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Half-Year Report 1–6/2018

Half-Year Report January 1–June 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 half-year report for January–June 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 half-year report, the figures for the second quarter and for the first six 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 half-year 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 1–6/18". 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 1–6/18" does not include Lemminkäinen's figures for the financial period January 1–January 31, 2018.

Group reporting, IFRS

The result improved in the second quarter, but remained unsatisfactory. Cash flow and order backlog strengthened.

April–June

- Operating cash flow after investments amounted to EUR +129.9 million.
- Order backlog grew by 9% from the level of end of March and was EUR 5,068.4 million (3/2018: 4,640.8).
- Revenue decreased by 8% to EUR 908.8 million (983.4).
- Adjusted operating profit[1] amounted to EUR 24.4 million (39.5) and adjusted operating profit margin was 2.7% (4.0). Adjusting items of EUR 13.2 million during the reporting period (6.9) are mainly related to 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 11.3 million (32.6) and operating profit margin was 1.2% (3.3).
- Earnings per share were EUR -0.02 (0.09).

January–June

- The merger of YIT Corporation and Lemminkäinen Corporation was completed on February 1, 2018.
- Revenue decreasedby 10% to EUR 1,511.1 million (1,679.4).
- Adjusted operating profit[1] amounted to EUR -18.9 million (12.4) and adjusted operating profit margin was -1.2% (0.7). Adjusting items of EUR 21.1 million during the reporting period (32.2) are mainly related to 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 -39.9 million (-19.8) and operating profit margin was -2.6% (-1.2).
- Earnings per share were EUR -0.27 (-0.14).
- Operating cash flow after investments amounted to EUR -22.8 million.
- Order backlog grew by 9% from the level of end of March and was EUR 5,068.4 million (3/2018: 4,640.8).
- 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 profit[1] 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 June, 53% of the order backlog was sold. YIT estimates that in 2018, approximately 5,300–5,700 apartments in Finland and CEE, and approximately 2,400–3,300 apartments in Russia will be completed, most of them during the last quarter of 2018.

In the third quarter, the adjusted pro forma operating profit[1] is expected to be on the good level of last year, driven especially by the paving season.

During the first months of the year, YIT has signed several significant, long-term lease agreements and the estimate regarding the adjusted operating profit[1] includes the divestment of some of the business premises in the Helsinki metropolitan area during the fourth quarter. In the fourth quarter, the adjusted pro forma operating profit[1] is expected to be clearly better than last year.

[1] The adjusted operating profit reflects the result of ordinary course of business and does not include material reorganisation costs, impairment charges or other items affecting comparability. Adjusted operating profit is disclosed to improve comparability between reporting periods. Adjusting items are defined more precisely in note 4.3 in the tables section.

Kari Kauniskangas, President and CEO:

In the second quarter, cash flow and order backlog developed strongly. The Group's result improved clearly from the first months of the year, but it is not satisfactory as the segments perform unevenly. The strong development of the Housing Finland and CEE segment continued. In April–June, the segment's adjusted operating profit margin was nearly 10%. The Group result decreased from last year due to the Infrastructure projects segment's weak result. As anticipated, no projects were completed in Russia, which is reflected in the low revenue and operating loss. We expect the remainder of the year to be strong, driven by the active paving season, the sales of business premises projects and the increasing completion of residential projects. The positive development is further supported by the measures to complete the integration as well as achieving the synergy benefits.

The order backlog of the Business premises segment grew significantly. New orders in the order backlog include, for instance, the Tripla office buildings as well as life-cycle and turnkey projects won in competitive tendering. In business premises projects, renting has proceeded well and, as stated in our guidance, we expect to sell some business premises, under construction and with full or nearly full occupancy, in the Helsinki region in the fourth quarter. During the quarter, the Keilaniemenranta area development project took giant leaps forward as the city launched further zoning in the area and the renovation of the old high-rise building began.

During the quarter, the consumer housing demand in the Housing Finland and CEE segment remained good in Finland and excellent in the CEE countries. The segment's performance was good in general and particularly strong in the CEE countries. In Russia, the housing demand has as such remained steadily at a rather good level. The price level is still low but stable. Good results have been achieved in releasing capital in Russia but the measures taken burden the operating profit.

Infrastructure projects' revenue was low particularly in Finland, and the result was weak due to low revenue and the low margin level of order backlog recognised as revenue. However, positive developments include, for instance, successes in competitive tendering in Scandinavia and the Baltic countries, as well as in the competitive tendering for the West Metro extension, with the Soukka station recorded in the order backlog during the review period. The paving season has got off to a good start and the result, excluding restructuring costs, was rather satisfactory. The order backlog of the Paving segment at the end of June improved year-on-year.

Integration to merge YIT's and Lemminkäinen's operations has been proceeding well and will continue in the near future. I thank the personnel for the good commitment and effort in the beginning of the year. Supported by the implementation of best practices cash flow improved significantly and the gearing ratio decreased. As part of financing rearrangements, the company issued two notes, amounting to EUR 250 million, that extend the maturity of the debt portfolio. At the same time, the company repaid earlier notes totalling EUR 150 million. We will present the company's new strategy at the Capital Markets Day that will be organised in Helsinki in September.

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.

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 half-year 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.

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

Key figures

Group reporting, IFRS

EUR million	Reported 4–6/18	Pro forma 4–6/18	Pro forma 4–6/17	Change	Reported 1–6/18	Pro forma 1–6/18	Pro forma 1–6/17	Change[1]	Pro forma 1–12/17
Revenue	**908.8**	**908.8**	**983.4**	**-8%**	**1,441.1**	**1,511.1**	**1,679.4**	**-10%**	**3,862.5**
Housing Finland and CEE	316.7	316.7	298.2	6%	545.2	559.6	556.5	1%	1,156.2
Housing Russia	53.2	53.2	107.1	-50%	87.7	91.5	175.6	-48%	421.0
Business premises	212.2	212.2	220.1	-4%	374.7	395.2	419.0	-6%	902.2
Infrastructure projects	153.8	153.8	175.2	-12%	225.7	247.5	297.1	-17%	686.0
Paving	183.4	183.4	202.3	-9%	225.8	236.1	265.0	-11%	768.9
Partnership properties									
Other items	-10.5	-10.5	-19.5	46%	-17.9	-18.8	-33.8	44%	-71.8
Operating profit	**6.6**	**11.3**	**32.6**	**-65%**	**-28.0**	**-39.9**	**-19.8**	**-102%**	**77.4**
Operating profit margin, %	**0.7%**	**1.2%**	**3.3%**		**-1.9%**	**-2.6 %**	**-1.2%**		**2.0%**
Adjusted operating profit	**24.4**	**24.4**	**39.5**	**-38%**	**-0.9**	**-18.9**	**12.4**		**138.9**
Housing Finland and CEE	30.4	30.4	25.9	17%	51.7	50.9	34.4	48%	83.0
Housing Russia	-7.3	-7.3	-1.5	-386%	-20.2	-21.1	-6.7	-215%	4.9
Business premises	5.5	5.3	6.8	-22%	3.3	3.0	8.6	-65%	51.5
Infrastructure projects	-1.4	-1.5	5.2		-7.3	-10.2	3.9		17.4
Paving	4.8	4.8	9.1	-47%	-14.1	-26.0	-15.9	-63%	4.7
Partnership properties	-0.6	-0.6	-0.3	-100%	-0.8	-0.8	-0.3	-168%	-0.5
Other items	-6.8	-6.7	-6.0	-12%	-13.6	-14.8	-11.6	-27%	-22.0
Adjusted operating profit margin, %	**2.7%**	**2.7 %**	**4.0 %**		**-0.1%**	**-1.2 %**	**0.7%**		**3.6%**
Housing Finland and CEE	9.6%	9.6 %	8.7 %		9.5%	9.1 %	6.2%		7.2%
Housing Russia	-13.7%	-13.7 %	-1.4 %		-23.1%	-23.1 %	-3.8%		1.2%
Business premises	2.5%	2.5 %	3.1 %		0.9%	0.8 %	2.1%		5.7%
Infrastructure projects	-1.0%	-1.0 %	3.0 %		-3.2%	-4.1 %	1.3%		2.5%
Paving	2.6%	2.6 %	4.5 %		-6.2%	-11.0 %	-6.0%		0.6%
Partnership properties									
Adjusting items	17.8	13.2	6.9	91%	27.1	21.1	32.2	-34%	61.5
Profit before taxes	-5.8	-1.3	23.3		-48.6	-59.1	-34.8	-70%	50.7
Profit for the review period[2]	-7.9	-4.3	18.3		-43.6	-56.5	-29.0	-95%	26.3
Earnings per share, EUR	-0.04	-0.02	0.09		-0.22	-0.27	-0.14	-93%	0.13
Operating cash flow after investments	129.9	n/a	n/a		-22.8	n/a	n/a		n/a
Net interest-bearing debt at end of period	734.0	734.0	n/a		734.0	734.0	n/a		668.5
Gearing ratio at end of period, %	73.4%	n/a	n/a		73.4%	n/a	n/a		59.9%
Equity ratio at end of period, %	33.9%	n/a	n/a		33.9%	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	5,068.4	5,068.4	4,617.1	10%	5,068.4	5,068.4	4,617.1	10%	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 recognized as income upon completion

EUR million	Reported 4–6/18	Pro forma 4–6/18	Pro forma 4–6/17	Change	Exchange rate impact[2]	Reported 1–6/18	Pro forma 1–6/18	Pro forma 1–6/17	Change[1]	Pro forma 1–12/17
Revenue	**908.8**	**908.8**	**983.4**	**-8%**	**2%**	**1,441.1**	**1,511.1**	**1,679.4**	**-10%**	**3,862.5**
Housing Finland and CEE	316.7	316.7	298.2	6%		545.2	559.6	556.5	1%	1,156.2
Housing Russia	53.2	53.2	107.1	-50%	17%	87.7	91.5	175.6	-48%	421.0
Business premises	212.2	212.2	220.1	-4%		374.7	395.2	419.0	-6%	902.2
Infrastructure projects	153.8	153.8	175.2	-12%		225.7	247.5	297.1	-17%	686.0
Paving	183.4	183.4	202.3	-9%		225.8	236.1	265.0	-11%	768.9
Partnership properties										
Other items	-10.5	-10.5	-19.5	46%		-17.9	-18.8	-33.8	44%	-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 4-6/18 with comparable currency exchange rates.

April–June

The Group's revenue decreased by 8% year-on-year and amounted to EUR 908.8 million (983.4). Revenue decreased mainly due to the fact that there were no new project completions in the Housing Russia segment.

In the Infrastructure projects segment, revenue decreased particularly due to project completion rate and lower year-on-year volumes in Finland. In the Paving segment, revenue decreased due to lower year-on-year volumes caused by the close-downs of several asphalt stations in Southern Sweden and Norway. The asphalt stations were closed to improve annual profitability.

The number of completed apartments in the Housing Finland and CEE segment grew by 7%.

January–June

The Group's revenue decreased by 10% year-on-year and amounted to EUR 1,511.1 million (1,679.4). Revenue decreased mainly due to the low number of housing project completions in the Housing Russia segment.

In the Business premises segment, revenue decrease was due to the completion and sales of certain large projects in the comparison period, among other things.

In the Infrastructure projects segment, revenue decreased particularly due to project completion rates and lower year-on-year volumes in Finland. In the Paving segment, revenue decreased due to lower year-on-year volumes caused by the close-downs of several asphalt stations in Southern Sweden and Norway. The asphalt stations were closed to improve annual profitability.

Due to the operating model, the Partnership properties segment has had no revenue.

Result

EUR million	Reported 4–6/18	Pro forma 4-6/18	Pro forma 4–6/17	Change	Reported 1–6/18	Pro forma 1–6/18	Pro forma 1–6/17	Change[1]	Pro forma 1–12/17
Operating profit	**6.6**	**11.3**	**32.6**	**-65%**	**-28.0**	**-39.9**	**-19.8**	**-102%**	**77.4**
Operating profit margin, %	**0.7%**	**1.2%**	**3.3%**		**-1.9%**	**-2.6%**	**-1.2%**		**2.0%**
Adjusting items	**17.8**	**13.2**	**6.9**	**91%**	**27.1**	**21.1**	**32.2**	**-34%**	**61.5**
Adjusted operating profit	**24.4**	**24.4**	**39.5**	**-38%**	**-0.9**	**-18.9**	**12.4**		**138.9**
Housing Finland and CEE	30.4	30.4	25.9	17%	51.7	50.9	34.3	48%	83.0
Housing Russia	-7.3	-7.3	-1.5	-386%	-20.2	-21.1	-6.7	-215%	4.9
Business premises	5.3	5.3	6.8	-22%	3.3	3.0	8.6	-65%	51.5
Infrastructure projects	-1.5	-1.5	5.2		-7.3	-10.2	3.9		17.4
Paving	4.8	4.8	9.1	-47%	-14.1	-26.0	-15.9	-63%	4.7
Partnership properties	-0.6	-0.6	-0.3	-100%	-0.8	-0.8	-0.3	-168%	-0.5
Other items	-6.8	-6.7	-6.0	-12 %	-13.6	-14.8	-11.6	-27%	-22.0
Adjusted operating profit margin, %	**2.7%**	**2.7%**	**4.0%**		**-0.1%**	**-1.2%**	**0.7%**		**3.6%**
Housing Finland and CEE	9.6%	9.6%	8.7%		9.5%	9.1%	6.2%		7.2%
Housing Russia	-13.7%	-13.7%	-1.4%		-23.1%	-23.1%	-3.8%		1.2%
Business premises	2.5%	2.5%	3.1%		0.9%	0.8%	2.1%		5.7%
Infrastructure projects	-1.0%	-1.0%	3.0%		-3.2%	-4.1%	1.3%		2.5%
Paving	2.6%	2.6%	4.5%		-6.2%	-11.0%	-6.0%		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 4–6/18	Pro forma 4-6/18	Pro forma 4–6/17	Change	Reported 1–6/18	Pro forma 1–6/18	Pro forma 1–6/17	Change[1]	Pro forma 1–12/17
Profit before taxes	-5.8	-1.3	23.3		-48.6	-59.1	-34.8	-70%	50.7
Profit for the review period[2]	-7.9	-4.3	18.3		-43.6	-56.5	-29.0	-94%	26.3
Earnings per share, EUR	-0.04	-0.02	0.09		-0.22	-0.27	-0.14	-93%	0.13
Effective tax rate, %					10.1%				

[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.

April–June

The Group's operating profit was EUR 11.3 million (32.6), and the operating profit margin was 1.2% (3.3). The operating profit includes adjusting items of EUR 13.2 million (6.9) mainly related to merger related fair value cost effects (additional information in note 4.3). In addition, the adjusting items include integration costs related to achieving the synergy benefits, costs related to the reorganization of the Scandinavian operations and a loss related to the capital release action in Russia. Adjusted operating profit was EUR 24.4 million (39.5), and adjusted operating profit margin was 2.7% (4.0). Adjusted operating profit decreased due to the fact that there were no new project completions in the Housing Russia segment. In the Infrastructure projects segment, result decreased particularly due to lower year-on-year volumes in Finland. In the Paving segment, result was burdened by lower year-on-year volumes caused by the close-downs of several asphalt stations in Southern Sweden and Norway. The asphalt stations were closed to improve annual profitability.

Profit before taxes was EUR -1.3 million (23.3) and profit for the review period was EUR -4.3 million (18.3).

January–June

The Group's operating profit was EUR -39.9 million (-19.8), and the operating profit margin was -2.6% (-1.2). The operating profit includes adjusting items of EUR 21.1 million (32.2) mainly related to merger related fair value cost effects (additional information in note 4.3). In addition, the adjusting items include integration costs related to achieving the synergy benefits, costs related to the reorganization of the Scandinavian operations and a loss related to the capital release action in Russia.

Adjusted operating profit was EUR -18.9 million (12.4), and adjusted operating profit margin was -1.2% (0.7). Adjusted operating profit decreased mainly due to lowered margins in certain projects in the contracting business in Russia and in Infrastructure projects and Business premises as well as due to the low number of project completions in Russia.

Profit before taxes was EUR -59.1 million (-34.8) and profit for the review period was EUR -56.5 million (-29.0).

Impacts of the merger on reporting

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

The most significant of these bookings are:

- Adjustment of EUR 37.7 million to the fair value of tangible assets (carrying value at the time of acquisition EUR 164.4 million). This adjustment is mainly related to industrial properties, asphalt stations and machines as well as to mineral aggregate pits.
- An adjustment totalling EUR 44.7 million has been recorded in intangible assets on the acquisition date balance sheet (carrying value at the time of acquisition EUR 50.9 million). The item includes intangible assets relating to customer relationships, brands and order backlog.
- An adjustment of EUR 22.6 million has been recorded in the fair value of inventories on the balance sheet at the time of the acquisition, reflecting the fair value of the inventories acquired, EUR 415.5 million.
- Lemminkäinen's hybrid loan with a carrying value of EUR 35.2 million was reported in short-term borrowings on January 31, 2018.
- The fair value of Lemminkäinen's bond, EUR 109.1 million, includes an adjustment of fair value amounting to EUR 9.7 million, when the bond was recorded at the selling rate on January 31, 2018.
- YIT has recorded an adjustment of EUR 20.0 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 cost effects 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. The company has now 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 June amounted to approximately EUR 7 million.

The company estimates that it will reach cumulative annual synergy benefits impacting the result of approximately EUR 14–20 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–June 2018, merger-related integration costs totalled approximately EUR 4.4 million, including the costs recorded for Lemminkäinen in January. In total, cumulative integration costs at the end of June totalled approximately EUR 8.2 million. The company estimates that the majority of the integration costs will be allocated to 2018.

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

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EUR million	Pro forma 1-6/18	Pro forma 1–12/17
Integration costs, total[1]	4.4	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 36.8 million, or 2.6% 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 6/18	Reported 3/18	Change	Pro forma 12/17
Net interest-bearing debt	734.0	813.8	-10%	668.5
Cash and cash equivalents	285.6	65.2	338%	111.3
Interest-bearing receivables	48.1	53.6	-10%	46.0
Interest-bearing debts	1,067.6	932.6	15%	825.8
Bonds	356.8	292.9	22%	n/a
Commercial papers	267.8	228.0	17%	n/a
Pension loans	51.7	55.5	-7%	n/a
Loans from financial institutions	132.7	135.8	-2%	n/a
Housing corporation loans	206.2	166.2	24%	n/a
Finance lease liabilities	18.5	19.8	-7%	n/a
Other loans	35.2	34.3	3%	n/a
Available committed revolving credit facilities	300.0	300.0	0%	n/a
Available overdraft facilities	74.1	73.8	0%	n/a
Equity ratio, %	33.9%	39.1%		40.2%
Gearing ratio, %[1]	73.4%	79.8%		59.9%

[1] Comparisons include sold receivables from housing development.

EUR million	Reported 4–6/18	Pro forma 4–6/17	Reported 1–6/18	Pro forma 1-6/18	Pro forma 1-6/17	Pro forma 1–12/17
Operative cash flow after investments	129.9	n/a	-22.8	n/a	n/a	n/a
Cash flow from plot investments	-6.1	n/a	-52.2	n/a	n/a	n/a
Cash flow from investments to associated companies and joint ventures	-7.2	n/a	-28.4	n/a	n/a	n/a
Net financing costs	-12.5	-9.3	-20.5	-19.2	-15.0	-26.7

At the end of June, YIT's cash and cash equivalents amounted to EUR 285.6 million, in addition to which YIT had undrawn overdraft facilities amounting to EUR 74.1 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 304.4 million.

During the second quarter, YIT reorganised its debt portfolio by issuing two new senior unsecured notes: 3-year EUR 100 million notes and 5-year EUR 150 million notes. The 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.

At the end of June, the Group's equity ratio was 33.9% and the gearing ratio was 73.4%.

Interest-bearing debts amounted to EUR 1,067.6 million and interest-bearing net debt to EUR 734.0 million at the end of June.

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 half of the year, pro forma net finance costs amounted to EUR 19.2 million (15.0). Finance costs increased mainly due to the costs related to the redemptions of bonds.

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

At the end of June, EUR 23.5 million of capital invested in Russia consisted of debt investments on net basis and EUR 354.2 million was equity investments or similar permanent net investments.

Operative cash flow after investments was EUR +129.9 million. Best practises have been taken into use as part of the integration, and this was reflected in capital use efficiency, which had a positive impact on the cash flow.

Cash flow from plot investments was EUR -52.2 million. Cash flow from investments to associated companies and joint ventures was EUR 28.4 million.

Order backlog

EUR million	Reported 6/18	Reported 3/18	Change	Pro forma 12/17
Order backlog	**5,068.4**	**4,640.8**	**9%**	**4,218.3**
Housing Finland and CEE	1,773.9	1,719.9	3%	1,580.1
Housing Russia	452.9	465.9	-3%	448.6
Business premises	1,589.0	1,250.3	27%	1,306.8
Infrastructure projects	677.2	672.0	1%	471.0
Paving	575.4	532.7	8%	411.8
Partnership properties				

The order backlog grew by 9% from the level of end of March and amounted to EUR 5,068.4 million (4,640.8). At the end of June, 53% of the order backlog was sold.

Compared to the end of March, the order backlog of the Business premises segment grew in particular due to the Tripla office complex and the life-cycle and turnkey projects won in competitive tendering.

In the Housing Finland and CEE segment, several housing projects were started in growth centres and added into the order backlog. Also the Soukka metro station construction project in Espoo, Finland, was added into the order backlog during the period.

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 beginning of the year was strong, which was reflected in good consumer demand for apartments. Supply was on a high level; consequently there were no signs of overheating. In addition to the good demand for affordable apartments in growth centres, demand for larger apartments improved.

Residential investor demand focused in particular in the Helsinki metropolitan area, Turku and Tampere.

In the CEE countries, in particular in the Czech Republic, consumer confidence continued to be strong. 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. At the end of the reporting period, it became obvious that the banks tightened their lending.

Housing Finland and CEE EUR million	Reported 4–6/18	Pro forma 4–6/18	Pro forma 4–6/17	Change	Reported 1–6/18	Pro forma 1–6/18	Pro forma 1–6/17	Change[1]	Pro forma 1–12/17
Revenue	316.7	316.7	298.2	6%	545.2	559.6	556.5	1%	1,156.2
Operating profit	29.7	29.7	25.9	15%	51.0	50.2	34.4	46%	78.1
Operating profit margin %	9.4%	9.4%	8.7%		9.4%	9.0%	6.2%		6.8%
Adjusted operating profit	30.4	30.4	25.9	17%	51.7	50.9	34.4	48%	83.0
Adjusted operating profit margin %	9.6%	9.6 %	8.7%		9.5%	9.1%	6.2%		7.2%
Order backlog at end of period	1,773.9	1,773.9	1,521.4	17%	1,773.9	1,773.9	1,521.4	17%	1,580.1

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

April–June, IFRS

The segment's revenue was EUR 316.7 million (298.2), the operating profit was EUR 29.7 million (25.9) and the operating profit margin was 9.4% (8.7). During the period, YIT completed 916 apartments in Finland and 499 apartments in the CEE countries. The plots sold to the joint venture and to the plot fund established during the period supported the revenue and operating profit. The segment's adjusted operating profit was EUR 30.4 million (25.9) and the adjusted operating profit margin was 9.6% (8.7).

January–June, IFRS

The segment's revenue was EUR 559.6 million (556.5), the operating profit was EUR 50.2 million (34.4) and the operating profit margin was 9.0% (6.2). The segment's adjusted operating profit was EUR 50.9 million (34.4) and the adjusted operating profit margin was 9.1% (6.2). The segment's adjusted operating profit improved especially due to housing completions in the beginning of the year.

The plots sold to the joint venture and to the plot fund established during the period supported the revenue and operating profit.

Housing Finland and CEE POC, EUR million	Reported 4–6/18	Pro forma 4–6/18	Pro forma 4–6/17	Change	Reported 1–6/18	Pro forma 1–6/18	Pro forma 1–6/17	Change[1]	Pro forma 1–12/17
Revenue	299.8	299.8	281.7	6 %	539.3	561.6	607.9	-8 %	1,185.9
Adjusted operating profit	25.7	25.7	25.8	-0 %	47.8	48.3	49.2	-2 %	101.5
Adjusted operating profit margin %	8.6%	8.6%	9.2%		8.9%	8.6%	8.1%		8.6%
Adjustment items	-0.7	-0.7			-0.7	-0.7			4.9
Order backlog at end of period	1,395.5	1,395.5	1,298.9	7 %	1,395.5	1,395.5	1,298.9	7 %	1,337.4

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

April–June, POC

The segment's revenue grew by 6% year-on-year and amounted to EUR 299.8 million (281.7).

The segment's adjusted operating profit was EUR 25.7 million, on the level of previous year's corresponding period (25.8), and the adjusted operating profit margin was 8.6% (9.2). The segment's profitability was supported by investor sales exceeding the level of the comparison period. The share of consumer sales of residential sales in Finland was 53%. 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, YIT started 1,218 apartments in Finland and 395 apartments in the CEE countries. In April–June, YIT sold 72 apartments initially started for consumers to investors as bundle deals in Finland. In the CEE countries, unit sales in April–June was 358 apartments. Additionally, of the projects previously sold to the YCE Housing I fund, the fund sold to consumers 141 apartments (66).

January–June, POC

The segment's revenue decreased by 8% year-on-year due to the capital release actions taken during the period and amounted to EUR 561.6 million (607.9).

The segment's adjusted operating profit decreased by 2% year-on-year, and the adjusted operating profit margin was 8.6% (8.1). The segment's profitability was supported by operational efficiency measures taken and good consumer sales. The plots sold to the joint venture and to the plot fund established during the period supported the revenue and operating profit.

The share of consumer sales of residential sales was 71%.

Residential construction in Finland, units	4–6/18	4–6/17[1]	Change	1–6/18[1]	1–6/17[1]	Change	1–12/17[1]
Sold	1,018	1,127	-10%	1,894	2,309	-18%	4,564
of which initially started for consumers[2]	614	751	-18%	1,346	1,676	-20%	3,500
Start-ups	1,218	1,581	-23%	2,311	2,642	-13%	5,036
of which for consumers	814	1,205	-32%	1,763	2,009	-12%	3,972
Completed	916	1,214	-25%	1,888	2,102	-10%	4,308
of which for consumers	731	864	-15%	1,566	1,367	15%	2,816
Under construction at end of period	6,442	5,832	10%	6,442	5,832	10%	6,019
of which sold at end of period, %	59%	65%		59%	65%		62%
For sale at end of period	2,903	2,355	23%	2,903	2,355	23%	2,490
of which completed	267	317	-16%	267	317	-16%	203
Plot reserve in the balance sheet at end of period, EUR million	261	n/a		n/a	n/a		n/a
Plot reserve at end of period[3], floor square metres	2,390,000	n/a		n/a	n/a		n/a
Cost of completion at end of period, EUR million	549	n/a		n/a	n/a		n/a

[1] Combined figures of YIT and Lemminkäinen. [2] Includes apartments sold to residential funds: 4–6/18: 72 units; 4–6/17: 192 units; 1-6/18: 110 units; 1–12/17: 487 units. [3] Includes pre-agreements, rental plots and own plots.

Residential construction in the CEE countries, units	4–6/18	4–6/17	Change	1–6/18	1–6/17	Change	1–12/17
Sold	358	250	43%	530	608	-13%	1,613
of which for consumers	358	250	43%	530	502	6%	919
fund sales to consumers[1]	*141*	*66*	*114%*	*254*	*96*	*165%*	*253*
Start-ups	395	356	11%	844	752	12%	1,545
Completed	499	176	183%	661	282	134%	1,100
Under construction at end of period	2,623	2,771	-5%	2,623	2,771	-5%	2,489
of which sold at end of period, %	53%	53%		53%	53%		63%
For sale at end of period	1,396	1,266	10%	1,396	1,266	10%	1,054
of which completed	167	87	92%	167	87	92%	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	507,500	n/a		n/a	n/a		n/a
Cost of completion at end of period, EUR million	143	n/a		n/a	n/a		n/a

[1] Apartments sold to consumers in projects that YIT has previously sold to the YCE Housing I fund and already before reported as 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 stable on a low level. Residential demand remained on the level of end of 2017, although it improved slightly especially in the Moscow region. Residential price level was stable or slightly declining due to the supply peak preceding the changes in housing sale legislation coming in the summer.

During January-June, the Russian Central Bank lowered its key rate a couple of times. The interest rates for mortgages for new apartments stayed under 10 per cent. The Russian government continues to further 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 4-6/18	Pro forma 4-6/18	Pro forma 4-6/17	Change	Reported 1-6/18	Pro forma 1-6/18	Pro forma 1-6/17	Change[1]	Pro forma 1-12/17
Revenue	53,2	53,2	107,1	-50%	87,7	91,5	175,6	-48%	421,0
Operating profit	-11,0	-11,0	-1,5	-634%	-24,1	-25,0	-6,7	273%	1,7
Operating profit margin %	-20,7%	-20,7%	-1,4 %		-27,5%	-27,3%	-3,8 %		0,4%
Adjusted operating profit	-7,3	-7,3	-1,5	-386%	-20,2	-21,1	-6,7	215%	4,9
Adjusted operating profit margin %	-13,7%	-13,7%	-1,4 %		-23,1%	-23,1%	-3,8 %		1,2%
Order backlog at end of period	452,9	452,9	585,4	-23%	452,9	452,9	585,4	-23%	448,6

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

April–June, IFRS

The segment's revenue was EUR 53.2 million (107.1), the operating profit was EUR -11.0 million (-1.5) and the operating profit margin was -20.7% (-1.4). The segment's revenue decreased due to the fact that no projects were completed during the period. The operating profit was burdened by the loss of EUR 3.5 million from a plot sale in the city of Pushkin related to equity release booked in the adjusting items. The part of the plot sold covers 5.4 hectares and the sales price was approximately EUR 15 million.

The segment's adjusted operating profit was EUR -7.3 million (-1.5) and the adjusted operating profit margin was -13.7% (-1.4).

At comparable exchange rates, reported revenue was EUR 62.0 million and reported operating profit at comparable exchange rates was EUR -12.1 million.

During the reporting period, no apartments were completed in Russia. The share of residential deals financed with mortgage was 45% (56).

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

January–June, IFRS

The segment's revenue was EUR 91.5 million (175.6), the operating profit was EUR -25.0 million (-6.7) and the operating profit margin was -27.3% (-3.8). The segment's revenue was impacted by the low number of new projects completed. The result was impacted by lowered margins in certain projects in the contracting business as well as by the loss of plot sales booked in June.

The segment's adjusted operating profit was EUR -21.1 million (-6.7) and the adjusted operating profit margin was -23.1% (-3.8).

At comparable exchange rates, reported revenue was EUR 100.5 million and reported operating profit at comparable exchange rates was EUR -25.3 million.

Housing Russia POC, EUR million	Reported 4–6/18	Pro forma 4–6/18	Pro forma 4–6/17	Change	Reported 1-6/18	Pro forma 1–6/18	Pro forma 1–6/17	Change[1]	Pro forma 1–12/17
Revenue	83.0	83.0	73.3	13%	136.2	140.0	138.9	1%	320.3
Adjusted operating profit	-3.0	-3.0	1.1		-12.0	-12.9	-0.9	-1,333%	4.6
Adjusted operating profit margin %	-3.6%	-3.6%	1.5%		-8.8%	-9.2%	-0.6%		1.4%
Adjustment items	-3.7	-3.7			-3.9	-3.9			3.2
Order backlog at end of period	355.4	355.4	467.3	-24 %	355.4	355.4	467.3	-24%	396.1

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

April–June, POC

The segment's revenue increased 13% year-on year and amounted to EUR 83.0 million (73.3) due to stronger apartment sales compared to the year-before period.

The segment's adjusted operating profit was EUR -3.0 million (1.1) and the adjusted operating profit margin was -3.6% (1.5). The segment's adjusted operating profit decreased year-on-year due to capital release actions, which included intensified apartment sales, and due to the loss recorded from a plot sales.

During the quarter, YIT started new projects in St. Petersburg and in the Moscow region.

In Russia, unit sales in April-June was 827 apartments.

April–June, POC

The segment's revenue grew by one per cent and amounted to EUR 140.0 million (138.9) due to good apartment sales.

The segment's adjusted operating profit was EUR -12.9 million (-0.9) and the adjusted operating profit margin was -9.2% (-0.6). The result was burdened by lowered margins in certain projects in the contracting business as well as by capital release actions.

Residential construction in Russia, units	4–6/18	4–6/17	Change	1–6/18	1–6/17	Change	1–12/17
Sold	827	590	40%	1,606	1,138	41%	2,899
Start-ups	724	490	48%	1,539	1,231	25%	2,525
Completed[1]	0	1,667	-100%	280	2,271	-88%	4,523
Under construction at end of period	5,873[2]	5,586	5%	5,873[2]	5,586	5%	4,628
of which sold at end of period, %	41%	25%		34%	25%		30%
For sale at end of period	4,148	4,701	-12%	4,148	4701	-12%	4,228
of which completed	655	538	22%	655	538	22%	974
Plot reserve in the balance sheet at end of period[2], EUR million	184,0			184,0			n/a
Plot reserve at end of period[3], floor square metres	1,718,000			1,718,000			n/a
Cost of completion at end of period, EUR million	105,0			105,0			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.

[3] Figures include Gorelovo industrial park.

Under construction at end of period, units	6/18	6/17	Change	6/18	3/18	Change	12/17
St. Petersburg	978	1,371	-29%	978	979	-0%	588
Moscow	2,835	2,068	37%,	2,835	2,310	23%	2,021
Russian regions	2,074	2,147	-3%	2,074	1,897	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 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 strong. The contracting market has remained stable in the Baltic countries.

Business premises, EUR million	Reported 4–6/18	Pro forma 4–6/18	Pro forma 4–6/17	Change	Reported 1-6/18	Pro forma 1–6/18	Pro forma 1–6/17	Change[1]	Pro forma 1–12/17
Revenue	212.2	212.2	220.1	-4%	374.7	395.2	419.0	-6%	902.2
Operating profit	4.9	4.9	6.8	-29%	2.9	2.6	8.6	-70%	45.6
Operating profit margin %	2.3%	2.3%	3.1%		0.8%	0.7%	2.1%		5.1%
Adjusted operating profit	5.3	5.3	6.8	-22%	3.3	3.0	8.6	-65%	51.5
Adjusted operating profit margin %	2.5%	2.5%	3.1%		0.9%	0.8%	2.1%		5.7%
Order backlog at end of period	1,589.0	1,589.0	1,476.0	8%	1,589.0	1,589.0	1,476.0	8%	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	6/18	3/18[1]
Plot reserve in the balance sheet	97.5	96.6
Plot reserve, floor square metres	718,900	720,200
Cost of completion	11	13

[1] YIT and Lemminkäinen combined.

April–June

The segment's revenue decreased by 4% year-on-year and amounted to EUR 212.2 million (220.1). The revenue decrease was due to the completion and sales of certain large projects in the comparison period.

The segment's operating profit decreased by 29% year-on-year to EUR 4.9 million (6.8), and operating profit margin was 2.3% (3.1).

The segment's adjusted operating profit was EUR 5.3 million (6.8), and the adjusted operating profit margin was 2.5% (3.1).

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 both revenue and result.

During the period, YIT signed agreements on the construction of schools in Finland, for instance. The value of these contracts is approximately EUR 76 million in total. YIT also signed an agreement to construct a new hotel in Turku, Finland. The value of the contract is approximately EUR 30 million. Additionally, YIT signed a contract with Hollister Incorporated to construct the second stage of a medical device factory in Kaunas, Lithuania. The value of the contract is approximately EUR 25 million. Large projects such as the Tripla one progressed as planned. The Tripla office complex was added to the order backlog.

January-June

The segment's revenue decreased by 6% year-on-year and amounted to EUR 395.2 million (419.0) The revenue decrease was due to the completion and sales of certain large projects in the comparison period. The segment's operating profit decreased to EUR 2.6 million (8.6). The result was burdened by weakened margins in certain projects in the beginning of the year.

The segment's adjusted operating profit was EUR 3.0 million (8.6), and the adjusted operating profit margin was 0.8% (2.1).

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	58%	9/19	YIT owns 38.75%
Finavia air terminal expansion, Vantaa, Finland	200	airport	58%	12/19	contracting
Consortium Freeway logistics centre, Finland	148 (YIT's share 74)	logistics	99%	10/18	contracting
Tripla hotel, Helsinki, Finland	88	hotel	42%	3/20	sold
The Myllypuro campus, Helsinki, Finland	73	public premises	60%	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, construction was supported by major infrastructure construction projects in urban growth centres and the overall construction market growth. In the Baltic countries, the market has continued to grow.

Infrastructure projects EUR million	Reported 4–6/18	Pro forma 4–6/18	Pro forma 4–6/17	Change	Reported 1-6/18	Pro forma 1–6/18	Pro forma 1–6/17	Change[1]	Pro forma 1–12/17
Revenue	153.8	153.8	175.2	-12%	225.7	247.5	297.1	-17%	686.0
Operating profit	-1.8	-1.8	5.2		-7.5	-10.4	3.9		17.4
Operating profit margin %	-1.2%	-1.2%	3.0%		-3.3%	-4.2%	1.3%		2.5%
Adjusted operating profit	-1.5	-1.5	5.2		-7.3	-10.2	3.9		17.4
Adjusted operating profit margin %	-1.0%	-1.0%	3.0%		-3.2%	-4.1%	1.3%		2.5%
Order backlog at end of period	677.2	677.2	553.7	22%	677.2	677.2	553.7	22%	471.0

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

April–June

The segment's revenue decreased by 12% year-on-year and amounted to EUR 153.8 million (175.2). Revenue decreased particularly due to project completion rate and lower year-on-year volumes in Finland.

The segment's operating profit decreased year-on-year to EUR -1.8 million (5.2), and operating profit margin was -1.2% (3.0). Operating profit decreased year-on-year because of lower revenue and low average project profitability of the order backlog.

The segment's adjusted operating profit was EUR -1.5 million (5.2) and the adjusted operating profit margin was -1.0% (3.0).

During the period, a consortium formed by YIT and Are signed an agreement with Länsimetro Oy on the construction of the Soukka station on the West Metro line in Espoo, Finland. The value of the contract for YIT is approximately EUR 35 million. Additionally, YIT signed an agreement with Sunnfjord Energi AS, a Norwegian power company, on building a new hydropower plant in the Sogn and Fjordane County in Western Norway. The value of the contract is EUR 32 million. Large projects, such as the Tampere light railway project in Finland, proceeded as planned.

January–June

The segment's revenue decreased by 17% year-on-year and amounted to EUR 247.5 million (297.1). Revenue decreased particularly due to project completion rates and lower year-on-year volumes in Finland. Some of the projects are nearly finished while others have just been started.

The segment's operating profit decreased year-on-year to EUR -10.4 million (3.9), and operating profit margin was -4.2% (1.3). Operating profit decreased due to lower year-on-year revenue and weakened margins in certain projects as well as due to low average project profitability of the order backlog. Because of the phases of individual projects, also the quiet winter season impacted the result.

The segment's adjusted operating profit was EUR -10.2 million (3.9) and the adjusted operating profit margin was -4.1% (1.3).

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	97%	12/18
Blominmäki wastewater treatment plant, Espoo, Finland	~206	2%	02/22
The Rantatunneli alliance project, Tampere, Finland	~180	99%	11/18
The Light railway alliance, Tampere, Finland	~110	35%	12/21
Rimpi gold mine, Kittilä, Finland	~35	16%	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.

In Finland, the state investments declined slightly from the level of the previous year. In Sweden, the market was solid, and in Norway the state investments increased. In Denmark, price competition remained intense.

Paving EUR million	Reported 4–6/18	Pro forma 4–6/18	Pro forma 4–6/17	Change	Reported 1-6/18	Pro forma 1–6/18	Pro forma 1–6/17	Change[1]	Pro forma 1–12/17
Revenue	183.4	183.4	202.3	-9%	225.8	236.1	265.0	-11%	768.9
Operating profit	1.0	1.0	9.1	-89%	-21.3	-35.1	-15.9	-120%	4.7
Operating profit margin %	0.5%	0.5%	4.5%		-9.4%	-14.8%	-6.0%		0.6%
Adjusted operating profit	4.8	4.8	9.1	-47%	-14.1	-26.0	-15.9	-63%	4.7
Adjusted operating profit margin %	2.6%	2.6%	4.5%		-6.2%	-11.0%	-6.0%		0.6%
Order backlog at end of period	575.4	575.4	480.5	20%	575.4	575.4	480.5	20%	411.8

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

April–June

The segment's revenue decreased by 9% year-on-year and amounted to EUR 183.4 million (202.3). Revenue decreased due to lower year-on-year volumes caused by the close-downs of several asphalt stations in Southern Sweden and Norway. The asphalt stations were closed to improve annual profitability.

The segment's operating profit was EUR 1.0 million (9.1).

The segment's adjusted operating was EUR 4.8 million (9.1), and the adjusted operating profit margin was 2.6% (4.5).

During the period, YIT and Stara signed an agreement on implementing extensive paving work in Helsinki, Finland, in the eastern, western and northern parts of the city, during May - November 2018. The value of the contract is approximately EUR 5 million. Order backlog grew by 20% year-on-year and was at the end of the reporting period EUR 575.4 million (480.5).

January–June

The segment's revenue decreased by 11% year-on-year and amounted to EUR 236.1 million (265.0). Revenue decreased due to lower year-on-year volumes caused by the close-downs of several asphalt stations in Southern Sweden and Norway. The asphalt stations were closed to improve annual profitability.

The segment's operating profit was EUR -35.1 million (-15.9).

The segment's adjusted operating was EUR -26.0 million (-15.9), and the adjusted operating profit margin was -11.0% (-6.0).

The operating profit includes EUR 9.1 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. Additionally, the segment will potentially have revenue from diverse service agreements associated with the possession or acquisition of its partially owned assets. Due to the operating model, the segment has had no revenue. 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 4–6/18	Pro forma 4–6/18	Pro forma 4–6/17	Change	Reported 1-6/18	Pro forma 1–6/18	Pro forma 1–6/17	Change[1]	Pro forma 1–12/17
Revenue									
Operating profit	-0.6	-0.6	-0.3	-100%	-0.8	-0.8	-0.3	-167%	-0.5
Adjusted operating profit	-0.6	-0.6			-0.8	-0.8			-0.5

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

EUR million	Reported 6/18	Reported 3/18	Change	Pro forma 12/17
Equity investments and investment commitments	167	152	10%	n/a
of which already invested in associated companies and joint ventures	143	137	4%	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]	n/a	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 approximately 50% and that of Tietotie 6 over 40%.
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 over 70%, 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.

April–June

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.

Established in April, the fund that invests in residential plots in Finland purchased the first plots to the fund. 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. 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.

The first project of the YCE Housing I fund established by YIT and a group of Finnish investors was completed, and during the reporting period, YIT recognised the profits of the fund as revenue in proportion to its holdings.

The biggest project reported under the Partnership Properties segment is Mall of Tripla. The project progressed as planned. During the reporting period, the last part of equity was invested in the project, and the equity is now fully invested.

January–June

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

YIT's holding in the associated company Regenero created for project development and holding is reported as part of the Partnership Properties segment. Regenero develops a headquarter property in Keilaniemi and the Tietotie 6 office property in Otaniemi, both in Espoo, Finland.

The 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, and the profit is reported under the Partnership Properties segment.

Personnel

Personnel per segment	06/18	03/18	Change, nr of persons	12/17
Housing Finland and CEE	2,964	2,203	761	2,250
Housing Russia	1,546	1,643	-97	1,763
Business premises	1,295	1,754	-459	1,733
Infrastructure projects	2,068	1,819	249	1,793
Paving	2,571	1,536	1,035	1,822
Partnership properties	2	2	0	
Group services	369	339	30	360
Group total	**10,815**	**9,296**	**1,519**	**9,721**

Personnel per geographic area	06/18	03/18	Change, nr of persons	12/17
Finland	6,369	5,300	1,069	5,398
Russia	1,863	1,819	44	2,048
CEE countries	1,670	1,437	233	1,442
Scandinavia	913	740	173	833
Group total	**10,815**	**9,296**	**1,519**	**9,721**

During April–June, the Group employed on average 9,784 people (10,055). 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. Employment contracts terminated due to the co-operation negotiations are included in the end of June personnel numbers depending on ongoing notice periods. A new organisation became valid from the beginning of May.

The increase in the Group's number of personnel from the end of March is due to the increase of the number of interns and seasonal employees. Additionally, the organisational change impacted the number of personnel in the Housing Finland and CEE and Business premises segments and in the Group services.

During the reporting period, personnel expenses totalled EUR 260.9 million.

The accident frequency (number of accidents per one million working hours) decreased to the level of 8.4 (6/2017: 9.9). The accident frequency is calculated with 12 months rolling average.

Preliminary strategic objectives

The financial targets of the combined company will be specified during the ongoing strategy process and will be published later during 2018.

Preliminary long-term financial objectives	Target level
Return on capital employed (ROCE)	>12%
Equity ratio	>40%
Cash flow	Positive after dividend payout
Dividend per share	Annually growing

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 June 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. After the directed share issue, the company held 1,102,054 own shares at the end of June.

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 June 29, 2018 was EUR 5.11. YIT's share price decreased by approximately 20% during the reporting period. The highest price of the share during the reporting period was EUR 6.79, the lowest EUR 4.83 and the average price was EUR 5.42. Share turnover on Nasdaq Helsinki during the reporting period was approximately 71.1 million shares (89.5). The value of the share turnover was approximately EUR 724.9 million (631.4), source: Nasdaq Helsinki.

During the reporting period, approximately 75.0 million (82.8) YIT Corporation shares changed hands in alternative market places, corresponding to approximately 51 per cent (48) of the total share trade, source: Fidessa Fragmentation Index.

YIT Corporation's market capitalisation on the last trading day of the reporting period on June 29, 2018 was EUR 1,073.1 million (921.0). The market capitalisation has been calculated excluding the shares held by the company.

Number of shareholders and flagging notifications

At the end of June, the number of registered shareholders was 48,377 (42,054). A total of 11.9% of the shares were owned by nominee-registered and non-Finnish investors (23.1).

During the reporting period, YIT Corporation received two 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.

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 June, 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 at www.yitgroup.com/.

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.

Among other measures, the company has continued to manage risks related to its business and to capital employed by utilizing 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 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. 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.

Legal proceedings

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

Damages related to the asphalt cartel

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

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

The company deems as such the claims for damages unfounded.

In addition, Lemminkäinen has been served summons regarding 21 claims against the company and other asphalt companies for damages. The capital amount of these claims totals approximately EUR 26 million. For these claims, the company has made a provision worth approximately EUR 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 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 17 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 has become weaker during the year. The increased supply of apartments is anticipated to prevent the overheating of the market and therefore the rise of housing prices.

The rental demand for business premises is expected to remain at the previous year's 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 may affect construction and property development.

Infrastructure construction market is expected to continue to grow slightly from the level of the year 2017. The Government's decisions regarding infrastucture projects in the General Government Fiscal Plan as well as major cities' investments in infrastructure improve the outlook for both paving and infra projects. The state's planned investments in basic road maintenance are expected to keep demand relatively stable for paving in 2018. 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 infra projects and paving. In addition, especially Norway is investing in the development and renewal of energy production.

In Denmark, demand for paving is expected to decline as public investments in road infrastructure are decreasing.

Events after the review period

In July, residential sales to consumers are estimated to be around 160 units in Finland (7/17: around 210), around 80 units in the CEE countries (7/17: around 80) and approximately 250 units in Russia (7/17: below 200). Additionally, of projects previously sold to the YCE Housing I fund , the fund is estimated to sell further to consumers approximately 26 apartments (7/17: 18).

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. By the end of June, 53% of the order backlog was sold. YIT estimates that in 2018, approximately 5,300–5,700 apartments in Finland and CEE, and approximately 2,400–3,300 apartments in Russia will be completed, most of them during the last quarter of 2018.

In the third quarter, the adjusted pro forma operating profit is expected to be on the good level of last year, driven especially by the paving season. During the first months of the year, YIT has signed several significant, long-term lease agreements and the estimate regarding the adjusted operating profit includes the divestment of some of the 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 residential projects under construction

units	*H1/2018, actual*	Q3/2018, estimate	Q4/2018, estimate	Q1/2019, estimate	Q2/2019, estimate	Later
Finland	*1,888*	1,519	1,106	315	1,486	2,016
CEE	*661*	0–200	200–400	0–200	800–1,100	1,173
Russia	*233*	500–800	1,700–2,100	600–900	400–600	2,073
Total	*2,782*	2,019–2,519	3,006–3,606	915–1,415	2,686–3,186	5,262

Housing stock under construction, June 30, 2018: 14,938

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.

Half-year report January 1–June 30, 2018: Tables

1 ACCOUNTING PRINCIPLES OF THE HALF-YEAR REPORT

This half-year report has been prepared in accordance with the International Financial Reporting Standards (IFRS), and the requirements of the IAS 34: Interim Financial Reporting have been met. This half year report should be read together with YIT Corporation's Financial Statements 2017. The figures presented in the half year report are unaudited. In the half-year 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 half year 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 June 30, 2018 are presented as if the merger had occurred on January 1, 2017.

1.1 Most relevant currency exchange rates used in the half-year report

		Average rates			End rates		
		1–6/18	1–6/17	1-12/17	6/18	6/17	12/17
1 EUR =	CZK	25.4995	26.7858	27.0342	26.0200	26.1970	27.0210
	PLN	4.2206	4.2683	4.3635	4.3732	4.2259	4.4103
	RUB	71.9852	62.7434	74.1466	73.1582	67.5449	64.3000
	SEK	10.1536	n/a	n/a	10.4530	n/a	n/a
	NOK	9.5928	n/a	n/a	9.5115	n/a	n/a
	DKK	7.4476	n/a	n/a	7.4525	n/a	n/a

2 SUMMARY OF FINANCIAL STATEMENTS

2.1 Consolidated income statement

	Reported	Reported	Reported	Reported	Reported	Pro forma	Pro forma	Pro forma	Pro forma	Pro forma
EUR million	**4-6/2018**	**4-6/2017**	**1-6/2018**	**1-6/2017**	**1-12/2017**	**4-6/2018**	**4-6/2017**	**1-6/2018**	**1-6/2017**	**1-12/2017**
Revenue	**908.8**	**509.0**	**1,441.1**	**961.2**	**1,993.8**	**908.8**	**983.4**	**1,511.1**	**1,679.4**	**3,862.5**
Other operating income	9.0	3.2	13.7	5.0	37.4	9.0	5.6	14.3	9.7	45.7
Change in inventories of finished goods and in work in progress	92.6	-4.6	152.1	-0.1	-83.1	92.6	-4.2	156.9	17.2	-97.9
Production for own use	0.1	0.3	0.3	0.4	0.7	0.1	0.4	0.3	0.6	0.9
Materials and supplies	-261.8	-102.7	-376.8	-158.1	-276.8	-258.8	-240.0	-385.7	-356.7	-776.5
External services	-454.9	-258.3	-764.0	-488.2	-985.9	-454.9	-449.3	-814.2	-821.0	-1,815.3
Personnel expenses	-155.6	-74.3	-260.9	-140.1	-275.7	-155.6	-156.6	-280.2	-282.0	-588.5
Other operating expenses	-116.1	-47.6	-209.4	-147.1	-309.7	-116.1	-90.7	-218.7	-239.6	-493.1
Share of results in associated companies and joint ventures	-1.4	-0.4	-1.6	-0.2	-0.9	-1.4	-0.4	-2.1	-0.9	-0.7
Depreciation, amortisation and impairment	-14.2	-3.5	-22.6	-6.9	-14.2	-12.7	-15.5	-21.5	-26.6	-59.7
Operating profit	**6.6**	**21.1**	**-28.0**	**25.8**	**85.5**	**11.1**	**32.6**	**-39.9**	**-19.8**	**77.4**
Financial income	2.2	0.8	3.8	1.3	1.9	2.2	0.9	3.8	1.4	2.3
Exchange rate differences (net)	-0.4	0.8	-0.2	2.9	2.6	-0.4	0.3	-0.4	2.2	0.7
Financial expenses	-14.3	-8.0	-24.1	-10.8	-19.1	-14.3	-10.5	-22.6	-18.7	-29.7
Financial income and expenses, total	-12.5	-6.4	-20.5	-6.7	-14.6	-12.4	-9.3	-19.2	-15.0	-26.7
Result before taxes	**-5.8**	**14.7**	**-48.6**	**19.2**	**70.9**	**-1.3**	**23.3**	**-59.1**	**-34.8**	**50.7**
Income taxes	-2.1	-3.3	4.9	-4.3	-14.3	-3.0	-5.0	2.7	5.8	-24.3
Result for the period	**-7.9**	**11.4**	**-43.6**	**14.8**	**56.6**	**-4.3**	**18.3**	**-56.5**	**-29.0**	**26.3**
Attributable to										
Equity holders of the parent company	-7.9	11.4	-43.6	14.8	56.6	-4.3	18.3	-56.5	-29.0	26.3
Earnings per share, attributable to the equity holders of the parent company										
Basic, EUR	-0.04	0.09	-0.22	0.12	0.45	-0.02	0.09	-0.27	-0.14	0.13
Diluted, EUR	-0.04	0.09	-0.22	0.12	0.44	n/a	n/a	n/a	n/a	n/a

2.2 Statement of comprehensive income, IFRS

	Reported	Reported	Reported	Reported	Reported
EUR million	**4-6/2018**	**4-6/2017**	**1-6/2018**	**1-6/2017**	**1-12/2017**
Result for the period	-7.9	11.4	-43.6	14.8	56.6
Items that may be reclassified subsequently to profit/loss:					
Cash flow hedges	0.0	0.2	0.0	0.3	0.3
Deferred tax from previous	-0.0	-0.0	-0.0	-0.1	-0.1
Change in translation differences	-14.7	-49.4	-24.5	-20.0	-31.4
Items that may be reclassified subsequently to profit/loss, total	**-14.7**	**-49.3**	**-24.5**	**-19.8**	**-31.1**
Total comprehensive result	**-22.6**	**-37.9**	**-68.1**	**-4.9**	**25.5**
Attributable to equity holders of the parent company	-22.6	-37.9	-68.1	-4.9	25.5

2.3 Consolidated statement of financial position

EUR million	Reported 6/2018	Reported 6/2017	Reported 12/2017	Pro forma 12/2017
ASSETS				
Non-current assets				
Property, plant and equipment	205.8	55.0	54.8	219.2
Goodwill	322.2	8.1	8.1	306.4
Other intangible assets	54.5	12.3	11.3	62.2
Investments in associated companies and joint ventures	147.6	81.9	120.1	124.2
Equity investments	2.3	0.4	0.4	2.3
Interest-bearing receivables	39.3	39.9	46.0	46.0
Other receivables	2.2	2.6	1.6	1.9
Deferred tax assets	70.6	52.8	53.2	61.5
Non-current assets total	**844.4**	**253.1**	**295.6**	**823.7**
Current assets				
Inventories	2 119.4	1,701.9	1,592.5	2,008.0
Trade and other receivables	582.3	217.8	211.8	466.5
Interest-bearing receivables	8.8	1.2	1.6	
Income tax receivables	9.6	5.3	2.1	3.1
Cash and cash equivalents	285.6	35.3	89.7	111.3
Current assets total	**3,005.7**	**1,961.5**	**1,897.8**	**2,589.0**
Total assets	**3,850.1**	**2,214.5**	**2,193.3**	**3,412.7**
EQUITY AND LIABILITIES				
Total equity attributable to the equity holders of the parent company	999.6	533.4	564.7	1,116.6
Equity total	**999.6**	**533.4**	**564.7**	**1,116.6**
Non-current liabilities				
Deferred tax liabilities	32.6	14.4	9.9	32.6
Pension obligations	2.4	2.1	2.1	2.4
Provisions	81.6	46.6	46.0	83.4
Borrowings	581.2	268.5	344.5	467.9
Other liabilities	66.9	53.2	53.7	53.8
Total non-current liabilities	**764.6**	**384.8**	**456.2**	**640.1**
Current liabilities				
Advances received	903.0	476.5	494.3	634.2
Trade and other payables	634.0	402.8	392.7	611.1
Income tax payables	10.2	6.1	13.0	12.9
Provisions	52.3	31.0	26.3	40.0
Borrowings	486.4	380.0	246.3	357.9
Total current liabilities	**2,085.9**	**1,296.4**	**1,172.5**	**1,656.0**
Liabilities total	**2,850.5**	**1,681.2**	**1,628.7**	**2,296.1**
Total equity and liabilities	**3,850.1**	**2,214.5**	**2,193.3**	**3,412.7**

2.4 Consolidated cash flow statement, IFRS

	Reported	Reported	Reported	Reported	Reported
EUR million	**4-6/2018**	**4-6/2017**	**1-6/2018**	**1-6/2017**	**1-12/2017**
Result for the period	-7.9	11.4	-43.6	14.8	56.6
Reversal of accrual-based items	44.7	17.3	66.1	34.3	47.1
Adjustments					
Change in trade and other receivables	-146.2	-17.9	-104.6	9.2	32.3
Change in inventories	-61.1	22.6	-163.8	12.2	100.6
Change in current liabilities	329.3	-9.6	304.0	26.2	34.9
Change in working capital, total	122.0	-4.9	35.6	47.6	167.8
Cash flow of financial items	-17.5	-2.4	-30.1	-15.0	-26.7
Taxes paid	-3.4	-1.6	-15.2	-4.2	-9.4
Net cash generated from operating activities	**137.9**	**19.8**	**12.7**	**77.3**	**235.2**
Acquisition of subsidiaries, associated companies and joint ventures, net of cash	-8.7	-7.2	-35.3	-18.6	-60.0
Disposal of subsidiaries, associated companies and joint ventures	0.7	0.0	1.7	0.0	4.5
Cash outflow from investing activities	-6.7	-4.5	-10.2	-10.5	-18.7
Cash inflow from investing activities	6.7	0.7	8.2	1.4	3.3
Net cash used in investing activities	**-8.0**	**-11.0**	**-35.5**	**-27.8**	**-70.9**
Operating cash flow after investments	**129.9**	**8.8**	**-22.8**	**49.6**	**164.3**
Change in loan receivables	5.5	-0.4	-0.2	0.6	0.1
Change in current liabilities	80.7	21.2	175.0	-10.4	-109.2
Proceeds from borrowings	250.0	30.0	270.0	30.0	110.0
Repayments of borrowings	-191.5	-69.7	-191.5	-71.4	-112.9
Payments of financial leasing debts	-1.9	-0.0	-2.8	-0.0	
Dividends paid	-52.4	-27.6	-52.4	-27.6	-27.6
Net cash used in financing activities	**90.5**	**-46.5**	**198.1**	**-79.0**	**-139.6**
Net change in cash and cash equivalents	221.1	-37.8	175.3	-29.4	24.7
Cash and cash equivalents at the beginning of the period	65.2	77.7	89.7	66.4	66.4
Cash generated from merger			21.6		
Change in the fair value of the cash equivalents	-0.7	-4.6	-1.1	-1.7	-1.5
Cash and cash equivalents at the end of the period	285.6	35.3	285.6	35.3	89.7

2.5 Consolidated statement of changes in equity, IFRS

EUR million	Share capital	Legal reserve	Other reserves	Translation differences	Fair value reserve	Treasury shares	Retained earnings	Total	Non-controlling interest	Equity total
	Equity attributable to equity holders of the parent company									
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							-43.6	-43.6		-43.6
Other comprehensive income:										
Cash flow hedges					0.0			0.0		0.0
-Deferred tax from previous					-0.0			-0.0		-0.0
Translation differences		-0.0		-24.5				-24.5		-24.5
Comprehensive income, total		**-0.0**		**-24.5**	**0.0**		**-43.6**	**-68.1**		**-68.1**
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						1.4	0.8	2.2		2.2
Transactions with owners, total						**1.4**	**-51.6**	**-50.2**		**-50.2**
Equity on June 30, 2018	**149.7**	**1.5**	**554.2**	**-240.9**	**0.0**	**-5.8**	**541.0**	**999.6**		**999.6**

EUR million	Share capital	Legal reserve	Other reserves	Translation differences	Fair value reserve	Treasury shares	Retained earnings	Total	Non-controlling interest	Equity total
	Equity attributable to equity holders of the parent company									
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							14.8	14.8		14.8
Other comprehensive income:										
Cash flow hedges					0.3			0.3		0.3
-Deferred tax from previous					-0.1			-0.1		-0.1
Translation differences				-20.0				-20.0		-20.0
Comprehensive income, total				**-20.0**	**0.2**		**14.8**	**-4.9**		**-4.9**
Transactions with owners										
Dividend distribution							-27.6	-27.6		-27.6
Share-based incentive schemes			0.6			1.1	0.4	2.0		2.0
Transactions with owners, total			**0.6**			**1.1**	**-27.3**	**-25.6**		**-25.6**
Equity on June 30, 2017	**149.2**	**1.5**	**0.6**	**-205.0**	**-0.0**	**-7.2**	**594.3**	**533.4**		**533.4**

	Equity attributable to equity holders of the parent company									
EUR million	Share capital	Legal reserve	Other reserves	Translation differences	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 will potentially have 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.

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 recognized 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

4-6/2018 reported								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	**316.7**	**53.2**	**212.2**	**153.8**	**183.4**		**-10.5**	**908.8**
Revenue from external customers	316.7	53.2	211.5	146.3	181.1		0.1	908.8
Revenue Group internal	0.0	0.0	0.7	7.6	2.3		-10.7	0.0
Depreciation, amortisation and impairment	-0.3	-0.2	-0.1	-3.4	-5.0		-5.3	-14.2
Operating profit	**29.7**	**-11.0**	**4.9**	**-1.8**	**1.0**	**-0.6**	**-15.5**	**6.6**
Operating profit margin, %	**9.4%**	**-20.7%**	**2.3%**	**-1.2%**	**0.5%**			**0.7%**
Adjusting items	0.7	3.7	0.4	0.3	3.8		8.8	17.8
Adjusted operating profit	**30.4**	**-7.3**	**5.3**	**-1.5**	**4.8**	**-0.6**	**-6.7**	**24.4**
Adjusted operating profit margin, %	**9.6%**	**-13.7%**	**2.5%**	**-1.0%**	**2.6%**			**2.7%**
Capital employed	**518.0**	**352.5**	**104.3**	**79.9**	**122.1**	**142.7**	**379.7**	**1,699.3**

1-6/2018 reported								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	**545.2**	**87.7**	**374.7**	**225.7**	**225.8**		**-17.9**	**1,441.1**
Revenue from external customers	545.2	87.5	373.6	212.2	223.4		-0.7	**1,441.1**
Revenue Group internal	0.0	0.2	1.1	13.5	2.4		-17.2	
Depreciation, amortisation and impairment	-0.6	-0.4	-0.2	-6.2	-6.0		-9.2	**-22.6**
Operating profit	**51.0**	**-24.1**	**2.9**	**-7.5**	**-21.3**	**-0.8**	**-28.3**	**-28.0**
Operating profit margin, %	**9.4%**	**-27.5%**	**0.8%**	**-3.3%**	**-9.4%**			**-1.9%**

Adjusting items	0.7	3.9	0.4	0.3	7.2		14.7	27.1
Adjusted operating profit	**51.7**	**-20.2**	**3.3**	**-7.3**	**-14.1**	**-0.8**	**-13.6**	**-0.9**
Adjusted operating profit margin, %	**9.5%**	**-23.1%**	**0.9%**	**-3.2%**	**-6.2%**			**-0.1%**
Capital employed	**518.0**	**352.5**	**104.3**	**79.9**	**122.1**	**142.7**	**379.7**	**1,699.3**

4-6/2018 pro forma								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	**316.7**	**53.2**	**212.2**	**153.8**	**183.4**		**-10.5**	**908.8**
Revenue from external customers	316.7	53.2	211.5	146.3	**181.1**		0.1	908.8
Revenue Group internal	0.0	0.0	0.7	7.6	**2.3**		-10.7	
Depreciation, amortisation and impairment	-0.3	-0.2	-0.1	-3.4	-5.0		-3.7	**-12.7**
Operating profit	**29.7**	**-11.0**	**4.9**	**-1.8**	**1.0**	**-0.6**	**-11.0**	**11.1**
Operating profit margin, %	**9.4%**	**-20.7%**	**2.3%**	**-1.2%**	**0.5%**			**1.2%**
Adjusting items	0.7	3.7	0.4	0.3	3.8		4.3	**13.2**
Adjusted operating profit	**30.4**	**-7.3**	**5.3**	**-1.5**	**4.8**	**-0.6**	**-6.7**	**24.4**
Adjusted operating profit margin, %	**9.6%**	**-13.7%**	**2.5%**	**-1.0%**	**2.6%**			**2.7%**
Capital employed	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

4-6/2017 pro forma								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	**298.2**	**107.1**	**220.1**	**175.2**	**202.3**		**-19.5**	**983.4**
Revenue from external customers	298.2	107.1	217.5	166.0	**194.8**		-0.2	983.4
Revenue Group internal	0.0		2.6	9.2	**7.5**		-19.3	
Depreciation, amortisation and impairment	-0.4	-0.2	-0.0	-3.3	-5.8		-5.8	**-15.5**
Operating profit	**25.9**	**-1.5**	**6.8**	**5.2**	**9.1**	**-0.3**	**-12.9**	**32.6**
Operating profit margin, %	**8.7%**	**-1.4%**	**3.1%**	**3.0%**	**4.5%**			**3.3%**
Adjusting items							6.9	**6.9**
Adjusted operating profit	**25.9**	**-1.5**	**6.8**	**5.2**	**9.1**	**-0.3**	**-6.0**	**39.5**
Adjusted operating profit margin, %	**8.7%**	**-1.4%**	**3.1%**	**3.0%**	**4.5%**			**4.0%**
Capital employed	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

1-6/2018 pro forma								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	**559.6**	**91.5**	**395.2**	**247.5**	**236.1**		**-18.8**	**1,511.1**
Revenue from external customers	559.6	91.3	393.8	233.8	233.3		-0.7	1,511.1
Revenue Group internal	0.0	0.2	1.4	13.8	2.8		-18.2	

Depreciation, amortisation and impairment	-0.6	-0.4	-0.2	-6.7	-6.6		-7.1	-21.5
Operating profit	**50.2**	**-25.0**	**2.6**	**-10.4**	**-35.1**	-0.8	**-21.5**	**-39.9**
Operating profit margin, %	**9.0%**	**-27.3%**	**0.7%**	**-4.2%**	**-14.8%**			-2.6%
Adjusting items	0.7	3.9	0.4	0.3	9.1		6.7	21.1
Adjusted operating profit	**50.9**	**-21.1**	**3.0**	**-10.2**	**-26.0**	-0.8	**-14.8**	**-18.9**
Adjusted operating profit margin, %	**9.1%**	**-23.1%**	**0.8%**	**-4.1%**	**-11.0%**			-1.2%
Capital employed	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

1-6/2017 pro forma								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	**556.5**	**175.6**	**419.0**	**297.1**	**265.0**		**-33.8**	**1,679.4**
Revenue from external customers	556.4	175.6	414.3	280.7	252.5		-0.1	1,679.4
Revenue Group internal	0.0		4.7	16.4	12.5		-33.6	
Depreciation, amortisation and impairment	-0.8	-0.4	-0.0	-6.6	-7.8		-11.0	-26.6
Operating profit	**34.4**	**-6.7**	**8.6**	**3.9**	**-15.9**	**-0.3**	**-43.8**	**-19.8**
Operating profit margin, %	**6.2%**	**-3.8%**	**2.1%**	**1.3 %**	**-6.0%**			**-1.2%**
Adjusting items							32.2	32.2
Adjusted operating profit	**34.4**	**-6.7**	**8.6**	**3.9**	**-15.9**	**-0.3**	**-11.6**	**12.4**
Adjusted operating profit margin, %	**6.2%**	**-3.8%**	**2.1%**	**1.3%**	**6.0%**			**0.7%**
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

EUR million	Reported 1-6/2018	Pro forma 1-6/2017	Pro forma 1–12/2017
Housing Finland and CEE	1,773.9	1,521.4	1,580.1
Housing Russia	452.9	585.4	448.6
Business premises	1,589.0	1,476.0	1,306.8
Infrastructure projects	677.2	553.7	471.0
Paving	575.4	480.5	411.8
Partnership properties			
Order backlog. total	**5,068.4**	**4,617.1**	**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.

1-6/2018 reported								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue by market area								
Finland	412.6		340.6	118.9	137.0		0.9	**1,010.0**
Russia		87.5			10.4			**97.9**
CEE	132.6		33.0	52.7				**218.3**
Baltic countries	21.3		32.5	52.7				**106.6**
Czech, Slovakia, Poland	111.2		0.5					**111.7**
Scandinavia				40.6	75.9		-1.6	**115.0**
Sweden				28.4	7.4		-0.4	**35.4**
Norway				12.2	37.7		-1.2	**48.7**
Denmark					30.8			**30.8**
Internal sales between segments	0.0	0.2	1.1	13.5	2.4		-17.2	
Total	**545.2**	**87.7**	**374.4**	**225.7**	**225.8**		**-17.9**	**1,441.1**

1-6/2018 reported								
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Timing of revenue recognition								
over time	98.0	31.2	371.1	205.2	182.4		0.9	**888.7**
At a point in time	447.2	56.3	2.5	7.0	41.0		-1.6	**552.4**
Internal sales	0.0	0.2	1.1	13.5	2.4		-17.2	
Total	**545.2**	**87.7**	**374.7**	**225.7**	**225.8**		**-17.9**	**1,441.1**

EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
				1-6/2017 reported				
Revenue by market area								
Finland	402.3		225.6	79.3	33.1		-0.1	**740.2**
Russia		157.3						**157.3**
CEE	30.0		33.6					**63.6**
Baltic countries	27.0		28.7					**55.7**
Czech, Slovakia, Poland	3.0		4.9					**7.9**
Revenue between segments				16.2			-16.2	
Total	**432.3**	**157.3**	**259.3**	**95.5**	**33.1**		**-16.3**	**961.2**

EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
				1-6/2017 reported				
Timing of revenue recognition								
Over time	82.0	5.8	254.1	79.3	33.1			**454.3**
At a point in time	350.3	151.5	5.2				-0.1	**506.9**
Revenue between segments				16.2			-16.2	
Total	**432.3**	**157.3**	**259.3**	**95.5**	**33.1**		**-16.3**	**961.2**

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 Property, plant and equipment, IFRS

EUR million	Reported 6/2018	Reported 6/2017	Reported 12/2017
Carrying amount at the beginning of the period	54.8	53.2	53.2
Exchange rate differences	-0.4	-0.2	-0.4
Increases	9.5	8.2	15.6
Decreases	-6.8	-0.9	-4.0
Acquisitions	164.3		
Depreciation and impairment	-15.4	-5.4	-11.1
Transfers between items	-0.2	-0.1	1.4
Carrying amount at the end of period	**205.8**	**55.0**	**54.8**

3.5 Inventories, IFRS

EUR million	Reported 6/2018	Reported 6/2017	Reported 12/2017
Raw materials and consumables	70.6	4.6	4.3
Work in progress	1,093.0	893.4	789.5
Land areas and plot owning companies	661.4	596.7	570.1
Shares in completed housing and real estate companies	211.6	169.4	193.6
Advance payments	58.0	35.8	33.8
Other inventories	24.7	2.0	1.2
Total inventories	**2,119.4**	**1,701.9**	**1,592.5**

3.6 Financial assets and liabilities by category

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

June 30, 2018, EUR million

Original measurement category (IAS 39)	Available-for-sale financial assets	Loans and other receivables	Held for trading	Financial liabilities		
New measurement category (IFRS 9)	**Financial assets and liabilities recognized at fair value through other comprehensive income**	**Financial assets recognized at amortised cost**	**Financial assets and liabilities recognised at fair value through profit and loss**	**Financial liabilities recognized at amortised cost**	**Carrying amount**	**Fair value**
Non-current financial assets						
Equity investments (level 1)	0.1				0.1	0.1
Equity investments (level 3)	2.2				2.2	2.2
Trade and other receivables		41.4			41.4	43.5
Current financial assets						
Trade and other receivables		331.4			331.4	331.4
Derivative assets (hedge accounting not applied, level 2)			3.8		3.8	3.8
Cash and cash equivalents		285.6			285.6	285.6
Financial assets total	**2.3**	**658.4**	**3.8**		**664.5**	**666.6**
Non-current financial liabilities						
Interest-bearing liabilities				581.2	581.2	584.2
Trade payables and other liabilities				63.9	63.9	63.9
Derivative liabilities (hedge accounting not applied, level 2)			2.9		2.9	2.9
Current financial liabilities						
Interest-bearing liabilities				486.4	486.4	486.4
Trade payables and other liabilities[1]				632.4	632.4	632.4
Derivative liabilities (hedge accounting applied, level 2)	0.0				0.0	0.0
Derivative liabilities (hedge accounting not applied, level 2)			1.2		1.2	1.2
Financial liabilities total	**0.0**		**4.2**	**1,764.0**	**1,768.1**	**1,771.1**

June 30, 2017, EUR million

	Available-for-sale financial assets	Loans and other receivables	Held for trading	Derivative liabilities in hedge accounting	Financial liabilities	Carrying amount	Fair value
Valuation	Fair value	Recognised at amortized cost	Fair value	Fair value	Recognised at amortized cost		
Non-current financial assets							
Available for sale investments, listed shares (level 1)	0.1					0.1	0.1
Available for sale investments, unlisted shares (level 3)	0.3					0.3	0.3
Trade and other receivables		41.6				41.6	41.6
Current financial assets							
Trade and other receivables		172.5				172.5	172.5

Derivative assets (hedge accounting not applied, level 2)			0.9			0.9	0.9
Cash and cash equivalents		35.3				35.3	35.3
Financial assets total	**0.4**	**249.4**	**0.9**			**250.7**	**250.7**
Non-current financial liabilities							
Interest-bearing liabilities					268.5	268.5	268.1
Trade payables and other liabilities					48.8	48.8	48.8
Derivative liabilities (hedge accounting not applied, level 2)			4.3			4.3	4.3
Current financial liabilities							
Interest-bearing liabilities					380.0	380.0	380.0
Trade payables and other liabilities[1]					782.0	782.0	782.0
Derivative liabilities (hedge accounting applied, level 2)				0.1		0.1	0.1
Derivative liabilities (hedge accounting not applied, level 2)			0.8			0.8	0.8
Financial liabilities total			**5.1**	**0.1**	**1,479.3**	**1,484.4**	**1,484.0**

[1]Trade payables and other financial liabilities do not include statutory obligations or prepayments received, as these are not classified as financial liabilities under IFRS.

The fair values of bonds are based on the market price at the reporting date. The fair values of other non-current receivables and liabilities are based on discounted cash flows. The discount rate is defined to be the rate YIT Group was to pay for equivalent external loans at the end of the reporting period. It consists of risk free market rate and company and maturity related risk premium of 1,99-3,36 % (30.6.2017: 2,76-3,87 %) The fair values of current receivables and liabilities are equal to their carrying amounts.

Fair value measurement

The Group categorises financial instruments recognised at fair values as follows:

Level 1: Financial instruments are traded in active markets, hence prices are obtained directly from efficient markets.

Level 2: Financial instruments are not traded in active and liquid markets, but fair values are based on observable market inputs and generally accepted valuation methods.

Level 3: The valuation of financial instruments is not based on observable market data, and other factors affecting the fair value of the instrument are not available and observable

3.7 Change in contingent liabilities and assets and commitments

EUR million	Reported 6/2018	Reported 6/2017	Reported 12/2017
Guarantees			
Guarantees on behalf of others	6.4		
Guarantees on behalf of its associated companies	5.0	5.0	5.0
Guarantees on behalf of Group companies	1,585.8	1,410.4	1,023.7
Other commitments			
Investment commitments	33.5	55.8	22.4
Repurchase commitments	278.5	298.1	265.2
Operating leases	145.9	106.3	97.8
Rental guarantees for clients	3.7	5.0	4.4
Liability under derivative contracts			

Value of underlying instruments			
Interest rate derivatives	252.5	307.5	275.0
Foreign exchange derivatives	141.0	36.8	22.4
Commodity derivatives	16.3		
Fair value			
Interest rate derivatives	-3.5	-4.4	-3.8
Foreign exchange derivatives	0.6	0.1	0.0
Commodity derivatives	2.6		

As a result of the partial demerger registered on June 30, 2013, YIT Corporation has secondary liability for guarantees transferred to Caverion Corporation, with a maximum total amount of on June 30, 2018 EUR 12.4 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 half year report in the section Lemminkäinen's legal proceedings.

3.8 Minimum payments of non-cancellable lease agreements

EUR million	Reported 6/2018	Reported 6/2017	Reported 12/2017
No later than 1 year	36.7	26.6	29.1
1-5 years	70.3	66.5	59.6
Later than 5 years	38.9	13.3	9.1
Group total	**145.9**	**106.3**	**97.8**

3.9 Related party transactions

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

EUR million	Reported 1-6/2018	Reported 1-6/2017	Reported 1-12/2017
Sale of goods and services			
Associated companies and joint ventures	48.9	75.7	180.4
Purchases of goods and services			
Associated companies and joint ventures	0.2		

EUR million	Reported 6/2018	Reported 6/2017	Reported 12/2017
Trade and other receivables			
Associated companies and joint ventures	14.1	0.6	1.1
Trade payables and other debts			
Associated companies and joint ventures		0.6	

Transactions with related party are made at a market price. During presented periods, there were no related party transactions with key management personnel or their closely associated persons. The comparison figures have been adjusted and related party transactions with key personnel of YIT Group's subsidiaries are no longer presented in this note.

4 ADDITIONAL INFORMATION

4.1 New standards

IFRS 16 Leases

The IFRS 16 Leases standard was issued in January 2016. The effective date of the standard is a period beginning on or after January 1, 2019. The standard is applied to lessee's financial statements. All lease agreements are recognised in the balance sheet, except minor rental properties and short-term lease agreements.

According to the current estimate, 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 agreements related to construction business, which, according to the preliminary analysis, will be recognised to inventories and interest-bearing liabilities. Asset items related to land lease agreements and financial liabilities are recognised off-balance when the property under construction is sold. According to the preliminary analysis, the standard is not expected to have significant impact on profit for the accounting period or equity.

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 June 30, 2018	267.6	72.1
Loss allowance provision	1.5	0.3
Carrying amount after provision June 30, 2018	266.1	71.8

4.2 Key figures

	Reported 4-6/2018	Reported 4-6/2017	Reported 1-12/ 2017	Reported 1-6/2018	Reported 1-6/2017	Pro forma 4-6/2018	Pro forma 4-6/2017	Pro forma 1-12/ 2017	Pro forma 1-6/2018	Pro forma 1-6/2017
Equity ratio, %	33.9%	30.7%	33.2%	33.9%	30.7%	n/a	n/a	40.2%	n/a	n/a
Net interest-bearing debt, EUR million[1]	734.0	572.1	453.4	734.0	572.1	734.0	n/a	668.5	734.0	n/a
Net debt/adjusted pro forma ebitda	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.6	4.8	n/a
Gearing ratio, %[1]	73.4%	107.3%	80.3%	73.4%	107.3%	n/a	n/a	59.9%	n/a	n/a
Unrecognised order backlog at the end of the period, EUR million	5,068.4	2,969.7	2,912.7	5,068.4	2,969.7	5,068.4	2,969.7	4,218.3	5,068.4	n/a
- of which activities outside Finland, EUR million	1,129.7	911.4	803.1	1,129.7	911.4	1,129.7	911.4	n/a	1,129.7	n/a
Personnel at the end of the period	10,815	5,776	5,427	10,815	5,776	10,815	n/a	9,721	10,815	n/a
Gross capital expenditures. EUR million	12.5	11.7	30.5	36.8	29.0	n/a	n/a	n/a	n/a	n/a
% of revenue	1.4%	2.3%	5.0%	2.6%	3.0%	n/a	n/a	n/a	n/a	n/a
Average share price during the period, EUR	n/a	n/a	6.94	5.99	7.05	n/a	n/a	n/a	n/a	n/a
Share price at the end of the period, EUR	5.11	7.32	6.37	5.11	7.32	n/a	n/a	n/a	n/a	n/a
Market capitalisation at the end of the period, EUR million	1,073.1	921.0	801.4	1,073.1	921.0	n/a	n/a	n/a	n/a	n/a
Equity per share, EUR	4.76	4.24	4.49	4.76	4.24	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	0.03	0.11	0.35	-0.19	0.01
Weighted average number of shares outstanding – basic, 1,000 pcs	195,823	125,643	125,730	195,823	125,643	209,296	209,519	209,606	209,296	209,519
Weighted average number of shares outstanding, Diluted, 1,000 pcs	196,754	127,607	127,656	196,754	127,607	n/a	n/a	n/a	n/a	n/a
Number of shares at end of period, 1,000 pcs	209,998	125,815	125,815	209,998	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.

4.3 Reconciliation of certain key figures

Reconciliation of adjusted operating profit

EUR million	Reported 1-6/2018	Reported 1-6/2017	Reported 1-12/2017	Reported 4-6/2018	Reported 4-6/2017	Pro forma 1-6/2018	Pro forma 1-6/2017	Pro forma 1-12/2017	Pro forma 4-6/2018	Pro forma 4-6/2017
Operating profit (IFRS)	**-28.0**	**25.8**	**85.5**	**6.6**	**21.1**	**-39.9**	**-19.8**	**77.4**	**11.1**	**32.6**
Adjusting items										
Write-down of inventories	3.5		14.0	3.5		3.5		14.0	3.5	
Restructurings and divestments[1]	5.5			3.5		7.4			3.5	
Transaction costs related to merger	1.4	1.1	6.1		1.1		15.1	15.1		
Integration costs related to merger	4.4			3.4		4.4		3.8	3.4	
Costs, compensations and reimbursements related to court proceedings							3.5	1.4		0.1
Inventory fair value adjustment from PPA[2]	6.3			3.8		1.8	6.8	13.7	0.9	3.4
Depreciation and amortisation expenses from PPA[2]	6.0			3.6		3.9	6.8	13.7	1.9	3.4
Adjusting items, total	**27.1**	**1.1**	**20.1**	**17.8**	**1.1**	**21.1**	**32.2**	**61.5**	**13.2**	**6.9**
Adjusted operating profit	**-0.9**	**26.9**	**105.6**	**24.4**	**22.2**	**-18.9**	**12.4**	**138.9**	**24.4**	**39.5**

[1] Restructurings and divestments concern business reorganisations of Norway and Sweden. This adjusting item is focused at both Paving segment and other items and reconciliations.

[2] PPA refers to merger related fair value adjustments.

Reconciliation of adjusted pro forma ebitda

EUR million	1-6/2018	1-12/2017
Adjusted operating profit	**-18.9**	**138.9**
Depreciations and amortisations	21.5	59.7
Depreciation and amortisation expenses from PPA	-3.8	-13.7
Adjusted pro forma ebitda	**-1.1**	**185.3**

Pro forma adjusted earnings per share

EUR million, unless otherwise noted	1-6/2018	1-6/2017	1-12/2017	4-6/2018	4-6/2017
Pro forma result for the period attributable to the equity holders of the parent company, EUR million	**-56.5**	**-29.0**	**26.3**	**-4.3**	**18.3**
Adjusting items, total (included in operating profit) [1]	**21.1**	**32.2**	**61.5**	**13.2**	**6.9**
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	-2.6	-2.4	-4.7	-1.5	-1.2
Adjusting items related to merger included in financial expenses, total	**-2.6**	**0.5**	**-1.8**	**-1.5**	**-1.2**
Adjusting items, total (included in operating profit)[1] and Adjusting items related to merger included in financial expenses, total	**18.4**	**32.7**	**59.7**	**11.7**	**5.7**
Tax impact	-1.5	-6.0	-11.8	-1.0	-1.2
Pro forma adjusted result for the period attributable to the equity holders of the parent company, EUR million	**-39.6**	**-2.2**	**74.3**	**6.5**	**22.8**
Pro forma weighted average number of shares outstanding – basic, 1,000 pcs	**209,296**	**209,519**	**209,606**	**209,296**	**209,519**
Pro forma adjusted earnings per share attributable to the equity holders of the parent company – basic, EUR	**-0.19**	**0.01**	**0.35**	**0.03**	**0.11**

[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 4–6/2018	Pro forma 4–6/2017	Pro forma 1–6/2018	Pro forma 1–6/2017	Pro forma 1–12/2017
Revenue (IFRS)	**298.2**	**298.2**	**559.6**	**556.5**	**1,156.2**
POC adjustments	1.6	-16.5	2.0	51.4	29.7
Revenue (POC)	**299.8**	**281.7**	**561.6**	**607.9**	**1,185.9**
Operating profit (IFRS)	**29.7**	**25.9**	**50.2**	**34.4**	**78.1**
Adjusting items	0.7		0.7		4.9
Adjusted operating profit (IFRS)	**30.4**	**25.9**	**50.9**	**34.4**	**83.0**
POC adjustments	-4.7	-0.1	-2.6	14.8	18.5
Adjusted operating profit (POC)	**25.7**	**25.8**	**48.3**	**49.2**	**101.5**

Housing Russia pro forma, EUR million	Pro forma 4–6/2018	Pro forma 4–6/2017	Pro forma 1–6/2018	Pro forma 1–6/2017	Pro forma 1–12/2017
Revenue (IFRS)	**53.2**	**107.1**	**91.5**	**175.6**	**421.0**
POC adjustments	29.8	-33.7	48.5	-36.6	-100.7
Revenue (POC)	**83.0**	**73.3**	**140.0**	**138.9**	**320.3**
Operating profit (IFRS)	**-11.0**	**-1.5**	**-25.0**	**-6.7**	**1.7**
Adjusting items	3.7		3.9		3.2
Adjusted operating profit (IFRS)	**-7.3**	**-1.5**	**-21.1**	**-6.7**	**4.9**
POC adjustments	4.3	2.6	8.2	5.9	-0.3
Adjusted operating profit (POC)	**-3.0**	**1.1**	**-12.9**	**-0.9**	**4.6**

4.4 Definitions of financial key performance indicators

Key figure	Definitions	Reason for use
Operating profit	Result for the period before taxes and finance expenses and finance income equalling to the subtotal presented in the consolidated income statement.	Operating profit shows result generated by operating activities excluding finance and tax related items.
Adjusted operating profit	Operating profit excluding adjusting items.	Adjusted operating profit is presented in addition to operating profit to reflect the underlying core business performance and to enhance comparability from period to period. Management believes that this alternative performance measure provides meaningful supplemental information by excluding items not part of YIT's core business operations thus improving comparability from period to period.
Adjusting items	Adjusting items are material items outside ordinary course of business such as write-down of inventories, impairment of goodwill, integration costs related to merger, transaction costs related to merger, costs, compensations and reimbursements related to court proceedings, write-downs related to non-core businesses, gains or losses arising from the divestments of a business or part of a business, costs on the basis of statutory personnel negotiations and adaption measures, and cost impacts of the fair value adjustments from purchase price allocation, such as fair value adjustments on acquired inventory, depreciation of fair value adjustments on acquired property, plant and equipment and amortisation of fair value adjustments on acquired intangible assets relating to business combination accounting under the provisions of IFRS 3, referred to as purchase price allocation ("PPA").	
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 inventments 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.

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