



# YIT Q4

Financial Statements Bulletin 2018

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Unless otherwise noted, the figures in brackets refer to the corresponding period in the previous year and are of the same unit. YIT reports in accordance with IFRS principles. YIT and Lemminkäinen merged on February 1, 2018. In this Financial Statements Bulletin 2018, comparison figures are pro forma figures. More information regarding the presentation of financial information is available at the end of the explanatory statement of the interim report.

## Group reporting, IFRS

**Both operating profit and cash flow were strong in the fourth quarter. Good order backlog gives a solid foundation for this year.**

### October–December

- Revenue grew by 13% and was EUR 1,269.0 million (1,123.6).
- Adjusted operating profit<sup>1</sup> amounted to EUR 99.6 million (60.4) and adjusted operating profit margin was 7.8% (5.4).
- Operating profit amounted to EUR 82.7 million (37.1) and operating profit margin was 6.5% (3.3).
- Order backlog grew by 5% year-on-year and was EUR 4,433.8 million (12/2017: 4,218.3).
- Reported operating cash flow after investments amounted to EUR 204.5 million.

### January– December

- The merger of YIT Corporation and Lemminkäinen Corporation was completed on February 1, 2018.
- Revenue decreased by 3% and was EUR 3,759.3 million (3,862.5).
- Adjusted operating profit<sup>1</sup> amounted to EUR 134.5 million (138.9) and adjusted operating profit margin was 3.6% (3.6).
- Operating profit amounted to EUR 91.3 million (77.4) and operating profit margin was 2.4% (2.0).
- Reported operating cash flow after investments amounted to EUR 148.6 million.
- Order backlog grew by 5% year-on-year and was EUR 4,433.8 million (12/2017: 4,218.3).
- The company now estimates the total annual synergies related to the merger to have an impact of EUR 45–50 million by the end of 2020. Of this, EUR 40 million will be achieved already starting from the first quarter 2020.
- Adjusted earnings per share were EUR 0.32 (0.35) and earnings per share were EUR 0.16 (0.13).
- The Board of Directors' proposal to the AGM: dividend per share EUR 0.27 (0.25).

<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 note 4.4 in the tables section.



### Guidance for 2019

The Group revenue 2019 is estimated to be in the range of +5% – -5% compared to revenue 2018 (pro forma 2018: EUR 3,759.3 million).

In 2019, the adjusted operating profit<sup>1</sup> is estimated to be EUR 170–230 million (pro forma 2018: EUR 134.5 million).

### Guidance rationale

The guidance for 2019 is based on, among others, the completion of Mall of Tripla in the last quarter, the estimated timing of completion of the residential projects under construction and the company's solid order backlog. At the end of December, 63% of the order backlog was sold.

Significant fluctuation is expected between the quarters due to normal seasonal variation, sales of business premises projects and the timing of completions of residential projects as well as Mall of Tripla. As in 2018, the last quarter of the year is expected to be clearly the strongest. The company estimates that the adjusted operating profit for first quarter of 2019 will be on par with the comparison period (pro forma).

<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 note 4.4 in the tables section.

## Significant matters

### Merger of YIT and Lemminkäinen

YIT and Lemminkäinen merged on February 1, 2018. The combination of YIT and Lemminkäinen creates a financially strong company with urban development as the engine for growth and profitability. The Extraordinary General Meetings of YIT and Lemminkäinen held on September 12, 2017 approved the merger, and the Finnish Competition and Consumer Authority approved it on January 26, 2018. Stock exchange releases, the merger prospectus and other merger-related material are available at [yitgroup.com/merger](http://yitgroup.com/merger).

### Changes in the Group's reporting practices

Due to the merger, YIT's Board of Directors confirmed the Group's reporting principles. Starting from January 1, 2018 YIT will apply IFRS principles in its group reporting as well as in its segment reporting. According to the IFRS accounting principles, revenue from residential projects for consumers is recognised upon completion. Consequently, there may be significant fluctuation in the Group's results between the quarters depending on project completion dates.

Certain figures for the Housing Finland and CEE segment and the Housing Russia segment, such as their revenue and operating result, will also be reported under the percentage of completion (POC) principle in addition to IFRS reporting. Under the POC principle, revenue recognition is based on multiplying the percentage of completion by the percentage of sale. The effects of the differences between the recognition principles are presented in detail in the tables section of the interim report.

The Group has previously used percentage of completion (POC) segment reporting as its primary reporting principle and the Group's previous financial targets, for example, were based on POC reporting.

## Kari Kauniskangas, President and CEO:

**The fourth quarter's financial performance was one of highest in YIT's history:** the adjusted operating profit was a record-breaking EUR 99.6 million, while operating cash flow amounted to EUR 204.5 million. We carried out two significant property transactions in December: we sold the Tripla Workery offices in Helsinki's Pasila district as a whole. In addition, YIT and our joint venture Regenero, sold the Tietotie 6 property in Espoo's Otaniemi district. The sale of the Tripla Workery offices is the single largest office property transaction in YIT's history. In addition to the property sales, the result for the quarter was supported by the completion of several consumer housing projects in Finland and the CEE countries.



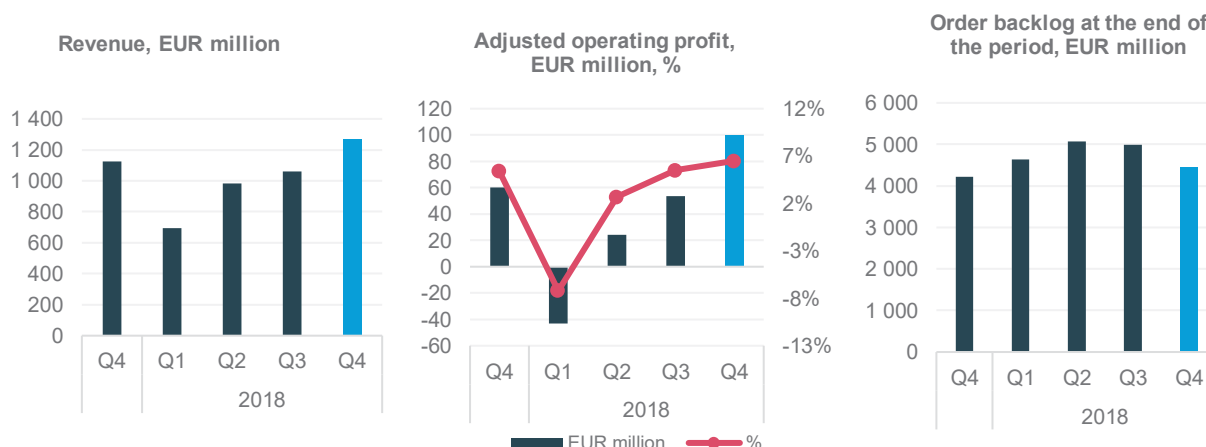
The closing of the paving season went well, and the effect of the business restructuring measures made earlier in the year in Norway and Sweden was seen in the year-end result. The result for the fourth quarter was burdened by project write-downs and risk provisions made to old projects particularly in the Infrastructure projects and Housing Russia segments, totalling approximately EUR 10 million. In both segments, changes to tendering practices were implemented in the first quarter, hence the profitability and contract terms of new projects in the order backlog are at healthy levels.

**The year 2018 was successful for YIT in many ways.** YIT and Lemminkäinen merged at the beginning of February. In addition to actual business operations, significant resources were focused to the integration of the companies and creating the foundation for a new YIT by establishing a common company culture. The synergies achieved from the merger began to show in the Group's result in 2018 in line with the set targets. We specify the previously given overall synergy estimate from EUR 40-50 million to EUR 45-50 million by the end of 2020. In September, we announced our new strategy for 2019–2021. The strategy's target is to improve profitability and to strengthen financial stability. The core of the strategy is urban development and it is built on YIT's key strength: development and implementation of self-developed projects.

In 2018, self-developed projects and their successful sales in Housing Finland and CEE, Business premises and Partnership properties segments brought in the lion's share both of the segments' revenue and profit, as well as the entire Group's profit. The construction and leasing of the Mall of Tripla have proceeded very well and ahead of our targets.

During the year, the result of the Infrastructure projects and Housing Russia segments was weak, and Paving segment's result was modest. There were, however, several successes within these segments. As we enter this year, we have confidence also in these segments due to the large number of measures implemented last year to improve the financial performance. In addition to the measures we have taken, our strong and healthier order backlog and good financial position give us a solid foundation for this year.

I thank our customers for their trust and cooperation in 2018, as well as our personnel and partners for working with such commitment and enthusiasm to achieve our goals.



## Key figures, IFRS

EUR million	Reported 10–12/18	Pro forma 10–12/18	Pro forma 1012/17	Change	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change <sup>1</sup>
<b>Revenue</b>	<b>1,269.0</b>	<b>1,269.0</b>	<b>1,123.6</b>	<b>13%</b>	<b>3,689.4</b>	<b>3,759.3</b>	<b>3,862.5</b>	<b>-3%</b>
Housing Finland and CEE	354.0	354.0	270.7	31%	1,143.5	1,157.9	1,156.2	0%
Housing Russia	126.7	126.7	200.3	-37%	270.2	274.1	421.0	-35%
Business premises	438.7	438.7	279.7	57%	1,024.7	1,045.2	902.2	16%
Infrastructure projects	176.3	176.3	202.7	-13%	590.5	612.4	686.0	-11%
Paving	189.6	189.6	191.2	-1%	712.9	723.2	768.9	-6%
Partnership properties	0.0	0.0			0.0	0.0		
Other items	-16.3	-16.3	-21.0	22%	-52.4	-53.4	-71.8	26%
<b>Operating profit</b>	<b>78.5</b>	<b>82.7</b>	<b>37.1</b>	<b>123%</b>	<b>94.6</b>	<b>91.3</b>	<b>77.4</b>	<b>18%</b>
<b>Operating profit margin, %</b>	<b>6.2%</b>	<b>6.5%</b>	<b>3.3%</b>		<b>2.6%</b>	<b>2.4%</b>	<b>2.0%</b>	
<b>Adjusted operating profit</b>	<b>99.6</b>	<b>99.6</b>	<b>60.4</b>	<b>65%</b>	<b>152.5</b>	<b>134.5</b>	<b>138.9</b>	<b>-3%</b>
Housing Finland and CEE	28.5	28.5	15.3	86%	104.1	103.3	83.0	25%
Housing Russia	-3.8	-3.8	18.5		-31.8	-32.8	4.9	
Business premises	56.1	56.1	34.7	62%	68.1	67.8	51.5	32%
Infrastructure projects	-1.4	-1.4	5.8		-4.7	-7.6	17.4	
Paving	-0.7	-0.7	-6.9	90%	14.5	2.7	4.7	-43%
Partnership properties	27.9	27.9	0.2		26.9	26.9	-0.5	
Other items	-7.0	-7.0	-7.3	4%	-24.6	-25.8	-22.0	-17%
<b>Adjusted operating profit margin, %</b>	<b>7.8%</b>	<b>7.8%</b>	<b>5.4%</b>		<b>4.1%</b>	<b>3.6%</b>	<b>3.6%</b>	
Housing Finland and CEE	8.1%	8.1%	5.7%		9.1%	8.9%	7.2%	
Housing Russia	-3.0%	-3.0%	9.2%		-11.8%	-12.0%	1.2%	
Business premises	12.8%	12.8%	12.4%		6.6%	6.5%	5.7%	
Infrastructure projects	-0.8%	-0.8%	2.9%		-0.8%	-1.2%	2.5%	
Paving	-0.4%	-0.4%	-3.6%		2.0%	0.4%	0.6%	
Partnership properties								
Adjusting items	21.1	17.0	23.3	-27%	57.9	43.2	61.5	-30%
Profit before taxes	70.6	74.7	30.8	142%	59.1	57.2	50.7	13%
Profit for the review period <sup>2</sup>	50.4	53.7	10.8	397%	39.2	33.3	26.3	27%
Earnings per share, EUR	0.25	0.26	0.05	414%	0.19	0.16	0.13	22%
Operating cash flow after investments	204.5	n/a	n/a		148.6	n/a	n/a	
Net interest-bearing debt at end of period	562.9	562.9	666.9		562.9	562.9	666.9	
Gearing ratio at end of period, %	53.6%	n/a	59.9%		53.6%	n/a	59.9%	
Equity ratio at end of period, %	38.1%	n/a	40.2%		38.1%	n/a	40.2%	
Pro forma return on capital employed (ROCE, rolling 12m), %	n/a	n/a	n/a		n/a	5.6%	n/a	
Order backlog, end of period	4,433.8	4,433.8	4,218.3	5%	4,433.8	4,433.8	4,218.3	5%

<sup>1</sup> Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.

<sup>2</sup> Attributable to the equity holders of the parent company.

	1–12/18	1–12/17	Change
Dividend per share, EUR	0.27 <sup>3</sup>	0.25	8%

<sup>3</sup> Board of Directors' proposal to the Annual General Meeting.

# Group financial development

## Revenue

Residential projects for consumers recognised as income upon completion

EUR million	Reported 10–12/18	Pro forma 10–12/18	Pro forma 10–12/17	Change	Exchange rate impact <sup>2</sup>	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change <sup>1</sup>
<b>Revenue</b>	<b>1,269.0</b>	<b>1,269.0</b>	<b>1,123.6</b>	<b>13%</b>	<b>1%</b>	<b>3,689.4</b>	<b>3,759.3</b>	<b>3,862.5</b>	<b>-3%</b>
Housing Finland and CEE	354.0	354.0	270.7	31%		1,143.5	1,157.9	1,156.2	0%
Housing Russia	126.7	126.7	200.3	-37%	12%	270.2	274.1	421.0	-35%
Business premises	438.7	438.7	279.7	57%		1,024.7	1,045.2	902.2	16%
Infrastructure projects	176.3	176.3	202.7	-13%		590.5	612.4	686.0	-11%
Paving	189.6	189.6	191.2	-1%		712.9	723.2	768.9	-6%
Partnership properties	0.0	0.0				0.0	0.0		
Other items	-16.3	-16.3	-21.0	22%		-52.4	-53.4	-71.8	26%

<sup>1</sup> Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.

<sup>2</sup> Reported 10-12/18 with comparable currency exchange rates.

### October–December

The Group's revenue decreased by 13% year-on-year and amounted to EUR 1,269.0 million (1,123.6). Revenue was boosted by the property sales in the Business premises segment as well as the higher year-on-year number of completed apartments in the Housing Finland and CEE segment.

### January– December

The Group's revenue decreased by 3% year-on-year and amounted to EUR 3,759.3 million (3,862.5). Revenue decreased mainly due to a low number of residential project completions in the Housing Russia segment.

In the Infrastructure projects segment, revenue decreased due to lower year-on-year volumes in Finland. In the Paving segment, revenue decreased year-on-year due to close-downs of several unprofitable asphalt stations in Southern Sweden and Norway, which decreased volumes. Due to the operating model, the revenue in Partnership properties is low.

## Result

EUR million	Reported 10–12/18	Pro forma 10–12/18	Pro forma 10–12/17	Change	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change <sup>1</sup>
<b>Operating profit</b>	<b>78.5</b>	<b>82.7</b>	<b>37.1</b>	<b>123%</b>	<b>94.6</b>	<b>91.3</b>	<b>77.4</b>	<b>18%</b>
<b>Operating profit margin, %</b>	<b>6.2%</b>	<b>6.5%</b>	<b>3.3%</b>		<b>2.6%</b>	<b>2.4%</b>	<b>2.0%</b>	
<b>Adjusting items</b>	<b>21.1</b>	<b>17.0</b>	<b>23.3</b>	<b>-27%</b>	<b>57.9</b>	<b>43.2</b>	<b>61.5</b>	<b>-30%</b>
<b>Adjusted operating profit</b>	<b>99.6</b>	<b>99.6</b>	<b>60.4</b>	<b>65%</b>	<b>152.5</b>	<b>134.5</b>	<b>138.9</b>	<b>-3%</b>
Housing Finland and CEE	28.5	28.5	15.3	86%	104.1	103.3	83.0	25%
Housing Russia	-3.8	-3.8	18.5		-31.8	-32.8	4.9	
Business premises	56.1	56.1	34.7	62%	68.1	67.8	51.5	32%
Infrastructure projects	-1.4	-1.4	5.8		-4.7	-7.6	17.4	
Paving	-0.7	-0.7	-6.9	90%	14.5	2.7	4.7	-43%
Partnership properties	27.9	27.9	0.2		26.9	26.9	-0.5	
Other items	-7.0	-7.0	-7.3	4%	-24.6	-25.8	-22.0	-17%
<b>Adjusted operating profit margin, %</b>	<b>7.8%</b>	<b>7.8%</b>	<b>5.4%</b>		<b>4.1%</b>	<b>3.6%</b>	<b>3.6%</b>	
Housing Finland and CEE	8.1%	8.1%	5.7%		9.1%	8.9%	7.2%	
Housing Russia	-3.0%	-3.0%	9.2%		-11.8%	-12.0%	1.2%	
Business premises	12.8%	12.8%	12.4%		6.6%	6.5%	5.7%	
Infrastructure projects	-0.8%	-0.8%	2.9%		-0.8%	-1.2%	2.5%	
Paving	-0.4%	-0.4%	-3.6%		2.0%	0.4%	0.6%	
Partnership properties								

<sup>1</sup> Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.

EUR million	Reported 10–12/18	Pro forma 10– 12/18	Pro forma 10– 12/17	Change	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change <sup>1</sup>
Profit before taxes	70.6	74.7	30.8	142%	59.1	57.2	50.7	13%
Profit for the review period <sup>2</sup>	50.4	53.7	10.8	397%	39.2	33.3	26.3	27%
Earnings per share, EUR	0.25	0.26	0.05	414%	0.19	0.16	0.13	22%
Adjusted earnings per share, EUR	n/a	0.32	0.14	129%	n/a	0.32	0.35	-9%

<sup>1</sup> Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.

<sup>2</sup> Attributable to the equity holders of the parent company.

## October–December

The Group's adjusted operating profit was EUR 99.6 million (60.4), and adjusted operating profit margin was 7.8% (5.4). The adjusted operating profit was boosted especially by the property sales in Business premises segment. During the period, YIT sold the Tripla's Workery offices, being built in Pasila, Helsinki, as a whole to Commerz Real. In Vilnius, Lithuania, YIT sold the Duetto II office building to Baltic Horizon Fund. The sale of the Tripla Workery offices is the single largest office property transaction in YIT's history. In addition, YIT, HGR Property Partners and their joint venture Regenero sold the Tietotie 6 property they owned in Otaniemi, Espoo to Special Investment Fund eQ Care (AIF). The sales was reported in the Partnership properties segment. Also the higher year-on-year number of completed apartments for consumers in the Housing Finland and CEE segment increased operating profit.

The operating profit was EUR 82.7 million (37.1) and the operating profit margin was 6.5% (3.3). The operating profit includes adjusting items of EUR 17.0 million (23.3) mainly related to merger related fair value cost effects (additional information in note 4.4) and integration costs related to achieving the synergy benefits.

Profit before taxes was EUR 74.7 million (30.8) and profit for the review period was EUR 53.7 million (10.8).

## January– December

The Group's adjusted operating profit was EUR 134.5 million (138.9), and adjusted operating profit margin was 3.6% (3.6). During the year, adjusted operating profit decreased mainly due to lowered margins in certain projects in the contracting business in Russia, in Infrastructure projects and in Business premises. Adjusted operating profit was supported by the high volume of completed self-developed projects as well as the property sales carried out in the last quarter.

The operating profit was EUR 91.3 million (77.4), and the operating profit margin was 2.4% (2.0). The operating profit includes adjusting items of EUR 43.2 million (61.5) mainly related to merger related fair value cost effects, integration costs, costs related to the reorganisation of the Scandinavian paving operations and a loss related to the capital release action in Russia.

Profit before taxes was EUR 57.2 million (50.7) and profit for the review period was EUR 33.3 million (26.3).

## Impacts of the merger on reporting

As a result of the merger, goodwill amounting to EUR 298.3 million was recorded on YIT's balance sheet. Thereof EUR 245.1 million was formed at the merger and EUR 53.2 million was Lemminkäinen's historical goodwill. Assets and debts acquired at the merger have been booked at fair value of the merger date.

The most significant of these bookings are:

- Adjustment of EUR 37.7 million to the fair value of tangible assets (carrying value at the time of acquisition EUR 164.4 million). This adjustment is mainly related to industrial properties, asphalt stations and machines as well as to mineral aggregate pits.
- An adjustment totalling EUR 44.7 million has been recorded in intangible assets on the acquisition date balance sheet (carrying value at the time of acquisition EUR 50.9 million). The item includes intangible assets relating to customer relationships, brands and order backlog.
- An adjustment of EUR 22.6 million has been recorded in the fair value of inventories on the balance sheet at the time of the acquisition,

reflecting the fair value of the inventories acquired, EUR 415.5 million.

- Lemminkäinen's hybrid loan with a carrying value of EUR 35.2 million was reported in short-term borrowings on January 31, 2018.
- The fair value of Lemminkäinen's bond, EUR 109.1 million, includes an adjustment of fair value amounting to EUR 9.7 million, when the bond was recorded at the selling rate on January 31, 2018.
- YIT has recorded an adjustment of EUR 20.0 million with which contingent liabilities arising from legal proceedings have been recorded at fair values. The adjustment reflects the fair value of the contingent liabilities for which liability was assumed, taking into consideration the reasonable risk premium associated with such liabilities.

Merger related fair value allocations and goodwill have not been allocated to the segments' capital employed but are reported in segment level in "other items and eliminations". Therefore, adjustments due to merger related items have no impact on the segments' results.



## Synergies and integration costs

The merger of YIT and Lemminkäinen is expected to create significant value for the shareholders of the merged company. When planning the merger, the total synergies were estimated to be approximately EUR 40 million annually, and they were expected to materialise in full by the end of 2020. Once the companies had merged, the sources of the synergies and the plans made could be verified and detailed further. New sources of synergies were also found. In connection with the January–March 2018 interim report, and now again in connection with the Financial Statements bulletin, the company has adjusted its estimate on achieving the synergy benefits of the merger. The company now estimates the annual total synergies related to the merger to have an impact of EUR 45–50 million by the end of 2020. In spring 2018, the company estimated to achieve total synergy benefits of EUR 40–50 million by the end of 2020 so that EUR 40 million will be achieved starting already from the first quarter 2020.

The savings are mainly attributable to a decrease in fixed expenses. The biggest individual sources of synergies include eliminating overlaps in the combined company, shared and more efficient business premises and lower IT expenses. In addition, for example increasing the efficiency of operating methods and their harmonisation, lower financing costs, adoption of best

practices, economies of scale in procurement and more efficient plot turnover rate create synergy benefits.

The synergy benefits recorded as materialised by the end of December amounted to approximately EUR 19 million. The company's estimate was that it will reach cumulative annual synergy benefits impacting the result of approximately EUR 16–20 million by the end of 2018 and that target was achieved. The company has specified the synergy timetable and now estimates, that it will reach cumulative annual synergy benefits impacting the result approximately EUR 34–40 million by the end of 2019 and approximately EUR 45–50 million by the end of 2020. Earlier the company estimated that in 2019 it will reach synergy benefits impacting the result approximately EUR 32–40 million.

Integration costs are estimated to result in a non-recurring negative cash flow effect and an effect on the result of approximately EUR 40 million during 2017–2019. In 2018, merger-related integration costs totalled approximately EUR 18.2 million, including the costs recorded for Lemminkäinen in January. For the years 2017 and 2018, the cumulative integration costs at the end of December totalled approximately EUR 22.1 million. The company estimates that the majority of the integration costs will be allocated to 2018 and 2019.

The integration costs will burden the operating profit, but have no effect on adjusted operating profit.

EUR million	Pro forma 1–12/18	Pro forma 1–12/17
Integration costs, total <sup>1</sup>	18.2	3.8

<sup>1</sup> Integration costs exclude transaction costs.

## Acquisitions and capital expenditure

The merger of YIT Corporation and Lemminkäinen Corporation was completed on February 1, 2018. Lemminkäinen's shareholders were given as merger consideration 3.6146 new shares of YIT for each share of Lemminkäinen they owned, in total 83,876,431 new shares of YIT.

During the first quarter, YIT acquired the majority of Projektipalvelu Talon Tekniikka Oy.

In April, YIT acquired a controlling interest of the company "Udobnyje reshenija". Udobnyje reshenija offers versatile contact services based on the Dispatcher 24 service platform to property management and maintenance companies.

In November, YIT acquired Vahva Sora Oy which produces and delivers mineral aggregates suitable to be used as raw materials for concrete in Southern Finland.

In 2018, the reported gross investments amounted to EUR 64.4 million (30.5), or 1.7% (1.5) of revenue. The investments consisted of investments in joint ventures, building equipment and information technology, among other things.

## Capital structure and liquidity position, Cash flow and investments

EUR million	Reported 12/18	Reported 12/17	Change	Reported 12/18	Reported 9/18	Change	Pro forma 12/17
Net interest-bearing debt	562.9	453.4	24%	562.9	767.8	-27%	666.9
Cash and cash equivalents	263.6	89.7	194%	263.6	204.7	29%	111.3
Interest-bearing receivables	65.1	47.6	37%	65.1	48.9	33%	47.6
Interest-bearing debts	891.7	590.7	51%	891.7	1,021.4	-13%	825.8
Bonds	352.6	149.7	136%	352.6	354.1	0%	n/a
Commercial papers	46.7	150.6	-69%	46.7	192.0	-76%	n/a
Pension loans	50.0	55.4	-10%	50.0	51.7	-3%	n/a
Loans from financial institutions	130.4	115.0	13%	130.4	132.6	-2%	n/a
Housing corporation loans	259.0	85.6	203%	259.0	237.8	9%	n/a
Finance lease liabilities	17.8	0.1		17.8	17.9	0%	n/a
Other loans	35.2	34.3	3%	35.2	35.2	0%	n/a
Available committed revolving credit facilities	300.0	200.0	50%	300.0	300.0	0%	n/a
Available overdraft facilities	72.2	73.7	-2%	72.2	73.7	-2%	n/a
Equity ratio, %	38.1	33.2		38.1	34.8		40.2
Gearing ratio, %	53.6	88.7		53.6	75.5		59.9

EUR million	Reported 10–12/18	Pro forma 10–12/18	Pro forma 10–12/17	Change	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change
Operating cash flow after investments	204.5	n/a	n/a		148.6	n/a	n/a	
Cash flow from plot investments	-26.2		n/a		-94.3	n/a	n/a	
Cash flow from investments to associated companies and joint ventures	-5.0	n/a	n/a		-39.7	n/a	n/a	
Net financing costs	-8.0	-8.0	-6.2	-29%	-35.5	-34.1	-26.7	-28%

At the end of December, YIT's reported cash and cash equivalents amounted to EUR 263.6 million (Pro forma 12/17: 111.3), in addition to which YIT had reported undrawn overdraft facilities amounting to EUR 72.2 million (73.7). Additionally, YIT's reported committed revolving credit facility of EUR 300 million (200) was completely undrawn, and reported undrawn and committed housing corporation loan agreements related to Finnish apartment projects amounted to EUR 292.9 million (269.4).

At the end of December, the Group's reported equity ratio was 38.1% (Pro forma 12/17: 40.2%) and reported gearing ratio was 53.6% (Pro forma 12/17: 59.9%).

Reported interest-bearing debts amounted to EUR 891.7 million (Pro forma 12/17: 825.8) and reported interest-bearing net debt to EUR 562.9 million (Pro forma 12/17: 666.9) at the end of December.

During the year, YIT has reorganised its debt portfolio: In the third quarter, YIT agreed on using the option for a one-year extension of its EUR 300 million committed revolving credit facility and extended the maturity of the contract to August 2021.

In the second quarter, YIT issued two new senior unsecured notes: 3-year EUR 100 million notes and 5-year EUR 150 million notes. The new notes bear a fixed coupon interest of 3.15 per cent per annum and a fixed coupon interest of 4.25 per cent per annum respectively, both payable semi-annually, and they include an equity ratio covenant to be reviewed quarterly. Simultaneously YIT redeemed two of its old notes pursuant to the tender offer and voluntary total redemption: its EUR 100 million notes due 2020 and its EUR 50 million notes due 2021. With these arrangements the company prepared for upcoming debt repayments and for general financing

needs as well as extended the average maturity of its outstanding debt.

In the first quarter, YIT cancelled its previous EUR 200 million committed revolving credit facility as well as Lemminkäinen's previous EUR 200 million revolving credit facility simultaneously as its new EUR 300 million revolving credit facility became available on February 1, 2018. YIT has also cancelled its EUR 240 million bridge financing agreement related to the merger as unnecessary.

In January, before the merger, Lemminkäinen announced that it would redeem the outstanding share of EUR 35.2 million of its hybrid bond in accordance with the terms and conditions of the hybrid bond on March 30, 2018, and as a result thereof the payment took place on April 3, 2018.

During the year 2018, reported net finance costs amounted to EUR 35.5 million (Pro forma 12/17: 26.7).

Finance costs increased mainly due to the costs related to the redemptions of bonds.

At the end of December, the net debt/adjusted pro forma EBITDA ratio was 3.2 and at the end of year 2017, 3.6 (at the end of September: 5.6).

At the end of December, the reported capital employed in Russia was EUR 318.7 million (397.1). Reported equity investments in Russia was EUR 358.3 million (346.0) at the end of December.

Reported operating cash flow after investments for January–December was EUR 148.6 million (164.3) supported by business premises property sales. Cash flow from plot investments was EUR -94.3 million. Cash flow from investments to associated companies and joint ventures was EUR -39.7 million.

## Order backlog

EUR million	Reported 12/18	Reported 9/18	Change	Reported 12/18	Pro forma 12/17	Change
<b>Order backlog</b>	<b>4,433.8</b>	<b>4,990.8</b>	<b>-11%</b>	<b>4,433.8</b>	<b>4,218.3</b>	<b>5%</b>
Housing Finland and CEE	1,729.3	1,767.1	-2%	1,729.3	1,580.1	9%
Housing Russia	348.8	428.2	-19%	348.8	448.6	-22%
Business premises	1,326.9	1,630.6	-19%	1,326.9	1,306.8	2%
Infrastructure projects	579.6	643.3	-10%	579.6	471.0	23%
Paving	449.2	521.7	-14%	449.2	411.8	9%
Partnership properties						

The order backlog decreased by 11% from the end of September and amounted to EUR 4,433.8 million (9/18: 4,990.8). The order backlog in the Business premises segment decreased due to the sales of the Tripla offices. In the Housing Russia segment, the order backlog decreased due to a high number of completions during the last quarter. The order backlog in the Paving

segment decreased from the end of September due to ordinary seasonal variation.

The order backlog grew by 5% year-on-year (12/17: 4,218.3). The order backlog grew in all segments except in the Housing Russia segment.

At the end of December, 63% of the order backlog was sold.

# Segments

The six reported segments of YIT Corporation with effect from February 1, 2018 are Housing Finland and CEE, Housing Russia, Business premises, Infrastructure projects, Paving and Partnership properties.

## Housing Finland and CEE

The Housing Finland and CEE segment consists of YIT's former Housing Finland and CEE segment and the residential construction business of Lemminkäinen's Building Construction, Finland segment. The segment's business comprises the development and construction of apartments and entire residential areas as well as leisure-time residences.

### Operating environment

Consumer confidence in Finland during the period was solid, which was reflected in good consumer demand for apartments. Supply was on a high level. In addition to the good demand for affordable apartments in the Helsinki Metropolitan Area and Tampere, demand for larger apartments improved year-on-year.

The demand of private residential investors declined during the year.

In the CEE countries, consumer confidence continued to be on a good level. Demand for apartments in the CEE countries was mainly brisk.

The segment's main focus is on self-developed projects, and YIT mainly sells the constructed apartments to both consumers and investors. Additionally, YIT develops and offers various living services and concepts. The segment's geographical markets are Finland, the Czech Republic, Slovakia, Poland, Estonia, Latvia and Lithuania.

Prices of new apartments were on average stable both in Finland and in the CEE countries. Shortage of resources due to increased construction volume caused cost pressure during the reporting period especially in the CEE countries.

Mortgage interest rates were on a low level in all operating countries, and the availability of financing was good. In Finland, new mortgages continued to be actively drawn, but the public discussion regarding the excessive indebtedness has caused uncertainty. During the period, banks have tightened their lending in Finland.

Housing Finland and CEE EUR million	Reported 10–12/18	Pro forma 10–12/18	Pro forma 10–12/17	Change	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change <sup>1</sup>
Revenue	354.0	354.0	270.7	31%	1,143.5	1,157.9	1,156.2	0%
Operating profit	28.5	28.5	10.4	173%	103.4	102.6	78.1	31%
Operating profit margin %	8.0%	8.0%	3.9%		9.0%	8.9%	6.8%	
Adjusted operating profit	28.5	28.5	15.3	86%	104.1	103.3	83.0	25%
Adjusted operating profit margin %	8.1%	8.1%	5.7%		9.1%	8.9%	7.2%	
Order backlog at end of period	1,729.3	1,729.3	1,580.1	9%	1,729.3	1,729.3	1,580.1	9%

<sup>1</sup> Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.

### October–December, IFRS

The segment's revenue grew by 31% amounting to EUR 354.0 million (270.7). The adjusted operating profit was EUR 28.5 million (15.3) and the adjusted operating profit margin was 8.1% (5.7). The segment's operating profit was EUR 28.5 million (10.4) and the operating profit margin was 8.0% (3.9). Both revenue and operating profit were supported by a higher year-on-year number of completed apartments for consumers. During the period, YIT completed 1,295 apartments in Finland (1,041) and 643 apartments in the CEE countries (559).

The order backlog at the end of the period was EUR 1,729.3 million (1,580.1).

### January–December, IFRS

The segment's revenue was EUR 1,157.9 million (1,156.2). The adjusted operating profit was EUR 103.3 million (83.0) and the adjusted operating profit margin was 8.9% (7.2). The segment's operating profit was EUR 102.6 million (78.1) and the operating profit margin was 8.9% (6.8). Operating profit increased due to a higher year-on-year number of completed apartments for consumers in the last quarter. In addition, the plots sold to the joint venture and to the plot fund established during the period supported the revenue and operating profit in the second quarter.



Housing Finland and CEE POC, EUR million	Reported 10–12/18	Pro forma 10–12/18	Pro forma 10–12/17	Change	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change <sup>1</sup>
Revenue	278.9	278.9	299.1	-7%	1,058.1	1,080.4	1,185.9	-9%
Adjusted operating profit	22.3	22.3	25.0	-11%	90.4	90.9	101.5	-10%
Adjusted operating profit margin %	8.0%	8.0%	8.4%		8.5%	8.4%	8.6%	
Adjustment items	0.1	0.1	4.9	-99%	0.8	0.8	4.9	-84%
Order backlog at end of period	1,508.2	1,508.2	1,337.4	13%	1,508.2	1,508.2	1,337.4	13%

<sup>1</sup>Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.

### October–December, POC

The segment's revenue decreased by 7% year-on-year and amounted to EUR 278.9 million (299.1).

The segment's adjusted operating profit decreased by 11% and amounted to EUR 22.3 million (25.0), and the adjusted operating profit margin was 8.0% (8.4). Both revenue and adjusted operating profit decreased due to lower year-on-year number of sold apartments. During the period, YIT sold 815 apartments in Finland (1,249) and 433 apartments in the CEE countries (543). The share of consumer sales in Finland was 57% (65).

In the fourth quarter, YIT started 792 apartments in Finland (1,449) and 572 apartments in the CEE countries (364).

In October–December, YIT did not sell any apartments initially started for consumers to investors as bundle deals in Finland. Of the projects previously sold to the YCE Housing I fund, the fund sold to consumers 89 apartments (107).

### January–December, POC

The segment's revenue decreased by 9% year-on-year due to the capital release actions taken during the period and declined residential investor demand, and amounted to EUR 1,080.4 million (1,185.9).

The segment's adjusted operating profit decreased by 10% year-on-year, and amounted to EUR 90.9 million (101.5). The adjusted operating profit margin was 8.4% (8.6). Both revenue and adjusted operating profit decreased due to lower year-on-year number of sold apartments. During the period, YIT sold 3,502 apartments in Finland (4,564) and 1,204 apartments in the CEE countries (1,613).

The share of consumer sales in Finland was 68% (77).

Residential construction in Finland, units	10–12/18	10–12/17 <sup>1</sup>	Change	1–12/18 <sup>1</sup>	1–12/17 <sup>1</sup>	Change
Sold	815	1,249	-35%	3,502	4,564	-23%
of which initially started for consumers <sup>2</sup>	467	811	-42%	2,363	3,500	-33%
Start-ups	792	1,449	-45%	3,793	5,036	-25%
of which for consumers	444	1,123	-60%	2,654	3,972	-33%
Completed	1,295	1,041	24%	4,510	4,308	5%
of which for consumers	1,131	619	83%	3,657	2,816	30%
Under construction at end of period	5,302	6,019	-12%	5,302	6,019	-12%
of which sold at end of period, %	56%	62%		56%	62%	
For sale at end of period	2,777	2,490	12%	2,777	2,490	12%
of which completed	422	203	108%	422	203	108%
Plot reserve in the balance sheet at end of period, EUR million	222	n/a		222	n/a	
Plot reserve at end of period <sup>3</sup> , floor square metres		n/a			n/a	
Cost of completion at end of period, EUR million	460	n/a		460	n/a	

<sup>1</sup> Combined figures of YIT and Lemminkäinen.

<sup>2</sup> Includes apartments sold to residential funds: 10–12/18: 0 units; 10–12/17: 130 units; 1–12/18: 180; 1–12/17: 487 units.

<sup>3</sup> Includes pre-agreements, rental plots and own plots.

Residential construction in the CEE countries, units	10–12/18	10–12/17 <sup>1</sup>	Change	1–12/18 <sup>1</sup>	1–12/17 <sup>1</sup>	Change
Sold	433	543	-20%	1,204	1,613	-25%
of which for consumers	292	201	45%	950	919	3%
Fund sales to consumers <sup>1</sup>	89	107	-17%	404	253	60%
Start-ups	572	364	57%	1,566	1,545	1%
Completed	643	559	15%	1,427	1,100	30%
Under construction at end of period	2,440	2,489	-3%	2,440	2,489	-3%
of which sold at end of period, %	47%	63%		47%	63%	
For sale at end of period	1,436	1,054	36%	1,436	1,054	36%
of which completed	130	140	-7%	130	140	-7%
Plot reserve in the balance sheet at end of period, EUR million	112.1	n/a		112.1	n/a	
Plot reserve at end of period <sup>3</sup> , floor square metres	473,578	n/a		473,578	n/a	
Cost of completion at end of period, EUR million	140	n/a		140	n/a	

<sup>1</sup> Apartments sold to consumers in projects that YIT has previously sold to the YCE Housing I fund or a joint venture and has already reported the units as investor sales.

## Housing Russia

The Housing Russia segment consists of the self-developed residential construction business and living services of YIT's former Housing Russia segment and Lemminkäinen's residential contracting and property management business in Russia. The segment's business comprises development and construction of apartments and entire residential areas in Russia. YIT

has operated in Russia in over 55 years with both self-developed and contracting projects. YIT focuses on self-developed housing construction, while maintenance, property management as well as additional services have lately become increasingly important in residential construction projects. Additionally, YIT has two industrial park projects in Russia.

## Operating environment

Despite the improving economy, Russian consumers continued to be cautious with their apartment buying decisions. Consumer confidence remained on a low level. Residential demand remained on the stable level of end of 2017. Residential price level was stable or slightly declining due to the supply peak preceding the changes in housing sale legislation in the summer.

The interest rates for mortgages for new apartments stayed under 10 per cent. The Russian government continues to further support the citizens' apartment-buying among other things with the interest support program for families with children launched in the beginning of the year.

Housing Russia, EUR million	Reported 10–12/18	Pro forma 10–12/18	Pro forma 10–12/17	Change	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change <sup>1</sup>
Revenue	126.7	126.7	200.3	-37%	270.2	274.1	421.0	-35%
Operating profit	-3.8	-3.8	15.3		-36.3	-37.3	1.7	
Operating profit margin %	-3.0%	-3.0%	7.6%		-13.4%	-13.6%	0.4%	
Adjusted operating profit	-3.8	-3.8	18.5		-31.8	-32.8	4.9	
Adjusted operating profit margin %	-3.0%	-3.0%	9.2%		-11.8%	-12.0%	1.2%	
Order backlog at end of period	348.8	348.8	448.6	-22%	348.8	348.8	448.6	-22%

<sup>1</sup>Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.

### October–December, IFRS

The segment's revenue was EUR 126.7 million (200.3). The adjusted operating profit was EUR -3.8 million (18.5) and the adjusted operating profit margin was -3.0% (9.2). The segment's operating profit was EUR -3.8 million (15.3) and the operating profit margin was -3.0% (7.6). The segment's revenue and operating profit were weakened by the lower year-on-year margin of completed apartments as well as lowered margins in contracting projects. During the period, 2,042 apartments were completed in Russia (1,321).

At comparable exchange rates, reported revenue was EUR 141.3 million and reported adjusted operating profit at comparable exchange rates was EUR -3.9 million.

The share of residential deals financed with mortgage was 45% (51). At the end of December, YIT was responsible for the service and maintenance of over 38,000 apartments, 7,400 parking spaces and 2,400 business premises in Russia, totalling over 48,000 clients.

The order backlog decreased 22% mainly due to the depreciation of rouble, and was EUR 348.8 million (448.6) at the end of the period.

### January–December, IFRS

The company reached its target set in 2016 to release capital employed in residential development in Russia by RUB 6 billion (approx. EUR 80 million) by the end of 2018. In connection with the publication of its new strategy, YIT announced that its target is to further reduce capital employed in Russia by approximately EUR 100 million (RUB 8 billion) during the strategy period 2019–2021.

The segment's revenue decreased by 35% amounting to EUR 274.1 million (421.0). The adjusted operating profit was EUR -32.8 million (4.9) and the adjusted operating profit margin was -12.0% (1.2). The segment's operating profit was EUR -37.3 million (1.7) and the operating profit margin was -13.6% (0.4). Revenue decreased due to the low number of completed projects. The segment's operating profit was weakened by lowered margins in contracting projects, the lower year-on-year margin of completed apartments as well as the loss of plot sales booked in June. During the period, 2,974 apartments were completed in Russia (4,523).

At comparable exchange rates, reported revenue was EUR 303.5 million and reported operating profit at comparable exchange rates was EUR -35.1 million.

During the year, YIT acquired a controlling interest in the company "Udobnyje reshenija". Udobnyje reshenija offers versatile contact services based on the Dispatcher 24 service platform to property management and maintenance companies. The Udobnyje reshenija services reach over 300,000 customers. With this acquisition, YIT will develop its living services towards a digital platform business.

Measures to improve the flexibility and profitability of the Russian operations even with lower volumes were started in late 2017. The segment's operating model was renewed from the previous holding structure to a unitary company. The restructuring enabled the reduction of approximately 200 white-collar employees. The total effect of cost savings related to the changes in the operating model and integration on annual fixed costs is approximately EUR 11 million compared to the 2017 level. These cost reductions will be reached in full in the third quarter of 2019.

The capital release according to set target has had a significant negative impact on the result as the company have reduced the number of unsold completed apartments especially in the Moscow region by giving

discounts on housing prices. The inventory of unsold completed apartments is coming to a normal level and there is no need for similar discounts.

The significant changes in the Federal law 214 regulating the residential market has caused the need to re-evaluate and change the legal structure of the Group's operations in Russia. These changes were started in December 2018.

The pricing and acceptable contract terms in tendering were changed in February, after which the number of new orders has significantly decreased. The leadership and reporting principles of projects were unified to ensure project management at construction sites.

Housing Russia POC, EUR million	Reported 10–12/18	Pro forma 10–12/18	Pro forma 10–12/17	Change	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change <sup>1</sup>
Revenue	89.3	89.3	115.2	-22%	287.9	291.7	320.3	-9%
Adjusted operating profit	-6.0	-6.0	2.1		-22.5	-23.4	4.6	
Adjusted operating profit margin %	-6.7%	-6.7%	1.8%		-7.8%	-8.0%	1.4%	
Adjustment items	0.0	0.0			4.5	4.5	3.2	41%
Order backlog at end of period	305.1	305.1	396.1	-23%	305.1	305.1	396.1	-23%

<sup>1</sup> Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.

### October–December, POC

The segment's revenue decreased by 22% year-on-year and amounted to EUR 89.3 million (115.2). The segment's adjusted operating profit was EUR -6.0 million (2.1) and the adjusted operating profit margin was -6.7% (1.8). The segment's adjusted operating profit decreased year-on-year due to weakened margins in contracting as well as given discounts on completed apartments to release capital.

In Russia, unit sales in October–December was 1,184 apartments (952).

### January–December, POC

The segment's revenue decreased by 9% year-on-year and was EUR 291.7 million (320.3).

The segment's adjusted operating profit was EUR -23.4 million (4.6) and the adjusted operating profit margin was -8.0% (1.4). The result was burdened by lowered margins in projects in the contracting business, given discounts on completed apartments to release capital, and the loss recorded from a plot sales in June.



Residential construction in Russia, units	10–12/18	10–12/17	Change	1–12/18	1–12/17	Change
Sold	1,184	952	24%	3,682	2,899	27%
Start-ups	1,232	533	131%	3,694	2,525	46%
Completed <sup>1</sup>	2,042	1,321	55%	2,974	4,523	-34%
Under construction at end of period	5,286	4,628	14%	5,286	4,628	14%
of which sold at end of period, %	33%	30%		33%	30%	
For sale at end of period	4,223	4,228	0%	4,223	4,228	0%
of which completed	683	974	-30%	683	974	-30%
Plot reserve in the balance sheet at end of period <sup>2</sup> , EUR million	161.7	n/a		161,7	n/a	
Plot reserve at end of period <sup>2</sup> , floor square metres	1,546,000	n/a		1,546,000	n/a	
Cost of completion at end of period, EUR million	112.0	n/a		112,0	n/a	

<sup>1</sup> Completion of residential projects requires commissioning by the authorities.

<sup>2</sup> Figures include Gorelovo industrial park.

Under construction at end of period, units	10–12/18	10–12/17	1–12/18	Change	1–12/17	Change
St. Petersburg	819	588	819	39%	588	39%
Moscow	2,428	2,021	2,428	20%	2,021	20%
Russian regions	2,039	2,019	2,039	1%	2,019	1%

## Business premises

The Business premises segment consists of the business premises construction and project development businesses that were previously under YIT's Business Premises and Infrastructure segment, along with the commercial construction, project development and commercial property and facilities management businesses of Lemminkäinen's Building Construction, Finland segment. The majority of the revenue is generated in Finland. In this segment YIT pursues both self-developed projects and contracting.

For its self-developed projects YIT acquires users and tenants for the premises as well as develops, constructs and divests the premises. Self-developed projects typically include offices, retail premises, as well as logistics or care sector premises. In contracting, projects typically include public facilities, industrial properties and business premises. In addition to new construction, YIT also carries out renovation projects. The segment's geographical markets are Finland, Estonia, Latvia, Lithuania and Slovakia.

## Operating environment

The good market in Finland supported public and private investments. The volume of construction continued to be on a high level. The business premises contracting market continued to be active in growth centres in Finland and especially in the Helsinki metropolitan area. Tenant demand is on a good level in the Helsinki metropolitan area that is also the main market of investor demand. The rental levels of business

premises remained on a good level in Finland and in the Baltic countries.

In the Baltic countries and in Slovakia, investor demand for business premises was good. The contracting market has remained stable in the Baltic countries.

Business premises, EUR million	Reported 10–12/18	Pro forma 10–12/18	Pro forma 10–12/17	Change	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change <sup>1</sup>
Revenue	438.7	438.7	279.7	57%	1,024.7	1,045.2	902.2	16%
Operating profit	56.0	56.0	28.9	94%	67.6	67.3	45.6	48%
Operating profit margin %	1.3%	12.8%	10.3%		6.6%	6.4%	5.1%	
Adjusted operating profit	56.1	56.1	34.7	62%	68.1	67.8	51.5	32%
Adjusted operating profit margin %	12.8%	12.8%	12.4%		6.6%	6.5%	5.7%	
Order backlog at end of period	1,326.9	1,326.9	1,306.8	2%	1,326.9	1,326.9	1,306.8	2%

<sup>1</sup> Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.

Business premises	12/18	9/18
Plot reserve in the balance sheet, EUR million	84.1	101.2
Plot reserve, floor square metres	741,877	651,260
Cost of completion, EUR million	0.22	99.9

## October–December

The segment's revenue increased by 57% year-on-year and amounted to EUR 438.7 million (279.7). The adjusted operating profit was EUR 56.1 million (34.7), and the adjusted operating profit margin was 12.8% (12.4). The segment's operating profit increased by 94% year-on-year to EUR 56.0 million (28.9), and operating profit margin was 12.8% (10.3).

Both revenue and operating profit were boosted by property sales. During the period, YIT sold the Tripla's Workery offices, being built in Pasila, Helsinki, as a whole to Commerz Real. In Vilnius, Lithuania, YIT sold the Duetto II office building to Baltic Horizon Fund. The sale of the Tripla Workery offices is the single largest office property transaction in YIT's history. The purchase price is paid based on the percentage of completion: YIT received the first instalment in 2018 and the remainder will be paid in instalments according to the percentage of completion.

Large projects such as the Tripla one progressed as planned.

The order backlog at the end of the period was EUR 1,326.9 million (1,306.8).

## January–December

The segment's revenue increased by 16% year-on-year and amounted to EUR 1,045.2 million (902.2). The adjusted operating profit was EUR 67.8 million (51.5), and the adjusted operating profit margin was 6.5% (5.7). The segment's operating profit increased by 48% year-on-year to EUR 67.3 million (45.6). The result was boosted by the sales of the Tripla's Workery offices and the Duetto II office building carried out during the last quarter.

During the construction period, projects constructed and partly or wholly owned by the company do not contribute to the recognised revenue or profit for the part that is owned by YIT.

## Largest ongoing business premises projects

Project, location	Total value, EUR million	Project type	Completion rate, %	Estimated completion	Sold/ for sale contracting
Mall of Tripla, Helsinki, Finland	600	retail	75%	9/19	YIT owns 38.75%
Tripla office, East and West, Helsinki, Finland	n/a	office	69%, 56%	Q1/20	sold
Finavia air terminal expansion, Vantaa, Finland	200	airport	77%	12/19	contracting
Tripla hotel, Helsinki, Finland	88	hotel	66%	3/20	sold
Myllypuro campus, Helsinki, Finland	73	public premises	78%	8/19	contracting

## Infrastructure projects

The Infrastructure projects segment consists of the Infra Services division of YIT's Business Premises and Infrastructure segment, excluding the Maintenance unit, and Lemminkäinen's Infra projects segment. The operations cover the construction of roads, bridges, railways, metro stations, harbours and parking facilities as well as building power plants, water supply and

industrial plants. YIT also offers wind power plant foundation solutions as well as related services and maintenance. Additionally, YIT excavates tunnels and mines and reinforces soil using various methods. The segment operates in Finland, Sweden, Norway, Estonia, Latvia and Lithuania.

## Operating environment

Urbanisation, industrial investments and investments in energy and traffic infrastructure have kept the demand for complex infrastructure construction on a good level. Especially in Sweden and Norway, the market remained strong, and there are several major infra projects and industrial investments ongoing or planned in both countries.

In Finland, the growth of infrastructure construction has declined following the decrease in construction project start-ups especially during the latter part of the review period. In the state's budget estimate the investments in infrastructure will be decreased by EUR 500 million compared to 2018. In the Baltic countries, the market has continued to grow.

Infrastructure projects EUR million	Reported 10–12/18	Pro forma 10–12/18	Pro forma 10–12/17	Change	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change <sup>1</sup>
Revenue	176.3	176.3	202.7	-13%	590.5	612.4	686.0	-11%
Operating profit	-1.7	-1.7	5.8		-5.3	-8.2	17.4	
Operating profit margin %	-1.0%	-1.0%	2.9%		-0.9%	-1.3%	2.5%	
Adjusted operating profit	-1.4	-1.4	5.8		-4.7	-7.6	17.4	
Adjusted operating profit margin %	-0.8%	-0.8%	2.9%		-0.8%	-1.2%	2.5%	
Order backlog at end of period	579.6	579.6	471.0	23%	579.6	579.6	471.0	23%

<sup>1</sup> Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.

## October–December

The segment's revenue decreased by 13% year-on-year and amounted to EUR 176.3 million (202.7). The adjusted operating profit was EUR -1.4 million (5.8) and the adjusted operating profit margin was -0.8% (2.9). The segment's operating profit decreased and was EUR -1.7 million (5.8), and operating profit margin was -1.0% (2.9). Operating profit decreased due to lower revenue and lowered margins made to certain old projects.

The order backlog at the end of the period was EUR 579.6 million (471.0).

## January– December

The segment's revenue decreased by 11% year-on-year and amounted to EUR 612.4 million (686.0). The adjusted operating profit was EUR -7.6 million (17.4) and the adjusted operating profit margin was -1.2% (2.5). The segment's operating profit decreased year-on-year to EUR -8.2 million (17.4), and operating profit margin was -1.3% (2.5).

Revenue decreased particularly due to lower year-on-year volumes in Finland. The operating profit decreased year-on-year due to lower revenue and lowered margins in certain old projects as well as low average project profitability of the old order backlog. The profitability of the new orders received since the beginning of the year is on a good level gradually strengthening the average profitability of the order backlog. The operating profit was also burdened by additional costs booked as a result of Court of Appeal's decision related to Niittykumpu metro tunnel construction dispute during the third quarter.

In the summer, the company established an action plan to improve the segment's sales mix and competitiveness. In addition, resources will be allocated to areas with highest demand.

## Largest ongoing infrastructure contracting projects

Project, location	Total value of the project, EUR million	Completion rate, %	Estimated completion
E 18 Hamina-Vaalimaa motorway, Finland	~260	99%	5/19
Blominmäki wastewater treatment plant, Espoo, Finland	~206	10%	2/22
Light railway alliance, Tampere, Finland	~110	61%	12/21
Rimpi gold mine, Kittilä, Finland	~35	37%	12/21
Soukka metro station, Espoo, Finland	~35	7%	6/22

## Paving

The Paving segment consists of Lemminkäinen's Paving segment and YIT's Road maintenance unit. The segment's operations include paving and production of mineral aggregates as well as stabilisation, crushing and waterproofing. The segment also maintains road and street networks. The company cooperates with its customers to produce paving for especially demanding works, such as airport runways with extremely high

quality demands. Approximately half of the segment's revenue originates from public procurement by states and municipalities. Paving and mineral aggregate production are capital-intensive businesses tying capital into machinery and equipment, plots and current assets. The Paving segment operates in Finland, Sweden, Norway, Denmark and Russia.



## Operating environment

Because of weather conditions, paving is practically non-existent in YIT's area of operation during the first quarter of the year. The paving high season takes place from the beginning of June to the end of October.

In Finland, the state investments declined slightly year-on-year. In Sweden, the market was solid, and in Norway the state investments increased. In Denmark, price competition remained intense.

Paving EUR million	Reported 10–12/18	Pro forma 10–12/18	Pro forma 10–12/17	Change	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change <sup>1</sup>
Revenue	189.6	189.6	191.2	-1%	712.9	723.2	768.9	-6%
Operating profit	-3.5	-3.5	-6.9	-48%	4.3	-9.5	4.7	
Operating profit margin %	-1.9%	-1.9%	-3.6%		0.6%	-1.3%	0.6%	
Adjusted operating profit	-0.7	-0.7	-6.9	90%	14.5	2.7	4.7	-43%
Adjusted operating profit margin %	-0.4%	-0.4%	-3.6%		2.0%	0.4%	0.6%	
Order backlog at end of period	449.2	449.2	411.8	9%	449.2	449.2	411.8	9%

<sup>1</sup> Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.

## October–December

The segment's revenue was on par with the year-earlier period and amounted to EUR 189.6 million (191.2). The adjusted operating profit was EUR -0.7 million (-6.9), and the adjusted operating profit margin was -0.4% (-3.6). The segment's operating profit was EUR -3.5 million (-6.9).

Operating profit improved from the comparison period due to a successful closing of the season as well as the improved results in Sweden and Norway where the company closed down several unprofitable asphalt stations in the beginning of the year.

Order backlog was at the end of the reporting period EUR 449.2 million (411.8).

## January–December

The segment's revenue decreased by 6% year-on-year and amounted to EUR 723.2 million (768.9). Revenue decreased from previous year due to lower year-on-year volumes caused by the close-downs of several unprofitable asphalt stations in Southern Sweden and Norway.

The segment's adjusted operating profit was EUR 2.7 million (4.7), and the adjusted operating profit margin was 0.4% (0.6). The segment's operating profit was EUR -9.5 million (4.7).

The operating profit includes EUR 12.2 million adjustment items related to the reorganisation and improvement of the Scandinavian business operations. In Sweden and Norway, sizeable measures were taken to improve operational efficiency, and during the first months of the year, personnel reductions totalled approximately 150 full-time equivalents (FTEs), among other things.

## Partnership properties

The Partnership properties segment was established on January 1, 2018. The objective of the segment is to improve visibility on the reporting of partnership projects, to improve the capability to execute major projects together with partners and to facilitate the creation of a project portfolio generating rental revenue cash flows. In the long term, YIT aims to continue its practice of divesting its holdings to final investors at the time it sees fit.

The income for the segment derives from investments, i.e. from rental income and in the future changes in the value of the assets following their completion as well as sales. Additionally, the segment

will potentially have revenue from diverse service agreements associated with the possession or acquisition of its partially owned assets. The segment's revenue is typically low. On the other hand, rental revenue received by joint ventures or associated companies, such as fund structures, or changes in the value of properties owned by them or capital gains from their realisation are reported in the income statement of the segment under revenue in "Share of results in associated companies". These items account for the majority of the segment's income. The segment may also receive interest income when funding its associated companies with loan capital.

## Operating environment

Investors' interest in business premises located in Finland's major growth centres was at a good level, and the residential investor interest remained stable. The yield requirements of office and retail properties

decreased in the Helsinki metropolitan area, and the rental levels for prime office properties increased in central Helsinki.

Partnership properties EUR million	Reported 10–12/18	Pro forma 10–12/18	Pro forma 10–12/17	Change	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change <sup>1</sup>
Revenue	0.0	0.0			0.0	0.0		
Operating profit	27.9	27.9	0.2		26.9	26.9	-0.5	
Operating profit margin %								

<sup>1</sup> Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.

EUR million	Reported 12/18	Reported 9/18	Change	Pro forma 12/17
Equity investments and investment commitments	164	167	-2%	n/a
of which already invested in associated companies and joint ventures	154	151	2%	n/a

## Projects

Partnership	Co-operation model	YIT's equity investment commitments	Total investment capacity estimate, EUR million	YIT's ownership	Additional information
Regenero Oy	Project development company	18 <sup>1</sup>	800 <sup>2</sup>	50%	Owned by YIT and HGR Property Partners. Regenero owns a head quarter property in Keilaniemi, Espoo. The occupancy rate of the Keilaniemi property is over 70%. Capital investments are made into Regenero based on needs of projects being developed.
Mall of Tripla	Shopping centre property company	117	600	38.75%	Hybrid project Tripla's shopping centre part in Central Pasila, Helsinki, Finland. The joint venture is formed by YIT, Ilmarinen (38.75%), Conficap (15%) and Fennia (7.5%). Occupancy rate of the project is approximately 86%, leasable area 85,000 square metres.
E18 Hamina-Vaalimaa motorway	Road company	5	235	20%	Meridiam Infrastructure Finance II S.á.r.l. holds 80% and YIT 20% of the company. Maintenance contract until 2034.
YCE Housing I fund	Project development fund	15	100	40%	Residential projects in Slovakia, the Czech Republic, Lithuania and Estonia. YIT constructs the projects owned by the fund and is responsible for selling the apartments further to consumers. Other investors include Ilmarinen (30%) and a group of Finnish investors. The fund's equity is approximately EUR 37 million.
AB Lunastustontti I Ky Plot fund		10	100	20%	Residential plot fund in Finland. YIT is responsible for finding plots for the fund. YIT develops, constructs and sells on plots owned by the fund. YIT owns 20% of the fund, other investors are Varma (40%) and Ålandsbanken (40%). The fund's equity is EUR 50 million.

<sup>1</sup> YIT's current equity investment in Regenero.

<sup>2</sup> Includes the entire Keilaniemenranta area development project.

## October–December

In December, YIT, HGR Property Partners and their joint venture Regenero sold the Tietotie 6 property they owned in Otaniemi, Espoo to Special Investment Fund eQ Care (AIF). The parties agreed not to disclose the purchase price. Regenero's share of the Tietotie 6 property was approximately 40 per cent, YIT and HGR Property Partners both had a direct share of approximately 30 per cent each. YIT reported this transaction in the Partnership Properties segment and the renovation project in the Business premises segment.

YIT signed agreements on the sale of the Ranta Barrandov I project in Prague, the Czech Republic and the Green City I project in Riga, Latvia to YCE Housing I fund. These projects are the fund's last projects and they bring the fund to its full investment capacity. The fund's investment period expired at the end of 2018.

The biggest project reported in the Partnership properties segment is the Mall of Tripla. The project proceeded as planned. During the period, leasing of the projects reported in the Partnership properties segment proceeded well. The occupancy rate of the Mall of Tripla was 86% at the end of period.

### January–December

The E18 Hamina-Vaalimaa motorway project was commissioned early in the year. The project was executed using the life-cycle model (PPP). Meridiam Infrastructure Finance II S.á.r.l holds 80% of Tieyhtiö Vaalimaa, and YIT holds 20% of the company. In addition to the completed construction project, Tieyhtiö Vaalimaa has signed contracts on maintenance with YIT. The road company will be responsible for the maintenance of the motorway until 2034.

YIT's holding in the associated company Regenero created for project development and holding is reported as part of the Partnership properties segment. During the period, YIT, HGR Property Partners and Regenero sold the Tietotie 6 property, and Regenero also develops a headquarter property in Keilaniemi Espoo, Finland. In May, Keilaniemen kiinteistökehitys Oy, a wholly owned subsidiary of Regenero, a joint venture formed by YIT and HGR Property Partners, issued a

three-year senior secured bond of EUR 100 million. The bond issue is the first large real estate development bond in Finland, and its proceeds will be used for repaying existing debt and property development, including renovation and refurbishment of the existing premises as well as commercial development leveraging on the overall development of the Keilaniemi area.

YIT's holding of the YCE Housing I fund established by YIT and a group of Finnish investors is reported as part of the Partnership properties segment. The fund invests in housing development projects in the Czech Republic, Slovakia, Poland, Estonia, Latvia and Lithuania. During its operating period, the fund is expected to carry out more than 10 projects and to develop approximately 1,000 apartments to be sold primarily to private buyers with YIT as the agent. YIT recognises the profits of the fund as revenue in proportion to its holdings, adjusted according to its own accounting principles for financial statements, and the profit is reported in the Partnership properties segment. The fund's investment period expired at the end of 2018. After the start of cooperation about two years ago, YIT has sold a total of 12 projects to YCE Housing I fund. The total investment value of these projects is nearly EUR 160 million.

Established in April, the fund that invests in residential plots in Finland continued plot investments as planned. The equity investors of the fund are YIT (20%), Varma (40%) and Ålandsbanken (40%). The fund is managed by Ålandsbanken. YIT is responsible for finding investment-grade plots for the fund, and Ålandsbanken makes the investments as the manager. YIT recognises profit generated by the fund corresponding to its ownership share of the fund, adjusted according to its own accounting principles for financial statements. YIT constructs self-developed residential buildings on the plots owned by the fund. The residents have a chance to redeem their plot share partly or completely at a preferred moment.

During the reporting period, the last part of equity was invested in the Mall of Tripla project, and the equity is now fully invested.

# Personnel

Personnel per segment	12/18	9/18	Change, nr of persons	12/17
Housing Finland and CEE	2,632	2,812	-180	2,250
Housing Russia	1,424	1,451	-27	1,763
Business premises	1,177	1,109	68	1,733
Infrastructure projects	1,811	1,954	-143	1,793
Paving	1,672	2,512	-840	1,822
Partnership properties	2	2	0	
Group services	352	365	-13	360
<b>Group total</b>	<b>9,070</b>	<b>10,205</b>	<b>-1,135</b>	<b>9,721</b>

Personnel per geographic area	12/18	9/18	Change, nr of persons	12/17
Finland	5,034	5,855	-821	5,398
Russia	1,740	1,800	-60	2,048
CEE countries	1,539	1,638	-99	1,442
Scandinavia	757	912	-155	833
<b>Group total</b>	<b>9,070</b>	<b>10,205</b>	<b>-1,135</b>	<b>9,721</b>

During January–December, the Group employed on average 9,900 people (9,906). Attending employee figures are used in reporting the number of personnel.

In February, YIT announced that it would start co-operation negotiations to organise the combined company. The co-operation negotiations concluded at the end of March, and the decisions concerning structural changes were made at the beginning of April. The number of redundancies based on eliminating double work in the organisation and streamlining the operations was, at a maximum, 120 employees in Finland. In addition, the same amount of personnel reductions was achieved through natural attrition, retirements and terminations of fixed-term employment contracts. In other operating countries, the reorganisation related to integration reduced the number of personnel by approximately 200 employees, mainly in Russia.

The decrease in the Group's number of personnel from the end of September is mainly due to the decrease in the number of trainees and seasonal employees, termination of employment contracts and organisational change in Russia. In addition, the contracts of the employees made redundant as a result of the co-operation negotiations have mainly become terminated, and these employees are no longer included in the personnel figure for December.

There has been a planned internal transition between the Housing Finland and CEE segment and the Business premises segment and, due to changes in the

operating model, employees have also been transferred from the business segments to Group services.

Personnel expenses totalled EUR 527.2 million. The cost effect of YIT's share-based incentive scheme was EUR 2.3 million.

The key indicator for occupational safety, accidents per million hours worked (LTIF) was 9.7. The accident frequency is calculated by dividing the number of workplace accidents that caused an absence of at least one day by one million hours worked. The accident frequency is calculated as a 12-month average.

The Board of Directors of YIT Corporation decided on March 16, 2017, to launch a new share-based incentive scheme for key persons, comprising three earnings periods. The earnings periods of the 2017–2019 incentive scheme are the calendar years 2017, 2018 and 2019. Any bonus will be determined on the basis of the indicators decided annually by YIT's Board of Directors for each earnings period and their target levels. Return on investment is the key indicator in the scheme (2017: ROI, 2018: ROCE). An additional target related to the Group's net promoter score (NPS) was set for 2017 and 2018.

Following the merger of YIT and Lemminkäinen, YIT's Board of Directors appointed the following former members of Lemminkäinen's Group Executive Team to YIT's Group Management Team on February 1, 2018: Ilkka Salonen, CFO, Deputy to the President and CEO; Jan Gustafsson, Executive Vice President, Strategy and Development; Harri Kailasalo, Executive Vice President, Infrastructure projects segment; and Heikki Vuorenmaa,

Executive Vice President, Paving segment. The following members of YIT's Group Management Board continued as members of the new Group Management Team: Kari Kauniskangas, President and CEO; Antti Inkilä, Executive Vice President, Housing Finland and CEE segment; Teemu Helppolainen, Executive Vice President, Housing Russia segment; Juha Kostiainen, Executive Vice President, Urban Development; Esa Neuvonen, Executive Vice President, Business premises segment and Partnership properties

segment. Neuvonen was previously YIT's CFO. Juhani Nummi, Executive Vice President, Integration. Nummi was previously YIT's Senior Vice President, Business Development, and Pii Raulo, Executive Vice President, Human Resources.

On August 15, YIT announced that Jan Gustafsson, Executive Vice President, Strategy and Development, will resign from the company on October 31, 2018. Gustafsson's duties were distributed between other members of YIT's Group Management Team.

## Long-term financial targets

YIT's Board of Directors confirmed the company's new strategy for 2019–2021 in September.

Long-term financial targets	Target level
Return on capital employed (ROCE)	>12%
Gearing	30–50%
Dividend per share	Growing annually

## Strategy

YIT's Board of Directors confirmed the company's new strategy for 2019–2021 in September. The target of YIT's strategy is to improve profitability and to strengthen financial stability. The company's sources of growth and structural profitability, include urban development and non-cyclical businesses. The cornerstones of success supporting these priorities include (1) top performance, (2) capital efficiency, (3) success with customers and partners, and (4) happy people.

The strategy is built on the strong megatrends of urbanisation, sustainability and digitalisation. The

successful integration of YIT and Lemminkäinen, establishing common ways of working and a common culture as well as achieving synergies are an important part of the cornerstones of the company's success.

The foundation for the Group's strategy is that each segment will be competitive in its business and market area driven by development efforts at the segment level. Additionally, YIT will implement its strategy through three common development programmes: Performance, Customer Focus and Green Growth.

## Resolutions passed at the Annual General Meeting

The Annual General Meeting of YIT Corporation was held on March 16, 2018. YIT published stock exchange releases on the resolutions of the Annual General Meeting and on the organisational meeting of the Board of Directors on March 16, 2018.

The stock exchange releases and introductions of the members of the Board of Directors are available on YIT's web pages.



# Shares and shareholders

The company has one series of shares. Each share carries one vote and confers an equal right to a dividend.

## Share capital and number of shares

In connection with the registration of the completed merger on February 1, 2018, the number of YIT's shares outstanding was increased to in total 211,099,853 shares and the share capital was increased by EUR 500,000 to EUR 149,716,748.22. Lemminkäinen's shareholders were given as merger consideration 3.6146 new shares in YIT for each share in Lemminkäinen owned by them, i.e. in total 83,876,431 new shares in YIT.

YIT Corporation's share capital was 149,216,748.22 euros in the beginning of 2018 (2017: 149,216,748.22) and the number of shares outstanding was 127,223,422 (2017: 127,223,422). At the end of the period, on December 31, 2018, the number of shares was in total 211,099,853.

## Treasury shares and authorisations of the Board of Directors

The Annual General Meeting of YIT Corporation resolved on March 16, 2018, to authorise the Board of Directors to decide on the repurchase of company shares and share issues as proposed by the Board of Directors. The authorisation is valid until June 30, 2019.

YIT Corporation held 1,408,213 treasury shares at the beginning of the year 2018. On April 26, 2018, the Board of Directors of YIT Corporation decided on a directed share issue through which 306,159 YIT Corporation shares were issued and conveyed without consideration to the key persons participating in the incentive scheme 2014–2019 according to the terms and conditions of the incentive scheme. The Board of Directors of YIT Corporation decided on September 18, 2018 on a directed share issue, a maximum amount of 50,911, YIT Corporation shares for Lemminkäinen Performance Share Program reward payment from the 2016 performance period. In connection with the merger of YIT and Lemminkäinen, the companies agreed on payment of unpaid share rewards earned under Lemminkäinen's long-term incentive plan with shares in YIT. In November, YIT acquired the entire share capital of Vahva Sora Oy. Vahva Sora held 700 YIT shares, which were transferred to YIT's possession in the transaction. After the directed share issues and the acquisition of Vahva Sora Oy, the company held 1,051,843 own shares at the end of December.

No shares were returned to the company during the review period.

## Trading on shares

The opening price of YIT's share was EUR 6.40 on the first trading day of 2018. The closing price of the share on the last trading day of the reporting period on December 28, 2018 was EUR 5.11. YIT's share price decreased by approximately 20% during the reporting period. The highest price of the share during the reporting period was EUR 7.25, the lowest EUR 4.56 and the average price was EUR 5.70. Share turnover on Nasdaq Helsinki during the reporting period was approximately 228.5 million shares (155.0). The value of the share turnover was approximately EUR 1,303 million (1,075), source: Nasdaq Helsinki.

During the reporting period, approximately 213.0 million (126.0) YIT Corporation shares changed hands in alternative market places, corresponding to approximately 48 per cent (45) of the total share trade, source: Fidessa Fragmentation Index.

YIT Corporation's market capitalisation on the last trading day of the reporting period on December 28, 2018 was EUR 1,073.3 million (801.4). The market capitalisation has been calculated excluding the shares held by the company.

## Number of shareholders and flagging notifications

At the end of December, the number of registered shareholders was 46,704 (43,619). A total of 13.8% of the shares were owned by nominee-registered and non-Finnish investors (16.0).

During the reporting period, YIT Corporation received three announcements under Chapter 9, Section 5 of the Securities Markets Act: on February 1, 2018, an announcement, according to which the holding of PNT Group Oy in YIT has exceeded the threshold of 5 per cent, and on June 26, 2018, an announcement, according to which the holding of Virala Oy Ab has exceeded the threshold of 5 per cent. On August 17, 2018 YIT Corporation received an announcement under Chapter 9, Section 5 of the Securities Markets Act, according to which the holding of Virala Oy Ab has exceeded the threshold of 10 per cent. According to the announcement, Virala Oy Ab's ownership is indirect and the shares mentioned in the announcement are held by Tercero AB.

## Managers' transactions

YIT's managers' transactions during the reporting period have been published as stock exchange releases, and they are available on YIT's website.

## Most significant short-term business risks

YIT's Board of Directors approves the company's risk management policy and its objectives, including the risk tolerance and risk appetite. Risk management planning and the evaluation of the overall risk position are part of the annual strategy process. Risk management is included in all of the Group's significant operating, reporting and management processes.

The general economic development, functioning of the financial markets and the political environment in YIT's operating countries have a significant impact on the company's business. Negative development in consumers' purchasing power, consumer or business confidence, the availability of financing for consumers or businesses, or general interest rate level would likely weaken the demand for YIT's products and services. A drop in residential prices or an increase in investors' yield requirements would pose a risk for the profitability of the company, should these factors materialise.

There is still uncertainty related to the economic development of Russia. The volatility of the oil price and the rouble, changes in legislation, geopolitical tensions and inflation may have an influence on the demand for apartments due to a weakening in purchasing power and consumer confidence. Declining purchasing power and oversupply of apartments would also impact the development of residential prices.

At the end of December, Finland accounted for the majority of the company's revenue, which highlights the significance of Finland's economic development for YIT's business. The slowing growth of the Finnish economy and the indebtedness of the public sector may weaken consumers' purchasing power and general confidence, which would have a negative impact on the demand for apartments and business premises. An increase of public sector debt could also make it more difficult to finance infrastructure investments. Investors have played a central role in YIT's Finnish business in recent years. An increase in price or interest levels, increased rental accommodation supply and/or weakening in tenant demand on the business premises or residential market and better yield of alternative investments could lead to a significant decrease in investor demand. Increased supply and slowdown of population growth or depopulation can pose a local risk for residential demand.

Ensuring competitive products and services corresponding to customer demand is critical for YIT's business. Changes in customer preferences and in the competitors' offerings pose risks related to the demand for the company's products and services. New

competitors, business models and products on the housing market may pose risks related to the demand for the company's products and services.

Fluctuations in the price of raw materials may have an impact on financial performance. YIT's single most significant purchased raw material is bitumen, and its price mainly depends on the world market price of oil. The company manages the bitumen price risk with contractual terms and derivatives.

Especially in Finland and the CEE countries, the availability of the resources needed for the increased production volume might prevent increasing the production as planned. Competitors' need for resources also poses a risk of losing key personnel and expertise. The overheating of market, should it materialise, would have an impact on price levels and availability of resources.

Completing the integration takes time from key personnel, causes uncertainty among employees and activates competitors to recruitment attempts. The company has taken measures as planned to mitigate these risks. The company expects the annual total synergies to have an impact of EUR 45–50 million by the end of 2020. Of this, EUR 40 million is expected to be achieved starting from the first quarter 2020.

The assumptions related to the synergy benefits and integration costs are by nature uncertain and liable to numerous significant risks and uncertainties related to business, economy and competition. More detailed information on the risks related to the merger is published in the merger prospectus. The merger prospectus is available on YIT's website.

Most of the company's business is project business, meaning that successful project management plays an integral role in ensuring the company's profit. The most significant project management risks are related to factors such as pricing, planning, scheduling, procurement, cost management and customer behaviour as well as in the company's self-developed business, also the management of sales risk. YIT's major business premises and infrastructure projects in Finland, such as the Tripla project, make up a significant share of the company's expected operating profit in the coming years, meaning that successful project management in the projects is integral.

Among other measures, the company has continued to manage risks related to its business and to capital employed by utilising associated companies and joint ventures in its business operations. Being a party to associated companies and joint ventures is nevertheless

subject to risks typical to them related to, among other things, potential disagreements regarding decision making, financing and business operations, as well as distribution of liabilities among parties.

Generally increased activity in cyber criminality may cause risks for the company's operations and information security. Malpractices of personnel may cause losses, financial or other, or risks to other employees.

Changes in legislation and authorities' processes may slow down the progress of projects, increase the need for funding or prevent them from being realised. There are uncertainty factors related to authorities' actions, permit processes and their efficiency particularly in Russia and the CEE countries. The political tensions between EU, USA and Russia are materialised as sanctions, among others, that may have a significant impact on the company's business. Changes in the federal law regulating housing market in Russia may cause disturbance in companies' monetary transactions, current contract models and increase capital employed.

## Legal proceedings

As a result of the execution of the merger between YIT and Lemminkäinen, all the assets, debts and liabilities of Lemminkäinen, including on-going litigations, were transferred to YIT. The litigations are covered more extensively in Lemminkäinen's Financial Statements 2017 bulletin, which is available on YIT's internet-pages: [www.yitgroup.com](http://www.yitgroup.com).

### Damages related to the asphalt cartel

On September 6, 2017, the Supreme Court of Finland announced that it had granted leave to appeal to Lemminkäinen and certain cities regarding the legal proceedings concerning the damages related to the asphalt cartel.

On October 20, 2016, the Court of Appeal of Helsinki gave its decisions in the legal proceedings concerning the damages related to the asphalt cartel. According to the decisions, Lemminkäinen was entitled to receive refunds (based on Lemminkäinen's own share and those shares of other defendants that Lemminkäinen has paid) in total approximately EUR 19 million consisting of capital as well as interest and legal expenses.

The company deems as such the claims for damages unfounded.

In addition, Lemminkäinen has been served summons regarding 21 claims against the company and other asphalt companies for damages. The capital amount of these claims totals approximately EUR 26 million. For these claims, the company has made a provision worth approximately EUR 4.9 million based on the Helsinki Court of Appeal's decisions and the subsequent Supreme Court's decisions regarding the applications for leave to appeal. The earlier announced

The act is planned to be specified during the spring 2019, which increases uncertainty. The role of banks in monitoring the law has been expanded and the incompleteness of the monitoring process may cause uncertainty.

In recent years, the company has decreased capital employed in Russia according to its strategy and the improvement of the capital turnover will continue as a part of normal business. In connection with publishing its new strategy, the company announced that its target is to further release capital employed in Russia by approximately EUR 100 million.

The most significant financial risks are the risks related to foreign exchange rate development and the availability of financing. The availability of financing may be affected by negative development in Scandinavian residential construction market. The Group's most significant currency risk is related to rouble-denominated investments. Additional information on financial risks and their management is provided in Note 28 to the Financial Statements 2017.

provision of EUR 3.3 million concerned the time before the merger, and there has been no changes in the company's estimation in 2018.

### Quotas related to the use of recycled asphalt

On April 11, 2017, the Helsinki Court of Appeal gave its decision concerning environmental infraction charges. The decision is related to the quotas for the amount of recycled asphalt used in asphalt mass production, as defined in the environmental permits of the Lemminkäinen's Sammonmäki asphalt plant in Finland.

As the District Court, the Court of Appeal viewed that the use of recycled asphalt in asphalt production did not spoil the environment. However, two Lemminkäinen employees were sentenced to fines for breaching the environmental protection law as the asphalt plant had used more recycled asphalt than allowed in the environmental permit. In addition, Lemminkäinen was sentenced to a confiscation of illegal profit of EUR 3.4 million.

Lemminkäinen deemed the claim without foundation. Lemminkäinen and one of its employees requested leave to appeal from the Supreme Court concerning Helsinki Court of Appeal's decision. In the Supreme Court's decision, leave to appeal was nevertheless rejected, which means that the verdict by the Court of Appeal will remain valid and enforceable.

### Quality concerns related to ready-mixed concrete

Ready-mixed concrete, among other things, has been used in construction business as a raw material. During

the year 2016, especially in some infrastructure projects, suspicions have arisen that the ready-mixed concrete used in Finland would not entirely fulfil the predetermined quality requirements.

The Hospital District of Southwest Finland, as client in the project for the construction of the concrete deck of the T3 building of Turku University Hospital, has presented claims for damages to Lemminkäinen relating to the quality of the ready-mixed concrete. The capital

amount of these claims is currently approximately EUR 20 million.

According to the company, the responsible party for the quality of the concrete is the supplier. Consequently, the company has filed a claim for compensation from the supplier regarding the expenses relating to possible quality deviations. The capital amount of the claim is currently approximately EUR 20 million.

## Short-term outlook by region

### Finland

Consumer and institutional investor demand for apartments is expected to remain stable, at the autumn 2018 level, which is also supported by continuously stable mortgage demand. Activity among private residential investors is expected to be lower than in the previous years, even weak. Location and the price level will continue to play a key role.

The divergent development of apartment prices and demand between growth centres and the rest of Finland is expected to continue. The availability of mortgages and housing company loans has become weaker during the year. The increased supply of apartments is anticipated to prevent the rise of housing prices.

The rental demand for business premises is expected to remain on a good level in growth centres. Activity among property investors is expected to remain at a good level, particularly for centrally located projects in the Helsinki metropolitan area and in major growth centres. The contracting market is expected to remain active, but contract sizes are expected to decrease on average.

Renovation is expected to grow moderately due to increasing urbanisation and aging of building stock.

High construction activity has led to increased competition for skilled professionals and the situation is expected to continue. Construction costs are estimated to increase slightly. Construction volume is expected to remain at a good level.

The increased regulation and higher capital requirements imposed on financial institutions affect construction and property development.

Infrastructure construction market is expected to decline in from the year 2018 levels. The state's investments in basic road maintenance are expected to keep demand relatively stable for paving in 2019. The government is cutting down the allowances for infrastructure projects for the coming years, which weakens the outlook for paving and infrastructure projects. Demand for infra projects is maintained by complex infrastructure projects in urban growth centres as well as transport projects and industrial investments.

### Russia

In Russia, the geopolitical tension impacts the general market situation. The demand for apartments is expected to remain at the same level as seen on average in 2018. Residential demand is anticipated to improve slowly and price levels are expected to remain low.

Changes in regulation concerning the housing market are expected to lead to increased volatility in supply and sales practices in the beginning of the year. Regulatory changes might cause delay in banks' project financing abilities and cause uncertainty and turbulence in the market. Demand is expected to focus primarily on affordable apartments. Inflation in construction costs is expected to remain moderate.

Construction and repair projects on major roads are expected to maintain demand for paving.

### The Baltic countries and CEE countries

Residential demand is expected to remain at a good level. Residential prices are estimated to increase further. The prices of plots have increased and competition for plots is expected to remain intense. The availability of financing and low interest rates are expected to continue to support residential demand. The shortage of resources is expected to continue to increase inflation in construction costs and to limit volume growth. The contracting market for business premises is expected to remain at the current level or decrease slightly in the Baltic countries.

In the Baltic countries, the volume of infrastructure construction is expected to continue to grow due to the states' investments in improving urban and transport infrastructure.

### Scandinavia

In Norway and Sweden, infrastructure construction is boosted by multi-year, state-funded traffic infrastructure development programmes. In both countries, infrastructure construction is expected to grow in 2019. Large-scale road and railway projects are ongoing or planned in Sweden and Norway, which will increase demand for infrastructure projects and paving. In

addition, especially Norway is investing in the development and renewal of energy production.

In Denmark, demand for paving declined in 2018 as public investments in road infrastructure were

decreased, and it is estimated to continue on stable level.

## Events after the review period

YIT and Stockholm Vatten AB signed an agreement on new infrastructure work in Henriksdal wastewater treatment plant in Stockholm, Sweden. The work will begin in February 2019 and it will be completed in

December 2023. The value of the contract is approximately EUR 60 million. The project will be booked in the order backlog of the first quarter in 2019.

## Guidance for 2019

### Guidance for 2019

The Group revenue 2019 is estimated to be in the range of +5% – -5% compared to revenue 2018 (pro forma 2018: EUR 3,759.3 million).

In 2019, the adjusted operating profit is estimated to be EUR 170–230 million (pro forma 2018: EUR 134.5 million).

### Guidance rationale

The guidance for 2019 is based on, among others, the completion of Mall of Tripla in the last quarter, the estimated timing of completion of the residential projects

under construction and the company's solid order backlog. At the end of December, 63% of the order backlog was sold.

Significant fluctuation is expected between the quarters due to normal seasonal variation, sales of business premises projects and the timing of completions of residential projects as well as Mall of Tripla. As in 2018, the last quarter of the year is expected to be clearly the strongest. The company estimates that the adjusted operating profit for first quarter of 2019 will be on par with the comparison period (pro forma).

## Estimated completions of consumer apartment projects under construction

At the end of December, the company had 13,028 apartments under construction in total. The table below shows the company's current estimate of consumer apartment projects under construction to be completed. In addition, the company has 1,429 apartments that are recognised in accordance with percentage of completion.

The timing of the commissioning permit may deviate from the technical completion of a building, and the company cannot fully influence the reported completion date. Also other factors may influence the completion date.



units	1–12/2018, actual	Q1/2018, estimate	Q2/2019, estimate	Q3/2019, estimate	Q4/2019, estimate	Later
<b>Finland</b> <sup>1</sup>	3,657	800	1,000	400	500	1,117
<b>CEE</b> <sup>2</sup>	1,427	0	600	100	700	1,096
<b>Russia</b> <sup>3</sup>	2,974	0	800	700	1,600	2,186
<b>Total</b>	8,058	800	2,400	1,200	2,800	4,399

<sup>1</sup> In Finland, the estimate of completions may deviate with tens apartments depending on the construction schedule.

<sup>2</sup> In CEE countries, the estimate of completions may vary with tens apartments, a deviation of over 100 apartments is possible depending on authorities' decisions.

<sup>3</sup> In Russia, the estimate of completions may vary with hundreds apartments, a deviation of over 500 apartments is possible depending on authorities' decisions.

## Factors affecting the guidance

The most significant factors with which YIT can answer the market demand are sales and pricing, project and project risk management, product development and the product offering, measures to reduce production costs, cost management and measures affecting the capital efficiency.

Factors outside of YIT's sphere of influence are mainly related to global economic development, the functionality of financing markets and the interest rate, the political environment, economic development in areas of operation, changes in demand for apartments

and business premises, the availability of resources such as key persons, the functionality of the labour markets, changes in public and private sector investments and changes in legislation, permit and authorisation processes and the duration thereof, as well as the development of foreign exchange rates.

Due to the long-term nature of construction and urban development projects, the changes in demand may be quicker than the company's ability to adapt its offering.

## Presentation of financial information in the Financial Statements Bulletin and the Interim Reports

YIT and Lemminkäinen merged on February 1, 2018. In this Financial Statements Bulletin 2018, comparison figures are pro forma figures. To illustrate the impacts of the merger on the result of YIT's operations and its financial position and to improve the comparability of the combined company's financial information, YIT has prepared unaudited pro forma financial disclosures. These unaudited pro forma financial disclosures reflect the new segment reporting structure and reporting practices adopted by YIT on the date of completing the merger. The unaudited pro forma financial disclosures are based on YIT's and Lemminkäinen's IFRS-compliant historical financial data, adjusted for the effects of the merger. YIT's actual results may deviate materially from the assumptions used in preparing these audited pro forma disclosures.

Additional information about the historical financial figures of YIT or Lemminkäinen are available in YIT's and Lemminkäinen's audited consolidated financial statements and unaudited interim reports, available on YIT's website at [www.yitgroup.com](http://www.yitgroup.com).

In this Financial Statements Bulletin, the figures for the fourth quarter 2018 and for the entire year, the comparison figures and the figures for year 2017 are presented as pro forma figures. The pro forma balance sheet is presented as if the merger had occurred on

December 31, 2017 and as if YIT as the accounting acquirer had consolidated the acquisition balance sheet of Lemminkäinen in its group financial accounts at said time. The pro forma income statements for the accounting period ending December 31, 2017 are presented as if the merger had occurred on January 1, 2017. Pro forma adjustments that do not have a continuing impact on YIT's result are presented in the income statement for the accounting period that ended December 31, 2017. Additional information is available in the stock exchange release published on April 4, 2018 and its appendices.

Due to the merger, YIT's financial information is also reported in the explanatory statement of the Financial Statements Bulletin so that the financial statements of merged Lemminkäinen for the financial period January 1–January 31, 2018 are included in the pro forma figures for 2018, and the figures are presented in the tables in the column "Pro forma 1–12/18". Figures including Lemminkäinen's financial statements for the financial period January 1–January 31, 2018 are used in the discussion in the explanatory statement and compared to the pro forma figures January 1–December 31, 2017. In the Bulletin's tables, the column "Reported 1–12/18" does not include Lemminkäinen's figures for the financial period January 1–January 31, 2018.

## Board of Directors' proposal for the distribution of distributable equity

The parent company's distributable equity on December 31, 2018 was EUR 857,570,827.43 of which the net profit for the financial year was EUR 46,165,309.56.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.27 per share be paid, resulting in a total amount of proposed dividends of EUR 56,712,962.70 calculated with the outstanding number of shares. The total amount of proposed dividends represent 144.7% of the net profit for the reporting period.

After the distribution of dividends, the remaining profits will be left in the company's distributable assets.

No significant changes have taken place in the company's financial position after the end of the financial year. The company's liquidity is good and, in the view of the Board of Directors, the proposed dividend payout does not jeopardise the company's solvency.

## Annual General Meeting 2019

YIT Corporation's Annual General Meeting 2019 will be held on Tuesday, March 12, 2019. The notice of the General Meeting, which contains the Board of Directors'

proposals to the Annual General Meeting, will be published in its entirety as a separate stock exchange release on February 1, 2019.

# Financial statements bulletin January 1 – December 31 2018: Tables

<b>1</b>	<b>ACCOUNTING PRINCIPLES OF THE FINANCIAL STATEMENTS BULLETIN</b>	34
1.1	Most relevant currency exchange rates used in the interim report	34
<b>2</b>	<b>FINANCIAL STATEMENTS</b>	35
2.1	Consolidated income statement	35
2.2	Statement of comprehensive income, IFRS	36
2.3	Consolidated statement of financial position	37
2.4	Consolidated cash flow statement, IFRS	38
2.5	Consolidated statement of changes in equity, IFRS	39
<b>3</b>	<b>NOTES</b>	40
3.1	Segment information	40
3.2	Revenue from contracts with customers	44
3.3	Merger	48
3.4	Property, plant and equipment, IFRS	49
3.5	Inventories, IFRS	49
3.6	Financial assets and liabilities by category	50
3.7	Change in contingent liabilities and assets and commitments	52
3.8	Minimum payments of non-cancellable lease agreements	52
3.9	Related party transactions	53
<b>4</b>	<b>ADDITIONAL INFORMATION</b>	53
4.1	New standards	53
4.2	Standards to be adopted later	54
4.3	Key figures	56
4.4	Reconciliation of certain key figures	57
4.5	Definitions of financial key performance indicators	60

## 1 ACCOUNTING PRINCIPLES OF THE FINANCIAL STATEMENTS BULLETIN

This financial statements bulletin has been prepared in accordance with the International Financial Reporting Standards (IFRS) and all the requirements of the IAS 34: Interim Financial Reporting have been met. This financial statements bulletin should be read together with YIT Corporation's Financial Statements 2017. The figures presented in the financial statements bulletin are unaudited. In the financial statements bulletin the figures are presented in million euros doing the rounding on each line, which may cause some rounding inaccuracies in column and total sums.

The adoption of IFRS 9 and IFRS 15 on January 1, 2018 did not have a material impact on YIT's consolidated financial statements. Additional information on the adoption of IFRS 15 and IFRS 9 can be found in the notes 3.2. and 4.1. of this financial statements bulletin.

### Pro forma information

Lemminkäinen merged into YIT on February 1, 2018. YIT as the accounting acquirer of Lemminkäinen has used the acquisition method of accounting to account for the merger. The identifiable assets acquired and liabilities assumed of Lemminkäinen have been recognised at their fair values as of the merger date, with excess of the purchase consideration over the provisional fair value of identifiable net assets acquired recognised as goodwill. Detailed information on Pro Forma financial information can be found in the Pro forma stock exchange release published on April 4, 2018.

The historical financial information of YIT Corporation doesn't give investors a comparable base for financial information of the present combined company. To increase the comparability, certain financial information is presented as pro forma financial information to represent the impact of the merger as if it had occurred at an earlier date. Pro forma information is presented only for illustrative purposes and the information doesn't represent the actual historical result of YIT Corporation's operations.

The pro forma balance sheet is presented as if the merger had occurred on December 31, 2017. The pro forma income statements for the year ended on December 31, 2017 and for the year ended on December 31, 2018 are presented as if the merger had occurred on January 1, 2017.

### 1.1 Most relevant currency exchange rates used in the interim report

		Average rates		End rates	
		1-12/18	1-12/17	12/18	12/17
1 EUR =	CZK	25.6455	26.3231	25.7240	25.5350
	PLN	4.2612	4.2561	4.3014	4.1770
	RUB	74.0687	65.9183	79.7153	69.3920
	SEK	10.2584	n/a	10.2548	n/a
	NOK	9.6002	n/a	9.9483	n/a
	DKK	7.4532	n/a	7.4673	n/a

## 2 FINANCIAL STATEMENTS

### 2.1 Consolidated income statement

	Reported	Reported	Reported	Reported	Pro forma	Pro forma	Pro forma	Pro forma
EUR million	10-12/2018	10-12/2017	1-12/2018	1-12/2017	10-12/2018	10-12/2017	1-12/2018	1-12/2017
<b>Revenue</b>	<b>1,269.0</b>	<b>612.4</b>	<b>3,689.4</b>	<b>1,993.8</b>	<b>1,269.0</b>	<b>1,123.6</b>	<b>3,759.3</b>	<b>3,862.5</b>
Other operating income	25.2	28.0	44.8	37.4	25.2	30.4	45.3	45.7
Change in inventories of finished goods and in work in progress	-148.1	-70.6	31.7	-83.1	-148.1	-72.1	36.5	-97.9
Production for own use	0.3	0.2	0.8	0.7	0.3	0.2	0.8	0.9
Materials and supplies	-215.3	-89.3	-816.6	-276.8	-212.8	-212.2	-820.3	-776.5
External services	-513.1	-260.1	-1,765.1	-985.9	-513.1	-513.2	-1,815.3	-1,815.3
Personnel expenses	-147.2	-76.6	-527.2	-275.7	-147.2	-161.6	-546.4	-588.5
Other operating expenses	-188.9	-95.9	-520.7	-309.7	-188.9	-142.2	-530.0	-493.1
Share of results in associated companies and joint ventures	11.0	-0.5	10.8	-0.9	11.0	-0.8	10.3	-0.7
Depreciation, amortisation and impairment	-14.4	-3.6	-53.3	-14.2	-12.8	-15.0	-49.0	-59.7
<b>Operating profit</b>	<b>78.5</b>	<b>44.1</b>	<b>94.6</b>	<b>85.5</b>	<b>82.6</b>	<b>37.1</b>	<b>91.3</b>	<b>77.4</b>
Financial income	2.2	0.2	8.0	1.9	2.2	0.3	8.1	2.3
Exchange rate differences (net)	-0.8	0.3	-2.1	2.6	-0.8	-0.3	-2.3	0.7
Financial expenses	-9.3	-5.1	-41.4	-19.1	-9.3	-6.2	-39.9	-29.7
Financial income and expenses, total	-8.0	-4.6	-35.5	-14.6	-8.0	-6.2	-34.1	-26.7
<b>Result before taxes</b>	<b>70.6</b>	<b>39.5</b>	<b>59.1</b>	<b>70.9</b>	<b>74.7</b>	<b>30.8</b>	<b>57.2</b>	<b>50.7</b>
Income taxes	-20.1	-7.9	-19.9	-14.3	-21.0	-20.0	-23.9	-24.3
<b>Result for the period</b>	<b>50.4</b>	<b>31.6</b>	<b>39.2</b>	<b>56.6</b>	<b>53.7</b>	<b>10.8</b>	<b>33.3</b>	<b>26.3</b>
<b>Attributable to</b>								
Equity holders of the parent company	50.4	31.6	39.2	56.6	53.7	10.8	33.3	26.3
Earnings per share, attributable to the equity holders of the parent company								
Basic, EUR	0.25	0.25	0.19	0.45	0.26	0.05	0.16	0.13
Diluted, EUR	0.25	0.25	0.19	0.44	n/a	n/a	n/a	n/a



## 2.2 Statement of comprehensive income, IFRS

	Reported	Reported	Reported	Reported
EUR million	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Result for the period	50.4	31.6	39.2	56.6
<b>Items that may be reclassified subsequently to profit/loss:</b>				
Cash flow hedges	-0.1	0.0	0.0	0.3
Deferred tax from previous	0.0	0.0	-0.0	-0.1
Change in translation differences	-17.5	-7.3	-57.8	-31.4
<b>Items that may be reclassified subsequently to profit/loss, total</b>	<b>-17.5</b>	<b>-7.2</b>	<b>-57.8</b>	<b>-31.1</b>
<b>Items that will not be reclassified to profit/loss</b>				
Gain on sale of equity investments	0.1		0.1	
Deferred tax from previous	-0.0		-0.0	
Change in fair value of defined benefit pension	-0.2		-0.2	
Deferred tax from previous	0.0		0.0	
<b>Items that will not be reclassified to profit/loss, total</b>	<b>-0.1</b>	<b>-7.2</b>	<b>-0.1</b>	<b>-31.1</b>
<b>Other comprehensive income, total</b>	<b>-17.6</b>		<b>-57.9</b>	
<b>Total comprehensive result</b>	<b>32.8</b>	<b>24.4</b>	<b>-18.7</b>	<b>25.5</b>
Attributable to equity holders of the parent company	32.8	24.4	-18.7	25.5

## 2.3 Consolidated statement of financial position

EUR million	Reported 12/2018	Reported 12/2017	Pro forma 12/2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	202.3	54.8	219.2
Goodwill	319.2	8.1	306.4
Other intangible assets	47.5	11.3	62.2
Investments in associated companies and joint ventures	150.7	120.1	124.2
Equity investments	2.2	0.4	2.3
Interest-bearing receivables	50.3	46.0	46.0
Other receivables	2.3	1.6	1.9
Deferred tax assets	64.4	53.2	61.5
<b>Non-current assets total</b>	<b>839.0</b>	<b>295.6</b>	<b>823.7</b>
<b>Current assets</b>			
Inventories	1,880.1	1,592.5	2,008.0
Trade and other receivables	495.5	211.8	466.5
Interest-bearing receivables	14.8	1.6	
Income tax receivables	1.8	2.1	3.1
Cash and cash equivalents	263.6	89.7	111.3
<b>Current assets total</b>	<b>2,655.8</b>	<b>1,897.8</b>	<b>2,589.0</b>
<b>Total assets</b>	<b>3,494.8</b>	<b>2,193.3</b>	<b>3,412.7</b>
<b>EQUITY AND LIABILITIES</b>			
Total equity attributable to the equity holders of the parent company	1,049.8	564.7	1,116.6
<b>Equity total</b>	<b>1,049.8</b>	<b>564.7</b>	<b>1,116.6</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	28.8	9.9	32.6
Pension obligations	2.6	2.1	2.4
Provisions	82.2	46.0	83.4
Borrowings	424.1	344.5	467.9
Other liabilities	52.2	53.7	53.8
<b>Total non-current liabilities</b>	<b>590.0</b>	<b>456.2</b>	<b>640.1</b>
<b>Current liabilities</b>			
Advances received	739.1	494.3	634.2
Trade and other payables	575.9	392.7	611.1
Income tax payables	19.5	13.0	12.9
Provisions	53.0	26.3	40.0
Borrowings	467.6	246.3	357.9
<b>Total current liabilities</b>	<b>1,855.1</b>	<b>1,172.5</b>	<b>1,656.0</b>
<b>Liabilities total</b>	<b>2,445.0</b>	<b>1,628.7</b>	<b>2,296.1</b>
<b>Total equity and liabilities</b>	<b>3,494.8</b>	<b>2,193.3</b>	<b>3,412.7</b>

## 2.4 Consolidated cash flow statement, IFRS

	Reported	Reported	Reported	Reported
EUR million	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Result for the period	50.4	31.6	39.2	56.6
Reversal of accrual-based items	42.2	1.0	140.1	47.1
Change in trade and other receivables	113.4	26.0	-23.5	32.3
Change in inventories	240.3	89.8	38.7	100.6
Change in current liabilities	-246.6	52.8	52.6	34.9
Change in working capital, total	107.0	168.7	67.8	167.8
Cash flow of financial items	-13.2	-5.4	-50.7	-26.9
Taxes paid	-3.2	-1.9	-23.1	-9.4
<b>Net cash generated from operating activities</b>	<b>183.2</b>	<b>194.0</b>	<b>173.3</b>	<b>235.2</b>
Acquisition of subsidiaries, associated companies and joint ventures, net of cash	-8.4	-25.9	-50.7	-60.0
Disposal of subsidiaries, associated companies and joint ventures	36.0	4.5	37.6	4.5
Cash outflow from investing activities	-13.4	-3.0	-30.8	-18.7
Cash inflow from investing activities	7.0	1.4	19.3	3.3
<b>Net cash used in investing activities</b>	<b>21.3</b>	<b>-23.0</b>	<b>-24.7</b>	<b>-70.9</b>
<b>Operating cash flow after investments</b>	<b>204.5</b>	<b>171.0</b>	<b>148.6</b>	<b>164.3</b>
Change in equity	1.4		1.4	
Change in loan receivables	-15.4	0.1	-16.4	0.1
Change in current liabilities	-127.4	-151.7	3.8	-109.2
Proceeds from borrowings		50.0	270.0	110.0
Repayments of borrowings	-4.1	-11.4	-195.6	-112.9
Payments of financial leasing debts	-1.7	0.2	-7.0	
Dividends paid		0.0	-52.4	-27.6
<b>Net cash used in financing activities</b>	<b>-147.2</b>	<b>-112.9</b>	<b>3.7</b>	<b>-139.6</b>
Net change in cash and cash equivalents	57.2	58.1	152.3	24.7
Cash and cash equivalents at the beginning of the period	204.7	32.2	89.7	66.4
Cash generated from merger			21.6	
Change in the fair value of the cash equivalents	1.7	-0.7	-0.0	-1.5
Cash and cash equivalents at the end of the period	<b>263.6</b>	<b>89.7</b>	<b>263.6</b>	<b>89.7</b>

## 2.5 Consolidated statement of changes in equity, IFRS

Equity attributable to equity holders of the parent company										
EUR million	Share capital	Legal reserve	Other reserves	Translation difference	Fair value reserve	Treasury shares	Retained earnings	Total	Non-controlling interest	Equity total
Equity on January 1, 2018	149.2	1.5	0.7	-216.5	-0.0	-7.2	636.9	564.7		564.7
IFRS 9 adjustment							-0.7	-0.7		-0.7
Adjusted equity on January 1, 2018	149.2	1.5	0.7	-216.5	-0.0	-7.2	636.3	564.0		564.0
Comprehensive income										
Result for the period							39.2	39.2		39.2
Other comprehensive income:										
Cash flow hedges					0.0			0.0		0.0
-Deferred tax from previous					-0.0			-0.0		-0.0
Gain on sale of equity investments							0.1	0.1		0.1
-Deferred tax from previous							-0.0	-0.0		-0.0
Change in fair value of defined benefit pension							-0.2	-0.2		-0.2
-Deferred tax from previous							0.0	0.0		0.0
Translation differences				-57.8				-57.8		-57.8
Comprehensive income, total				-57.8	0.0		39.1	-18.7		-18.7
Transactions with owners										
Merger	0.5		554.9					555.4		555.4
Cost related to share issue			-1.4					-1.4		-1.4
Dividend distribution							-52.4	-52.4		-52.4
Share-based incentive schemes			-0.7			1.7	1.9	2.8		2.8
Transactions with owners, total	0.5		522.8			1.7	-50.5	504.4		504.4
Equity on December 31, 2018	149.7	1.5	553.5	-274.2		-5.6	624.8	1,049.8		1,049.8

Equity attributable to equity holders of the parent company									
EUR million	Share capital	Legal reserve	Other reserves	Translation difference	Fair value reserve	Treasury shares	Retained earnings	Total	Non-controlling interest
Equity on January 1, 2017	149.2	1.5		-185.0	-0.3	-8.3	606.7	563.9	
Comprehensive income									
Result for the period							56.6	56.6	
Other comprehensive income:									
Cash flow hedges					0.3			0.3	
-Deferred tax from previous					-0.1			-0.1	
Translation differences				-31.4				-31.4	
<b>Comprehensive income, total</b>				<b>-31.4</b>	<b>0.3</b>		<b>56.6</b>	<b>25.5</b>	
Transactions with owners									
Dividend distribution							-27.6	-27.6	
Share-based incentive schemes			0.7			1.1	1.2	3.0	
<b>Transactions with owners, total</b>			<b>0.7</b>			<b>1.1</b>	<b>-26.4</b>	<b>-24.6</b>	
<b>Equity on December 31, 2017</b>	<b>149.2</b>	<b>1.5</b>	<b>0.7</b>	<b>-216.5</b>	<b>-0.0</b>	<b>-7.2</b>	<b>636.9</b>	<b>564.7</b>	

### 3 NOTES

#### 3.1 Segment information

Segment information is reported according to management reporting for the Group Management Board. The chief operating decision-maker is YIT Group's Management Board, which is responsible for the allocation of resources to the segments and the assessment of the segments' performance.

**The Housing Finland and CEE segment's** business comprises the development and construction of apartments, entire residential areas and leisure-time residences. The segment's main focus is on self-developed projects, and YIT mainly sells the constructed apartments itself to both consumers and investors. YIT also offers and develops different living services and concepts. The segment's geographical markets are Finland, the Czech Republic, Slovakia, Poland, Estonia, Latvia and Lithuania.

**The Housing Russia segment's** business comprises development and construction of apartments and entire residential areas in Russia.

**The Business premises segment** consists of business premises construction, project development and commercial property and facilities management businesses. The majority of the revenue comes from the Finnish operations. In this segment, YIT pursues both self-developed projects and contracting. The segment's geographical markets are Finland, Estonia, Latvia, Lithuania and Slovakia.

**The Infrastructure projects segment's** operations include construction of roads, bridges, railway and metro stations and ports and parking facilities as well as energy, water supply and industrial plants. YIT also offers wind power plant foundation solutions with related services and maintenance. Additionally, YIT quarries tunnels and mines and reinforces soil using different methods. The segment operates in Finland, Sweden, Norway, Estonia, Latvia and Lithuania.

**The Paving segment's** operations include paving and mineral aggregate production as well as stabilisation, milling and waterproofing. The segment's operations also include road and street network maintenance. The company cooperates with its customers to produce pavements for especially demanding works, such as airport runways with special quality demands. Approximately half of the segment's revenue originates from public procurement by states and municipalities. Paving and mineral aggregate production are capital-intensive businesses that tie capital to machinery and equipment, land areas and current assets. The Paving segment operates in Finland, Sweden, Norway, Denmark and Russia.

**The Partnership properties segment's** income derives from investments, i.e. from rental income (cash flow from rents) and in the future changes in value of the assets. Additionally, the segment has revenue from different service agreements related to managing or sourcing the assets it partially owns.

### Other items

Other items include Group internal services, rental revenue from external customers and Group level unallocated costs. Merger related fair value allocations and goodwill have not been allocated to the segments' capital employed but are reported in segment level in "other items and eliminations".

### Segment reporting accounting principles

YIT Corporation has prepared segment and group reporting in accordance with the International Financial Reporting Standards (IFRS). Housing Finland and CEE and Housing Russia segments have also prepared some figures, such as revenue and operating result, according to the percentage of completion (POC) based reporting in addition to IFRS. According to the percentage of completion method, revenue is recognised by multiplying the degree of completion with the degree of sale.

YIT regularly reports revenue, depreciation and operating profit and adjusted operating profit by segment to the management. In addition, capital employed by segment is reported.

The historical segment information of YIT doesn't give investors a comparable base for financial information of the present combined company. To add comparability, the comparative figures are presented as pro forma figures, which expresses the effect of the merger as if it had happened on January 1, 2017.

### Seasonality of business

Seasonality of certain operations of the company affects the company's profit and its timing. According to the IFRS accounting principles, certain customer contracts are recognised at a certain point in time. As a result, the profit of the company can fluctuate greatly between quarters depending on the completion of the projects.

Weather conditions influence the length of the Paving segment's working season, which affects the company's profit and its timing. In addition, there may be some seasonality in the Infrastructure projects segment's foundation engineering business due to the timing of building construction projects.

### Segment financial information

10-12/2018 reported								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	354.0	126.7	438.7	176.3	189.6	0.0	-16.3	1,269.0
Revenue from external customers	353.8	126.4	436.4	168.6	183.6	0.0	0.2	1,269.0
Revenue Group internal	0.2	0.3	2.3	7.7	6.0		-16.5	
Depreciation, amortisation and impairment	-0.3	-0.2	-0.1	-3.4	-4.9		-5.6	-14.4
Operating profit	28.5	-3.8	56.0	-1.7	-3.5	27.9	-24.7	78.5
Operating profit margin, %	8.0%	-3.0%	12.8%	-1.0%	-1.9%			6.2%
Adjusting items	0.1	0.0	0.1	0.4	2.9		17.7	21.1
Adjusted operating profit	28.5	-3.8	56.1	-1.4	-0.7	27.9	-7.0	99.6
Adjusted operating profit margin, %	8.1%	-3.0%	12.8%	-0.8%	-0.4%			7.8%
Capital employed	584.9	294.3	38.2	83.0	123.7	145.0	332.1	1,601.2



1-12/2018 reported								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
<b>Revenue</b>	<b>1,143.5</b>	<b>270.2</b>	<b>1,024.7</b>	<b>590.5</b>	<b>712.9</b>	<b>0.0</b>	<b>-52.4</b>	<b>3,689.4</b>
Revenue from external customers	1,143.1	269.5	1,019.8	560.7	696.8	0.0	-0.6	3,689.4
Revenue Group internal	0.3	0.8	4.9	29.8	16.0		-51.9	
Depreciation, amortisation and impairment	-1.2	-0.7	-0.4	-13.4	-17.6		-20.0	-53.3
<b>Operating profit</b>	<b>103.4</b>	<b>-36.3</b>	<b>67.6</b>	<b>-5.3</b>	<b>4.3</b>	<b>26.9</b>	<b>-65.8</b>	<b>94.6</b>
<b>Operating profit margin, %</b>	<b>9.0%</b>	<b>-13.4%</b>	<b>6.6%</b>	<b>-0.9%</b>	<b>0.6%</b>			<b>2.6%</b>
Adjusting items	0.8	4.5	0.5	0.6	10.3		41.2	57.9
<b>Adjusted operating profit</b>	<b>104.1</b>	<b>-31.8</b>	<b>68.1</b>	<b>-4.7</b>	<b>14.5</b>	<b>26.9</b>	<b>-24.6</b>	<b>152.5</b>
<b>Adjusted operating profit margin, %</b>	<b>9.1%</b>	<b>-11.8%</b>	<b>6.6%</b>	<b>-0.8%</b>	<b>2.0%</b>			<b>4.1%</b>
<b>Capital employed</b>	<b>584.9</b>	<b>294.3</b>	<b>38.2</b>	<b>83.0</b>	<b>123.7</b>	<b>145.0</b>	<b>332.1</b>	<b>1,601.2</b>

10-12/2018 pro forma								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
<b>Revenue</b>	<b>354.0</b>	<b>126.7</b>	<b>438.7</b>	<b>176.3</b>	<b>189.6</b>	<b>0.0</b>	<b>-16.3</b>	<b>1,269.0</b>
Revenue from external customers	353.8	126.4	436.4	168.6	183.6	0.0	0.2	1,269.0
Revenue Group internal	0.2	0.3	2.3	7.7	6.0		-16.5	
Depreciation, amortisation and impairment	-0.3	-0.2	-0.1	-3.4	-4.9		-3.9	-12.8
<b>Operating profit</b>	<b>28.5</b>	<b>-3.8</b>	<b>56.0</b>	<b>-1.7</b>	<b>-3.5</b>	<b>27.9</b>	<b>-20.5</b>	<b>82.6</b>
<b>Operating profit margin, %</b>	<b>8.0%</b>	<b>-3.0%</b>	<b>12.8%</b>	<b>-1.0%</b>	<b>-1.9%</b>			<b>6.5%</b>
Adjusting items	0.1	0.0	0.1	0.4	2.9		13.5	17.0
<b>Adjusted operating profit</b>	<b>28.5</b>	<b>-3.8</b>	<b>56.1</b>	<b>-1.4</b>	<b>-0.7</b>	<b>27.9</b>	<b>-7.0</b>	<b>99.6</b>
<b>Adjusted operating profit margin, %</b>	<b>8.1%</b>	<b>-3.0%</b>	<b>12.8%</b>	<b>-0.8%</b>	<b>-0.4%</b>			<b>7.8%</b>
<b>Capital employed</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

10-12/2017 pro forma								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
<b>Revenue</b>	<b>270.7</b>	<b>200.3</b>	<b>279.7</b>	<b>202.7</b>	<b>191.2</b>		<b>-21.1</b>	<b>1,123.6</b>
Revenue from external customers	270.7	200.3	278.5	191.0	183.2		-0.1	1 123.6
Revenue Group internal	0.0		1.2	11.7	8.0		-21.0	
Depreciation, amortisation and impairment	-0.4	-0.2	-0.0	-3.2	-5.5		-5.6	<b>-15.0</b>
<b>Operating profit</b>	<b>10.4</b>	<b>15.3</b>	<b>28.9</b>	<b>5.8</b>	<b>-6.9</b>	<b>0.2</b>	<b>-53.6</b>	<b>37.1</b>
<b>Operating profit margin, %</b>	<b>3.9%</b>	<b>7.6%</b>	<b>10.3%</b>	<b>2.9%</b>	<b>-3.6%</b>			<b>3.3%</b>
Adjusting items	4.9	3.2	5.9				9.3	23.3
<b>Adjusted operating profit</b>	<b>15.3</b>	<b>18.5</b>	<b>34.7</b>	<b>5.8</b>	<b>-6.9</b>	<b>0.2</b>	<b>-7.3</b>	<b>60.4</b>
<b>Adjusted operating profit margin, %</b>	<b>5.7%</b>	<b>9.2%</b>	<b>12.4%</b>	<b>2.9%</b>	<b>-3.6%</b>			<b>5.4%</b>
<b>Capital employed</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

1-12/2018 pro forma								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
<b>Revenue</b>	<b>1,157.9</b>	<b>274.1</b>	<b>1,045.2</b>	<b>612.4</b>	<b>723.2</b>	<b>0.0</b>	<b>-53.4</b>	<b>3,759.3</b>
Revenue from external customers	1,157.5	273.3	1,040.0	582.2	706.8	0.0	-0.6	3,759.3
Revenue Group internal	0.3	0.8	5.2	30.1	16.4		-52.8	
Depreciation, amortisation and impairment	-1.2	-0.8	-0.4	-13.8	-18.1		-14.7	-49.0
<b>Operating profit</b>	<b>102.6</b>	<b>-37.3</b>	<b>67.3</b>	<b>-8.2</b>	<b>-9.5</b>	<b>26.9</b>	<b>-50.4</b>	<b>91.3</b>
<b>Operating profit margin, %</b>	<b>8.9%</b>	<b>-13.6%</b>	<b>6.4%</b>	<b>-1.3%</b>	<b>-1.3%</b>			<b>2.4%</b>
Adjusting items	0.8	4.5	0.5	0.6	12.2		24.6	43.2
<b>Adjusted operating profit</b>	<b>103.3</b>	<b>-32.8</b>	<b>67.8</b>	<b>-7.6</b>	<b>2.7</b>	<b>26.9</b>	<b>-25.8</b>	<b>134.5</b>
<b>Adjusted operating profit margin, %</b>	<b>8.9%</b>	<b>-12.0%</b>	<b>6.5%</b>	<b>-1.2%</b>	<b>0.4%</b>			<b>3.6%</b>
<b>Capital employed</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

1-12/2017 pro forma								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
<b>Revenue</b>	<b>1,156.2</b>	<b>421.0</b>	<b>902.2</b>	<b>686.0</b>	<b>768.9</b>		<b>-71.8</b>	<b>3,862.5</b>
Revenue from external customers	1,156.1	421.0	894.2	651.2	740.3		-0.3	3,862.5
Revenue Group internal	0.1		8.0	34.8	28.6		-71.5	
Depreciation, amortisation and impairment	-1.6	-1.1	-0.2	-13.3	-22.1		-21.5	-59.7
<b>Operating profit</b>	<b>78.1</b>	<b>1.7</b>	<b>45.6</b>	<b>17.4</b>	<b>4.7</b>	<b>-0.5</b>	<b>-69.6</b>	<b>77.4</b>
<b>Operating profit margin, %</b>	<b>6.8%</b>	<b>0.4%</b>	<b>5.1%</b>	<b>2.5%</b>	<b>0.6%</b>			<b>2.0%</b>
Adjusting items	4.9	3.2	5.9				47.6	61.5
<b>Adjusted operating profit</b>	<b>83.0</b>	<b>4.9</b>	<b>51.5</b>	<b>17.4</b>	<b>4.7</b>	<b>-0.5</b>	<b>-22.0</b>	<b>138.9</b>
<b>Adjusted operating profit margin, %</b>	<b>7.2%</b>	<b>1.2%</b>	<b>5.7%</b>	<b>2.5%</b>	<b>0.6%</b>			<b>3.6%</b>
<b>Capital employed</b>	<b>526.0</b>	<b>417.9</b>	<b>82.6</b>	<b>99.2</b>	<b>148.2</b>	<b>116.6</b>	<b>382.8</b>	<b>1,773.3</b>

#### Order backlog at the end of the period

EUR million	Reported 1-12/2018	Pro forma 1-12/2017
Housing Finland and CEE	1,729.3	1,580.1
Housing Russia	348.8	448.6
Business premises	1,326.9	1,306.8
Infrastructure projects	579.6	471.0
Paving	449.2	411.8
Partnership properties		
<b>Order backlog, total</b>	<b>4,433.8</b>	<b>4,218.3</b>

### 3.2 Revenue from customer contracts

#### Initial application of IFRS 15

YIT adopted IFRS 15 Revenue from Contracts with Customers as of January 1, 2018, using a retrospective method and all available transition relief options. In accordance with the retrospective method, the company adjusted the disclosures for the comparative period to comply with IFRS 15. However, adoption of IFRS 15 did not result in adjustments to the comparative period or the comparative period's opening balance of retained earnings.

The company did not adjust contracts fully satisfied and completed during the year 2017. In addition, the company did not adjust contracts completed at the date of initial application, did not adjust the variable consideration for the comparative period for contracts that were completed at the end of the year 2017, and did not restate contract modifications made before the transition date. Contracts modified prior to the beginning of the first reported period have not been adjusted retrospectively. Instead, the total effect of modifications has been considered in determining the transaction price. The company does not disclose the amount of transaction price allocated to the unsatisfied performance obligations as at 31 December 2017 nor provide a more detailed description of satisfying the performance obligations.

#### Recognition of revenue from contracts with customers

YIT discloses net sales as revenues from contracts with customers less indirect taxes and discounts. The transaction price expected to be received from the customer, including variable amounts such as penalties and bonus payments based on performance, is determined at the contract inception. Some or all of the amount of the variable consideration estimated is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The estimated transaction price is updated at the end of each reporting period. YIT does not have incremental costs of obtaining a contract. All costs generated before the inception of a contract are expensed once incurred. YIT capitalises costs to fulfil contracts, that meet the criteria of capitalisation, and costs to fulfil contracts are amortised according to the project's measure of progress. For YIT, costs to fulfil contracts are typically costs related to plots of land in construction projects in which the plot and the construction service constitute one performance obligation. Costs to fulfil

contracts are presented in the statement of financial position in the line item inventories. In some specific contracts with customers, there is a significant timing difference between the payment from the customer and the transfer of the promised goods or services to the customer. YIT applies a practical expedient and does not adjust the promised amount of consideration for the effects of a significant financing component, when the period between when the payment from the customer and the transfer of the promised goods or services to the customer is expected to be one year or less. Payments received from customers mainly go along with how the work progresses. A significant financing component is accounted for if the timing difference is more than one year and the annual average interest expense is significant with respect to the contract.

Revenue is recognised separately for each performance obligation. When a contract contains more than one performance obligation, the transaction price is allocated based on stand-alone selling prices. Several performance obligations are identified mainly in the Housing Finland and CEE and the Business premises segments where a contract may cover the construction of several separate buildings. In life cycle projects in the Business premises segment and the Infrastructure projects segment, construction services and maintenance services are separate performance obligations. In a case where YIT has committed to warranty periods that are longer than what has been defined in legislation or in general terms and conditions, the excess warranty period is considered as a separate performance obligation and the transaction price allocated to it is recognised as revenue when the service is performed. YIT has offered a small number of warranty periods exceeding the general terms and conditions which are low in value. Therefore, based on management's materiality assessment, they have not been accounted for as separate performance obligations. Warranties offered pursuant to legislation and Finnish 10-year provisions are accounted for as provisions, which are described in more detail under the section Provisions in the Accounting principles section of the Financial Statements. Contract modifications typically consist of project extensions and modifications, which are typically accounted for as part of the original contract and, as a rule, they do not constitute a separate performance obligation.

Revenue is recognised when or as the control of the promised good or service is transferred to the customer. YIT recognises revenue both over time and at a point in time. The recognition of revenue over time is based on the measure of progress, which is input or output based. In a case where it is not possible to measure the progress of satisfying a performance obligation and the costs are expected to be covered, revenue is recognised only to the extent of realised costs. If it is probable that the total costs to complete a project will exceed the transaction price to be received from the project, the expected loss is expensed and recognised as a provision. At the end of the reporting period, if the project billing is less than the revenue recognised based on the measured progress of the project, the difference is presented in the statement of financial position as a contract asset on the balance sheet in the line item trade and other receivables. At the end of the reporting period, if the project billing exceeds the revenue recognised based on the measured progress of the project, the difference is presented in statement of financial position as a contract liability under current liabilities in the line item advances received.

1-12/2018 reported								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
<b>Market area</b>								
Finland	921.8		941.6	291.8	419.7	0.0	3.2	<b>2,578.1</b>
Russia		269.5			44.9			<b>314.3</b>
CEE	221.3		78.2	164.1				<b>463.7</b>
Baltics	58.9		77.2	164.1				<b>300.2</b>
The Czech Republic, Slovakia, Poland	162.5		1.1					<b>163.5</b>
Scandinavia				104.7	232.3		-3.8	<b>333.2</b>
Seweden				73.3	29.4			<b>102.7</b>
Norway				31.4	116.9		-3.8	<b>144.6</b>
Denmark					86.0			<b>86.0</b>
Internal sales between segments	0.3	0.8	4.9	29.8	16.0		-51.9	
<b>Total</b>	<b>1,143.5</b>	<b>270.2</b>	<b>1,024.7</b>	<b>590.5</b>	<b>712.9</b>	<b>0.0</b>	<b>-52.4</b>	<b>3,689.4</b>

1-12/2018 reported								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
<b>Timing of revenue recognition</b>								
Over time	206.8	69.7	1,001.7	541,0	583,8		5,8	<b>2,408.8</b>
At a point in time	936.3	199.8	18.1	19,7	113,0	0,0	-6,4	<b>1,280.5</b>
Internal sales	0.3	0.8	4.9	29,8	16,0		-51,9	
<b>Total</b>	<b>1,143.5</b>	<b>270.2</b>	<b>1,024.7</b>	<b>590,5</b>	<b>712,9</b>	<b>0,0</b>	<b>-52,4</b>	<b>3,689.4</b>

1-12/2017 reported								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
<b>Market area</b>								
Finland	655.6		487.8	176.4	71.5		-0.3	<b>1,391.0</b>
Russia		369.0						<b>369.0</b>
CEE	164.1		69.7					<b>233.8</b>
Baltics								
The Czech Republic, Slovakia, Poland	164.1		69.7					<b>233.8</b>
Internal sales between segments				34.2			-34.2	
<b>Total</b>	<b>819.7</b>	<b>369.0</b>	<b>557.6</b>	<b>210.6</b>	<b>71.5</b>		<b>-34.5</b>	<b>1,993.8</b>

1-12/2017 reported								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
<b>Timing of revenue recognition</b>								
Over time	166.3	12.0	547.1	176.4	71.5		-0.3	<b>973.0</b>
At a point in time	653.4	357.0	10.5					<b>1,020.9</b>
Internal sales				34.2			-34.2	
<b>Total</b>	<b>819.7</b>	<b>369.0</b>	<b>557.6</b>	<b>210.6</b>	<b>71.5</b>		<b>-34.5</b>	<b>1,993.8</b>

## Housing Finland and CEE and Housing Russia

### Revenue recognition over time

Revenue from construction service is recognised over time if the customer controls the assets for which the construction service is provided, or if the construction service does not create an asset with an alternative use to YIT, and YIT has an enforceable right to payment for performance completed to date. YIT uses an input-based method to determine the measure of progress of construction services. The measure of progress is determined in proportion of realised costs at the time of reporting to estimated total costs or stage of physical completion, which is determined in proportion of cost incurred from completed stages of construction to estimated total costs.

Additionally, the Housing Russia segment has maintenance contracts for which revenues are recognised over time as the customer simultaneously receives and consumes the benefits of the provided service. Revenue recognition is based on the maintenance contract and is invoiced monthly according to the contract.

#### Revenue recognition at a point in time

The revenue from residential development projects, where the criteria for revenue recognition over time are not met, is recognised at a point in time when the control of the asset is transferred to the customer i.e. the asset is completed and handed over to the customer. Control is transferred to customer by physical transfer in Finland and after receiving regulatory approval in other countries. The revenue recognition of completed projects is based on the degree of sale. Residential development projects are projects developed by YIT which are not sold as construction begins and of which individual apartments are sold instead of entire buildings. Construction cost of Finnish residential development projects are typically covered partially by housing company loans, and the buyers of apartments are responsible for the repayment of the loans. Total sales prices, i.e. transaction prices, received from the sales of apartments by YIT contain both sales prices paid by customers and the housing company loan amounts related to the apartments. Housing company loans are considered as non-cash consideration which is presented, based on the substance of the transaction, as advances received i.e. it is recognised similarly to the transaction price paid in cash. Housing company loans of unfinished residential development projects are presented in the consolidated balance sheet either in borrowings (unsold apartments) or as a contract liability in advances received (sold apartments). At the time of the project's completion, the amount presented as advances received is recognised as revenue. In December 31, 2018 the amount reported in advances received in the balance sheet related to sold unfinished residential development projects was EUR 161.5 million.

In the case of a land plot being sold without providing construction service, revenue is recognised at a point in time when the control of the land plot transfers to the customer.

### **Business premises and Infrastructure projects**

#### Revenue recognition over time

Revenue from construction services in Business premises and Infrastructure projects segments is recognised over time if the customer controls the assets for which the construction service is provided, or if the construction service does not create an asset with an alternative use to YIT and YIT has an enforceable right to payment for performance completed to date. In commercial real estate development projects the criteria for recognising revenue over time are evaluated against the terms and conditions of each project on a case-by-case basis. The criteria for revenue recognition over time are met in the majority of YIT's Business premises and Infrastructure projects segments' construction services. YIT uses an input-based method to measure the progress of building construction and infra projects. The measure of progress is determined in proportion of realised costs at time of reporting to estimated total costs or stage of physical completion, which is determined in proportion of cost incurred from completed stages of construction to estimated total costs. In the Business premises segment, possible lease liability commitments, i.e. a portion of sales price based on leased square metres and rents per square metres, of commercial real estate construction are included in the transaction price as a variable consideration. The amounts and probabilities of lease liability commitments are estimated as a project progresses.

In life-cycle projects, YIT builds or improves the infrastructure used for service provision, such as a school or road network, and provides maintenance services for the contract period. The contract period is typically 25 years. The company recognises revenue from construction and improvement services as well as from maintenance services over time as separate performance obligations.

#### Revenue recognition at a point in time

The revenue from commercial real estate development projects where the criteria for revenue recognition over time are not met is recognised at a point in time when the control of the asset is transferred to the customer i.e. the asset is completed and handed over to the customer. Revenue recognition of completed projects is based on the degree of sale.

YIT produces and sells asphalt mass in the Infrastructure projects segment in the Baltic countries. The company recognises revenue from the sale of goods at a point in time when the control transfers and the goods are delivered to the customer.

### **Paving**

#### Revenue recognition over time

Criteria for revenue recognition over time is always met in paving services, including road and street network maintenance, as the services are performed on a land area owned by the customer, i.e. the customer controls the asset for which the paving service is performed. Paving services are performed within a short period of time, except for occasional long-term projects. Revenue from short term paving projects is recognised over time based on milestones i.e. using the output-based method. The measure of progress using the output-based method is based on realised units, such as produced asphalt mass tonnes in proportion to estimated total tonnes or achieved milestones compared to determined milestones of the whole paving project. Revenue from long term paving projects is recognised over time using an input-based method. The measure of progress using the input-based method is based on realised costs in proportion to estimated total costs.

Revenue from the mineral aggregates quarrying and crushing business performed on land areas owned by the customer is recognised over time as the customer simultaneously receives and consumes the benefits provided by the quarrying and crushing service provided by YIT. Revenue from the service is recognised using an output-based method based on realised costs in proportion to estimated total costs. The lifespan of the quarrying and crushing service is relatively short.



#### Revenue recognition at a point in time

YIT produces and sells mineral aggregates and asphalt mass. The company recognises revenue from the sale of goods at a point in time when the control transfers and the goods are delivered to the customer.

#### Partnership properties

#### Revenue recognition over time

The segment's external revenue generated through different type of service contracts, which are related to assets partially owned or acquired to the extent of not relating to YIT's holdings, is recognised over time as the customer simultaneously receives and consumes the benefits of the service provided.

#### Revenue recognition at a point in time

Possible property sales are recognised as YIT transfers control of property to buyer.

### 3.3 Merger

Lemminkäinen merged into YIT on February 1, 2018. New shares issued to Lemminkäinen's shareholders as merger consideration were admitted to trading to Nasdaq Helsinki on February 1, 2018. YIT as the accounting acquirer of Lemminkäinen has used the acquisition method of accounting to account for the merger. The identifiable assets acquired and liabilities assumed of Lemminkäinen have been recognised at their fair values as of the merger date, with excess of the purchase consideration over the provisional fair value of identifiable net assets acquired recognised as goodwill.

EUR million	Acquired assets and assumed liabilities at fair value
Property, plant and equipment	164.4
Other intangible assets	50.9
Investments in associated companies and joint ventures	4.1
Equity investments	1.8
Other receivables	0.3
Deferred tax assets	8.2
<b>Total non-current assets</b>	<b>229.7</b>
Inventories	415.5
Trade and other receivables	255.8
Income tax receivables	1.1
Cash and cash equivalents	21.6
<b>Total current assets</b>	<b>694.0</b>
<b>Total assets</b>	<b>923.7</b>
Deferred tax liabilities	22.7
Pension obligations	0.3
Provisions	37.5
Borrowings	123.5
Other liabilities	0.0
<b>Total non-current liabilities</b>	<b>183.9</b>
Advances received	139.9
Trade and other payables	215.7
Income tax liabilities	0.5
Provisions	13.7
Borrowings	111.6
<b>Total current liabilities</b>	<b>481.4</b>
<b>Total liabilities</b>	<b>665.4</b>
Net assets acquired	258.4
Non-controlling interest	0.0
<b>Goodwill</b>	<b>298.3</b>
<b>Purchase consideration</b>	<b>556.7</b>

Other acquisitions

During the financial year 2018 the company acquired a majority of Talon Tekniikka Oy and Udobnyje rashenija and bought Vahva Sora Oy

### 3.4 Property, plant and equipment, IFRS

	Reported	Reported
EUR million	12/2018	12/2017
Carrying amount at the beginning of the period	54.8	53.2
Exchange rate differences	-1.6	-0.4
Increases	29.7	15.6
Decreases	-18.0	-4.0
Acquisitions	171.7	
Depreciation and impairment	-37.0	-11.1
Transfers between items	2.7	1.4
<b>Carrying amount at the end of period</b>	<b>202.3</b>	<b>54.8</b>

### 3.5 Inventories, IFRS

	Reported	Reported
EUR million	12/2018	12/2017
Raw materials and consumables	44.4	4.3
Work in progress	973.4	789.5
Land areas and plot owning companies	580.2	570.1
Shares in completed housing and real estate companies	204.8	193.6
Advance payments	54.5	33.8
Other inventories	22.8	1.2
<b>Total inventories</b>	<b>1,880.1</b>	<b>1,592.5</b>

### 3.6 Financial assets and liabilities by category

The table below presents categories and measurement of financial instruments and reclassification of those items on adoption of IFRS 9. The reclassification did not result in any changes to measurement.

December 31, 2018, EUR million

Original measurement category (IAS 39)	Available-for-sale financial assets	Loans and other receivables	Held for trading	Financial liabilities		
New measurement category (IFRS 9)	Financial assets recognized at fair value through other comprehensive income	Financial assets recognized at amortised cost	Financial assets and liabilities recognised at fair value through profit and loss	Financial liabilities recognized at amortised cost	Carrying amount	Fair value
<b>Non-current financial assets</b>						
Equity investments (level 3)	2.2				2.2	2.2
Trade and other receivables		52.7			52.7	57.1
<b>Current financial assets</b>						
Trade and other receivables		277.5			277.5	277.5
Derivative assets (hedge accounting not applied, level 2)			1.9		1.9	1.9
Cash and cash equivalents		263.6			263.6	263.6
<b>Financial assets total</b>	<b>2.2</b>	<b>593.8</b>	<b>1.9</b>		<b>597.9</b>	<b>597.9</b>
<b>Non-current financial liabilities</b>						
Interest-bearing liabilities				424.1	424.1	425.6
Trade payables and other liabilities				49.5	49.5	49.5
Derivative liabilities (hedge accounting not applied, level 2)			2.7		2.7	2.7
<b>Current financial liabilities</b>						
Interest-bearing liabilities				291.1	291.1	291.1
Trade payables and other liabilities						
Derivative liabilities (hedge accounting not applied, level 2)			2.7		2.7	2.7
<b>Financial liabilities total</b>			<b>5.5</b>	<b>1,232.3</b>	<b>1,237.7</b>	<b>1,239.8</b>

December 31, 2017, EUR million

Valuation	Available- for-sale financial assets Fair value	Loans and other receivables Recognised at amortized cost	Held for trading Fair value	Derivative liabilities in hedge accounting Fair value	Financial liabilities Recognised at amortized cost	Carrying amount	Fair value
<b>Non-current financial assets</b>							
Available for sale investments, listed shares (level 1)	0.1					0.1	0.1
Available for sale investments, unlisted shares (level 3)	0.3					0.3	0.3
Trade and other receivables		47.6					
<b>Current financial assets</b>							
Trade and other receivables		140.9				140.9	140.9
Derivative assets (hedge accounting not applied, level 2)			0.2			0.2	0.2
Cash and cash equivalents		89.7				89.7	89.7
<b>Financial assets total</b>	<b>0.4</b>	<b>278.2</b>	<b>0.2</b>			<b>278.8</b>	<b>278.8</b>
<b>Non-current financial liabilities</b>							
Interest-bearing liabilities					344.4	344.4	345.4
Trade payables and other liabilities					50.0	50.0	50.0
Derivative liabilities (hedge accounting not applied, level 2)			3.6			3.6	3.6
<b>Current financial liabilities</b>							
Interest-bearing liabilities					246.3	246.3	246.3
Trade payables and other liabilities					210.7	210.7	210.7
Derivative liabilities (hedge accounting applied, level 2)				0.1		0.1	0.1
Derivative liabilities (hedge accounting not applied, level 2)			0.3			0.3	0.3
<b>Financial liabilities total</b>			<b>3.9</b>	<b>0.1</b>	<b>851.4</b>	<b>855.4</b>	<b>856.4</b>

The fair values of bonds are based on the market price at the reporting date. The fair values of all other non-current receivables and liabilities are based on discounted cash flows. The discount rate used for liabilities is defined to be the interest rate YIT Group would pay for equivalent external loans at the end of the reporting period. It consist of risk free market rate and company specific risk premium of 2.18-2.64% (2.02-3.00%) p.a.. The fair values of other current receivables and liabilities are equal to their carrying amounts.

#### Fair value measurement

The Group categorises financial instruments recognised at fair value by using a three-level fair value hierarchy. Financial instruments within Level 1 are traded in active markets hence prices are obtained directly from the efficient markets. Fair values of financial instruments within Level 2 are based on observable market inputs and generally accepted valuation methods. Fair values of financial instruments within Level 3 are not based on observable market data.

### 3.7 Change in contingent liabilities and assets and commitments

EUR million	Reported 12/2018	Reported 12/2017
<b>Guarantees</b>		
Guarantees on behalf of others	4.9	
Guarantees on behalf of consortiums	9.7	
Guarantees on behalf of its associated companies	5.3	5.0
Guarantees on behalf of Group companies	1,616.1	1,023.7
<b>Pledged assets</b>		
For own commitments	2.3	
<b>Other commitments</b>		
Investment commitments	13.8	22.4
Repurchase commitments	256.6	265.2
Operating leases	165.7	97.8
Rental guarantees for clients	3.4	4.4
<b>Liability under derivative contracts</b>		
Value of underlying instruments		
Interest rate derivatives	230.0	275.0
Foreign exchange derivatives	122.5	22.4
Commodity derivatives	7.2	
Fair value		
Interest rate derivatives	-2.9	-3.8
Foreign exchange derivatives	1.0	0.0
Commodity derivatives	-1.6	

As a result of the partial demerger registered on June 30, 2013, YIT Corporation has secondary liability for guarantees transferred to Caverion Corporation, with a maximum total amount of on December 31, 2018 EUR 9.0 million.

#### Legal proceedings

As a result of the execution of the merger of YIT and Lemminkäinen, all the assets, debts and liabilities of Lemminkäinen, including on-going litigations, are transferred to YIT. The litigations are covered more extensively in this interim report in the section Lemminkäinen's legal proceedings.

### 3.8 Minimum payments of non-cancellable lease agreements

EUR million	Reported 12/2018	Reported 12/2017
No later than 1 year	44.4	29.1
1-5 years	87.2	59.6
Later than 5 years	34.1	9.1
<b>Group total</b>	<b>165.7</b>	<b>97.8</b>

### 3.9 Related party transactions

The Group's related parties include associated companies, joint ventures and key executives with their closely associated persons. Key executives include the members of the Board of Directors, President and CEO and the Management Team

	Reported	Reported
EUR million	1-12/2018	1-12/2017
<b>Sale of goods and services</b>		
Key management personnel	0.4	
Associated companies and joint ventures	148.0	180.4
<b>Purchases of goods and services</b>		
Associated companies and joint ventures	6.7	

	Reported	Reported
EUR million	12/2018	12/2017
<b>Trade and other receivables</b>		
Associated companies and joint ventures	4.5	1.1
<b>Trade payables and other debts</b>		
Associated companies and joint ventures	30.0	

The sale of goods and services to key management personnel was sale of apartment shares in year 2018. Other related party transactions with key management personnel and board of directors consisted of ordinary salaries and remuneration. All transactions were made at market price. The comparison figures are adjusted to be in line with the definition of related party.

## 4 ADDITIONAL INFORMATION

### 4.1 New standards

Additional information on the adoption of IFRS 15 and IFRS 9 can be found in the notes 3.2.

## IFRS 9

### Financial assets

The Group has applied the IFRS 9 Financial Instruments standard retrospectively from January 1, 2018. In accordance with the transitional provisions, comparative figures have not been restated, and the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Financial assets are recognised on the settlement date. The Group classifies financial assets on initial recognition into the following measurement categories: financial assets measured at amortised cost, financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. The IFRS 9 classification did not cause relevant changes in handling these items. The most relevant items are trade receivables, other receivables and cash and cash equivalents measured at amortised cost and derivative assets measured at fair value through profit or loss. Financial assets are derecognised once the Group has lost the contractual right to their cash flows or when it has substantially transferred their risks and rewards to a party outside the Group.

### Impairment of financial assets

The impairment model for financial assets is based on expected credit losses, where customer's credit risk is taken into account. Simplified approach of expected credit losses is used for trade receivables and customer contract assets in accordance with IFRS 15, when expected credit losses from these assets are recognised based on historical information with adjustment concerning expectations of the future.

In addition, on every reporting date, the Group assesses whether there is any objective evidence of impairment of the value of a financial asset or a group of financial assets. If there is objective evidence of impairment, the amount recoverable from the financial asset, which is the fair value of the asset, is estimated and the impairment loss is recognised wherever the carrying amount exceeds the recoverable amount. Impairment losses are recognised in the income statement. For example, when a debtor is in significant financial difficulties, any probable bankruptcy, delinquent payments, or payments that are more than 90 days overdue constitute evidence of possible impairment of the receivables.



The impact of adoption of IFRS 9 standard to YIT Corporation's opening balance January 1, 2018 was 0.7 million euros.

#### Reconciliation calculation of opening balance January 1, 2018

EUR million	31 Dec 2017	Adjustment on adoption of IFRS 9	1 Jan 2018
Deferred tax receivables	53.2	0.1	53.4
Trade receivables	114.3	-0.7	113.6
Customer contracts in accordance with IFRS 15	21.2	-0.1	21.2
<b>Total assets</b>	<b>2,193.3</b>	<b>-0.7</b>	<b>2,192.7</b>
Retained earnings	580.3	-0.7	636.3
Profit for the period	56.6		
Total equity	564.7	-0.7	564.0

To measure expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Expected credit losses from customer contracts in accordance of IFRS 15 are defined with the same percentage as undue trade receivables.

	Undue	1-60 days due	61-90 days due	91-180 days due	Over 180 days due
<b>Expected credit losses, average %</b>	1.1	1.8	17.9	18.8	18.8

EUR million	Trade receivables	Contract assets
Gross carrying amount December 31, 2018	211.3	205.7
Loss allowance provision	0.4	-0.3
Carrying amount after provision December 31, 2018	211.6	205.4

## 4.2 Standards to be adopted later

### IFRS 16 Leases

#### Nature of change and impact

The IFRS 16 Leases standard was issued in January 2016. Thus, almost all lease contracts are recognised in the balance sheet, except for low value and short-term lease contracts. The standard significantly changes lessee's accounting, because the distinction between operating leases and finance leases is removed. According to the new standard, a right-of-use asset (right to use the leased asset) and lease liability concerning lease payments is recognised. Once effective, the new standard will replace current IAS 17 Leases standard and related interpretations.

At the beginning of 2018, the company has set up a project team to adopt the standard and the company will implement a new lease accounting system for lease contracts. The project team has reviewed all the group's leasing arrangements over the last year considering the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the group's operating leases.

According to the estimate at the end of the financial period, the standard will increase assets and liabilities approximately EUR 300-350 million. The adoption of the standard will increase the amount of property, plant and equipment. A significant impact to the balance sheet in adoption of the standard comes from the plot lease agreements related to construction business, which shall be recognised to inventories. In property, plant and equipment the significant impact comes from office facilities and machinery and equipment the company has leased. The new standard shall be taken into account in the company's segment reporting.

The adoption of the standard is expected to increase the company's amount of interest-bearing net debt and gearing ratio. Revenue and operating profit are expected to increase at the adoption of the standard. Operating cash flows will increase, and financing cash flows decrease as repayment of the principal portion of the lease liabilities will be classified as cash

flows from financing activities. The standard is not expected to have a significant impact on profit for the accounting period or equity.

The company's activities as a lessor are not material and thus the company does not expect any significant impact on the financial statements.

#### Date of application and transition method

The company starts applying the standard on January 1, 2019. The company will apply the modified retrospective approach in transition and thus, the comparative figures will not be restated. The cumulative effect of applying the standard is recognised as an adjustment to the opening balance of retained earnings at the date of initial application. The table below presents relevant accounting policy decisions that YIT has initially made.

Relevant accounting policies	Short description of the policy to be applied
Transition method	The company will apply the modified retrospective approach in transition. The lease liabilities are recognised based on the remaining lease payments discounted using incremental borrowing rates at the date of initial application.
The measurement of the right-of-use assets in transition	The company will measure the right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application).
Measurement and recognition exemption for leases for which the underlying asset is of low value	The company will not recognise leases, for which the underlying asset is of low value, in the balance sheet.
Measurement and recognition exemption for short-term leases	The company will not recognise short-term leases in the balance sheet. Short-term leases are lease contracts that have a lease term of 12 months or less.

Description of practical expedients used in transition:

- The company shall not reassess whether a contract is, or contains, a lease at the date of initial application.
- The company shall not reassess existing lease contracts but shall apply the guidance regarding the definition of a lease only to contracts entered into (or changed) on or after the date of initial application. This applies to both contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4 and those that were previously identified as leases in IAS 17 and IFRIC 4. This expedient it shall be applied to all of the company's contracts.
- The company shall apply a single discount rate for a portfolio of similar leases
- The company will not assess whether a lease is onerous in transition, but shall rely on previous assessment made at the date of initial application as to whether a lease is onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent assets
- The company shall exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application
- The company shall use hindsight for example in determining the lease period if the lease contract contains options to extend or terminate the contract.

#### Treatment of plot lease agreements related to own building development

In Finland, the company has own building development projects, where typically residential buildings are built either on to an owned or a leased plot. The plot lease agreements are typically long-term agreements, usually tens of years long. The leased plot related to own building development projects, as well as a company owned plot, meets the requirements of inventories, because it is intended to be sold in the company's ordinary course of business. The plot lease agreement recognised in inventories is measured by using the principals of the IFRS 16 standard. The plot lease agreement related to own building development will be derecognised from inventories at the time the project is completed.

At the time of procurement of the plot lease agreement related to own residential building development, before the development project has started, the right-of-use asset of the plot lease agreement is recognised in inventories and the lease liability in interest-bearing debt. The lease liability of plot lease agreements related to incomplete own residential building development projects is presented in the balance sheet either in interest-bearing debt or advances received depending on the degree of sale. The portion of the unsold apartments related to incomplete own residential building development projects is presented in interest-bearing debt in the balance sheet. The liability related to the sold apartments of incomplete own residential building development projects, is a non-cash consideration, and it is presented in advances received based on the nature of the item. At the point of revenue recognition, the lease liability on the sold apartments will be recognised as revenue in profit and loss. The lease liability on completed unsold apartments is presented in interest-bearing debt.

#### **Other standards, interpretations, annual improvements and amendments to IFRS applied by the company**

There are no other IFRSs, IFRIC interpretations, annual improvements or amendments to IFRSs that are not yet effective that would have a material impact on the company's consolidated financial statements.

### 4.3 Key figures

	Reported 10-12/ 2018	Reported 10-12/ 2017	Reported 1-12/ 2018	Reported 1-12/ 2017	Pro forma 10- 12/2018	Pro forma 10- 12/2017	Pro forma 1- 12/2018	Pro forma 1- 12/2017
Equity ratio, %	38.1%	33.2%	38.1%	33.2%	n/a	n/a	n/a	40.2%
Net interest-bearing debt, EUR million <sup>1</sup>	562.9	453.4	562.9	453.4	562.9	n/a	562.9	666.9
Net debt/adjusted pro forma ebitda	n/a	n/a	n/a	n/a	n/a	n/a	3.2	3.6
Gearing ratio, % <sup>1</sup>	53.6%	80.3%	53.6%	80.3%	n/a	n/a	n/a	59.9%
Unrecognised order backlog at the end of the period, EUR million	4,433.8	2,912.7	4,433.8	2,912.7	4,433.8	4,218.3	4,433.8	4,218.3
- of which activities outside Finland, EUR million	1,028.9	803.1	1,028.9	803.1	1,028.9	n/a	1,028.9	n/a
Personnel at the end of the period	9,070	5,427	9,070	5,427	9,070	9,721	9,070	9,721
Gross capital expenditures, EUR million	14.2	30.5	64.4	30.5	n/a	n/a	n/a	n/a
% of revenue	1.1%	5.0%	1.7%	1.5%	n/a	n/a	n/a	n/a
Average share price during the period, EUR	5.70	6.94	5.70	6.94	n/a	n/a	n/a	n/a
Share price at the end of the period, EUR	5.11	6.37	5.11	6.37	n/a	n/a	n/a	n/a
Market capitalisation at the end of the period, EUR million	1,073.3	801.4	1,073.3	801.4	n/a	n/a	n/a	n/a
Equity per share, EUR	5.00	4.49	5.00	4.49	n/a	n/a	n/a	n/a
Adjusted earnings per share pro forma, EUR	n/a	n/a	n/a	n/a	0.32	0.14	0.32	0.35
Weighted average number of shares outstanding – basic, 1,000 pcs	203,002	125,730	203,002	125,730	908,952	209,606	208,952	209,606
Weighted average number of shares outstanding, Diluted, 1,000 pcs	203,778	127,636	203,778	127,636	n/a	n/a	n/a	n/a
Number of shares at end of period, 1,000 pcs	210,048	125,815	210,048	125,815	n/a	n/a	n/a	n/a

<sup>1</sup> YIT has changed the definition of gearing and net debt on January 1, 2018. The comparison period figures are adjusted.

## Reconciliation of certain key figures

### Reconciliation of adjusted operating profit

Milj. e	Reported 1-12/ 2018	Reported 1-12/ 2017	Reported 10-12/ 2018	Reported 10-12/ 2017	Pro forma 1-12/ 2018	Pro forma 1-12/ 2017	Pro forma 10-12/ 2018	Pro forma 10-12/ 2017
<b>Operating profit (IFRS)</b>	<b>94.6</b>	<b>85.5</b>	<b>82.7</b>	<b>44.1</b>	<b>91.3</b>	<b>77.4</b>	<b>82.6</b>	<b>37.1</b>
<b>Adjusting items</b>								
Write-down of inventories	3.4	14.0		14.0	3.4	14.0		<b>14.0</b>
Restructurings and divestments <sup>1</sup>	8.2		2.6		10.1		2.6	
Transaction costs related to merger	1.4	6.1		2.0		15.1		
Integration costs related to merger	18.2		11.5		18.2	3.8	11.5	2.4
Costs, compensations and reimbursements related to court proceedings						1.4		0.1
Inventory fair value adjustment from PPA <sup>2</sup>	13.2		3.4		3.7	13.7	0.9	3.4
Depreciation and amortisation expenses from PPA <sup>2</sup>	13.4		3.6		7.8	13.7	1.9	3.4
<b>Adjusting items, total</b>	<b>57.9</b>	<b>20.1</b>	<b>21.1</b>	<b>16.0</b>	<b>43.2</b>	<b>61.5</b>	<b>17.0</b>	<b>23.3</b>
<b>Adjusted operating profit</b>	<b>152.5</b>	<b>105.6</b>	<b>99.6</b>	<b>60.1</b>	<b>134.5</b>	<b>138.9</b>	<b>99.6</b>	<b>60.4</b>

<sup>1</sup> Restructurings and divestments concern business reorganisations of Norway and Sweden. This adjusting item is focused at both Paving segment and other items and reconciliations.

<sup>2</sup> PPA refers to merger related fair value adjustments.

### Reconciliation of adjusted pro forma ebitda

EUR million	1-12/2018	1-12/2017
<b>Adjusted operating profit</b>	<b>134.5</b>	<b>138.9</b>
Depreciations and amortisations	49.0	59.7
Depreciation and amortisation expenses from PPA	-7.8	-13.7
<b>Adjusted pro forma ebitda</b>	<b>175.7</b>	<b>185.3</b>

## Pro forma adjusted earnings per share

EUR million, unless otherwise noted	1-12/2018	1-12/2017	10-12/2018	10-12/2017
<b>Pro forma result for the period attributable to the equity holders of the parent company, EUR million</b>	<b>33.3</b>	<b>26.3</b>	<b>53.7</b>	<b>10.8</b>
<b>Adjusting items, total (included in operating profit) <sup>1</sup></b>	<b>43.2</b>	<b>61.5</b>	<b>17.0</b>	<b>23.3</b>
<b>Adjusting items related to merger included in financial expenses</b>				
Bond consent solicitation fees in the income statement		0.9		
Fees and expenses related to bridge financing facility		1.4		
Arrangement fee from the old revolving credit facility		0.7		
Reduction of financial expenses due to the Lemminkäinen bond fair value adjustment	-5.8	-4.7	-1.6	-1.2
<b>Adjusting items related to merger included in financial expenses, total</b>	<b>-5.8</b>	<b>-1.8</b>	<b>-1.6</b>	<b>-1.2</b>
<b>Adjusting items, total (included in operating profit) <sup>1</sup> and Adjusting items related to merger included in financial expenses, total</b>	<b>37.4</b>	<b>59.7</b>	<b>15.4</b>	<b>22.1</b>
Tax impact	-4.8	-11.8	-2.6	-4.4
<b>Pro forma adjusted result for the period attributable to the equity holders of the parent company, EUR million</b>	<b>65.8</b>	<b>74.3</b>	<b>66.5</b>	<b>28.5</b>
<b>Pro forma weighted average number of shares outstanding – basic, 1,000 pcs</b>	<b>209,952</b>	<b>209,606</b>	<b>208,952</b>	<b>209,606</b>
<b>Pro forma adjusted earnings per share attributable to the equity holders of the parent company – basic, EUR</b>	<b>0.32</b>	<b>0.35</b>	<b>0.32</b>	<b>0.14</b>

<sup>1</sup> Adjusting items, total (included in operating profit) are presented in the table Reconciliation of pro forma adjusted operating profit.

Pro forma Revenue (percentage-of-completion) and Adjusted operating profit (POC) reconciliation

Housing Finland and CEE pro forma, EUR million	Pro forma 10-12/2018	Pro forma 10-12/2017	Pro forma 1-12/2018	Pro forma 1-12/2017
<b>Revenue (IFRS)</b>	<b>354.0</b>	<b>270.7</b>	<b>1,157.9</b>	<b>1,156.2</b>
POC adjustments	-75.1	28.4	-77.5	29.7
<b>Revenue (POC)</b>	<b>278.9</b>	<b>299.1</b>	<b>1 080.4</b>	<b>1,185.9</b>
<b>Operating profit (IFRS)</b>	<b>28.5</b>	<b>10.4</b>	<b>102.6</b>	<b>78.1</b>
Adjusting items	0.0	4.9	0.7	4.9
<b>Adjusted operating profit (IFRS)</b>	<b>28.5</b>	<b>15.3</b>	<b>103.3</b>	<b>83.0</b>
POC adjustments	-6.2	9.7	-12.4	18.5
<b>Adjusted operating profit (POC)</b>	<b>22.3</b>	<b>25.0</b>	<b>90.9</b>	<b>101.5</b>

Housing Russia pro forma, EUR million	Pro forma 10-12/2018	Pro forma 10-12/2017	Pro forma 1-12/2018	Pro forma 1-12/2017
<b>Revenue (IFRS)</b>	<b>126.7</b>	<b>200.3</b>	<b>274.1</b>	<b>421.0</b>
POC adjustments	-37.4	-85.1	17.6	-100.7
<b>Revenue (POC)</b>	<b>89.3</b>	<b>115.2</b>	<b>291.7</b>	<b>320.3</b>
<b>Operating profit (IFRS)</b>	<b>-3.8</b>	<b>15.3</b>	<b>-37.3</b>	<b>1.7</b>
Adjusting items	0.0	3.2	4.5	3.2
<b>Adjusted operating profit (IFRS)</b>	<b>-3.8</b>	<b>18.5</b>	<b>-32.8</b>	<b>4.9</b>
POC adjustments	-2.2	-16.4	9.4	-0.3
<b>Adjusted operating profit (POC)</b>	<b>-6.0</b>	<b>2.1</b>	<b>-23.4</b>	<b>4.6</b>



#### 4.4 Definitions of financial key performance indicators

Key figure	Definitions	Reason for use
<b>Operating profit</b>	Result for the period before taxes and finance expenses and finance income equalling to the subtotal presented in the consolidated income statement.	Operating profit shows result generated by operating activities excluding finance and tax related items.
<b>Adjusted operating profit</b>	Operating profit excluding adjusting items.	
<b>Adjusting items</b>	Adjusting items are material items outside ordinary course of business such as write-down of inventories, impairment of goodwill, integration costs related to merger, transaction costs related to merger, costs, compensations and reimbursements related to court proceedings, write-downs related to non-core businesses, gains or losses arising from the divestments of a business or part of a business, costs on the basis of statutory personnel negotiations and adaption measures, and cost impacts of the fair value adjustments from purchase price allocation, such as fair value adjustments on acquired inventory, depreciation of fair value adjustments on acquired property, plant and equipment and amortisation of fair value adjustments on acquired intangible assets relating to business combination accounting under the provisions of IFRS 3, referred to as purchase price allocation ("PPA").	Adjusted operating profit is presented in addition to operating profit to reflect the underlying core business performance and to enhance comparability from period to period. Management believes that this alternative performance measure provides meaningful supplemental information by excluding items not part of YIT's core business operations thus improving comparability from period to period.
<b>Interest-bearing debt</b>	Non-current borrowings and current borrowings.	Interest-bearing debt is a key figure to measure YIT's total debt financing.
<b>Interest-bearing net debt</b>	Interest-bearing debt less cash and cash equivalents and interest-bearing receivables.	Interest-bearing net debt is an indicator to measure YIT's net debt financing.
<b>Equity ratio. %</b>	Total equity / total assets less advances received.	Equity ratio is one of YIT's key longterm financial targets and is a key figure to measure the relative proportion of equity used to finance YIT's assets.
<b>Gearing, %</b>	Interest-bearing debt less cash and cash equivalents and interest-bearing receivables/total equity.  (YIT has changed the definition of gearing on January 1, 2018 to include interest-bearing receivables in the calculation of this key figure.)	Gearing ratio helps to understand how much debt YIT is using to finance its assets relative to the value of its equity.
<b>Revenue (POC)</b>	In revenue (POC), revenue is recognised in housing segments by multiplying the degree of completion and the degree of sale, i.e. according to the percentage of completion method.	Revenue (POC) and adjusted operating profit (POC) are used as additional information by the management in housing segments. Management believes that revenue (POC) and adjusted operating profit (POC) provide meaningful supplemental information to the financial measures presented in the segment information prepared in accordance with IFRS.
<b>Adjusted operating profit (POC)</b>	Adjusted operating profit (POC) is measured according to the percentage of completion method. In addition, in adjusted operating profit (POC), interest expenses are not capitalised which causes a difference between adjusted operating profit (POC) and adjusted operating profit (IFRS).	

<b>Adjusted earnings per share</b>	Earnings per share excluding adjusting items included in the operating profit and adjusting items related to merger included in financial expenses including tax impact.	Adjusted earnings per share is presented in addition to earnings per share in order to enhance comparability from period to period. Management believes that this alternative performance measure provides meaningful supplemental information by excluding items not part of YIT's core business operations thus improving comparability from period to period.
<b>Operating cash flow after investments, excluding discontinued operations</b>	Operating cash flow presented in cash flow statement after investments considering operating cash flow from discontinued operations.	
<b>Gross capital expenditures</b>	Investments in tangible and intangible assets, excluding additions in financial leases and investments in associated companies and joint ventures.	
<b>Equity per share (EUR)</b>	Total equity divided by number of outstanding shares at the end of the period.	
<b>Net debt / adjusted pro forma ebitda, rolling 12 months</b>	Net debt divided by rolling adjusted pro forma earnings before depreciations and amortisations.	Net debt to adjusted pro forma ebitda gives investor information on ability to service debt.
<b>Market capitalisation</b>	(Number of shares – treasury shares) multiplied by share price on the closing date by share series.	
<b>Average share price</b>	EUR value of shares traded during period divided by number of shares traded during period.	

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# Together we can do it.

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