Q1

Interim Report 1-3/2019

Interim Report January 1 – March 31, 2019

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 Interim Report, comparison figures are pro forma figures so that the financial statements of merged Lemminkäinen for the financial period January 1–January 31, 2018 are included in the pro forma figures, and are presented in the tables in the columns "Pro forma 1-3/18" and "Pro forma 1–12/18". More information regarding the presentation of financial information is available at the end of the explanatory statement of the interim report.

January– March

- Revenue increased by 16% and was EUR 701.6 million (602.2).
- Adjusted operating profit[1] amounted to EUR -30.7 million (-43.2) and adjusted operating profit margin was -4.4% (-7.2).
- Operating profit amounted to EUR -34.6 million (-51.1) and operating profit margin was -4.9% (-8.5).
- Reported operating cash flow after investments amounted to EUR -3.2 million (-152.7, reported).
- Order backlog increased 3% quarter-on-quarter, but decreased by 2% year-on-year and was EUR 4,556.2 million (4,640.8).
- Adjusted net debt[2] was EUR 556.0 million. Net debt[2] including among others lease liabilities was EUR 868.7 million.
- Adjusted gearing[2] was 56.2%. Gearing[2] including among others lease liabilities was 87.7%.
- The realised cumulative synergies were EUR 25 million by the end of the first quarter of 2019.
- Adjusted earnings per share were EUR -0.17 and earnings per share were EUR -0.18 (-0.25).

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[1] 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 March, 73% 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 of 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 second quarter of 2019 will improve slightly from the comparison period (pro forma).

The adoption of IFRS 16 standard does not have an impact on the company's financial targets or the guidance for 2019.

The IFRS 16 Leases standard was issued in January 2016 and the company started applying the standard on January 1, 2019. The new standard replaces the IAS 17 Leases standard and related interpretations. YIT adopted the new standard based on the modified method, thus the comparison period is not adjusted. The company has published a stock exchange release on April 18, 2019 regarding the adoption of the IFRS 16 standard describing the accounting policies among others. The impact of the IFRS 16 adoption on the first quarter of 2019 can be found in the notes of this Interim report.

[1] 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 in the tables section.
[2] Definitions of financial key performance indicators can be found in the table section 4.3.

Kari Kauniskangas, President and CEO:

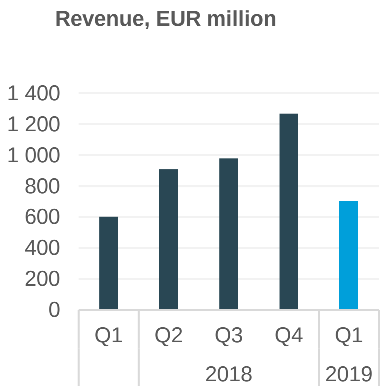
The result for the first quarter improved year-on-year, despite showing a loss. This was however expected due to seasonality and the low number of residential project completions. Overall better performance of the company came from several sources. Order backlog strengthened from the year-end, synergies were realised in the result faster than we had estimated and the cash flow was good, considering seasonality. Our outlook is positive and our guidance for the whole year remains unchanged, and for the second quarter, we see a slight profit improvement.

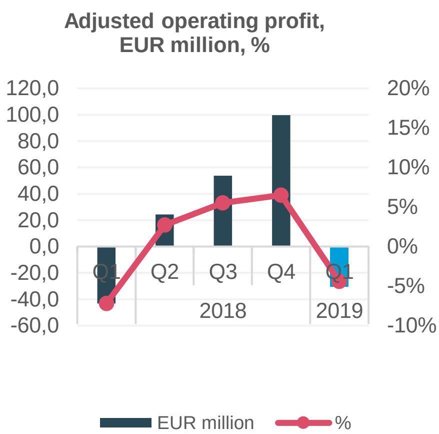
I am particularly pleased to note that the Paving and Housing Russia segments improved their combined adjusted operating profit by nearly EUR 20 million year-on-year. The improvement in the Paving segment came mainly from Sweden and Norway, where the measures implemented to reduce winter planning costs, for example, had a direct impact on the result. In Russia, we were able to complete two projects earlier than estimated and the contracting business performed better year-on-year.

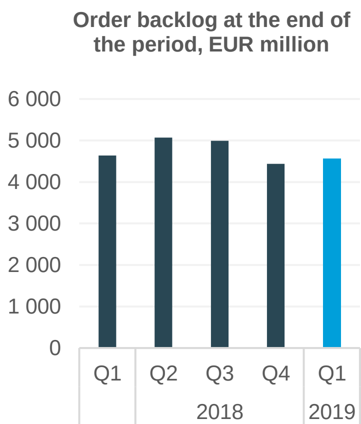
The Housing Finland and CEE segment's adjusted operating profit declined due to no hand-overs in the CEE countries and a lower year-on-year number of completed apartments in the Helsinki metropolitan area. In March, YIT and a group of investors established a joint venture that focuses on rental apartments. We also sold a portfolio of fully or nearly completed apartments to the joint venture. This transaction had a weakening impact on the segment's profitability for the first quarter. However, it strengthened the investments of the Partnership properties segment in rental housing generating stable cash flow. The transaction also enables us to speed up capital turnover, while keeping value upside on the portfolio.

In the Business premises segment, we signed several significant lease agreements, in Tripla among them. Our large projects progressed as planned and the revenue and profit from the renovation services grew in Finland. In the Infrastructure projects segment the quality and profitability of the order backlog improved. However, the result was still burdened by low margin levels of old projects.

In general, construction volume is at a good level in Finland, supported by urbanisation. The residential activity improved in the latter part of the quarter. In our other operating countries, the market outlook is stable. In Finland, the volume of residential construction is returning to a normal level after a few peak years. Residential sales to consumers in good locations has continued at the level seen last autumn, even though the proportion of private investors of all home buyers has declined from last year.







Key figures, IFRS

EUR million	Reported 1–3/19	Pro forma 1–3/18[1]	Change	Pro forma 1–12/18[1]
Revenue	**701.6**	**602.2**	**16%**	**3,759.3**
Housing Finland and CEE	256.2	242.9	5%	1,157.9
Housing Russia	44.4	38.3	16%	274.1
Business premises	239.1	183.0	31%	1,045.2
Infrastructure projects	110.3	93.7	18%	612.4
Paving	59.3	52.7	12%	723.2
Partnership properties				0.0
Other items	-7.7	-8.3	7%	-53.4
Operating profit	**-34.6**	**-51.1**	**32%**	**91.3**
Operating profit margin, %	**-4.9%**	**-8.5%**		**2.4%**
Adjusted operating profit	**-30.7**	**-43.2**	**29%**	**134.5**
Housing Finland and CEE	9.3	20.5	-55%	103.3
Housing Russia	-4.8	-13.8	65%	-32.8
Business premises	5.0	-2.2		67.8
Infrastructure projects	-6.6	-8.6	23%	-7.6
Paving	-20.2	-30.8	34%	2.7
Partnership properties	-1.5	-0.2	-672%	26.9
Other items	-11.9	-8.1	-47%	-25.8
Adjusted operating profit margin, %	**-4.4%**	**-7.2%**		**3.6%**
Housing Finland and CEE	3.6%	8.5%		8.9%
Housing Russia	-10.8%	-36.1%		-12.0%
Business premises	2.1%	-1.2%		6.5%
Infrastructure projects	-6.0%	-9.2%		-1.2%
Paving	-34.1%	-58.4%		0.4%
Partnership properties				
Adjusting items	3.9	7.8	-50%	43.2
Profit before taxes	-45.3	-57.8	22%	57.2
Profit for the review period[2]	-38.0	-52.2	27%	33.3
Earnings per share, EUR	-0.18	-0.25	-28%	0.16
Operating cash flow after investments	-3.2	n/a		n/a
Net interest-bearing debt at the end of the period	868.7	813.8	7%	562.9
Adjusted net interest-bearing debt at the end of the period[3]	556.0	n/a		n/a
Gearing ratio at the end of the period, %	87.7%	n/a		n/a
Adjusted gearing ratio at the end of the period[3], %	56.2%	n/a		n/a
Equity ratio at the end of the period, %	33.1%	n/a		n/a
Adjusted equity ratio at the end of the period[3], %	37.0%	n/a		n/a
Pro forma return on capital employed (ROCE, rolling 12m), %	n/a	n/a		5.6%
Adjusted return on capital employed[3] (ROCE, rolling 12m), %	5.4%	n/a		n/a
Order backlog, at the end of the period	4,556.2	4,640.8	-2%	4,433.8

[1]Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.
[2]Attributable to the equity holders of the parent company.
[3]Definitions of financial key performance indicators can be found in the table section 4.3.

Group financial development

Revenue

Residential projects for consumers recognised as revenue upon completion.

EUR million	Reported 1–3/19	Pro forma 1–3/18[1]	Change	Exchange rate impact[2]	Pro forma 1–12/18[1]
Revenue	**701.6**	**602.2**	**16%**	**1%**	**3,759.3**
Housing Finland and CEE	256.2	242.9	5%		1,157.9
Housing Russia	44.4	38.3	16%	7%	274.1
Business premises	239.1	183.0	31%		1,045.2
Infrastructure projects	110.3	93.7	18%		612.4
Paving	59.3	52.7	12%		723.2
Partnership properties					0.0
Other items	-7.7	-8.3	7%		-53.4

[1] Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.
[2] Reported 1-3/19 with comparable currency exchange rates.

January– March

The Group's revenue increased by 16% year-on-year and amounted to EUR 701.6 million (602.2). Revenue increased mainly due to higher year-on-year volumes in Business premises and Infrastructure projects as well as a higher year-on-year number of completed apartments in Housing Russia. The Business premises segment's revenue increased also due to the start of Tripla offices' revenue recognition according to the percentage of completion after the sale of the offices in December.

In Paving, revenue grew slightly due to increased volumes in road maintenance caused by a snowy winter in Finland.

Result

EUR million	Reported 1–3/19	Pro forma 1–3/18[1]	Change	Exchange rate impact[2]	Pro forma 1–12/18[1]
Operating profit	**-34.6**	**-51.1**	**32%**		**91.3**
Operating profit margin, %	**-4.9%**	**-8.5%**			**2.4%**
Adjusting items	**3.9**	**7.8**	**-50%**		**43.2**
Adjusted operating profit	**-30.7**	**-43.2**	**29%**	**2%**	**134.5**
Housing Finland and CEE	9.3	20.5	-55%		103.3
Housing Russia	-4.8	-13.8	65%	7%	-32.8
Business premises	5.0	-2.2			67.8
Infrastructure projects	-6.6	-8.6	23%		-7.6
Paving	-20.2	-30.8	34%		2.7
Partnership properties	-1.5	-0.2	-672%		26.9
Other items	-11.9	-8.1	-47%		-25.8
Adjusted operating profit margin, %	**-4.4%**	**-7.2%**			**3.6%**
Housing Finland and CEE	3.6%	8.5%			8.9%
Housing Russia	-10.8%	-36.1%			-12.0%
Business premises	2.1%	-1.2%			6.5%
Infrastructure projects	-6.0%	-9.2%			-1.2%
Paving	-34.1%	-58.4%			0.4%
Partnership properties					

[1] Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.
[2] Reported 1-3/19 with comparable currency exchange rates.

EUR million	Reported 1–3/19	Pro forma 1–3/18[1]	Change	Pro forma 1–12/18[1]
Profit before taxes	-45.3	-57.8	22%	57.2
Profit for the review period[2]	-38.0	-52.2	27%	33.3
Earnings per share, EUR	-0.18	-0.25	28%	0.16
Adjusted earnings per share, EUR	-0.17	n/a		n/a
Adjusted pro forma earnings per share, EUR	n/a	-0.22		0.32

[1] Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.
[2] Attributable to the equity holders of the parent company.
[3] Reported 1-3/19 with comparable currency exchange rates.

January– March

The Group's adjusted operating profit was EUR -30.7 million (-43.2), and adjusted operating profit margin was -4.4% (-7.2). The operating profit was EUR -34.6 million (-51.1), and the operating profit margin was -4.9% (-8.5). The operating profit includes adjusting items of EUR 3.9 million (7.8) mainly related to merger related fair value cost effects (see notes for more information) as well as integration costs related to the synergy targets.

Operating profit improved by Paving year-on-year due to better results in Sweden and Norway where last year sizable measures were taken to improve operational efficiency including closing down of several unprofitable asphalt stations.

Operating profit was also supported by higher year-on-year number of completed apartments in Housing Russia as well as better performance in contracting.

In Housing Finland and CEE, operating profit decreased due to no completions in the CEE countries and a lower year-on-year number of completed apartments in the Helsinki metropolitan area. The segment's profitability was weakened by the apartment bundle sales to the newly established joint venture.

The Business premises segment's profit increased mainly due to higher renovation volumes as well as the start of Tripla offices' profit recognition according to the percentage of completion after the sale of the offices in December.

The Infrastructure projects segment's result was still burdened by the weak margin level of some old projects.

The other items increased year-on-year, and included among others, EUR -2.0 million of non-operative adjustments.

Profit before taxes was EUR -45.3 million (-57.8) and profit for the review period was EUR -38.0 million (-52.2).

The impact from adopting the IFRS 16 standard to the adjusted operating profit amounted to EUR 2.6 million. The effect of the impact to the profit before taxes was EUR -1.5 million and to the profit for the review period was EUR -1.2 million.

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. 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.

The savings are mainly attributable to a decrease in fixed expenses shown mainly across the segments. 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 total synergy benefit measures recorded by the end of March amounted to approximately EUR 45 million and the achieved cumulative synergy benefits impacting the result were approximately EUR 25 million of which EUR 19 million were realised in 2018. The company has specified the synergy timetable and 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.

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. During January-March 2019, merger-related integration costs totalled approximately EUR 1.2 million. The cumulative integration costs at the end of March totalled approximately EUR 23 million, including the costs recorded for Lemminkäinen in January 2018. 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	1–3/19	Pro forma 1–12/18
Integration costs, total[1]	1.2	18.2

[1] Integration costs exclude transaction costs.

Acquisitions and capital expenditure

During the reporting period, the reported gross investments amounted to EUR 16.3 million (24.3), or 2.3% (4.6) of revenue. The investments consisted of investments in joint ventures, building equipment and information technology, among other things.

IFRS, EUR million	1–3/19	1-3/18	Change	1–12/18
Gross capital expenditure on non-current assets	16.3	24.3	-32.9%	64.4
% of revenue	2.3%	4.6%		1.7%
Depreciation	-17.3	-8.3	-108.4%	-53.3

Capital structure and liquidity position, cash flow and investments

EUR million	Reported 3/19	Reported 3/18	Change	Reported 12/18
Adjusted net interest-bearing debt[1]	556.0	n/a		n/a
Net interest-bearing debt	868.7	813.8	7%	562.9
Cash and cash equivalents	152.9	65.2	135%	263.6
Interest-bearing receivables	68.8	53.6	28%	65.1
Interest-bearing debt	1,090.4	932.6	17%	891.7
Bonds	351.1	292.9	20%	352.6
Commercial papers		228.0	-100%	46.7
Pension loans	50.0	55.5	-10%	50.0
Loans from financial institutions	130.2	135.8	-4%	130.4
Housing corporation loans	210.5	166.2	27%	259.0
Lease liabilities[2]	312.7			
Finance lease liabilities[2]		19.8		17.8
Other interest-bearing debt	36.0	34.3	5%	35.2
Available committed revolving credit facilities	300.0	300.0	0%	300.0
Available overdraft facilities	73.2	73.8	-1%	72.2
Equity ratio, %	33.1%	39.1%		38.1%
Adjusted equity ratio[1], %	37.0%	n/a		n/a
Gearing ratio, %	87.7%	79.8%		53.6%
Adjusted gearing ratio [1], %	56.2%	n/a		n/a

[1] Definitions of financial key performance indicators can be found in the table section 4.3.
[2] Lease liabilities include also old finance lease contracts which were reported as finance lease liabilities before year 2019.

EUR million	Reported 1–3/19	Reported 1–3/18	Pro forma 1-3/18[1]	Reported 1–12/18	Pro forma 1-12/18[1]
Operating cash flow after investments	-3.2	-152.7	n/a	148.6	n/a
Cash flow from plot investments	-15.5	-46.1	n/a	-94.3	n/a
Cash flow from investments to associated companies and joint ventures	-9.2	-21.2	n/a	-39.7	n/a
Net finance costs	-10.7	-8.1	-6.8	-35.5	-34.1

[1] Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.

At the end of March, YIT's cash and cash equivalents amounted to EUR 152.9 million (65.2), in addition to which YIT had undrawn overdraft facilities amounting to EUR 73.2 million (73.8). Additionally, YIT's committed revolving credit facility of EUR 300 million (300) was completely undrawn, and undrawn and committed housing corporation loan agreements related to Finnish apartment projects amounted to EUR 255,1 million (346,4).

At the end of March, YIT Group's reported equity ratio was 33.1% (39.1) and reported gearing ratio was 87.7% (79.8). Due to the implementation of IFRS 16 standard and related practises YIT Group's equity ratio decreased by 3.9 percentage points and gearing ratio increased by 31.5 percentage points. Adjusted equity ratio was 37.0% and adjusted gearing ratio was 56.2%.

Reported interest-bearing debt amounted to EUR 1,090.4 million (932.6) and reported net interest-bearing debt to EUR 868.7 million (813.8) at the end of March. Due to the implementation of IFRS 16 standard and related practises YIT Group's net interest-bearing debt increased EUR 312.7 million. Adjusted net interest-bearing debt was EUR 556.0 million.

During the first quarter, reported net finance costs amounted to EUR 10.7 million (pro forma 6.8). The impact of IFRS 16 standard to net finance costs was EUR 4.1 million negative.

At the end of March, the adjusted net debt/adjusted EBITDA ratio was 3.0 and at the end of year net debt/adjusted pro forma EBITDA ratio was 3.2.

The adoption of IFRS 16 standard did not have a negative effect on YIT Group's financial covenants.

Capital employed was EUR 1,880.3 million. Adopting the IFRS 16 standard increased the capital employed by EUR 300.6 million.

At the end of March, capital employed in Russia was EUR 347.6 million (414.7). Reported equity investments in Russia was EUR 386.1 million (388.4) at the end of March.

Operating cash flow after investments for January–March was EUR -3.2 million supported by residential investor sales in Finland. Cash flow from plot investments was EUR -15.5 million. Cash flow from investments to associated companies and joint ventures was EUR -9.2 million.

Order backlog

EUR million	Reported 3/19	Reported 3/18	Change	Reported 12/18
Order backlog	**4,556.2**	**4,640.8**	**-2%**	**4,433.8**
Housing Finland and CEE	1,606.7	1,719.9	-7%	1,729.3
Housing Russia	404.5	465.9	-13%	348.8
Business premises	1,229.7	1,250.3	-2%	1,326.9
Infrastructure projects	764.9	672.0	14%	579.6
Paving	550.5	532.7	3%	449.2
Partnership properties				

The order backlog increased by 3% from the end of December and amounted to EUR 4,556.2 million (12/18: 4,433.8).

The order backlog decreased by 2% year-on-year (3/18: 4,640.8).

At the end of March, 73% of the order backlog was sold.

Segments

The six reported segments of YIT Corporation are Housing Finland and CEE, Housing Russia, Business premises, Infrastructure projects, Paving and Partnership properties.

Housing Finland and CEE

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 remained at a low level.

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

Prices of new apartments remained 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.

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.

Housing Finland and CEE EUR million	Reported 1–3/19	Pro forma 1–3/18[1]	Change	Pro forma 1-12/18[1]
Revenue	256.2	242.9	5%	1,157.9
Operating profit	9.3	20.5	-55%	102.6
Operating profit margin %	3.6%	8.5%		8.9%
Adjusted operating profit	9.3	20.5	-55%	103.3
Adjusted operating profit margin %	3.6%	8.5%		8.9%
Order backlog at end of period	1,606.7	1,719.9	-7%	1,729.3
Capital employed	679.2	571.4[2]		n/a

[1] Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.
[2] Reported, excluding IFRS 16 impact.

January–March

The segment's revenue increased by 5% amounting to EUR 256.2 million (242.9). The adjusted operating profit was EUR 9.3 million (20.5) and the adjusted operating profit margin was 3.6% (8.5). Operating profit declined due to no hand-overs in the CEE countries and a lower year-on-year number of completed apartments in the Helsinki metropolitan area. In addition the segment's profitability was weakened by the apartment bundle sales to the newly established joint venture.

In March, the segment sold almost 600 completed apartments or apartments that are in the final stage of construction throughout Finland to a newly formed joint venture. The total value of the sold apartments is over EUR 100 million. YIT owns 49% of the joint venture under Partnership properties. YIT recognised 51% of the revenue and profit for the completed sold apartments in its first quarter result. For YIT's ownership share (49%), the construction revenue and profit will be recognised when the apartments are resold.

During the period, YIT completed 1,080 apartments in Finland (972) and 0 apartments in the CEE countries (162). The number of unsold completed units decreased from the year-end 2018, and was 289 (12/18: 552).

The order backlog at the end of the period was EUR 1,606.7 million (1,719.9).

Residential construction in Finland, units	1–3/19	1–3/18[1]	Change	1–12/18[1]
Sold	1,372	876	57%	3,502
of which initially started for consumers[2]	1,019	732	39%	2,363
Start-ups	863	1,093	-21%	3,793
of which for consumers	510	949	-46%	2,654
Completed	1,080	972	11%	4,510
of which for consumers	858	835	3%	3,657
Under construction at the end of the period	5,085	6,140	-17%	5,302
of which sold at the end of the period, %	59,6%	60,0%		55,6%
For sale at the end of the period	2,269	2,708	-16%	2,777
of which completed	216	251	-14%	422
Plot reserve in the balance sheet at the end of the period, EUR million	203	288	-30%	222
Plot reserve at the end of the period[3], floor square metres	2,218,000	1,810,700	22%	2,226,000

[1] Combined figures of YIT and Lemminkäinen.
[2] Includes apartments sold to residential funds: 1–3/19: 586 units; 1–3/18: 38 units; 1-12/18: 180 units.
[3] Includes pre-agreements, rental plots and own plots.

Residential construction in the CEE countries, units	1–3/19	1–3/18[1]	Change	1–12/18[1]
Sold	357	172	108%	1,204
of which for consumers	259	172	51%	950
Fund sales to consumers[1]	129	113	14%	404
Start-ups	319	449	-29%	1,566
Completed		162	-100%	1,427
Under construction at end of period	2,705	2,771	-2%	2,440
of which sold at end of period, %	51,6%	53,2%		46,5%
For sale at end of period	1,382	1,411	-2%	1,436
of which completed	73	113	-35%	130
Plot reserve in the balance sheet at end of period, EUR million	129.8	124.1	5%	112.1
Plot reserve at end of period[3], floor square metres	534,720	633,900	-16%	473,578

[1] 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

Operating environment

Russian consumers were cautious with their apartment buying decisions. Consumer confidence remained on a low level. Residential demand and prices remained stable. The changes of the housing sales legislation coming into force in summer caused uncertainty in the residential market.

The interest rates for mortgages for new apartments rose above 10 per cent. The Russian government continues to support the citizens' apartment-buying with different programs.

Housing Russia, EUR million	Reported 1–3/19	Pro forma 1–3/18[1]	Change	Pro forma 1–12/18[1]
Revenue	44.4	38.3	16%	274.1
Operating profit	-4.8	-14.0	66%	-37.3
Operating profit margin %	-10.8%	-36.5%		-13.6%
Adjusted operating profit	-4.8	-13.8	65%	-32.8
Adjusted operating profit margin, %	-10.8%	-36.1%		-12.0%
Order backlog at end of period	404.5	465.9	-13%	348.8
Capital employed	313.9	393.2[2]		n/a

[1] Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.

[2] Reported, excluding IFRS 16 impact.

January–March

The segment's revenue was EUR 44.4 million (38.3). The adjusted operating profit was EUR -4.8 million (-13.8) and the adjusted operating profit margin was -10.8% (-36.1). During the reporting period, 487 apartments (233) were completed in the first quarter instead of the second quarter in Russia deviating from the company's previous estimate. In its Financial Statements Bulletin 2018, the company estimated that no apartments will be completed in the first quarter of 2019. The segment's operating profit increased from the weak comparison period that was burdened by the project write-downs in contracting.

The number of unsold completed units decreased from the year-end 2018 and was 584 (12/18: 683).

At comparable exchange rates, reported revenue was EUR 47.4 million and reported adjusted operating profit at comparable exchange rates was EUR -5.1 million.

The share of residential deals financed with mortgage was 48% (49). At the end of March, YIT was responsible for the service and maintenance of over 40,000 apartments, 8,000 parking spaces and 4,000 business premises in Russia, totalling over 52,000 clients.

The order backlog decreased 13% mainly due to the depreciation of rouble, and was EUR 404.5 million (465.9) at the end of the period. During the period, no new contracting projects were won in Russia.

Residential construction in Russia, units	1–3/19	1–3/18	Change	1–12/18
Sold	722	779	-7%	3,682
Start-ups	571	815	-30%	3,694
Completed[1]	487	233	109%	2,974
Under construction at the end of the period	5,560	5,186	7%	5,286
of which sold at the end of the period, %	34%	34%		33%
For sale at the end of the period	4,262	4,241	0%	4,223
of which completed	584	813	-28%	683
Plot reserve in the balance sheet at the end of the period[2], EUR million	176.2	204.9	-14%	161.7
Plot reserve at the end of the period[2], floor square metres	1,196,941	2,131,000	-44%	1,546,000

[1] Completion of residential projects requires commissioning by the authorities.

[2] Figures include Gorelovo industrial park.

Under construction at end of period, units	1–3/19	1-3/18	Change	1–12/18
St. Petersburg	1,017	980	4%	819
Moscow	2,360	2,319	2%	2,428
Russian regions	2,183	2,126	3%	2,039

Business premises

Operating environment

The good market in Finland continued to support public and private investments. The volume of construction continued to be on a high level. The business premises contracting market was 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 1–3/19	Pro forma 1–3/18[1]	Change	Pro forma 1–12/18[1]
Revenue	239.1	183.0	31%	1,045.2
Operating profit	5.0	-2.2		67.3
Operating profit margin %	2.1%	-1.2%		6.4%
Adjusted operating profit	5.0	-2.2		67.8
Adjusted operating profit margin %	2.1%	-1.2%		6.5%
Order backlog at the end of the period	1,229.7	1,250.3	-2%	1,326.9
Capital employed	65.5	122.3[2]		n/a

[1] Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.
[2] Reported, excluding IFRS 16 impact

Business premises	3/19	12/18
Plot reserve in the balance sheet, EUR million	65.8	84.1
Plot reserve, floor square metres	690,027	741,877

January–March

The segment's revenue increased by 31% year-on-year and amounted to EUR 239.1 million (183.0). The adjusted operating profit was EUR 5.0 million (-2.2), and the adjusted operating profit margin was 2.1% (-1.2).

The segment's revenue and operating profit improved mainly due to higher renovation volumes as well as the start of Tripla offices' revenue and profit recognition after the sale of the offices in December. During the comparison period, the Tripla offices were constructed as a self-developed project and its revenue and profit was not recognised.

Adjusted operating profit was also supported by overall higher year-on-year margins.

Large projects such as Tripla progressed as planned. The order backlog at the end of the period was EUR 1,229.7 million (1,250.3).

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	82%	9/19	YIT owns 38.75%
Tripla office, East and West, Helsinki, Finland	n/a	office	77%, 65%	6/20	sold
Finavia air terminal expansion, Vantaa, Finland	200	airport	81%	12/19	contracting
Tripla hotel, Helsinki, Finland	88	hotel	74%	3/20	sold
Myllypuro campus, Helsinki, Finland	73	public premises	87%	8/19	contracting

Infrastructure projects

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. 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 was stable.

Infrastructure projects EUR million	Reported 1–3/19	Pro forma 1–3/18[1]	Change	Pro forma 1–12/18[1]
Revenue	110.3	93.7	18%	612.4
Operating profit	-6.6	-8.6	23%	-8.2
Operating profit margin %	-6.0%	-9.2%		-1.3%
Adjusted operating profit	-6.6	-8.6	23%	-7.6
Adjusted operating profit margin %	-6.0%	-9.2%		-1.2%
Order backlog at the end of the period	764.9	672.0	14%	579.6
Capital employed	83.2	97.5[2]		n/a

[1] Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.

[2] Reported, excluding IFRS 16 impact

January–March

The segment's revenue increased by 18% year-on-year and amounted to EUR 110.3 million (93.7). The adjusted operating profit was EUR -6.6 million (-8.6) and the adjusted operating profit margin was -6.0% (-9.2). Revenue increased due to higher volume year-on-year.

Adjusted operating profit improved due to better project margins year-on-year. The result was still burdened by the low margins of the old projects.

The order backlog strengthened especially thanks to Henriksdals waste water treatment plant project in Stockholm and was at the end of the period was EUR 764.9 million (672.0).

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	16%	2/22
Light railway alliance, Tampere, Finland	~110	54%[1]	12/21
Henriksdal wastewater treatment plant, Stockholm, Sweden	~60	0%	12/23
Deep level tunnels in the Rimpi area, Finland	~35	48%	12/21

[1] Includes the entire Light railway alliance.

Paving

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 investment decisions have declined clearly in the beginning of the year 2019. In Sweden, the market was solid, and in Norway the state investments continued to be strong. In Denmark, the competition remained intense.

Paving EUR million	Reported 1–3/19	Pro forma 1–3/18[1]	Change	Pro forma 1–12/18[1]
Revenue	59.3	52.7	12%	723.2
Operating profit	-20.2	-36.1	44%	-9.5
Operating profit margin %	-34.1%	-68.4%		-1.3%
Adjusted operating profit	-20.2	-30.8	34%	2.7
Adjusted operating profit margin %	-34.1%	-58.4%		0.4%
Order backlog at the end of the period	550.5	532.7	3%	449.2
Capital employed	166.9	143.3[2]		n/a

[1] Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018.
[2] Reported, excluding IFRS 16 impact

January–March

The segment's revenue increased by 12% year-on-year and amounted to EUR 59.3 million (52.7). The adjusted operating profit was EUR -20.2 million (-30.8), and the adjusted operating profit margin was -34.1% (-58.4).

The segment's revenue grew slightly due to increased volumes in road maintenance caused by a snowy winter in Finland. Operating profit improved from the comparison period due to the improved results in Sweden and Norway where sizable measures were taken last year to improve operational efficiency including closing down of several unprofitable asphalt stations. Also the decrease of winter planning costs benefited the operating profit.

Order backlog strengthened and was at the end of the reporting period EUR 550.5 million (532.7). The segment has been successful in tender-based bidding during the winter season in all of its operating countries.

Partnership properties

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 1–3/19	Pro forma 1–3/18[1]	Change	Pro forma 1–12/18[1]
Revenue				0.0
Operating profit	-1.5	-0.2	-672%	26.9
Operating profit margin %				
Capital employed	149.5	137.0[2]		n/a

[1] Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018. [2] Reported, excluding IFRS 16 impact

EUR million	Reported 3/19	Reported 12/18	Change
Equity investments and investment commitments	166	164	1%
of which already invested in associated companies and joint ventures	146	154	-5%

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	8[1]	800[2]	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 90%, 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.
ÅB 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.
FinCap Asunnot Oy	Residential joint venture	11	100	49%	The joint venture leases the apartments it owns and sells them when the moment is suitable. Administration of the apartment portfolio and the reporting of the joint venture is outsourced to FinCap Group.

[1] YIT's current equity investment in Regenero.

[2] Includes the entire Keilaniemenranta area development project.

January–March

YIT was involved in founding a joint venture that invests in rental apartments the company has constructed in Finland. The investors in the joint venture are YIT (49%) and a group of Finnish private investment companies. At the same time, YIT Housing Finland and CEE segment sold almost 600 completed apartments or apartments that are in the final stage of construction throughout Finland to the new joint venture. The total value of the sold apartments is over EUR 100 million.

The joint venture will lease the apartments it owns, and YIT's rental apartment team will be partly responsible for the leasing. Administration of the apartment portfolio and the reporting of the joint venture is outsourced to FinCap Group. The transaction strengthened the investments of the segment in rental housing generating stable cash flow. The transaction enables YIT to speed up capital turnover, while keeping value upside on the portfolio.

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 90% at the end of period.

Personnel

Personnel per segment	3/19	12/18	Change, nr of persons
Housing Finland and CEE	2,519	2,632	-113
Housing Russia	1,412	1,424	-12
Business premises	1,195	1,177	18
Infrastructure projects	1,801	1,811	-10
Paving	1,421	1,672	-251
Partnership properties	2	2	0
Group services	365	352	13
Group total	**8,715**	**9,070**	**-355**

Personnel per geographic area	3/19	12/18	Change, nr of persons
Finland	4,859	5,034	-175
Russia	1,582	1,740	-158
CEE countries	1,556	1,539	17
Scandinavia	718	757	-39
Group total	**8,715**	**9,070**	**-355**

During January–March, the Group employed on average 8,715 people (9,203). Personnel expenses totalled EUR 113.7 million (105.4). The cost effect of YIT's share-based incentive scheme was EUR 0.4 million. Attending employee figures are used in reporting the number of personnel. The decrease in the Group's number of personnel from the end of December is mainly due to the decrease in the number of seasonal employees in Paving segment in Finland and Russia.

The accident frequency (number of accidents per one million working hours) decreased to the level of 10,0 (8,4). 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.

Long-term financial targets

YIT's Board of Directors confirmed the company's new strategy for 2019–2021 in September 2018. The adoption of IFRS 16 standard did not have an effect on the company's long-term financial targets.

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 2018. 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 12, 2019. The Annual General Meeting adopted the 2018 financial statements and discharged the members of the Board of Directors and the President and CEO from liability. The Annual General Meeting decided on the dividend pay-out, the composition of the Board of Directors and their fees, the election of the auditor and its fees as well as authorising the Board of Directors to decide on the repurchase of company shares and share issues. The Annual General Meeting resolved to elect a Chairman, Vice Chairman and six ordinary members to the Board of Directors for a term ending at the close of the next Annual General Meeting following their election, namely: Harri-Pekka Kaukonen as the Chairman, Eero Heliövaara as the Vice Chairman and re-elected members Olli-Petteri Lehtinen, Kristina Pentti-von Walzel and Tiina Tuomela as well as Alexander Ehrnrooth, Frank Hyldmar and Barbara Topolska as new members. In its organizational meeting on March 12, 2019, the Board decided on the composition of the Personnel Committee, the Audit Committee as well as the Investment and Project Committee.

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 12, 2019. 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

YIT's share capital and number of shares remained unchanged during the reporting period.

YIT Corporation's share capital was 149,716,748.22 euros in the beginning of 2019 (2018: 149,716,748.22) and the number of shares outstanding was 211,099,853 (2018: 211,099,853).

Treasury shares and authorisations of the Board of Directors

The Annual General Meeting of YIT Corporation resolved on March 12, 2019, 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, 2020.

YIT Corporation held 1,051,843 treasury shares at the beginning of the year 2019.

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

Trading on shares

The opening price of YIT's share was EUR 5.08 on the first trading day of 2019. The closing price of the share on the last trading day of the reporting period on March 29, 2019 was EUR 5.17. YIT's share price increased by approximately 2% during the reporting period. The highest price of the share during the reporting period was EUR 5.93, the lowest EUR 5.03 and the average price was EUR 5.42. Share turnover on

Nasdaq Helsinki during the reporting period was approximately 27.2 million shares (50.0). The value of the share turnover was approximately EUR 147.6 million (339.6), source: Nasdaq Helsinki.

During the reporting period, approximately 54.3 million (50.1) YIT Corporation shares changed hands in alternative market places, corresponding to approximately 51 per cent (50) of the total share trade, source: Finesse Fragmentation Index.

YIT Corporation's market capitalisation on the last trading day of the reporting period on March 29, 2019 was EUR 1,085.9 million (1,425.9). The market capitalisation has been calculated excluding the shares held by the company.

Number of shareholders and flagging notifications

At the end of March, the number of registered shareholders was 46,224 (46,230). A total of 13.6% of the shares were owned by nominee-registered and non-Finnish investors (19.9).

During the reporting period, YIT did not receive any flagging notifications.

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. Significant changes in risks are followed on monthly basis and reported according to the Group's governance and reporting practices.

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 March, 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 e.g. EU, USA, Russia and China 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. The act is planned to be specified in early summer 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 29 to the Financial Statements 2018.

Legal proceedings

As a result of the execution of the merger between YIT and Lemminkäinen, all the all 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.

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 5.0 million based on the Helsinki Court of Appeal's decisions and the subsequent Supreme Court's decisions regarding the applications for leave to appeal.

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 YIT relating to the quality of the ready-mixed concrete as well as the work performance. The capital amount of the claims presented in the project's financial statement is approximately EUR 28 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.

Short-term outlook by region

Finland

Consumer and institutional investor demand for apartments is expected to remain stable, at the autumn 2018 level. Activity among private residential investors is expected to be lower than in the previous years. Location and the price level 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 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.

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. 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 is expected to decline in from the year 2018 level. The state's investments in basic road maintenance are expected to decline significantly for paving in 2019 increasing the maintenance backlog of the road network. 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

Also 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 price levels are expected to remain low.

Changes in regulation concerning the housing market are expected to maintain volatility in supply and sales practices. 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 grow moderately due to changes in value added tax.

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 and urbanisation. 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 ICECAPITAL Housing Fund IV Ky and ICECAPITAL Housing Fund V Ky have signed pre-agreements on the construction of approximately 780 rental apartments in the Helsinki metropolitan area and Tampere. The total value of the pre-agreements is approximately EUR 160 million.

The projects will be booked in the order backlog once the individual deals are closed. The projects are estimated to be started gradually mainly during 2019 and the first projects will be completed in 2020.

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 March, 73% 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 second quarter of 2019 will improve slightly from the comparison period (pro forma).

Estimated completions of consumer apartment projects under construction

At the end of March, the company had 13,350 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 2,364 (12/18: 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*	*Q1/2019, actual*	Q2/2019, estimate	Q3/2019, estimate	Q4/2019, estimate	Q1/2020, estimate	Later
Finland [1]	3,657	858	1,000	300	600	400	1,305
CEE [2]	1,427	0	500	700	400	200	905
Russia [3]	2,974	437	400	600	2,400	400	1,760
Total	8,058	1,295	1,900	1,600	3,400	1,000	3,970

[1] In Finland, the estimate of completions may deviate with tens of apartments depending on the construction schedule.
[2] In CEE countries, the estimate of completions may vary with tens of apartments, a deviation of over 100 apartments is possible depending on authorities' decisions.
[3] In Russia, the estimate of completions may vary with hundreds of 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.

Additional information on the Group's reporting practices and presentation of financial information in this Interim Report

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.

The company will no longer report any figures for the Housing Finland and CEE segment and the Housing Russia segment under the percentage of completion (POC) as it did in 2018. YIT had previously, before the merger with Lemminkäinen February 1, 2018, 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.

YIT and Lemminkäinen merged on February 1, 2018. In this Interim report, 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 unaudited pro forma disclosures.

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.

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.

Interim report January 1 – March 31 2019: Tables

1 ACCOUNTING POLICIES OF THE INTERIM REPORT

This interim report has been prepared in accordance with IFRS recognition and measurement principles, but all requirements of IAS 34- Interim Financial Reporting standard have not been applied. This interim report should be read together with YIT Corporation's Financial Statements 2018. The figures presented in the interim report are unaudited. In the interim report 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 16 on January 1, 2019 increased in total the opening balance sheet by 306.3 million euros. The Group adopted the new standard based on the modified method, thus the comparison period is not adjusted. The impact on restated opening balance sheet, accounting principles and implementation method are presented in more detail in the stock exchange release on 18 of April 2019.

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.

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 concerning year 2018 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.

1.1 Most relevant currency exchange rates used in the interim report

		Average rates			End rates		
		1–3/19	1-3/18	1-12/18	3/19	3/18	12/18
1 EUR =	CZK	25.6826	25.4030	25.6455	25.8020	25.4250	25.7240
	PLN	4.3015	4.1797	4.2612	4.3006	4.2106	4.3014
	RUB	74.8898	69.9378	74.0687	72.8564	70.8897	79.7153
	SEK	10.4198	9.9742	10.2584	10.3980	10.2843	10.2548
	NOK	9.7418	9.6329	9.6002	9.6590	9.6770	9.9483
	DKK	7.4637	7.4468	7.4532	7.4652	7.4530	7.4673

2 PRIMARY FINANCIAL STATEMENTS

2.1 Consolidated income statement

EUR million	Reported 1-3/2019	Reported 1-3/2018	Pro forma 1-3/2018	Reported 1-12/2018	Pro forma 1-12/2018
Revenue	**701.6**	**532.3**	**602.2**	**3,689.4**	**3,759.3**
Other operating income	9.2	4.7	5.2	44.8	45.3
Change in inventories of finished goods and in work in progress	-18.0	59.5	64.2	31.7	36.5
Production for own use	0.2	0.2	0.2	0.8	0.8
Materials and supplies	-88.6	-115.0	-126.9	-816.6	-820.3
External services	-397.1	-309.1	-359.3	-1,765.1	-1,815.3
Personnel expenses	-113.7	-105.4	-124.6	-527.2	-546.4
Other operating expenses	-108.2	-93.3	-102.6	-520.7	-530.0
Share of results in associated companies and joint ventures	-2.8	-0.2	-0.7	10.8	10.3
Depreciation, amortisation and impairment	-17.3	-8.3	-8.9	-53.3	-49.0
Operating profit	**-34.6**	**-34.6**	**-51.1**	**94.6**	**91.3**
Finance income	2.3	1.6	1.6	8.0	8.1
Exchange rate differences (net)	-0.3	-0.1	0.0	-2.1	-2.3
Finance expenses	-12.7	-9.5	-8.3	-41.4	-39.9
Finance income and expenses, total	-10.7	-8.1	-6.8	-35.5	-34.1
Result before taxes	**-45.3**	**-42.7**	**-57.8**	**59.1**	**57.2**
Income taxes	7.2	7.0	5.7	-19.9	-23.9
Result for the period	**-38.0**	**-35.8**	**-52.2**	**39.2**	**33.3**
Attributable to equity holders of the parent company	**-38.0**	**-35.8**	**-52.2**	**39.2**	**33.3**
Earnings per share, attributable to the equity holders of the parent company					
Basic, EUR	-0.18	-0.20	-0.25	0.19	0.16
Diluted, EUR	-0.18	-0.20	n/a	0.19	n/a

2.2 Statement of comprehensive income, IFRS

EUR million	Reported 1-3/2019	Reported 1-3/2018	Reported 1-12/2018
Result for the period	-38.0	-35.8	39.2
Items that may be reclassified subsequently to profit/loss:			
Cash flow hedges		0.0	0.0
Deferred tax from previous		0.0	0.0
Change in translation differences	34.8	-9.8	-57.8
Items that may be reclassified subsequently to profit/loss, total	**34.8**	**-9.8**	**-57.8**
Items that will not be reclassified to profit/loss			
Gain on sale of equity investments			0.1
Deferred tax from previous			0.0
Change in fair value of defined benefit pension			-0.2
Deferred tax from previous			0.0
Items that will not be reclassified to profit/loss, total			-0.1
Other comprehensive income, total	**34.8**	**-9.8**	**-57.9**
Total comprehensive result	**-3.2**	**-45.5**	**-18.7**
Attributable to equity holders of the parent company	-3.2	-45.5	-18.7

2.3 Consolidated statement of financial position, IFRS

EUR million	Reported 3/2019	Reported 3/2018	Reported 1 Jan 2019[1]	Reported 12/2018
ASSETS				
Non-current assets				
Property, plant and equipment	185.6	214.2	183.4	202.3
Leased property, plant and equipment	136.0		137.9	
Goodwill	319.3	311.3	319.2	319.2
Other intangible assets	45.6	58.5	47.5	47.5
Investments in associated companies and joint ventures	153.4	142.0	150.7	150.7
Equity investments	2.2	2.3	2.2	2.2
Interest-bearing receivables	54.0	38.4	50.3	50.3
Other receivables	2.4	1.7	2.3	2.3
Deferred tax assets	75.3	72.5	64.4	64.4
Non-current assets total	**973.8**	**840.8**	**957.9**	**839.0**
Current assets				
Inventories	1,889.2	2,081.0	1,880.1	1,880.1
Leased inventories	186.7		187.4	
Trade and other receivables	474.6	440.2	495.5	495.5
Interest-bearing receivables	14.8	15.2	14.8	14.8
Income tax receivables	4.0	6.2	1.8	1.8
Cash and cash equivalents	152.9	65.2	263.6	263.6
Current assets total	**2,722.3**	**2,607.8**	**2,843.2**	**2,655.8**
Total assets	**3,696.1**	**3,448.6**	**3,801.1**	**3,494.8**
EQUITY AND LIABILITIES				
Total equity attributable to the equity holders of the parent company	990.0	1,019.9	1,049.8	1,049.8
Equity total	**990.0**	**1,019.9**	**1,049.8**	**1,049.8**
Non-current liabilities				
Deferred tax liabilities	27.4	37.1	28.8	28.8
Pension obligations	2.6	2.4	2.6	2.6
Provisions	81.0	82.4	80.7	82.2
Borrowings	415.5	483.5	414.6	424.1
Lease liabilities	237.5		245.5	
Other liabilities	50.6	56.6	52.2	52.2
Total non-current liabilities	**814.5**	**661.9**	**824.4**	**590.0**
Current liabilities				
Advances received[2]	700.7	842.5	752.9	739.1
Trade and other payables	705.4	424.9	575.9	575.9
Income tax payables	11.7	5.0	19.5	19.5
Provisions	36.3	45.3	46.4	53.0
Borrowings	362.3	449.0	459.3	467.6
Lease liabilities	75.2		72.9	
Total current liabilities	**1,891.6**	**1,766.8**	**1,926.9**	**1,855.1**
Liabilities total	**2,706.1**	**2,428.7**	**2,751.3**	**2,445.0**
Total equity and liabilities	**3,696.1**	**3,448.6**	**3,801.1**	**3,494.8**

[1] Opening balance sheet 1 Jan 2019 includes the impact from adoption of IFRS 16 leases standard to reported balance sheet.
[2] In March 31, 2019 the reported amount includes EUR 169.2 million (3/18:185.5; 12/18:161.5) housing company loans related to sold unfinished residential development projects.

2.4 Consolidated cash flow statement, IFRS

	Reported	Reported	Reported
EUR million	**1-3/2019**	**1-3/2018**	**1-12/2018**
Result for the period	-38.0	-35.8	39.2
Reversal of accrual-based items	4.5	21.5	140.1
Change in trade and other receivables	34.7	41.6	-23.5
Change in inventories	24.4	-102.7	38.7
Change in current liabilities	7.3	-25.3	52.6
Change in working capital, total	66.3	-86.4	67.8
Cash flow of financial items	-14.3	-12.6	-50.7
Taxes paid	-13.0	-11.9	-23.1
Net cash generated from operating activities	**5.5**	**-125.1**	**173.3**
Acquisition of subsidiaries, associated companies and joint ventures, net of cash	-9.2	-26.6	-50.7
Disposal of subsidiaries, associated companies and joint ventures	3.6	1.0	37.6
Cash outflow from investing activities	-8.2	-3.5	-30.8
Cash inflow from investing activities	5.1	1.6	19.3
Net cash used in investing activities	**-8.7**	**-27.6**	**-24.7**
Operating cash flow after investments	**-3.2**	**-152.7**	**148.6**
Change in equity			1.4
Change in loan receivables	-3.7	-5.7	-16.4
Change in current liabilities	-95.3	94.2	3.8
Proceeds from borrowings		20.0	270.0
Repayments of borrowings	-0.1	0.0	-195.6
Payments of lease liabilities	-11.8	-0.9	-7.0
Dividends paid			-52.4
Net cash used in financing activities	**-110.8**	**107.6**	**3.7**
Net change in cash and cash equivalents	-114.0	-45.9	152.3
Cash and cash equivalents at the beginning of the period	263.6	89.7	89.7
Cash generated from merger		21.6	21.6
Foreign exchange differences	3.3	-0.3	0.0
Cash and cash equivalents at the end of the period	**152.9**	**65.2**	**263.6**

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	Equity total
Equity on January 1, 2019	149.7	1.5	553.5	-274.2		-5.6	624.8	1,049.8
Comprehensive income								
Result for the period							-38.0	-38.0
Translation differences				34.8				34.8
Comprehensive income, total				**34.8**			**-38.0**	**-3.2**
Transactions with owners								
Dividend distribution							-56.7	-56.7
Share-based incentive schemes							0.2	0.2
Transactions with owners, total							**-56.5**	**-56.5**
Equity on March 31, 2019	**149.7**	**1.5**	**553.5**	**-239.3**		**-5.6**	**530.3**	**990.0**

	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	Equity total
Equity on January 1, 2018	149.2	1.5	0.7	-216.5	0.0	-7.2	636.9	564.7
IFRS 9 adjustment							-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**
Comprehensive income								
Result for the period							-35.8	-35.8
Other comprehensive income:								
Cash flow hedges					0.0			0.0
-Deferred tax from previous					0.0			0.0
Translation differences				-9.8				-9.8
Comprehensive income, total				**-9.8**	**0.0**		**-35.8**	**-45.5**
Transactions with owners								
Merger	0.5		554.8					555.3
Cost related to share issue			-1.4					-1.4
Dividend distribution							-52.4	-52.4
Share-based incentive schemes							0.0	0.0
Transactions with owners, total	**0.5**		**553.3**				**-52.4**	501.4
Equity on March 31, 2018	**149.7**	**1.5**	**554.1**	**-226.2**	**0.0**	**-7.2**	**548.1**	**1,019.9**

	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	Equity total
Equity on January 1, 2018	149.2	1.5	0.7	-216.5	0.0	-7.2	636.9	564.7
IFRS 9 adjustment							-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**
Comprehensive income								
Result for the period							39.2	39.2
Other comprehensive income:								
Cash flow hedges					0.0			0.0
-Deferred tax from previous					0.0			0.0
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
Translation differences				-57.8				-57.8
Comprehensive income, total				**-57.8**	**0.0**		**39.1**	**-18.7**
Transactions with owners								
Merger	0.5		554.9					555.4
Cost related to share issue			-1.4					-1.4
Dividend distribution							-52.4	-52.4
Share-based incentive schemes			-0.7			1.7	1.9	2.8
Transactions with owners, total	**0.5**		**552.8**			**1.7**	**-50.5**	**504.4**
Equity on December 31, 2018	**149.7**	**1.5**	**553.5**	**-274.2**		**-5.6**	**624.8**	**1,049.8**

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 increased 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 policies

YIT Corporation has prepared segment and group reporting in accordance with the International Financial Reporting Standards (IFRS). 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 Lemminkäinen 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

	1-3/2019 reported							
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	**256.2**	**44.4**	**239.1**	**110.3**	**59.3**		**-7.7**	**701.6**
Revenue from external customers	256.2	44.3	238.6	106.1	59.0		-2.7	**701.6**
Revenue Group internal		0.1	0.4	4.2	0.2		-5.0	
Depreciation, amortisation and impairment	-1.2	-1.8	-0.6	-4.0	-2.7		-6.9	**-17.3**
Operating profit	**9.3**	**-4.8**	**5.0**	**-6.6**	**-20.2**	**-1.5**	**-15.8**	**-34.6**
Operating profit margin, %	**3.6%**	**-10.8%**	**2.1%**	**-6.0%**	**-34.1%**			**-4.9%**
Adjusting items							3.9	**3.9**
Adjusted operating profit	**9.3**	**-4.8**	**5.0**	**-6.6**	**-20.2**	**-1.5**	**-11.9**	**-30.7**
of which the IFRS 16 impact	**1.6**	**0.1**	**0.1**	**0.0**	**0.1**		**0.7**	**2.6**
Adjusted operating profit margin, %	**3.6%**	**-10.8%**	**2.1%**	**-6.0%**	**-34.1%**			**-4.4%**
Capital employed	**679.2**	**313.9**	**65.5**	**83.2**	**166.9**	**149.5**	**422.1**	**1,880.3**

1-3/2018 reported								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	**228.5**	**34.5**	**162.5**	**71.8**	**42.4**		**-7.4**	**532.3**
Revenue from external customers	228.5	34.3	162.1	65.9	42.3		-0.8	**532.3**
Revenue Group internal	0.0	0.1	0.4	5.9	0.1		-6.5	
Depreciation, amortisation and impairment	-0.3	-0.2	-0.1	-2.9	-1.0		-3.9	**-8.3**
Operating profit	**21.3**	**-13.1**	**-1.9**	**-5.7**	**-22.3**	**-0.2**	**-12.7**	**-34.6**
Operating profit margin, %	**9.3%**	**-37.9%**	**-1.2%**	**-8.0%**	**-52.6%**			**-6.5%**
Adjusting items		0.2			3.4		5.9	**9.4**
Adjusted operating profit	**21.3**	**-12.9**	**-1.9**	**-5.7**	**-18.9**	**-0.2**	**-6.9**	**-25.3**
Adjusted operating profit margin, %	**9.3%**	**-37.5%**	**-1.2%**	**-8.0%**	**-44.6%**			**-4.7%**
Capital employed	**571.4**	**393.2**	**122.3**	**97.5**	**143.3**	**137.0**	**389.5**	**1,854.2**

1-3/2018 pro forma								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	**242.9**	**38.3**	**183.0**	**93.7**	**52.7**		**-8.3**	**602.2**
Revenue from external customers	242.9	38.2	182.3	87.5	52.2		-0.8	**602.2**
Revenue Group internal		0.1	0.7	6.2	0.5		-7.2	
Depreciation, amortisation and impairment	-0.3	-0.2	-0.1	-3.3	-1.6		-3.5	**-8.9**
Operating profit	**20.5**	**-14.0**	**-2.2**	**-8.6**	**-36.1**	**-0.2**	**-10.5**	**-51.1**
Operating profit margin, %	**8.5%**	**-36.5%**	**-1.2%**	**-9.2%**	**-68.4%**			**-8.5%**
Adjusting items		0.2			5.3		2.4	**7.8**
Adjusted operating profit	**20.5**	**-13.8**	**-2.2**	**-8.6**	**-30.8**	**-0.2**	**-8.1**	**-43.2**
Adjusted operating profit margin, %	**8.5%**	**-36.1%**	**-1.2%**	**-9.2%**	**-58.4%**			**-7.2%**
Capital employed	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

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
Revenue	**1,143.5**	**270.2**	**1,024.7**	**590.5**	**712.9**	**0.0**	**-52.4**	**3,689.4**
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**
Operating profit	**103.4**	**-36.3**	**67.6**	**-5.3**	**4.3**	**26.9**	**-65.8**	**94.6**
Operating profit margin, %	**9.0%**	**-13.4%**	**6.6%**	**-0.9%**	**0.6%**			**2.6%**
Adjusting items	0.8	4.5	0.5	0.6	10.3		41.2	**57.9**
Adjusted operating profit	**104.1**	**-31.8**	**68.1**	**-4.7**	**14.5**	**26.9**	**-24.6**	**152.5**
Adjusted operating profit margin, %	**9.1%**	**-11.8%**	**6.6%**	**-0.8%**	**2.0%**			**4.1%**
Capital employed	**584.9**	**294.3**	**38.2**	**83.0**	**123.7**	**145.0**	**332.1**	**1,601.2**

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
Revenue	**1,157.9**	**274.1**	**1,045.2**	**612.4**	**723.2**	**0,0**	**-53.4**	**3,759.3**
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
Operating profit	**102.6**	**-37.3**	**67.3**	**-8.2**	**-9.5**	**26.9**	**-50.4**	**91.3**
Operating profit margin, %	**8.9%**	**-13.6%**	**6.4%**	**-1.3%**	**-1.3%**			**2.4%**
Adjusting items	0.8	4.5	0.5	0.6	12.2		24.6	43.2
Adjusted operating profit	**103.3**	**-32.8**	**67.8**	**-7.6**	**2.7**	**26.9**	**-25.8**	**134.5**
Adjusted operating profit margin, %	**8.9%**	**-12.0%**	**6.5%**	**-1.2%**	**0.4%**			**3.6%**
Capital employed	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

Order backlog at the end of the period

EUR million	Reported 1-3/2019	Reported 1-3/2018	Reported 1-12/2018
Housing Finland and CEE	1,606.7	1,719.9	1,729.3
Housing Russia	404.5	465.9	348.8
Business premises	1,229.7	1,250.3	1,326.9
Infrastructure projects	764.9	672.0	579.6
Paving	550.5	532.7	449.2
Partnership properties			
Order backlog, total	**4,556.2**	**4,640.8**	**4,433.8**

3.2 Inventories, IFRS

EUR million	Reported 3/2019	Reported 3/2018
Raw materials and consumables	49.7	62.4
Work in progress	997.1	1,012.0
Land areas and plot owning companies	587.4	713.7
Shares in completed housing and real estate companies	163.6	227.6
Advance payments	63.6	36.1
Other inventories	27.8	29.2
Total inventories	**1,889.2**	**2,081.0**
Leased inventories	**186.7**	

3.3 Change in contingent liabilities and assets and commitments

EUR million	Reported 3/2019	Reported 3/2018	Reported 12/2018
Guarantees			
Guarantees on behalf of others	4.6		4.9
Guarantees on behalf of consortiums	9.7		9.7
Guarantees on behalf of its associated companies and joint ventures	5.3	5.0	5.3
Guarantees on behalf of Group companies	1,595.4	1,475.6	1,616.1
Other commitments			
Investment commitments	21.4	8.3	13.8
Repurchase commitments	222.3	306.4	256.6
Operating leases[1]		157.8	165.7
Rental guarantees for clients		4.2	3.4
Liability under derivative contracts			
Value of underlying instruments			
Interest rate derivatives	230.0	295.0	230.0
Foreign exchange derivatives	136.9	131.5	122.5
Commodity derivatives	16.6	9.3	7.2
Fair value			
Interest rate derivatives	-2.8	-3.6	-2.9
Foreign exchange derivatives	-1.1	0.9	1.0
Commodity derivatives	1.6	0.1	-1.6

[1]Due to the adoption of IFRS 16, leases are reported as of 1st of January 2019 as leased property, plant and equipment and lease liabilities in the balance sheet.

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 March 31, 2019 EUR 8,7 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 Legal proceedings.

4 ADDITIONAL INFORMATION

4.1 Key figures

	Reported 1-3/ 2019	Reported 1-3/ 2018	Reported 1-12/ 2018	Pro forma 1-3/2018	Pro forma 1-12/2018
Equity ratio, %	33.1%	39.1%	38.1%	n/a	n/a
Adjusted equity ratio, %	37.0%	n/a	n/a	n/a	n/a
Net interest-bearing debt, EUR million	868,7	813.8	562.9	813.8	562.9
Adjusted net interest-bearing debt, EUR million	556.0	n/a	n/a	n/a	n/a
Net debt/adjusted pro forma ebitda	n/a	n/a	n/a	4.8	3.2
Adjusted net debt/adjusted ebitda, rolling 12 months	3.0	n/a	n/a	n/a	n/a
Gearing ratio, %	87.7%	79.8%	53.6%	n/a	n/a
Adjusted gearing ratio, %	56.2%	n/a	n/a	n/a	n/a
Pro forma ROCE, rolling 12 months	n/a	n/a	n/a	n/a	5.6%
Adjusted ROCE,rolling 12 months	5.4%	n/a	n/a	n/a	n/a
Unrecognised order backlog at the end of the period, EUR million	4,556.2	4,640.8	4,433.8	4,640.8	4,433.8
- of which activities outside Finland, EUR million	1,246.7	1,124.8	1,028.9	1,124.8	1,028.9
Personnel at the end of the period	8,715	9,296	9,070	9,296	9,070
Gross capital expenditures, EUR million	16.3	24.3	64.4	n/a	n/a
% of revenue	2.3%	4.6%	1.7%	n/a	n/a
Average share price during the period, EUR	5.42	6.80	5.70	n/a	n/a
Share price at the end of the period, EUR	5.17	6.80	5.11	n/a	n/a
Market capitalisation at the end of the period, EUR million	1,085.9	1,425.9	1,073.3	n/a	n/a
Equity per share, EUR	4.71	4.86	5.00	n/a	n/a
Adjusted earnings per share pro forma, EUR	n/a	n/a	n/a	-0.22	0.32
Adjusted earnings per share, EUR	-0.17	n/a	n/a	n/a	n/a
Weighted average number of shares outstanding – basic, 1,000 pcs	210,048	180,801	203,002	209,692	208,952
Weighted average number of shares outstanding, Diluted, 1,000 pcs	210,048	180,801	203,778	n/a	n/a
Number of outstanding shares at end of period, 1,000 pcs	210,048	209,692	210,048	n/a	n/a

4.2 Reconciliation of certain key figures

Reconciliation of adjusted operating profit

Milj. e	Reported 1-3/ 2019	Reported 1-3/ 2018	Reported 1-12/ 2018	Pro forma 1-3/ 2018	Pro forma 1-12/ 2018
Operating profit (IFRS)	**-34.6**	**-34.6**	**94.6**	**-51.1**	**91.3**
Adjusting items					
Write-down of inventories			3.4		3.4
Restructurings and divestments[1]		2.0	8.2	3.9	10.1
Transaction costs related to merger		1.4	1.4		
Integration costs related to merger	1.2	1.0	18.2	1.0	18.2
Inventory fair value adjustment from PPA[2]	0.7	2.4	13.2	0.9	3.7
Depreciation and amortisation expenses from PPA[2]	2.0	2.5	13.4	1.9	7.8
Adjusting items, total	**3.9**	**9.4**	**57.9**	**7.8**	**43.2**
Adjusted operating profit	**-30.7**	**-25.3**	**152.5**	**-43.2**	**134.5**

[1] Restructurings and divestments concern business reorganisations of Norway and Sweden. This adjusting item is focused at both Paving segment and other items and reconciliations.
[2] PPA refers to merger related fair value adjustments.

Reconciliation of adjusted earnings per share

EUR million	1-3/2019
Result for the period attributable to the equity holders of the parent company, EUR total	**-38.0**
Adjusting items, total (included in operating profit	3.9
Tax impact	-0.8
Adjusted result for the period attributable to the equity holders of the parent company, EUR million	-34.9
Weighted average number of shares outstanding – basic, 1,000 pcs	210,048
Adjusted earnings per share attributable to the equity holders of the parent company – basic, EUR	**-0.17**

Reconciliation of adjusted ebitda (rolling 12 months)

EUR million	1-3/2019
Adjusted operating profit	**147.1**
Depreciations and amortisations	62.3
Depreciation and amortisation expenses from PPA	-12,8
IFRS 16 leases ebitda impact	-11.8
Adjusted ebitda	**184.8**

Reconciliation of adjusted return on capital employed (rolling 12 months)

EUR million	1-3/2019
Operating profit	**94,7**
IFRS 16 operating profit impact	-2.6
Operating profit less IFRS 16 impact	**92,1**
Capital employed 31 March 2019	**1,880.3**
Leased property, plant and equipment	-136.0
Leased inventories	-186.7
IFRS 16 leases impact on advances received	15.6
Adjusted capital employed 31 March 2019	**1,573.2**

4.3 Definitions of financial key performance indicators

Key figure	Definitions	Reason for use
Operating profit	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.
Adjusted operating profit	Operating profit excluding adjusting items.	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.
Adjusting items	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").	
Capital employed	Capital employed includes tangible and intangible assets, shares in associates and joint ventures, investments, inventories, trade receivables and other non-interest bearing receivables, provisions, advance payments and other non-interest bearing debts excluding items related to taxes, finance items and profit distribution.	Capital employed presents capital employed of segment's operative business.

Adjusted capital employed	Capital employed includes tangible and intangible assets less leased property, plant and equipment, shares in associates and joint ventures, investments, inventories less leased inventories, trade receivables and other non-interest bearing receivables, provisions, advance payments and other non-interest bearing debts excluding items related to taxes, finance items, profit distribution and IFRS 16 impact. (YIT has introduced this new key performance indicators starting 1st of January 2019.)	Adjusted capital employed improves comparability to previous years
Interest-bearing debt	Non-current borrowings and current borrowings.	Interest-bearing debt is a key figure to measure YIT's total debt financing.
Adjusted interest-bearing debt	Non-current borrowings less lease liabilities and current borrowings less lease liabilities. (YIT has introduced this new key performance indicators starting 1st of January 2019.)	Adjusted interest-bearing debt improves comparability to previous years.
Net interest-bearing debt	Interest-bearing debt less cash and cash equivalents and interest-bearing receivables.	Net interest-bearing debt is an indicator to measure YIT's net debt financing.
Adjusted net interest-bearing debt	Adjusted interest-bearing debt less cash and cash equivalents and interest-bearing receivables. (YIT has introduced this new key performance indicators starting 1st of January 2019.)	Adjusted net interest-bearing debt improves comparability to previous years.
Equity ratio, %	Total equity / total assets less advances received.	Equity ratio is one of YIT's key longterm financial targets. It is a key figure to measure the relative proportion of equity used to finance YIT's assets.
Adjusted equity ratio, %	Total equity / total assets less advances received, leased property, plant and equipment and leased inventory. (YIT has introduced this new key performance indicators starting 1st of January 2019.)	Adjusted equity ratio improves comparability to previous years.
Gearing, %	Interest-bearing debt less cash and cash equivalents and interest-bearing receivables/total equity.	Gearing ratio helps to understand how much debt YIT is using to finance its assets relative to the value of its equity.
Adjusted gearing, %	Adjusted interest-bearing debt less cash and cash equivalents and interest-bearing receivables/total equity. (YIT has introduced this new key performance indicators starting 1st of January 2019.)	Adjusted gearing ratio improves comparability to previous years.

Adjusted earnings per share	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.
Adjusted return on capital employed (ROCE), %, rolling 12 months	Rolling 12 months operating profit less IFRS 16 leases operating profit impact/ adjusted capital employed on average during period. (YIT has changed the definition of return on capital employed on 1st January 2019 to exclude IFRS 16 leases related entries.)	Adjusted return on capital employed, % describes segment's relative profitability, in other words, the profit received from capital employed.
Operating cash flow after investments, excluding discontinued operations	Operating cash flow presented in cash flow statement after investments considering operating cash flow from discontinued operations.	
Gross capital expenditures	Investments in tangible and intangible assets, excluding additions in leases.	
Equity per share (EUR)	Total equity divided by number of outstanding shares at the end of the period.	
Adjusted net debt / adjusted ebitda, rolling 12 months	Adjusted net debt divided by rolling 12 months adjusted earnings before depreciations and amortisations less IFRS 16 operating profit impact. (YIT has changed the definition of net debt/adjusted ebitda on 1st January 2019 to exclude IFRS 16 leases related entries.)	Adjusted net debt to adjusted ebitda gives investor information on ability to service debt.
Market capitalisation	(Number of shares – treasury shares) multiplied by share price on the closing date by share series.	
Average share price	EUR value of shares traded during period divided by number of shares traded during period.	

Together we can do it.

YIT Oyj
PL 36, Panuntie 11
00621 Helsinki
Puh. +358 20 433 111

www.yit.fi

twitter.com/
YITInvestors