



YIT

Q3

Interim Report 1–9/2018

Interim Report January 1–September 30, 2018

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 for January–September 2018, comparison figures are pro forma figures. More information regarding the presentation of financial information is available at the end of the explanatory statement of the interim report.

Group reporting, IFRS

Operational performance as expected, operating profit declined from the previous year. The strong order backlog gives a good outlook for the current and the next year. The guidance for the full year remains unchanged.

July–September

- Order backlog grew by 14% year-on-year (9/2017: 4,378.9).
- Revenue decreased by 8 % and was EUR 979.2 million (1,059.5).
- Adjusted operating profit¹ amounted to EUR 53.8 million (66.1) and adjusted operating profit margin was 5.5 % (6.2). During the reporting period, EUR 5.2 million (6.0) of adjusting items were recorded, that consist mainly of the merger related fair value cost effects and integration costs.
- Operating profit amounted to EUR 48.6 million (60.1) and operating profit margin was 5.0% (5.7).
- Earnings per share were EUR 0.17 (0.21).
- Reported operating cash flow after investments amounted to -33.0 EUR million.

January–September

- The merger of YIT Corporation and Lemminkäinen Corporation was completed on February 1, 2018.
- Revenue decreased by 9% to EUR 2,490.3 million (2,738.9).
- Adjusted operating profit¹ amounted to EUR 34.9 million (78.5) and adjusted operating profit margin was 1.4% (2.9). During the reporting period, EUR 26.2 million (38.2) of adjusting items were recorded, that consist mainly of the merger related fair value cost effects, integration costs, reorganisation of paving operations in Scandinavia and a loss related to the capital release action in Russia.
- Operating profit amounted to EUR 8.7 million (40.3) and operating profit margin was 0.3% (1.5).
- Earnings per share were EUR -0.10 (0.07).
- Reported operating cash flow after investments amounted to EUR -55.8 million.
- Order backlog grew by 14% year-on-year (9/2017: 4,378.9).
- The company estimates the total annual synergies related to the merger to have an impact of EUR 40–50 million by the end of 2020. Of this, EUR 40 million will be achieved already starting from the first quarter 2020.

Guidance for 2018 (IFRS)

On June 27, 2018, YIT's Board of Directors decided to give numerical guidance for year 2018 concerning the development of both the Group pro forma revenue and adjusted pro forma operating profit. The guidance is unchanged.

The Group pro forma revenue 2018 is estimated to decrease by -2% – -6% from pro forma revenue 2017 (pro forma 2017: EUR 3,862.5 million).

In 2018, the adjusted pro forma operating profit¹ is estimated to be in the range of EUR 130–160 million (pro forma 2017: EUR 138.9 million).

Guidance rationale

The guidance for 2018 is based on, among others, the estimated timing of completions of residential projects under construction and the company's solid order backlog. At the end of September, 62% of the order backlog was sold. YIT estimates that in 2018, approximately 5,100 apartments in Finland and CEE¹, and approximately 3,000 apartments in Russia will be completed for consumers.

During the year, YIT has signed several significant, long-term lease agreements and the estimate regarding the adjusted operating profit² includes the divestment of several of the business premises in the Helsinki metropolitan area during the fourth quarter. In the fourth quarter, the adjusted pro forma operating profit² is expected to be clearly better than last year.

¹ The figure for CEE includes projects sold to YCE housing fund I.

²The adjusted operating profit reflects the result of ordinary course of business and does not include material reorganisation costs, impairment charges or other items affecting comparability. Adjusted operating profit is disclosed to improve comparability between reporting periods. Adjusting items are defined more precisely in note 4.4 in the tables section.

Kari Kauniskangas, President and CEO:

The operational performance of the segments was as we expected. Approximately EUR 6.5 million of operating profit shifted to the fourth quarter due to the postponements of handovers. The profitability of the Paving as well as Housing Finland and CEE segments was almost 10 per cent. The company's order backlog is very strong, which gives a good outlook for the rest of the year as well as the whole next year. We reiterate the whole year guidance given in June.



We signed several significant lease agreements during the period. The most important of these was the agreement signed with Telia Finland, which was YIT's all time largest. The successes achieved in leasing support our ongoing efforts related to property sales. Based on the offers we have received and the ongoing negotiations, we estimate that the sale of several significant business premises projects will be completed as planned.

The adjusted operating profit of the Housing Russia segment was poor due to the postponement of handovers, given discounts and weakened project margins in contracting. In line with its strategy, YIT has continued to have a strong focus on housing sales to release capital employed in Russia, partly at the expense of profitability. Obtaining the commissioning permit for a project in St. Petersburg, which has a significant impact on the segment's profit, was postponed to the fourth quarter. The revenue and adjusted operating profit of the Housing Finland and CEE segment declined year-on-year in spite of a higher number of completed apartments. This is due to a low number of completions in the Helsinki metropolitan area as well as the substantially smaller average size of the completed apartments. Consumer demand remains at a good level in Finland, but the residential demand of private investors has started to decline during the year. In the CEE countries, the demand for apartments has remained strong in all countries. The postponements of project handovers both in Russia and in Finland have shifted the recognition of the operating profit by approximately EUR 6.5 million to the fourth quarter.

The Paving segment performed well in the third quarter and improved its result year-on-year. However, the operating profit of the Infrastructure projects segment declined year-on-year. The segment's operating profit was burdened by additional costs related to the Court of Appeal's decision in a dispute related to the construction of the Niittykumpu metro tunnels. We have begun implementing an action plan to improve the Infrastructure projects segment's sales mix and competitiveness. We will also allocate resources to areas with good demand.

In September, we announced our new strategy for 2019–2021. The target of YIT's strategy is to improve profitability and to strengthen financial stability. The company's strategic priorities, sources of growth and structural profitability, include urban development and non-cyclical businesses. The Board of Directors confirmed a 12% or higher return on capital employed (ROCE) and a gearing ratio of 30–50% as the long-term financial targets of the company. In addition, the company's target is to increase its dividend annually.

Significant matters

Merger of YIT and Lemminkäinen

YIT and Lemminkäinen merged on February 1, 2018. The combination of YIT and Lemminkäinen creates a financially strong company with urban development as the engine for growth and profitability. The pro forma revenue 2017 for the combined company was over EUR 3.8 billion. Lemminkäinen's shareholders were given as merger consideration 3.6146 new shares in YIT for each share in Lemminkäinen owned by them, i.e. in total 83,876,431 new shares in YIT. As a result of the registration of the completion of the merger, the total number of YIT's shares increased to 211,099,853 shares and the share capital increased by EUR 500,000 to EUR 149,716,748.22. The Extraordinary General Meetings of YIT and Lemminkäinen held on September 12, 2017 approved the merger, and the Finnish Competition and Consumer Authority approved it on January 26, 2018.

Stock exchange releases, the merger prospectus and other merger-related material are available at yitgroup.com/merger.

Changes in the Group's reporting practices

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

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

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

Key figures

Group reporting, IFRS

EUR million	Reported 7–9/18	Pro forma 7–9/18	Pro forma 7–9/17	Change	Reported 1–9/18	Pro forma 1–9/18	Pro forma 1–9/17	Change ¹	Pro forma 1–12/17
Revenue	979.2	979.2	1,059.5	-8%	2,420.4	2,490.3	2,738.9	-9%	3,862.5
Housing Finland and CEE	244.2	244.2	329.1	-26%	789.5	803.9	885.5	-9%	1,156.2
Housing Russia	55.8	55.8	45.1	24%	143.5	147.4	220.6	-33%	421.0
Business premises	211.4	211.4	203.5	4%	586.0	606.5	622.4	-3%	902.2
Infrastructure projects	188.5	188.5	186.2	1%	414.2	436.0	483.3	-10%	686.0
Paving	297.5	297.5	312.7	-5%	523.3	533.6	577.7	-8%	768.9
Partnership properties	0.0	0.0			0.0	0.0			
Other items	-18.2	-18.2	-17.0	-7%	-36.1	-37.1	-50.7	27%	-71.8
Operating profit	44.1	48.6	60.1	-19%	16.1	8.7	40.3	-78%	77.4
Operating profit margin, %	4.5%	5.0%	5.7 %		0.7 %	0.3%	1.5 %		2.0%
Adjusted operating profit	53.8	53.8	66.1	-19%	52.9	34.9	78.5	-56%	138.9
Housing Finland and CEE	23.9	23.9	33.2	-28%	75.6	74.8	67.7	11%	83.0
Housing Russia	-7.8	-7.8	-6.9	-14%	-28.0	-28.9	-13.6	-113%	4.9
Business premises	8.7	8.7	8.0	8%	12.0	11.7	16.7	-30%	51.5
Infrastructure projects	3.9	3.9	7.6	-48%	-3.3	-6.2	11.5	-154%	17.4
Paving	29.3	29.3	27.4	7%	15.2	3.3	11.5	-71%	4.7
Partnership properties	-0.2	-0.2	-0.3	-173%	-1.0	-1.0	-0.7	-47%	-0.5
Other items	-4.0	-4.0	-3.3	-20%	-17.6	-18.8	-15.4	-22%	-22.0
Adjusted operating profit margin, %	5.5%	5.5%	6.2%		2.2%	1.4%	2.9%		3.6%
Housing Finland and CEE	9.8%	9.8%	10.1%		9.6%	9.3%	7.6%		7.2%
Housing Russia	-14.0%	-14.0%	-15.2%		-19.5%	-19.6%	-6.2%		1.2%
Business premises	4.1%	4.1%	4.0%		2.1%	1.9%	2.7%		5.7%
Infrastructure projects	2.1%	2.1%	4.1%		-0.8%	-1.4%	2.4%		2.5%
Paving	9.8%	9.8%	8.8%		2.9%	0.6%	2.0%		0.6%
Partnership properties									
Adjusting items	9.7	5.2	6.0	-14%	36.8	26.2	38.2	-31%	61.5
Profit before taxes	37.1	41.6	54.7	-24%	-11.5	-17.5	19.8		50.7
Profit for the review period ²	32.4	36.0	44.5	-19%	-11.2	-20.4	15.5		26.3
Earnings per share, EUR	0.16	0.17	0.21	-18%	-0.06	-0.10	0.07		0.13
Operating cash flow after investments	-33.0	n/a	n/a		-55.8	n/a	n/a		n/a
Net interest-bearing debt at end of period	767.8	767.8	n/a		767.8	767.8	n/a		668.5
Gearing ratio at end of period, %	75.5%	n/a	n/a		75.5%	n/a	n/a		59.9%
Equity ratio at end of period, %	34.8%	n/a	n/a		34.8%	n/a	n/a		40.2%
Pro forma return on capital employed (ROCE, rolling 12m), %	n/a	n/a	n/a		n/a	n/a	n/a		
Order backlog, end of period	4,990.8	4,990.8	4,378.9	14%	4,990.8	4,990.8	4,378.9	14%	4,218.3

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.

Group financial development

Revenue

Residential projects for consumers recognised as income upon completion

EUR million	Reported 7–9/18	Pro forma 7–9/18	Pro forma 7–9/17	Change	Exchange rate impact ²	Reported 1–9/18	Pro forma 1–9/18	Pro forma 1–9/17	Change ¹	Pro forma 1–12/17
Revenue	979.2	979.2	1,059.5	-8%	1%	2,420.4	2,490.3	2,738.9	-9%	3,862.5
Housing Finland and CEE	244.2	244.2	329.1	-26%		789.5	803.9	885.5	-9%	1,156.2
Housing Russia	55.8	55.8	45.1	24%	10%	143.5	147.4	220.6	-33%	421.0
Business premises	211.4	211.4	203.5	4%		586.0	606.5	622.4	-3%	902.2
Infrastructure projects	188.5	188.5	186.2	1%		414.2	436.0	483.3	-10%	686.0
Paving	297.5	297.5	312.7	-5%		523.3	533.6	577.7	-8%	768.9
Partnership properties	0.0	0.0				0.0	0.0			
Other items	-18.2	-18.2	-17.0	-7%		-36.1	-37.1	-50.7	27%	-71.8

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

² Reported 7-9/18 with comparable currency exchange rates.

July–September

The Group's revenue decreased by 8% year-on-year and amounted to EUR 979.2 million (1,059.5). Revenue decreased mainly in Housing Finland and CEE segment due to a low number of completions in the Helsinki metropolitan area as well as smaller year-on-year average size of the completed apartments.

In the Paving segment, revenue decreased due to lower year-on-year volumes caused by the close-downs of several unprofitable asphalt stations in Southern Sweden and Norway in the beginning of the year.

January–September

The Group's revenue decreased by 9% year-on-year and amounted to EUR 2,490.3 million (2,738.9). Revenue decreased mainly due to a low number of residential project completions in the Housing Russia segment.

In the Infrastructure projects segment, revenue decreased particularly due to project completion rates and lower year-on-year volumes in Finland. In Housing Finland and CEE segment revenue decreased due to smaller year-on-year average size of the completed apartments. In the Paving segment, revenue decreased due to lower year-on-year volumes caused by the close-downs of several unprofitable asphalt stations in Southern Sweden and Norway in the beginning of the year. Due to the operating model, the Partnership properties segment's revenue was low.

Result

EUR million	Reported 7–9/18	Pro forma 7–9/18	Pro forma 7–9/17	Change	Reported 1–9/18	Pro forma 1–9/18	Pro forma 1–9/17	Change ¹	Pro forma 1–12/17
Operating profit	44.1	48.6	60.1	-19%	16.1	8.7	40.3	-78%	77.4
Operating profit margin, %	4.5%	5.0%	5.7%		0.7%	0.3%	1.5%		2.0%
Adjusting items	9.7	5.2	6.0	-14%	36.8	26.2	38.2	-31%	61.5
Adjusted operating profit	53.8	53.8	66.1	-19%	52.9	34.9	78.5	-56%	138.9
Housing Finland and CEE	23.9	23.9	33.2	-28%	75.6	74.8	67.7	11%	83.0
Housing Russia	-7.8	-7.8	-6.9	-14%	-28.0	-28.9	-13.6	-113%	4.9
Business premises	8.7	8.7	8.0	8%	12.0	11.7	16.7	-30%	51.5
Infrastructure projects	3.9	3.9	7.6	-48%	-3.3	-6.2	11.5		17.4
Paving	29.2	29.3	27.4	7%	15.2	3.3	11.5	-71%	4.7
Partnership properties	-0.2	-0.2	-0.3	27%	-1.0	-1.0	-0.7	-47%	-0.5
Other items	-4.0	-4.0	-3.3	-20%	-17.6	-18.8	-15.4	-22%	-22.0
Adjusted operating profit margin, %	5.5%	5.5%	6.2%		2.2%	1.4%	2.9%		3.6%
Housing Finland and CEE	9.8%	9.8%	10.1%		9.6%	9.3%	7.6%		7.2%
Housing Russia	-14.0%	-14.0%	-15.2%		-19.5%	-19.6%	-6.2%		1.2%
Business premises	4.1%	4.1%	4.0%		2.1%	1.9%	2.7%		5.7%
Infrastructure projects	2.1%	2.1%	4.1%		-0.8%	-1.4%	2.4%		2.5%
Paving	9.8%	9.8%	8.8%		2.9%	0.6%	2.0%		0.6%
Partnership properties									

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

EUR million	Reported 7–9/18	Pro forma 7–9/18	Pro forma 7–9/17	Change	Reported 1–9/18	Pro forma 1–9/18	Pro forma 1–9/17	Change ¹	Pro forma 1–12/17
Profit before taxes	37.1	41.6	54.7	-24 %	-11.5	-17.5	19.8		50.7
Profit for the review period ²	32.4	36.0	44.5	-19 %	-11.2	-20.4	15.5		26.3
Earnings per share, EUR	0.16	0.17	0.21	-18 %	-0.06	-0.10	0.07		0.13

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.

July–September

The Group's operating profit was EUR 48.6 million (60.1), and the operating profit margin was 5.0% (5.7). The operating profit includes adjusting items of EUR 5.2 million (6.0) mainly related to merger related fair value cost effects (additional information in note 4.4) and integration costs related to achieving the synergy benefits.

Adjusted operating profit was EUR 53.8 million (66.1), and adjusted operating profit margin was 5.5% (6.2). The decrease of the adjusted operating profit was impacted by a low number of completions in the Helsinki metropolitan area as well as smaller year-on-year average size of the completed apartments in the Housing Finland and CEE segment. In the Housing Russia segment, the adjusted operating profit was weakened by the postponement of project handovers, granted discounts and lowered project margins in the contracting business. In the Infrastructure projects segment, result decreased due to lower year-on-year volumes in Finland. Additionally, the segment's adjusted operating profit was burdened by additional costs related to the Court of Appeal's decision in a dispute related to the construction of the Niittykumpu metro tunnels. The company has begun implementing an action plan to improve the Infrastructure projects segment's sales mix and competitiveness. In addition, resources will be allocated to areas with good demand.

Profit before taxes was EUR 41.6 million (54.7) and profit for the review period was EUR 36.0 million (44.5).

Impacts of the merger on reporting

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

The most significant of these bookings are:

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

January–September

The Group's operating profit was EUR 8.7 million (40.3), and the operating profit margin was 0.3% (1.5). The operating profit includes adjusting items of EUR 26.2 million (38.2) mainly related to merger related fair value cost effects (additional information in note 4.4). In addition, the adjusting items include integration costs related to achieving the synergy benefits, costs related to the reorganisation of the Scandinavian operations and a loss related to the capital release action in Russia.

Adjusted operating profit was EUR 34.9 million (78.5), and adjusted operating profit margin was 1.4% (2.9). Adjusted operating profit decreased mainly due to lowered margins in certain projects in the contracting business in Russia and in Infrastructure projects and in Business premises.

Profit before taxes was EUR -17.5 million (19.8) and profit for the review period was EUR -20.4 million (15.5).

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

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

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

Synergies and integration costs

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

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

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

The synergy benefits recorded as materialised by the end of September amounted to approximately EUR 9 million. The company estimates that it will reach cumulative annual synergy benefits impacting the result of approximately EUR 16–20 million by the end of 2018, approximately EUR 32–40 million by the end of 2019 and approximately EUR 40–50 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, mainly during 2017–2019. In January–September 2018, merger-related integration costs totalled approximately EUR 6.8 million, including the costs recorded for Lemminkäinen in January. For the years 2017 and 2018, the cumulative integration costs at the end of September totalled approximately EUR 11 million. The company estimates that the majority of the integration costs will be allocated to 2018 and 2019.

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

EUR million	Pro forma 1–9/18	Pro forma 1–12/17
Integration costs, total ¹	6.8	3.8

¹ Integration costs exclude transaction costs.

Acquisitions and capital expenditure

The merger of YIT Corporation and Lemminkäinen Corporation was completed on February 1, 2018. Lemminkäinen's shareholders were given as merger consideration 3.6146 new shares of YIT for each share of Lemminkäinen they owned, in total 83,876,431 new shares of YIT. During the first quarter, YIT acquired the majority of Projektipalvelu Talon Tekniikka Oy.

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

Gross investments amounted to EUR 50.2 million, or 2.1% of revenue. The investments consisted of investments in joint ventures, building equipment and information technology, among other things.

Capital structure and liquidity position

EUR million	Reported 9/18	Reported 6/18	Change	Reported 12/17	Pro forma 12/17
Net interest-bearing debt	767.8	734.0	5%	455.0	668.5
Cash and cash equivalents	204.7	285.6	-28%	89.7	111.3
Interest-bearing receivables	48.9	48.1	2%	46.0	46.0
Interest-bearing debts	1021.4	1067.6	-4%	590.7	825.8
Bonds	354.1	355.7	0%	149.7	n/a
Commercial papers	192.0	267.8	-28%	150.6	n/a
Pension loans	51.7	51.7	0%	55.4	n/a
Loans from financial institutions	132.6	132.7	0%	115.0	n/a
Housing corporation loans	237.8	206.2	15%	85.6	n/a
Finance lease liabilities	17.9	18.5	-3%	0.1	n/a
Other loans	35.2	35.2	0%	34.3	n/a
Available committed revolving credit facilities	300.0	300.0	0%	200.0	n/a
Available overdraft facilities	73.7	74.1	-1%	73.7	n/a
Equity ratio, %	34.8 %	33.9 %		33.2%	40.2%
Gearing ratio, %	75.5 %	73.4 %		88.7%	59.9%

EUR million	Reported 7-9/18	Pro forma 7-9/18	Pro forma 7-9/17	Reported 1-9/18	Pro forma 1-9/18	Pro forma 1-9/17	Pro forma 1-12/17
Operative cash flow after investments	-33.0	n/a	n/a	-55.8	n/a	n/a	n/a
Cash flow from plot investments	-15.9	n/a	n/a	-68.1	n/a	n/a	n/a
Cash flow from investments to associated companies	-6.6	n/a	n/a	-35.0	n/a	n/a	n/a
Net financing costs	-7.0	-7.0	-5.4	-27.5	-26.2	-20.5	-26.7

At the end of September, YIT's cash and cash equivalents amounted to EUR 204.7 million, in addition to which YIT had undrawn overdraft facilities amounting to EUR 73.7 million. Additionally, YIT's committed revolving credit facility of EUR 300 million was completely undrawn, and undrawn and committed housing corporation loan agreements related to domestic apartment projects amounted to EUR 317.1 million.

At the end of September, the Group's equity ratio was 34.8% and the gearing ratio was 75.5%.

Interest-bearing debts amounted to EUR 1,021.4 million and interest-bearing net debt to EUR 767.8 million at the end of September.

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

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

In the first quarter, YIT cancelled its previous EUR 200 million committed revolving credit facility as well as Lemminkäinen's previous EUR 200 million revolving

credit facility simultaneously as its new EUR 300 million revolving credit facility became available on February 1, 2018. YIT has also cancelled its EUR 240 million bridge financing agreement related to the merger as unnecessary.

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

In the first nine months of the year, pro forma net finance costs amounted to EUR 26.2 million (20.5).

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

At the end of September, the net debt/adjusted pro forma EBITDA ratio was 5.6 and at the end of year 2017, 3.6 (at the end of June 4.8).

At the end of September, the capital employed in Russia was EUR 341.0 million.

Reported operative cash flow after investments for July–September was EUR -33.0 million due to changes in working capital.

Cash flow from plot investments was EUR -15.9 million. Cash flow from investments to associated companies and joint ventures was EUR -6.6 million.

Order backlog

EUR million	Reported 9/18	Pro forma 9/17	Change	Pro forma 12/17
Order backlog	4,990.8	4,378.9	14%	4,218.3
Housing Finland and CEE	1,767.1	1,438.8	23%	1,580.1
Housing Russia	428.2	576.2	-26%	448.6
Business premises	1,630.6	1,380.5	18%	1,306.8
Infrastructure projects	643.3	471.7	36%	471.0
Paving	521.7	511.8	2%	411.8
Partnership properties				

The order backlog grew by 14% year-on-year and amounted to EUR 4,990.8 million (4,378.9). At the end of September, 62% of the order backlog was sold.

Segments

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

Housing Finland and CEE

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

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

Operating environment

Consumer confidence in Finland during the period was strong, 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 Helsinki Metropolitan Area and Tampere, demand for larger apartments improved year-on-year.

The demand of private residential investors started to decline during the year.

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

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

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

Housing Finland and CEE EUR million	Reported	Pro forma	Pro forma	Change	Reported	Pro forma	Pro forma	Change ¹	Pro forma
	7–9/18	7–9/18	7–9/17		1–9/18	1–9/18	1–9/17		1–12/17
Revenue	244.2	244.2	329.1	-26%	789.5	803.9	885.5	-9%	1,156.2
Operating profit	23.9	23.9	33.2	-28%	74.9	74.1	67.7	9%	78.1
Operating profit margin %	9.8%	9.8%	10.1%		9.5%	9.2%	7.6%		6.8%
Adjusted operating profit	23.9	23.9	33.2	-28%	75.6	74.8	67.7	11%	83.0
Adjusted operating profit margin %	9.8%	9.8%	10.1%		9.6%	9.3%	7.6%		7.2%
Order backlog at end of period	1,767.1	1,767.1	1,438.8	23%	1,767.1	1,767.1	1,438.8	23%	1,580.1

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

July–September, IFRS

The segment's revenue decreased by 26% amounting to EUR 244.2 million (329.1), the operating profit was EUR 23.9 million (33.2) and the operating profit margin was 9.8% (10.1). During the period, YIT completed 1,327 apartments (1,165) in Finland and 123 apartments (259) in the CEE countries. The difference between the estimate of 1,519 completions in third quarter in Finland given in the connection with the second quarter, and the actual number of completions is due to postponements of handovers to the last quarter of the year.

The segment's adjusted operating profit was EUR 23.9 million (33.2) and the adjusted operating profit margin was 9.8% (10.1). Revenue and operating profit declined due to a low number of completed projects in the Helsinki Metropolitan area and clearly smaller average size of completed apartments.

January–September, IFRS

The segment's revenue was EUR 803.9 million (885.5), the operating profit was EUR 74.1 million (67.7) and the operating profit margin was 9.2% (7.6). The segment's adjusted operating profit was EUR 74.8 million (67.7) and the adjusted operating profit margin was 9.3% (7.6). Revenue declined due to a low number of completed projects in the Helsinki Metropolitan area and clearly smaller average size of completed apartments. The plots sold to the joint venture and to the plot fund established during the period supported the revenue and operating profit in the second quarter.

Housing Finland and CEE POC, EUR million	Reported 7–9/18	July–September			Reported 1–9/18	January–September			Pro forma 1–12/17
		Pro forma 7–9/18	Pro forma 7–9/17	Change		Pro forma 1–9/18	Pro forma 1–9/17	Change ¹	
Revenue	239.9	239.9	278.8	-14%	779.2	801.5	886.7	-10%	1,185.9
Adjusted operating profit	20.3	20.3	27.3	-26%	68.1	68.6	76.5	-10%	101.5
Adjusted operating profit margin %	8.5%	8.5%	9.8%		8.7%	8.6%	8.6%		8.6%
Adjustment items	0.0	0.0			0.7	0.7			4.9
Order backlog at end of period	1,508.1	1,508.1	1,245.6	21%	1,508.1	1,508.1	1,245.6	21%	1,337.4

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

July–September, POC

The segment's revenue decreased by 14% year-on-year and amounted to EUR 239.9 million (278.8).

The segment's adjusted operating profit decreased by 26% and amounted to EUR 20.3 million (27.3), and the adjusted operating profit margin was 8.5% (9.8). The decline of private residential investors' demand compared to previous year had an impact on revenue and adjusted operating profit.

The segment's profitability was impacted by higher number of investor sales than in the comparison period. The share of consumer sales of residential sales in Finland was 60%.

In the third quarter, YIT started 690 apartments in Finland (945) and 150 apartments in the CEE countries (429). In July–September, YIT sold 70 apartments initially started for consumers to investors as bundle deals in Finland (130). In the CEE countries, unit sales

in July–September was 241 apartments (462). Additionally, of the projects previously sold to the YCE Housing I fund, the fund sold to consumers 61 apartments (50).

January–September, POC

The segment's revenue decreased by 10% year-on-year due to the capital release actions taken during the period and declined residential investor demand, and amounted to EUR 801.5 million (886.7).

The segment's adjusted operating profit decreased by 10% year-on-year, and amounted to EUR 68.6 million (76.5). The adjusted operating profit margin was 8.6% (8.6). The plots sold to the joint venture and to the plot fund established during the period supported the revenue and operating profit in the second quarter.

The share of consumer sales of residential sales was 60%.

Residential construction in Finland, units	7–9/18	7–9/17 ¹	Change	1–9/18 ¹	1–9/17 ¹	Change	1–12/17 ¹
Sold	793	1,006	-21%	2,687	3,315	-19%	4,564
of which initially started for consumers ²	550	901	-39%	1,896	2,577	-26%	3,500
Start-ups	690	945	-27%	3,001	3,587	-16%	5,036
of which for consumers	447	840	-47%	2,210	2,849	-22%	3,972
Completed	1,327	1,165	14%	3,215	3,267	-2%	4,308
of which for consumers	960	830	16%	2,526	2,197	15%	2,816
Under construction at end of period	5,920	5,612	5%	5,920	5,612	5%	6,019
of which sold at end of period, %	58%	64%		58%	64%		62%
For sale at end of period	2,800	2,294	22%	2,800	2,294	22%	2,490
of which completed	337	273	23%	337	273	23%	203
Plot reserve in the balance sheet at end of period, EUR million	255	n/a		255	n/a		n/a
Plot reserve at end of period ³ , floor square metres	2,346,000	n/a		2,346,000	n/a		n/a
Cost of completion at end of period, EUR million	539	n/a		539	n/a		n/a

¹ Combined figures of YIT and Lemminkäinen.

² Includes apartments sold to residential funds: 7–9/18: 70 units; 7–9/17: 130 units; 1–9/18: 180 units; 1–9/17: 375 units; 1–12/17: 487 units.

³ Includes pre-agreements, rental plots and own plots.

Residential construction in the CEE countries, units	7–9/18	7–9/17	Change	1–9/18	1–9/17	Change	1–12/17
Sold	241	462	-48%	771	1,070	-28%	1,613
of which for consumers	241	216	12%	658	718	-8%	919
<i>fund sales to consumers¹</i>	61	50	22%	315	146	116%	253
Start-ups	150	429	-65%	994	1,181	-16%	1,545
Completed	123	259	-53%	784	541	45%	1,100
Under construction at end of period	2,650	2,684	-1%	2,650	2,684	-1%	2,489
of which sold at end of period, %	56%	58%		56%	58%		63%
For sale at end of period	1,301	1,233	6%	1,301	1,233	6%	1,054
of which completed	122	116	5%	122	116	5%	140
Plot reserve in the balance sheet at end of period, EUR million	119	n/a		119	n/a		n/a
Plot reserve at end of period ³ , floor square metres	348,000	n/a		348,000	n/a		n/a
Cost of completion at end of period, EUR million	98	n/a		98	n/a		n/a

¹ Apartments sold to consumers in projects that YIT has previously sold to the YCE Housing I fund and has already reported the units as investor sales.

Housing Russia

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

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

Operating environment

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

The Russian Central Bank raised its key rate in September. The interest rates for mortgages for new apartments stayed under 10 per cent. The Central Bank's recent raise of the key rate is expected to raise the mortgage rates moderately. The Russian government continues to further support the citizens' apartment-buying among other things with the interest support program for families with children launched in the beginning of the year.

Housing Russia, EUR million	Reported 7-9/18	Pro forma 7-9/18	Pro forma 7-9/17	Change	Reported 1-9/18	Pro forma 1-9/18	Pro forma 1-9/17	Change ¹	Pro forma 1-12/17
Revenue	55.8	55.8	45.1	24%	143.5	147.4	220.6	-33%	421.0
Operating profit	-8.4	-8.4	-6.9	-23%	-32.5	-33.4	-13.6	-146%	1.7
Operating profit margin %	-15.1%	-15.1%	-15.2%		-22.6%	-22.7%	-6.2%		0.4%
Adjusted operating profit	-7.8	-7.8	-6.9	-14%	-28.0	-28.9	-13.6	-113%	4.9
Adjusted operating profit margin %	-14.0%	-14.0%	-15.2%		-19.5%	-19.6%	-6.2%		1.2%
Order backlog at end of period	428.2	428.2	576.2	-26%	428.2	428.2	576.2	-26%	448.6

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

July–September, IFRS

The segment's revenue was EUR 55.8 million (45.1), the operating profit was EUR -8.4 million (-6.9) and the operating profit margin was -15.1% (-15.2). The segment's operating profit decreased due to the postponement of residential handovers, given discounts on completed apartments to release capital employed as well as weakened margins in contracting.

The segment's adjusted operating profit was EUR -7.8 million (-6.9) and the adjusted operating profit margin was -14.0% (-15.2).

At comparable exchange rates, reported revenue was EUR 61.7 million and reported operating profit at comparable exchange rates was EUR -8.4 million.

During the reporting period, 699 apartments were completed in Russia (931). The share of residential deals financed with mortgage was 47% (48).

At the end of September, YIT was responsible for the service and maintenance of almost 37,000 apartments, 7,200 parking spaces and 2,300 business premises in Russia, totalling over 46,500 clients.

January–September, IFRS

The segment's revenue decreased by 33% amounting to EUR 147.4 million (220.6), the operating profit was EUR -33.4 million (-13.6) and the operating profit margin was -22.7% (-6.2). The segment's revenue was burdened by the low number of completed projects. The result was burdened by lowered margins in certain projects in the contracting business, the loss of plot sales booked in June and postponements of handovers to the fourth quarter.

The segment's adjusted operating profit was EUR -28.9 million (-13.6) and the adjusted operating profit margin was -19.6% (-6.2).

At comparable exchange rates, reported revenue was EUR 162.2 million and reported operating profit at comparable exchange rates was EUR -31.2 million.

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

Housing Russia POC, EUR million	Reported 7–9/18	Pro forma 7–9/18	Pro forma 7–9/17	Change	Reported 1–9/18	Pro forma 1–9/18	Pro forma 1–9/17	Change ¹	Pro forma 1–12/17
Revenue	62.4	62.4	66.2	-6%	198.5	202.4	205.1	-1%	320.3
Adjusted operating profit	-4.5	-4.5	0.1		-16.5	-17.4	-0.8		4.6
Adjusted operating profit margin %	-7.3%	-7.3%	0.2%		-8.3%	-8.6%	-0.4%		1.4%
Adjustment items	0.6	0.6			4.5	4.5			3.2
Order backlog at end of period	327.3	327.3	440.4	-26%	327.3	327.3	440.4	-26%	396.1

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

July–September, POC

The segment's revenue decreased by 6% year-on year and amounted to EUR 62.4 million (66.2). The segment's adjusted operating profit was EUR -4.5 million (0.1) and the adjusted operating profit margin was -7.3% (0.2). The segment's adjusted operating profit decreased year-on-year due to weakened margins in contracting as well as given discounts on completed apartments to release capital.

In Russia, unit sales in July-September was 892 apartments (814).

January–September, POC

The segment's revenue was on the previous year's level amounting to EUR 202.4 million (205.1) due to good apartment sales.

The segment's adjusted operating profit was EUR -17.4 million (-0.8) and the adjusted operating profit margin was -8.6% (-0.4). The result was burdened by lowered margins in certain projects in the contracting business, given discounts on completed apartments to release capital, and the loss recorded from a plot sales in June.

Residential construction in Russia, units	7–9/18	7–9/17	Change	1–9/18	1–9/17	Change	1–12/17
Sold	892	813	10%	2,498	1,947	28%	2,899
Start-ups	923	761	21%	2,462	1,992	24%	2,525
Completed ¹	699	931	-25%	979	3,202	-69%	4,523
Under construction at end of period	6,096 ²	5,416	13%	6,096	5,416	13%	4,628
of which sold at end of period, %	43%	30%		43%	30%		30%
For sale at end of period	4,178	4,649	-10%	4,178	4,649	-10%	4,228
of which completed	722	876	-18%	722	876	-18%	974
Plot reserve in the balance sheet at end of period, EUR million	156	n/a		156	n/a		n/a
Plot reserve at end of period, floor square metres	1,278,000	n/a		1,278,000	n/a		n/a
Cost of completion at end of period, EUR million	110	n/a		110	n/a		n/a

¹ Completion of residential projects requires commissioning by the authorities.

² Compared to the situation on December 31, 2017, 24 apartments have been converted to business premises.

Under construction at end of period, units	9/18	9/17	Change	9/18	6/18	Change	12/17
St. Petersburg	732	1,371	-47%	732	978	-25%	588
Moscow	3,069	2,481	24%	3,069	2,835	8%	2,021
Russian regions	2,263	2,452	-8%	2,263	2,074	9%	2,019

Business premises

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

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

Operating environment

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

main market of investor demand. The rental levels of business premises remained on a good level in Finland and in the Baltic countries.

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

Business premises, EUR million	Reported 7–9/18	Pro forma 7–9/18	Pro forma 7–9/17	Change	Reported 1–9/18	Pro forma 1–9/18	Pro forma 1–9/17	Change ¹	Pro forma 1–12/17
Revenue	211.4	211.4	203.5	4%	586.0	606.5	622.4	-3%	902.2
Operating profit	8.7	8.7	8.0	8%	11.6	11.3	16.7	-32%	45.6
Operating profit margin %	0.4%	4.1%	4.0%		2.0%	1.9%	2.7%		5.1%
Adjusted operating profit	8.7	8.7	8.0	8%	12.0	11.7	16.7	-30%	51.5
Adjusted operating profit margin %	4.1%	4.1%	4.0%		2.1%	1.9%	2.7%		5.7%
Order backlog at end of period	1,630.6	1,630.6	1,380.5	18%	1,630.6	1,630.6	1,380.5	18%	1,306.8

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

Business premises, EUR million	9/18	6/18
Plot reserve in the balance sheet	101.2	97.5
Plot reserve, floor square metres	629,260	718,900
Cost of completion	100	11

July–September

The segment's revenue increased by 4% year-on-year and amounted to EUR 211.4 million (203.5). The segment's operating profit increased by 8% year-on-year to EUR 8.7 million (8.0), and operating profit margin was 4.1% (4.0). The solid performance of construction sites strengthened the operating profit during the period.

The segment's adjusted operating profit was EUR 8.7 million (8.0), and the adjusted operating profit margin was 4.1% (4.0).

During the period, YIT signed agreements on the construction of schools, hotel, warehouse and business premises and airport expansion in Finland

During the construction period, projects constructed and partly or wholly owned by the company do not contribute to the recognised revenue or profit for the part that is owned by YIT. At the moment, several large projects partly or wholly owned by YIT are under construction, which impacts the recognition of both revenue and result.

Large projects such as the Tripla one progressed as planned. During the period, YIT and Telia Finland signed a long-term lease agreement on Tripla Workery East offices under construction in Pasila, Helsinki, Finland. The agreement includes the sale of Telia Finland's current head office buildings in Vallila, Helsinki, to YIT. Additionally, YIT and Telia Finland are negotiating on the possibility of establishing a real estate development joint venture. The buildings to be bought cover approximately 50,000 square metres, and the plan is to develop there versatile modern office spaces to cover various end-uses.

January–September

The segment's revenue decreased by 3% year-on-year and amounted to EUR 606.5 million (622.4). The segment's operating profit decreased to EUR 11.3 million (16.7). The result was burdened by weakened margins in certain projects in the beginning of the year.

The segment's adjusted operating profit was EUR 11.7 million (16.7), and the adjusted operating profit margin was 1.9% (2.7).

During the construction period, projects constructed and partly or wholly owned by the company do not contribute to the recognised revenue or profit for the part that is owned by YIT. At the moment, several large projects partly or wholly owned by YIT are under construction, which impacts the recognition of both revenue and result.

Largest ongoing business premises projects

Project, location	Total value, EUR million	Project type	Completion rate, %	Estimated completion	Sold/unsold contracting
Mall of Tripla, Helsinki, Finland	600	retail	64%	9/19	YIT owns 38.75%
Tripla office, East and West, Helsinki, Finland	n/a	office	64%, 37%	Q1/20	self-developed, unsold
Finavia air terminal expansion, Vantaa, Finland	200	airport	69%	12/19	contracting
Tripla hotel, Helsinki, Finland	88	hotel	55%	3/20	sold
Myllypuro campus, Helsinki, Finland	73	public premises	71%	8/19	contracting

Infrastructure projects

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

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

Operating environment

Urbanisation, industrial investments and investments in energy and traffic infrastructure 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 started to decline following the decrease in construction project start-ups especially during the latter part of the review period. In the state's budget estimate the investments in infrastructure will be decreased by EUR 500 million compared to current year. In the Baltic countries, the market has continued to grow.

Infrastructure projects EUR million	Reported 7-9/18	Pro forma 7-9/18	Pro forma 7-9/17	Change	Reported 1-9/18	Pro forma 1-9/18	Pro forma 1-9/17	Change ¹	Pro forma 1-12/17
Revenue	188.5	188.5	186.2	1%	414.2	436.0	483.3	-10%	686.0
Operating profit	3.9	3.9	7.6	-48%	-3.6	-6.5	11.5		17.4
Operating profit margin %	2.1%	2.1%	4.1%		-0.9%	-1.5%	2.4%		2.5%
Adjusted operating profit	3.9	3.9	7.6	-48%	-3.3	-6.2	11.5		17.4
Adjusted operating profit margin %	2.1%	2.1%	4.1%		-0.8%	-1.4%	2.4%		2.5%
Order backlog at end of period	643.3	643.3	471.7	36%	643.3	643.3	471.7	36%	471.0

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

July–September

The segment's revenue was 188.5 (186.2). The segment's operating profit decreased year-on-year by 48% amounting to EUR 3.9 million (7.6), and operating profit margin was 2.1% (4.1). Operating profit was burdened by additional costs booked as a result of Court of Appeal's decision related to Niittykumpu metro tunnel construction dispute. The company has established an action plan to improve the segment's sales mix and competitiveness. In addition, resources will be allocated to areas with highest demand.

The segment's adjusted operating profit was EUR 3.9 million (7.6) and the adjusted operating profit margin was 2.1% (4.1).

During the period, a consortium formed by YIT and Are signed an agreement with Länsimetro Oy on the construction of the Kaitaa station on the West Metro line in Espoo, Finland. The value of the contract for YIT is approximately EUR 33 million. Additionally, YIT and Sunnhordaland Kraftlag AS, a Norwegian power company, have signed an agreement on constructing a new hydropower plant in the Hordaland County in Western Norway. The value of the contract is EUR 33 million.

January–September

The segment's revenue decreased by 10% year-on-year and amounted to EUR 436.0 million (486.3). Revenue decreased particularly due to project completion rates and lower year-on-year volumes in Finland. Some of the projects are nearly completed while others have just been started.

The segment's operating profit decreased year-on-year to EUR -6.5 million (11.5), and operating profit margin was -1.5% (2.4). The segment's adjusted operating profit was EUR -6.2 million (11.5) and the adjusted operating profit margin was -1.4% (2.4).

The operating profit decreased year-on-year due to lower revenue and lowered margins in projects as well as low average project profitability of the order backlog. The profitability of the new orders received since the beginning of the year is on a good level gradually strengthening the average profitability of the order backlog. The operating profit was also burdened by additional costs booked as a result of Court of Appeal's decision related to Niittykumpu metro tunnel construction dispute. Because of the phases of individual projects, also the quiet winter season impacted the result in the beginning of the year.

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%	12/18
Blominmäki wastewater treatment plant, Espoo, Finland	~206	5%	2/22
Rantatunneli alliance project, Tampere, Finland	~180	99%	11/18
Light railway alliance, Tampere, Finland	~110	46%	12/21
Rimpi gold mine, Kittilä, Finland	~35	26%	12/21

Paving

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

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

Operating environment

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

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

Paving EUR million	Reported 7–9/18	Pro forma 7–9/18	Pro forma 7–9/17	Change	Reported 1–9/18	Pro forma 1–9/18	Pro forma 1–9/17	Change ¹	Pro forma 1–12/17
Revenue	297.5	297.5	312.7	-5%	523.3	533.6	577.7	-8%	768.9
Operating profit	29.1	29.1	27.4	6%	7.8	-6.0	11.5		4.7
Operating profit margin %	9.8%	9.8%	8.8%		1.5%	-1.1%	2.0%		0.6%
Adjusted operating profit	29.3	29.3	27.4	7%	15.2	3.3	11.5	-71%	4.7
Adjusted operating profit margin %	9.8%	9.8%	8.8%		2.9%	0.6%	2.0%		0.6%
Order backlog at end of period	521.7	521.7	511.8	2%	521.7	521.7	511.8	2%	411.8

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

July–September

The segment's revenue decreased by 5% year-on-year and amounted to EUR 297.5 million (312.7). Revenue decreased from previous year's level due to lower year-on-year volumes caused by the close-downs of several unprofitable asphalt stations in Southern Sweden and Norway.

The segment's operating profit was EUR 29.1 million (27.4).

The segment's adjusted operating was EUR 29.3 million (27.4), and the adjusted operating profit margin was 9.8% (8.8). Operating profit and profitability were supported by good performance in all market areas.

Order backlog was at the end of the reporting period EUR 521.7 million (511.8).

January–September

The segment's revenue decreased by 8% year-on-year and amounted to EUR 533.6 million (577.7). Revenue decreased from previous year due to lower year-on-year volumes caused by the close-downs of several unprofitable asphalt stations in Southern Sweden and Norway.

The segment's operating profit was EUR -6.0 million (11.5).

The segment's adjusted operating profit was EUR 3.3 million (11.5), and the adjusted operating profit margin was 0.6% (2.0).

The operating profit includes EUR 9.3 million adjustment items related to the reorganisation and improvement of the Scandinavian business operations. In Sweden and Norway, sizeable measures were taken to improve operational efficiency, and during the first months of the year, personnel reductions totalled approximately 150 full-time equivalents (FTEs), among other things.

Partnership properties

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

The income for the segment derives from investments, i.e. from rental income and increased value of the assets following their completion as well as sales. Additionally, the segment will potentially have revenue

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

Operating environment

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

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

Partnership properties EUR million	Reported 7-9/18	Pro forma 7-9/18	Pro forma 7-9/17	Change	Reported 1-9/18	Pro forma 1-9/18	Pro forma 1-9/17	Change ¹	Pro forma 1-12/17
Revenue	0.0	0.0			0.0	0.0			
Operating profit	-0.2	-0.2	-0.3	27%	-1.0	-1.0	-0.7	-47%	-0.5
Operating profit margin %									

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

EUR million	Reported 9/18	Reported 6/18	Change	Pro forma 12/17
Equity investments and investment commitments	167	167	0%	n/a
of which already invested in associated companies and joint ventures	151	143	6%	n/a

Projects

Partnership	Co-operation model	YIT's equity investment commitments	Total investment capacity estimate, EUR million	YIT's ownership	Additional information
Regenero Oy	Project development company	20 ¹	800 ²	50%	Owned by YIT and HGR Property Partners. Regenero owns a head quarter property in Keilaniemi, Espoo, and an office property in Tietotie 6, Otaniemi, Espoo, both in Finland. The occupancy rate of the Keilaniemi property is over 60% and that of Tietotie 6 is 100%. 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%), Onvest (15%) and Fennia (7.5%). Occupancy rate of the project is approximately 82%, 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.

¹ YIT's current equity investment in Regenero and YIT's direct investment in Tietotie 6.

² Includes the entire Keilaniemenranta area development project

July–September

The biggest project reported under the Partnership properties segment is Mall of Tripla. The project progressed as planned. During the period, leasing of the projects reported under the Partnership properties segment proceeded well. The occupancy rate of Mall of Tripla was approximately 82% at the end of period.

January–September

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

YIT's holding in the associated company Regenero created for project development and holding is reported

as part of the Partnership properties segment. Regenero develops a headquarter property in Keilaniemi and the Tietotie 6 office property in Otaniemi, both in Espoo, Finland. In May, Keilaniemen kiinteistökehitys Oy, a wholly owned subsidiary of Regenero, a joint venture formed by YIT and HGR Property Partners, issued a three-year senior secured bond of EUR 100 million. The bond issue is the first large real estate development bond in Finland, and its proceeds will be used for repaying existing debt and property development, including renovation and refurbishment of the existing premises as well as commercial development leveraging on the overall development of the Keilaniemi area.

YIT's holding of the YCE Housing I fund established by YIT and a group of Finnish investors is reported as part of the Partnership properties segment. The fund invests in housing development projects in the Czech Republic, Slovakia, Poland, Estonia, Latvia and Lithuania. During the next few years, the fund is

expected to carry out more than 10 projects and to develop approximately 1,000 apartments to be sold primarily to private buyers with YIT as the agent. YIT recognises the profits of the fund as revenue in proportion to its holdings, adjusted according to its own accounting principles for financial statements, and the profit is reported under the Partnership properties segment.

Established in April, the fund that invests in residential plots in Finland continued plot investments as planned. The equity investors of the fund are YIT (20%), Varma (40%) and Ålandsbanken (40%). The fund is managed by Ålandsbanken. YIT is responsible for

finding investment-grade plots for the fund, and Ålandsbanken makes the investments as the manager. YIT recognises profit generated by the fund corresponding to its ownership share of the fund, adjusted according to its own accounting principles for financial statements. YIT constructs self-developed residential buildings on the plots owned by the fund. The residents have a chance to redeem their plot share partly or completely at a preferred moment.

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

Personnel

Personnel per segment	9/18	6/18	Change, nr of persons	12/17
Housing Finland and CEE	2,812	2,964	-152	2,250
Housing Russia	1,451	1,546	-95	1,763
Business premises	1,109	1,295	-186	1,733
Infrastructure projects	1,954	2,068	-114	1,793
Paving	2,512	2,571	-59	1,822
Partnership properties	2	2	0	
Group services	365	369	-4	360
Group total	10,205	10,815	-610	9,721

Personnel per geographic area	9/18	6/18	Change, nr of persons	12/17
Finland	5,855	6,369	-514	5,398
Russia	1,800	1,863	-63	2,048
CEE countries	1,638	1,670	-32	1,442
Scandinavia	912	913	-1	833
Group total	10,205	10,815	-610	9,721

During January–September, the Group employed on average 10,000 people (10,567). YIT uses attending employee figures in reporting its number of personnel.

In February, YIT announced that it would start co-operation negotiations to organise the combined company. The co-operation negotiations ended at the end of March, and the decisions about structural changes were made at the beginning of April.

The number of redundancies based on eliminating double work in the organisation and streamlining the operations was at the maximum 120 employees in Finland. In addition, the same amount of personnel reduction was carried out as natural exits, retirements and terminations of fixed-term employment contracts. In other countries of operation, the reorganisation related

to integration reduced the number of personnel by approximately 200 employees, mainly in Russia.

The decrease in the Group's number of personnel from the end of June is mainly due to the decrease in the number of interns and seasonal employees, termination of employment contracts and organisational change in Russia. In addition, the contracts of the redundant employees have mainly terminated, and these employees are not included in the personnel figure for September.

In the Housing Finland and CEE and Business premises segments there has been internal transition between segments and also turnover has been higher than usual. Due to changes in the operating model, there has been transition from segments to Group services.

Personnel expenses totalled EUR 379.9 million. The cost impact of YIT's share-based incentive scheme was EUR 2.0 million.

The accident frequency (number of accidents per one million working hours) was 9.6 (9/2017: 9.4). The accident frequency is calculated with 12 months rolling average.

Long-term financial targets

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

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

Strategy

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

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

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

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

Resolutions passed at the Annual General Meeting

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

of Directors on March 16, 2018. The stock exchange releases and introductions of the members of the Board of Directors are available on YIT's web pages.

Shares and shareholders

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

Share capital and number of shares

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

YIT Corporation's share capital was 149,216,748.22 euros in the beginning of 2018 (2017: 149,216,748.22) and the number of shares outstanding was 127,223,422 (2017: 127,223,422). At the end of the period, on September 30, 2018, the number of shares was in total 211,099,853.

Treasury shares and authorisations of the Board of Directors

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

YIT Corporation held 1,408,213 treasury shares at the beginning of the year 2018. On April 26, 2018, the Board of Directors of YIT Corporation decided on a directed share issue through which 306,159 YIT Corporation shares were issued and conveyed without consideration to the key persons participating in the incentive scheme 2014–2019 according to the terms and conditions of the incentive scheme. The Board of Directors of YIT Corporation decided on September 18, 2018 on a directed share issue for Lemminkäinen Performance Share Program reward payment from the 2016 performance period. In connection with the merger of YIT and Lemminkäinen, the companies agreed on payment of unpaid share rewards earned under Lemminkäinen's long-term incentive plan with shares in YIT. After the directed share issues, the company held 1,051,143 own shares at the end of September.

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

Trading on shares

The opening price of YIT's share was EUR 6.40 on the first trading day of 2018. The closing price of the share on the last trading day of the reporting period on September 28, 2018 was EUR 6.03. YIT's share price decreased by approximately 6% during the reporting period. The highest price of the share during the reporting period was EUR 7.27, the lowest EUR 4.76 and the average price was EUR 5.77. Share turnover on Nasdaq Helsinki during the reporting period was approximately 194.9 million shares (119.2). The value of the share turnover was approximately EUR 1,123 million (847.2), source: Nasdaq Helsinki.

During the reporting period, approximately 175.4 million (103.3) YIT Corporation shares changed hands in alternative market places, corresponding to approximately 47 per cent (46) of the total share trade, source: Fidessa Fragmentation Index.

YIT Corporation's market capitalisation on the last trading day of the reporting period on September 28, 2018 was EUR 1,266.6 million (870.6). The market capitalisation has been calculated excluding the shares held by the company.

Number of shareholders and flagging notifications

At the end of September, the number of registered shareholders was 48,347 (42,436). A total of 12.2% of the shares were owned by nominee-registered and non-Finnish investors (21.6).

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

Managers' transactions

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

Most significant short-term business risks

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 consumer or business, 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 ruble, 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 September, 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 offering 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 present risks related to the demand for the company's products and services. New competitors, business models and products on the housing market may present 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 presents 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 40–50 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, 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 revenue in coming years, meaning that successful project management in the projects is integral. The guidance for year 2018 includes an estimate regarding the sale of several business premises by the end of the year. Delay in the sales process might have a significant impact on the result for the year 2018.

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 relating to, among other things, potential disagreements regarding decision making, financing and business operating, as well as distribution of liabilities among other 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 or prevent them from being realised. There are uncertainty factors related to authorities' actions, permit processes and their efficiency particularly in Russia and the CEE countries. The political tensions between EU, USA and Russia are materialised as sanctions, among others, that may have a significant impact on the company's business.

The improvement of the capital turnover will continue as a part of normal business. The company's target is to decrease the capital employed in Russia by RUB 6 billion by the end of 2018 compared to the situation of the end of June 2016. In connection with publishing the new strategy, YIT announced that its' new target is to further release capital employed in Russia by approximately

Legal proceedings

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

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

Quotas related to the use of recycled asphalt

On April 11, 2017, the Helsinki Court of Appeal gave its decision concerning environmental infraction

EUR 100 million (RUB 8 billion) from the earlier target level. Measures to release capital in a challenging market situation involve the risk of financial losses.

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 ruble-denominated investments that are discussed in more detail in YIT's Financial Statements 2017 in the "Capital structure and liquidity position" section. Additional information on financial risks and their management is provided in Note 28 to the Financial Statements.

charges. The decision is related to the quotas for the amount of recycled asphalt used in asphalt mass production, as defined in the environmental permits of the Lemminkäinen's Sammonmäki asphalt plant in Finland.

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

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

Quality concerns related to ready-mixed concrete

Ready-mixed concrete, among other things, has been used in construction business as a raw material. During the year 2016, especially in some infrastructure projects, suspicions have arisen that the ready-mixed concrete used in Finland would not entirely fulfil the predetermined quality requirements.

The Hospital District of Southwest Finland, as client in the project for the construction of the concrete deck of the T3 building of Turku University Hospital, has presented claims for damages to Lemminkäinen relating to the quality of the ready-mixed concrete. The capital amount of these claims is currently approximately EUR 20 million.

According to the company, the responsible party for the quality of the concrete is the supplier. Consequently, the company has filed a claim for compensation from the

supplier regarding the expenses relating to possible quality deviations. The capital amount of the claim is currently approximately EUR 20 million.

Short-term outlook by region

Finland

Consumer demand for apartments is expected to remain at a good level. Activity among residential investors is expected to be lower than in the previous years. Location and the price level will continue to play a key role.

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

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

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

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

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

Infrastructure construction market is expected to remain on the level of the year 2017. The state's investments in basic road maintenance are expected to keep demand relatively stable for paving in 2018. The government is cutting down the allowances for infrastructure projects for the coming years, which weakens the outlook for paving and infrastructure projects. Demand for infra projects is maintained by complex infrastructure projects in urban growth centres as well as transport projects and industrial investments.

Russia

In Russia, the bottom of the economic cycle is over, but geopolitical tension impacts the general market situation. The demand for apartments is expected to remain at the same level as seen on average in the

second half of 2017. Residential demand is anticipated to improve slowly and price levels are expected to remain low.

Changes in regulation concerning residential transactions are expected to lead to increased volatility in supply and demand for apartments as well as changes in sales practices. Demand is expected to focus primarily on affordable apartments.

Inflation in construction costs is expected to remain moderate.

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

The Baltic countries and CEE countries

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

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

Scandinavia

In Norway and Sweden, infrastructure construction is boosted by multi-year, state-funded traffic infrastructure development programmes. In both countries, infrastructure construction is expected to grow in 2018. 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

In October, residential sales to consumers are estimated to be around 140 units in Finland (10/17: around 260), around 120 units in the CEE countries (10/17: around 100) and approximately 350 units in Russia (10/17: 250). Additionally, of projects previously sold to the YCE Housing I fund, the fund is estimated to sell further to consumers approximately 28 apartments (10/17: 28).

After the review period on October 4, YIT's Trigoni proposal was nominated as a winner of the Helsinki High-rise Design-Build Competition, covering the development of the new high-rise district and the realisation of the first construction phase (start-up area) in Pasila in Helsinki, Finland. The realisation of the start-

up area includes the construction of two tower buildings and a podium structure. The winner and the implementation contract for the start-up phase will be officially decided upon by the Helsinki City Council and the Parliament. The construction of the start-up area could commence approximately 2020–2021 after the city plan has been confirmed, and its value is approximately EUR 500 million.

After the review period, YIT's project Tripla, in Central Pasila, won the Construction Site of the Year 2018 competition at the beginning of October.

Guidance for 2018 (IFRS)

On June 27, 2018, YIT's Board of Directors decided to give numerical guidance for year 2018 concerning the development of both the Group pro forma revenue and adjusted pro forma operating profit. The guidance is unchanged.

The Group pro forma revenue 2018 is estimated to decrease by -2% – -6% from pro forma revenue 2017 (pro forma 2017: EUR 3,862.5 million).

In 2018, the adjusted pro forma operating profit is estimated to be in the range of EUR 130–160 million (pro forma 2017: EUR 138.9 million).

Guidance rationale

The guidance for 2018 is based on, among others, the estimated timing of completions of residential

projects under construction and the company's solid order backlog. At the end of September, 62% of the order backlog was sold. YIT estimates that in 2018, approximately 5,100 apartments in Finland and CEE, and approximately 3,000 apartments in Russia will be completed for consumers.

During the year, YIT has signed several significant, long-term lease agreements and the estimate regarding the adjusted operating profit includes the divestment of several business premises in the Helsinki metropolitan area to final investors during the fourth quarter. In the fourth quarter, the adjusted pro forma operating profit is expected to be clearly better than last year.

Estimated completions of consumer apartment projects under construction

Apartments under construction in total on September 30, 2018: 14,666 (6/2018:14,938). The table below shows the company's current estimate of completed consumer apartment projects under construction, 13,250 apartments in total. In addition, the company has 1,416 apartments that are recognised in accordance with POC. Previously, the company has given estimate

regarding the entire housing stock under construction. 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	1–9/2018, actual	Q4/2018, estimate	Q1/2019, estimate	Q2/2019, estimate	Q3/2019, estimate	Later
Finland ¹	2,526	1,100	800	1,000	400	1,204
CEE ²	784	600	300	400	600	750
Russia ³	979	2,000	0	800	700	2,596
Total	4,245	3,700	1,100	2,200	1,700	4,550

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

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

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

Factors affecting the guidance

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

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

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

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

Presentation of financial information in the interim report

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

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

In this interim report, the figures for the third quarter and for the first nine months of 2018, the comparison figures and the figures for year 2017 are presented as pro forma figures. The pro forma balance sheet is presented as if the merger had occurred on December

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

Due to the merger, YIT's financial information is also reported in the explanatory statement of the interim report so that the financial statements of merged Lemminkäinen for the financial period January 1–January 31, 2018 are included in the pro forma figures for 2018, and the figures are presented in the tables in the column "Pro forma 1–9/18". Figures including Lemminkäinen's financial statements for the financial period January 1–January 31, 2018 are used in the discussion in the explanatory statement and compared to the pro forma figures January 1–December 31, 2017. In the half-year report tables, the column "Reported 1–9/18" does not include Lemminkäinen's figures for the financial period January 1–January 31, 2018.

Interim report January 1 - September 30 2018: Tables

1	ACCOUNTING PRINCIPLES OF THE INTERIM REPORT	34
1.1	Most relevant currency exchange rates used in the interim report	34
2	FINANCIAL STATEMENTS	35
2.1	Consolidated income statement	35
2.2	Statement of comprehensive income, IFRS	35
2.3	Consolidated statement of financial position	36
2.4	Consolidated cash flow statement, IFRS	37
2.5	Consolidated statement of changes in equity, IFRS	38
3	NOTES	39
3.1	Segment information	39
3.2	Revenue from contracts with customers	44
3.3	Merger	47
3.4	Inventories, IFRS	48
3.5	Change in contingent liabilities and assets and commitments	48
4	ADDITIONAL INFORMATION	49
4.1	New standards	49
4.2	Standards to be adopted later	50
4.3	Key figures	51
4.4	Reconciliation of certain key figures	52
4.5	Definitions of financial key performance indicators	55

1 ACCOUNTING PRINCIPLES OF THE INTERIM REPORT

This interim report has been prepared in accordance with the International Financial Reporting Standards (IFRS), but all the requirements of the IAS 34: Interim Financial Reporting have not been met. This interim report should be read together with YIT Corporation's Financial Statements 2017. 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 9 and IFRS 15 on January 1, 2018 did not have a material impact on YIT's consolidated financial statements. Additional information on the adoption of IFRS 15 and IFRS 9 can be found in the notes 3.2. and 4.1. of this interim report.

Pro forma information

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

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

The pro forma balance sheet is presented as if the merger had occurred on December 31, 2017. The pro forma income statements for the year ended on December 31, 2017 and for the period ended on September 30, 2018 are presented as if the merger had occurred on January 1, 2017.

1.1 Most relevant currency exchange rates used in the interim report

		Average rates			End rates		
		1-9/18	1-9/17	1-12/17	9/18	9/17	12/17
1 EUR =	CZK	25.5725	26.5497	26.3231	25.7310	25.9810	25.5350
	PLN	4.2485	4.2646	4.2561	4.2774	4.3042	4.1770
	RUB	73.4342	64.9392	65.9183	76.1422	68.2519	69.3920
	SEK	10.2384	n/a	n/a	10.3090	n/a	n/a
	NOK	9.5877	n/a	n/a	9.4665	n/a	n/a
	DKK	7.4503	n/a	n/a	7.4564	n/a	n/a

2 FINANCIAL STATEMENTS

2.1 Consolidated income statement

EUR million	Reported	Reported	Reported	Reported	Reported	Pro forma	Pro forma	Pro forma	Pro forma	Pro forma
	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017	7-9/ 2018	7-9/ 2017	1-9/ 2018	1-9/ 2017	1-12/ 2017
Revenue	979.2	420.2	2,420.4	1,381.4	1,993.8	979.2	1,059.5	2,490.3	2,738.9	3,862.5
Other operating income	5.8	4.3	19.6	9.3	37.4	5.8	5.5	20.1	15.2	45.7
Change in inventories of finished goods and in work in progress	27.7	-12.5	179.8	-12.5	-83.1	27.7	-43.0	184.6	-25.8	-97.9
Production for own use	0.2	0.1	0.5	0.5	0.7	0.2	0.1	0.5	0.7	0.9
Materials and supplies	-224.6	-29.4	-601.4	-187.4	-276.8	-221.8	-207.6	-607.5	-564.3	-776.5
External services	-488.0	-237.7	-1,252.0	-725.9	-985.9	-488.0	-481.1	-1,302.2	-1,302.0	-1,815.3
Personnel expenses	-119.0	-59.0	-379.9	-199.1	-275.7	-119.0	-144.9	-399.2	-426.9	-588.5
Other operating expenses	-122.4	-66.6	-331.8	-213.8	-309.7	-122.4	-111.3	-341.1	-350.9	-493.1
Share of results in associated companies and joint ventures	1.4	-0.1	-0.2	-0.3	-0.9	1.4	1.0	-0.7	0.1	-0.7
Depreciation, amortisation and impairment	-16.3	-3.7	-38.9	-10.7	-14.2	-14.6	-18.2	-36.2	-44.7	-59.7
Operating profit	44.1	15.6	16.1	41.4	85.5	48.6	60.1	8.7	40.3	77.4
Financial income	2.0	0.5	5.8	1.7	1.9	2.0	0.6	5.8	2.1	2.3
Exchange rate differences (net)	-1.1	-0.6	-1.3	2.3	2.6	-1.1	-1.2	-1.5	1.0	0.7
Financial expenses	-7.9	-3.2	-32.0	-14.0	-19.1	-7.9	-4.9	-30.5	-23.5	-29.7
Financial income and expenses, total	-7.0	-3.3	-27.5	-10.0	-14.6	-7.0	-5.4	-26.2	-20.5	-26.7
Result before taxes	37.1	12.2	-11.5	31.4	70.9	41.6	54.7	-17.5	19.8	50.7
Income taxes	-4.7	-2.0	0.2	-6.4	-14.3	-5.6	-10.2	-2.9	-4.4	-24.3
Result for the period	32.4	10.2	-11.2	25.0	56.6	36.0	44.5	-20.4	15.5	26.3
Attributable to										
Equity holders of the parent company	32.4	10.2	-11.2	25.0	56.6	36.0	44.5	-20.4	15.5	26.3
Earnings per share, attributable to the equity holders of the parent company										
Basic, EUR	0.16	0.08	-0.06	0.20	0.45	0.17	0.21	-0.10	0.07	0.13
Diluted, EUR	0.16	0.08	-0.06	0.20	0.44	n/a	n/a	n/a	n/a	n/a

2.2 Statement of comprehensive income, IFRS

EUR million	Reported	Reported	Reported	Reported	Reported
	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017
Result for the period	32.4	10.2	-11.2	25.0	56.6
Items that may be reclassified subsequently to profit/loss:					
Cash flow hedges	0.0	0.0	0.1	0.3	0.3
Deferred tax from previous	-0.0	-0.0	-0.0	-0.1	-0.1
Change in translation differences	-15.8	-4.2	-40.3	-24.2	-31.4
Items that may be reclassified subsequently to profit/loss, total	-15.8	-4.2	-40.3	-24.0	-31.1
Total comprehensive result	16.6	6.0	-51.5	1.1	25.5
Attributable to equity holders of the parent company	16.6	6.0	-51.5	1.1	25.5

2.3 Consolidated statement of financial position

EUR million	Reported 9/2018	Reported 9/2017	Reported 12/2017	Pro forma 12/2017
ASSETS				
Non-current assets				
Property, plant and equipment	198.9	56.8	54.8	219.2
Goodwill	319.9	8.1	8.1	306.4
Other intangible assets	51.0	11.4	11.3	62.2
Investments in associated companies and joint ventures	155.6	97.3	120.1	124.2
Equity investments	2.3	0.4	0.4	2.3
Interest-bearing receivables	39.6	42.9	46.0	46.0
Other receivables	2.1	2.6	1.6	1.9
Deferred tax assets	75.9	52.0	53.2	61.5
Non-current assets total	845.3	271.7	295.6	823.7
Current assets				
Inventories	2,136.1	1,693.0	1,592.5	2,008.0
Trade and other receivables	610.2	216.7	211.8	466.5
Interest-bearing receivables	9.3	1.8	1.6	
Income tax receivables	2.5	9.6	2.1	3.1
Cash and cash equivalents	204.7	32.2	89.7	111.3
Current assets total	2,962.7	1,953.3	1,897.8	2,589.0
Total assets	3,808.1	2,225.0	2,193.3	3,412.7
EQUITY AND LIABILITIES				
Total equity attributable to the equity holders of the parent company	1,016.6	539.6	564.7	1,116.6
Equity total	1,016.6	539.6	564.7	1,116.6
Non-current liabilities				
Deferred tax liabilities	29.7	14.7	9.9	32.6
Pension obligations	2.4	2.1	2.1	2.4
Provisions	81.9	45.2	46.0	83.4
Borrowings	425.2	298.6	344.5	467.9
Other liabilities	67.5	52.9	53.7	53.8
Total non-current liabilities	606.6	413.5	456.2	640.1
Current liabilities				
Advances received	890.2	460.0	494.3	634.2
Trade and other payables	637.9	370.8	392.7	611.1
Income tax payables	12.7	8.4	13.0	12.9
Provisions	47.9	30.1	26.3	40.0
Borrowings	596.2	402.7	246.3	357.9
Total current liabilities	2,184.8	1,271.9	1 172,5	1,656.0
Liabilities total	2,791.5	1,685.4	1 628,7	2,296.1
Total equity and liabilities	3,808.1	2,225.0	2 193,3	3,412.7

2.4 Consolidated cash flow statement, IFRS

	Reported	Reported	Reported	Reported	Reported
EUR million	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017
Result for the period	32.4	10.2	-11.2	25.0	56.6
Reversal of accrual-based items	31.7	11.8	97.8	46.1	47.1
Change in trade and other receivables	-32.2	-2.9	-136.9	6.3	32.3
Change in inventories	-37.8	-1.4	-201.6	10.8	100.6
Change in current liabilities	-4.8	-43.9	299.3	-17.8	34.9
Change in working capital, total	-74.8	-48.2	-39.2	-0.7	167.8
Cash flow of financial items	-7.4	-6.5	-37.5	-21.5	-26.7
Taxes paid	-4.6	-3.3	-19.8	-7.5	-9.4
Net cash generated from operating activities	-22.6	-36.1	-9.9	41.2	235.2
Acquisition of subsidiaries, associated companies and joint ventures, net of cash	-7.0	-15.5	-42.3	-34.1	-60.0
Disposal of subsidiaries, associated companies and joint ventures		0.0	1.5	0.0	4.5
Cash outflow from investing activities	-5.5	-5.1	-17.3	-15.6	-18.7
Cash inflow from investing activities	2.3	0.5	12.2	1.9	3.3
Net cash used in investing activities	-10.4	-20.1	-45.9	-47.9	-70.9
Operating cash flow after investments	-33.0	-56.2	-55.8	-6.6	164.3
Change in loan receivables	-0.9	-0.6	-1.0	0.0	0.1
Change in current liabilities	-43.8	52.9	131.2	42.4	-109.2
Proceeds from borrowings	0.0	30.0	270.0	60.0	110.0
Repayments of borrowings	-0.0	-30.0	-191.5	-101.4	-112.9
Payments of financial leasing debts	-2.5	-0.1	-5.3	-0.2	
Dividends paid		-0.0	-52.4	-27.6	-27.6
Net cash used in financing activities	-47.1	52.2	151.0	-26.8	-139.6
Net change in cash and cash equivalents	-80.1	-4.0	95.1	-33.4	24.7
Cash and cash equivalents at the beginning of the period	285.6	35.3	89.7	66.4	66.4
Cash generated from merger			21.6		
Change in the fair value of the cash equivalents	-0.6	0.9	-1.7	-0.8	-1.5
Cash and cash equivalents at the end of the period	204.7	32.2	204.7	32.2	89.7

2.5 Consolidated statement of changes in equity, IFRS

Equity attributable to equity holders of the parent company										
EUR million	Share capital	Legal reserve	Other reserves	Translation difference	Fair value reserve	Treasury shares	Retained earnings	Total	Non-controlling interest	Equity total
Equity on January 1, 2018	149.2	1.5	0.7	-216.5	-0.0	-7.2	636.9	564.7		564.7
IFRS 9 adjustment							-0.7	-0.7		-0.7
Adjusted equity on January 1, 2018	149.2	1.5	0.7	-216.5	-0.0	-7.2	636.3	564.0		564.0
Comprehensive income										
Result for the period							-11.2	-11.2		-11.2
Other comprehensive income:										
Cash flow hedges					0.1			0.1		0.1
-Deferred tax from previous					-0.0			-0.0		-0.0
Translation differences				-40.3				-40.3		-40.3
Comprehensive income, total				-40.3	0.1		-11.2	-51.5		-51.5
Transactions with owners										
Merger	0.5		554.9					555.4		555.4
Cost related to share issue			-1.4					-1.4		-1.4
Dividend distribution							-52.4	-52.4		-52.4
Share-based incentive schemes						1.6	0.9	2.5		2.5
Transactions with owners, total	0.5		553.5			1.6	-51.5	504.1		504.1
Equity on September 30, 2018	149.7	1.5	554.2	-256.8	0.1	-5.6	573.5	1,016.6		1,016.6

Equity attributable to equity holders of the parent company										
EUR million	Share capital	Legal reserve	Other reserves	Translation difference	Fair value reserve	Treasury shares	Retained earnings	Total	Non-controlling interest	Equity total
Equity on January 1, 2017	149.2	1.5		-185.0	-0.3	-8.3	606.7	563.9		563.9
Comprehensive income										
Result for the period							25.0	25.0		25.0
Other comprehensive income:										
Cash flow hedges					0.3			0.3		0.3
-Deferred tax from previous					-0.1			-0.1		-0.1
Translation differences				-24.2				-24.2		-24.2
Comprehensive income, total				-24.2	0.2		25.0	1.1		1.1
Transactions with owners										
Dividend distribution							-27.6	-27.6		-27.6
Share-based incentive schemes			0.6			1.1	0.6	2.2		2.2
Transactions with owners, total			0.6			1.1	-27.1	-25.4		-25.4
Equity on September 30, 2017	149.2	1.5	0.6	-209.3	-0.0	-7.2	604.7	539.6		539.6

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

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 principles

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

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

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

Seasonality of business

Seasonality of certain operations of the company affects the company's profit and its timing. According to the IFRS accounting principles, revenue from the company's own residential construction projects is recognised on completion. 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

7-9/2018 reported								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	244.2	55.8	211.4	188.5	297.5	0.0	-18.2	979.2
Revenue from external customers	244.1	55.6	209.8	179.8	289.9	0.0	-0.1	979.2
Revenue Group internal	0.1	0.2	1.5	8.7	7.6		-18.2	
Depreciation, amortisation and impairment	-0.3	-0.2	-0.1	-3.8	-6.7		-5.3	-16.3
Operating profit	23.9	-8.4	8.7	3.9	29.1	-0.2	-12.9	44.1
Operating profit margin, %	9.8%	-15.1%	4.1%	2.1%	9.8%			4.5%
Adjusting items	0.0	0.6			0.2		8.9	9.7
Adjusted operating profit	23.9	-7.8	8.7	3.9	29.3	-0.2	-4.0	53.8
Adjusted operating profit margin, %	9.8%	-14.0%	4.1%	2.1%	9.8%			5.5%
Capital employed	571.7	341.0	125.2	95.2	117.0	148.7	356.0	1,754.7

1-9/2018 reported								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	789.5	143.5	586.0	414.2	523.3	0.0	-36.1	2,420.4
Revenue from external customers	789.3	143.1	583.4	392.0	513.2	0.0	-0.7	2,420.4
Revenue Group internal	0.1	0.4	2.6	22.1	10.1		-35.4	
Depreciation, amortisation and impairment	-0.9	-0.6	-0.3	-10.0	-12.7		-14.5	-38.9
Operating profit	74.9	-32.5	11.6	-3.6	7.8	-1.0	-41.2	16.1
Operating profit margin, %	9.5%	-22.6%	2.0%	-0.9%	1.5%			0.7%
Adjusting items	0.7	4.5	0.4	0.3	7.4		23.5	36.8
Adjusted operating profit	75.6	-28.0	12.0	-3.3	15.2	-1.0	-17.6	52.9
Adjusted operating profit margin, %	9.6%	-19.5%	2.1%	-0.8%	2.9%			2.2%
Capital employed	571.7	341.0	125.2	95.2	117.0	148.7	356.0	1,754.7

7-9/2018 pro forma								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	244.2	55.8	211.4	188.5	297.5	0.0	-18.2	979.2
Revenue from external customers	244.1	55.6	209.8	179.8	289.9	0.0	-0.1	979.2
Revenue Group internal	0.1	0.2	1.5	8.7	7.6		-18.2	
Depreciation, amortisation and impairment	-0.3	-0.2	-0.1	-3.8	-6.7		-3.6	-14.6
Operating profit	23.9	-8.4	8.7	3.9	29.1	-0.2	-8.4	48.6
Operating profit margin, %	9.8%	-15.1%	4.1%	2.1%	9.8%			5.0%
Adjusting items	0.0	0.6	0.0	0.0	0.2		4.4	5.2
Adjusted operating profit	23.9	-7.8	8.7	3.9	29.3	-0.2	-4.0	53.8
Adjusted operating profit margin, %	9.8%	-14.0%	4.1%	2.1%	9.8%			5.5%
Capital employed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

7-9/2017 pro forma								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	329.1	45.1	203.5	186.2	312.7		-17.0	1,059.5
Revenue from external customers	329.1	45.1	201.4	179.4	304.7		-0.2	1,059.5
Revenue Group internal	0.0		2.0	6.7	8.0		-16.8	
Depreciation, amortisation and impairment	-0.5	-0.4	-0.0	-3.5	-8.8		-5.2	-18.2
Operating profit	33.2	-6.9	8.0	7.6	27.4	-0.3	-9.4	60.1
Operating profit margin, %	10.1%	-15.2%	4.0%	4.1%	8.8%			5.7%
Adjusting items							6.0	6.0
Adjusted operating profit	33.2	-6.9	8.0	7.6	27.4	-0.3	-3.3	66.1
Adjusted operating profit margin, %	10.1%	-15.2%	4.0%	4.1%	8.8%			6.2%
Capital employed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1-9/2018 pro forma								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	803.9	147.4	606.5	436.0	533.6	0.0	-37.1	2,490.3
Revenue from external customers	803.7	146.9	603.6	413.6	523.2	0.0	-0.7	2,490.3
Revenue Group internal	0.1	0.4	2.9	22.4	10.4		-36.3	
Depreciation, amortisation and impairment	-0.9	-0.6	-0.3	-10.5	-13.2		-10.7	-36.2
Operating profit	74.1	-33.4	11.3	-6.5	-6.0	-1.0	-29.9	8.7
Operating profit margin, %	9.2%	-22.7%	1.9%	-1.5%	-1.1%			0.3%
Adjusting items	0.7	4.5	0.4	0.3	9.3		11.1	26.2
Adjusted operating profit	74.8	-28.9	11.7	-6.2	3.3	-1.0	-18.8	34.9
Adjusted operating profit margin, %	9.3%	-19.6%	1.9%	-1.4%	0.6%			1.4%
Capital employed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1-9/2017 pro forma								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	885.5	220.6	622.4	483.3	577.7		-50.7	2,738.9
Revenue from external customers	885.5	220.6	615.7	460.2	557.1		-0.2	2,738.9
Revenue Group internal	0.1		6.7	23.1	20.5		-50.5	
Depreciation, amortisation and impairment	-1.3	-0.9	-0.1	-10.0	-16.6		-15.9	-44.7
Operating profit	67.7	-13.6	16.7	11.5	11.5	-0.7	-53.6	40.3
Operating profit margin, %	7.6%	-6.2%	2.7%	2.4%	2.0%			1.5%
Adjusting items							38.2	38.2
Adjusted operating profit	67.7	-13.6	16.7	11.5	11.5	-0.7	-15.4	78.5
Adjusted operating profit margin, %	7.6%	-6.2%	2.7%	2.4%	2.0%			2.9%
Capital employed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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

Order backlog at the end of the period

	Reported	Pro forma	Pro forma
EUR million	1-9/2018	1-9/2017	1-12/2017
Housing Finland and CEE	1,767.1	1,438.8	1,580.1
Housing Russia	428.2	576.2	448.6
Business premises	1,630.6	1,380.5	1,306.8
Infrastructure projects	643.3	471.7	471.0
Paving	521.7	511.8	411.8
Partnership properties			
Order backlog, total	4,990.8	4 378.9	4,218.3

3.2 Revenue from contracts with customers

Initial application of IFRS 15

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

The company did not adjust contracts fully satisfied and completed during the year 2017. In addition, the company did not adjust contracts completed at the date of initial application of January 1, 2017, did not adjust the variable consideration for the comparative period for contracts that were completed at the end of the year 2017, and did not restate contract modifications made before the transition date. The company considered the cumulative impact of contract modifications when determining the transaction price, assessing satisfied and unsatisfied performance obligations and allocating the transaction price to the performance obligations. The company does not disclose the amount of transaction price allocated to the unsatisfied performance obligations as at 31 December 2017 nor provide a more detailed description of satisfying the performance obligations.

Recognition of revenue from contracts with customers

YIT discloses net sales as revenues from contracts with customers less indirect taxes and discounts. Transaction price expected to be received from the customer, including variable amounts such as penalties and bonus payments based on performance, is determined at the contract inception. Some or all of the amount of the variable consideration estimated is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimated transaction price is updated at the end of each reporting period. YIT does not have incremental costs of obtaining a contract. All costs generated before the inception of a contract are expensed once incurred. YIT capitalises costs to fulfil contracts, that meet the criteria of capitalisation, and costs to fulfil contracts are amortised according to project's measure of progress. For YIT costs to fulfil contracts are typically land plot related costs in construction projects in which land plot and construction service are one performance obligation. Costs to fulfil contracts are presented in statement of financial position in line item inventories. In some specific contracts with customers, there is a significant timing difference between the payment from the customer and the transfer of promised goods or services to the customer. YIT applies a practical expedient and does not adjust the promised amount of consideration for the effects of a significant financing component, when the period between when the payment from the customer and the transfer of promised goods or services to the customer is expected to be one year or less. Significant financing component is accounted for if the timing difference is more than one year and the annual average interest expense is significant with respect to the contract. For most of the contracts, payments received from customers are mainly in line with how the work progresses.

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

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

Housing Finland and CEE and Housing Russia

Revenue recognition over time

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

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

Revenue recognition at a point in time

The revenue from residential development projects, where the criteria for revenue recognition over time are not met, is recognised at a point in time when the control of the asset is transferred to the customer i.e. the asset is completed and handed over to the customer. Revenue recognition of completed projects is based on the degree of sale. Residential development projects are projects developed by YIT which are not sold as construction begins and of which individual apartments are sold instead of entire buildings.

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

Business premises and Infrastructure projects

Revenue recognition over time

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

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

Revenue recognition at a point in time

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

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

Paving

Revenue recognition over time

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

Revenue from mineral aggregates quarrying and crushing business performed on land area owned by the customer is recognised over time as the customer simultaneously receives and consumes the benefits provided by the quarrying and crushing service of YIT. Revenue from the service is recognised using an output method. The lifespan of the quarrying and crushing service is relatively short.

Revenue recognition at a point in time

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

Partnership properties

Revenue recognition over time

Segment's revenue generated through different type service contracts, that are related to assets partially owned or acquired, is recognised over time as the customer simultaneously receives and consumes the benefits of service provided.

Revenue recognition at a point in time

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

Management judgement and estimates

Recognition of revenue from construction projects

Revenue recognition over time is based on estimates of the project's transaction price. i.e. expected revenue and costs as well as on the reliable measurement of progress of the project. In order to make a reliable estimate, the project's costs are determined and itemised as accurately as possible. To determine revenue, management has to estimate factors affecting the transaction price expected to be received from the customer, including variable components such as penalties and bonus payments based on performance. Calculation of the total income of projects includes estimates on the total expenditure required to complete the project. Due to estimates included in the revenue recognition of construction services and service contracts, revenue recognised by measure of progress and profit presented by financial period only rarely correspond to the equal distribution of the total profit over the duration of the project.

Estimates related to projects revenue recognition are regularly and reliably updated. If the estimates of the end result of a project recognised as revenue over time change, the sales and profits recognised are adjusted in the reporting period when the change first became known and could be estimated. If it is probable that the total expenditure required to complete a project will exceed the total income from the project, the expected loss is expensed immediately.

3.3 Merger

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

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

The Company has no other relevant business combinations.

3.4 Inventories, IFRS

EUR million	Reported 9/2018	Reported 9/2017	Reported 12/2017
Raw materials and consumables	59.6	4.9	4.3
Work in progress	1,142.8	874.8	789.5
Land areas and plot owning companies	656.5	603.5	570.1
Shares in completed housing and real estate companies	195.2	169.9	193.6
Advance payments	58.7	37.9	33.8
Other inventories	23.2	2.0	1.2
Total inventories	2,136.1	1,693.0	1,592.5

3.5 Change in contingent liabilities and assets and commitments

EUR million	Reported 9/2018	Reported 9/2017	Reported 12/2017
Guarantees			
Guarantees on behalf of others	5.6		
Guarantees on behalf of its associated companies	5.0	5.0	5.0
Guarantees on behalf of Group companies	1,621.1	1,307.6	1,023.7
Other commitments			
Investment commitments	15.9	55.8	22.4
Repurchase commitments	340.5	274.1	265.2
Operating leases	168.1	100.9	97.8
Rental guarantees for clients	3.5	4.8	4.4
Liability under derivative contracts			
Value of underlying instruments			
Interest rate derivatives	252.5	277.5	275.0
Foreign exchange derivatives	155.8	42.5	22.4
Commodity derivatives	10.3		
Fair value			
Interest rate derivatives	-2.8	-4.4	-3.8
Foreign exchange derivatives	-1.3	-0.8	0.0
Commodity derivatives	1.2		

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 September 30, 2018 EUR 11.6 million.

Legal proceedings

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

4 ADDITIONAL INFORMATION

4.1 New standards

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

IFRS 9

Financial assets

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

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

Impairment of financial assets

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

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

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

Reconciliation calculation of opening balance January 1, 2018

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

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

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

EUR million	Trade receivables	Contract assets
Gross carrying amount September 30, 2018	280.9	76.0
Loss allowance provision	1.7	0.2
Carrying amount after provision September 30, 2018	279.1	75.8

4.2 Standards to be adopted later

IFRS 16 Leases

The IFRS 16 Leases standard was issued in January 2016. The company starts applying the standard on January 1, 2019 which is the effective date of the standard. The standard is applied to lessee's and lessor's financial statements. Standard requires the lessee to recognise almost all lease contracts in the balance sheet, except short-term leases and leases for which the underlying asset is of low value.

The adoption of the standard will increase the amount of property, plant and equipment as well as the amount of financial liabilities. The company also has land lease contracts related to construction business, which, according to the preliminary analysis, will be recognised to inventories and interest-bearing liabilities. The company will apply the modified retrospective approach in transition and thus, the comparative figures will not be restated. According to the preliminary analysis, the standard is not expected to have significant impact on profit for the accounting period or equity. Based on the current estimate, the standard will increase the company's assets and liabilities approximately EUR 200-300 million.

The table below presents relevant accounting policy decisions that YIT has initially made.

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

4.3 Key figures

	Reported 7-9/ 2018	Reported 7-9/ 2017	Reported 1-12/ 2017	Reported 1-9/ 2018	Reported 1-9/ 2017	Pro forma 7-9/2018	Pro forma 7-9/2017	Pro forma 1-12/2017	Pro forma 1-9/2018	Pro forma 1-9/2017
Equity ratio, %	34.8%	30,6%	33.2%	34.8%	30.6%	n/a	n/a	40.2%	n/a	n/a
Net interest-bearing debt, EUR million ¹	767.8	624.4	453.4	767.8	624.4	767.8	n/a	668.5	767.8	n/a
Net debt/adjusted pro forma ebitda	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.6	5.6	n/a
Gearing ratio, % ¹	75.5	115.7%	80.3%	75.5	115.7%	n/a	n/a	59.9%	n/a	n/a
Unrecognised order backlog at the end of the period, EUR million	4 990.8	2,924.2	2,912.7	4 990.8	2,924.2	4,990.8	4 378,9	4,218.3	4 ,990.8	n/a
- of which activities outside Finland, EUR million	1 068.2	908.6	803.1	1 068.2	908.6	1,068.2	n/a	n/a	1 ,068.2	n/a
Personnel at the end of the period	10,205	5,533	5,427	10,205	5,533	10,661	n/a	9,721	10,661	n/a
Gross capital expenditures, EUR million	13.4	20.6	30.5	50.2	49.6	n/a	n/a	n/a	n/a	n/a
% of revenue	1.4%	4,9%	5.0%	2.1%	3.6%	n/a	n/a	n/a	n/a	n/a
Average share price during the period, EUR	5.77	7,11	6.94	5.77	7.11	n/a	n/a	n/a	n/a	n/a
Share price at the end of the period, EUR	6.03	6,92	6.37	6.03	6.92	n/a	n/a	n/a	n/a	n/a
Market capitalisation at the end of the period, EUR million	1,266.6	870,6	801.4	1,266.6	870.6	n/a	n/a	n/a	n/a	n/a
Equity per share, EUR	4.84	4,29	4.49	4.84	4.29	n/a	n/a	n/a	n/a	n/a
Adjusted earnings per share pro forma, EUR	n/a	n/a	n/a	n/a	n/a	0.19	0.23	0.35	-0.00	0.22
Weighted average number of shares outstanding – basic, 1,000 pcs	200,619	125,701	125,730	200,619	125,701	209,058	209,578	209,606	209,058	209,578
Weighted average number of shares outstanding, Diluted, 1,000 pcs	201,410	127,607	127,656	201,410	127,607	n/a	n/a	n/a	n/a	n/a
Number of shares at end of period, 1,000 pcs	210,049	125,815	125,815	210,049	125,815	n/a	n/a	n/a	n/a	n/a

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

4.4 Reconciliation of certain key figures

Reconciliation of adjusted operating profit

Milj. e	Reported 1-9/ 2018	Reported 1-9/ 2017	Reported 1-12/ 2017	Reported 7-9/ 2018	Reported 7-9/ 2017	Pro forma 1-9/ 2018	Pro forma 1-9/ 2017	Pro forma 1-12/ 2017	Pro forma 7-9/ 2018	Pro forma 7-9/ 2017
Operating profit (IFRS)	16,1	41,4	85,5	44,1	15,6	8,7	40,3	77,4	48,6	60,1
Adjusting items										
Write-down of inventories	3,4		14,0	-0,1		3,4		14,0		-0,1
Restructurings and divestments ¹	5,6			0,1		7,5				0,1
Transaction costs related to merger	1,4	4,0	6,1		3,0		15,1	15,1		
Integration costs related to merger	6,8			2,3		6,8	1,3	3,8	2,3	1,3
Costs, compensations and reimbursements related to court proceedings							1,3	1,4		-2,2
Inventory fair value adjustment from PPA ²	10,0			3,8		2,8	10,3	13,7	0,9	3,4
Depreciation and amortisation expenses from PPA ²	9,6			3,6		5,8	10,3	13,7	1,9	3,4
Adjusting items, total	36,8	4,0	20,1	9,7	3,0	26,2	38,2	61,5	5,2	23,3
Adjusted operating profit	52,9	45,5	105,6	53,8	18,6	34,9	78,5	138,9	53,8	60,4

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 pro forma ebitda

EUR million	1-9/2018	1-12/2017
Adjusted operating profit	95.3	138.9
Depreciations and amortisations	51.2	59.7
Depreciation and amortisation expenses from PPA	-9.1	-13.7
Adjusted pro forma ebitda	137.4	185.3

Pro forma adjusted earnings per share

EUR million, unless otherwise noted	1-9/2018	1-9/2017	1-12/2017	7-9/2018	7-9/2017
Pro forma result for the period attributable to the equity holders of the parent company, EUR million	-20.4	15.5	26.3	36.0	44.5
Adjusting items, total (included in operating profit)¹	26.2	38.2	61.5	5.2	6.0
Adjusting items related to merger included in financial expenses					
Bond consent solicitation fees in the income statement		0.9	0.9		
Fees and expenses related to bridge financing facility		1.4	1.4		
Arrangement fee from the old revolving credit facility		0.7	0.7		
Reduction of financial expenses due to the Lemminkäinen bond fair value adjustment	-4.2	-3.6	-4.7	-1.6	-1.2
Adjusting items related to merger included in financial expenses, total	-4.2	-0.6	-1.8	-1.6	-1.2
Adjusting items, total (included in operating profit)¹ and Adjusting items related to merger included in financial expenses, total	22.0	37.6	59.7	3.6	4.8
Tax impact	-2.3	-7.3	-11.8	-0.7	-1.4
Pro forma adjusted result for the period attributable to the equity holders of the parent company, EUR million	-0.7	45.7	74.3	38.9	47.9
Pro forma weighted average number of shares outstanding – basic, 1,000 pcs	209,058	209,578	209,606	209,058	209,578
Pro forma adjusted earnings per share attributable to the equity holders of the parent company – basic, EUR	-0.00	0.22	0.35	0.19	0.23

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

Pro forma Revenue (POC) and Adjusted operating profit (POC) reconciliation

Housing Finland and CEE pro forma, EUR million	Pro forma 7-9/2018	Pro forma 7-9/2017	Pro forma 1-9/2018	Pro forma 1-9/2017	Pro forma 1-12/2017
Revenue (IFRS)	244.2	329.1	803.9	885.5	1,156.2
POC adjustments	-4.3	-50.3	-2.4	1.2	29.7
Revenue (POC)	239.9	278.8	801.5	886.7	1,185.9
Operating profit (IFRS)	23.9	33.2	74.1	67.7	78.1
Adjusting items			0.7		4.9
Adjusted operating profit (IFRS)	23.9	33.2	74.8	67.7	83.0
POC adjustments	-3.6	-6.0	-6.3	8.8	18.5
Adjusted operating profit (POC)	20.3	27.3	68.6	76.5	101.5

Housing Russia pro forma, EUR million	Pro forma 7-9/2018	Pro forma 7-9/2017	Pro forma 1-9/2018	Pro forma 1-9/2017	Pro forma 1-12/2017
Revenue (IFRS)	55.8	45.1	147.4	220.6	421.0
POC adjustments	6.5	21.1	55.0	-15.6	-100.7
Revenue (POC)	62.4	66.2	202.4	205.1	320.3
Operating profit (IFRS)	-8.4	-6.9	-33.4	-13.6	1.7
Adjusting items	0.6		4.5		3.2
Adjusted operating profit (IFRS)	-7.8	-6.9	-28.9	-13.6	4.9
POC adjustments	3.3	7.0	11.5	12.9	-0.3
Adjusted operating profit (POC)	-4.5	0.1	-17.4	-0.7	4.6

4.5 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.	
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").	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.
Interest-bearing debt	Non-current borrowings and current borrowings.	Interest-bearing debt is a key figure to measure YIT's total debt financing.
Interest-bearing net debt	Interest-bearing debt less cash and cash equivalents and interest-bearing receivables.	Interest-bearing net debt is an indicator to measure YIT's net debt financing.
Equity ratio. %	Total equity / total assets less advances received.	Equity ratio is one of YIT's key longterm financial targets and is a key figure to measure the relative proportion of equity used to finance YIT's assets.
Gearing, %	Interest-bearing debt less cash and cash equivalents and interest-bearing receivables/total equity. (YIT has changed the definition of gearing on January 1, 2018 to include interest-bearing receivables in the calculation of this key figure.)	Gearing ratio helps to understand how much debt YIT is using to finance its assets relative to the value of its equity.
Revenue (POC)	In revenue (POC), revenue is recognised in housing segments by multiplying the degree of completion and the degree of sale, i.e. according to the percentage of completion method.	Revenue (POC) and adjusted operating profit (POC) are used as additional information by the management in housing segments. Management believes that revenue (POC) and adjusted operating profit (POC) provide meaningful supplemental information to the financial measures presented in the segment information prepared in accordance with IFRS.
Adjusted operating profit (POC)	Adjusted operating profit (POC) is measured according to the percentage of completion method. In addition, in adjusted operating profit (POC), interest expenses are not capitalised which causes a difference between adjusted operating profit (POC) and adjusted operating profit (IFRS).	

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.
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 financial leases and investments in associated companies and joint ventures.	
Equity per share (EUR)	Total equity divided by number of outstanding shares at the end of the period.	
Net debt / adjusted pro forma ebitda, rolling 12 months	Net debt divided by rolling adjusted pro forma earnings before depreciations and amortisations.	Net debt to adjusted pro forma ebitda gives investor information on ability to service debt.
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](https://twitter.com/YITInvestors)
