YIT's Report of the Board of Directors and Financial Statements 2018

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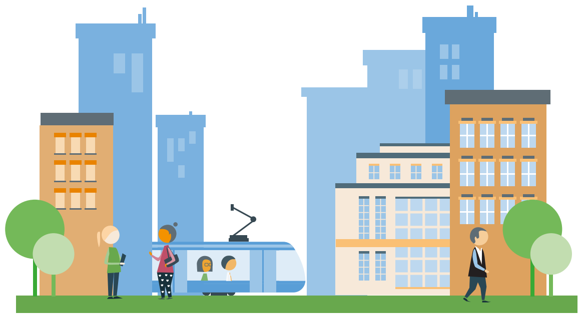


Report of the Board of Directors January 1–December 31, 2018

Merger of YIT and Lemminkäinen

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

Group financial development, IFRS, reported

IFRS, EUR million	Reported 1–12/18	Reported 1–12/17	Change
Revenue	3,689.4	1,993.8	85%
Operating profit	94.6	85.5	11%
Operating profit margin, %	2.6%	4.3%	
Adjusted operating profit[1]	152.5	105.6	44%
Adjusted operating profit margin, %	4.1%	5.3%	
Profit before taxes	59.1	70.9	-17%
Profit for the review period[2]	39.2	56.6	-31%
Earnings per share, EUR	0.19	0.45	-58%
Order backlog at end of period	4,433.8	4,218.3	5%

[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.

[2] Attributable to equity holders of the parent company

The Group's IFRS revenue increased by 85% year-on-year, and was 3,689.4 million euros (1,993.8) due to the merger of YIT and Lemminkäinen on February 1, 2018. Operating profit increased by 11% to EUR 94.6 million (85.5) due to the merger of YIT and Lemminkäinen, and the Group's operating margin was 2.6% (4.3). The operating profit includes adjustments of EUR 57.9 million (20.1) related to merger related fair value cost effects, integration costs related to achieving the synergy benefits, costs related to the reorganisation of the Scandinavian operations and a loss related to the capital release action in Russia. The Group's adjusted operating profit increased by 44% and was EUR 152.5 million (105.6), and adjusted operating profit margin was 4.1% (5.3). Profitability was supported by the merger of YIT and Lemminkäinen and by property sales during the fourth quarter in Business premises and Partnership properties segments and larger amount of completed apartments in Housing Finland and CEE segments. The profitability declined due to the weaker than profitability of Housing Russia segment than in comparison period.

Acquisitions and capital expenditure

IFRS, EUR million	1–12/18	1–12/17	Change
Gross capital expenditure on non-current assets	64.4	30.5	111%
% of revenue	1.7%	1.5%	
Depreciation	53.3	14.2	275%

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

During the first quarter, YIT acquired the majority of Projektipalvelu Talon Tekniikka Oy. In April, YIT acquired a controlling interest of the company "Udobnyje reshenija". Udobnyje reshenija offers versatile contact services based on the Dispatcher 24 service platform to property management and maintenance companies. In November, YIT acquired Vahva Sora Oy which produces and delivers mineral aggregates suitable to be used as raw materials for concrete in Southern Finland.

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

Capital structure and liquidity position, cash flow and investments

EUR million	Reported 12/18	Reported 12/17	Change	Pro forma 12/17
Net interest-bearing debt	562.9	453.4	24%	666.9
Cash and cash equivalents	263.6	89.7	194%	111.3
Interest-bearing receivables	65.1	47.6	37%	47.6
Interest-bearing debts	891.7	590.7	51%	825.8
Bonds	352.6	149.7	136%	n/a
Commercial papers	46.7	150.6	-69%	n/a
Pension loans	50.0	55.4	-10%	n/a
Loans from financial institutions	130.4	115.0	13%	n/a
Housing corporation loans	259.0	85.6	203%	n/a
Finance lease liabilities	17.8	0.1		n/a
Other interest-bearing liabilities	35.2	34.3	3%	n/a
Available committed revolving credit facilities	300.0	200.0	50%	n/a
Available overdraft facilities	72.2	73.7	-2%	n/a
Equity ratio, %	38.1	33.2		40.2
Gearing ratio, %	53.6	80.3		59.9

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

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

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

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

During the year, YIT has reorganised its debt portfolio and financing sources:

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

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

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

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

During the year 2018, reported net finance costs amounted to EUR 35.5 million (pro forma 12/17: 26.7). Finance costs increased mainly due to the costs related to the redemptions of bonds.

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

At the end of December, the capital employed in Russia was EUR 318.7 million (397.1), of which EUR 358.3 million (346.0) was equity investments or similar permanent net investments.

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

Order backlog

EUR million	Reported 12/18	Pro forma 12/17	Change
Order backlog	**4,433.8**	**4,218.3**	**5%**
Housing Finland and CEE	1,729.3	1,580.1	9%
Housing Russia	348.8	448.6	-22%
Business premises	1,326.9	1,306.8	2%
Infrastructure projects	579.6	471.0	23%
Paving	449.2	411.8	9%
Partnership properties			

The order backlog grew by 5% from the comparison period and was EUR 4,433.8 million (4,218.3). In the Housing Russia segment, the order backlog decreased due to a high number of completions during the last quarter. At the end of December, 63% of the order backlog was sold.

Group financial development

YIT and Lemminkäinen merged on February 1, 2018. From this point on, in this Report of Board of Directors 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.

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

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

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.

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

Synergies and integration costs

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

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

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

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

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

EUR million	Pro forma 1–12/18	Pro forma 1–12/17
Integration costs, total[1]	18.2	3.8

[1] Integration costs exclude transaction costs.

Revenue

Residential projects for consumers recognised as income upon completion

EUR million	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change[1]
Revenue	**3,689.4**	**3,759.3**	**3,862.5**	**-3%**
Housing Finland and CEE	1,143.5	1,157.9	1,156.2	0%
Housing Russia	270.2	274.1	421.0	-35%
Business premises	1,024.7	1,045.2	902.2	16%
Infrastructure projects	590.5	612.4	686.0	-11%
Paving	712.9	723.2	768.9	-6%
Partnership properties	0.0	0.0		
Other items	-52.4	-53.4	-71.8	26%

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

The Group's revenue decreased by 3% year-on-year and amounted to EUR 3,759.3 million (3,862.5). Revenue decreased mainly due to a low number of residential project completions in the Housing Russia segment. In the Infrastructure projects segment, revenue decreased 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 unprofitable asphalt stations in Southern Sweden and Norway in the beginning of the year. Due to the operating model, the Partnership properties segment's revenue was low.

Result

EUR million	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change[1]
Operating profit	**94.6**	**91.3**	**77.4**	**18%**
Operating profit margin, %	**2.6%**	**2.4%**	**2.0%**	
Adjusting items	**57.9**	**43.2**	**61.5**	**-30%**
Adjusted operating profit	**152.5**	**134.5**	**138.9**	**-3%**
Housing Finland and CEE	104.1	103.3	83.0	25%
Housing Russia	-31.8	-32.8	4.9	
Business premises	68.1	67.8	51.5	32%
Infrastructure projects	-4.7	-7.6	17.4	
Paving	14.5	2.7	4.7	-43%
Partnership properties	26.9	26.9	-0.5	
Other items	-24.6	-25.8	-22.0	-17%
Adjusted operating profit margin, %	**4.1%**	**3.6%**	**3.6%**	
Housing Finland and CEE	9.1%	8.9%	7.2%	
Housing Russia	-11.8%	-12.0%	1.2%	
Business premises	6.6%	6.5%	5.7%	
Infrastructure projects	-0.8%	-1.2%	2.5%	
Paving	2.0%	0.4%	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 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change[1]
Profit before taxes	59.1	57.2	50.7	13%
Profit for the review period[2]	39.2	33.3	26.3	27%
Earnings per share, EUR	0.19	0.16	0.13	22%
Adjusted earnings per share, EUR	n/a	0.32	0.35	-9%

[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.

Adjusted operating profit was EUR 134.5 million (138.9), and adjusted operating profit margin was 3.6% (3.6). Adjusted operating profit decreased mainly due to lowered margins in certain projects in the contracting business in Russia and in Infrastructure projects and in Business premises. The result was supported by property sales during the fourth quarter.

The Group's operating profit was EUR 91.3 million (77.4), and the operating profit margin was 2.4% (2.0).

The operating profit includes adjusting items of EUR 43.2 million (61.5) mainly related to merger related fair value cost effects. In addition, the adjusting items include integration costs related to achieving the synergy benefits, costs related to the reorganisation of the Scandinavian operations and a loss related to the capital release action in Russia.

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

Segments

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

Housing Finland and CEE

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

Operating environment

Consumer confidence in Finland during the period was strong, which was reflected in good consumer demand for apartments. Supply was on a high level. In addition to the good demand for affordable apartments in Helsinki Metropolitan Area and Tampere, demand for larger apartments improved year-on-year. The demand of private residential investors started to decline during the year. In the CEE countries, consumer confidence continued to be on a good level. 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 especially in CEE countries.

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

Housing Finland and CEE, IFRS EUR million	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change[1]
Revenue	1,143.5	1,157.9	1,156.2	0%
Operating profit	103.4	102.6	78.1	31%
Operating profit margin %	9.0%	8.9%	6.8%	
Adjusted operating profit	104.1	103.3	83.0	25%
Adjusted operating profit margin %	9.1%	8.9%	7.2%	
Order backlog at end of period	1,729.3	1,729.3	1,580.1	9%

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

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

Housing Finland and CEE, POC EUR million	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change[1]
Revenue	1,058.1	1,080.4	1,185.9	-9%
Adjusted operating profit	90.4	90.9	101.5	-10%
Adjusted operating profit margin %	8.5%	8.4%	8.6%	
Adjustment items	0.8	0.8	4.9	-84%
Order backlog at end of period	1,508.2	1,508.2	1,337.4	13%

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

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

The segment's adjusted operating profit decreased by 10% year-on-year, and amounted to EUR 90.9 million (101.5). The adjusted operating profit margin was 8.4% (8.6). Both revenue and adjusted operating profit decreased due to lower year-on-year number of sold apartments. During the period, YIT sold 3,502 apartments in Finland (4,564) and 1,204 apartments in the CEE countries (1,613). The share of consumer sales in Finland was 68% (77).

Residential construction in Finland, units	1–12/18[1]	1–12/17[1]	Change
Sold	3,502	4,564	-23%
of which initially started for consumers[2]	2,363	3,500	-33%
Start-ups	3,793	5,036	-25%
of which for consumers	2,654	3,972	-33%
Completed	4,510	4,308	5%
of which for consumers	3,657	2,816	30%
Under construction at end of period	5,302	6,019	-12%
of which sold at end of period, %	56%	62%	
For sale at end of period	2,777	2,490	12%
of which completed	422	203	108%
Plot reserve in the balance sheet at end of period, EUR million	222	n/a	
Plot reserve at end of period[3], floor square metres	2,226,496	n/a	
Cost of completion at end of period, EUR million	460	n/a	

[1] Combined figures of YIT and Lemminkäinen.
[2] Includes apartments sold to residential funds: 1–12/18: 180 units; 1–12/17: 487 units.
[3] Includes pre-agreements, rental plots and own plots.

Residential construction in the CEE countries, units	1–12/18	1–12/17	Change
Sold	1,204	1,613	-25%
of which for consumers	950	919	3%
fund sales to consumers[1]	404	253	60%
Start-ups	1,566	1,545	1%
Completed	1,427	1,100	30%
Under construction at end of period	2,440	2,489	-3%
of which sold at end of period, %	47%	63%	
For sale at end of period	1,436	1,054	36%
of which completed	130	140	-7%
Plot reserve in the balance sheet at end of period, EUR million	112.1	n/a	
Plot reserve at end of period[3], floor square metres	473,578	n/a	
Cost of completion at end of period, EUR million	140	n/a	

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

Housing Russia

The Housing Russia segment consists of the self-developed residential construction business and living services of YIT's former Housing Russia segment and Lemminkäinen's residential contracting and property management business in Russia. The segment's business comprises development and construction of apartments and entire residential areas in Russia. YIT has operated in Russia in over 55 years with both self-developed and contracting projects. YIT focuses on self-developed housing construction, while maintenance, property management as well as additional services have lately become increasingly important in residential construction projects. Additionally, YIT has two industrial park projects in Russia.

Operating environment

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

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

Housing Russia, IFRS EUR million	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change[1]
Revenue	270.2	274.1	421.0	-35%
Operating profit	-36.3	-37.3	1.7	
Operating profit margin %	-13.4%	-13.6%	0.4%	
Adjusted operating profit	-31.8	-32.8	4.9	
Adjusted operating profit margin %	-11.8%	-12.0%	1.2%	
Order backlog at end of period	348.8	348.8	448.6	-22%

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

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

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

At comparable exchange rates, reported revenue was EUR 303.5 million and reported adjusted operating profit at comparable exchange rates was EUR -35.1 million. During the year, YIT acquired a controlling interest in the company "Udobnyje reshenija". Udobnyje reshenija offers versatile contact services based on the Dispatcher 24 service platform to property management and maintenance companies. The Udobnyje reshenija services reach over 300,000 customers. With this acquisition, YIT will develop its living services towards a digital platform business. Measures to improve the flexibility and profitability of the Russian operations even with lower volumes were started in late 2017. The segment's operating model was renewed from the previous holding structure to a unitary company. The restructuring enabled the reduction of approximately 200 white-collar employees. The total effect of cost savings related to the changes in the operating model and integration on annual fixed costs is approximately EUR 11 million compared to the 2017 level. These cost reductions will be reached in full in the third quarter of 2019.

The capital release according to set target has had a significant negative impact on the result as the company have reduced the number of unsold completed apartments especially in the Moscow region by giving discounts on housing prices. The inventory of unsold completed apartments is coming to a normal level and there is no need for similar discounts.

The significant changes in the Federal law 214 regulating the residential market has caused the need to re-evaluate and change the legal structure of the Group's operations in Russia. These changes were started in December 2018. The pricing and acceptable contract terms in tendering were changed in February, after which the number of new orders has significantly decreased. The leadership and reporting principles of projects were unified to ensure project management at construction sites.

Housing Russia, POC EUR million	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change[1]
Revenue	287.9	291.7	320.3	-9%
Adjusted operating profit	-22.5	-23.4	4.6	
Adjusted operating profit margin %	-7.8%	-8.0%	1.4%	
Adjustment items	4.5	4.5	3.2	41%
Order backlog at end of period	305.1	305.1	396.1	-23%

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

The segment's revenue decreased by 9% year-on-year and was EUR 291.7 million (320.3).The segment's adjusted operating profit was EUR -23.4 million (4.6) and the adjusted operating profit margin was -8.0% (1.4). The result was burdened by lowered margins in projects in the contracting business, given discounts on completed apartments to release capital, and the loss recorded from a plot sales in June.

Residential construction in Russia, units	1–12/18	1–12/17	Change
Sold	3,682	2,899	27%
Start-ups	3,694	2,525	46%
Completed[1]	2,974	4,523	-34%
Under construction at end of period	5,286	4,628	14%
of which sold at end of period, %	33%	30%	
For sale at end of period	4,223	4,228	0%
of which completed	683	974	-30%
Plot reserve in the balance sheet at end of period[2], EUR million	161.7	n/a	
Plot reserve at end of period[3], floor square metres	1,546,000	n/a	
Cost of completion at end of period, EUR million	112.0	n/a	

[1] Completion of residential projects requires commissioning by the authorities.
[2] Figures include Gorelovo industrial park

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

Business premises

The Business premises segment consists of the business premises construction and project development businesses that were previously under YIT's Business Premises and Infrastructure segment, along with the commercial construction, project development and commercial property and facilities management businesses of Lemminkäinen's Building Construction, Finland segment. The majority of the revenue is generated in Finland. In this segment YIT pursues both self-developed projects and contracting. For its self-developed projects YIT acquires users and tenants for the premises as well as develops, constructs and divests the premises. Self-developed projects typically include offices, retail premises, as well as logistics or care sector premises. In contracting, projects typically include public facilities, industrial properties and business premises. In addition to new construction, YIT also carries out renovation projects. The segment's geographical markets are Finland, Estonia, Latvia, Lithuania and Slovakia.

Operating environment

The favourable market climate in Finland supported public and private investments. The volume of construction continued to be on a high level. The business premises contracting market continued to be active in growth centres in Finland and especially in the Helsinki metropolitan area. Tenant demand is on a good level in the Helsinki metropolitan area that is also the main market of investor demand. The rental levels of business premises remained on a good level in Finland and in the Baltic countries. In the Baltic countries and in Slovakia, investor demand for business premises was good. The contracting market has remained stable in the Baltic countries.

Business premises, EUR million	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change[1]
Revenue	1,024.7	1,045.2	902.2	16%
Operating profit	67.6	67.3	45.6	48%
Operating profit margin %	6.6%	6.4%	5.1%	
Adjusted operating profit	68.1	67.8	51.5	32%
Adjusted operating profit margin %	6.6%	6.5%	5.7%	
Order backlog at end of period	1,326.9	1,326.9	1,306.8	2%

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

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

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

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

Largest ongoing business premises projects

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

Infrastructure projects

The Infrastructure projects segment consists of the Infra Services division of YIT's Business Premises and Infrastructure segment, excluding the Maintenance unit, and Lemminkäinen's Infra projects segment. The operations cover the construction of roads, bridges, railways, metro stations, harbours and parking facilities as well as building power plants, water supply and industrial plants. YIT also offers wind power plant foundation solutions as well as related services and maintenance. Additionally, YIT excavates tunnels and mines and reinforces soil using various methods. The segment operates in Finland, Sweden, Norway, Estonia, Latvia and Lithuania.

Operating environment

Urbanisation, industrial investments and investments in energy and traffic infrastructure kept the demand for complex infrastructure construction on a good level. Especially in Sweden and Norway, the market remained strong, and there are several major infra projects and industrial investments ongoing or planned in both countries. In Finland, the growth of infrastructure construction has started to decline following the decrease in construction project start-ups especially during the latter part of the review period. In the state's budget estimate the investments in infrastructure will be decreased by EUR 500 million compared to current year. In the Baltic countries, the market has continued to grow.

Infrastructure projects EUR million	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change[1]
Revenue	590.5	612.4	686.0	-11%
Operating profit	-5.3	-8.2	17.4	
Operating profit margin %	-0.9%	-1.3%	2.5%	
Adjusted operating profit	-4.7	-7.6	17.4	
Adjusted operating profit margin %	-0.8%	-1.2%	2.5%	
Order backlog at end of period	579.6	579.6	471.0	23%

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

The segment's revenue decreased by 11% year-on-year and amounted to EUR 612.4 million (686.0). The adjusted operating profit was EUR -7.6 million (17.4) and the adjusted operating profit margin was -1.2% (2.5).The segment's operating profit decreased year-on-year to EUR -8.2 million (17.4), and operating profit margin was -1.3% (2.5). Revenue decreased particularly due to lower year-on-year volumes in Finland. The operating profit decreased year-on-year due to lower revenue and lowered margins in certain old projects as well as low average project profitability of the old order backlog. The profitability of the new orders received since the beginning of the year is on a good level gradually strengthening the average profitability of the order backlog. The operating profit was also burdened by additional costs booked as a result of Court of Appeal's decision related to Niittykumpu metro tunnel construction dispute during the third quarter.

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

Largest ongoing infrastructure contracting projects

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

Paving

The Paving segment consists of Lemminkäinen's Paving segment and YIT's Road maintenance unit. The segment's operations include paving and production of mineral aggregates as well as stabilisation, crushing and waterproofing. The segment also maintains road and street networks. The company cooperates with its customers to produce paving for especially demanding works, such as airport runways with extremely high quality demands. Approximately half of the segment's revenue originates from public procurement by states and municipalities. Paving and mineral aggregate production are capital-intensive businesses tying capital into machinery and equipment, plots and current assets. The Paving segment operates in Finland, Sweden, Norway, Denmark and Russia.

Operating environment

Because of weather conditions, paving is practically non-existent in YIT's area of operation during the first quarter of the year. The paving high season takes place from June to October. In Finland, the state investments declined slightly year-on-year. In Sweden, the market was solid, and in Norway the state investments increased. In Denmark, price competition remained intense.

Paving EUR million	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change[1]
Revenue	712.9	723.2	768.9	-6%
Operating profit	4.3	-9.5	4.7	
Operating profit margin %	0.6%	-1.3%	0.6%	
Adjusted operating profit	14.5	2.7	4.7	-43%
Adjusted operating profit margin %	2.0%	0.4%	0.6%	
Order backlog at end of period	449.2	449.2	411.8	9%

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

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

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

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

Partnership properties

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

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

Operating environment

Investors' interest in business premises located in Finland's major growth centres was at a good level, and the residential investor interest remained stable. The yield requirements of office and retail properties decreased in the Helsinki metropolitan area, and the rental levels for prime office properties increased in central Helsinki.

Partnership properties EUR million	Reported 1–12/18	Pro forma 1–12/18	Pro forma 1–12/17	Change[1]
Revenue	0.0	0.0		
Operating profit	26.9	26.9	-0.5	
Operating profit margin %				

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

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

Projects

Partnership	Co-operation model	YIT's equity investment commitments	Total investment capacity estimate, EUR million	YIT's ownership	Additional information
Regenero Oy	Project development company	18[1]	800[2]	50%	Owned by YIT and HGR Property Partners. Regenero owns a head quarter property in Keilaniemi, Espoo. The occupancy rate of the Keilaniemi property is over 70%. Capital investments are made into Regenero based on needs of projects being developed.
Mall of Tripla	Shopping centre property company	117	600	38,75%	Hybrid project Tripla's shopping centre part in Central Pasila, Helsinki, Finland. The joint venture is formed by YIT, Ilmarinen (38.75%), Conficap (15%) and Fennia (7.5%). Occupancy rate of the project is approximately 86%, leasable area 85,000 square metres.
E18 Hamina–Vaalimaa motorway	Road company	5	235	20%	Meridiam Infrastructure Finance II S.á.r.l. holds 80% and YIT 20% of the company. Maintenance contract until 2034.
YCE Housing I fund	Project development fund	15	100	40%	Residential projects in Slovakia, the Czech Republic, Lithuania and Estonia. YIT constructs the projects owned by the fund and is responsible for selling the apartments further to consumers. Other investors include Ilmarinen (30%) and a group of Finnish investors. The fund's equity is approximately EUR 37 million.
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.
[2] Includes the entire Keilaniemenranta area development project

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

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

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

Research and Development

YIT and Lemminkäinen merged at the beginning of February. The integration of the companies and establishing a common management system for the merged company were the most significant development measures taken in 2018. Other research and development activities in 2017 continued in development projects on themes derived from the strategy, and as part of the development of self-developed projects.

Integration

Following the merger of the parent companies YIT Corporation and Lemminkäinen Corporation on February 1, 2018, the Group began the process of organising into the new YIT. Business in the various countries of operation continued in 2018 in the name of the subsidiaries carried over from YIT and Lemminkäinen. For Finland, Estonia and Lithuania, the mergers of subsidiaries took place at the turn of the year 2018–2019, with Latvia and Russia to follow in the first half of 2019. There were no overlapping functions requiring mergers in Scandinavia and the CEE countriers.

The focus of the integration effort has been on establishing a smooth operating environment and operating conditions. The Group has harmonised and developed common operating methods, combined online and system environments and reporting as well as created the conditions for mergers of subsidiaries, which also promote the harmonisation of the terms of employment and employee benefits. The integration has been guided by YIT's new strategy and the Group's shared values and leadership principles. A large group of personnel representing various businesses, functions and operating countries have participated in developing the operating methods of the new YIT, which creates a strong foundation for incorporating the integration efforts into the Performance development programme and day-to-day operations going forward. The Group measures its integration performance in four areas: satisfied customers; employee satisfaction; smooth operations during the integration process from the perspectives of customers, partners and stakeholders; and the achievement of the targeted synergies. The success of the integration measures during the past year was in line with targets.

The previous strategy period's development programmes

In accordance with YIT's strategy published in 2016, development efforts were enhanced and targeted through three strategic development programmes that were in effect during the year: Performance Leap, Renovation Services and Living Services. The development programmes have been supported by improvements in customer insight and the customer experience, along with strategic development related to utilising information.

The target of the **Performance Leap** development programme was to reduce the production costs of construction by at least 15% in residential construction and to improve competitiveness in the Business Premises and Infrastructure segments by 10% through the development of operating models and the product rather than cost cuts. The idea is to introduce more cooperation and interaction skills to YIT's existing supply chain while collaborating with the network to eliminate waste in working and operating methods. The Performance Leap was based on improvement in areas such as the following: Ensuring competence, Design management, Partnerships and prefabricates, and Performance of worksites. Data-driven management and Building Information Models were also among the key focus areas of the programme. In the Housing segment, the target will be achieved at the end of 2019, in line with the original plan. Design management and production turnaround times have improved and the total cost savings target of 15% will be achieved. The same principles have now also been adopted in the renovation business. The Performance Leap development programme was wrapped up at the end of 2018, but its results and follow-up measures support the implementation of the new Performance programme, which will develop the Group's efficiency more broadly.

The **Renovation Services** development programme was designed to strengthen YIT's position as a renovation company, utilising YIT's extensive project development and contracting expertise. The Renovation Services development programme was used to increase renovation project volume, seek growth in renovation project development and develop the renovation of housing companies and entire areas by creating new concepts.

As part of the programme, YIT acquired a majority share in Projektipalvelu Talon Tekniikka Oy in order to strengthen its position in renovation services in line with its strategy. The acquisition supported YIT's strategic goal of growth in the renovation business. Talon Tekniikka has proved to be an excellent avenue for the Group to strengthen its position among the largest players in the growing market of renovation projects for housing companies. The new YIT's organisational changes support this strategic objective. The Renovation Services development programme was wrapped up at the end of 2018 as new strategic development programmes were launched, but renovation will continue to be a strategically significant business for YIT.

The **Living Services** development programme was aimed at developing new business and business models that support housing and make the customer's life easier. The development programme also focused on improving the customer experience and digitalising the customer path further. Moreover, the programme created new business based on data.

The YIT Asuntovuokraus rental brokerage business was launched as a new business. The Group also introduced an assisted living concept based on providing customers with not only apartments, but also services that make their daily life easier. The concept was launched in Helsinki's Konepaja district and the Valon Kortteli project in Tikkurila, Vantaa. The service marketplace application was developed to serve as a service business channel through which customers can conveniently place orders for services. Maintenance and management services for residential buildings were launched in Poland and Lithuania.

The digitalisation of the customer path continued by offering customers the opportunity to reserve apartments electronically, and website functionality was developed further. The Group also prepared for the introduction of ASREK, an electronic register of housing company shares in Finland, and the opportunities it creates for digital solutions related to housing transactions. In addition to digitalisation, the Group continued the comprehensive development of the customer experience.

As the amount of data increases, the focus was on developing business analysis. Combining external and internal data provides a clearer view to support operations and management, as well as more accurate forecasts on matters such as customer behaviour and demand trends. Modern solutions help turn data into value and competitive advantage faster, more cost-efficiently and more reliably.

The Living Services development programme will continue as a significant component of the Customer Focus development programme and its emphasis will be on the consumer business.

New strategic development programmes

The merged company's new strategy for 2019–2021 was announced in September 2018. The target of YIT's strategy is to improve profitability and strengthen financial stability. The company's strategic priorities, sources of growth and structural profitability include urban development and non-cyclical businesses. The strategy is built on the strong megatrends of urbanisation, sustainability and digitalisation. The successful integration of YIT and Lemminkäinen, establishing common operating methods and a common culture and achieving synergies are among the key cornerstones of the Group's success.

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

- **The Performance** programme will ensure that the synergies sought through the merger will be achieved while also improving productivity by decreasing waste and turnaround times, without compromising quality.
- **The Customer Focus** programme seeks growth by improving products, services and the customer experience.
- **The Green Growth** programme supports growth and improves productivity by applying the principles of sustainable development.

Other development themes

Strategic information management projects continued the development of data and analytics competencies by expanding the Group's expertise and centralising the activities in a unit that serves the entire Group. Business benefits were achieved in customer and sales analytics and the Group began the implementation of production analytics. Also during the year, the management of the development portfolio was harmonised and common operating methods were established. In terms of information security, the Group's observation and solution capabilities were developed further and expanded to include new offices. The actions necessary to fulfil the requirements stipulated by the EU's General Data Protection Regulation were completed.

Investment in research and development

The Group's research and development costs in 2018 amounted to EUR 24.5 million, which represents 0.7% of IFRS revenue.

Personnel

Personnel per segment	12/18	12/17
Housing Finland and CEE	2,632	2,250
Housing Russia	1,424	1,763
Business premises	1,177	1,733
Infrastructure projects	1,811	1,793
Paving	1,672	1,822
Partnership properties	2	
Group services	352	360
Group total	9,070	9,721

Personnel per geographic area	12/18	12/17
Finland	5,034	5,398
Russia	1,740	2,048
CEE countries	1,539	1,442
Scandinavia	757	833
Group total	9,070	9,721

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

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

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

There has been a planned internal transition between the Housing Finland and CEE segment and the Business premises segment and, due to changes in the operating model, employees have also been transferred from the business segments to Group services.

Personnel expenses totalled EUR 527.2 million. The cost effect of YIT's share-based incentive scheme was EUR 2.3 million. The key figure of occupational safety, lost time accidents per one million hours worked, LTIF, was 9.7. The accident frequency is calculated by dividing the number of workplace accidents that caused an absence of at least one day by one million hours worked. The accident frequency is calculated as a 12-month average.

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

Following the merger of YIT and Lemminkäinen, YIT's Board of Directors appointed the following former members of Lemminkäinen's Group Executive Team to YIT's Group Management Team on February 1, 2018: Ilkka Salonen, CFO, Deputy to the President and CEO; Jan Gustafsson, Executive Vice President, Strategy and Development; Harri Kailasalo, Executive Vice President, Infrastructure projects segment; and Heikki Vuorenmaa, Executive Vice President, Paving segment. The following members of YIT's Group Management Board continued as members of the new Group Management Team: Kari Kauniskangas, President and CEO; Antti Inkilä, Executive Vice President, Housing Finland and CEE segment; Teemu Helppolainen, Executive Vice President, Housing Russia segment; Juha Kostiainen, Executive Vice President, Urban Development; Esa Neuvonen, Executive Vice President, Business premises segment and Partnership properties segment. Neuvonen was previously YIT's Chief Financial Officer. Juhani Nummi, Executive Vice President, Integration. Nummi was previously YIT's Senior Vice President, Business Development; and Pii Raulo, Executive Vice President, Human Resources.

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

Organisational changes and changes in company management

January 1, 2018 – February 1, 2018 the following persons acted in YIT's Board of Directors: Chairman Matti Vuoria, Vice Chairman Juhani Pitkäkoski, Satu Huber, Erkki Järvinen, Inka Mero and Tiina Tuomela.

The Boards of Directors of YIT and Lemminkäinen decided on January 31, 2018, to complete the merger of Lemminkäinen and YIT in accordance with the merger plan signed on June 19, 2017. The merger has been entered into the Trade Register and takes effect today, February 1, 2018.On September 12, 2017, the Extraordinary General Meetings of YIT and Lemminkäinen approved the composition of the merged company's Board of Directors as proposed in the merger plan. The General Meeting also decided that the Board will have eight (8) members in total, including the Chairman and Vice Chairman.

Following the completion of the merger and in accordance with the resolutions of the General Meetings, the members of YIT's Board of Directors were Matti Vuoria as Chairman, Berndt Brunow as Vice Chairman and Erkki Järvinen, Harri-Pekka Kaukonen, Inka Mero, Juhani Mäkinen, Kristina Pentti-von Walzel and Tiina Tuomela as members. The term of office of the Board of Directors began on February 1, 2018, on the date the completion of the merger is registered, and it ended at the close of the Annual General Meeting on March 16, 2018. The organisational meeting YIT Corporation's Board of Directors was held on February 1, 2018. The Board of Directors did not deem it necessary to appoint committee members for the period starting February 1,2018 and ending on March 16, 2018 at the close of the next Annual General Meeting, as it was not expected that the Board's committees would have any particular duties to perform during this period. Any duties ordinarily performed by committees were performed by the Board of Directors as a whole until March 16, 2018. The Board of Directors held its organisational meeting after the Annual General Meeting on March 16, 2018 and the matter is discussed in this report under "Resolutions passed at Annual General Meeting" in the section "Organisation of the board of directors".

As of January 1, 2018 The Group Management Board comprised of:

- Kari Kauniskangas, Chairman, President and CEO of YIT Corporation
- Esa Neuvonen, Chief Financial Officer, deputy to Presiden and CEO, Head of Partnership Properties segment
- Teemu Helppolainen, Head of Housing Russia segment
- Antti Inkilä, Head of Housing Finland and CEE segment
- Timo Lehmus, Head of Business Premises and Infrastructure segment until February 1, 2018
- Juha Kostiainen, Senior Vice President, Sustainable Urban Development
- Juhani Nummi, Senior Vice President, Business Development
- Pii Raulo, Senior Vice President, Human Resources

In its organisational meeting on February 1, 2018 YIT's Board of Directors nominated the Group management team and the reported segments. The following previously Lemminkäinen's ExecutiveTeam members were appointed to YIT's Group Management Team:

- Ilkka Salonen, CFO, Deputy to the President and CEO
- Jan Gustafsson, Executive Vice President, Strategy and development.
- Harri Kailasalo, Executive Vice President, Infrastructure projects segment
- Heikki Vuorenmaa, Executive Vice President, Paving segment.

The following members of YIT's Group Management Board continue as members of the Group Management Team of the combined company:

- Kari Kauniskangas, President and CEO
- Antti Inkilä, Executive Vice President, Housing Finland and CEE segment
- Teemu Helppolainen, Executive Vice President, Housing Russia segment
- Juha Kostiainen, Executive Vice President, Urban development
- Esa Neuvonen, Executive Vice President, Business premises segment and Partnership properties segment
- Juhani Nummi, Executive Vice President, Integration
- Pii Raulo, Executive Vice President, Human Resources

On August 15, the company announced that Executive Vice President, Strategy and development Jan Gustafsson to resign from the company. His duties were shared among other members of the YIT Management Team.

In the beginning of 2018, YIT had four reported segments: Housing Finland and CEE; Housing Russia, Business Premises and Infra and Partnership Properties. After the merger of YIT and Lemminkäinen on February 1, 2018, the company's six reported segments were:

- Housing Finland and CEE
- Housing Russia
- Business premises
- Infra projects
- Paving
- Partnership properties

The Housing Finland and CEE segment consists of YIT's former Housing Finland and CEE segment and the Finnish residential construction business of Lemminkäinen's Building Construction segment. The segment operates in Finland, the Czech Republic, Slovakia, Poland, Estonia, Latvia and Lithuania. Executive Vice President Antti Inkilä is in charge of the segment.

The Housing Russia segment consists of YIT's former Housing Russia segment and Lemminkäinen's residential construction and property management business in Russia. Executive Vice President Teemu Helppolainen is in charge of the segment.

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 segment. Executive Vice President Esa Neuvonen is in charge of the segment.

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 segment operates in Finland, Sweden, Norway, Estonia, Latvia and Lithuania. Executive Vice President Harri Kailasalo is in charge of the segment.

The Paving segment consists of Lemminkäinen's Paving segment and YIT's Maintenance unit. The Paving segment operates in Finland, Sweden, Norway, Denmark and Russia. Executive Vice President Heikki Vuorenmaa is in charge of the segment.

The Partnership properties segment is responsible for financing the development phases of major development projects and the ownership and subsequent realisation of plots and developed properties at the right moment. Projects that are partially owned by YIT, such as the Mall of Tripla, Tietotie 6 and the Hamina–Vaalimaa E18 motorway project, will be reported under this segment. Executive Vice President Esa Neuvonen is also in charge of this segment.

Resolutions passed at the Annual General Meeting

The Annual General Meeting of YIT Corporation held on March 16, 2018, adopted the 2017 financial statements and discharged the members of the Board of Directors and the President and CEO from liability. The Annual General Meeting decided on the dividend payout, the composition of the Board of Directors and their fees, the election of the auditor and its fees as well as authorising the Board of Directors to decide on the repurchase of company shares and share issues.

It was decided that a dividend of EUR 0.25 be paid per share, or a total of EUR 52.4 million, as proposed by the Board of Directors, and that the remainder of the earnings be retained in distributable equity. No dividend will be paid on treasury shares. The right to a dividend rests with a shareholder who, by the record date of March 20, 2018, has been entered as a shareholder in the company's shareholder register maintained by Euroclear Finland Ltd. It was decided that the dividend will be paid on April 12, 2018.

The Annual General Meeting resolved to elect a Chairman, Vice Chairman and five ordinary members to the Board of Directors for a term ending at the close of the next Annual General Meeting following their election, namely: Harri-Pekka Kaukonen as the Chairman, Eero Heliövaara (new) as the Vice Chairman and Erkki Järvinen, Olli-Petteri Lehtinen (new), Inka Mero, Kristina Pentti-von Walzel and Tiina Tuomela as members.

It was resolved that the members of the Board of Directors be paid the following fixed annual fees for the term of office ending at the conclusion of the next Annual General Meeting:

- Chairman of the Board: EUR 100,000
- Vice Chairman and the Chairman of the Audit Committee: EUR 70,000, and
- members EUR 50,000

In addition, it was decided that the award and payment of the fixed annual fee be contingent on the Board members committing to purchasing directly, based on the resolution of the Annual General Meeting, YIT Corporation shares amounting to 40% of the fixed annual fee from a regulated market (Nasdaq Helsinki Ltd) at a price determined by public trading, and that the shares in question be purchased directly on behalf of the Board members. The shares shall be purchased within two weeks of the publication of the interim report for the period January 1–March 31, 2018.

It was also decided that the Board members be paid a meeting fee of EUR 550 per meeting in addition to the fixed annual fee. In addition, the members of Board Committees are paid an attendance fee of EUR 550 for each committee meeting. Per diems for trips in Finland and abroad are paid in accordance with the state's travel compensation regulations.

PricewaterhouseCoopers, Authorised Public Accountants, was elected as the company's auditor, with Juha Wahlroos, Authorised Public Accountant, as chief auditor. The auditor's fees will be paid against the invoices approved by the company.

The Annual General Meeting authorised the Board of Directors to decide on the purchase of company shares as proposed by the Board of Directors. The authorisation covers the purchasing of a maximum of 21,000,000 company shares using the company's unrestricted equity. The authorisation reverses the authorisation to purchase the company's own shares issued by the Annual General Meeting on March 16, 2017. The authorisation is valid until June 30, 2019.

The Annual General Meeting authorised the Board of Directors to decide on share issues as proposed by the Board of Directors. The authorisation can be used in full or partially by issuing shares in the company in one or more tranches so that the maximum number of shares issued is a total of 42,000,000. The Board of Directors has the right to decide on all of the terms and conditions of issuing shares. The authorisation reverses the authorisation to decide on share issues by the Annual General Meeting on March 16, 2017. The authorisation is valid until June 30, 2019.

Organisation of the Board of Directors

YIT Corporation's Board of Directors held its organisational meeting on March 16, 2018. In the meeting, the Board decided on the composition of the Personnel Committee and the Audit Committee.

From among its number, the Board elected Harri-Pekka Kaukonen as chairman and Inka Mero and Tiina Tuomela as members of the Personnel Committee. The task of the Personnel Committee is to assist the Board of Directors in issues related to the nomination and remuneration of key personnel within YIT Group. Among other things, the Personnel Committee prepares the proposals for the Group's corporate culture and HR policy development, remuneration and incentive schemes, the rules for performance-based bonuses and performance-based bonuses paid to the management. The Committee's tasks furthermore include the identification of talent, the development of key personnel and management's succession planning.

From among its number, the Board elected Erkki Järvinen as chairman and Eero Heliövaara, Olli-Petteri Lehtinen and Kristina Pentti-von Walzel as members of the Audit Committee. The Audit Committee assists the Board of Directors in the supervision of the Group's accounting and reporting processes. It is tasked with, for instance, overseeing the company's financial reporting process, the effectiveness of internal control, internal auditing and risk management systems, and with evaluating the audit. The Committee participates in the preparation of the Group's financing policy, financing plan and financing arrangements. Among other things, the Committee reviews the company's financial statements and half-year and interim reports, and monitors auditing. It also evaluates compliance with laws and regulations and follows the Group's financial position.

On December 19, the Board of Directors of YIT Corporation decided to establish a new Investment and Project Committee.The established committee reviews and prepares for the Board of Directors' decision, inter alia, significant tenders, projects and investments as well as monitors portfolio development, reporting and risk management.

Members of the Investment and Project Committee are Eero Heliövaara (chairman), Harri-Pekka Kaukonen and Kristina Pentti-von Walzel. The members are nominated after the establishment of the committee, and thereafter the election will take place at the Board meeting following the General Meeting. The new committee will begin its work on January 1, 2019.

After the establishment of the Investment and Project Committee, YIT's Board of Directors have three committees: Personnel Committee, Audit Committee as well as Investment and Project Committee.

Preliminary long-term financial targets

The preliminary long-term financial targets were set when the companies were combined. The financial targets of the combined company were specified during the strategy process and were published in September 2018 and are discussed in the "Long-term financial targets 2019–2021" section.

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

Strategy 2019–2021

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

The strategy is built on the strong megatrends of urbanisation, sustainability and digitalisation. The successful integration of YIT and Lemminkäinen, establishing common ways of working and a common culture as well as achieving synergies are an important part of the cornerstones of the company's success.

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

Long-term financial targets 2019–2021

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

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

Corporate Governance Statement

YIT has prepared a separate Corporate Governance Statement for 2018 in accordance with the recommendation of the Finnish Corporate Governance Code. The statement is published on YIT's website.

Shares and shareholders

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

Share capital and number of shares

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

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

Treasury shares and authorisations of the Board of Directors

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

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

Trading on shares

The opening price of YIT's share was EUR 6.40 on the first trading day of 2018. The closing price of the share on the last trading day of the reporting period on December 28, 2018 was EUR 5,11. YIT's share price decreased by approximately 20% during the reporting period. The highest price of the share during the reporting period was EUR 7.25, the lowest EUR 4.56 and the average price was EUR 5.70. Share turnover on Nasdaq Helsinki during the reporting period was approximately 228.5 million shares (155.0). The value of the share turnover was approximately EUR 1,303 million (1,075), source: Nasdaq Helsinki.

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

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

Number of shareholders and flagging notifications

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

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

Managers' transactions

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

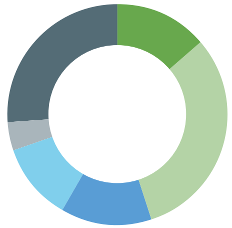
Major shareholders, December 31, 2018

	Shareholder	Shares	% of shares and voting rights
1	Tercero Invest AB	23,100,000	10.94
2	Varma Mutual Pension Insurance Company	15,945,975	7.55
3	PNT Group Oy	15,296,799	7.25
4	Conficap Invest Oy	8,886,302	4.21
5	Pentti Heikki Oskari Estate	8,146,215	3.86
6	Ilmarinen Mutual Pension Insurance Company	5,610,818	2.66
7	Forstén Noora Eva Johanna	5,115,529	2.42
8	Herlin Antti	4,710,180	2.23
9	Pentti Lauri Olli Samuel	3,398,845	1.61
10	Fideles Oy	3,188,800	1.51
11	The State Pension Fund	3,026,674	1.43
12	Elo Mutual Pension Insurance Company	2,803,000	1.33
13	Pentti-von Walzel Anna Eva Kristina	2,753,074	1.30
14	Pentti-Kortman Eva Katarina	2,715,410	1.29
15	Kristian Pentti	2,368,575	1.12
	200 largest shareholders total	150,219,852	71.16
	Nominee registered	23,339,055	11.06
	Other shares	37,540,946	17.78
	Total	**211,099,853**	**100.00**

Ownership by number of shares held, December 31, 2018

Number of shares	Shareholders	%	Shares	%
1 – 100	11,772	25.21	684,958	0.32
101 – 500	17,372	37.2	4,909,744	2.33
501 – 1,000	7,456	15.96	5,903,169	2.8
1,001 – 5,000	8,218	17.6	18,472,397	8.75
5,001 – 10,000	1,093	2.34	7,928,884	3.76
10,001 – 50,000	630	1.35	12,172,896	5.77
50,001 – 100,000	70	0.15	4,945,893	2.34
100,001 – 500,000	58	0.12	11,116,658	5.27
500,001 –	35	0.08	144,965,254	68.67
Total	**46,704**	**100**	**211,099,853**	**100**

OWNERSHIP BY SECTOR DECEMBER 31, 2018



- Nominee registered and non-Finnish holders 13.79%
- Households 31.37%
- General government 13.44%
- Financial and insurance corporations 11.38%
- Non-profit institutions 4.09%
- Non-financial corporations and housing corporations 25.94%

Board of Directors' and management's shareholding, December 31, 2018

	Number of shares	% of share capital
The Board of Directors	2,810,170	1.33%
President and CEO	79,374	0.04%
Deputy to the President and CEO	50,315	0.02%
Total	**2,939,859**	**1.39%**

The information is based on the shareholder register maintained by Euroclear Finland Ltd.

Each nominee-registered shareholder is recorded in the share register as a single shareholder. The ownership of many investors can be managed through one nominee-registered shareholder.

Other important events during the review period

Changes in the Group's reporting practices

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

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

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

Changes in guidance

Due to the merger of YIT and Lemminkäinen, YIT did not issue numerical guidance for the Group but issued a general outlook that describes future development instead.

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).

The guidance was unchanged during 2018 until the release of the Financial Statement Bulletin.

Most significant short-term business risks

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

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

There is still more uncertainties than in general related to the economic development of Russia. The volatility of the oil price and the rouble, the unexpected changes in legislation, the increased 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 and plot prices.

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

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

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

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

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

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

Most of the company's business is project business, meaning that successful project management plays an integral role in ensuring the company's profit. The most significant project management risks are related to factors such as pricing, planning, scheduling, procurement, cost management and customer behaviour as well as in the company's self-developed business, also the management of sales risk. YIT's major business premises and infrastructure projects in Finland, such as the Tripla project, make up a significant share of the company's expected operating profit in the coming years, meaning that successful project management in the projects is integral. Among other measures, the company has continued to manage risks related to its business and to capital employed by utilising associated companies and joint ventures in its business operations. Being a party to associated companies and joint ventures is nevertheless subject to risks typical to them related to, among other things, potential disagreements regarding decision making, financing and business operations, as well as distribution of liabilities among parties.

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

Changes in legislation and authorities' processes may slow down the progress of projects, increase the need for funding or prevent them from being realised. There are uncertainty factors related to authorities' actions, permit processes and their efficiency particularly in Russia and the CEE countries. The political tensions between EU, USA and Russia are materialised as sanctions, among others, that may have a significant impact on the company's business. Changes in the federal law regulating housing market in Russia may cause disturbance in companies' monetary transactions, current contract models and increase capital employed. The act is planned to be specified during the spring 2019, which increases uncertainty. The role of banks in monitoring the law has been expanded and the incompleteness of the monitoring process may cause uncertainty.

In recent years, the company has decreased capital employed in Russia according to its strategy and the improvement of the capital turnover will continue as a part of normal business. In connection with publishing its new strategy, the company announced that its target is to further release capital employed in Russia by approximately EUR 100 million. Measures to release capital in the current market situation include 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 rouble-denominated investments. Additional information on financial risks and their management is provided in Note 29 to the Financial Statements 2018.

Legal proceedings

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

Damages related to the asphalt cartel

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

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

The company deems as such the claims for damages unfounded.

In addition, Lemminkäinen has been served summons regarding 21 claims against the company and other asphalt companies for damages. The capital amount of these claims totals approximately EUR 26 million. For these claims, the company has made a provision worth approximately EUR 4.9 million based on the Helsinki Court of Appeal's decisions and the subsequent Supreme Court's decisions regarding the applications for leave to appeal. The earlier announced provision of EUR 3.3 million concerned the time before the merger, and there have been no changes in the company's estimation in 2018.

Quotas related to the use of recycled asphalt

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

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

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

Quality concerns related to ready-mixed concrete

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

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

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

Short-term outlook by region

Finland

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

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

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

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

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

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

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

Russia

In Russia, the 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 2018. 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. Regulatory changes might cause delay in banks' project financing abilities and cause uncertainty and turbulence in the market.

Demand is expected to focus primarily on affordable apartments. Inflation in construction costs is expected to remain moderate.

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

The Baltic countries and CEE countries

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

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

Scandinavia

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

In Denmark, demand for paving declined in 2018 as public investments in road infrastructure were decreased, and it is estimated to continue on stable level.

Events after the review period

YIT and Stockholm Vatten AB signed an agreement on new infrastructure work in Henriksdal wastewater treatment plant in Stockholm, Sweden. The work will begin in February 2019 and it will be completed in December 2023. The value of the contract is approximately EUR 60 million. The project will be booked in the order backlog of the first quarter in 2019.

Guidance for 2019 (IFRS)

Guidance for 2019

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

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

Guidance rationale

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

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

Estimated completions of consumer apartment projects under construction

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

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

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

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

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

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

Factors affecting the guidance

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

Factors outside of YIT's sphere of influence are mainly related to global economic development, the functionality of financing markets and the interest rate, the political environment, economic development in areas of operation, changes in demand for apartments and business premises, the availability of resources such as key persons, the functionality of the labour markets, changes in public and private sector investments and changes in legislation, permit and authorisation processes and the duration thereof, as well as the development of foreign exchange rates.

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

Board of Directors' proposal for the distribution of distributable equity

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

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.27 per share be paid, resulting in a total amount of proposed dividends of EUR 56,712,962.70 calculated with the outstanding number of shares. The total amount of proposed dividends represent 144.7% of the net profit for the reporting period. After the distribution of dividends, the remaining profits will be left in the company's distributable assets.

No significant changes have taken place in the company's financial position after the end of the financial year.

The company's liquidity is good and, in the view of the Board of Directors, the proposed dividend payout does not jeopardise the company's solvency.

Annual General Meeting 2019

YIT Corporation's Annual General Meeting 2019 will be held on Tuesday, March 12, 2019 starting at 10:00 a.m. The notice of the General Meeting, which contains the Board of Directors' proposals to the Annual General Meeting, will be published in its entirety as a separate stock exchange release on February 1, 2019.

YIT Group Statement of non-financial information

1 Business model

YIT's mission is to create better living environments. The company's strategic priorities, sources of growth and structural profitability, include urban development and non-cyclical businesses. YIT operates in 11 countries: Finland, Russia, Scandinavia, the Baltic countries, the Czech Republic, Slovakia and Poland. In 2018, YIT's revenue amounted to EUR 3,759.3 million and the Group employed approximately 9,900 people on average. YIT's share is listed on Nasdaq Helsinki. YIT's vision is to create more life in sustainable cities. The Group's aim is to be a leading Northern European project developer, construction company and service provider, creating value responsibly with its stakeholders.

Impact of YIT's business on the surrounding society

Sustainable development was highlighted as a significant theme in YIT's new strategy published in September 2018. The strengthening of operations with respect to businesses that are non-cyclical and leverage the circular economy will be supported by the Green Growth development programme, which incorporates the sustainable development perspective into the Group's business in the form of various development projects.

Sustainable development is an important area for YIT because the operations of the merged company have an even larger impact on the surrounding society than before. Examples of positive impacts include the development and use of new products that are in line with the principles of sustainable development, conversion projects and new services to facilitate the sharing economy as well as the direct and indirect employment effect. Negative impacts include the use of raw materials and other materials, energy consumption and the generation of waste. YIT strives to reduce these impacts by increasing the productivity and efficiency of operations, developing and improving existing products and making use of circular economy solutions in YIT's operations. The Green Growth development programme and its sub-programmes span the entire Group and cut through all of its business segments.

Risk management at YIT

YIT Group has a risk management policy in place. The risk management model covers strategic risks, operational risks, financial risks and damages. The risk management model includes risk principles, assessment of risk-carrying capacity, risk management methods and the assessment of strengths and development areas. At YIT, risk management is managed by the Group's strategy and development function. Practical risk management takes place at the business segment management level, with the role of the Group-level function being focused on consulting, training and support. More information on risk management is provided in the Report of the Board of Directors under "Most significant short-term business risks". More details on risks related to non-financial information and their management are provided in each of the sections below.

2 Identification of YIT's key themes by means of a materiality assessment

In order to determine the key themes of sustainable development from the perspectives of the Group's business and stakeholders, YIT conducted a materiality assessment process in collaboration with an independent third party in June 2018. The process included an international stakeholder survey. Interest in the survey was high and more than 2,000 responses were received. The respondents represented a wide range of stakeholders including customers, employees, shareholders and investors, partners, municipalities and the public administration. Based on the results of the survey and YIT's internal development of strategy, YIT's key sustainable development themes were outlined in a materiality matrix. The themes selected as the most significant were the following:

1. Creating sustainable, comfortable and safe urban development by utilising opportunities provided by the circular economy.
2. Compliance with good corporate governance and preventing corruption and the grey economy.
3. Occupational safety.
4. Promoting the personnel's occupational well-being and competence development.
5. Implementing responsible subcontracting and procurement.
6. Reducing the environmental impacts of YIT's own operations.

3 The environment

Operating principles and results

For YIT, the material aspects of environmental responsibility include creating sustainable, comfortable and safe urban development by utilising the opportunities presented by the circular economy, reducing the environmental impacts of the Group's own operations and developing responsible procurement practices.

The general operating principles governing the management of environmental issues are documented in YIT's Code of Conduct. Procurement operations are governed by the procurement policy and Supplier Code of Conduct, which include requirements concerning environmental responsibility.

In the environmental aspects of sustainable development, YIT's focus has been on harmonising operating practices, policies and guidelines. Examples of this include the creation of a sustainability policy and environmental principles, which will be adopted in 2019. During the reporting period, the Group established a new management model and expanded YIT's ISO 14001 compliant environmental management system in Finland. The certification process will be completed in 2019. YIT took a number of measures in 2018 to reduce the environmental impact of its operations. For example, YIT invested in two shelters built at asphalt plants to maintain low moisture levels in the mineral aggregates used as raw material for asphalt mixture. Keeping the raw material dry reduces the energy consumption of asphalt production. At the end of 2018, there were shelters at 22 asphalt stations. The Group also continued to develop the production of energy-efficient low-temperature asphalt in 2018.

YIT also utilised the opportunities presented by the circular economy in operations such as asphalt production. The use of recycled asphalt increased by 2.3 percentage points during the year. In 2018, reclaimed asphalt accounted for 15.9 per cent of the raw material used to produce asphalt mixture. Recycling old asphalt conserves virgin raw materials and decreases the end product's carbon dioxide emissions by reducing transport requirements and distances. There were no significant incidents of non-compliance with environmental regulations during the reporting period.

Performance indicators

YIT's most significant impact on society comes from the results of its operations: apartments, business premises and infrastructure as well as more extensive projects to develop the urban environment. The other significant themes of sustainable development are defined in the materiality matrix. The process of defining the targets, actions and indicators related to the materiality matrix will continue in 2019.

YIT monitors the results of Sustainable Urban Environments indicators in self-developed housing construction. The figures include all self-developed residential projects for which the start-up decision was made during the year in all of the Group's operating countries. Energy consumption is used as the indicator of the environmental impact of YIT's own operations.

Distance from a grocery shop	**2018**
less than 500 m	32%
less than 1,200 m	55%
over 1,200 m	13%

Distance from public transportation	**2018**
less than 300 m	47%
less than 750 m	40%
over 750 m	14%

For non-financial information, YIT will not provide comparison figures for the previous year in this report due to the merger of YIT and Lemminkäinen in 2018. Commensurable comparison figures could not be accurately determined and calculated.

Energy consumption in YIT Group in 2018*	
Consumption of direct energy sources, GWh	724.0
Consumption of indirect energy sources, GWh	186.5
Total energy consumption, GWh	**910.5**

* The figure includes information acquired through procurement as well as the country organisations.

For non-financial information, YIT will not provide comparison figures for the previous year in this report due to the merger of YIT and Lemminkäinen in 2018. Commensurable comparison figures could not be accurately determined and calculated.

Risks

Operational risks related to environmental issues may be locally significant in YIT's operations; for example, in the event of a fuel leak or soil contamination. The existing practices will be updated and the management of environmental risks developed in connection with the expansion of the Group's management system in 2019. Activities related to environmental risks are focused on proactive measures. The most significant sudden environmental risks are related to the handling of hazardous materials. The Group's construction sites have operating instructions in place for risk identification, prevention and management. An environmental risk assessment is conducted in the planning phase for the largest projects.

4. Social and personnel-related issues

Operating principles and results

YIT's material aspects related to social and personnel-related issues are occupational safety (including the supply chain) and promoting the personnel's occupational well-being and competence development. Every employee has the right to a safe working environment, and YIT has a strong focus on occupational safety and accident prevention.

YIT aims to be an attractive employer and offer equal opportunities to its employees. The personnel management approach is documented in YIT's personnel principles, which are based on YIT's renewed values: respect, cooperation, creativity and passion. The values were chosen based on material collected from YIT Days events. YIT Days were organised in each operating country, with 29 events held in total. Prior to joining the event, the participants took an OCAI survey. Some 1,500 YIT employees completed the questionnaire. The responses and the group discussions based on the responses were used to identify the themes for the values, and a separately assembled focus group subsequently shaped them into the final values. The practical implementation of the values began in autumn 2018, coinciding with reviewing the results of the Voice personnel survey.

YIT's personnel principles constitute the foundation for the fair and equal treatment of employees in all of the Group's operating countries. The general principles, policies and guidelines concerning personnel functions, such as recruitment, orientation, compensation and benefits, management by key results as well as occupational health and safety, are essential aspects of the personnel principles.

YIT's leadership principles:

1. Act as one YIT team
2. Lead by example
3. Welcome change and new ideas
4. Be available, listen and ask
5. Celebrate success and learn from mistakes

The operating practices concerning the management of occupational safety are documented in YIT's Code of Conduct and the new occupational safety principles published in spring 2018. Procurement operations are governed by the procurement policy and Supplier Code of Conduct, which include requirements concerning personnel and occupational safety.

Occupational health and safety is one of the key responsibility aspects related to personnel, and it also creates the foundation for a good employment relationship in other respect. Reducing the number of accidents remains a key goal of YIT's efforts to promote safety, but the Group also aims to streamline the operations by focusing particularly on proactive measures. YIT's Group Management Team defines the Group's safety targets and monitors their achievement. The safety organisation develops and coordinates safety-related processes and supports construction sites in implementing safety practices. The responsibility for the implementation of safety measures lies with the line organisations.

Employee well-being is a key resource for YIT. The Group promotes long careers by supporting physical and mental well-being. YIT takes care of its personnel by implementing health-promoting measures, arranging health checks as well as supporting sports and various recreational activities. Every employee must be treated with respect, and no harassment of any kind is tolerated at YIT.

To ensure competence and motivation, YIT holds regular performance and development discussions with employees. The topics include setting personal targets, discussing career opportunities and competence development needs as well as agreeing on their implementation. Career development and job rotation are promoted by announcing job openings internally whenever possible. YIT invests in the competence of its personnel, and the Group's training offering includes a number of internal training programmes that are either led by YIT's own professionals or organised in cooperation with external partners. Members of the Group's personnel also participate in external training as necessary.

Performance indicators

- YIT Group's accident frequency (number of accidents per one million hours worked): 9.7.
  The accident frequency is calculated by dividing the number of workplace accidents that caused an absence of at least one day by one million hours worked.
  The accident frequency is calculated as a 12-month rolling average.
- Fatal accidents (YIT's and subcontractors' employees' deaths at YIT's construction sites): 1.
- In 2018, the commitment index measured by YIT's personnel survey was 74% and the leadership index was 76%.
- The number of trainees and thesis workers in 2018 was 929, with approximately 8.7% of these offered permanent positions.

The process of defining the targets, actions and indicators related to the materiality matrix will continue in 2019.

For non-financial information, YIT will not provide comparison figures for the previous year in this report due to the merger of YIT and Lemminkäinen in 2018. Commensurable comparison figures could not be accurately determined and calculated.

Risks

To support the proactive identification of potential personnel risks, YIT creates an annual personnel and training plan that outlines, in accordance with the Group's strategy, YIT's competence needs, personnel needs and potential attrition due to retirement, for example. Moreover, the annual planning process includes not only the budgeting of finances, but also the necessary human resources at the person-year level. The attrition rate is monitored regularly. Based on this information, a personnel plan is drafted to prevent potential personnel risks. The resource channels include enhancing the existing employees' work ability, occupational well-being and multiple skills, internal transfers, cooperation with education institutions, trainees and external recruitment.

YIT invests substantial resources in the development of occupational safety. Over a period of several years, the Group has developed its safety management practices, including personnel training, the development of operating procedures and tools, involving the management as well as regular reporting and monitoring. Accident frequency is one of the indicators used to determine performance-based bonuses. The Group's current occupational safety activities are increasingly focused on proactive measures. Key measures are safety planning, safety observations, on-site safety briefing practices and safety induction. Accidents and near misses are investigated and information on them is communicated internally.

5 Respect for human rights

Operating principles and results

YIT commits to respecting the right to work and human rights in its own operations and supply chain and aims to identify the risks related to them. YIT ensures that employees' rights are observed and all employees are treated fairly. YIT invests in the diversity of its personnel.

The general operating principles related to human rights are documented in YIT's Code of Conduct. YIT is committed to respecting international human rights. This means that the Group does not tolerate any form of discrimination, including discrimination related to age, gender, national and social origin, religion, physical or mental handicap, political or other opinion or sexual orientation.

YIT does not tolerate any kind of harassment or bullying in the workplace. YIT's employees have freedom of association, including the right to form and to join trade unions for the protection of interests and the right to conduct collective bargaining. Wages paid to employees are always at least at the level of the legal minimum wage. Employees have the right to equal pay for equal work. YIT's procurement operations are governed by the procurement policy and Supplier Code of Conduct, which include requirements concerning human rights.

Data protection and the GDPR (General Data Protection Regulation)

The EU's General Data Protection Regulation entered into force on May 25, 2018. Data protection refers to the obligation to maintain the confidentiality of data contained in personal data files as well as other provisions, such as people's right to access their personal data and obtain rectification and erasure of such data. In performing their duties, every YIT employee is responsible for observing data protection. The GDPR requires YIT to include a Data Processing Agreement in contracts whenever the contractual partner has access to personal data contained in registers maintained by YIT. YIT has a data protection policy that documents the Group's principles governing the processing of personal data. The internal personnel data protection policy specifies what personal data YIT collects on employees, what purposes the data is used for, and who has access to it. Data protection is part of data security.

YIT has organised data protection training to ensure that employees understand what data protection means in practice. The online course covers all of the key aspects, instructions and procedures adopted as a result of the GDPR, which must be observed when processing personal data. All of YIT's salaried employees must complete the online training. Going forward, the online GDPR training course will also be part of the orientation of new salaried employees. YIT's data protection organisation is responsible for ensuring that the Group's operations are GDPR compliant and providing assistance on issues related to data protection.

Performance indicators

- 4% of the respondents in the personnel survey indicated they have experienced bullying. Instructions have been issued to employees and managers if bullying is observed.
- 86% of YIT's white-collar workers in Finland completed the GDPR training by the due date

The process of defining the targets, actions and indicators related to the materiality matrix will continue in 2019.

For non-financial information, YIT will not provide comparison figures for the previous year in this report due to the merger of YIT and Lemminkäinen in 2018. Commensurable comparison figures could not be accurately determined and calculated.

Risks

The risks identified by YIT with regard to respecting human rights are related to working conditions, harassment, racism and unethical operating practices. These risks are taken into consideration in YIT's online Code of Conduct training, orientation, selection processes, regular development discussions, intervention practices and the annual Voice personnel survey. The Group has also introduced the YIT Ethics Channel for reporting suspected non-compliance (see Chapter 6). As regards the subcontractor network, YIT strives to eliminate risks related to respecting human rights by monitoring and auditing subcontractors. YIT manages risks related to human rights in the supplier and subcontractor network by enforcing supplier requirements. Respect for human rights in the supply chain is monitored by means of different reviews and audits.

6 Prevention of corruption and bribery

Operating principles and results

YIT is committed to complying with corporate governance and responsible business principles, for example, by following responsible tax practices, preventing corruption, investing in risk management and by committing to fighting the grey economy. YIT's operations are ethical and transparent and the Group's responsibility requirements apply to the entire supply chain.

The prevention of corruption and bribery is based on YIT's Code of Conduct. YIT has implemented a risk management policy and corporate security principles. Procurement operations are governed by the procurement policy and Supplier Code of Conduct, which cover issues related to, among other things, regulatory compliance, ethical operating methods, labour rights and partners' procurement practices. YIT's subcontracting agreements require all partners in Finland to provide information as stipulated by the Contractor's Obligations Act. In Russia, a background check is conducted on all new partners before agreements are signed. The same operating model applies to the recruitment of employees and the acquisition of plots of land.

The purpose of the corporate security function is to ensure that the essential enterprise security risks related to the achievement of the Group's strategic objectives are identified, analysed and controlled systematically and appropriately. At YIT, corporate security is part of risk management and the operational organisation. The responsibility for corporate security lies with the business function concerned, while the Group-level unit is in charge of development, consultation and supervision of corporate security. The business-level organisations are supported by an international corporate security network that includes representatives of the legal and HR departments. There is also a corporate responsibility team in the procurement organisation.

YIT Ethics Channel and the Group's Ethics Committee

YIT Ethics Channel is a channel for reporting misconduct and other non-compliance. Its goal is to prevent risks and promote ethical operating principles throughout the organisation. YIT Ethics Channel is used in situations where non-compliance with legislation, YIT's values, policies, procedures or instructions is suspected. All reported information is handled confidentially and in accordance with the legislation governing the processing of confidential information. The Group's Ethics Committee receives the reports and is responsible for investigating suspected non-compliance. When the Ethics Committee receives a report, it decides whether to investigate the matter. The basic principle is that all justified suspicions are investigated. The investigations are conducted in accordance with YIT's internal investigation process. The members of the Ethics Committee consist of the Vice President, Corporate Security, the Head of Internal Audit, the Executive Vice President, HR, the Senior Vice President, Legal and General Counsel and the Head of Risk Management.

The Ethics Committee's objectives are to ensure the transparency, ethics and zero tolerance for the grey economy. Facilitating the flow of information in cases of suspected misconduct or non-compliance is an effective way of managing risks. YIT renewed the Ethics Channel in 2018 to improve the channel and distribute information about it within the Group. The Ethics Channel was also added to the "Welcome to YIT" training package. The corporate security management model was updated during the year. In 2019, YIT aims to increase awareness among external stakeholders and include information on the Ethics Channel in contract templates as part of the proactive risk management model. YIT will also develop its due diligence processes in the CEE countries.

YIT Business Principles

YIT Business Principles include the principles that guide the Group's operations in relation to customers, employees, shareholders, business partners, competitors, society and the environment. YIT Business Principles must be complied with at all times throughout the YIT organisation. YIT Business Principles were revised in 2018 and the updated YIT Code of Conduct will be adopted in 2019. The aim is for all YIT employees in all operating countries to complete the YIT Code II online training in 2019.

Prevention of the grey economy

YIT is committed to the prevention of the grey economy and the construction industry's common initiatives. The Group has been actively involved in the industry's development for several years. The procurement unit has a corporate responsibility team that assists the procurement organisation and construction sites on issues such as responsible subcontracting practices through training, consulting and internal audits. The prevention of the grey economy and enhancing transparency are particular focus areas in this work. YIT audits sites from the perspective of compliance with the Contractor's Obligations Act, which has been a performance indicator used in internal monitoring since 2013. During the reporting period, the Group harmonised operating and auditing practices as well as increased guidance and information. YIT will set common targets and performance indicators for operations once an assessment of the current situation has been completed. The Group will subsequently ensure that the jointly agreed practices will be complied with.

Performance indicators

- A total of 71 investigations were conducted in 2018 regarding potential crimes, misconduct or other deviations related to corporate security. The figure includes internal and external reports (verified and unverified).
- In Finland, YIT Construction Ltd reviewed some 8,700 subcontracting agreements with regard to compliance with the Contractor's Obligations Act in 2018.
- In Finland, YIT Construction Ltd reviewed a total of 141 projects with regard to compliance with Contractor's Obligations Act in 2018.

The process of defining the targets, actions and indicators related to the materiality matrix will continue in 2019.

For non-financial information, YIT will not provide comparison figures for the previous year in this report due to the merger of YIT and Lemminkäinen in 2018. Commensurable comparison figures could not be accurately determined and calculated.

Risks

The high level of subcontracting and the use of contracting chains are challenges in the construction industry. Chaining of contracts is always subject to permission at YIT. In spite of active monitoring efforts, internal audits and communication, there is always the risk that there are illegal operators in the subcontracting chain. Risks related to the prevention of corruption and bribery include the operations being geographically dispersed, the large number of agreements and the fixed-term nature of projects. Increasing transparency throughout the Group's operating countries, defining common operating principles and targets as well as increasing awareness and internal audits are part of YIT's risk management. Risks related to unethical activities are also managed by conducting background checks to the extent allowed by local legislation. Other tools include approval procedures, the selection of partners and internal audit practices.

Consolidated Financial Statements, IFRS

Consolidated income statement, IFRS

EUR million	Note	2018	2017
Revenue	2, 3	**3,689.4**	**1,993.8**
Other operating income	5	44.8	37.4
Change in inventories of finished goods and in work in progress		31.7	-83.1
Production for own use		0.8	0.7
Materials and supplies		-816.6	-276.8
External services		-1,765.1	-985.9
Personnel expenses	8	-527.2	-275.7
Other operating expenses	6	-520.7	-309.7
Share of results in associated companies and joint ventures	14	10.8	-0.9
Depreciation, amortisation and impairment	7	-53.3	-14.2
Operating profit		**94.6**	**85.5**
Financial income		8.0	1.9
Exchange rate differences (net)		-2.1	2.6
Financial expenses		-41.4	-19.1
Financial income and expenses, total	9	-35.5	-14.6
Result before taxes		**59.1**	**70.9**
Income taxes	10	-19.9	-14.3
Result for the financial year		**39.2**	**56.6**
Attributable to			
Equity holders of the parent company		39.2	56.6
Earnings per share, basic, EUR	11	0.19	0.45
Earnings per share, diluted, EUR		0.19	0.44

Statement of comprehensive income, IFRS

EUR million	Note	2018	2017
Result for the financial year		**39.2**	**56.6**
Items that may be subsequently recognised through profit or loss			
Cash flow hedges		0.0	0.3
Deferred tax from previous		-0.0	-0.1
Change in translation differences		-57.8	-31.4
Items that may be reclassified subsequently to the profit/loss, total		**-57.8**	**-31.1**
Items that will not be reclassified to the statement of income			
Gains on sales of equity investments		0.1	
Deferred tax from previous		-0.0	
Change in fair value of defined benefit pension		-0.2	
Deferred tax from previous		0.0	
Items that will not be reclassified to the statement of income, total		**-0.1**	
Total comprehensive result		**-18.7**	**25.5**
Attributable to			
Equity holders of the parent company		-18.7	25.5

Consolidated balance sheet, IFRS

EUR million	Note	31 Dec 2018	31 Dec 2017
Assets			
Non-current assets			
Property, plant and equipment	12	202.3	54.8
Goodwill	13	319.2	8.1
Other intangible assets	13	47.5	11.3
Investments in associated companies and joint ventures	14	150.7	120.1
Equity investments	15	2.2	0.4
Interest-bearing receivables	16	50.3	46.0
Other receivables	16	2.3	1.6
Deferred tax assets	17	64.4	53.2
Total non-current assets		839.0	295.6
Current assets			
Inventories	18	1,880.1	1,592.5
Trade and other receivables	19	495.5	211.8
Interest-bearing receivables		14.8	1.6
Income tax receivables		1.8	2.1
Cash and cash equivalents	20	263.6	89.7
Total current assets		2,655.8	1,897.8
Total assets		**3,494.8**	**2,193.3**

EUR million	Note	31 Dec 2018	31 Dec 2017
Equity and liabilities			
Equity attributable to the equity holders of the parent company	21		
Share capital		149.7	149.2
Legal reserve		1.5	1.5
Unrestricted equity reserve		553.5	0.7
Treasury shares		-5.6	-7.2
Translation differences		-274.2	-216.5
Fair value reserve			-0.0
Retained earnings		585.6	580.3
Result for the financial year		39.2	56.6
Total equity attributable to the equity holders of the parent company		1,049.8	564.7
Total equity		**1,049.8**	**564.7**
Non-current liabilities			
Deferred tax liabilities	17	28.8	9.9
Pension obligations	23	2.6	2.1
Provisions	24	82.2	46.0
Borrowings	25	424.1	344.5
Other liabilities	26	52.2	53.7
Total non-current liabilities		590.0	456.2
Current liabilities			
Advances received	26	739.1	494.3
Trade and other liabilities	26	575.9	392.7
Income tax liabilities		19.5	13.0
Provisions	24	53.0	26.3
Borrowings	25	467.6	246.3
Total current liabilities		1,855.1	1 172.6
Total liabilities		**2,445.0**	**1,628.7**
Total equity and liabilities		**3,494.8**	**2,193.3**

Consolidated cash flow statement, IFRS

EUR million	Note	2018	2017
Cash flow from operating activities			
Result for the financial year		39.2	56.6
Adjustments for:			
Depreciation, amortisation and impairment	7	53.3	14.2
Other non-cash transactions		54.2	28.4
Financial income and expenses	8	35.5	14.6
Gains on the sale of tangible and intangible assets		-22.8	-24.4
Taxes	10	19.9	14.3
Total adjustments		140.1	47.1
Change in working capital:			
Change in trade and other receivables		-23.5	32.3
Change in inventories		38.7	100.6
Change in current liabilities		52.6	34.9
Total change in working capital		67.8	167.8
Interest paid		-49.6	-26.5
Other financial items		-3.4	-1.8
Interest received		2.2	1.1
Dividends received		0.0	0.3
Taxes paid		-23.1	-9.4
Net cash flow from operating activities		**173.3**	**235.2**

EUR million	Note	2018	2017
Cash flow from investing activities			
Acquisition of subsidiaries, associated companies and joint ventures, net of cash acquired		-50.7	-60.0
Purchases of property, plant and equipment		-29.6	-15.5
Purchases of intangible assets		-1.2	-3.1
Proceed from sale of subsidiaries, associated companies and joint ventures		37.6	4.5
Proceeds from sale of property, plant and equipment and intangible assets		19.2	3.3
Proceeds from sale of available-for-sale financial assets		0.1	
Cash flow from investing activities		**-24.7**	**-70.9**
Net cash flow from operating activities after investments		**148.6**	**164.3**
Cash flow from financing activities			
Increase in equity		1.4	
Proceeds from non-current borrowings	25	270.0	110.0
Repayment of non-current borrowings	25	-195.6	-112.9
Change in loan receivables		-16.4	0.1
Proceeds from current borrowings,	25	693.6	566.9
Repayment of current borrowings	25	-689.8	-676.1
Payments of finance lease liabilities	25	-7.0	
Dividends paid and other distribution of assets	21	-52.4	-27.6
Net cash flow from financing activities		**3.7**	**-139.6**
Net change in cash and cash equivalents		152.3	24.7
Cash and cash equivalents at the beginning of the financial year		89.7	66.4
Cash generated from merger		21.6	
Foreign exchange rate effect on cash and cash equivalents		0.0	-1.5
Cash and cash equivalents at the end of the period	20	**263.6**	**89.7**

Consolidated statement of changes in equity

		Equity attributable to equity holders of the parent company									
EUR million	Note	Share capital	Legal reserve	Unrestricted equity reserve	Translation difference	Fair value reserve	Treasury share	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 financial year								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	8			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**

EUR million	Note	Share capital	Legal reserve	Unrestricted equity reserve	Translation difference	Fair value reserve	Treasury share	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 financial year								39.2	39.2		39.2
Other comprehensive income:											
Cash flow hedges						0.0			0.0		0.0
Deferred tax from previous						-0.0			-0.0		-0.0
Gains on sales of equity investments								0.1	0.1		0.1
Deferred tax from previous								-0.0	-0.0		-0.0
Change in fair value of defined benefit pension								-0.2	-0.2		-0.2
Deferred tax from previous								0.0	0.0		0.0
Translation differences					-57.8				-57.8		-57.8
Comprehensive income, total					**-57.8**	**0.0**		**39.1**	**-18.7**		**-18.7**
Transactions with owners											
Merger		0.5		554.9					555.4		555.4
Cost related to share issue				-1.4					-1.4		-1.4
Dividend distribution								-52.4	-52.4		-52.4
Share-based incentive schemes	8			-0.7			1.7	1.9	2.9		2.9
Transactions with owners, total		**0.5**		**552.8**			**1.7**	**-50.5**	**504.4**		**504.4**
Equity on December 31, 2018		**149.7**	**1.5**	**553.5**	**-274.2**		**-5.6**	**624.8**	**1,049.8**		**1,049.8**

IFRS accounting principles of the Financial Statements, December 31, 2018

General information

YIT Group provides services for the construction sector. The services provided by the Group companies include construction services for the industrial and public sectors, residential construction services for consumers and, for example, road maintenance services in Finland. Furthermore, in Russia the Group provides after-sales service and maintenance for consumer customers' new homes. The market areas are Finland, Sweden, Norway, Denmark, Russia, the Baltic countries, the Czech Republic, Slovakia and Poland. The Group has six segments: Housing Finland and CEE, Housing Russia, Business Premises, Infrastructure projects, Paving and Partnership properties.

Lemminkäinen merged into YIT on February 1, 2018. As the accounting acquirer of Lemminkäinen, YIT has used the acquisition method of accounting to account for the merger. Thus, Lemminkäinen has been merged into the consolidated financial statements starting on February 1, 2018. The historical financial information of YIT does not give investors a comparable base for financial information of the present combined company. To increase comparability, certain financial information is presented in the notes as pro forma financial information to represent the impact of the merger as if it had occurred at an earlier date. The pro forma information is presented only for illustrative purposes, and it does not represent the actual historical result of YIT Corporation's operations.

The Group's parent company is YIT Corporation. The parent company is domiciled in Helsinki, and its registered address is Panuntie 11, 00620 Helsinki, Finland. The parent company's shares are listed on Nasdaq OMX Helsinki Oy Helsinki stock exchange.

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). All of the IAS/IFRS standards and SIC/IFRIC interpretations approved by the EU Commission by December 31, 2018 have been complied with. International Financial Reporting Standards refer to the Finnish Accounting Act and related legal code based on EU regulation 1606/2002 concerning the adoption of IFRS standards and interpretations in the EU. The notes to the consolidated financial statements also comply with the Finnish GAAP and the Companies Act that complement IFRS standards. The notes are an integral part of these consolidated financial statements. In the financial statements, the figures are presented in millions of euros with the rounding done on each line, which may cause some rounding inaccuracies in column and total sums.

When preparing the financial statements, the company management has to make accounting estimates and assumptions about the future, as well as judgement-based decisions on the application of the accounting policies. These estimates and decisions may affect the reported amounts of assets, liabilities, income and expenses for the reporting period as well as the recognition of contingent items. The estimates and assumptions are based on historical knowledge and other justifiable assumptions which are considered to be reasonable at the time of preparing the financial statements. It is possible that actuals differ from the estimates used in the financial statements.

The estimates relate mainly to:

- customer contracts;
- estimates and assumptions made concerning goodwill impairment testing;
- recoverability of deferred taxes;
- estimation of the amount of income taxes;
- valuation of inventory;
- recognition of bad debts;
- assumptions made concerning defined pension benefits and
- probability and amount of provisions.

The areas involving management judgements, estimates and assumption are presented in the paragraph Management judgements and estimates.

Transactions are treated on the basis of original acquisition costs, with the exception of financial instruments, pension obligations, contingent considerations in acquisitions recognised as liability, options to redeem shares from non-controlling shareholders recognised as liability and share-based payments measured at fair value.

YIT Corporation's Board of Directors approved the publication of the consolidated financial statements on February 1, 2019. Copies of the consolidated financial statements will be available on the company's website from week 12 of 2019 onwards.

Application of revised standards and interpretations from January 1, 2018

In 2018, the company applied new standards—IFRS 15 Customer contracts and IFRS 9 Financial instruments. These accounting principles are prepared in accordance with the new standards.

Application of IFRS 15

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

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

Application of IFRS 9

The Group has applied 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.

Consolidation

Subsidiaries

The consolidated financial statements cover the parent company YIT Corporation and all the subsidiaries in which the Group exercises control. The criteria for control are fulfilled when the parent company owns more than 50% of voting shares in the company, either directly or indirectly, or when it has the ability to affect the company's business and financial principles through its power over the company. Subsidiaries are consolidated in the consolidated financial statements from the date when the Group obtains control, while subsidiaries divested are consolidated up to the date when control ceases. Direct acquisition-related costs are expensed as incurred.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Direct acquisition-related costs are expensed as incurred and thus, they are not included to consideration transferred. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Intra-Group transactions, unrealised internal margins, and internal receivables, liabilities, and dividend payments are eliminated in consolidation. The distribution of profit for the financial year to the shareholders of the parent company and to the noncontrolling interests is presented in the income statement. On the statement of financial position, the non-controlling interest is included in the total equity of the Group.

Associates and joint ventures

Associates are entities over which the company has significant influence, but neither control nor joint control. Typically, significant influence is considered to exist when the company holds 20 per cent or more of the voting rights of the entity but does not have control. An entity is classified as a joint venture when the company has joint control with another party and when decisions about the relevant activities require the unanimous consent of both parties. When classifying the arrangement, the management estimates the arrangement's actual nature of decision making as well as contractual rights and obligations.

Associates and joint ventures are consolidated using the equity method. In the equity method, the Group's share of the results of associates and joint ventures corresponding to its ownership stake is included in the consolidated income statement. Correspondingly, the Group's share of the equity in the associate or joint venture, including the goodwill arising from its acquisition, is recorded as the value of the Group's holding in the entity on the consolidated statement of financial position. If the Group's share of the losses of an associate or joint venture exceeds the investment's carrying amount, the investment is assigned a value of zero on the statement of financial position and the excess is disregarded, unless the Group has obligations related to the associate or joint venture.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses from transactions between Group and its associates and joint ventures are not eliminated. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint operations

The Group also carries out construction services through consortia. A construction consortium is not an independent legal unit, but the contracting parties are directly responsible for its operations and liabilities. YIT includes in its consolidated financial statements its share of the income, expenses, assets and liabilities of the joint operations.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners. When the Group purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any remaining interest in the entity is re-measured at fair value on the date control ceases, with the change in the carrying amount recognised through profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as realised and booked to income statement. If the interest is reduced but control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are booked to non-controlling interest in equity.

Segment reporting

YIT Corporation has prepared segment and Group reporting in accordance with the International Financial Reporting Standards (IFRS). YIT regularly reports revenue, depreciation and operating profit and adjusted operating profit by segment to the management. In addition, capital employed by segment is reported. Capital employed consists of tangible assets, goodwill, other intangible assets, inventory, non-interest-bearing receivables, provisions, advance payments and non-interest-bearing liabilities.

The financial statement items of each Group company are measured using the currency of its business environment (functional currency). The consolidated financial statements are presented in euro, which is the Group's functional and reporting currency.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of transaction or valuation, where items are re-measured. Foreign exchange rate gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "Finance income and costs". All other foreign exchange gains and losses are presented in the income statement above operating profit. Non-monetary items are mainly valued at the transaction date's foreign exchange rates. The foreign exchange rate gains or losses related to non-monetary items valued at fair value are included in the change of the fair value.

Translation of the financial statements of foreign Group companies

The income statements of foreign Group companies have been translated to euro using the average exchange rate quoted for the calendar months of the reporting period. The balance sheets have been translated using the rates on the closing date. The translation of the result for the period using different exchange rates in the income statement and balance sheet results in a translation difference, which is entered in equity in the retained earnings.

Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and items classified to be a part of net investments and the hedging result of these net investment are entered in shareholders' equity. When a business is disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Both the goodwill arising from the acquisition of a foreign unit and the adjustments of acquired assets and liabilities to their fair values have been treated as the assets and liabilities of the foreign unit in question and translated at the rate on the closing date.

Currency exchange rates used in YIT's consolidated financial statements

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

Revenue from customer contracts

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

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

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

Housing Finland and CEE and Housing Russia

Revenue recognition over time

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

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

Revenue recognition at a point in time

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

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

Business premises and infrastructure projects

Revenue recognition over time

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

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

Revenue recognition at a point in time

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

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

Paving

Revenue recognition over time

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

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

Revenue recognition at a point in time

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

Partnership properties

Revenue recognition over time

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

Revenue recognition at a point in time

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

Interest and dividends

Interest income is recognised using the effective yield method and dividend income when the right to dividend has materialised.

Employee benefits

Pension liabilities

The Group's pension plans are mainly defined contribution pension plans. Contributions to defined contribution pension plans are entered in the income statement in the financial period during which the charge applies, after which the Group has no further obligations.

The Group has defined benefit pension plans in Finland. Obligations connected with the Group's defined benefit plans are calculated by independent actuaries. The discount rate used in calculating the present value of the pension liability is the market rate of high-quality corporate bonds or the interest rate of treasury notes. The maturity of the reference rate substantially corresponds to the maturity of the calculated pension liability. The liability recognised on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. Defined benefit pension plan expenses comprise expenses based on employee service, which is recognised in personnel expenses, and net interest cost, which is also recognised in personnel expenses. Actuarial gains are recognised in other comprehensive income and recorded as a change of defined benefit plan on the balance sheet.

Share-based payments

Possible rewards under the share-based incentive scheme are paid as a combination of YIT Corporation shares and cash settlement, or fully in cash, based on achieved financial target levels.

The cost effect of equity-settled share is recognised as personnel expenses and equity reserve. The cost is based on the market price of the YIT Corporation share at the grant date and it will be expensed over the vesting period. The fair value on the grant date is estimated by taking the market price for the company's shares on the date in question and deducting from it the present value of their expected dividends. The cash-settled reward is based on the market value of YIT's share at the balance sheet date and it is expensed to personnel expenses and current liabilities until the settlement date.

Termination benefits

Termination benefits are costs from which the company does not receive corresponding work performance. The Group recognises termination benefits when it is committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal. In addition, benefits that the Group has offered in connection with terminations to encourage voluntary redundancy are expensed. Other possible liabilities arising from the termination of employees in different legislations are assessed at the closing date and recognised as an expense and liability.

Lease agreements

Group as lessee

Lease agreements concerning assets in which the Group holds a material share of the risks and benefits of ownership are classified as financial lease agreements. A financial lease agreement is entered in the balance sheet at the lower of the fair value of the leased asset on the starting date of the lease agreement or the current value of the minimum rents. Corresponding liability is presented in current and non-current interest-bearing liabilities. Assets acquired under financial lease agreements are depreciated over their economic lifetime or the period of lease, whichever is shorter. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding per financial period.

Lease agreements in which the risks and benefits of ownership are retained by the lessor are treated as other lease agreements. Rents paid on other lease agreements are expensed in even instalments in the income statement over the duration of the rental period. Incentives received are deducted from the rents paid on the basis of the time pattern of the benefit.

The Group as lessor

The Group has subleased business premises it leases from others, and these are treated as other lease agreements. The leased assets are included in the original lessor's balance sheet. Rental income is recorded as income on the income statement during the lease period.

Income taxes

Taxes calculated on the basis of the taxable profit or loss of Group companies for the accounting period, adjustments to taxes for earlier accounting periods, and change in the deferred tax liability and assets are recognised as income taxes on the consolidated income statement. The tax effect associated with items recognised directly in equity is recognised correspondingly in equity. The current tax charge is calculated using the tax rate that is in force at the end of the reporting period for each country.

The deferred tax is calculated from the temporary differences between taxation and accounting, with either the tax rate in force on the reporting date or a known tax rate that will come into force at a later date. A deferred tax liability is not recognised in respect of a temporary difference that arises from the initial recognition of an asset or liability (other than from a business combination) and affects neither accounting income nor taxable profit at the time of the transaction. A deferred tax asset is recognised only to the extent that it is likely that there will be future taxable profit against which the temporary difference may be utilised. The most significant temporary differences arise from unused tax losses, the revenue recognition practice for construction projects, finance leases, and accelerated depreciations for tax purposes.

Carry-forward tax losses are treated as a tax asset to the extent that it is likely that the company will be able to utilise them in the near future. A deferred tax liability is only recognised in respect of the undistributed profits of subsidiaries if payment of the tax is expected to be realised in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Government grants

Government grants are recognised as decreases in the carrying amount of property, plant and equipment. Grants are recognised as revenue through smaller depreciations over the economic life of an asset. Government grants relating to costs are recognised in the income statement in the same period when the costs are expensed.

Tangible assets

Tangible assets are stated at historical cost less depreciation and impairment. Depreciation on tangible assets is calculated using the straight-line method to allocate the cost to over their estimated useful lives. The calculation begins when the asset is ready for use. Land is not depreciated. The estimated useful lives of tangible assets are the following:

- Buildings and constructions 10–40 years
- Machinery and equipment 3–15 years
- Other tangible assets 10–40 years
- Depreciation of mineral aggregate deposits is based on material depletion

The residual values and economic lifetimes of assets are assessed in each closing. If necessary, they are adjusted to reflect the changes in expected financial benefits. Capital gains or losses on the sale of property, plant and equipment are included in other operating income or losses.

Normal maintenance and repair costs are expensed as incurred. Significant improvements or additional investments are capitalised as part of the acquisition cost of the corresponding asset and depreciated over the remaining useful economic life of the asset to which they pertain, provided that it is likely that the company will derive future economic benefit from the investment.

The company expenses the interest costs of the acquisitions of property, plant and equipment, unless the asset meets the requirements for capitalisation of borrowing costs, in which case they are capitalised as part of the acquisition cost.

Investment property

YIT Group has no assets that are classified as investment properties.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary on the date of acquisition. Goodwill is subjected to an annual impairment test. To this end, goodwill is allocated to cash-generating units. Goodwill is measured at the original acquisition cost less impairment. Impairment is expensed directly in the income statement. Gains and losses on the disposal of an entity or business include the carrying amount of goodwill relating to the entity sold.

Other intangible assets

An intangible asset is initially entered in the balance sheet at acquisition cost when the acquisition cost can be reliably determined and the intangible asset is expected to yield economic benefit to the Group. Intangible assets with a known or estimated limited economic lifetime are expensed in the income statement on a straight-line basis over their economic lifetime. Amortisation begins when the asset is ready for use. Intangible assets with an unlimited economic lifetime are not depreciated, but are instead subjected to an impairment test annually.

Other intangible assets acquired in connection with business acquisitions are recognised if they fulfil the definition of other intangible assets: the asset will yield future economic benefit, they can be specified or are based on agreements or legal rights. Other intangible assets recognised in connection with business acquisitions include, among others, brands and trademarks, customer agreements and customer relationships.

Acquired software and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The acquisition cost is amortised on a straight-line basis over the estimated useful life. In IT projects that are classified as strategic, own work is capitalised on the balance sheet insofar as the capitalisation criteria are met in respect of cost monitoring, etc.

Research expenditure is expensed in the income statement. Expenditure on the design of new or more advanced products is capitalised as intangible assets in the balance sheet as from the date when the product is technically feasible, can be utilised commercially and is expected to yield future financial benefits. To date, the Group's research and development expenditure has not met capitalisation criteria.

The amortisation periods of other intangible assets are as follows:

- Customer relations and contract bases 3–5 years
- Trademarks 15 years
- Computer software and other items 2–5 years
- Unpatented technology 3–5 years

Impairment of tangible and intangible assets

At each closing date, YIT Group evaluates whether there are indications of impairment in any asset item. If impairment is indicated, the recoverable amount of said asset is estimated. In addition, the recoverable amount is assessed annually for each of the following asset items regardless of whether impairment is indicated: goodwill, intangible assets with an unlimited economic lifetime and incomplete intangible assets. The need for impairment is assessed at the level of cash-generating units. The recoverable amount is the fair value of the asset item less the higher of selling costs or the value in use.

In the measurement of value in use, expected future cash flows are discounted to their present value with discount rates that reflect the time value of money and the risks specific to the asset. The Weighted Average Cost of Capital (WACC) is used as the discount factor. WACC takes into account the risk-free interest rate, the liquidity premium, the expected market rate of return, the industry's beta value, country risk and the debt interest rate, including the interest rate margin. These components are weighted according to the fixed, average target capital structure of the sector. If it is not possible to calculate the recoverable cash flows for an individual asset, the recoverable amount for the cash-generating unit to which the asset belongs is determined.

An impairment loss is recognised if the carrying amount of the asset item is higher than its recoverable amount. The impairment loss is entered directly in the income statement and is initially allocated to the goodwill allocated to the cash-generating unit and thereafter equally to other asset items. An impairment loss that is related other items than goodwill is reversed when the situation changes and the amount recoverable from the asset item has improved since the date when the impairment loss was recorded. However, impairment losses are not reversed beyond the carrying amount of the asset exclusive of impairment losses. The calculation of recoverable amounts requires the use of estimates.

Inventories

Inventories are measured either at the lower of acquisition cost or net realisable value. The acquisition cost of materials and supplies is primarily determined using the FIFO method (first-in, first-out). The acquisition cost of mineral aggregates and bitumen is determined using the weighted average method.

The acquisition cost of products and goods comprises raw materials, planning costs, direct costs of labour, other direct costs and the appropriate portion of the variable general costs of manufacture and fixed overhead. Additionally, the acquisition cost of work in progress and shares in completed housing and real estate companies comprises the value of the plot.

The net realisable value is the estimated selling price in ordinary business operations less the estimated expenditure on product completion and sales. In estimating the net realisable value of shares in completed housing and real estate companies, the available market information and the level of the yield on the properties are taken into account.

In assessing the net realisable value of plots of land, their intended use is taken into account. In the valuation of plots of land used for construction, the completed products in which they will be included are taken into consideration. The carrying amount of plots of land is decreased only when the completed products are expected to be sold at a price lower than the acquisition cost. The net realisable value of other plots of land is based on the market price of the land.

Borrowing costs are capitalised to acquisition cost of inventory if the inventory item meets the criteria.

Financial assets and liabilities

Financial assets

The Group has applied 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 day. 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. 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.

Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit or loss include all derivative contracts that do not meet the hedge accounting criteria. These derivative contracts include interest rate, foreign exchange and commodity derivatives. Derivatives are carried at fair values based on market prices and generally accepted valuation models. Changes in the fair values are recognised according to the nature of the derivative, either in the Group's financial items or in other operating income or expenses.

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are financial assets other than derivative contracts that are held for the collection of contractual cash flows and for selling the financial assets, and the cash flows of which represent solely payments of principal and interest. These include the Group's short-term money-market investments. Changes in the fair values are recognised in other comprehensive income, except for the recognition of impairment losses, interest revenue booked using the effective interest rate method, and foreign exchange rate differences, which are recognised in financial items in profit or loss.

This category also includes the Group's equity investments in property, housing-company and other shares to the extent that such investments are not specifically classified to any other category according to the business model. Dividends of investments classified to this category are recognised in finance income in the income statement. Changes in the fair values of equity investments are presented in other comprehensive income, and there is no subsequent reclassification of those items to profit or loss following the derecognition of the investment.

Financial assets measured at amortised cost

Financial assets measured at amortised cost are non-derivative financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest. This category also includes the Group's trade and other receivables on the statement of financial position. Financial assets of this category are initially recognised at fair value added with transaction costs and are subsequently measured at amortised cost using the effective interest rate method. A gain or loss on a financial asset measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank-account balances and liquid money-market investments with original maturities of three months or less. Cash and cash equivalents are included in the category of financial assets measured at amortised cost.

Impairment of financial assets

The impairment model for financial assets is based on expected credit losses where the customer's credit risk is taken into account. The 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 on the basis of historical information with adjustments 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.

Financial liabilities

Financial liabilities are initially recognised on the settlement date at fair value less transaction costs. Subsequently, all financial liabilities except derivative instruments are measured at amortised cost using the effective interest rate method.

Financial liabilities measured at fair value through profit or loss include all derivative contracts that do not meet the hedge accounting criteria. These derivative contracts include interest rate, foreign exchange and commodity derivatives. Derivatives are carried at fair values based on market prices and generally accepted valuation models. Changes in the fair values are recognised according to the nature of the derivative, either in the Group's financial items or in other operating income or expenses.

Fees paid on the establishment of loan facilities are capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which they relate.

The Group has both non-current and current financial liabilities, and they may be interest-bearing or non-interest-bearing. Financial liabilities are derecognised once the Group's obligations in relation to liability are discharged, cancelled or expired.

Fair values of derivative instruments and hedge accounting

Derivatives are initially recognised at fair value on the statement of financial position on the date a derivative contract is entered into and subsequently re-measured at their fair value on each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged.

Derivative instruments used in hedge accounting that meet the hedge accounting criteria under IFRS 9 are entered in the balance sheet at fair value on the day that the Group becomes counterpart to the agreement. The Group has applied hedge accounting for hedging against the reference rate of floating rate loans (cash flow hedging), but the Group always estimates hedge accounting needs case by case. The Group documents the relationship between the target and the hedging instruments and risk management objective as well as the strategy applied. The effectiveness of hedging is evaluated at least on every reporting date. Changes in the fair value of the effective part of derivative instruments meeting the criteria for cash flow hedging are entered in the fair value reserves in shareholders' equity, taking the tax impact into consideration. Gains and losses recognised in shareholders' equity are transferred to financial income or expenses within the same financial periods as the items of the hedging target.

Derivatives that are not eligible for hedge accounting are measured at fair value and booked as assets or liabilities in the statement of financial position. Changes in the fair value of these derivatives are recognised according to the nature of the derivative, either in other operating income and expenses or in the financial items.

Treasury shares

When the parent company of the Group or any subsidiary purchases the parent company's equity share capital (treasury shares), the consideration paid, including any transaction costs, is deducted from the equity attributable to the company's equity holders. Where such ordinary shares are subsequently sold or reissued, any consideration received is included in the equity attributable to the company's equity holders. No gain or loss is recognised in the income statement from purchasing, selling, issuance or cancellation of the company's equity instrument.

Provisions

Provisions are recorded when the Group has a legal or constructive obligation on the basis of a prior event, the materialisation of the payment obligation is probable, and the size of the obligation can be reliably estimated. Provisions are valued at the current value of the costs required to cover the obligation. If compensation for a share of the obligation can be received from a third party, the compensation is recorded as a separate asset item when it is practically certain that said compensation will be received.

Provision is made for onerous contracts when the amount of expenditure required by the agreement to fulfil the obligations exceeds the benefits that may be derived from it.

The 10-year liability provision arising from Finnish residential and commercial construction is determined by considering the class of 10-year liabilities as a whole. In this case, the likelihood of future economic loss for one project may be small, although the entire class of these obligations is considered to cause an outflow of resources from the company.

Warranty provisions cover repair costs after completion arising from warranty obligations. Warranty provisions are calculated on the basis of the level of warranty expenses actually incurred in earlier accounting periods. If the Group will receive reimbursement from a subcontractor or material supplier on the basis of an agreement in respect of anticipated expenses, the future compensation is recognised when its receipt is considered secure. Warranty provisions are mainly used in 1–2 years.

Environmental provisions are mainly related to a site's landscaping obligations. Landscaping provision is made in respect of those sites where landscaping is a contractual obligation. The expected time for using landscaping provisions depends on the use of the site, because in most cases the landscaping work starts after the use of the site ceases. In addition, environmental provisions cover other provisions related to environmental obligations.

Provisions for restructuring are recognised when the Group has made a detailed restructuring plan and initiated the implementation of the plan or has communicated about it.

The company recognises a provision for legal proceedings when the company's management estimates that an outflow of financial resources is likely and the amount of the outflow can be reliably estimated.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of an uncertain future event that is not wholly within the control of the Group. In addition, a present obligation whose settlement is not likely to require and outflow of financial resources and an obligation whose amount cannot be measured with sufficient reliability are deemed contingent liabilities. No provision is made for contingent liability and it is presented in the notes of the financial statement.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in financial statements but they are presented in the notes of the financial statement.

Critical accounting estimates and judgements of Group management

When financial statements are prepared in accordance with IFRS, the Group management must make estimates and exercise judgement in the application of the accounting policies. Estimates and assumptions have an effect on the amounts of assets, liabilities and contingent liabilities in the balance sheet of the financial statements and the final actual results may differ from the estimates. The following presents the critical accounting estimates and judgements included in the financial statements.

Merger of YIT Corporation and Lemminkäinen Corporation

In the merger, the identifiable assets acquired and liabilities assumed are recognised using the fair values at the date of the merger. To determine these fair values, the management has assessed future prospects, replacement investment values and market values.

Estimated synergies resulting from the merger are a key factor in the generation of goodwill and allocation to the cash-generating units being tested. The estimates for the synergy benefits resulting from the merger and the combination of the businesses of YIT and Lemminkäinen are based on numerous assumptions and inferences. Assumptions about the estimated synergy benefits are inherently uncertain and subject to a number of business, financial, and competition risks and uncertainties.

Contracts with customers

Revenue recognition from construction projects

Revenue recognition over time is based on estimates of the project's transaction price, i.e. revenue and costs expected to be realised, as well as on the reliable determination of the measure of progress of the project. In order to make a reliable estimate, the project's costs are determined and specified 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 profit of projects includes estimates of the development of 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 project revenue recognition are regularly and reliably updated. If the estimates of the end result of a project recognised as revenue over time change, the revenue and profit 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.

Significant management judgements related to revenue recognition are related to the number of performance obligations, estimates of a project's transaction price, i.e. revenues to be realised, and the timing of fulfilling performance obligations.

Significant management judgement related to identifying performance obligations

As YIT management identifies performance obligations, it assesses e.g. interrelations between different tasks and services of construction services and whether customer can benefit from them separately. In identifying performance obligations, significant management judgement is related to additional tasks performed in addition to construction service. The management has concluded to account for construction service and the transfer of the plot included in the customer contract as one performance obligation. The output of the construction service, i.e. the building, has significant integration with the plot, the building cannot be separated from the plot later on, and the plot cannot be used for other purposes after the building is completed. YIT's management has concluded that the obligation to provide leasing services, i.e. lease liability commitments, for some projects in the Business premises segment is one performance obligation together with the construction service. In these projects, YIT's promise to the customer is to deliver a building constructed or renovated and leased according to the agreed specifications, i.e. the management has determined that the overall promise to the customer is an agreed amount of cash flow in the form of rental income instead of a distinct construction service and leasing service.

Significant management judgement related to transaction price

To determine revenue, management is required to assess factors affecting the transaction price, including variable components such as sanctions and performance-based bonuses, expected to be received from the customer. In transaction prices, YIT includes variable considerations, such as sanctions and performance-based bonuses, which are highly probable not to result in significant reversal of cumulative revenue recognised when the uncertainty associated with the variable consideration is subsequently resolved.

YIT estimates the initial transaction price on a project-by-project basis and YIT only enters into contracts that are assessed to be probable to execute according to the agreement. Therefore, in initial transaction prices, sanctions are typically estimated not to be realised. Variable considerations are re-estimated at each reporting date on a project-by-project basis.

Significant bonuses relate mainly to the Infrastructure projects segment's alliance projects in which all partners of the alliance influence whether bonuses are received. YIT limits the recognition of variable consideration as revenue and does not include bonuses in transaction prices only based on its own performance as the receiving of bonuses is not only affected by YIT succeeding in its performance. YIT's management considers that receiving bonuses is highly probable if the bonus has been assessed to be received by the alliance steering committee, which assesses the performance of all partners of the project as whole.

Significant variable considerations in form of lease liabilities are included in some of the Business premises segment's projects. In these cases, the consideration YIT receives for the project varies based on the success of leasing, i.e. realised occupancy rates and rents. YIT limits the recognition of revenue from variable considerations in these projects and does not recognise variable consideration as revenue when such variable consideration is not highly probable to be realised. The management's estimate of the amount of variable consideration that is highly probable to be realised is based on historical and project-specific data on a project-by-project basis.

Significant management judgement related to determining measure of progress

YIT uses an input-based method in measuring the progress of construction projects. YIT's management considers that realised costs, i.e. costs incurred from raw materials, labour input and other procedures performed in order to further the project towards completion, in proportion to estimated total costs, best depicts a construction project's progress towards completion. Similarly, costs not incurred in proportion to estimated total costs better depict performance not fulfilled, i.e. YIT's obligation to fulfil a partially non-transferred performance obligation.

In the Paving segment's short-term paving services, YIT uses an output-based method in determining measure of progress. The scope is defined by amounts of mass or square metres in short-term paving services. The management considers that performance completed on the reporting date in proportion to total performance better depicts YIT's performance and control of the performance transferred to customer than the cost-based method.

In the Paving segment's long-term paving projects, i.e. in maintenance projects, YIT uses an input-based method. Management considers that maintenance-related tasks performed cannot be measured reliably by output-based methods or time-based methods. Incurred costs in proportion to estimated total costs best depicts the fulfilment of the performance obligation as maintenance tasks are performed in different amounts in different seasons and in different years during the contract period. The costs of maintenance projects are affected by fluctuations in weather conditions. YIT does not include estimates of yearly weather conditions in estimated costs.

A project's estimated costs are determined and specified as accurately as possible to make a reliable estimate in determining the measure of progress with input-based methods. The calculation of the total profits of projects includes estimates of the development of the total expenditure required to complete the project. Estimates related to project revenue recognition are regularly and reliably updated. If the estimates of the end result of a project recognised as revenue over time change, the revenue and profit 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.

Significant management judgement related to the timing of revenue recognition at a point in time

Management considers that transfer of the control of an apartment is transferred to the customer by physical handover in the Housing Finland and CEE segment's residential development projects that are recognised as revenue at a point in time. Physical handover is mainly performed by delivering keys immediately after the project is completed. In some countries, the required regulatory approvals are not obtained immediately after the project is completed, and therefore the physical handover of the apartments is also delayed. In these countries, YIT considers that control is transferred when the regulatory approvals are obtained.

Goodwill impairment testing

Goodwill is tested for potential impairment annually and whenever there are indications of impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require a significant use of estimates and assumptions. The cash flow forecasts are based on profitability plans approved by the company's management for a certain period and on other justifiable estimates of the prospects for the business sector and the cash-generating unit. The key uncertainties in value-in-use calculations are the discount rate and the long-term growth assumption. A more detailed description of the estimates and assumptions concerning goodwill impairment testing is given in the notes to the financial statements.

Deferred taxes

The management regularly estimates the recoverability of deferred tax assets. Deferred tax assets from tax losses are recorded in the amount that the management estimates, based on its profit forecasts, to be recoverable in the future, considering the expiration period of tax losses.

Income taxes

The Group is subject to income taxes in several countries. Evaluating the total amount of income taxes at the Group level requires significant consideration, so the amount of total tax includes uncertainty. On December 31, 2018, deferred tax receivables amounted to EUR 64.4 million and deferred tax liabilities amounted to EUR 28.8 million.

Inventories

The management regularly estimates, using its best judgement, the potential obsolescence of inventories by comparing their cost with the net realisable value. The net realisable value is an entity-specific value which is based on the most reliable evidence available at the time. Materials and other supplies held for use in the production of inventories are not written-down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Trade receivables

The management regularly estimates past-due trade receivables. The estimates are done according to the Group's credit risk policy and are based on realised credit losses, the company's experience, customer-specific surveys and general market situation at the time.

Pension benefits

The current value of pension obligations depends on various actuarial factors and the discount rate used. Changes in the assumptions and discount rate have an effect on the carrying amount of pension liabilities. The discount rate used is the market rate of high-quality corporate bonds or the interest rate of treasury notes for the currency in which the benefits will be realised. The maturity of the reference rate used corresponds substantially to the maturity of the calculated pension liability. Other assumptions are based on actuarial statistics and prevailing market conditions.

Provisions

The recognition of provisions involves probability and amount-related estimates. Provisions are booked for loss-making agreements when the obligatory expenditure required to meet obligations exceeds the benefits yielded by the agreement. The estimate of the probability and amount of realised costs is based on previous similar events and experience-based knowledge.

Notes to the consolidated Financial Statements, IFRS

Notes to the consolidated Financial Statements, IFRS

1. 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.

To illustrate the effects of the merger to the results of operations and financial position of YIT and to facilitate the comparability of the combined company's financial information, YIT has prepared unaudited pro forma financial information.This additional information is under the title "Unaudited pro forma additional information". 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 financial information reflects the application of pro forma adjustments that are based upon certain assumptions which are described in the footnote disclosures and what management believes are reasonable under the circumstances. YIT's actual results may materially differ from the assumptions applied for the purpose of this unaudited pro forma financial information. The unaudited pro forma financial information is derived from (a) the audited consolidated financial statements of YIT for the year ended December 31, 2017 (b) the audited consolidated financial statements of Lemminkäinen for the year ended December 31, 2017 and (c) the audited closing accounts of Lemminkäinen as at and for the period ended January 31, 2018, which forms the basis for the acquisition balance sheet that YIT will use for consolidation purposes to record the merger under IFRS.

The pro forma statement of financial position is presented as if the Merger had occurred on December 31, 2017 with YIT as the accounting acquirer as if it had consolidated the acquisition balance sheet of Lemminkäinen at that date. The pro forma income statements for the year ended December 31, 2017 and for the year ended December 31, 2016 are presented as if the Merger had occurred on January 1, 2016. Pro forma adjustments that do not have a continuing impact on YIT's results are included in the pro forma income statement for the year ended December 31, 2017.

In connection with the planning of the merger of YIT and Lemminkäinen, YIT agreed a financing commitment for the EUR 240 million bridge financing agreement and a EUR 300 million revolving credit facility from Nordea and Danske Bank. The purpose of the bridge financing was to act as back-up facility to refinance certain existing debts of YIT and Lemminkäinen, if needed. YIT has evaluated its liquidity position and financial structure and as a result, cancelled the EUR 240 million bridge financing agreement on February 20, 2018 since it is no longer needed. The new EUR 300 million revolving credit facility replaces earlier YIT and Lemminkäinen credit facilities and it is currently unused.

The pro forma financial information does not reflect synergies which are estimated to be EUR 40 million per annum and realised in full by the end of 2020.

The pro forma financial information has been prepared on a basis consistent with the accounting principles applied in YIT's consolidated financial statements. The adoption of IFRS 9 and IFRS 15 on January 1, 2018 did not have a material impact on YIT's consolidated financial statements.

The adjustments in composition of Pro forma information

Lemminkäinen's hybrid bond with a EUR 35.2 million carrying value has been reported in current borrowings as at January 31, 2018. Lemminkäinen announced on January 31, 2018 that the hybrid bond will be redeemed and the redemption was made on March 30, 2018 in accordance with the terms and conditions of the hybrid bond, and the redemption was assumed to be refinanced using YIT's available facilities with an estimated average annual interest of 1.6%. For the purpose of the preparation of the pro forma additional information, the fair value of Lemminkäinen's hybrid bond of EUR 36.2 million includes the reclassification of the interest payable of EUR 1.0 million from trade and other payables. The fair value of Lemminkäinen's bond of EUR 109.1 million includes a fair value adjustment of EUR 9.7 million to record the bond to its ask price as at January 31, 2018. YIT has recognised an adjustment of EUR 20.0 million to recognise assumed contingent liabilities comprising of legal proceedings at their fair values. The adjustment reflects the fair value of the assumed contingencies taking into account a reasonable risk premium for such contingencies. This adjustment will not have a continuing impact on the combined company's results once the contingencies have been resolved or settled. Further, YIT has recognised an adjustment of EUR 2.7 million to the assumed provisions to align the accounting policies of YIT and Lemminkäinen for the 10-year commitments related to the construction of housing and business premises in Finland. In addition, a provision of EUR 1.4 million has been recognised on assumed leases of premises.

Transactions between YIT and Lemminkäinen have been eliminated in the pro forma. These eliminations had an impact of EUR -19.0 million on revenue for the year ended December 31, 2017, and an impact of EUR 8.3 million on materials and supplies for the year ended December 31, 2017. The impact on operating profit was EUR -10.7 million for the year ended December 31, 2017.

Lemminkäinen's share-based rewards earned under the Lemminkäinen long-term incentive plan prior to the merger that had not vested will be settled with YIT's shares in accordance with the terms of the incentive plan. The portion of the fair value reflecting post-merger services has been recorded as personnel expenses over the remaining vesting period of the awards. Accordingly, a reduction of EUR 0.1 million on personnel expenses has been recorded to the pro forma income statement for the year ended December 31, 2017. The transaction costs of EUR 15.1 million incurred by YIT and Lemminkäinen in connection with the merger primarily comprise of financial, legal and advisory costs as well as personnel expenses directly related to the merger, and have been recorded in other operating expenses and in personnel expenses in the pro forma income statement for the year ended December 31, 2017. The costs for the issuance of the shares as merger consideration amount to EUR 1.4 million and have been deducted from equity in the pro forma statement of financial position as at December 31, 2017. The unrecognised portion of the transaction costs of EUR 1.7 million as at December 31, 2017 have been added to the trade and other payables and have been deducted from the equity (net of taxes) in the pro forma statement of financial position. These adjustments are not expected to have a continuing impact on the YIT's results or financial position.

For pro forma purposes, financial income and expenses, total has been adjusted by replacing the financial expenses recorded historically by YIT and Lemminkäinen on the revolving credit facilities with the expenses arising on the new EUR 300 million facility as if the new revolving credit facility had been in place for all periods presented. Further, the adjustment includes the fees and expenses that were incurred on the EUR 240 million bridge financing facility, which was cancelled in February 2018. The fair value adjustment recorded on the assumed Lemminkäinen bond has been recognised as a reduction of financial expenses using the effective interest rate method. For pro forma purposes, Lemminkäinen's hybrid bond is assumed to be refinanced using YIT's available facilities with an estimated annual interest of 1.6%. Accordingly, the incremental interest on the refinanced hybrid is recorded through the income statement periods presented under financial income and expenses. These adjustments, in total, had an impact of EUR 4.0 million on the financial expenses in the pro forma income statement for the year ended December 31, 2017, including a cost of EUR 0.9 million of bond solicitation fees incurred in connection with the merger. The costs related to revolving credit facility and the interest adjustments of Lemminkäinen's bond and refinancing of hybrid bond have a continuing impact on YIT's financial expenses. Income tax expense and deferred tax assets and liabilities in the unaudited pro forma financial information reflect the impact to taxes creating mainly temporary differences arising from the pro forma adjustments described above.

Pro forma segment information is found in note Segment information. Additional information on the merger is found in note Acquisitions and divestments.

Unaudited pro forma additional information

Pro forma performance related key figures, EUR million	1–12/2018	1–12/2017
Revenue	**3,759.3**	**3,862.5**
Other operating income	45.3	45.7
Change in inventories of finished goods and in work in progress	36.5	-97.9
Production for own use	0.8	0.9
Materials and supplies	-820.3	-776.5
External services	-1,815.3	-1,815.3
Personnel expenses	-546.4	-588.5
Other operating expenses	-530.0	-493.1
Share of results in associated companies and joint ventures	10.3	-0.7
Depreciation, amortisation and impairment	-49.0	-59.7
Operating profit	**91.3**	**77.4**
Financial income and expenses, total	-34.1	-26.7
Result before taxes	57.2	50.7
Income taxes	-23.9	-24.3
Result for the period	**33.3**	**26.3**
Attributable to		
Equity holders of the parent company	33.3	26.3
Basic earning per share, EUR	0.16	0.13

Unaudited pro forma additional information

EUR million	31 Dec 2017
Assets	
Non-current assets	
Property, plant and equipment	219.2
Goodwill	306.4
Other intangible assets	62.2
Investments in associated companies and joint ventures	124.2
Equity investments	2.3
Interest-bearing receivables	46.0
Other receivables	1.9
Deferred tax assets	61.5
Non-current assets total	**823.7**
Current assets	
Inventories	2,008.0
Trade and other receivables	466.5
Income tax receivables	3.1
Cash and cash equivalents	111.3
Current assets total	**2,589.0**
Total assets	**3,412.7**

EUR million	31 Dec 2017
Equity and liabilities	
Total equity attributable to the equity holders of the parent company	1,116.6
Equity total	**1,116.6**
Non-current liabilities	
Deferred tax liabilities	32.6
Pension obligations	2.4
Provisions	83.4
Borrowings	467.9
Other liabilities	53.8
Total non-current liabilities	**640.1**
Current liabilities	
Advances received	634.2
Trade and other payables	611.1
Income tax payables	12.9
Provisions	40.0
Borrowings	357.9
Total current liabilities	**1,656.0**
Liabilities total	**2,296.1**
Total equity and liabilities	**3,412.7**

Unaudited pro forma additional information

Pro forma capital structure related key figures	31 Dec 2017
Interest-bearing net debt, EUR million	666.9
Gearing, %	59.9%
Equity ratio, %	40.2%

2. Segment information and market areas

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

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

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

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

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

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

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

Other items

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

Segment reporting accounting principles

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

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

The historical segment information of YIT doesn't give investors a comparable base for financial information of the present combined company. To add comparability, the comparative figures are presented as pro forma figures, which expresses the effect of the merger as if it had happened on January 1, 2017. The calculation of pro forma figures is presented more precisely in the note Pro forma information. YIT historical segment information from year 2017 is presented in the note 2 in 2017 financial statements.

Seasonality of business

Seasonality of certain operations of the company affects the company's profit and its timing. According to IFRS accounting principles, certain customer contracts are recognised at a certain point in time. This affects especially to the Housing Finland and CEE and Housing Russia segments revenue recognition of residential development apartments. 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 information

1–12/2018

EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	**1,143.5**	**270.2**	**1,024.7**	**590.5**	**712.9**	**0.0**	**-52.4**	**3,689.4**
Revenue from external customers	1,143.1	269.5	1,019.8	560.7	696.8	0.0	-0.6	3,689.4
Revenue Group internal	0.3	0.8	4.9	29.8	16.0		-51.9	
Depreciation, amortisation and impairment	-1.2	-0.7	-0.4	-13.4	-17.6		-20.0	-53.3
Operating profit	**103.4**	**-36.3**	**67.6**	**-5.3**	**4.3**	**26.9**	**-65.8**	**94.6**
Operating profit margin, %	9.0%	-13.4%	6.6%	-0.9%	0.6%			2.6%
Adjusting items	0.8	4.5	0.5	0.6	10.3		41.2	57.9
Write-down of inventories		3.4						3.4
Restructurings and divestments*					9.5		-1.3	8.2
Transaction costs related to merger							1.4	1.4
Integration costs related to merger	0.8	1.1	0.5	0.6	0.8		14.4	18.2
Inventory fair value adjustment from PPA**							13.2	13.2
Depreciation and amortisation expenses from PPA**							13.4	13.4
Adjusted operating profit	**104.1**	**-31.8**	**68.1**	**-4.7**	**14.5**	**26.9**	**-24.6**	**152.5**
Adjusted operating profit margin, %	9.1%	-11.8%	6.6%	-0.8%	2.0%			4.1%
Capital employed	584.9	294.3	38.2	83.0	123.7	145.0	332.1	1,601.2
Revenue, POC	1,058.1	287.9						
Adjusted operating profit, POC	90.4	-22.5						
Adjusted operating profit margin, POC	8.5%	-7.8%						

* Restructuring and divestments concern business reorganisations of Paving segment in Norway and Sweden.
** PPA refers to merger related fair value adjustments.

1–12/2018 unaudited pro forma additional information

EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Paving	Partnership properties	Other items and eliminations	Group, IFRS
Revenue	**1,157.9**	**274.1**	**1,045.2**	**612.4**	**723.2**	**0.0**	**-53.4**	**3,759.3**
Revenue from external customers	1,157.5	273.3	1,040.0	582.2	706.8	0.0	-0.6	3,759.3
Revenue Group internal	0.3	0.8	5.2	30.1	16.4		-52.8	
Depreciation, amortisation and impairment	-1.2	-0.8	-0.4	-13.8	-18.1		-14.7	-49.0
Operating profit	**102.6**	**-37.3**	**67.3**	**-8.2**	**-9.5**	**26.9**	**-50.4**	**91.3**
Operating profit margin, %	8.9%	-13.6%	6.4%	-1.3%	-1.3%			2.4%
Adjusting items	0.8	4.5	0.5	0.6	12.2		24.6	43.2
Write-down of inventories		3.4						3.4
Restructurings and divestments					11.4		-1.3	10.1
Integration costs related to merger	0.8	1.1	0.5	0.6	0.8		14.4	18.2
Inventory fair value adjustment from PPA**							3.7	3.7
Depreciation and amortisation expenses from PPA**							7.8	7.8
Adjusted operating profit	**103.3**	**-32.8**	**67.8**	**-7.6**	**2.7**	**26.9**	**-25.8**	**134.5**
Adjusted operating profit margin, %	8.9%	-12.0%	6.5%	-1.2%	0.4%			3.6%
Capital employed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Revenue, POC	1,080.4	291.7						
Adjusted operating profit, POC	90.9	-23.4						
Adjusted operating profit margin, POC	8.4%	-8.0%						

* Restructuring and divestments concern business reorganisations of Paving segment in Norway and Sweden.

** PPA refers to merger related fair value adjustments.

1–12/2017 unaudited pro forma additional information

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
Write-down of inventories	4.9	3.2	5.9					14.0
Restructurings and divestments*								
Transaction costs related to merger							15.1	15.1
Integration costs related to merger							3.8	3.8
Costs, compensations and reimbursements related to court proceedings							1.4	1.4
Inventory fair value adjustment from PPA**							13.7	13.7
Depreciation and amortisation expenses from PPA**							13.7	13.7
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
Revenue, POC	1,185.9	320.3						
Adjusted operating profit, POC	101.5	4.6						
Adjusted operating profit margin, POC	8.6%	1.4%						

* Restructuring and divestments concern business reorganisations of Paving segment in Norway and Sweden.

** PPA refers to merger related fair value adjustments.

Geographical information

Revenue by market area is found in note Revenue from customer contracts. Non-current assets are presented by location of assets.

Non-current assets without non-current receivables

EUR million	31 Dec 2018	31 Dec 2017
Finland	583.5	178.7
Russia	18.7	4.6
CEE		
Baltics	8.2	8.9
The Czech Republic, Slovakia, Poland	4.3	2.6
Scandinavia		
Sweden	18.5	
Norway	60.5	
Denmark	28.1	
Group total	**721.9**	**194.8**

3. Revenue from customer contracts

Disaggregation of revenue

The Group's revenue consists of revenue from contracts with customers. For other types of income see note Other operating income. Revenue is generated in the following operating segments and market areas:

1–12/2018

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

1–12/2018

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	206.8	69.7	1,001.7	541.0	583.8		5.8	2,408.8
At a point in time	936.3	199.8	18.1	19.7	113.0	0.0	-6.4	1,280.5
Internal sales between segments	0.3	0.8	4.9	29.8	16.0		-51.9	
Total	**1,143.5**	**270.2**	**1,024.7**	**590.5**	**712.9**	**0.0**	**-52.4**	**3,689.4**

1–12/2017

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

1–12/2017

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	166.3	12.0	547.1	176.4	71.5		-0.3	973.0
At a point in time	653.4	357.0	10.5					1,020.9
Internal sales between segments				34.2			-34.2	
Total	**819.7**	**369.0**	**557.6**	**210.6**	**71.5**		**-34.5**	**1,993.8**

Contract assets and liabilities

The payments of most projects are fixed to defined stages of physical completion. Project income receivables are recorded if the project billing is less than the revenue recognised based on the measured progress of the project. Project income receivables are recognised as sales receivables as a construction project progresses and reaches the agreed stage of physical completion, which triggers invoicing. Similarly, advance payments are recorded, if the project billing exceeds the revenue recognised based on the measured progress of the project.

Advance payments received are recognised as revenue as a project's measure of progress increases and, at the latest, as the project is completed. Most projects take around one year to complete, and as advance payments are received and the project progresses, the balance between performance obligations satisfied and advance payments received shifts. Advance payments received include significant amounts of advance payments relating to residential development projects, for which apartment sales are recognised at the completion of construction at point of time.

EUR million	31 Dec 2018	31 Dec 2017	1 Jan 2017
Contract assets			
Projects income receivables	205.4	60.7	39.3
Trade receivables*	207.2	114.3	112.2
Contract assets total	**412.6**	**174.9**	**151.5**
Contract liabilities			
Advance payments received	577.6	370.7	476.1
Contract liabilities total	**577.6**	**370.7**	**476.1**

* See note Financial risk management for remeasurement due to adoption of IFRS 9.

Business combination

Contract assets and liabilities increased as a result of the combination of YIT and Lemminkäinen on February 1, 2018. Due to the combination accrued income increased by EUR 212.7 million and advances received increased by EUR 139.9 million. The business combination is described in more detail in the note on Acquired and divested businesses and the Segment information.

Transaction price allocated to performance obligations that are partially or fully unsatisfied

EUR million	2018
Transaction price to be recognised as revenue later	2,809.8

YIT expects that the transaction price allocated to the unsatisfied performance obligations as of 31 December 2018 will be recognised as revenue

EUR million	2019	Later
Allocated transaction price to be recognised as revenue	1,912.8	897.0

Housing Finland, CEE and Russia

Construction projects include the development and construction of apartments, entire residential areas and leisure-time residences. Residential construction projects are mainly residential development and negotiation projects which are mainly new development projects. YIT also provides maintenance services in Russia, which mostly consist of property management services.

Residential construction customers are private consumers and investors and institutional investors. Private consumers and investors purchase one or a few apartments from residential development projects, whereas institutional investors purchase several apartments from residential development projects, a residential building or multiple residential buildings that are constructed according to each customer's particular needs.

YIT has no obligations related to returns, refunds or other similar obligations for any type of construction project. YIT provides warranties that are mainly assurance-type and have no effect on revenue recognition as they are accounted for provisions according to IAS 37. Information about provisions are presented in note Provisions. In negotiation projects in Finland, the General Conditions for Building Contracts YSE 1998 are applied, which stipulate a warranty period of two years. In other countries, warranty periods are determined by legislative provisions or the applicable general terms and conditions. Most construction projects include variable elements in transaction prices, such as performance bonuses and penalties.

Revenue from residential construction projects, excluding residential development projects, and maintenance services is recognised over time. In most cases, YIT receives payments based on the construction project's progress, which corresponds to satisfying the performance obligation and no significant financing component exists. The measure of progress is based on cost-to-cost, which is an input-based method.

Residential development projects

In residential development projects, separate apartments are distinct performance obligations. In Finland, YIT provides all residential development projects with a one-year regular warranty period as well as a 10-year warranty that is required by the Housing Transactions Act. In other countries, warranty periods are determined according to the legislative requirements or the applicable general terms and conditions. These warranties do not affect revenue recognition. Revenue from YIT's residential development construction is recognised at a point in time, on completion, when control of the apartment is transferred to the customer. In Finland, the control is transferred to the customer when the apartment is handed over to the customer. In Russia and most CEE countries, control is transferred after obtaining permission from the authorities. Revenue is recognised by sales percentage, i.e. the ratio of the sold apartments' area to the total residential area of the construction project, and after completion by each sold apartment.

YIT receives advance payments for apartments sold prior to completion as payments are based on the construction project's progress. If the timing difference between receiving advance payments and revenue recognition is less than a year, YIT does not account for the time value of money for payments due to applying the practical expedient. If the time period exceeds the one-year period, the time value of money is accounted for based on the management's materiality assessment. For apartments sold after construction is completed, YIT receives full payment as control is transferred to the customer. Residential development projects include variable elements in transaction prices, such as delay penalties. In addition, the transaction price typically includes a corporation loan where customers are responsible for repayment of the corporation loan.

Business premises and Infrastructure projects

Business premises projects include constructing commercial, industrial and public buildings, renovations and life cycle projects. Infra projects are road and street construction, bridge building and repairing, railway construction, hydraulic and foundation engineering, underground construction, excavation, other earthworks and public utilities such as cemeteries, sports halls, landfills, electric grids as well as infrastructure for wind power stations. Infra projects in the Baltic countries also include paving services such as paving roads and bridges and selling asphalt mass.

Commercial and industrial buildings are constructed for institutional investors, developers and owner-occupiers. Construction is tailored to each customer's needs, and sometimes includes constructing more than one building. If a contract includes constructing more than one building, each building is a separate performance obligation unless the buildings do not fulfil the criteria for being considered distinct.

Renovation construction services ranging from small-scale surface renovation to wholesale refurbishment of entire buildings are provided to property owners. The performance obligation is determined by the scope of the work, whether it is office renovation, apartment-block height-raising or extensive refurbishment of a shopping centre. Revenue is recognised over time and payments are received based on construction project's progress which corresponds to satisfying performance obligation. Construction projects are mainly negotiated contracting, which includes both constructing new buildings and renovations.

For infra and paving services, the customer is often the public sector. Revenue is recognised mainly over time and payments are received based on the construction project's progress, which corresponds to satisfying the performance obligation.

Most business premises and infra projects include variable elements in transaction prices like delay penalties, performance bonuses and quality penalties. YIT has no obligations for returns, refunds or other similar obligations for any types of infra projects. YIT provides warranties that are mainly assurance-type and have no effect on revenue recognition, as they are accounted for as provisions also in Business premises and Infra projects. In Finland, the General Conditions for Building Contracts YSE 1998 are applied, stipulating a warranty period of two years or longer, i.e. assurance-type warranties with no extra services sold separately. In other countries, warranty periods are determined according to legislative requirements or the applicable general terms and conditions. Additionally, there are service-type warranties in the Baltics, but based on the management's materiality assessment, they have not been accounted for as separate performance obligations. The measure of progress is based on cost-to-cost, which is an input-based method. Infra projects in the Baltics include supplying asphalt mass, where the performance obligation is goods sold. The revenue from the sales of asphalt mass is recognised at a point in time.

Life cycle projects

In life cycle projects, construction expands into a comprehensive long-term service as YIT builds or improves the infrastructure , such as building or road network, and afterwards provides upkeep and maintenance services. Life cycle projects are used in major private or public construction and renovation projects. Revenue is recognised over time as separate performance obligations from the construction phase and the service period. YIT receives payments based on the construction project's progress, which corresponds to satisfying the performance obligation. During the service period, YIT receives payments monthly, which corresponds to services provided. Life cycle projects have availability deductions that are accounted for as variable considerations.

In all life cycle contracts, the municipality has the right to terminate the contract during the service period under certain terms and conditions, taking into consideration the interests of the service provider, i.e. YIT. Consideration for the construction phase is linked to a building cost index and service periods are linked to a maintenance index. The indices are reviewed annually. YIT does not have a significant right to organise supplementary use for any of the properties.

In the table below is presented the information concerning life cycle projects:

Project	Contract date	Construction phase	Service phase	Total value, EUR million*
Oulu, Kastelli community centre	06/2006	completed	ends 2039	86
Kuopio, schools and day-care centre	12/2009	completed	ends 2036	94
Pudasjärvi, school campus	03/2014	completed	ends 2041	41
Hollola, Heinsuo and Kalliola schools	06/2015	completed	ends 2037	49
Pudasjärvi, care facility	11/2015	completed	ends 2036	12
Porvoo, schools and day-care centres	12/2015	completed	ends 2038	61
Kuopio, Jynkkä and Karttula schools	06/2016	completed	ends 2038	37
E18 Hamina–Vaalimaa	06/2015	ends 2019	ends 2034	378
Parkano, school campus	03/2017	ends 2019	ends 2039	25
Sodankylä Health centre	06/2017	ends 2019	ends 2039	31
Kuopio, Hiltulanlahti school	12/2017	ends 2019	ends 2039	26
Imatra, School campus	05/2018	ends 2020	ends 2040	55

* Based on estimate of the total value of the contract.

Paving

Paving services refer to the paving of roads, bridges, yards, parking areas, warehouses, industrial floors, etc. The performance obligation is the scope of the work, whether it is paving a motorway, a parking garage or a farmhouse courtyard. Customers include the public sector, construction companies, private companies and private customers. Revenue from paving services is recognised over time. Most of the paving services are short-term, with invoicing after completion. As the payment terms are also short, there is no significant timing difference between satisfying the performance obligation and receiving payment. In long-term paving services, YIT receives payments based on the paving service's progress, which corresponds to satisfying the performance obligation. Most paving services include variable elements in transaction prices in the form of indices, delay penalties and quality penalties. YIT has no obligations concerning returns, refunds or other similar obligations. YIT provides warranties that are mainly assurance-type and have no effect on revenue recognition, as they are accounted for as provisions also in Paving. In Finland, the General Conditions for Building Contracts YSE 1998 are mostly applied, stipulating a warranty period of two years or longer, i.e. assurance-type warranties with no extra services sold separately. In other countries, warranty periods are determined according to the legislative requirements or the applicable general terms and conditions. In paving services, the measure of progress is defined by an input-based or output-based method. The measure of progress using the input-based method is based on cost-to-cost. The measure of progress using the output-based method is based on realised units, such as produced asphalt mass tonnes in proportion to estimated total tonnes, or achieved milestones compared to determined milestones of the whole paving service. Revenue from short-term paving services is recognised over time using an output-based method based on milestones.

Paving also includes supplying mineral aggregates and asphalt mass in addition to the services of quarrying and crushing of mineral aggregates and screening contracting. In supplying mineral aggregates and asphalt mass, the performance obligation is goods sold, such as crushed gravel, screened sand, cobblestones or asphalt mass. Revenue from supplying mineral aggregates and asphalt mass is recognised at a point in time. In providing services, the performance obligation is the scope of the work, such as quarrying the customer's rock. Screening, quarrying and crushing services are short-term with invoicing after completion. As the payment terms are also short, there is no significant timing difference between satisfying the performance obligation and receiving payment. The measure of progress is based on units produced, which is an output-based method.

4. Acquisitions and divestments

Acquisition summary

The Boards of Directors of YIT Corporation ("YIT") and Lemminkäinen Corporation ("Lemminkäinen") resolved to execute the merger of Lemminkäinen into YIT in accordance with the merger plan signed on June 19, 2017. The execution of the merger was registered at the Finnish Trade Register on February 1, 2018. The combination of YIT and Lemminkäinen created a financially strong company with urban development as the engine for growth and profitability. The business areas of YIT and Lemminkäinen complement and balance each other and decrease sensitivity to economic cycles. The business areas of Lemminkäinen at the time of the merger included infrastructure projects in Northern Europe, paving in the Nordic countries and building construction in Finland. In addition, the business areas of Russia included building construction and paving.

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. Lemminkäinen's shareholders received as merger consideration 3.6146 shares for each share they held in Lemminkäinen and thus the number of new shares issued was 83,876,431. New shares issued to Lemminkäinen's shareholders as merger consideration were admitted to trading to Nasdaq Helsinki on February 1, 2018. The purchase consideration transferred amounting to EUR 556.7 million is based on the fair value of EUR 6.62 of the YIT share on Nasdaq Helsinki on January 31, 2018 (closing price) and the aggregate number of 83,876,431 new shares issued as merger consideration.

Unaudited pro forma information is found in notes Pro forma information and Segment information and market area.

EUR million	Acquired assets and assumed liabilities at fair value
Non-current assets	
Property, plant and equipment	164.4
Other intangible assets	50.9
Investments in associated companies and joint ventures	4.1
Equity investments	1.8
Other receivables	0.3
Deferred tax assets	8.2
Total non-current assets	**229.7**
Current assets	
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**
Non-current liabilities	
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**
Current liabilities	
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**

EUR million	Acquired assets and assumed liabilities at fair value
Net assets acquired	**258.4**
Non-controlling interest	0.0
Goodwill	298.3
Purchase consideration	**556.7**

Goodwill

The goodwill arisen from the merger was mainly due to synergies and personnel. The goodwill arisen from the merger is not deductible in taxation.

Intangible assets

Aggregate fair value of EUR 44.6 million of intangible assets related to customer relationships, brands and order backlog were recognised in the Acquisition balance sheet. Fair values for the intangibles have been determined using appropriate valuation methods including the multi-period excess earnings method for the customer relationship, excess earnings method for the order backlog and relief from royalty method for the acquired brand portfolio. Book values for technology based acquired assets were considered to be proxies of their fair values. The amortisation periods for these intangible assets vary between 3 to 15 years.

Property, plant and equipment

A fair value adjustment of EUR 37.7 million has been recorded to Property, plant and equipment to the Acquisition balance sheet as at January 31, 2018 to reflect the total fair value of EUR 164.4 million determined using either the cost or market approach. This adjustment relates mainly to industrial properties, asphalt plants and paving equipment and mineral aggregate deposits. The remaining depreciation period for the acquired fair valued Property, plant and equipment is estimated to be between 5–32 years.

Receivables

The value of trade and other receivables was EUR 255.8 million at the time of acquisition. YIT is not expecting these receivables to include relevant bad debt receivables.

Inventories

A fair value adjustment of EUR 22.6 million has been recorded to inventories in Acquisition balance sheet to reflect the fair value of acquired inventories of EUR 415.5 million. YIT expects that the acquired inventory will turn-over within 5 years. This adjustment will not have a continuing impact on YIT's results or financial position.

Assumed contingent liabilities

YIT has recognised an adjustment of EUR 20.0 million to recognise assumed contingent liabilities comprising of legal proceedings at their fair values. The adjustment reflects the fair value of the assumed contingencies taking into account a reasonable risk premium for such contingencies. This adjustment will not have a continuing impact on the combined company's results once the contingencies have been resolved or settled.

The costs in connection with the merger

The transaction costs of EUR 15.1 million incurred by YIT and Lemminkäinen in connection with the merger primarily comprise of financial, legal and advisory costs as well as personnel expenses directly related to the merger. The costs for the issuance of the shares as merger consideration amount to EUR 1.4 million and have been deducted from equity in 2018.

Other acquisitions and mergers during the reporting period

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

5. Other operating income

EUR million	2018	2017
Gains on sales of property, plant and equipment assets	5.0	0.5
Gains on sales of intangible assets	2.5	
Gains on sales of investments*	18.0	24.4
Rental income	11.4	9.9
Gains from hedging purchases and sales**	4.1	
Other income	3.8	2.6
Total	**44.8**	**37.4**

* Gains on sales of investments in 2018 comprised mainly of the gain on the sale of Otaniemen Kiinteistökehitys Oy (Tietotie 6 real estate). In 2017 the Gain on sales of investments comprised mainly from Kasarmikatu 21 office property's gain on sales.

** Gains from hedging purchases and sales includes realised gains and changes in fair values of commodity derivatives which are used for hedging bitumen purchases and currency derivatives which are used for hedging purchases and sales.

6. Other operating expenses

EUR million	2018	2017
Losses on the sale of property, plant and equipment and intangible assets	-2.7	-0.4
Rental expenses	-104.7	-43.8
Voluntary indirect personnel expenses	-15.0	-9.1
Travel expenses	-29.7	-10.0
IT expenses	-31.4	-17.8
Premises expenses	-12.8	-7.8
Other costs from customer contracts	-298.1	-195.6
Losses from hedging purchases and sales*	-3.3	
Other expenses	-23.1	-25.2
Total	**-520.7**	**-309.7**

* Losses from hedging purchases and sales includes realised losses and changes in fair value of commondity derivatives which are used for hedging bitumen purchases and currency derivatives which are used for hedging purchases and sales.

Group's research and development expenses amounted to EUR 24.5 million (18.9).

Audit fees

EUR million	2018	2017
PricewaterhouseCoopers		
Statutory audit	-1.0	-0.8
Tax services	-0.1	0.0
Other services	-0.4	-0.9
Total	**-1.5**	**-1.7**

Other than audit fees provided by PricewaterhouseCoopers Oy for YIT Group companies amounted to EUR 0.4 million in 2018. The fees included statements (EUR 0.02 million) and other services (EUR 0.38 million).

7. Depreciation and impairment

Depreciation and impairment by asset

EUR million	2018	2017
Intangible assets		
Other intangible assets	-16.3	-3.2
Property, plant and equipment		
Buildings and structures	-1.8	-0.4
Machinery and equipment	-25.5	-8.3
Machinery and equipment, finance lease	-6.4	-0.1
Other tangible assets	-3.3	-2.2
Depreciation and impairment, total	**-53.3**	**-14.2**

8. Employee benefit expenses and number of personnel

EUR million	2018	2017
Wages and salaries	-432.5	-223.5
Pension costs, defined contribution plan	-63.3	-3.5
Pension costs, defined benefit plan	0.1	0.1
Share-based compensations	-2.3	-5.9
Other indirect employee costs	-29.2	-42.8
Total	**-527.2**	**-275.7**

Number of personnel by business segment at the end of the period	2018	2017 unaudited pro forma
Housing Finland and CEE	2,632	2,250
Housing Russia	1,424	1,763
Business Premises	1,177	1,733
Infrastructure projects	1,811	1,793
Paving	1,672	1,822
Partnership properties	2	
Group services	352	360
Total	**9,070**	**9,721**

At the end of 2017 the number of personnel was 5,427 persons.
Information concerning key management compensation is found in the note Salaries and fees to the management.

Share-based payments

YIT has implemented a long-term share-based incentive scheme to support the company's strategy of profitable growth and supplement the already available incentive scheme. The scheme aims at encouraging employees to engage in goal-oriented work, rewarding good performance and committing employees to long-term, persistent work. Members of YIT 's Board of Directors are not included in this share-based incentive scheme.

Plan of 2014–2016

The earnings periods of the 2014–2016 incentive scheme were the calendar years 2014, 2015 and 2016. A maximum 700,000 shares (2016) can be distributed annually. Any bonus is determined on the basis of the indicators decided annually by YIT's Board of Directors for each earnings period and their target levels. Return on investment is the key indicator in the scheme. An additional target related to the Group's cash flow was set for 2014, the Group's net debt for 2015 and earnings per share (EPS) for 2016. YIT's Board of Directors also decides on the approximately 200 key persons from different YIT countries to be included in the incentive scheme for each earnings period. The same key employees are not automatically covered by the scheme during all earnings periods. In the case of shares granted for 2015, the commitment period has ended.

Plan of 2017–2019

The earnings periods of the 2017–2019 incentive scheme are the calendar years 2017, 2018 and 2019. Any bonus will be determined on the basis of the indicators decided annually by YIT's Board of Directors for each earnings period and their target levels. Return on investment is the key indicator in the scheme (2017: ROI, 2018: ROCE) . An additional target related to the Group's net promoter score (NPS) was set for 2017 and 2018.A maximum of 700,000 shares from year 2017 and maximum of 1,150,000 shares can be distributed annually. In 2018, a maximum of 45,000 shares can be distributed to the President and CEO and a maximum of 20,000 shares to the Deputy to the President and CEO and the other members of the Group Management Team. The shares to be granted are already held by YIT as a rule. There is a two-year commitment period associated with each earnings period, after which the shares are transferred to key persons still employed by YIT Group. YIT's Board of Directors may, for justified reasons, decide to provide key employees with a monetary amount corresponding to the market price of the shares determined on the basis of the time of the transfer instead of the shares themselves. The employer will cover the taxes and tax-like fees charged to the key employees covered by the scheme in connection with the handing over of the shares. Under all circumstances, the Board has the right to amend the bonuses in a reasonable manner.

Plan of 2016–2018 (transferred from Lemminkäinen)

Those members of YIT's Group Management Team who transferred from Lemminkäinen Corporation in connection with the merger on February 1, 2018, and who were previously covered by Lemminkäinen Group's share-based incentive scheme, were paid share rewards for the 2016 earnings period. At the end of 2015, Lemminkäinen Corporation's Board of Directors decided to introduce a new share-based incentive scheme for key personnel. The incentive scheme consisted of three earnings periods: the calendar years 2016, 2017 and 2018. At the beginning of each earnings period, the company's Board of Directors decided on the scheme's earning criteria, the targets set for them, the number of shares to be allocated and the participants. The potential reward for each earnings period is paid in four instalments, each of them corresponding to 25 per cent of the total reward. The payments are made during the four years following the earnings period. If a participant's employment or service contract ends during the earnings or payment period, they will not, as a rule, be entitled to any unpaid rewards.

The reward is paid as a combination of shares and cash. The aim is that the cash portion will cover any taxes and tax-related costs arising from the reward. In 2016, the maximum share reward for the members of the Group Management Team was 12,500 gross shares.

Information concerning share-based incentive plans are presented below:

	Plan of 2014–2016		Plan of 2017–2019		Plan of 2016–2018 (transferred from Lemminkäinen)	
	2015	**2016**	**2017**	**2018**	**2016**	**2017**
Grant date	06/03/2015	09/03/2016	04/04/2017	15/08/2018	02/03/2016	09/02/2017
Earning period start date	01/01/2015	01/01/2016	01/01/2017	01/01/2018	01/01/2016	01/01/2017
Earning period end date	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2016	31/12/2017
Commitment period end date	26/04/2018 (paid 26/04/2018)	31/05/2019	31/05/2020	31/05/2021	30/09/2017 / 30/09/2018 / 30/09/2019 / 30/09/2020	30/09/2018 / 30/09/2019 / 30/09/2020 / 30/09/2021
Vesting conditions	Return on investment and net debt	Return on investment and earnings by share (EPS)	Return on investment and Net Promoter Score (NPS)	ROCE% and Net Promoter Score (NPS)	ROCE%, operating profit	ROCE%, operating profit
Payment method	Cash & equity	Cash & equity	Cash & equity	Cash & equity	Cash & equity	Cash & equity
Share price at grant date, EUR	5.59	5.13	6.29	5.40	3.82***	5.11***
Fair value of benefit at grant date, EUR*	4.78	4.24	5.57	4.59	3.48***	4.48***
Description of shares**	Net share	Net share	Net share	Net share	Gross share	Gross share
Outstanding shares 1 Jan 2018	310,499	191,584	628,000	0		
Business acquisitions					415,184	681,858.0
Amount of granted shares				1,044,000		
Amount of lost shares	-4,340	-7,285	-12,630	-13,000	-21,978	
Amount of realised shares	-306,159				-218,959	
Amount of expired shares			-283,465			-681,858
Number of outstanding shares at the end of the period	0	184,299	331,905	1,031,000	174,247	0
Number of plan participants at end of earning period	0	216	217	304	69	0

* The fair value of share at grant date is the share's grant date value less estimated dividend payments during the earning period.

** The amount of shares to be presented in the gross share arrangement includes the cash component to be settled in cash. In the net share arrangement, the number of shares does not include the cash share, but is paid in addition to the number of shares presented.

*** The share amounts and share values of the plan transferred from Lemminkäinen are converted to correspond the YIT share by using the issue factor of 3.6146.

The accrued expenses from the share-based incentive plans recognised in the income statement in 2018 were a total of EUR 2.3 million (5.9). The net liability recognised in the statement of financial position in respect of share-based incentive plan at the end of 2018 was EUR 2.6 million (0.7). The company estimates that expenses to be recognised in 2019 from incentive plans realised before 2019 will be approximately EUR 1.3 million. The actual amount may differ from the estimated amount.

9. Financial income and expenses

EUR million	2018	2017
Financial income		
Interest income on loans and other receivables	2.2	1.8
Other financial income	5.9	0.1
Financial income, total	**8.0**	**1.9**
Financial expenses		
Interest expenses on financial liabilities recognised at amortised cost*	-28.9	-15.0
Interest expenses on non-hedging interest rate derivatives	-2.3	-2.3
Other interest and financial expenses	-16.0	-8.3
Interest expenses capitalised on qualifying assets (IAS 23)	5.8	6.5
Financial expenses, total	**-41.4**	**-19.1**
Exchange rate differences, net	-2.1	2.6
Financial income and expenses, total	**-35.5**	**-14.6**
Exchange rate differences recognised in the income statement		
Exchange rate differences in operating income and expenses	0.4	
Exchange rate differences in financial items	-2.1	2.6
Exchange rate differences, total	**-1.7**	**2.6**

* Interest expenses on liabilities recognised at amortised cost include EUR 0.1 million (EUR 0.4 million) of interest expenses on derivatives with hedge accounting applied.

10. Income taxes

Income taxes in the income statement

EUR million	2018	2017
Current taxes	-29.9	-22.6
Taxes for prior years	-0.4	
Deferred taxes	10.4	8.4
Total income taxes	**-19.9**	**-14.3**

The reconciliation between income taxes in the consolidated income statement and income taxes at the statutory tax rate in Finland 20.0% is as follows:

EUR million	2018	2017
Profit before taxes	**59.1**	**70.9**
Income taxes at the tax rate in Finland 20.0%	-11.9	-14.2
Effect of different tax rates outside Finland	1.0	0.1
Tax exempt income and non-deductible expenses	3.3	0.5
Net results of associated companies and joint ventures	2.3	0.0
Changes to deferred taxes due to changes in tax rates	-0.2	-0.8
Unrecognised tax on loss for the period	-6.7	0.0
Write-down of deferred taxes from balance sheet	-7.4	-0.4
Reassessment of deferred taxes	0.0	0.5
Taxes for prior years	-0.4	
Income taxes in the income statement	**-19.9**	**-14.3**

11. Earnings per share

	Undiluted		Diluted	
	2018	**2017**	**2018**	**2017**
Profit attributable to the equity holders of the Company, EUR mill.	39.2	56.6	39.2	56.6
Weighted outstanding basic number of shares, mill. shares	203.0	125.7	203.0	125.7
Potentially dilutive shares of share based incentive plans, mill. shares			0.8	1.9
Weighted outstanding adjusted dilutive number of shares, mill. shares			203.8	127.6
Earnings per share, EUR/share	0.19	0.45	0.19	0.44

Diluted earnings per share is calculated by adjusting number of shares to assume conversion of all diluting potential shares.

12. Property, plant and equipment

2018

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Historical cost at January 1, 2018	2.4	15.2	185.0	21.9	0.0	224.4
Translation differences		-0.7	-1.7	-0.2	-0.0	-2.6
Increases		1.6	21.8	2.2	4.1	29.7
Business acquisitions	16.9	16.9	109.9	25.6	2.5	171.7
Decreases	-0.3	-0.8	-12.4	-0.9	-3.5	-18.0
Reclassifications	-0.0	0.4	1.2	-1.5	-1.1	-1.0
Historical cost at December 31, 2018	**18.9**	**32.5**	**303.7**	**47.1**	**2.0**	**404.3**
Accumulated depreciation at January 1, 2018		-8.3	-143.7	-17.6		-169.7
Translation differences		0.2	0.8	0.1		1.0
Depreciation		-1.8	-31.9	-3.3		-37.0
Accumulated depreciation of reclassifications		0.1	2.8	0.7		3.7
Accumulated depreciation at December 31, 2018		**-9.9**	**-172.0**	**-20.2**		**-202.0**
Carrying value January 1, 2018	2.4	6.8	41.2	4.3	0.0	54.8
Carrying value December 31, 2018	**18.9**	**22.6**	**131.8**	**27.0**	**2.0**	**202.3**

2017

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Historical cost at January 1, 2017	2.4	18.6	174.9	21.1	0.0	217.0
Translation differences		-0.4	-0.3	-0.1	0.0	-0.8
Increases		0.4	13.7	1.6	0.0	15.6
Decreases		-0.4	-3.3	-0.3	-0.0	-4.0
Reclassifications		-3.0		-0.3	0.0	-3.3
Historical cost at December 31, 2017	**2.4**	**15.2**	**185.0**	**21.9**	**0.0**	**224.4**
Accumulated depreciation at January 1, 2017		-11.1	-136.8	-15.9		-163.8
Translation differences		0.1	0.3	0.1		0.4
Depreciation		-0.5	-8.4	-2.2		-11.1
Accumulated depreciation of reclassifications		3.1	1.2	0.4		4.8
Accumulated depreciation at December 31, 2017		**-8.3**	**-143.7**	**-17.6**		**-169.7**
Carrying value January 1, 2017	2.4	7.5	38.1	5.2	0.0	53.2
Carrying value December 31, 2017	**2.4**	**6.8**	**41.2**	**4.3**	**0.0**	**54.8**

The government grants received are not material and have been deducted from the carrying value.

Finance lease assets

Tangible assets include assets leased by finance lease agreements as follows:

	2018			2017		
EUR million	**Buildings and structures**	**Machinery and equipment**	**Total**	**Buildings and structures**	**Machinery and equipment**	**Total**
Historical cost at January 1	0.4	6.4	6.8	0.4	6.3	6.7
Translation differences	-0.0	-0.3	-0.3	-0.0	-0.1	-0.1
Increases		4.3	4.3		0.1	0.1
Business acquisitions		22.3	22.3			
Decreases		-1.2	-1.2			
Reclassifications	-0.3	-0.9	-1.2			
Historical cost at December 31	**0.1**	**30.4**	**30.5**	**0.4**	**6.4**	**6.8**
Accumulated depreciation at January 1	-0.1	-6.3	-6.3	-0.1	-6.2	-6.2
Translation differences	0.0	0.2	0.2	0.0	0.1	0.1
Depreciation		-6.4	-6.4	-0.0	-0.1	-0.1
Accumulated depreciation of reclassifications		0.9	0.9			
Accumulated depreciation at December 31	**-0.1**	**-11.5**	**-11.6**	**-0.1**	**-6.3**	**-6.3**
Carrying value January 1	0.3	0.1	0.4	0.3	0.1	0.5
Carrying value December 31	**0.0**	**18.9**	**18.9**	**0.3**	**0.1**	**0.4**

13. Intangible assets

2018

EUR million	Goodwill	Other intangible assets	Advance payments	Total other intangible assets
Historical cost at January 1, 2018	8.1	26.6	5.0	31.6
Increases		0.2	1.1	1.2
Business acquisitions	311.4	50.7	0.0	50.7
Decreases		-1.4	-0.4	-1.8
Reclassifications		4.2	-3.2	1.0
Translation differences	-0.3	-0.1		-0.1
Historical cost at December 31, 2018	**319.2**	**80.1**	**2.5**	**82.6**
Accumulated depreciation at January 1, 2018		-20.3		-20.3
Depreciation		-16.3		-16.3
Impairment				
Translation differences		0.0		0.0
Accumulated depreciation of reclassifications		1.4		1.4
Accumulated depreciation at December 31, 2018		**-35.1**		**-35.1**
Carrying value January 1, 2018	8.1	6.3	5.0	11.3
Carrying value December 31, 2018	**319.2**	**45.0**	**2.5**	**47.5**

2017

EUR million	Goodwill	Other intangible assets	Advance payments	Total other intangible assets
Historical cost at January 1, 2017	8.1	22.9	6.6	29.5
Increases		0.4	2.8	3.1
Decreases		-0.5	-0.5	-1.0
Reclassifications		3.8	-3.8	0.0
Translation differences		-0.0		-0.0
Historical cost at December 31, 2017	**8.1**	**26.6**	**5.0**	**31.6**
Accumulated depreciation at January 1, 2017		-17.6		-17.6
Depreciation		-3.2		-3.2
Impairment				
Translation differences				
Accumulated depreciation of reclassifications		0.5		0.5
Accumulated depreciation at December 31, 2017		**-20.3**		**-20.3**
Carrying value January 1, 2017	8.1	5.4	6.6	11.9
Carrying value December 31, 2017	**8.1**	**6.3**	**5.0**	**11.3**

Goodwill

For the purpose of goodwill testing, at the date of acquisition, goodwill is allocated to cash-generating units, or groups of cash-generating units, that are expected to benefit from the goodwill arising from the business combination. The most significant proportion of the goodwill was generated in the 2018 merger of Lemminkäinen Corporation into YIT Corporation. Following the acquisition, the company's financial monitoring was revised and new operating segments were formed. The company's management has monitored its operations based on the new segments since the merger. At the end of 2017, the company's goodwill amounted to EUR 8.1 million, which was reallocated to the Housing Finland and CEE segment and the Business Premises segment at the time of the restructuring of the operating segments. Goodwill of EUR 298.3 million was recorded as a result of the merger. The goodwill generated by the merger was allocated to the business segments based on the synergies arising from the merger and the competent personnel acquired.

YIT Group's goodwill is allocated to the tested business unit or unit groups

EUR million	2018	Discount rate, % (WACC before taxes)
Housing Finland and CEE	104.8	6.5*
Housing Russia	12.8	14.4
Business Premises	86.7	5.9*
Infrastructure Projects	60.2	6.9*
Paving	54.8	7.6*
Goodwill, total	**319.2**	

* Country-specific capital employed-weighted average.

EUR million	2017	Discount rate, % (WACC before taxes)
Baltics and Central Eastern Europe	8.1	7.2

Goodwill impairment tests

Goodwill tests are carried out using value-in-use calculations. Value in use is calculated by discounting future cash flows to their present value. If the present value is lower than the carrying amount, the difference is recognised through profit or loss in the current year. The goodwill tests carried out during the fourth quarter of 2018 showed that the present values of the future cash flows exceeded the carrying amounts in all segments. The recoverable amounts of all of the tested units exceeded the carrying amounts of the tested assets substantially, with the exception of the Housing Russia segment, where a reasonable change in the key assumptions used in cash flow forecasts could lead to impairment of goodwill.

Cash generating units' cash flow forecasts were prepared for a five-year planning period based on the action plan created by the management and the Group's strategy. The key assumptions used in goodwill impairment testing are related to sales growth, project margins and changes in working capital. Cash flows beyond the forecasting period are calculated using the terminal value method. The growth rate used for the terminal value of the Housing Russia segment was 4%, which was the inflation target of the Russian Central Bank at the time of the impairment testing. For the other operating segments, forecasts are based on the assumption of 1% annual growth, which is lower than the European Central Bank's target inflation rate over the medium term. The estimates are based on previous experience of trends in these markets. Forecasts by several research institutes related to growth, demand and price trends have also been utilised when preparing the estimates. The pre-tax Weighted Average Cost of Capital (WACC pre-tax) defined by the Group is used as the discount rate. It takes into account the risk-free interest rate, the expected market rate of return, the industry's beta value and debt interest rate, including the interest rate margin, calculated for each unit. When determining the debt interest rate level, the Group takes into account the interest rate levels of financing used in operations on a segment-specific and country-specific basis. The components of the discount rate are weighted according to the average target capital structure of the segment. In the calculation of the discount rate for the unit being tested, the Group uses country-specific discount rates that are weighted by country-specific capital employed.

Sensitivity analysis

The Group has prepared a sensitivity calculation for tested units in which a reasonable change in the key assumptions of the cash flow forecast would result in impairment. Based on the goodwill testing carried out in 2018, a sensitivity analysis is presented for the Housing Russia segment's cash flow forecast. The table presents the percentage changes in the key assumptions of cash flow forecasts at which the present value of cash flows would correspond to the carrying value of the tested assets.

2018	Housing Russia
Revenue development	-9%
Weakening of project margins	-1.4pp
Amount of working capital	20%

14. Investments in associated companies and joint ventures

	2018			2017		
EUR million	Associated companies	Joint ventures	Total	Associated companies	Joint ventures	Total
Cost on January 1	3.6	116.5	120.1	0.6	62.9	63.6
Share of results		10.8	10.8	0.1	-0.9	-0.8
Increases		38.7	38.7	3.4	58.4	61.8
Business acquisitions		4.1	4.1			
Decreases	-3.6	-6.7	-10.3	-0.5	-3.9	-4.5
Dividend received during the financial year		-12.8	-12.8			
Cost on December 31		**150.7**	**150.7**	**3.6**	**116.5**	**120.1**

Associated companies and joint ventures are consolidated according to the equity method. The control in Talon Tekniikka Oy was acquired in 2018. Otaniemen kiinteistökehitys Oy was acquired and sold in 2018.

YIT Group's associated companies and joint ventures and their combined assets, liabilities, revenue and profit/loss

2018

EUR million	Domicile	Assets	Liabilities	Revenue	Profit/Loss	Share of net assets	Ownership	Carrying amount
Joint ventures								
Projekti GH Oy	Finland	7.1	8.7		-0.6	-0.5	33.33%	0.5
Nordasfalt AS	Norway	27.0	15.8	50.1	1.7	5.6	50.00%	5.4
Ålands lunastustontti	Finland	37.8	17.8		0.3	4.0	20.00%	3.9
YCE Housing I Ky	Finland	98.5	73.7	0.7	-0.0	9.9	40.00%	11.7
Tripla Mall GP Oy	Finland						38.75%	0.0
Tripla Mall Ky	Finland	472.0	177.3		-1.6	114.2	38.75%	115.8
Regenero Oy	Finland	135.4	110.5		16.9	12.4	50.00%	12.5
Trnavske myto a.s.	Slovakia	21.8	19.7	1.5	-0.1	1.0	50.00%	0.9
Konopna Residence s.r.o	Slovakia	2.9	2.7		-0.0	0.1	40.00%	0.0
Nuppu Housing s.r.o	Slovakia	24.4	22.9		-0.1	0.8	50.00%	0.0
Zwirn area s.r.o	Slovakia	23.6	21.8			0.9	50.00%	0.0
Padiaren 1900 s.r.o	Slovakia	9.3	8.7		-0.0	0.3	50.00%	0.0
Tieyhtiö Vaalimaa Oy	Finland	226.9	230.0	19.8	-1.2	-0.6	20.00%	0.1
Total		**1,086.6**	**709.7**	**72.1**	**15.3**	**148.0**		**150.7**

2017

EUR million	Domicile	Assets	Liabilities	Revenue	Profit/Loss	Share of net assets	Ownership	Carrying amount
Associated companies								
Talon Tekniikka Oy	Finland	8.3	7.1	35.8	-0.9	0.5	48.00%	3.4
Joint ventures								
YCE Housing I Ky	Finland	21.0	10.0			4.4	40.00%	11.5
Tripla Mall GP Oy	Finland	0.0				0.0	38.75%	0.0
Tripla Mall Ky	Finland	318.5	54.1		-0.5	102.5	38.75%	102.3
Regenero Oy	Finland	92.5	87.4		-0.9	2.5	50.00%	1.9
Trnavske myto a.s.	Slovakia	24.3	21.9	0.7	-0.0	1.2	50.00%	1.0
Konopna Residence s.r.o	Slovakia	2.7	2.6	0.1	-0.0	0.1	40.00%	0.0
Tieyhtiö Vaalimaa Oy	Finland	213.2	216.6	5.9	-0.2	-0.7	20.00%	0.1
Total		**680.5**	**399.7**	**42.4**	**-2.6**	**110.6**		**120.1**

Descriptions of lines of business

Projekti GH Oy's line of business is property development.

Nordasfalt AS's line of business is paving in Northern Norway.

Ålands lunastustontti is an alternative investment fund that has an investment strategy to invest on plots that will be used for housing purposes.

Tripla Mall GP Oy and Tripla Mall Ky's line of business is investment property operations, owning shopping malls and real-estate companies. The associated companies invest in building project Tripla in Pasila.

Regenero Oy's line of business emphasises on developing large residential, commercial and office projects in the Helsinki metropolitan area.

Konopna Residence S.r.o, Trnavske myto a.s., Nuppu Housing s.r.o., Zwirn area s.r.o all invest in area property development projects in the Bratislava area.

Tieyhtiö Vaalimaa Oy's line of business is to plan, build, develop, finance and maintain the E18 motorway between Hamina and Vaalimaa.

15. Equity investments

EUR million	2018	2017
Carrying value January 1	0.4	0.4
Business acquisitions	1.8	
Decreases	-0.1	
Carrying value December 31	**2.2**	**0.4**

16. Non-current receivables

EUR million	31 Dec 2018	31 Dec 2017
Trade receivables	2.2	0.9
Interest-bearing receivables*	50.3	46.0
Other receivables	0.2	0.7
Total	**52.7**	**47.6**

* Interest-bearing receivables are primarily related to joint ventures.

17. Deferred tax assets and liabilities

EUR million	31 Dec 2018	31 Dec 2017
Deferred tax assets	64.4	53.2
Deferred tax liabilities	28.8	9.9
Deferred tax assets, net	**35.6**	**43.4**

Changes in deferred tax assets and liabilities

EUR million	2018	2017
Deferred tax assets, net January 1	43.4	36.6
Business acquisitions	-15.3	
Translation difference	-2.9	-1.5
Changes recognised in income statement	10.4	8.3
Changes recognised in comprehensive income	-0.0	-0.1
Deferred tax assets, net December 31	**35.6**	**43.4**

Changes in deferred tax assets and liabilities during the accounting period

2018

EUR million	1 Jan 2018	Translation difference	Business acquisitions	Recognised in the income statement	Recognised in comprehensive income/equity	31 Dec 2018
Deferred tax assets						
Provisions	15.4	0.0	2.7	-1.5		16.6
Tax losses carried forward	15.9	-1.9	2.8	2.6		19.4
Pension obligations	0.4	0.0	0.1	0.0		0.5
Percentage of completion method	11.2	-0.9	2.3	4.8		17.4
Inventories	5.6	-0.4	0.0	5.1		10.3
Other items	7.1	-0.1	8.0	-8.1	-0.0	6.8
Offsetting of deferred taxes	-2.4	0.0	-0.5	-3.7		-6.6
Total deferred tax assets	**53.2**	**-3.3**	**15.3**	**-0.8**	**-0.0**	**64.4**
Deferred tax liabilities						
Allocation of intangible assets	2.4					2.4
Accumulated depreciation differences	3.6	-0.0	9.7	-2.9		10.4
Pension obligations	0.0	0.0	0.1	-0.1		0.0
Percentage of completion method	2.9	-0.4	0.0	2.2		4.7
Inventories	2.3	-0.2	-0.3	-1.1		0.9
Equity investments and hedging reserve	0.1		-0.2	-0.1		-0.2
Other items	1.1	0.1	21.7	-5.5		17.4
Offsetting of deferred taxes	-2.4		-0.5	-3.7		-6.6
Total deferred tax liabilities	**9.9**	**-0.5**	**30.6**	**-11.2**		**28.8**

2017

EUR million	1 Jan 2017	Translation difference	Recognised in the income statement	Recognised in comprehensive income/equity	31 Dec 2017
Deferred tax assets					
Provisions	16.5	-0.3	-0.9		15.4
Tax losses carried forward	14.4	-0.9	2.4		15.9
Pension obligations	0.4		0.0		0.4
Percentage of completion method	8.2	-0.2	3.2		11.2
Inventories	10.4	-0.3	-4.5		5.6
Other items	6.0	-0.1	1.3	-0.1	7.1
Offsetting of deferred taxes	-1.6				-2.4
Total deferred tax assets	**54.3**	**-1.8**	**1.6**	**-0.1**	**53.2**
Deferred tax liabilities					
Allocation of intangible assets	2.4				2.4
Accumulated depreciation differences	3.4		0.2		3.6
Pension obligations	0.0				0,0
Percentage of completion method	3.0	-0.1	-0.1		2.9
Inventories	6.9	-0.2	-4.4		2.3
Available-for-sale investments	0.1		-0.0		0.1
Other items	3.4		-2.3		1.1
Offsetting of deferred taxes	-1.6				-2.4
Total deferred tax liabilities	**17.6**	**-0.3**	**-6.6**		**9.9**

Deferred tax assets on unused taxable losses are recognised to the extent that it is probable that the tax benefit will flow to the taxable income. From accumulated losses of which some part are not approved by the tax authorities, deferred tax assets of EUR 27.2 million (1.9) have not been recognised. The unrecognised deferred tax assets from losses in 2018 are mainly from the companies in Norway and Sweden. In the case of Latvia and Estonia, the company is able to determine the reversal date of the temporary difference, so no deferred tax has been recognised in those countries.

18. Inventories

EUR million	31 Dec 2018	31 Dec 2017
Raw materials and consumables	44.4	4.3
Work in progress	973.4	789.5
Land areas and plot-owing companies	580.2	570.1
Shares in completed housing and real estate companies	204.8	193.6
Advance payments	54.5	33.8
Other inventories	22.8	1.2
Total inventories	**1,880.1**	**1,592.5**

The write-downs of inventories were EUR 4.3 million (14.0). Work in progress include capitalised interests EUR 7.7 million (14.5).

YIT Group has acquired land areas in Finland and abroad for the construction activities. The acquisition of a land area may be done by buying the ownership of property or of shares of a plot-owing company. The cost arising from the acquisitions of plot-owing companies have been included in the total amount of Land areas or Work in progress in inventories.

19. Trade and other receivables

EUR million	31 Dec 2018	31 Dec 2017
Trade receivables	209.5	113.4
Interest-bearing loan receivables	14.8	1.6
Accrued income from long-term projects	205.4	59.9
Accrued income	25.5	12.5
Receivables from derivative agreements	1.9	0.2
Other receivables	53.2	25.8
Total	**510.3**	**213.5**

The information about write-downs of trade receivables and expected credit losses is found in note Financial risk management.

Reconciliation to the categorisation of trade and other receivables (note Financial assets and liabilities by category)

EUR million	31 Dec 2018	31 Dec 2017
Trade and other receivables	510.3	213.5
Accrued income from long-term projects	-205.4	-59.9
Accrued income	-25.5	-12.5
Receivables from derivative agreements	-1.9	-0.2
Total	**277.5**	**140.9**

20. Cash and cash equivalents

EUR million	31 Dec 2018	31 Dec 2017
Cash in hand and in banks	263.6	89.7

Cash and cash equivalents include cash in hand and liquid deposits with solvent banks with original maturities of three months or less.

21. Equity

Share capital and treasury shares	Number of outstanding shares	Share capital EUR mill.	Treasury shares EUR mill.
January 1, 2017	125,576,655	149.2	-8.3
Return of treasury shares	238,554		1.1
December 31, 2017	**125,815,209**	**149.2**	**-7.2**
January 1, 2018	125,815,209	149.2	-7.2
Return of treasury shares	357,070		1.7
Increase of treasury shares	-700		-0.0
Business acquisitions	83,876,431	0.5	
December 31, 2018	**210,048,010**	**149.7**	**-5.6**

At December 31, 2018 the total number of YIT Oyj's shares was 211,099,853 and the share capital amounted to EUR 149,716.7 thousand. All the issued and subscribed shares have been fully paid to the company. Shares do not have a nominal value.

Treasury shares

Changes in treasury shares during the accounting period:

	Amount, pcs.
January 1, 2018	1,408,213
Return of treasury shares	-357,070
Increase of treasury shares	700
December 31, 2018	**1,051,843**

The consideration paid for the treasury shares amounted to EUR 5.6 million and is disclosed as separate fund in equity. The consideration paid on treasury shares decreases the distributable equity of YIT Corporation. YIT Corporation holds them as treasury shares and has the right to return them to the market in the future.

The Board of Directors of YIT Corporation has on April 26, 2018 decided on a directed share issue for the reward payment from the 2015 earning period under the YIT Group's Incentive Scheme 2014–2019. In the share issue, 306,159 YIT Corporation shares will be issued and conveyed without consideration to the key persons participating in the incentive scheme according to the terms and conditions of the incentive scheme.

The Board of Directors of YIT Corporation decided on September 18, 2018 on a directed share issue for Lemminkäinen Performance Share Program reward payment from the 2016 performance period. In connection with the merger of YIT and Lemminkäinen, the companies agreed on payment of unpaid share rewards earned under Lemminkäinen's long-term incentive plan with shares in YIT. In the share issue, a maximum amount of 50,911 YIT Corporation shares was issued and conveyed without consideration to the key persons participating in the incentive scheme according to the terms and conditions of the incentive scheme.

Legal reserve

Legal reserve includes equity transferred as undistributable equity based on the rule of Articles of Associations or by decision of Annual General Meeting.

Unrestricted equity reserve

The invested unrestricted equity fund includes the subscription price of the shares to the extent that it is not explicitly stated in the share capital. The change in the invested unrestricted equity fund in 2018 was mainly due to the merger of YIT Corporation and Lemminkäinen Corporation.

Translation differences

Translation differences include the exchange rate differences recognised in Group consolidation. In addition, on the net investment in foreign subsidiaries, which are hedged with currency forwards, the portion of the gains and losses of effective hedges is recognised in translation differences. There were no hedges of a net investment in a foreign operation in 2018 and 2017.

Fair value reserve

Fair value reserve includes movements in the fair value of the equity investments and the derivative instruments used for cash flow hedging.

Dividends

Dividend paid and proposed	2018	2017
Dividend paid during the financial year		
Per share for the previous year, EUR	0.25	0.22
In total for the previous year, EUR million	52.4	27.6
Proposed for approval by the AGM		
Per share for the previous year, EUR	0.27	0.25
In total for the previous year, EUR million	56.7	52.4

22. Salaries and fees to the management

YIT Group's related parties comprise associates and joint ventures as well as members of the key management personnel including their related parties. Members of the key management personnel comprise the Board of Directors, the President and CEO and the members of the Group Management Team. The aim of YIT's remuneration systems is to reward good performance, increase the personnel's motivation and commit the company's management and its employees to the company's objectives in the long term.

Decision-making regarding remuneration

YIT Corporation's Annual General Meeting decides on the fees for the Board of Directors. The Board of Directors decides on the salary and fees and other terms of employment of the CEO and other key Group employees, such as the members of the Group Management Team. In addition, the Board of Directors decides annually both short and long-term indicators for management remuneration and the target values for the indicators which are designed to support the achievement of the strategic goals. On the basis of the President and CEO's proposal, the Board of Directors also decides on the amount of fees and whether the indicator-based goals have been reached.

The task of the Personnel Committee is to assist the Board of Directors in issues related to appointing and rewarding key personnel. Among other things, the Personnel Committee prepares proposals for the development of the Group's corporate culture and HR policy, remuneration and incentive schemes, the rules for performance-based bonuses, and the performance-based bonuses paid to the management. In addition, identifying talents, the development of key personnel and succession planning fall under the preparation responsibility of the committee.

The Shareholders' Nomination Board prepares proposals concerning the election and remuneration of the members of the Board of Directors for the Annual General Meeting.

Remuneration of Board members

The Annual General Meeting 2018 decided that the Board of Directors be paid fixed annual remuneration for the term ending at the close of the next Annual General Meeting. The remuneration of the Chairman of the Board is EUR 100,000 per year (2017: EUR 79,200), the remuneration of the Vice Chairman of the Board and the Chairman of the Audit Committee is EUR 70,000 per year (2017: Vice Chairman of the Board EUR 60,000 and the Chairman of the Audit Committee EUR 46,800) and the remuneration of the other members of the Board is EUR 50,000 per year (2017: EUR 46,800).

The award and payment of the fixed annual remuneration is contingent on the Board members committing to purchasing directly, based on the resolution of the Annual General Meeting, YIT Corporation shares amounting to 40% of the fixed annual fee from a regulated market (Nasdaq Helsinki Ltd) at a price determined by public trading, and that the shares in question be purchased directly on behalf of the Board members. The shares shall be purchased within two weeks of the publication of the interim report for the period January 1–March 31, 2018.

In addition, a meeting fee of EUR 550 is paid for each Board and committee meeting (2017: EUR 550). Per diems for trips in Finland and abroad are paid in accordance with the state's travel compensation regulations. No other fees or benefits were paid to Board members.

Remuneration of key management personnel

The remuneration of the President and CEO and members of the Group Management Team consists of a fixed basic salary, fringe benefits, other benefits, annual short-term incentives (performance-based pay) as well as long-term share-based incentive plans and pension plans.

Costs related to remuneration of the President and CEO and the Group Management Team are presented in the table below. In 2018, the company booked social security costs of EUR 0.8 million (2017: EUR 0.6 million) from key management personnel's salaries, fees and other employee benefits. The social security costs are not included in the figures shown in the table below. The figures presented in the table are calculated on an accrual basis and the performance and share-based rewards included in the figures are based on a year-end estimate.

EUR million	2018	2017
Short-term employee benefits	3.6	2.8
The President and CEO	0.7	0.7
Key management personnel other than the President and CEO	2.9	2.2
Post-employment benefits	0.2	0.0
The President and CEO		0.0
Key management personnel other than the President and CEO	0.2	
Share-based payments	0.3	0.4
The President and CEO	0.1	0.1
Key management personnel other than the President and CEO	0.3	0.3
Termination benefits	0.0	0.4
The President and CEO		
Key management personnel other than the President and CEO	0.0	0.4
Other long term benefits	0.1	
The President and CEO		
Key management personnel other than the President and CEO	0.1	
Remuneration of key management personnel, total	**4.2**	**3.6**

Short-term employee benefits

Short-term employee benefits include fixed basic salary which is determined by the requirements of the position as well as the performance and experience of the person holding the position. In addition, short-term employee benefits include the use of a car benefit, mobile phone benefit, meal benefit, insurance cover for leisure time accidents and life insurance.

The bonuses paid are determined on the basis of the realisation of personal profit objectives, the Group's financial result, and the attainment of profitability, growth and development objectives. Performance and development discussions are an essential part of the management by key results system. In these discussions, employees and their superiors agree on the key objectives and their relative weighting and review the fulfilment of the previously agreed objectives. The achievement of key objectives is monitored regularly by the Group Management Team.

The maximum performance bonus payable to the President and CEO was 60 per cent of the annual remuneration and 50 per cent for other members of the Group Management Team (salary and fringe benefits).

Post-employment benefits

The contractual retirement age of the President and CEO is 62. The pension scheme is benefit-based and the contractual pension amounts to 60 per cent of salary accounted according to Finnish employment pension law. The President and CEO is entitled to a paid-up policy.

The additional pension plan of the members of the Group Management Team who transferred from Lemminkäinen Corporation on February 1, 2018, in connection with the merger, is based on cash basis and earning a paid-up policy. The amount of the payment is 20 per cent of the fixed annual salary. Members of the management are entitled to retire at the age of 63.

Other long-term benefits

In 2015, Lemminkäinen decided on a performance-based bonus for the company's CEO and Group Management Team for the years 2016–2018 with the aim of ensuring the long-term continuity and profitability of the company's business. Due to restructuring, the bonus scheme was modified in 2016 so that the eventual bonus would be paid in 2018, provided that the person was still in the employment of the company, and the total bonus should not exceed the person's monetary salary paid for 12 months. The bonus will be paid to those members of the YIT Group Management Team who transferred from Lemminkäinen Corporation on February 1, 2018, and were members of Lemminkäinen's GMT in June 2016.

Expenses from Other long term benefits arose from service year rewards to related party that comply with the Group's personnel practices.

Termination benefits

The period of notice for the President and CEO is 12 months. If the company terminates the contract, the President and CEO shall also be paid separate compensation amounting to six months' salary.

The period of notice for the other members of the Group Management Team is 6–12 months. Some members of the Group Management Team also have the contractual right to be paid separate compensation amounting to six months' salary if the company terminates their contract.

23. Pension obligations

EUR million	**2018**	**2017**
Pension benefits		
Balance sheet obligations	2.6	2.1
Income statement charge	-0.1	-0.1

In 2018 and 2017, the Group had defined benefit pension plans resulting from supplementary pension insurance in Finland. The pension liability has been calculated based on among other things the number of years employed and the salary level. The pension plans are managed in insurance companies, which follow the local pension legislation in their management.

The amounts are determined as follows

EUR million	**31 Dec 2018**	**31 Dec 2017**
Present value of funded obligations	27.7	15.1
Fair value of plan assets	-25.1	-13.0
Deficit/surplus	**2.6**	**2.1**
Present value of unfunded obligations		
Pension liability, net	**2.6**	**2.1**

Disclosed in the balance sheet as follows

EUR million	**31 Dec 2018**	**31 Dec 2017**
Defined benefit pension obligations	2.6	2.1

The movement in the defined benefit obligation of the year

EUR million	2018	2017
At 1 January	15.1	16.0
Obligations through business acquisitions	12.9	
Service cost	0.0	0.0
Interest cost	0.4	0.2
Remeasurments	1.1	-0.0
Benefits paid	-1.9	-1.1
At 31 December	**27.7**	**15.1**

The movement of plan assets of the year

EUR million	2018	2017
At 1 January	13.0	13.9
Fair values thought business acquisitions	12.6	
Adjustment to plan assets*	0.0	0.0
Expected return of plan assets	0.3	0.2
Remeasurements	0.9	0.0
Employer contribution	0.0	0.0
Benefits paid	-1.9	-1.1
At 31 December	**25.1**	**13.0**

* Adjustments to plan assets and obligation relates to reclassification of certain pension schemes to defined benefit obligation.

Actuarial assumptions are as follows

%	2018	2017
Discount rate	1.2%	1.2%
Rate of salary increase	1.8%	1.3%
Rate of pension increases	1.9%	1.5%

Future payments

The following table presents the future payments used as the basis of the pension obligation calculations.

EUR million	2018
Due within one year	1.9
Due in 1–5 years	7.1
Due in 5–10 years	7.4
Due in 10–15 years	5.8
Due in 15–20 years	4.3
Due in 20–25 years	2.7
Due in 25–30 years	1.4
Due after more than 30 years	0.7
Total	**31.3**

Sensitivity analysis

The following table presents the effect of change in the discount rate on the defined benefit obligation.

EUR million	2018	2017
Interest increase by 0.5%	-1.4	-0.0
Interest decrease by 0.5%	1.5	0.1

24. Provisions

EUR million	Guarantee reserve	10-year commitments in construction	Provisions for loss making projects	Restructuring provisions	Legal provisions	Other provisions	2018 Total	2017 Total
January 1	6.0	48.8	2.3	0.0	0.5	14.7	72.3	76.4
Translation difference	-0.5		-0.2	-0.0	-0.1	-0.7	-1.5	0.1
Additions	19.7	9.6	6.6	0.3	0.4	1.2	37.9	16.4
Business acquisitions	11.4	11.8	1.6	2.7	23.1	0.6	51.1	
Released during the period	-4.2	-4.7	-1.6	-0.0	-1.1	-4.5	-16.2	-19.8
Transfer between lines			2.1			-2.1		
Reversals of unused provisions	-0.1	-0.1	-0.0			-8.1	-8.4	-0.8
December 31	**32.2**	**65.3**	**10.8**	**3.0**	**22.7**	**1.0**	**135.2**	**72.3**
Non-current	1.6	53.1	2.4	2.7	22.4		82.2	46.0
Current	30.6	12.2	8.5	0.3	0.4	1.0	53.0	26.3
Total	**32.2**	**65.3**	**10.8**	**3.0**	**22.7**	**1.0**	**135.2**	**72.3**

The effect of discounting on the total amount of provisions was EUR -0.7 million (-1.2).

25. Interest-bearing financial liabilities

Non-current financial liabilities

EUR million	31 Dec 2018	31 Dec 2017
Bonds	249.3	149.7
Loans from financial institutions	130.0	110.5
Pension loans		49.9
Finance lease liabilities	9.5	
Other interest-bearing liabilities	35.3	34.3
Non-current liabilities, total	**424.1**	**344.5**

Current financial liabilities

EUR million	31 Dec 2018	31 Dec 2017
Bonds	103.3	
Loans from financial institutions	0.3	4.5
Pension loans	50.0	5.5
Commercial papers	46.7	150.6
Housing corporation loans	259.0	85.6
Finance lease liabilities	8.3	0.1
Current financial liabilities, total	**467.6**	**246.3**

Information about the bonds

	Nominal amount	Maturity date	Coupon interest	Covenants
FI4000100508	EUR 100 million	06/07/2019	7.375	Equity ratio
FI4000330824	EUR 100 million	11/06/2021	3.150	Equity ratio
FI4000330832	EUR 150 million	11/06/2023	4.250	Equity ratio
Total	**EUR 350 million**			

Fixed rate bonds are unsecured and notes maturing 2021 and 2023 are callable before the final maturity date.

Maturity of finance lease liabilities

EUR million	31 Dec 2018	31 Dec 2017
Minimum lease payments		
No later than 1 year	8.6	0.1
1–5 years	8.9	
Later than 5 years	1.0	
Total minimum lease payments	**18.6**	**0.1**
Present value of minimum lease payments		
No later than 1 year	8.3	0.1
1–5 years	8.5	
Later than 5 years	1.0	
Total present value of minimum lease payments	**17.8**	**0.1**
Future finance expenses from finance lease liabilities	0.7	0.0

Reconciliation of interest-bearing financial liabilities

EUR million	Current	Non-current	Finance lease liabilities	Total
Interest-bearing financial liabilities 1 Jan 2018	**246.2**	**344.5**	**0.1**	**590.7**
Short-term part of the long term liabilties 1 Jan 2018	-10.0	10.0		**0.0**
Cash flows	472.6	74.4	-7.0	**539.9**
Share of housing loans concerning sold apartments*	-468.7			**-468.7**
Finance lease investments			4.3	**4.3**
Financial liabilities from acquisitions	64.9	135.4	24.2	**224.5**
Other non-cash changes**	0.8	3.8	-3.7	**1.0**
Short-term part of the long term liabilities 31 Dec 2018	153.5	-153.5		**0.0**
Interest-bearing financial liabilities 31 Dec 2018	**459.3**	**414.6**	**17.8**	**891.7**

EUR million	Current	Non-current	Finance lease liabilities	Total
Interest-bearing financial liabilities 1 Jan 2017	**450.3**	**249.1**	**0.1**	**699.5**
Short-term part of the long term liabilties 1 Jan 2017	-105.5	105.5		**0.0**
Cash flows	340.9	-2.9	-0.0	**338.0**
Share of housing loans concerning sold apartments*	-450.1			**-450.1**
Other non-cash changes**	0.5	2.7	0.0	**3.3**
Short-term part of the long term liabilities 31 Dec 2017	10.0	-10.0		**0.0**
Interest-bearing financial liabilities 31 Dec 2017	**246.2**	**344.5**	**0.1**	**590.7**

* Share of housing loans concerning sold apartments under construction are transferred to advance payments received and concerning completed apartments to buyers of those apartments. These transfers are presented as repayments of current borrowings in cash flow statement.

** Foreign exchange rate differences are included in Other non-cash changes.

26. Trade and other payables

Non-current liabilities

EUR million	31 Dec 2018	31 Dec 2017
Trade payables	27.9	40.4
Liabilities of derivative agreements	2.7	3.8
Other liabilities	21.6	9.5
Total	**52.2**	**53.7**

Current liabilities

EUR million	31 Dec 2018	31 Dec 2017
Trade payables	255.6	155.7
Accrued expenses	146.3	68.8
Accrued expenses in work in progress	135.8	113.3
Liabilities of derivative agreements	2.7	0.2
Other payables	35.5	54.7
Trade payables and other payables	**575.9**	**392.7**
Advances received	739.1	494.3
Total	**1,315.0**	**887.0**

Accrued expenses

EUR million	31 Dec 2018	31 Dec 2017
Accrued employee-related liabilities	88.5	45.2
Interest liabilities	5.2	4.6
Other accrued expenses	52.5	19.0

Reconciliation to the categorisation of trade and other payables (Note Financial assets and liabilities by category)

EUR million	31 Dec 2018	31 Dec 2017
Non-current trade and other liabilities	52.2	53.7
Liabilities of derivative agreements	-2.7	-3.8
Total	**49.5**	**50.0**
Current trade and other payables	575.9	392.7
Accrued expenses	-146.3	-68.8
Liabilities of derivative agreements	-2.7	-0.2
Accrued expenses in work in progress	-135.8	-113.3
Total	**291.1**	**210.4**

27. Derivative instruments

	31 Dec 2018				31 Dec 2017			
EUR million	**Nominal amount**	**Fair value, positive**	**Fair value, negative**	**Fair value, net**	**Nominal amount**	**Fair value, positive**	**Fair value, negative**	**Fair value, net**
Foreign exchange derivatives	122.5	1.5	-0.5	1.0	22.4	0.2	-0.2	0.0
Interest rate derivatives, in hedge accounting					5.0		-0.1	-0.1
Interest rate derivatives, not in hedge accounting	230.0		-2.9	-2.9	270.0		-3.7	-3.7
Commodity derivatives	7.2	0.0	-1.7	-1.6				
Total	**359.6**	**1.5**	**-5.1**	**-3.5**	**297.4**	**0.2**	**-4.0**	**-3.8**

All derivative instruments are utilised for hedging purposes according to the Group's treasury policy, but hedge accounting, as defined in IFRS 9, is only applied to certain derivative contracts. The derivatives are used in order to reduce business risks, interest rate risks and to hedge balance sheet items denominated in foreign currencies.

Changes in the fair value of derivatives with cash flow hedge accounting applied are recognised in the fair value reserve in equity and changes in the fair value of other derivatives are recognised through profit or loss according to their nature either in financial items or in other operating income or expenses. At the end of year 2018 the hedge accounting was not applied.

In some cases, above mentioned financial derivatives are subject to master netting or similar arrangements which are enforceable in some circumstances. According to these arrangements, above mentioned derivative assets and liabilities could be settled on a net basis. Netting arrangements are enforceable according to typical negligence events or other events of default as the general terms for derivative transactions applies. Items, to which settlement on a net basis could be applied under certain conditions, are recognised on gross basis in the statement of financial position. Net figures would have been EUR 0.8 million (0.2) smaller than the gross figures presented in the table.

28. Financial assets and liabilities by category

The following table 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.

31 Dec 2018 EUR million

Original measurement category (IAS 39)	Available for sale financial assets	Loans and other receivables	Financial assets and liabilities held for trading	Financial liabilities			
New measurement category (IFRS 9)	**Financial assets recognised at fair value through other comprehensive income**	**Financial assets recognised at amortised cost**	**Financial assets and liabilities recognised at fair value through profit and loss**	**Financial liabilities recognised at amortised cost**	**Carrying amount**	**Fair value**	Note
Non-current financial assets							
Equity investments (level 3)	2.2				2.2	2.2	15
Trade and other receivables		52.7			52.7	57.1	16
Current financial assets							
Trade and other receivables		277.5			277.5	277.5	19
Derivative assets (hedge accounting not applied, level 2)			1.9		1.9	1.9	19
Cash and cash equivalents		263.6			263.6	263.6	20
Financial assets by category, total	**2.2**	**593.8**	**1.9**		**597.9**	**602.3**	
Non-current financial liabilities							
Interest-bearing liabilities				424.1	424.1	424.5	25
Trade and other payables				49.5	49.5	46.1	26
Derivative liabilities (hedge accounting not applied, level 2)			2.7		2.7	2.7	26
Current financial liabilities							
Interest-bearing liabilities				467.6	467.6	468.2	25
Trade and other payables				291.1	291.1	291.1	26
Derivative liabilities (hedge accounting not applied, level 2)			2.7		2.7	2.7	26
Financial liabilities by category, total			**5.5**	**1,232.3**	**1,237.7**	**1,235.4**	

31 Dec 2017 EUR million

Measurement category (IAS 39)	Available for sale financial assets	Loans and other receivables	Financial assets and liabilities held for trading	Derivative liabilities in hedge accounting	Finance liabilities	Carrying value	Fair value	Note
Valuation	Fair value	Recognised at amortised cost	Fair value	Fair value	Recognised at amortised cost			
Non-current financial assets								
Available for sale investments, listed shares (level 1)	0.1					0.1	0.1	15
Available for sale investments, unlisted shares (level 3)	0.3					0.3	0.3	15
Trade rand other receivables		47.6				47.6	47.6	16
Current financial assets								
Trade and other receivables		140.9				140.9	140.9	19
Derivative assets (hedge accounting not applied, level 2)			0.2			0.2	0.2	19
Cash and cash equivalents		89.7				89.7	89.7	20
Financial assets by category, total	**0.4**	**278.2**	**0.2**			**278.8**	**278.8**	
Non-current financial liabilities								
Interest-bearing liabilities					344.4	344.4	345.4	25
Trade and other payables					50.0	50.0	50.0	26
Derivative liabilities (hedge accounting not applied, level 2)			3.6			3.6	3.6	26
Current financial liabilities								
Interest-bearing liabilities					246.3	246.3	246.3	25
Trade and other payables					210.4	210.4	210.4	26
Derivative liabilities (hedge accounting applied, level 2)				0.1		0.1	0.1	26
Derivative liabilities (hedge accounting not applied, level 2)			0.3			0.3	0.3	26
Financial liabilities by category, total			**3.9**	**0.1**	**851.1**	**855.1**	**856.1**	

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

Fair value measurement

The Group categorises financial instruments recognised at fair value by using a three-level fair value hierarchy.

Financial instruments within Level 1 are traded in active markets hence prices are obtained directly from the efficient markets. Fair values of financial instruments within Level 2 are based on observable market inputs and generally accepted valuation methods. Fair values of financial instruments within Level 3 are not based on observable market data. The fair value levels are presented in previous tables.

29. Financial risk management

YIT Group is exposed to several financial risks in its business operations. The most significant financial risks are funding, liquidity, and credit risks and market risks like foreign exchange and interest rate risks. The aim of the Group's financial risk management is to reduce uncertainty concerning the possible impacts that changes in fair values on the financial markets could have on the Group's result, cash flow and value.

The management of financial risks is based on principles of the treasury policy approved by the Board of Directors. The treasury policy defines the principles and division of responsibilities with regard to financial activities and the management of financial risk. The policy is reviewed and if necessary updated at least annually.

Execution of the treasury policy is the responsibility of the Group Treasury, which is mainly responsible for the management of financial risks and handles the Group's treasury activities on a centralised basis. The Group's treasury policy defines the division of responsibilities between the Group Treasury and business units in each subarea. The Group companies are responsible for providing the Group Treasury with up-to-date and accurate information on treasury-related matters concerning their business operations. The Group Treasury serves as an internal bank and co-ordinates, directs and supports the Group companies in treasury matters such that the Group's financial needs are met and its financial risks are managed effectively in line with the treasury policy.

Liquidity risk

The Group seeks to ensure the availability of funding, optimise the use of liquid assets in funding its business operations and to minimise interest and other finance costs. The Group Treasury is responsible for managing the Group's overall liquidity and ensuring that adequate credit lines and a sufficient number of different funding sources are available. It also ensures that the maturity profile of the Group's loans and credit facilities is spread sufficiently evenly over coming years as set out in the treasury policy. The maturity schedule of the interest-bearing liabilities, as per the Group’s accounting, is front-loaded. The reason for this are housing company loans, which are recorded in current interest-bearing liabilities. These liabilities mainly consist of non-current loans of housing companies, which are under construction or completed, and these borrowings will be transferred to the buyers of the residential units in conjunction with the sale. Regarding unsold housing units, the Group will bear the liability by paying financial consideration for the units in question during a long loan period.

According to the treasury policy, the Group's liquidity shall at all times match the Group's total liquidity requirement. Due to the nature of the Group's business operations, seasonal borrowing is of great importance. The funding requirements are based on cash flow forecasting. Funding and cash management are centralised to the Group Treasury. As the cash management is centralised to the Group Treasury, the use of liquid funds can be optimised between the different units of the Group.

Liquidity of the Group consists of a commercial paper programme, committed credit limits, bank overdraft facilities, and liquid funds. The total amount of the Group's commercial paper programme is EUR 400 million (400), of which EUR 353.3 million (249.4) was unused at the end of the reporting period. At the end of the reporting period, the Group had available committed credit facilities amounting to EUR 300 million (200) and overdraft limits amounting to EUR 72.2 million (73.7). Committed credit facility is available until August 2021. In addition, committed housing company loan agreements related to Finnish apartment projects amounted to EUR 292.9 million (269.4) at the end of the reporting period. The amount of YIT's liquid funds at the end of 2018 was EUR 263.6 million (89.7).

For the apartment projects YIT uses the financing model where the housing company loan is drawn according to the site's percentage of completion to finance the site's construction. Housing company loans related to apartment projects under construction and completed apartments amounted to EUR 420.5 million (209.1) at the end of the year, of which the share of sold apartments, EUR 161.5 million (123.5), has been recognised in advances received and the rest, EUR 259.0 million (85.6), is reported as interest-bearing liabilities on the balance sheet.

The following table describes the contractual maturities of the financial liabilities and interest and other expenses related to those items. The amounts are undiscounted. The interest flows of floating-rate loans and interest rate derivative instruments are based on interest rates prevailing on December 31st, 2018 (December 31st, 2017). Cash flows of foreign currency denominated loans are translated into euros at the foreign exchange rates prevailing at the balance sheet date. Cash flows of foreign currency forward contracts are translated into euros at forward rates.

Contractual cash flows of financial liabilities and derivative instruments

2018

EUR million	2019	2020	2021	2022	2023	2024-	Total
Interest-bearing liabilities	492.8*	130.7	143.9	17.7	164.0	10.9	960.0
Trade and other payables	291.1	30.2	0.7	11.7	3.1	3.7	340.6
Interest rate derivatives	1.7	1.2	0.4	0.2			3.5
Foreign exchange derivatives							
cash outflow	122.1						122.1
cash inflow	-123.2						-123.2
Commodity derivatives							
cash outflow	1.6	0.0					1.7
cash inflow	-0.0						-0.0
Guarantees given on behalf of others	1.6	1.0	0.8	1.2	0.1	0.1	4.9
Total	**787.9**	**163.1**	**145.8**	**30.9**	**167.2**	**14.7**	**1,309.6**

2017

EUR million	2018	2019	2020	2021	2022	2023-	Total
Interest-bearing liabilities	259.8*	62.4	217.6	62.5	9.8	19.6	631.7
Trade and other payables	210.4						210.4
Interest rate derivatives	2.2	1.8	1.2	0.4	0.2		5.8
Foreign exchange derivatives							
cash outflow	22.4						22.4
cash inflow	-22.4						-22.4
Total	**472.4**	**64.2**	**218.8**	**62.9**	**10.0**	**19.6**	**847.9**

* Includes the housing company loans of EUR 259.0 million (85.6) which are transferred to the buyers of residential units in conjunction with the sale.

Interest rate risk

The aim of Group's interest rate risk management is to minimise changes affecting the result, cash flows and value of the Group due to interest rate fluctuations. The Group Treasury manages and monitors the interest rate position. The Group's interest rate risk primarily comprises fixed-rate and variable-rate borrowings, interest-bearing financial assets and interest rate derivatives. Interest rate changes have an effect on items in the income statement, consolidated statement of financial position and cash flow.

The interest rate risk is managed by aligning the Group's average period of interest fixing term with the interest rate sensitivity of the business. The interest rate sensitivity position of the Group's business is estimated to be about 2 years. Average interest rate fixing term and fixed/floating ratio of the debt portfolio is being followed by Group Treasury. In addition, sensitivity analysis on interest rate risk are being done.

The Group can have both variable- and fixed-rate long-term borrowings. The ratio of fixed- and variable-rate borrowings can be changed by using interest rate derivatives. The Group has used interest rate swaps for managing interest rate risks. Cash flow hedge accounting has been applied for some of the derivative contracts during the reporting period. 78 per cent (92) of the interest rate portfolio was at fixed rate at the end of reporting period.

According to interest rate sensitivity analysis an increase of one percentage point in interest rates would have reduced the Group's net financial expenses by EUR 3.0 million (5.8) before taxes. Similar decrease in interest rates would have increased net financial expenses by EUR 4.6 million (7.6). Change of one percentage point in interest rates would have had no significant impact on the Group's balance sheet. Sensitivity analysis includes floating rate items of the year-end balance sheet net debt, and interest rate derivatives. Potential negative interest rates and possible interest rate floors related to negative interests, are taken into account in the sensitivity calculations.

Interest rate fluctuations during the reporting period did not have any unusual effect on the Group's business, but a significant rise in the level of interest rates may have a detrimental effect on the demand for apartments.

Credit and counterparty risk

The Group’s credit risk is related to counterparties with open receivables or with long-term agreements. The Group is exposed to credit risk mainly through the Group's trade receivables and liquid funds and derivatives. The maximum amount of credit risk is the combined total values of the aforementioned items as presented in the consolidated statement of financial position.

Operating units are responsible for the credit risk related to operating items, such as trade receivables. Customers and the nature of the agreements differ between the Group’s segments. Customer-specific credit risk management is carried out in the segments’ finance departments in cooperation with the operating units. The Group manages credit risk related to operating items by holding the ownership of construction projects until payment is received; taking advance payments; accelerated payment programmes of projects; payment guarantees; site-specific mortgages; credit risk insurance policies; and careful examination of clients’ background information. The background of the new customers is examined thoroughly by, for example, acquiring credit information. In addition, selling of receivables to financial institutions is used in the management of the credit risk of operations. Trade receivables related to sales of office buildings which are paid only when the ownership is transferred, and the related risk of insolvency of the counterparty, are typically transferred to banks and financial institutions. These transfers meet the conditions set out in IFRS 9 for derecognition of financial assets. The Group does not have any significant concentrations of credit risk as the clientele is widespread and geographically divided into the countries in which the Group operates. During the reporting period no material credit losses were recognised. The operating units are not expecting any unusual credit risk arising from trade receivables or construction contracts.

The Group Treasury is responsible for the management of the Group's counterparty and credit risks related to cash, derivative instruments and other financial transactions. The treasury policy specifies the approved counterparties and their criteria. No impairment has been recognised on the derivative instruments or the cash and cash equivalents in the period. At the end of the reporting period the counterparty risk was considered to be low.

Analysis of maturity of trade receivables

EUR million	31 Dec 2018			31 Dec 2017		
	Carrying value	Write-downs	Gross	Carrying value	Write-downs	Gross
Not past due	149.6		149.6	97.9		97.9
1–90 days	31.6		31.6	11.4		11.4
91–180 days	3.6		3.6	0.5	-0.0	0.5
181–360 days	19.5	-0.3	19.8	1.1	-0.0	1.1
Over 360 days	7.3	-0.1	7.4	3.5	-0.1	3.6
Total	**211.6**	**-0.5**	**212.1**	**114.3**	**-0.2**	**114.5**

Additional information in notes Long term receivables and Trade receivables and other receivables.

Expected credit losses

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. 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 Group's opening balance January 1, 2018 was EUR 0.7 million.

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	Over 180 days due
Expected credit losses, average %	1.1	1.8	17.9	18.8

EUR million	Traide receivables	Customer contracts in accordance with IFRS 15
Cross carrying amount 31 Jan 2018	211.2	205.7
Loss allowance provision	0.4	-0.3
Carrying amount after provision 31 Jan 2018	211.6	205.4

Foreign exchange rate risk

The aim of foreign exchange rate risk management is to reduce uncertainty concerning the possible impacts that changes in exchange rates could have on the future values of cash flows, business receivables and liabilities, and other items in the statement of financial position. Exchange rate risk mainly consists of translation risk and transaction risk.

Translation risk consists of foreign exchange rate differences arising from the translation of the income statements and the statement of financial position of foreign Group companies into the Group's functional currency. Translation risk recorded in accounting is caused by equity investments in foreign entities and their retained earnings, the effects of which are recorded under translation differences in shareholders' equity. By decision of the Board of Directors, the net investments in foreign operations are not hedged from the changes in foreign exchange rates. The change in foreign exchange rates decreased the value of the Group's net investments in equity by EUR 57.8 million (31.4) compared to the end of the previous year. EUR 56.0 million of the change in year 2018 was caused by Russian rouble. A decrease or increase of ten percent in the euro exchange rate against Russian rouble would have had an impact of EUR 32.6 million (31.5) on translation differences under consolidated equity at the reporting date.

Transaction risk consists of cash flows in foreign currencies from operational and financial activities.

Subsidiaries' commercial contracts cause foreign exchange risk for the Group. However, the contracts are mainly made in the units' own functional currencies. The Group seeks to hedge business currency risks primarily by operative means. The remaining transaction risk is hedged by using e.g. foreign exchange derivatives. Business units are responsible for identifying, reporting, forecasting and hedging their transaction risk positions internally with Group Treasury. The Group Treasury is responsible for hedging the Group's risk positions as external transactions in accordance with the treasury policy. During 2018 there were no significant open foreign exchange rate risks related to commercial contracts.

Loans taken by the parent company are mainly denominated in euro, but the intra-Group loans are given in the functional currency of each subsidiary. The parent company hedges this foreign exchange risk by using e.g. foreign exchange derivatives. In the sensitivity analysis there are internal and external loans and receivables, and foreign exchange derivative contracts made to hedge these items against foreign exchange rate risk, which offset the impact of changes in foreign exchange rates. Weakening or strengthening of euro would not have had a material impact on the result of the Group.

The Group has not applied hedge accounting in currency hedging during the reporting period. Changes in the fair values of derivatives are recognised through profit and loss in accordance with the accounting policies.

Commodity price risk

The Group's paving operations are exposed to bitumen price risk. The price of bitumen is mainly determined by the world market price of oil. The Group protects itself against the bitumen price risk with price clauses in sales agreements, fixed purchase prices, and derivatives for which hedge accounting is not applied. The business units are responsible for identifying and reporting their bitumen price risks. Group Treasury regularly follows the bitumen position of the Group.

Management of capital and the capital structure

Capital refers to the equity and interest-bearing liabilities shown on YIT Group's consolidated statement of financial position. YIT Group's capital management ensures cost-effectively that all of the Group's business sectors maintain their business viability at a competitive level in all cyclical conditions, that risk-carrying capacity is adequate, for example, in construction contracts, and that the company is able to service its borrowings, pay a good dividend and increase the shareholder value.

In the capital-intensive business operations, such as residential development projects and real estate development projects, capital investments must be adjusted according to the market conditions by decreasing or increasing the number of plot investments and project start-ups. In addition, the objective is effective turnover of net working capital in all business areas. The amount and structure of capital is also controlled by adjusting the amount of dividend, acquiring the company’s own shares, issuing new shares or selling assets in order to reduce debt.

The amount of the Group's interest-bearing liabilities is affected by factors such as scale of operations and cash flow, seasonal changes in production, acquisitions, investments in or the sale of production equipment, buildings and land, and possible equity related arrangements. The company continuously monitors especially the amount of debt, the ratio of net debt to EBITDA, gearing and the equity ratio. The company also follows the development of capital by means of the return on capital employed. YIT has determined its long-term financial targets to be Return on capital employed (ROCE) above 12% and Gearing 30–50%. In addition, company aims at annually growing dividend per share.

The Group may from time to time seek to repurchase its outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. The amounts involved may be material. The Group may decide to hold, cancel or sell such repurchased debt. Possible subsequent sales of repurchased debt may be made against cash or other compensation or in exchange for equity securities and such sales may be executed as open market offers, privately negotiated transactions or otherwise. Repurchases or exchanges of outstanding debt or subsequent sales or exchanges of repurchased debt, if any, will depend on prevailing market conditions, the Group's liquidity requirements, contractual restrictions and other factors.

Due to merger of YIT and Lemminkäinen, YIT has reorganised its debt portfolio and funding sources during the reporting period as follows:

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

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

There are quarterly monitored financial covenants included in Group's financial agreements. These covenants are equity ratio, gearing and interest coverage. The company has met its covenants.

Financial indicators, IFRS	**2018**	**2017**
Interest-bearing liabilities, EUR million	891.7	590.7
Interest-bearing receivables, EUR million	65.1	47.6
Cash and cash equivalents, EUR million	263.6	89.7
Net interest-bearing debt, EUR million*	562.9	453.4
Equity, EUR million	1,049.8	564.7
Equity ratio, %	38.1%	33.2%
Gearing ratio, % *	53.6%	80.3%

* The company has changed the definition of gearing and net interest-bearing debt on January 1, 2018. The comparison period figures are adjusted.

30. Other lease agreements

YIT Group as lessee

The future minimum lease payments under non-cancellable operating leases:

EUR million	2018	2017
No later than 1 year	44.4	29.1
1–5 years	87.2	59.6
Later than 5 years	34.1	9.1
Total	**165.7**	**97.8**

YIT continues project development and building plots and pay rent to the funds.
The minimum rent for these plots are calculated to the estimated starting time and they are included in table above EUR 12.0 million (13.4).

YIT Group as lessor

The future minimum lease receivables under non-cancellable operating leases:

EUR million	2018	2017
No later than 1 year	2.8	6.8
1–5 years	5.3	18.0
Later than 5 years		8.6
Total	**8.1**	**33.4**

The Group has primarily subleased business premises it leases from others.
The operating lease agreements of office facilities have a period of validity of up to eight years.
The index, renewal and other terms of the lease agreements of office facilities vary.
Most of the agreements include the possibility of continuing after the initial expiry date.
The minimum lease amount is calculated until the earliest possible date of termination.

31. Commitments and contingent liabilities

EUR million	2018	2017
Guarantees given		
Guarantees on behalf of others	4.9	
Guarantees on behalf of consortiums	9.7	
Guarantees on behalf of its associates and joint ventures	5.3	5.0
Guarantees on behalf of Group companies	1,616.1	1,023.7
Pledged assets		
For own commitments	2.3	
Other commitments		
Investment commitments	13.8	22.4
Purchase commitments	256.6	265.2
Operating leases	165.7	97.8
Rental guarantees for clients	3.4	4.4
Liabilities under derivative contracts		
Nominal value of underlying instruments		
Interest rate derivatives	230.0	275.0
Foreign exchange derivatives	122.5	22.4
Commodity derivatives	7.2	
Fair value		
Interest rate derivatives	-2.9	-3.8
Foreign exchange derivatives	1.0	-0.0
Commodity derivatives	-1.6	

As a result of the partial demerger registered on June 30, 2013, YIT Corporation has secondary liability for guarantees transferred to Caverion Corporation, with a maximum total amount of on December 31, 2018 EUR 9.0 million (18.4). Purchase commitments are mainly plot acquisitions' pre contracts which will apply when contract terms are met, for example when the zoning of the area is confirmed. Investment commitments includes obligation to invest Tripla Mall Ky accordance of the terms and conditions of the shareholder agreement.

Litigation

As a result of the merger of YIT and Lemminkäinen, Lemminkäinen's assets, debts and liabilities, including ongoing litigation, were transferred to YIT. At the end of 2018, the company was involved in a number of separate ongoing cases of litigation. Major cases, in terms of capital, include the municipalities' claims for damages in the asphalt cartel case and the claims of the Hospital District of Varsinais-Suomi in respect of the quality problems of the ready-mixed concrete used in the T3 building deck project. The capital tied to litigation reserves totalled EUR 22.7 million at the end of 2018.

32. Subsidiaries

(Excluding the real estate companies presented in inventories)

Name	Domicile	Ownership of the parent company, %	Ownership of the Group, %	Ownership of the non-controlling interest, %
YIT Construction Ltd	Finland	100.00%	100.00%	
YIT Equipment Ltd	Finland	100.00%	100.00%	
YIT Information Services Oy	Finland	100.00%	100.00%	
Lemcon Networks Oy	Finland	100.00%	100.00%	
YIT Talon Oy	Finland	100.00%	100.00%	
YIT Infra Oy	Finland	100.00%	100.00%	
UAB Lemcon Vilnius	Lithuania	100.00%	100.00%	
YIT Invest Export Oy	Finland		100.00%	
Urepol Oy	Finland		100.00%	
YIT Salym Development Oy	Finland		100.00%	
Tortum Oy Ab	Finland		100.00%	
Finn-Stroi Oy	Finland		100.00%	
Living services Russia Oy (former Jupiter Oy)	Finland		100.00%	
YIT Mars Oy	Finland		100.00%	
YIT Saturnus Oy	Finland		100.00%	
YIT Sirius Oy	Finland		100.00%	
YIT Uranus Oy	Finland		100.00%	
YIT Neptunus Oy	Finland		100.00%	
YIT Talon Tekniikka Oy**	Finland		73.97%	26.03%
YIT IT East Oy	Finland		100.00%	
YIT International Oy	Finland		100.00%	
YIT Russia Oy	Finland		100.00%	
Pasila Telecom Oy	Finland		100.00%	
Lemcon HR Oy	Finland		100.00%	
Vahva Sora Oy	Finland		100.00%	
YIT Infra Eesti AS	Estonia		100.00%	
AS YIT Ehitus	Estonia		100.00%	
AS Koidu Kinnisvara	Estonia		100.00%	

Name	Domicile	Ownership of the parent company, %	Ownership of the Group, %	Ownership of the non-controlling interest, %
SIA "YIT Latvija"	Latvia		100.00%	
SIA "YIT Infra Latvija"	Latvia		100.00%	
AB YIT Kausta	Lithuania		100.00%	
UAB YIT Infra Lietuva	Lithuania		100.00%	
YIT Norge AS	Norway		100.00%	
YIT Industri AS	Norway		100.00%	
YIT Development SP. Z O.O.	Poland		100.00%	
YIT Plus sp. Z O.O.	Poland		100.00%	
Lemminkäinen Polska Sp.ZOO	Poland		100.00%	
YIT Sverige AB	Sweden		100.00%	
YIT Slovakia a.s.	Slovakia		100.00%	
YIT Danmark AS	Denmark		100.00%	
YIT Stavo s.r.o*	Czech		96.00%	4.00%
OOO YIT-Service	Russia		100.00%	
OOO YIT Service	Russia		100.00%	
AO YIT Don	Russia		100.00%	
OOO SP YIT Don	Russia		100.00%	
OOO YIT Don Service	Russia		100.00%	
AO YIT Saint-Petersburg	Russia		100.00%	
AO YIT Uralstroi	Russia		100.00%	
OOO YIT Comfort	Russia		100.00%	
OOO Ural YIT Service	Russia		100.00%	
OOO YIT Tyumen	Russia		100.00%	
OOO YIT Service Tyumen	Russia		100.00%	
AO YIT CityStroi	Russia		100.00%	
OOO Hetber	Russia		100.00%	
OOO Emerkom-Spetstroi	Russia		100.00%	
OOO YIT CityService	Russia		100.00%	
ZAO TPK Strojmaterialy	Russia		100.00%	
AO YIT Moscow Region	Russia		100.00%	
YIT CountryStroi	Russia		100.00%	
OOO YIT Kazan	Russia		100.00%	
OOO YIT Service Kazan	Russia		100.00%	

Name	Domicile	Ownership of the parent company, %	Ownership of the Group, %	Ownership of the non-controlling interest, %
OOO YIT SSC	Russia		100.00%	
OOO YIT Information Systems	Russia		100.00%	
Udobnyje reshenija**	Russia		51.00%	49.00%
OOO Lemminkäinen Service	Russia		100.00%	
OOO Lemminkäinen Stroy Ltd	Russia		100.00%	

* YIT Group's shares in Stavo s.r.o is 100% in IFRS accounting, because of the minority share of 4% YIT is assessed to be a share based payments to the management.

** Udobnyje reshenija and Talon Tekniikka Oy are treated as 100% companies in the Group. The company has an obligation to acquire the non-controlling interest within the agreed time period, which is why the non-controlling interest has not been recorded on the company's balance sheet. This obligation is valued at fair value and recognised as a liability on the Group's balance sheet.

33. Related party transactions

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

EUR million	2018	2017
Sale of goods and services		
Key management personnel	0.4	
Associated companies and joint ventures	148.0	180.4
Total	**148.4**	**180.4**
Purhace of goods and services		
Associated companies and joint ventures	6.7	
Trade and other receivables		
Associated companies and joint ventures	4.5	1.1
Trade payables and other debts		
Associated companies and joint ventures	30.0	

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

34. New IFRS standards

New standards, interpretations and annual improvements and amendments to IFRS applied by the company in 2018

On 1 January 2018 the company adopted IFRS 9 and IFRS 15 standards. The information related to these is found in notes Customer contracts and Financial risk management.

Standards, interpretations, annual improvements and amendments to IFRS applied by the company after 2018

IFRS 16 Leases

Nature of change and impact

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

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

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

The adoption of the standard is expected to increase the company's amount of interest-bearing net debt and gearing ratio. Revenue and operating profit are expected to increase due to the adoption of the standard. Operating cash flows will increase, and financing cash flows decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. The standard is not expected to have a significant impact on profit for the accounting period or equity.

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

Date of application and transition method

The company starts applying the standard on January 1, 2019. The company will apply the modified retrospective approach in transition and thus, the comparative figures will not be restated. The cumulative effect of applying the standard is recognised as an adjustment to the opening balance of retained earnings at the date of initial application.

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

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

Description of practical expedients used in transition:

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

Treatment of plot lease agreements related to own building development

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

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

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

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

Parent company's Financial Statements, FAS

Income statement, Parent company (FAS)

EUR million	Note	2018	2017
Revenue			
Other operating income	1	55.1	26.4
Personnel expenses	2	-25.8	-14.8
Depreciation and value adjustments	3	-2.9	-1.1
Other operating expenses	4	-62.6	-41.6
Operating profit/loss		**-36.2**	**-31.2**
Financial income and expenses	5	14.8	22.2
Profit before appropriations and taxes		**-21.3**	**-9.0**
Appropriations	6	82.3	49.4
Income taxes	7	-14.8	-8.2
Profit for the financial year		**46.2**	**32.3**

Balance sheet, Parent company (FAS)

EUR million	Note	31 Dec 2018	31 Dec 2017
Assets			
Non-current assets			
Intangible assets	8		
Intangible rights		2.1	1.1
Other capitalised expenditure		0.7	0.9
Advance payments		2.0	0.0
Total intangible assets		4.8	2.0
Property, plant and equipment	8		
Land and water areas		6.6	0.9
Buildings and structures		4.4	1.4
Machinery and equipment		1.3	0.5
Other tangible assets		0.2	0.1
Total property, plant and equipment		12.4	2.8
Investments	9		
Shares in Group companies		1,194.7	718.3
Other shares and holdings		0.6	0.1
Total investments		1,195.3	718.4
Total non-current assets		**1,212.5**	**723.2**

EUR million	Note	31 Dec 2018	31 Dec 2017
Current assets			
Long-term receivables	10		
Receivables from Group companies		363.2	208.4
Receivables from associates and joint ventures		0.0	7.7
Total long-term receivables		363.2	216.1
Short-term receivables	10		
Trade receivables		0.4	0.1
Receivables from Group companies		310.5	174.3
Receivables from associates and joint ventures		0.0	0.9
Other receivables		0.9	0.5
Accrued income		4.7	3.7
Total receivables		316.5	179.5
Current investments		0.0	0.0
Cash and cash equivalents		217.8	66.9
Total current assets		**897.6**	**462.5**
Total assets		**2,110.2**	**1,185.7**

EUR million	Note	31 Dec 2018	31 Dec 2017
Equity and liabilities			
Equity	12		
Share capital		149.7	149.2
Other reserves			
Non restricted equity reserve		563.9	8.9
Fair value reserve			-0.1
Retained earnings		247.5	266.0
Profit for the financial year		46.2	32.3
Total equity		**1,007.3**	**456.3**

EUR million	Note	31 Dec 2018	31 Dec 2017
Appropriations			
Accumulated depreciation difference		**0.0**	**0.5**
Provisions	13	**10.9**	**1.9**
Liabilities			
Non-current liabilities	14		
Bonds		250.0	150.0
Loans from credit institutions		130.0	110.5
Pension loans		0.0	50.0
Non-current accrued liabilities		2.7	3.8
Total non-current liabilities		382.7	314.3
Current liabilities	15		
Bonds		100.0	0.0
Loans from credit institutions		0.0	4.5
Pension loans		50.0	5.5
Advances received		0.1	0.1
Trade payables		2.9	3.3
Current liabilities to Group companies		479.7	236.9
Other current liabilities		55.7	151.4
Accrued expenses		20.8	11.1
Total current liabilities		709.2	412.7
Total liabilities		**1,092.0**	**727.0**
Total equity and liabilities		**2,110.2**	**1,185.7**

Cash flow statement, Parent company (FAS)

EUR	2018	2017
Cash flow from operating activities		
Profit/loss before appropriations	-21.3	-9.0
Adjustments for:		
Depreciations	2.9	1.1
Other non-cash transactions	8.6	0.6
Gains on the sale of tangible and intangible assets	-0.1	
Financial income and expenses	-14.8	-22.2
Cash flow before change in working capital	-24.8	-29.5
Change in working capital		
Change in trade and other receivables	-35.5	-6.5
Change in current liabilities	232.5	-1.0
Net cash flow from operating activities before financial items and taxes	172.3	-37.0
Purchases/sales of treasury shares	1.3	1.2
Interest paid and other finance expenses	-60.4	-35.9
Dividends received	0.0	0.0
Interest received and financial income	73.1	52.8
Taxes paid	-9.8	-10.0
Net cash generated from operating activities	**176.6**	**-28.9**
Cash flow from investing activities		
Purchases of tangible and intangible assets	-3.3	-0.4
Proceeds from sale of tangible and intangible assets		
Purchase of investments	-0.1	
Proceeds from sale of investments	8.4	
Net cash used in investing activities	**5.0**	**-0.4**

EUR	2018	2017
Cash flow from financing activities		
Change in loan receivables	-1.1	-28.1
Change in current loans	-112.5	88.3
Proceeds from borrowings	270.0	110.0
Repayment of borrowings	-195.7	-112.7
Dividends paid and other distribution of assets	-52.4	-27.6
Group contributions received	49.2	26.6
Net cash used in financing activities	**-42.6**	**56.5**
Net change in cash and cash equivalents	**139.0**	**27.2**
Cash and cash equivalents at the beginning of the financial year	66.9	39.7
Cash and cash equivalents transferred in merger	12.0	
Cash and cash equivalents at the end of the financial year	217.8	66.9

Parent company accounting principles

YIT Corporation's financial statements are prepared in accordance with the principles of Finnish accounting legislation. The financial statements are prepared for 12 months in the financial period January 1–December 31, 2018.

Items denominated in foreign currencies

Foreign currency business transactions are recognised at the exchange rate of the transaction date. Receivables and liabilities denominated in foreign currencies open on the closing date are valued at the exchange rate of the closing date. Changes in the value of foreign currency denominated loans, deposits and other balance sheet items are recognised under financial income and expenses in the income statement.

Derivative instruments and risk management

Financial risk management of YIT Corporation is centralised to Treasury department. The principles of financial risk management of the Group are presented more precisely in the Group financial statements in the note Financial risk management.

The derivatives are used in order to reduce business risks, interest rate risks and to hedge balance sheet items denominated in foreign currencies.

Foreign exchange derivatives are used to hedge against changes in forecasted foreign currency-denominated cash flows and changes in value of receivables and liabilities in foreign currencies. The company has used foreign exchange forward contracts which are re-measured at the balance sheet date by using the foreign exchange forward rates prevailing on the balance sheet date.

Interest rate derivatives are used to hedge against changes affecting the result, balance sheet and cash flows due to interest rate fluctuations. The company has used interest rate swaps which are re-measured by discounting the contractual future cash flows to the present value.

YIT Corporation's subsidiaries operating in the paving business use commodity derivatives to manage bitumen price risk. The execution of some of those derivatives with external counterparties is centralised to YIT Corporation, and the corresponding internal derivative contracts are executed with intra-Group transactions with each subsidiary. Consequently, commodity derivatives do not affect YIT Corporation's income statement significantly.

The Company has not applied hedge accounting to all derivative contracts. Nevertheless, these derivative instruments have been utilised for hedging purposes. The changes in the fair values of the interest rate swaps in hedge accounting have been recognised in the fair value reserve in equity whereas the fair value changes from derivative financial instruments to which hedge accounting is not applied are recognised according to the nature of the derivative, either in financial items or in other operating income and expenses in the income statement. Interest related to interest rate swaps are recognised under interest income and expenses in the income statement, and interest accrued is entered under accrued income and accrued expenses on the balance sheet.

Non-current assets and depreciation

Tangible and intangible assets are recognised on the balance sheet at historical cost less depreciation according to plan. Depreciation according to plan is calculated as straight-line depreciation on the basis of the estimated economic service life of tangible and intangible assets.

Depreciation periods are as follows:

Intangible assets	
Goodwill	5 years
IT programs	2–5 years
Other capitalised expenditure	5–10 years
Tangible assets	
Buildings and structures	10–40 years
Machinery and equipment	3–10 years

Subsidiary shares and other shares and holdings included in investments under non-current assets are measured at historical cost or fair value, whichever is lower.

Provisions

Provisions represent future expenses to the payment of which the parent company is committed and which are not likely to generate corresponding income, or future losses the realisation of which must be considered evident.

Cash and cash equivalents

The cash and cash equivalents in the cash flow statement consist of cash, bank deposits that can be withdrawn on demand and other short-term liquid investments of which maturity is less than 3 months.

Research and development expenses

Research and development expenses are entered as an annual expense in the year they arise.

Pensions

The statutory pension security in the parent company is provided by an external pension insurance company. Pension expenditure is expensed in the year it accrues.

Leasing

Lease payments are entered under other operating expenses. The remaining lease payments under lease agreements are recognised under liabilities in the notes. The terms and conditions of lease agreements are not different from the ordinary terms and conditions.

Taxes

The income tax row in the income statement includes the taxes for previous periods. Deferred taxes have not been booked.

Notes to income statement, Parent company

Notes to income statement, Parent company

1. Other operating income

EUR million	2018	2017
Capital gains on disposals of fixed assets	0.1	0.0
Rental income	19.1	15.7
Service income	32.8	10.6
Other	3.0	0.1
Total	**55.1**	**26.4**

Audit fee

EUR million	2018	2017
PricewaterhouseCoopers Oy, Authorised Public Accountants		
Audit fee	0.5	0.2
Statements	0.0	0.1
Tax services	0.0	0.0
Other services	0.4	0.8
Total	**0.9**	**1.1**

2. Information concerning personnel and key management

EUR million	2018	2017
Personnel expenses		
Wages, salaries and fees	20.9	11.6
Pension expenses	3.4	1.7
Other indirect personnel costs	1.6	1.5
Total	**25.8**	**14.8**
Salaries and fees to the management		
President and executive Vice President	0.8	1.6
Members of the Board of Directors	0.6	0.5
Total	**1.4**	**2.1**

	2018	2017
Average personnel	248	149

3. Depreciation and value adjustments

EUR million	2018	2017
Depreciation on other capitalised expenditures	1.9	0.8
Depreciation on buildings and structures	0.8	0.2
Depreciation on machinery and equipment	0.2	0.2
Total	**2.9**	**1.1**

4. Other operating expenses

EUR million	2018	2017
Rents	17.4	14.5
Cost of premises	8.4	6.6
IT cost	12.8	5.4
Consulting costs	6.7	9.8
Administration costs	1.9	1.3
Other	15.3	4.1
Total	**62.6**	**41.6**

5. Financial income and expenses

EUR million	2018	2017
Dividend income		
From others	0.0	0.0
Interest income from non-current receivables		
From Group companies	18.4	12.6
Other interest and financial income		
From Group companies	44.6	32.1
From associates and joint ventures	0.5	0.9
From other companies	14.6	7.3
Total	**78.1**	**52.9**
Other interest and financial expenses		
Interest expenses to Group companies	-13.6	-4.7
Interest expenses on derivatives to others	-2.5	-2.7
Interest expenses to others	-21.8	-13.2
Other expenses to others	-25.4	-10.2
Total	**-63.3**	**-30.8**
Total financial income and expenses	**14.8**	**22.2**
Items included in financial income and expenses		
Foreign exchange rate gains and losses	-2.1	0.1
Fair value change in currency derivatives	1.1	-9.4
Fair value change in interest rate derivatives	1.0	3.0

6. Appropriations

EUR million	2018	2017
Appropriations		
Change in depreciation difference	0.5	0.0
Group contributions	87.7	49.2
Changes in provisions	-5.9	0.3
Total	**82.3**	**49.4**

7. Income taxes

EUR million	2018	2017
Income taxes on extraordinary items	0.0	0.0
Income taxes on operating activities	14.8	8.2
Income taxes on previous years	0.0	0.0
Total	**14.8**	**8.2**

8. Changes in fixed assets

Intangible assets

EUR million	2018	2017
Intangible rights		
Historical cost at Jan 1	1.9	1.1
Business acquisitions	35.3	
Transfer between lines	0.0	0.8
Increases	0.0	0.0
Decreases	-8.1	
Historical cost at Dec 31	29.2	1.9
Accumulated depreciation and value adjustments Jan 1	0.9	0.7
Business acquisitions	24.9	
Depreciation for the period	1.4	0.2
Accumulated depreciation and value adjustments Dec 31	27.1	0.9
Book value at December 31	**2.1**	**1.1**
Other capitalised expenditures		
Historical cost at Jan 1	11.3	11.3
Increases	0.3	0.1
Historical cost at Dec 31	11.6	11.3
Accumulated depreciation and value adjustments Jan 1	10.4	9.8
Depreciation for the period	0.5	0.6
Accumulated depreciation and value adjustments Dec 31	10.9	10.4
Book value at December 31	**0.7**	**0.9**

EUR million	2018	2017
Advance payments		
Historical cost at Jan 1	0.0	0.8
Transfer between lines	0.0	-0.8
Increases	2.0	0.0
Decreases	0.0	0.0
Book value at December 31	**2.0**	**0.0**
Total intangible assets	**4.8**	**2.0**

Tangible assets

EUR million	2018	2017
Land and water areas		
Historical cost at Jan 1	0.9	0.9
Business acquisitions	5.8	
Book value at December 31	**6.6**	**0.9**
Buildings and structures		
Historical cost at Jan 1	5.6	5.5
Business acquisitions	17.3	
Increase	0.0	0.1
Historical cost at Dec 31	22.9	5.6
Accumulated depreciation and value adjustments Jan 1	4.1	4.0
Accumulated depreciation of decreases	0.0	0.0
Business acquisitions	13.6	
Depreciation for the period	0.8	0.2
Accumulated depreciation and value adjustments Dec 31	18.5	4.1
Book value at December 31	**4.4**	**1.5**
Machinery and equipment		
Historical cost at Jan 1	8.1	7.8
Business acquisitions	0.6	
Increases	0.9	0.2
Historical cost at Dec 31	9.6	8.1

EUR million	2018	2017
Accumulated depreciation and value adjustments Jan 1	7.6	7.4
Business acquisitions	0.5	
Depreciation for the period	0.2	0.2
Accumulated depreciation and value adjustments Dec 31	8.3	7.6
Book value at December 31	**1.3**	**0.5**
Other tangible assets		
Historical cost at Jan 1	0.5	0.5
Business acquisitions	0.1	
Historical cost at Dec 31	0.6	0.5
Accumulated depreciation and value adjustments Jan 1	0.4	0.4
Business acquisitions	0.0	
Depreciation for the period	0.0	0.0
Accumulated depreciation and value adjustments Dec 31	0.4	0.4
Book value at December 31	**0.2**	**0.1**
Total tangible assets	**12.4**	**2.8**

9. Investments

EUR million	2018	2017
Shares in Group companies		
Historical cost at Jan 1	718.3	718.3
Business combinations	484.5	
Increases	0.1	0.0
Decreases	-8.2	0.0
Historical cost at Dec 31	**1,194.7**	**718.3**
Other shares and holdings		
Historical cost at Jan 1	0.1	0.1
Business combinations	0.5	
Historical cost at Dec 31	**0.6**	**0.1**
Total investments	**1,195.3**	**718.4**

10. Receivables

Non-current receivables

EUR million	2018	2017
Receivables from Group companies		
Loan receivables	363.2	208.4
Receivables from participating interest companies		
Loan receivables	0.0	7.7
Total	**363.2**	**216.1**

Current receivables

EUR million	2018	2017
Receivables from Group companies		
Trade receivables	43.1	9.1
Loan receivables	78.6	80.1
Other receivables	180.2	79.7
Accrued income	8.6	5.4
Total	**310.5**	**174.3**
Receivables from associates and joint ventures		
Accrued income	0.0	0.9
Total	**0.0**	**0.9**
Accrued receivables, intra-Group		
Accrued interest receivables	1.8	1.8
Receivables from derivatives	1.4	0.1
Other receivables	5.4	3.6
Total	**8.6**	**5.4**
Accrued receivables, Group external		
Exchange rate derivatives	1.9	0.2
Accrued arrangement fees from financial agreements	2.6	
Other receivables	0.1	3.6
Total	**4.7**	**3.7**

11. Deferred tax receivables and liabilities

Deferred tax receivables

EUR million	2018	2017
Postponed depreciation	0.4	0.1
Pension liability	0.5	0.0
Other temporary differences	2.2	0.4
Total	**3.0**	**0.5**

Deferred tax liabilities

EUR million	2018	2017
Land and water revaluations	0.6	0.0
Accumulated depreciation difference		0.1
Total	**0.6**	**0.1**

Deferred taxes is not booked in the parent company's financial statements.

12. Equity

EUR million	2018	2017
Share capital		
Share capital Jan 1	149.2	149.2
Merger	0.5	
Share capital Dec 31	**149.7**	**149.2**
Fair value reserve Jan 1	-0.1	-0.4
Decreases	0.1	0.3
Fair value reserve Dec 31	**0.0**	**-0.1**
Non restricted equity reserve		
Non restricted equity reserve Jan 1	8.9	8.2
Merger consideration	554.8	0.7
Share issue	0.2	
Non restricted equity reserve Dec 31	**563.9**	**8.9**
Retained earnings		
Retained earnings Jan 1	305.5	300.9
Dividends paid and other distribution of assets	-52.4	-27.6
Treasury shares Jan 1	-7.2	-8.3
Treasury shares	1.7	1.1
Treasury shares	0.0	0.0
Retained earnings Dec 31	**247.5**	**266.0**
Net profit for the financial period	46.2	32.3
Total retained earnings	**293.7**	**298.3**
Total equity	**1,007.3**	**456.3**

Distributable funds at Dec 31

EUR million	2018	2017
Non restricted equity reserve	563.9	8.9
Retained earnings	247.5	266.0
Net profit for the financial year	46.2	32.3
Distributable fund from shareholders' equity	**857.6**	**307.2**

Treasury shares of YIT Oyj

EUR million	2018	2017
Amount	1,051,143	1,408,213
% of total shares	0.50%	1.11%
% of voting rights	0.50%	1.11%

Appropriations

EUR million	2018	2017
Accumulated depreciation difference Jan 1	0.5	0.5
Decrease	-0.5	0.0
Accumulated depreciation difference Dec 31	**0.0**	**0.5**

13. Provisions

EUR million	2018	2017
Provisions of unprofitable contracts	6.0	1.9
Litigation provision	4.9	0.0
Total	**10.9**	**1.9**

14. Non-current liabilities

EUR million	2018	2017
Bonds*	250.0	**150.0**
Loans from financial institutions	130.0	110.5
Pension loans	0.0	50.0
Accrued expenses	2.7	3.8
Total	**382.7**	**314.3**

* More information about bonds are given in the consolidated financial statement of YIT.

15. Current liabilities

Liabilities to Group companies

EUR million	2018	2017
Trade payables	0.0	2.3
Other liabilities	478.3	233.8
Accrued expenses	1.5	0.7
Total	**479.7**	**236.9**

Accrued expenses, intra-Group

EUR million	2018	2017
Interest expenses	0.4	0.6
Payables from derivatives	0.5	0.1
Other expenses	0.6	0.0
Total	**1.5**	**0.7**

Accrued expenses, Group external

EUR million	2018	2017
Personnel expenses	8.4	5.0
Interest expenses	5.0	4.5
Tax expenses	6.7	1.6
Other expenses	0.6	
Total	**20.8**	**11.1**

16. Commitments and contingent liabilities

EUR million	2018	2017
Leasing commitments for premises		
Payable during the current financial year	14.1	12.7
Payable in subsequent years	70.4	51.6
Total	**84.6**	**64.4**
Operating leasing commitments		
Payable during the current financial year	0.2	0.0
Payable in subsequent years	0.1	0.0
Total	**0.2**	**0.0**
Other commitments		
Other commitments	2.3	1.7
Guarantees		
On own behalf	31.2	
On behalf of Group companies	1,581.3	1,023.7
On behalf of associates and joint ventures	5.0	
On behalf of consortiums	9.7	
On behalf of others	4.9	
Total	**1,632.1**	**1,023.7**

Derivative contracts

EUR million	2018	2017
External foreign currency derivatives (level 2)		
Fair value, positive	1.5	0.2
Fair value, negative	-0.5	-0.2
Value of underlying instruments	122.5	22.4
Internal foreign currency derivatives (level 2)		
Fair value, positive	0.2	0.1
Fair value, negative	-0.3	-0.1
Value of underlying instruments	22.7	5.2
External interest rate swaps derivatives (level 2)		
Fair value, negative	-2.9	-3.8
Value of underlying instruments	230.0	275.0
External commodity derivatives (level 2)		
Fair value, positive	0.0	
Fair value, negative	-1.1	
Value of underlying instruments	4.6	
Internal commodity derivatives (level 2)		
Fair value, positive	1.1	
Fair value, negative	-0.0	
Value of underlying instruments	4.6	

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

Key financial figures

		2018 IFRS	2017 IFRS	2016 IFRS	2015 IFRS	2014 IFRS	Unaudited pro forma additional information 2018 Pro forma	2017 Pro forma
Revenue	EUR mill.	3,689.4	1,993.8	1,678.3	1,732.2	1,778.6	3,759.3	3,862.5
of which activities outside Finland	EUR mill.	1,111.2	610.9	445.0	492.1	616.1	n/a	n/a
Operating profit	EUR mill.	94.6	85.5	17.7	81.6	94.8	91.3	77.4
% of revenue	%	2.6	4.3	1.1	4.7	5.3	2.4	2.0
Financial income and expenses, net	EUR mill.	-35.5	-14.6	-20.1	-20.3	-20.5	-34.1	-26.7
Profit before taxes	EUR mill.	59.1	70.9	-2.5	61.3	74.3	57.2	50.7
% of revenue	%	1.6	3.6	-0.1	3.5	4.2	1.5	1.3
Result for the financial year	EUR mill.	39.2	56.6	-7.1	47.2	55.8	33.3	26.3
% of revenue	%	1.1	2.8	-0.4	2.7	3.1	0.9	0.7
Attributable to								
Equity holders of the parent company	EUR mill.	39.2	56.6	-7.1	47.2	55.9	33.0	26.3
Non-controlling interests	EUR mill.				0.0	-0.1		
Assets								
Intangible assets	EUR mill.	202.3	54.8	53.2	47.3	55.4	n/a	219.2
Goodwill	EUR mill.	319.2	8.1	8.1	10.9	10.9	n/a	306.4
Tangible assets	EUR mill.	47.5	11.3	11.9	14.1	11.3	n/a	62.2
Investments	EUR mill.	152.9	120.5	64.0	1.1	1.6	n/a	126.5
Inventories	EUR mill.	1,880.1	1,592.5	1,746.6	1,528.4	1,688.9	n/a	2,008.0
Receivables	EUR mill.	629.2	316.3	333.8	242.5	270.9	n/a	579.1
Current investments	EUR mill.		0.0	0.0	5.0	0.6	n/a	0.0
Cash and cash equivalents	EUR mill.	263.6	89.7	66.4	117.2	198.8	n/a	111.3
Total assets	**EUR mill.**	**3,494.8**	**2,193.3**	**2,284.0**	**1,966.6**	**2,238.4**	n/a	**3,412.7**

Unaudited pro forma additional information

		2018 IFRS	2017 IFRS	2016 IFRS	2015 IFRS	2014 IFRS	2018 Pro forma	2017 Pro forma
Equity and liabilities								
Total equity attributable to the equity holders of the company	EUR mill.	1,049.8	564.7	563.9	523.0	535.3	n/a	1,116.6
Non-controlling interest	EUR mill.				0.1	0.3	n/a	0.0
Provisions	EUR mill.	135.2	72.3	76.4	61.0	60.9	n/a	123.4
Non-current liabilities								
Interest-bearing	EUR mill.	424.1	344.5	249.1	266.1	275.2	n/a	467.9
Non interest-bearing	EUR mill.	83.6	65.7	70.7	29.8	39.4	n/a	88.8
Current liabilities								
Interest-bearing	EUR mill.	467.6	246.3	450.4	385.1	620.2	n/a	357.9
Advances received	EUR mill.	739.1	494.3	473.9	376.9	402.8	n/a	634.2
Other non interest-bearing	EUR mill.	595.4	405.7	399.6	324.7	304.4	n/a	624.0
Total shareholders' equity and liabilities	**EUR mill.**	**3,494.8**	**2,193.3**	**2,284.0**	**1,966.6**	**2,238.4**	n/a	**3,412.7**
Operating cash flow after investments	EUR mill.	148.6	164.3	-43.1	183.7	151.9	n/a	n/a
Cash flow from operating activities	EUR mill.	173.3	235.2	36.1	195.7	159.5	n/a	n/a
Return on equity	%	3.7	10.0	-1.3	9.0	9.1	n/a	n/a
Equity ratio	%	38.1	33.2	31.2	32.9	29.2	n/a	40.2
Net interest-bearing debt*	EUR mill.	562.9	453.4	598.6	529.0	696.0	562.9	66.9
Gearing ratio	%	53.6	80.3	112.3	101.1	129.9	n/a	59.9
Gross capital expenditures	EUR mill.	64.4	30.5	83.5	12.0	13.9	n/a	n/a
% of revenue	%	1.7	1.5	5.0	0.7	0.8	n/a	n/a
Order backlog as at Dec 31	EUR mill.	4,433.8	2,912.7	3,048.2	2,467.3	2,507.1	4,433.8	4,218.3
of which orders from abroad	EUR mill.	1,028.9	803.1	972.8	898.3	1,061.4	1,028.9	n/a
Number of employees at Dec 31		9,070	5,427	5,261	5,340	5,881	9,070	9,721

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

Share-related key figures

Unaudited pro forma additional information

		2018 IFRS	2017 IFRS	2016 IFRS	2015 IFRS	2014 IFRS	2018 Pro forma	2017 Pro forma
Earnings/share	EUR	0.19	0.45	-0.06	0.38	0.44	n/a	n/a
Earnings/share, diluted	EUR	0.19	0.44	-0.06	0.37	0.44	n/a	n/a
Equity/share	EUR	5.00	4.49	4.49	4.16	4.26	n/a	n/a
Dividend/share	EUR	0.27*	0.25	0.22	0.22	0.18	n/a	n/a
Dividend/earnings	%	144.7	55.6	-388.8	58.5	40.9	n/a	n/a
Effective dividend yield	%	5.28	3.92	2.9	4.2	4.2	n/a	n/a
Price/earnings multiple (P/E)	%	26.9	14.2	-134.1	13.9	9.7	n/a	n/a
Share price trend								
Average price	EUR	5.70	6.94	6.14	5.65	7.35	n/a	n/a
Low	EUR	4.56	5.97	4.32	4.26	4.17	n/a	n/a
High	EUR	7.25	8.09	8.07	7.21	10.70	n/a	n/a
Price at Dec 31	EUR	5.11	6.37	7.59	5.24	4.27	n/a	n/a
Market capitalisation at Dec 31	EUR mill.	1,073.3	801.4	953.1	658.0	536.2	n/a	n/a
Share turnover trend								
Share turnover	1,000	228,506	154,955	127,791	157,857	144,276	n/a	n/a
Share turnover of shares outstanding	%	112.6	123.2	101.8	125.7	114.9	n/a	n/a
Weighted average number of shares outstanding	1,000	203,002	125,730	125,577	125,582	125,587	208,952	209,606
Weighted average number of shares outstanding, diluted	1,000	203,778	127,636	127,366	126,773	126,237	n/a	n/a
Number of shares outstanding at Dec 31	1,000	210,048	125,815	125,577	125,579	125,584	n/a	n/a

* Board of Directors' proposal to AGM

Definitions of financial key performance indicators

Key figure	Definitions	Reason for use
Operating profit	Result for the period before taxes and finance expenses and finance income equalling to the subtotal presented in the consolidated income statement.	Operating profit shows result generated by operating activities excluding finance and tax related items.
Adjusted operating profit	Operating profit excluding adjusting items.	
Adjusting items	Adjusting items are material items outside ordinary course of business such as write-down of inventories, impairment of goodwill, integration costs related to merger, transaction costs related to merger, costs, compensations and reimbursements related to court proceedings, write-downs related to non-core businesses, gains or losses arising from the divestments of a business or part of a business, costs on the basis of statutory personnel negotiations and adaption measures, and cost impacts of the fair value adjustments from purchase price allocation, such as fair value adjustments on acquired inventory, depreciation of fair value adjustments on acquired property, plant and equipment and amortisation of fair value adjustments on acquired intangible assets relating to business combination accounting under the provisions of IFRS 3, referred to as purchase price allocation ("PPA").	Adjusted operating profit is presented in addition to operating profit to reflect the underlying core business performance and to enhance comparability from period to period. Management believes that this alternative performance measure provides meaningful supplemental information by excluding items not part of YIT's core business operations thus improving comparability from period to period.
Capital employed	Capital employed includes tangible and intangible assets, shares in associates and joint ventures, investments, inventories, trade receivables and other non-interest bearing receivables, provisions, advance payments and other non-interest bearing debts excluding items related to taxes, finance items and profit distribution.	Capital employed presents capital employed of segment's operative business.
Return on capital employed, %	Operating profit / capital employed on average during period.	Return on capital employed, % describes segment's relative profitability, in other words, the profit received from capital employed.
Interest-bearing debt	Non-current borrowings and current borrowings.	Interest-bearing debt is a key figure to measure YIT's total debt financing.

Key figure	Definitions	Reason for use
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 long-term 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.	

Key figure	Definitions	Reason for use
Gross capital expenditures	Investments in tangible and intangible assets, excluding additions in financial leases and investments in associated companies and joint ventures.	
Equity per share (EUR)	Total equity divided by number of outstanding shares at the end of the period.	
Net debt/adjusted pro forma EBITDA, rolling 12 months	Net debt divided by rolling adjusted pro forms 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.	

Reconciliation of certain key figures

Reconciliation of adjusted pro forma EBITDA (rolling 12 months)

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

Pro forma adjusted earnings per share

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

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

Housing Finland and CEE pro forma, EUR million	Pro forma 1–12/2018	Pro forma 1–12/2017
Revenue (IFRS)	**1,157.9**	**1,156.2**
POC adjustments	-77.5	29.7
Revenue (POC)	**1,080.4**	**1,185.9**
Operating profit (IFRS)	**102.6**	**78.1**
Adjusting items	0.7	4.9
Adjusted operating profit (IFRS)	**103.3**	**83.0**
POC adjustments	-12.4	18.5
Adjusted operating profit (POC)	**90.9**	**101.5**

Housing Russia pro forma, EUR million	Pro forma 1–12/2018	Pro forma 1–12/2017
Revenue (IFRS)	**274.1**	**421.0**
POC adjustments	17.6	-100.7
Revenue (POC)	**291.7**	**320.3**
Operating profit (IFRS)	**-37.3**	**1.7**
Adjusting items	4.5	3.2
Adjusted operating profit (IFRS)	**-32.8**	**4.9**
POC adjustments	9.4	-0.3
Adjusted operating profit (POC)	**-23.4**	**4.6**

Board of Directors' proposal for the distribution of distributable equity

The distributable equity of YIT Corporation on December 31, 2018 amounted to:

EUR	
Retained earnings	247,501,500.52
Profit for the period	46,165,309.56
Retained earnings, total	293,666,810.08
Non-restricted equity reserve	563,904,017.35
Distributable equity, total	857,570,827.43

The Board of Directors proposes to the Annual General Meeting that the distributable equity be disposed of as follows:

EUR	
Payment of a dividend from retained earnings EUR 0.27 per share to shareholders	56,712,962.70
Remains in distributable equity	800,857,864.73

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

Signature of the Report of the Board of Directors and financial statements

Helsinki, February 1, 2019

Harri-Pekka Kaukonen
Chairman

Eero Heliövaara
Vice chairman

Erkki Järvinen

Olli-Petteri Lehtinen

Inka Mero

Kristina Pentti-von Walzel

Tiina Tuomela

Kari Kauniskangas
President and CEO

Auditor’s Report (Translation of the Finnish Original)

To the Annual General Meeting of YIT Corporation

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group’s financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of YIT Corporation (business identity code 0112650-2) for the year ended 31 December 2018. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company’s balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5 (1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 6. Other Operating Expenses/Auditor’s Fees to the Financial Statements.

Our Audit Approach

Overview

- Overall group materiality was €20 million, which is determined based on a combination of net sales, profit before taxes and total assets.
- The group audit scope encompassed all significant group companies, as well a number of smaller group companies in Finland, Norway, Russia and Slovakia, covering the vast majority of revenue, assets and liabilities.
- Key audit matters:
  - Revenue recognition over time
  - Inventory
  - Joint ventures
  - Russia
  - Goodwill

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

- **Overall group materiality**
  €20 million
- **How we determined it**
  Combination of net sales, profit before taxes and total assets
- **Rationale for the materiality benchmark applied**
  We chose a combination of net sales, profit before taxes and total assets as benchmark because, in our view, in absence of steady profits and in the specific circumstances of the group, it represents a stable and relevant way to measure the performance of the group. The benchmark used is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the YIT group, the accounting processes and controls, and the industry in which the group operates.

We determined the type of work that needed to be performed at reporting units by us, as the group engagement team, or component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we issued specific instructions to reporting component auditors which included our risk analysis, materiality and audit approach to centralized systems. Audits were performed in group companies, which were considered significant either because of their individual financial significance or due to their specific nature, covering the majority of revenue, assets and liabilities of the group.

By performing the procedures above at reporting components, combined with additional procedures at the group level, we have obtained sufficient and appropriate evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP

Revenue recognition over time

Refer to the accounting principles of the financial statements – “Revenue from customer contracts/ Revenue recognition over time” and “Critical accounting estimates and judgements of group management” and Note 3. “Revenue from customer contracts” to the consolidated financial statements.

Revenue is recognized over time when reasonable measure of progress of satisfying the performance obligation is available. In circumstances where it is not possible to reasonably measure the outcome of the performance obligation but the costs are expected to be recovered, revenue is recognized only to the extent of the costs incurred.

The measure of progress is determined in proportion of realized costs to estimated total costs or stage of physical completion.

Revenue recognition over time is based on the expected revenue and costs as well as on the reliable measurement of the progress of satisfying the performance obligation. Due to estimates included in the revenue recognition, revenue recognized 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.

The aforementioned estimates reflect both management’s experience and expectations, and are therefore subject to management judgment. Accordingly, we have considered revenue recognition over time to constitute a key audit matter in our audit.

This matter is a significant risk of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our audit procedures included understanding and testing of the company’s controls as well as substantive testing.

Our testing of the company’s controls focused on the IT systems used by the company.

Our substantive testing focused on 1) assessing the appropriateness of the used accounting methods for compliance with the applicable accounting standards, 2) accuracy and reliability of the estimates, 3) accuracy and completeness of the recognised revenue and profit, as follows:

- We performed analytical substantive procedures at project level for revenue and gross margin
- We read the contracts of selected new projects and evaluated the appropriateness of used accounting method
- We tested revenue and cost estimates for selected projects by comparing the estimates to supporting documents and by discussing with project management
- We tested the degree of completion for selected projects by recalculating the degree of completion based on actual costs at the time of assessment. When stage of physical completion method was used, we obtained appropriate evidence based on the circumstances to support the stage of completion
- We compared estimated margins in previous year-end with actual outcomes for projects completed during the current year to ensure the accuracy and reliability of the project estimates
- We tested the accuracy of revenue and profit recognised over time selected projects by recalculating.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP

Inventory: valuation of slow moving land plots

Refer to the accounting principles of the financial statements – “Inventory” and “Critical accounting estimates and judgements of group management” to the consolidated financial statements.

Inventories are measured either at the lower of acquisition cost or net realizable value (i.e. the estimated selling price less the estimated expenditure on product completion and sale). The estimated net realizable value of land plot is dependent on management’s assumptions of the future market development and construction activities in the geographical location where the land plot is located.

In assessing the net realisable value of land plots, their intended use in construction or immediate sale to the market is taken into account. These assumptions contain particular uncertainties in geographical areas, where market activities are low.

Valuation of slow moving land plots includes significant management judgement. Accordingly we have considered valuation of slow moving land plots to constitute a key audit matter in our audit of the Group.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our testing focused on valuation assessments prepared by management for the selected major slow moving land plots in a following way:

- We assessed the used valuation method for compliance with the applicable accounting standards
- We discussed with the management on their intention to develop the slow moving land plots
- We inspected the documentation supporting the estimated net realisable values and assessed the reasonability of the estimates by comparing them to other similar projects in the area
- We analysed management’s forecasted sales prices of land plots for sale by comparing them to sales prices achieved.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP

Joint ventures

Refer to the accounting principles of the financial statements – "Associates and joint ventures" and Note 14. "Investments in associates and joint ventures" to the consolidated financial statements.

Joint venture (JV) investments are investments in entities where the parties have joint control (IFRS 11).

For YIT, agreements relating to joint control have impact on the accounting treatment of an entity as JV, revenue recognition of the sold construction project to the JV and presentation in segment reporting.

Accounting of JVs may include significant management judgement, because every JV may have the features of its own.

We have considered JVs to constitute a key audit matter in our audit, because of their special nature as off balance sheet arrangement together with accounting and presentation challenges.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We assessed the group's JV accounting policies for compliance with the applicable accounting standards.

Our testing of JVs included audit procedures for selected JV agreements as follows:

- We read the JV agreements and evaluated the appropriateness of the used accounting method
- Our testing focused on the judgement applied by management in the accounting
- We also considered the appropriateness of the related disclosures provided in note 14 in the financial statements.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP

Russia

In Russia, revenue recognition, valuation of slow moving land plots, goodwill and deferred tax assets contain particular Russia related uncertainties due to political and geopolitical risks, which affect the market activities and exchange rate of the local currency ruble.

The group's financial result in Russia for several consecutive years has been weak and the major part of the group's negative accumulated translation difference 274 million euro relates to weakening of ruble.

Therefore, the estimates relating to revenue recognition and valuation of assets in Russia include high degree of management judgement. Accordingly, we have considered Russia to constitute a key audit matter in our audit.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

In addition to other procedures referred in Key Audit Matters for Revenue recognition, Inventory and Goodwill, we performed the following:

- We verified the timely revenue recognition on bases of received regulatory approvals in Russia
- We challenged the assumptions used by management in the valuation of slow moving land plots, in the valuation of deferred tax assets and in the impairment calculations of goodwill due to special Russia related uncertainties.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Goodwill Refer to the accounting principles of the financial statements – “Intangible assets - Goodwill”, “Critical accounting estimates and judgments of group management” and “Impairment of tangible and intangible assets” and Note 13. “Intangible assets - Goodwill” to the consolidated financial statements. Goodwill is subjected to an annual impairment test. To this end, goodwill is allocated to cash-generating units. Goodwill tests are carried out by using value-in-use calculations. Value in use is calculated by discounting estimated future cash flows to their present value. If the present value is lower than the carrying amount, the difference is recognised through profit or loss in the current year. Goodwill is measured at the original acquisition cost less impairment. Value-in-use calculations, in particular estimated future cash flows, discount rates and the long-term growth assumptions are subject to significant management judgement. Valuation of goodwill is a key audit matter in our audit due to the size of the goodwill in balance sheet and the high level of management judgement involved in goodwill impairment tests.	We obtained an understanding of the goodwill impairment test performed by the company. We tested the methodology applied in the value-in-use calculation as compared to the requirements of IAS 36, impairment of assets. We tested the mathematical accuracy of the calculations prepared by management. We evaluated management’s future cash flow forecasts and the process by which they were drawn up, including comparing them to the latest board approved budgets and strategies. We evaluated and challenged the underlying assumptions for the cash flow forecasts in particular revenue and profitability forecasts. We involved our valuation experts to verify that the discount rates and the long-term growth rates used are consistent with observable market data. We also assessed the adequacy of the disclosures particularly related to assumptions and sensitivities.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

YIT Corporation become a public interest entity on 4 September 1995. We have been the auditors of YIT Corporation all that time it has been a public interest entity.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 8 February 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)

Information for shareholders

Tasks and objectives

The aim of our investor relations is to support the appropriate valuation of YIT shares by continuously and consistently communicating all essential information concerning the company to all market parties. We want to serve private investors as well as institutional investors and analysts, both in Finland and abroad.

Our aim is to increase interest in the company among equity and debt investors as well as analysts, improve the loyalty of current shareholders and reach new investors and analysts interested in the company.

Our Investor Relations function is responsible for planning and implementing investor communications, as well as daily contacts with shareholders and analysts, and arranging investor meetings. Producing interim reports, financial statements bulletins, stock exchange releases, investor reports, investor news and investor presentations are among our most important tasks. In addition to reporting, investor relations activities cover the Capital Markets Day, events for analysts and the media, conference calls, road show meetings, participation in investor conferences and events as well as meetings with investors and analysts.

All enquiries by investors are centrally managed by Investor Relations. Our investor relations work also involves collecting and analysing investor feedback and information on the ownership structure as well as information related to shares and bonds issued by the company for the needs of the management and Board of Directors.

YIT's disclosure policy complies with Finnish legislation and the guidelines of the stock exchange and the Finnish Financial Supervisory Authority concerning disclosure obligations and the handling of undisclosed information (inside information).

Operations in 2018

The merger of YIT and Lemminkäinen kept the entire company busy, and the Investor Relations team was no exception. Key milestones during the year included the day of the merger, the announcement of the new strategy and the related Capital Markets Day.

We met approximately 800 investors and analysts during the year (excluding visitors at fairs). YIT arranged 14 road show days with the company's management, meeting investors in Europe and North America. In addition to equity investors, the management also met with debt investors, particularly ahead of the summer, in connection with the issuance of notes.

We organised a Capital Markets Day on September 27, 2018, in Helsinki's Pasila district, on the Otavamedia premises, which YIT will be renovating for new use in the near future. The main theme of the day was the company's new strategy for 2019–2021: "Performance through cycles". We also visited the Tripla site as well as the Raaden hammas site in Espoo's Keilaniemi district. Approximately 60 analysts and investors attended the event in person and over 150 people watched it online.

We met domestic private investors at various events and participated in the SijoitusSummit online event as well as the Sijoitus Invest fair organised at the Messukeskus Helsinki Expo and Convention Centre.

In early summer, we invited the analysts who follow YIT to visit the Sammonmäki asphalt station to learn more about the paving business. At the turn of November–December, we organised our traditional Christmas lunch for analysts in Helsinki and visited the construction site of the new Central Library Oodi.

We published eight Investor Reports aimed at private investors. Available in the Investors section of the YIT website, the reports aim to keep private investors informed of the topical themes of road show discussions.

Analysts following YIT

According to YIT's information, at least the following brokerage firms publish investment analyses on YIT. These parties follow YIT on their own initiative, and we cannot be held responsible for their statements.

Carnegie Investment Bank AB, Finland
Robin Nyberg
robin.nyberg(at)carnegie.fi

DNB Markets
Simen Mortensen
simen.mortensen(at)dnb.no

Handelsbanken Capital Markets
Mika Karppinen
mika26(at)handelsbanken.se

Kepler Cheuvreux
Albin Sandberg
asandberg(at)keplercheuvreux.com

OP Corporate Bank plc
Matias Rautionmaa
matias.rautionmaa(at)op.fi

Danske Markets Equities
Ari Järvinen
ari.jarvinen(at)danskebank.com

Inderes Oy
Olli Koponen
olli.koponen(at)inderes.fi

Nordea Markets
Svante Krokfors
svante.krokfors(at)nordea.com

SEB Enskilda
Anssi Kiviniemi
anssi.kiviniemi(at)seb.fi

Up-to-date analyst contact information is available on our website.

YIT share (YIT)

YIT Corporation's shares are listed on Nasdaq Helsinki. The company has one series of shares. The shares are included in the book-entry system maintained by Euroclear Finland Ltd.

- **Listing:** Nasdaq Helsinki
- **Listing date:** September 4, 1995
- **Trading currency:** EUR
- **Segment and sector:** Large Cap
- **Trading code:** YIT
- **ISIN code:** FI0009800643
- **Reuters ID:** YIT HE
- **Bloomberg ID:** YIT FH

In 2018, YIT shares were included in the following indices, among others:

- OMX GES Ethical Finland Index
- OMX GES Sustainability Finland GI Index
- OMX Helsinki
- OMX Helsinki 25
- OMX Helsinki Construction & Materials GI
- OMX Helsinki Industrials GI
- OMX Helsinki Benchmark GI
- OMX Nordic

YIT's result publications in 2019

YIT published the Financial Statements bulletin for 2018 on Friday, February 1, 2019. In addition, YIT will publish two Interim Reports and a Half-Year Report in 2019:

- Interim Report for January–March on April 26, 2019
- Half-Year Report for January–June on July 25, 2019
- Interim Report for January–September on October 31, 2019

Prior to the publishing YIT follows a so called silent period which begin on January 1, April 1, July 1 and October 1, and they last until the publication of the respective financial report. During silent periods, YIT's representatives will not comment on the company's financial position or meet capital market representatives.

Result publication and webcasts

YIT holds a news conference for investors and the media in connection with the publication of interim reports and financial statements. Webcasts of the publication events can be viewed on the YIT website, both live and subsequently as recordings.

SHARE TURNOVER AND PRICE DEVELOPMENT IN COMPARISON TO OMX HELSINKI INDEX

Ordering publications and releases

YIT's annual reports, interim reports, Investor Reports and other publications can be ordered on YIT's website or from YIT's investor communications: tel. +358 40 357 0905 or by e-mail at investorrelations@yit.fi. Releases can be ordered directly to your e-mail on our website.

Investor information on the internet

The Investors section of YIT's redesigned website includes content such as:

- Financial reports, stock exchange releases, investor presentations and webcast recordings
- Monthly updated data on our major shareholders and the company's statutory insiders and their shareholdings
- Share trading data
- Tools for analysing the share, such as share price search and a total return calculator for calculating the value of your investment in YIT
- Consensus estimates of our earnings
- IR calendar displaying information such as investor events and road show dates
- Investor Reports in English and Finnish, discussing topical matters of interest to investors

In addition, YIT's Investor Relations distributes topical information on YIT, key macroeconomic indicators and investor events on social media using the Twitter account @YITInvestors.

Contact information

YIT Corporation
Investor Relations
P.O. Box 36, FI-00621 Helsinki
investorrelations@yit.fi
www.yitgroup.com/investors
Follow us on Twitter @YITInvestors

Annual General Meeting

YIT Corporation's Annual General Meeting will be held in Helsinki on March 12, 2019, starting at 10:00 a.m. Finnish time (GMT +2) in the Siipi section of the Messukeskus Expo & Convention Centre (address: Rautatieläisenkatu 3, FI-00520 Helsinki, Finland). Check-in for those who have registered for the meeting, distribution of ballots and serving of coffee will start at 9:00 a.m.

Participation rights

In order to have the right to participate in the Annual General Meeting, a shareholder must be registered in the company's shareholder register, which is maintained by Euroclear Finland Ltd, no later than the record date of the Annual General Meeting on February 28, 2019. Shareholders whose shares are registered in their personal Finnish book-entry accounts are registered in the company's shareholder register.

A shareholder whose shares are nominee-registered and who wishes to participate in the Annual General Meeting and exercise their right to vote must be entered in the company's shareholder register by March 7, 2019, by 10:00 a.m. in order to participate in the meeting.

Notice of meeting

The notice of meeting is published no later than three weeks before the meeting on the company's website. The notice contains the agenda, the names of the persons nominated for seats on the Board of Directors and the nominated auditor. Resolution proposals, documents presented to the Annual General Meeting and the presentation of the nominees for the Board of Directors will also be published on our website.

Registration

Registration for the Annual General Meeting began on February 1, 2019, and will end on March 7, 2019 at 10:00 a.m.

Registration is possible

- Online through YIT Corporation's website or
- By telephone on +358 20 770 6890, Monday to Friday from 9 a.m. to 4 p.m.

The shareholder's name and personal identification number or business ID, as well as the name of his/her eventual assistant or proxy representative must be given in connection with the registration.

Any proxy documents should be mentioned in connection with the registration and they should be delivered as originals to YIT Corporation, Viivi Kuokkanen, PO Box 36, FI-00621 Helsinki, Finland, prior to the end of the registration period. Alternatively, a copy of the proxy may be sent by e-mail to viivi.kuokkanen@yit.fi, in addition to which the original proxy must be presented at the meeting.

Payment of dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.27 (EUR 0.25) per share be paid from 2018. The dividend is paid to a shareholder who, by the dividend record date (March 14, 2019), has been entered as a shareholder in the company's shareholder register maintained by Euroclear Ltd. The Board of Directors proposes that the dividend be paid on April 16, 2019.

Shareholder rights

Shareholders have the right to have items included on the agenda of the Annual General Meeting, provided they demand, in writing, that the Board of Directors do so early enough so that the item can be included in the notice of the meeting. In order to have their items included on the agenda of the Annual General Meeting 2019, shareholders had to present their requests to YIT's corporate services by January 4, 2019.

Shareholders have the right to raise questions at the General Meeting, as set out in the Limited Liability Companies Act.

A shareholder or shareholders who own at least 10 per cent of all the company's shares may demand that an extraordinary general meeting be convened.

The minutes of the Annual General Meeting are made available for inspection by shareholders at YIT's head office (Panuntie 11, Helsinki, Finland) and on our website on March 26, 2019 at the latest.

Address changes of shareholders

Shareholders are requested to give notification of any changes of address to the bank branch office at which their book-entry account is handled.

If the account is handled by Euroclear Finland Ltd, notifications of a change of address should be sent to: Euroclear Finland Ltd
P.O. Box 1110, FI-00101 Helsinki, Finland
Street address: Urho Kekkosen katu 5 C, 8th floor
Telephone (switchboard): 020 770 6000
E-mail: info.finland@euroclear.eu

IMPORTANT DATES RELATED TO THE ANNUAL GENERAL MEETING

- Registration opened: February 1, 2019
- Record date of Annual General Meeting: February 28, 2019
- Registration closes: March 7, 2019 at 10:00 a.m.
- Annual General Meeting: March 12, 2019 at 10:00 a.m.
- Dividend record date: March 14, 2019
- Proposed dividend payment: April 16, 2019

More information on the Annual General Meeting is available on our website.

CENTRAL LIBRARY OODI, HELSINKI

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