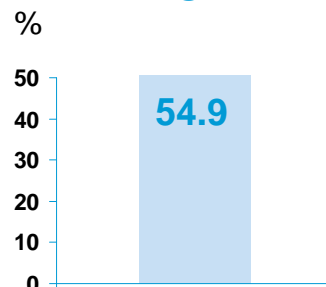
## Construction Services Finland

Share of revenue: 28%  
Share of invested capital: 33%

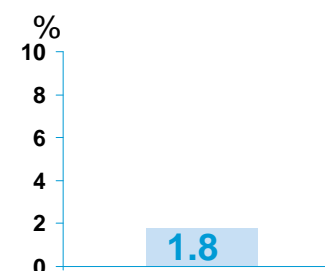
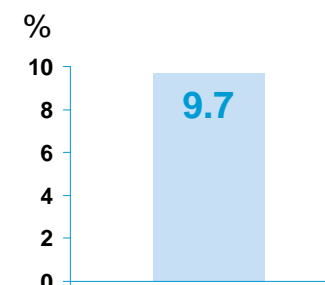
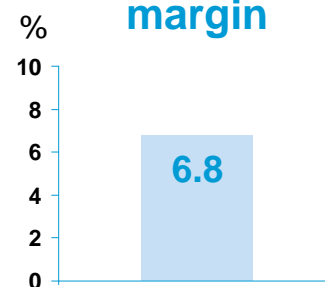
## International Construction Services

Share of revenue: 12%  
Share of invested capital: 44%

### ROI



### EBIT margin



### Type of business

*Cash flow*

*Cash flow and investment*

*Investment*

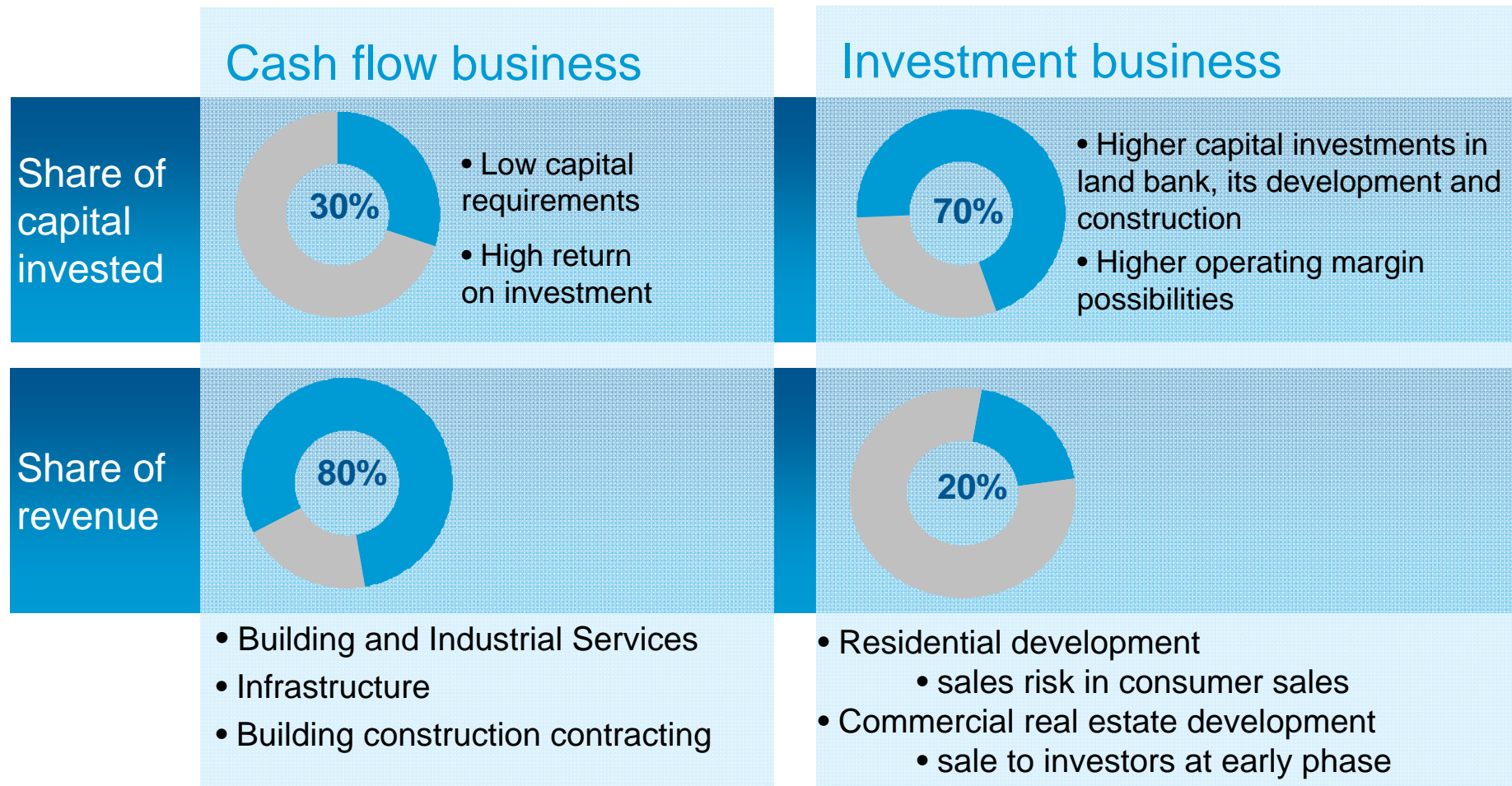
% of Group figures 1-12/08

Figures 2008

Together we can do it.



# Balance growth between cash flow and investment business



% of Group figures 1-6/09

Together we can do it.



# Strategic focus areas

**Growth**

**Profitability**

**Cash flow**

**Capital  
efficiency**



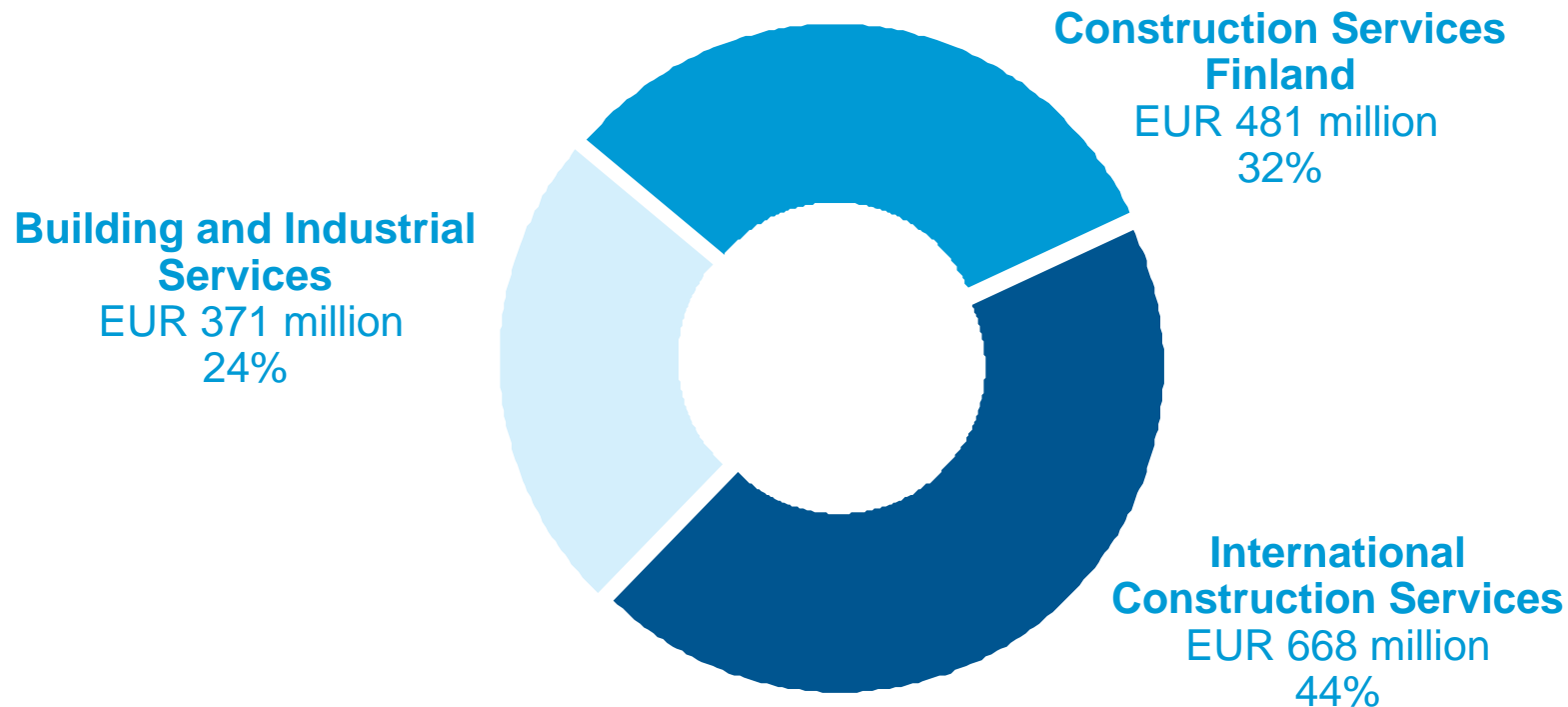
Together we can do it.



# Capital efficiency

## Invested capital allocation by segment

YIT Group invested capital total 6/2009  
EUR 1,601 million

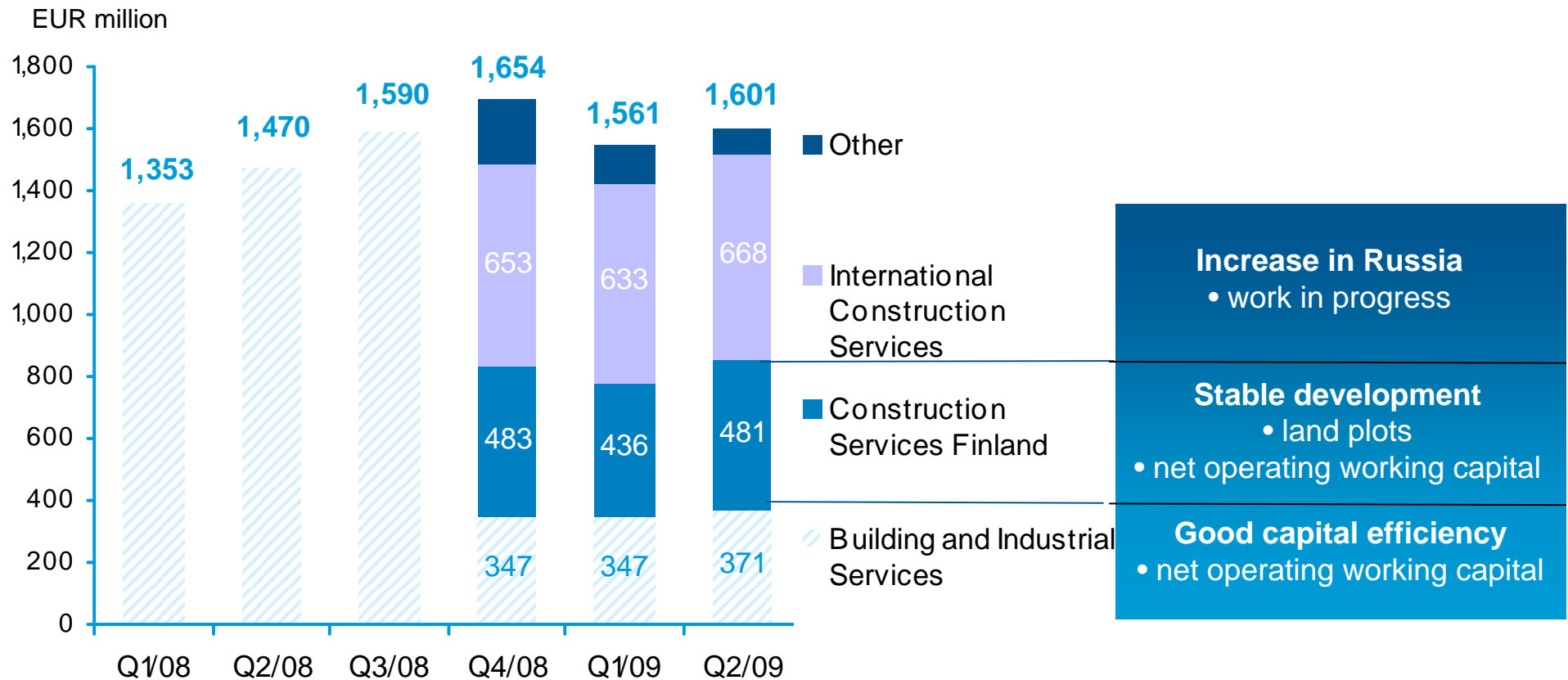


Invested capital = Balance sheet total - non-interest bearing debt

Together we can do it. **YIT**

# Capital efficiency

## Invested capital development



Invested capital = Balance sheet total - non-interest bearing debt

Together we can do it.

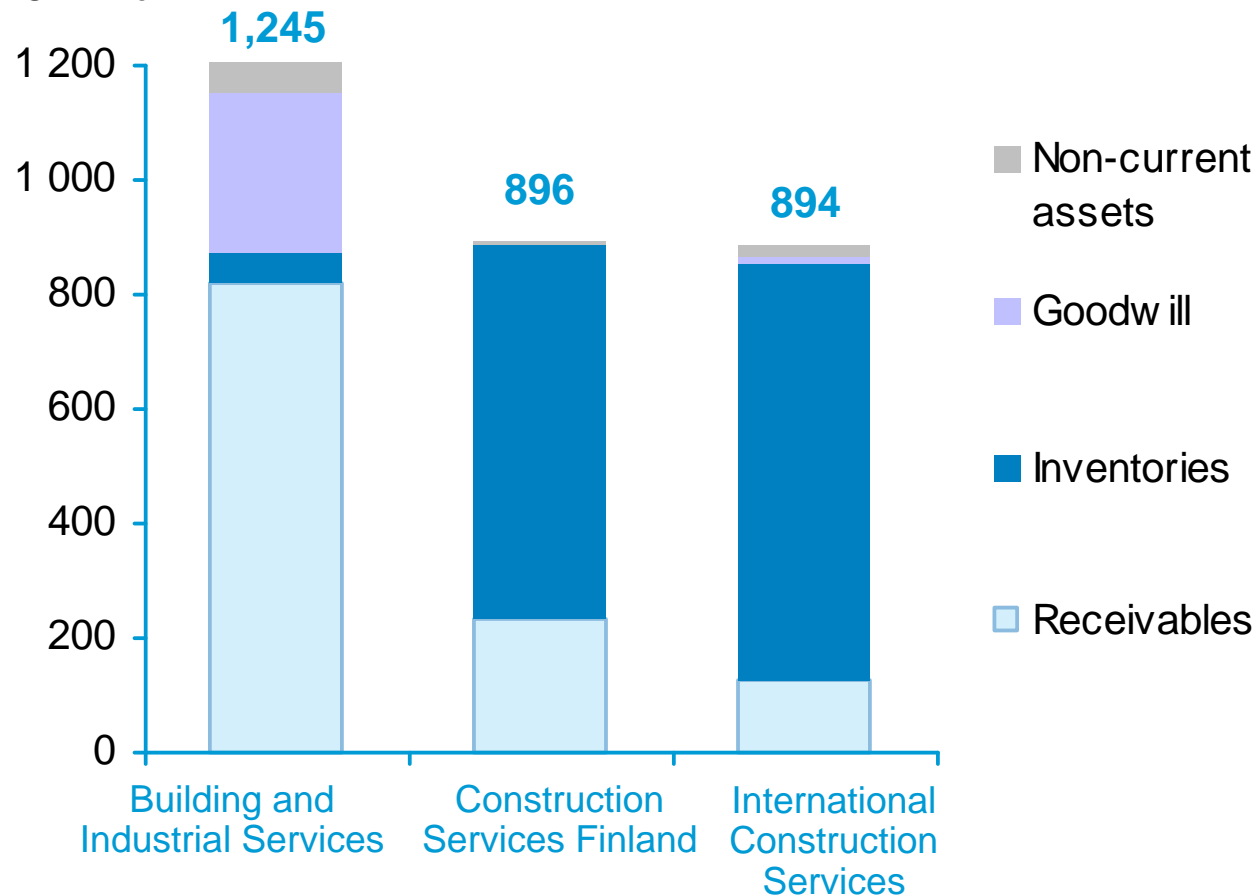




# Capital efficiency

## Capital structure per segment

Total assets 6/2009  
EUR million



### Construction Services biggest items in inventories:

- Russia
  - work in progress
  - land plots
  - development costs
  - suspended projects
  - finished apartments
- Finland
  - land plots

### Building and Industrial Services biggest items:

- Receivables
  - trade receivables
- Goodwill
  - ABB and MCE acquisitions

Together we can do it.



# Capital efficiency

## Strategic focus areas

Building and Industrial Services	Construction Services Finland	International Construction Services
Improve efficiency in net operating working capital	Accelerate capital turnover in development projects	Decrease invested capital and improve capital efficiency
<ul style="list-style-type: none"> <li>• <b>Net operating working capital to sales down</b> <ul style="list-style-type: none"> <li>• invoicing and collecting sales receivables</li> <li>• short-term liabilities payment schedules</li> <li>• keep inventory down</li> </ul> </li> <li>• <b>Operational efficiency</b> <ul style="list-style-type: none"> <li>• utility rates</li> <li>• ERP</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Sales and marketing</b> <ul style="list-style-type: none"> <li>• brand</li> <li>• pricing                             <ul style="list-style-type: none"> <li>• price list</li> </ul> </li> </ul> </li> <li>• <b>Financing</b> <ul style="list-style-type: none"> <li>• housing loans to consumers</li> <li>• selling receivables</li> </ul> </li> <li>• <b>Development projects</b> <ul style="list-style-type: none"> <li>➤ Residential                             <ul style="list-style-type: none"> <li>▪ pre-marketing to cover sales risk</li> </ul> </li> <li>➤ RED                             <ul style="list-style-type: none"> <li>▪ sale to investors prior to or early phase of construction</li> <li>▪ anchor tenants</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Sales and marketing</b> <ul style="list-style-type: none"> <li>• brand</li> <li>• pricing                             <ul style="list-style-type: none"> <li>• active pricing</li> <li>• optimized sales speed</li> </ul> </li> </ul> </li> <li>• <b>Financing</b> <ul style="list-style-type: none"> <li>• payment schedules</li> <li>• mortgage co-operation with banks</li> </ul> </li> <li>• <b>Development projects</b> <ul style="list-style-type: none"> <li>➤ Ongoing                             <ul style="list-style-type: none"> <li>• finalize and sell existing projects</li> </ul> </li> <li>➤ New plots and projects                             <ul style="list-style-type: none"> <li>• payment terms</li> <li>• take fast in use</li> <li>• accurate start-ups</li> <li>• smaller size</li> <li>• shorter construction time</li> </ul> </li> </ul> </li> </ul>

RED = real estate development

Together we can do it. **YIT**

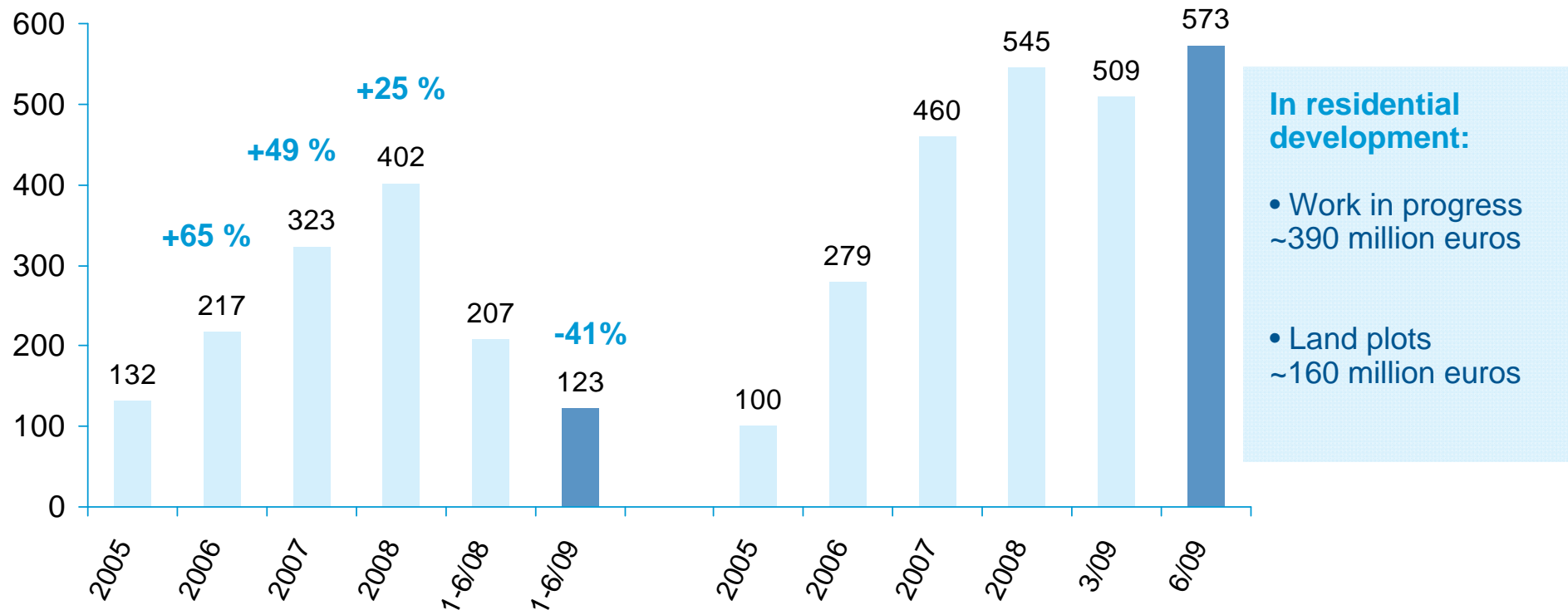
# Capital efficiency

## Decrease invested capital in Russia

Group revenue in Russia

Group invested capital in Russia

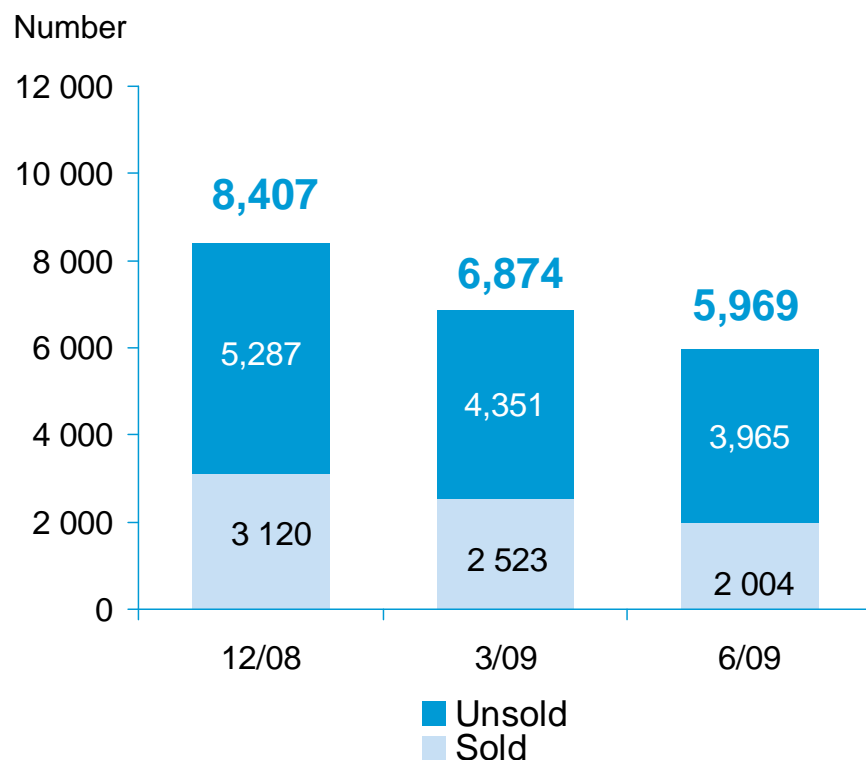
EUR million



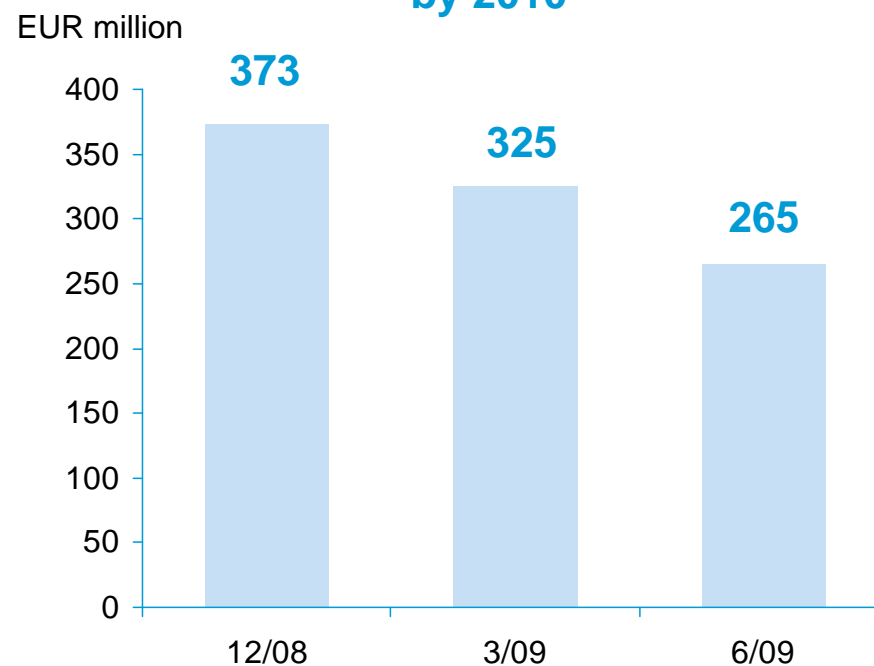
# Capital efficiency

## Decrease invested capital in Russia

### Apartments under construction



### Estimated construction costs left by 2010 \*



In October 2008, YIT decided to suspend the construction of 2,485 residential units in Russia. These units are not included in 12/08, 3/09 and 6/09 figures.

\*) At the ruble rate at the end of December 2008, March 2009 and June 2009.

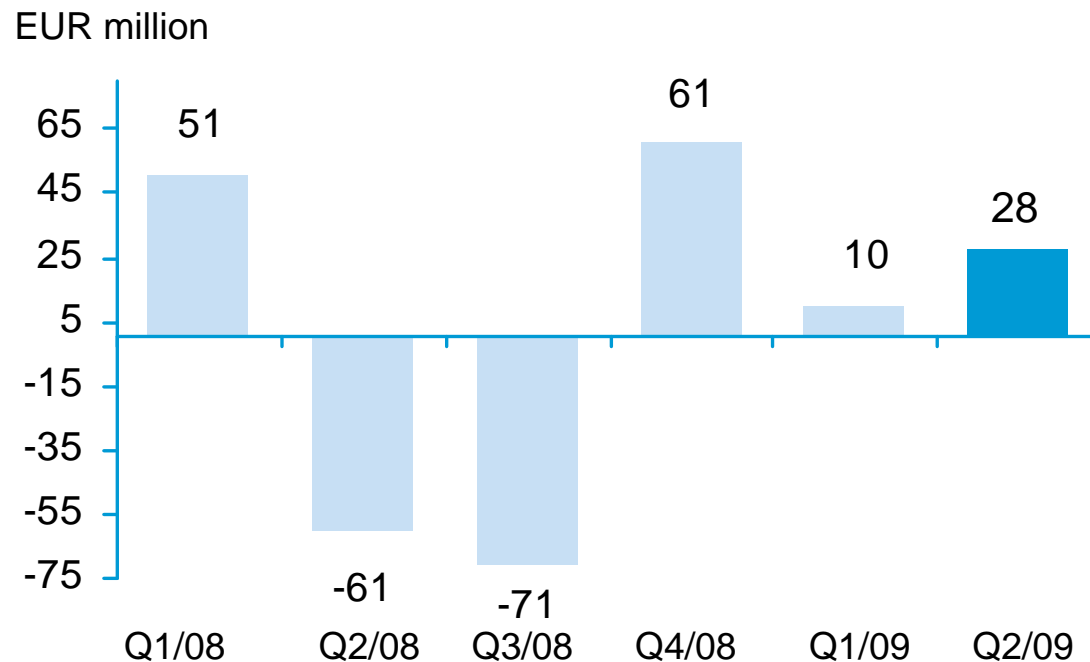
Together we can do it. **YIT**



# Cash flow

## Operating cash flow strengthened

### Operating cash flow after investments



#### Target:

Cash flow from operating activities after investments sufficient for dividend payout and debt reduction

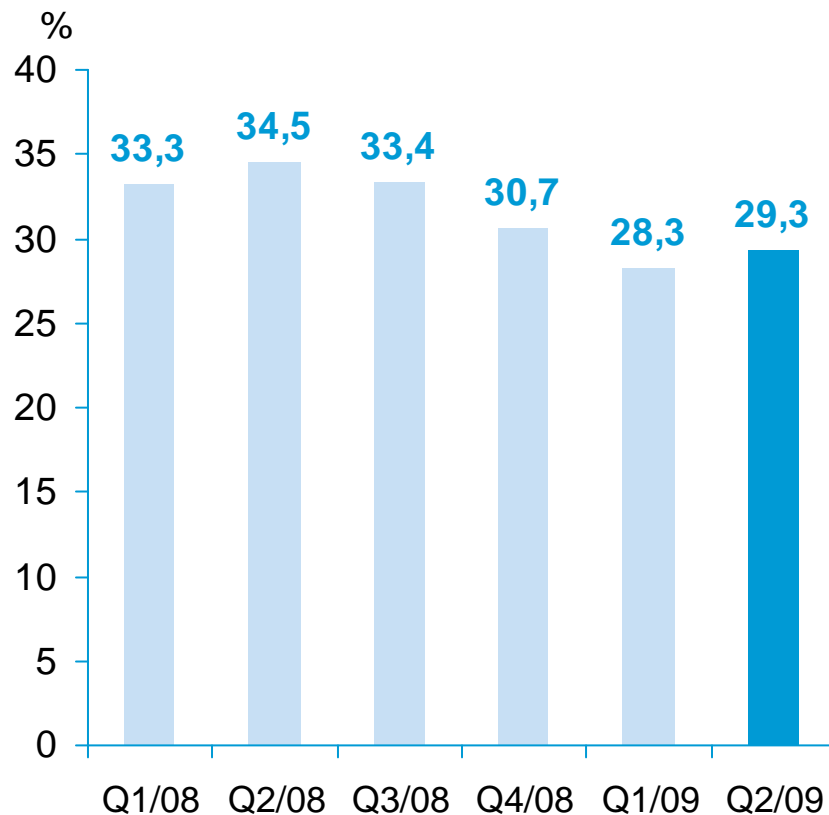
Together we can do it.



# Stability in solidity

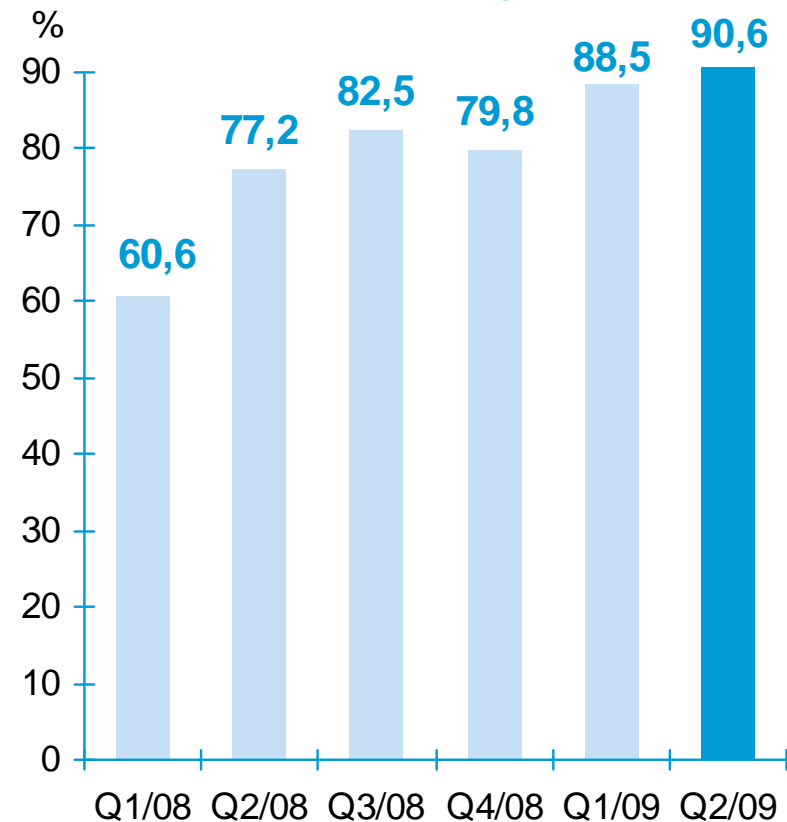
90.6

## Equity ratio



**Target:**  
**35%**

## Gearing ratio



Together we can do it.

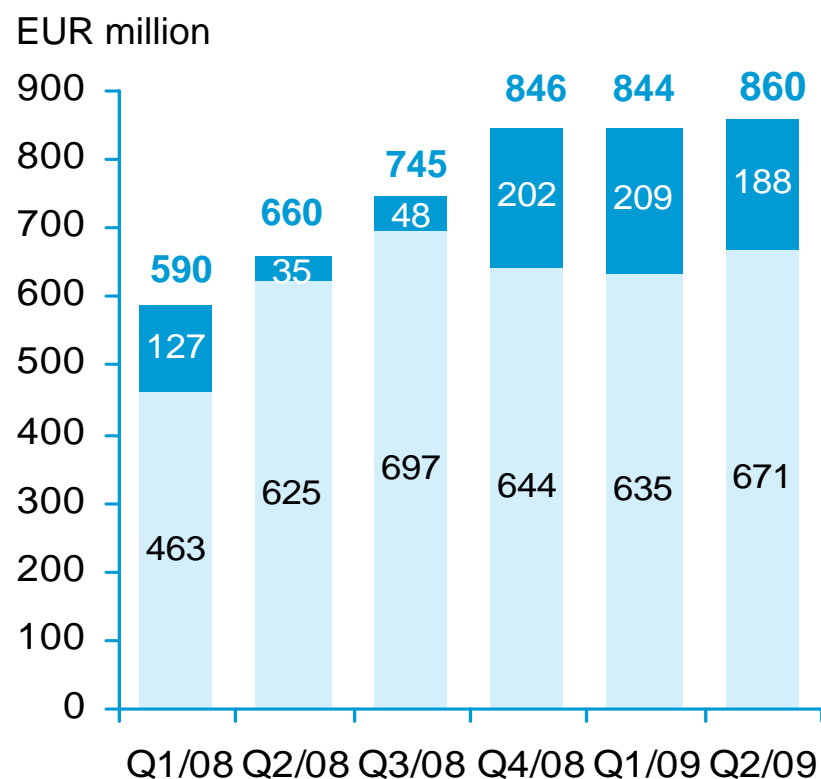


# Financing structure



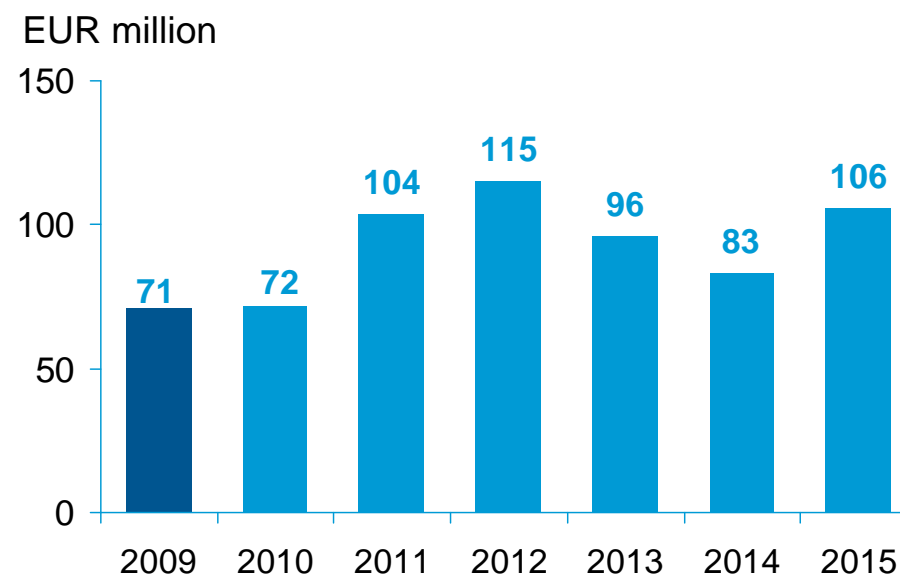
# Stable maturity structure

## Interest-bearing debt



Net debt Cash and cash equivalents

## Maturity structure of long-term debt 6/2009



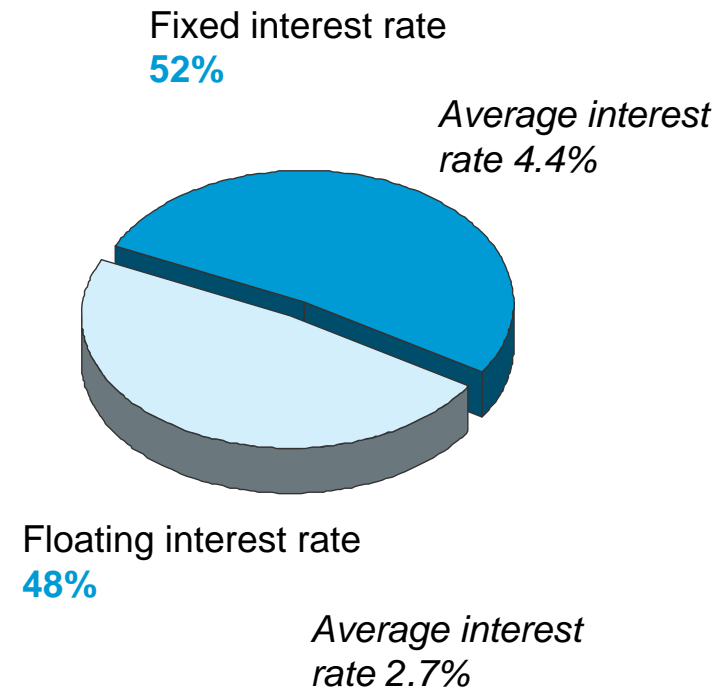
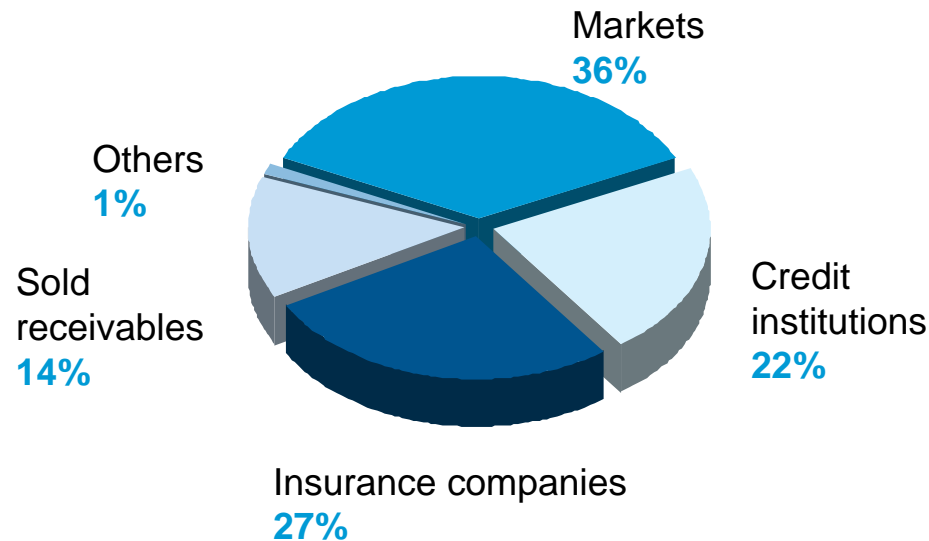
Together we can do it.





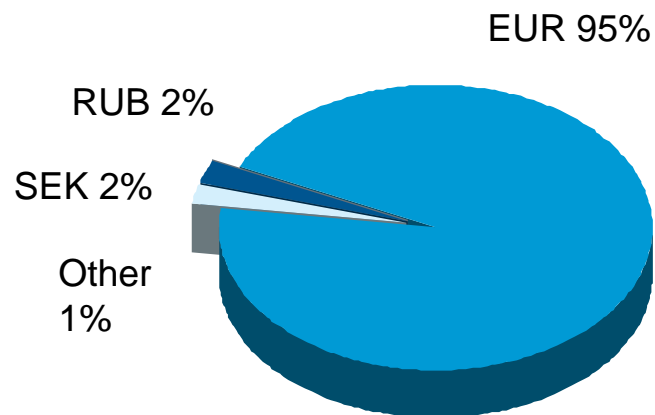
# Balanced debt portfolio

Debt portfolio 6/2009  
Total EUR 860 million  
Average interest rate 3.6%

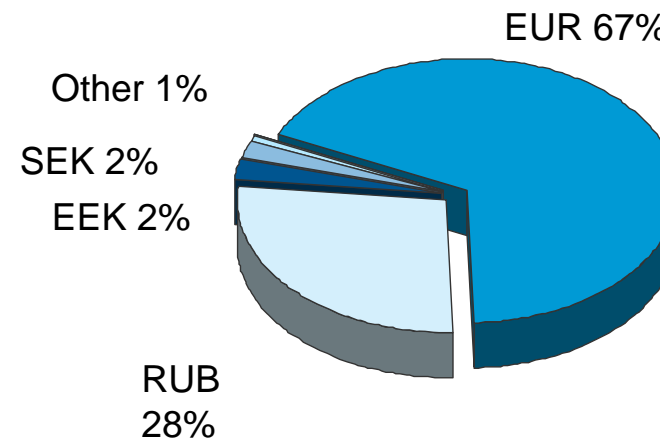


# Currency risk of debt portfolio

Original debt portfolio  
6/2009



Original debt portfolio and  
forward agreements  
6/2009

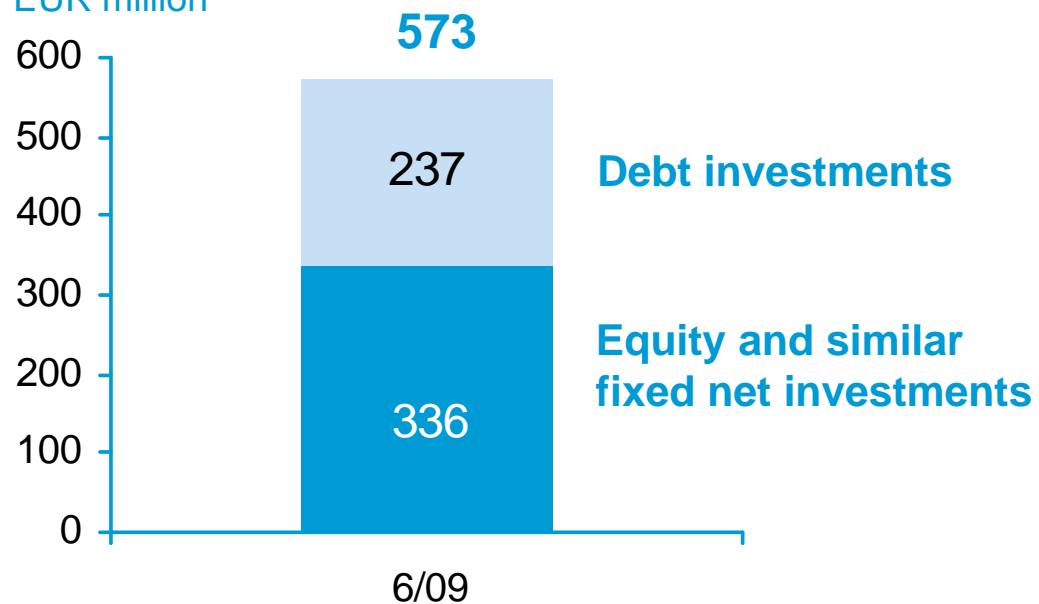


Loans taken by parent company as a rule EUR-denominated  
- parent company hedges foreign currency-denominated loans to subsidiaries

# Capital invested in Russia

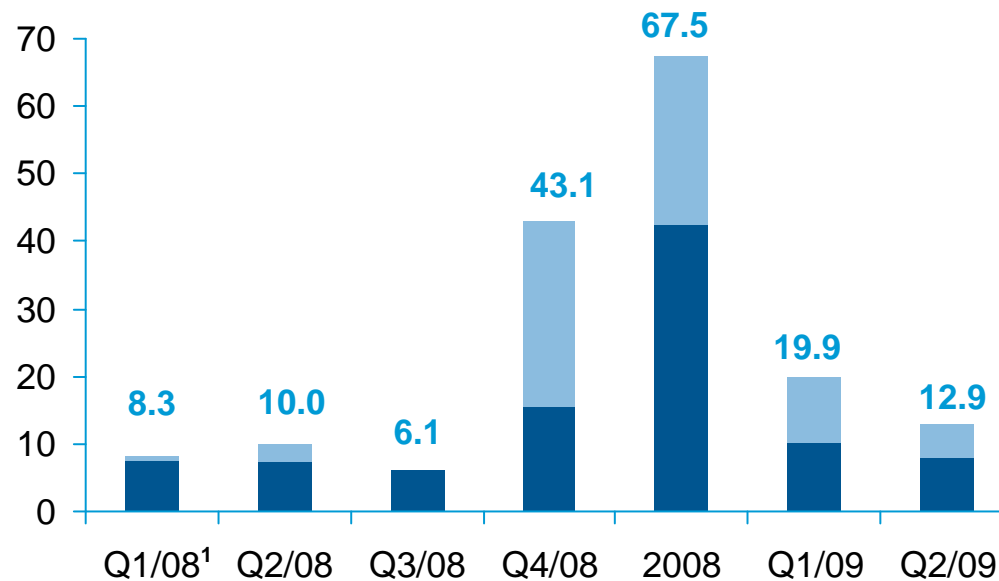
**Capital invested in Russia 6/2009:  
EUR 573 million**

Group capital invested,  
EUR million



# Net financial costs affected by debt portfolio and hedging costs

EUR million



■ Exchange rate losses

Exchange rate losses mainly due to the ruble:

In Q2/09: EUR 5.1 million

In Q1/09: EUR 9.6 million

In Q4/08: EUR 27.6 million

## Main factors impacting net financial costs

### • Debt portfolio

6/09: EUR 860 million,  
Average interest rate 3.6%

3/09: EUR 844 million, 4.9%  
6/08: EUR 661 million, 4.8%

### • Exchange rate effects from ruble

6/09: Hedged debt investments in  
Russia EUR 237 million

1) Q1/2008 EUR +2.2 million (final ruling of the Supreme Court).



# Changes in interpretation of accounting principles



# Accounting principles

## IFRIC 15

- **IFRIC15**
  - Agreements for the Construction of Real Estate
- **Implications**
  - Changes the revenue recognition method in own developed construction projects from progressive (percentage of completion x percentage of sales) to upon completion of the project (upon delivery)
  - Will have implications on income statement, balance sheet and key ratios
- **Application**
  - Into effect 2010