YIT

Q1

Interim Report 1-3/2015

Interim Report January 1 – March 31, 2015: Balance sheet strengthened, successes in big projects

Unless otherwise noted, the figures in brackets refer to the corresponding period in the previous year.

January-March 2015 (Segment reporting, POC)

- Revenue decreased by 7% to EUR 374.9 (403.1) million. At comparable exchange rates, revenue increased by 1%.
- Operating profit amounted to EUR 20.5 (26.9) million and operating profit margin was 5.5% (6.7%).
- Operating cash flow after investments amounted to EUR 15.1 (-12.3) million.
- Order backlog increased by 2% from the end of December, amounting to EUR 2,169.8 million.

Guidance for 2015 unchanged (segment reporting, POC)

The Group revenue growth is estimated to be in the range of -5 – 5% at comparable exchange rates.

The operating profit margin excluding non-recurring items is estimated to be below the level of 2014.

Kari Kauniskangas, President and CEO:

In 2015, we have continued our efforts to improve capital efficiency and to maintain a strong cash flow. At the same time, we have built our future by actively advancing our promising projects, such as the Tripla-project in Pasila, and by investing in new plots for example in Prague in the Czech Republic. With respect to the first quarter of the year, I am also particularly pleased that we managed to maintain the downward trend in our net debt, and our financial standing improved.

As expected, the business environment in our main markets, Finland and Russia, has continued to be demanding, but the first quarter nevertheless included many successes. A consortium formed by YIT and Meridiam was selected as the preferred bidder for the E18 motorway between Hamina and Vaalimaa, and we also won several business premises contracts in Finland and the CEE countries. Activity has also been good in investor sales in both business premises and housing. Alltogether, during the last quarter of 2014 and the first quarter of 2015 we have secured projects worth over EUR 500 million, which will strengthen our order backlog in the coming quarters.

In housing, our business developed particularly well in the CEE countries, where both the unit sales and revenue grew strongly, and profitability improved substantially from the comparison period.

In Russia, YIT's reputation as a reliable operator bore fruit, and housing sales continued at a reasonable level considering the circumstances. We kept residential start-ups at a lower level than in the comparison period; three new projects were started to maintain the operating volume.

I am also very pleased to note that, despite the challenges in our operating environment, our recent personnel survey indicates that the commitment of our personnel and the quality of leadership within the company have improved broadly.

Segment reporting, POC

EUR million	1–3/15	1–3/14	Change	1–12/14
Revenue	**374.9**	**403.1**	**-7%**	**1,801.2**
Housing Finland and CEE	183.6	172.9	6%	726.5
Housing Russia	71.3	108.5	-34%	474.1
Business Premises and Infrastructure	120.1	121.1	-1%	599.3
Other items	-0.1	0.6		1.4
Operating profit	**20.5**	**26.9**	**-24%**	**114.0**
Operating profit margin, %	**5.5%**	**6.7%**		**6.3%**
Operating profit excluding non-recurring items	**20.5**	**26.9**	**-24%**	**126.4**
Housing Finland and CEE	14.2	16.8	-15%	63.7
Housing Russia	6.2	12.2	-49%	55.8
Business Premises and Infrastructure	3.1	0.2	over thousand %	20.4
Other items	-3.0	-2.3		-13.5
Operating profit margin, % excluding non-recurring items	**5.5%**	**6.7%**		**7.0%**
Housing Finland and CEE	7.7%	9.7%		8.8%
Housing Russia	8.7%	11.2%		11.8%
Business Premises and Infrastructure	2.6%	0.2%		3.4%
Profit before taxes	10.3	18.2	-43%	75.0
Profit for the review period[1]	7.8	14.3	-45%	56.6
Earnings per share, EUR	0.06	0.11	-45%	0.45
Operating cash flow after investments	15.1	-12.3		151.9
Return on investment (last 12 months), %	7.5%	10.2%		7.7%
Equity ratio at end of period, %	35.2%	35.0%		32.4%
Net interest-bearing debt at end of period	600.7	766.6	-22%	616.6
Order backlog at end of period	2,169.8	2,696.7	-20%	2,125.9

[1] Attributable to equity holders of the parent company

Group reporting, IFRS

	3/15	3/14	Change	12/14
Net interest-bearing debt, EUR million	678.0	840.3	-19%	696.0
Gearing ratio, %	117.3%	132.1%		129.9%
Equity ratio, %	32.1%	31.6%		29.2%

Group financial development based on segment reporting

Accounting principles applied in the interim report

YIT Corporation's management follows the development of the company's business according to the percentage of completion based segment reporting method (POC). Therefore, the explanatory statement of the interim report focuses on describing the company's performance according to this reporting. YIT also reports on its operations in accordance with IFRS guidelines, where the company applies, for example, the IFRIC 15 guidelines. The effects of the differences of the recognition principles are presented in detail in the tables to the interim report.

Revenue, POC

EUR million	1–3/15	1–3/14	Change	Change at comparable exchange rates	1–12/14
Revenue	**374.9**	**403.1**	**-7%**	**1%**	**1,801.2**
Housing Finland and CEE	183.6	172.9	6%	6%	726.5
Housing Russia	71.3	108.5	-34%	-3%	474.1
Business Premises and Infrastructure	120.1	121.1	-1%	-1%	599.3
Other items	-0.1	0.6			1.4

January-March

The Group's revenue decreased by 7% year-on-year. At comparable exchange rates, revenue increased by 1%. Revenue grew in the Housing Finland and CEE segment due to strong residential sales in the CEE countries. In other business segments, revenue at comparable exchange rates remained close to the level of the comparison period. Of the Group revenue, Finland accounted for 71%, Russia for 19% and CEE for 10%.

Result, POC

EUR million	1–3/15	1–3/14	Change	1–12/14
Operating profit	**20.5**	**26.9**	**-24%**	**114.0**
Operating profit margin, %	**5.5%**	**6.7%**		**6.3%**
Non-recurring items				**-12.4**
Operating profit excluding non-recurring items	**20.5**	**26.9**	**-24%**	**126.4**
Housing Finland and CEE	14.2	16.8	-15%	*63.7*
Housing Russia	6.2	12.2	-49%	55.8
Business Premises and Infrastructure	3.1	0.2	over thousand %	20.4
Other items	-3.0	-2.3		-13.5
Operating profit margin, % excluding non-recurring items	**5.5%**	**6.7%**		**7.0%**
Housing Finland and CEE	7.7%	9.7%		8.8%
Housing Russia	8.7%	11.2%		11.8%
Business Premises and Infrastructure	2.6%	0.2%		3.4%

January-March

Operating profit declined by 24% year-on-year. Operating profit margin was 5.5% (1–3/14: 6.7%). Profitability was burdened by changes in the business portfolio, among other things. The share of investor sales in Finnish housing was clearly higher than in the comparison period, and the weakening of the ruble reduced Russia's relative share of revenue and operating profit, on which the changes in foreign exchange rates had a negative impact of EUR 2.9 million.

EUR million	1–3/15	1–3/14	Change	1–12/14
Profit before taxes	10.3	18.2	-43%	75.0
Profit for the review period[1]	7.8	14.3	-45%	56.6
Earnings per share, EUR	0.06	0.11	-45%	0.45
Effective tax rate, %	24.3%	21.7%		24.6%

[1]Attributable to equity holders of the parent company

Order backlog, POC

EUR million	3/15	3/14	Change	3/15	12/14	Change
Order backlog	**2,169.8**	**2,696.7**	**-20%**	**2,169.8**	**2,125.9**	**2%**
Housing Finland and CEE	784.2	956.7	-18%	784.2	798.5	-2%
Housing Russia	701.5	1,070.6	-34%	701.5	653.5	7%
Business Premises and Infrastructure	684.1	669.4	2%	684.1	673.9	2%

The order backlog increased by 2% compared to the end of 2014 as the changes in foreign exchange rates strengthened the order backlog by EUR 96.2 million. At the end of March, 42% of the order backlog had been sold (12/14: 40%).

During the last quarter of 2014 and the first quarter of 2015, YIT signed a significant number of agreements and pre-agreements on the construction of new residential projects for investors in Finland, of which approximately 1,500 apartments are not yet recorded in the order backlog. The projects will strengthen the order backlog upon start-ups.

In the forementioned projects, the start-ups of approximately 1,000 apartments require a project specific approval from The Housing Finance and Development Centre of Finland (ARA). Additionally, for example the significant E18 motorway project between Hamina and Vaalimaa where a consortium formed by YIT and Meridiam was selected as the preferred bidder in March, is not yet in the order backlog. The aim is to sign the service agreement and to record the project in the order backlog in the summer of 2015.

Acquisitions and capital expenditure

EUR million	1–3/15	1–3/14	Change	1–12/14
Gross capital expenditure on non-current assets	2.5	2.0	24%	13.9
% of revenue, POC	0.7%	0.5%		0.8%
Depreciation	3.0	3.3	-8%	12.6

YIT did not make any business acquisitions during the review period. Gross capital expenditure on non-current assets amounted to EUR 2.5 million, or 0.7% of revenue. Investments in construction equipment amounted to EUR 0.3 million (1–3/14: EUR 0.6 million) and investments in information technology totalled EUR 1.2 million (1–3/14: EUR 0.7 million). Other investments including acquisitions amounted to EUR 1.0 million (1–3/14: EUR 0.8 million).

Cash flow and invested capital, POC

EUR million	1–3/15	1–3/14	Change	1–12/14
Operating cash flow after investments	15.1	-12.3		151.9
Cash flow of plot investments	-38.4	-43.9	-12%	-118.7

EUR million	3/15	3/14	Change	12/14
Invested capital	1,344.0	1,553.7	-13%	1,403.2
Return on investment (last 12 months), %	7.5%	10.2%		7.7%

Operating cash flow after investments in January-March amounted to EUR 15.1 million.

Invested capital decreased by 4% compared to the end of 2014 due to repayments of interest-bearing debt using cash reserves. Return on investment weakened slightly from the year-end due to the decrease in the operating profit.

One of YIT's key focus areas is to improve capital efficiency. In January-March, capital was released by measures including selling completed apartments to investors, continuing the plot cooperation with EUR 2 million and the sale of slow-moving assets worth approximately EUR 3 million.

Development by business segment

Housing Finland and CEE

Operating environment

Consumer confidence continued to improve in Finland in the first quarter of 2015, but consumers nevertheless remained cautious in making purchase decisions. Activity among housing investors compensated for the weak consumer demand. The demand for small, reasonably priced apartments remained at a good level in growth centres. The development of housing prices was polarised, with prices remaining stable in the Helsinki metropolitan area and declining elsewhere in Finland.

Positive macroeconomic development supported the housing markets in the CEE countries, and consumer confidence improved in spite of geopolitical tensions. During the review period, housing prices remained stable in the Baltic countries and increased slightly in the Czech Republic and Slovakia.

Mortgage interest rates were at a low level in all operating countries and the availability of financing was good.

EUR million	1–3/15	1–3/14	Change	1–12/14
Revenue	183.6	172.9	6%	726.5
Operating profit	14.2	16.8	-15%	57.6
Operating profit margin, %	7.7%	9.7%		7.9%
Operating profit excluding non-recurring items	14.2	16.8	-15%	63.7
Operating profit margin, % excluding non-recurring items	7.7%	9.7%		8.8%
Operative invested capital at end of period	567.8	649.0	-13%	579.8
Return on operative invested capital (last 12 months), %	9.0%	9.7%		9.4%
Order backlog at end of period	784.2	956.7	-18%	798.5

January-March

The segment's revenue increased by 6% year-on-year thanks to the strong residential sales in the CEE countries.

Operating profit decreased by 15% year-on-year, and the operating profit margin stood at 7.7% (1–3/14: 9.7%). Profitability was burdened by the clearly higher share of investor sales in Finland compared to the comparison period. Positive profitability development continued in the CEE countries.

Consumer sales were weak in Finland, but active investor sales continued. YIT sold 113 apartments that were either under construction or completed to housing funds, in addition to which 62 apartments that were sold to Ålandsbanken in December 2014 were recorded in January's sales. A frame agreement with LocalTapiola was signed on the construction of over 550 rental apartments, and the construction of the first projects was started in March. The start-ups of the subsidised projects under the pre-agreements signed in the last quarter of 2014 has been delayed by the slowness of the decision making of The Housing Finance and Development Centre of Finland (ARA). The projects under the pre-agreements will strengthen the order backlog upon start-ups.

In the CEE countries residential sales continued to be active especially in the Czech Republic and Slovakia. In March, YIT sold an apartment building of 83 apartments to a private co-operative in Prague, the Czech Republic. Start-ups in the CEE countries were temporarily low in January-March, but are expected to be higer in the coming quarters. During the review period, YIT acquired a significant plot in Prague where the plan is to build a residential area with nearly 900 apartments.

Residential construction in Finland, units	1–3/15	1–3/14	Change	1–12/14
Sold	715	653	9%	2,515
of which initially started to consumers[1]	446	368	21%	1,641
Start-ups	559	694	-19%	2,112
of which to consumers	290	409	-29%	1,238
Completed	596	602	-1%	2,412
of which to consumers	404	425	-5%	1,628
Under construction at end of period	3,225	3,654	-12%	3,262
of which sold at end of period, %	69%	59%		65%
For sale at end of period	1,429	2,032	-30%	1,587
of which completed	432	523	-17%	450
Capital invested in the plot reserve at end of period, EUR million	152.2	200.8	-24%	165.7
Plot reserve at end of period, floor sq. m.	1,834,000	1,801,000	2%	1,868,000
Cost of completion at end of period, EUR million	182.9	273.7	-33%	178.0

[1] Includes sales to residential property funds: 1–3/15: 175 units; 1–3/14: 54 units; 1–12/14: 326 units.

Residential construction in CEE, units	1–3/15	1–3/14	Change	1–12/14
Sold	275	180	53%	734
Start-ups	140	246	-43%	789
Completed	67	152	-56%	724
Under construction at end of period	1,207	1,154	5%	1,134
of which sold at end of period, %	38%	22%		22%
For sale at end of period	877	1,014	-14%	1,012
of which completed	130	110	18%	129
Capital invested in the plot reserve at end of period, EUR million	81.6	75.6	8%	65.9
Plot reserve at end of period, floor sq. m.	437,000	374,000	26%	348,000
Cost of completion at end of period, EUR million	40.0	51.0	-22%	45.0

Housing Russia

Operating environment

The weakness of the ruble and the increased uncertainty in the Russian economy continued to be reflected in consumers willingness to shift assets to fixed property, including apartments, still in Janauary. Demand slowed down in February–March from the good level seen earlier in the year as the ruble strengthened, but consumer purchasing power continued to decline. Demand focused especially on small apartments close to completion. Residential prices remained stable. A mortgage subsidy program introduced by the Russian government in March lead to mortgage interest rates falling to approximately 12%.

EUR million	1–3/15	1–3/14	Change	1–12/14
Revenue	71.3	108.5	-34%	474.1
Operating profit	6.2	12.2	-49%	49.8
Operating profit margin, %	8.7%	11.2%		10.5%
Operating profit excluding non-recurring items	6.2	12.2	-49%	55.8
Operating profit margin, % excluding non-recurring items	8.7%	11.2%		11.8%
Operative invested capital at end of period	428.5	549.2	-22%	378.1
Return on operative invested capital (last 12 months), %	9.0%	12.4%		10.5%
Order backlog at end of period	701.5	1,070.6	-34%	653.5

January-March

The segment's revenue decreased by 34% year-on-year. At comparable exchange rates, revenue decreased by 3%.

Operating profit decreased by 49% and the operating profit margin was 8.7% (1–3/14: 11.2%). Profitability was burdened by St. Petersburg's unfavourable sales portfolio in relation to current market. In addition, the share of euro-denominated, non-project related costs of revenue increased as the segment's revenue decreased due to ruble weakening.

Risk level decreased further due to low start-ups. During the review period, YIT started construction of new projects in Yekaterinburg, Rostov-on-Don and Moscow region with an aim to maintain the production volume in all its operating cities.

The share of residential deals financed with mortgages remained on a moderate level and was 34%. At the end of March, YIT was responsible for the service and maintenance of nearly 20,000 apartments in Russia.

Residential construction in Russia, units	1–3/15	1–3/14	Change	1–12/14
Sold	967	1,132	-15%	4,817[1]
Start-ups	607	714	-15%	3,545
Completed[2]	1,246	1,031	21%	4,713
Under construction at end of period	8,972	10,462	-14%	9,611
of which sold at end of period, %	42%	39%		43%
For sale at end of period	5,554	6,758	-18%	5,913
of which completed	378	346	9%	403
Capital invested in the plot reserve at end of period[3], EUR million	225.6	284.9	-21%	184.4
Plot reserve at end of period[3], floor sq. m.	2,407,000	2,710,000	-11%	2,466,000
Cost of completion at end of period, EUR million	344.0	537.0	-36%	319.0

[1] Includes bundle deals of 177 apartments. [2] Completion of the residential projects requires commissioning by the authorities.
[3] Figures include Gorelovo industrial park.

Under construction at end of period, units	3/15	3/14	Change	12/14
St. Petersburg	3,302	3,030	9%	3,776
Moscow region	2,795	3,663	-24%	3,021
Kazan, Moscow, Rostov-on-Don, Tyumen and Yekaterinburg	2,875	3,769	-24%	2,814

Business Premises and Infrastructure

Operating environment

Investor activity in the Finnish business premises market picked up in the first quarter, and yield requirements for properties in prime locations decreased slightly. However, end users continued to be cautious in renting new business premises. The contracting market was active in the first quarter.

In the Baltic countries and Slovakia, rental levels for business premises and investors' yield requirements remained stable in the period under review. Activity in the contracting market remained high in Estonia and Lithuania.

The Finnish infrastructure market remained relatively stable in the review period, with several significant projects in competitive bidding.

EUR million	1–3/15	1–3/14	Change	1–12/14
Revenue	120.1	121.1	-1%	599.3
Operating profit	3.1	0.2	over thousand %	20.1
Operating profit margin, %	2.6%	0.2%		3.4%
Operating profit excluding non-recurring items	3.1	0.2	over thousand %	20.4
Operating profit margin, % excluding non-recurring items	2.6%	0.2%		3.4%
Operative invested capital at end of period	201.2	208.8	-4%	181.9
Return on operative invested capital (last 12 months), %	11.2%	15.6%		10.8%
Order backlog at end of period	684.1	669.4	2%	673.9

Business premises, EUR million	3/15	3/14	Change	12/14
Capital invested in the plot reserve	97.1	88.2	10%	93.2
Plot reserve, floor sq. m.	1,074,020	1,251,000	-14%	1,071,000
Cost of completion	41.4	14.9	178%	47.5

January-March

The segment's revenue decreased by 1% year-on-year. Revenue development was positive in business premises, but revenue declined in infra services due to timing of the projects.

Operating profit increased from the low level of the comparison period and operating profit margin stood at 2.6% (1–3/14: 0.2%).

During the review period, YIT won several contracts in Finland as well as in the CEE countries. A consortium formed by YIT and Meridiam Infrastructure Finance II S.á.r.l was selected as the preferred bidder for E18 Hamina-Vaalimaa motorway project. The aim is to sign the service agreement and to record the project in the order backlog in the summer of 2015. In addition, YIT won contracts on the construction of a new building for The National Archives of Estonia in Tallinn and on the construction of a shopping centre in Vilnius, Lithuania. Furthermore, two life-cycle projects, Päivänkehrä school and Torkinmäki school and day care centre, were won in Finland.

YIT sold one self-developed business premise project during the review period. BW Tower office building in Lahti was sold to Fennia Mutual Insurance Company, Aktia Life Insurance Ltd and The Finnish Metalworkers' Union.

The city plan regarding the Tripla project in Central Pasila became legally valid in March, which allows the project to proceed as scheduled. A building permit for the first phase of the project, the parking hall, will be applied for in June, and the intention is to begin the construction of Tripla in the end of 2015 after the investor or investors in the project have been confirmed.

The largest ongoing self-developed business premises projects

Project, location	Value, EUR million	Project type	Completion rate, %	Estimated completion	Sold/ for sale	Leasable area, sq. m.
BW Tower, Lahti	~22	Office	60%	10/15	Sold	7,500
Porarinkatu, Espoo	~10	Hotel	26%	11/15	Sold	3,200
Osmontie 38, Helsinki	n/a	Office	58%	10/15	Sold	3,600
Lauttasaari shopping centre, Helsinki	-	Retail	13%	11/16	For sale	5,700
Aleksanterinkatu 11 Koy, Lahti	-	Retail	67%	9/15	For sale	6,700

The largest ongoing business premises and infrastructure contracts

Project	Value, EUR million	Project type	Completion rate %	Estimated completion
Ring Road III junction	~40	Infra	65%	12/16
Naantali CHP power plant	~40	Infra	1%	9/17
Espoo's road maintenance contract	~30	Infra	10%	10/19
Kemi's road maintenance contract	~25	Infra	82%	10/16

Group financial development based on group reporting (IFRS)

EUR million	1–3/15	1–3/14	Change	1–12/14
Revenue	394.0	403.2	-2%	1,778.6
Operating profit	27.1	23.2	17%	94.8
Operating profit margin, %	6.9%	5.8%		5.3%
Operating profit excluding non-recurring items	27.1	23.2	17%	107.3
Operating profit margin, % excluding non-recurring items	6.9%	5.8%		6.0%
Profit before taxes	22.4	18.8	19%	74.3
Profit for the review period[1]	17.5	14.6	20%	55.9
Earnings per share, EUR	0.14	0.12	17%	0.44
Operating cash flow after investments	15.1	-12.3		151.9
Order backlog at end of period	2,550.1	3,146.4	-19%	2,507.1
Invested capital at end of period	1,374.3	1,555.8	-12%	1,431.0
Return on investment (last 12 months), %	6.8%	7.0%		6.4%
Effective tax rate, %	22.1%	22.4%		24.9%

[1] Attributable to equity holders of the parent company

January-March

The Group's revenue decreased by 2% year-on-year after IFRS adjustments. At comparable exchange rates, revenue increased by 10% due to clearly higher apartment completions in self-developed projects compared to the comparison period.

After IFRS adjustments, the Group's operating profit increased by 17% year-on-year, and the Group's operating profit margin was 6.9% (1–3/14: 5.8%). The improved profitability is attributable to high profitability of the projects completed in Russia during the first quarter.

In group reporting, self-developed residential projects are recognised as income upon project handover. In Russia, revenue recognition of a project requires commissioning by the authorities. The timing of completion of self-developed projects thus affects the Group's revenue recognition, and therefore group figures may fluctuate greatly between different quarters. In addition, in group reporting part of the interest expenses are capitalised according to IAS 23 and reported as project costs above the operating profit when the project is completed. This causes differences in operating profit and financial expenses between segment reporting and group reporting.

Capital structure and liquidity position

IFRS, EUR million	3/15	3/14	Change	12/14
Net interest-bearing debt	678.0	840.3	-19%	696.0
Cash and cash equivalents	118.6	79.7	49%	199.4
Interest-bearing debt	796.6	920.0	-13%	895.4
Bonds	206.7	263.5	-22%	210.7
Commercial papers	159.5	191.1	-17%	147.4
Construction-stage financing	232.9	270.0	-14%	264.4
Pension loans	121.8	93.0	31%	123.5
Bank loans	75.7	102.4	-26%	149.3
Average interest rate, %	3.89%	2.84%		2.92%
Revolving credit facilities	300.0	330.0	-9%	300.0
Overdraft facilities	63.3	64.9	-3%	57.9
Equity ratio, %	32.1%	31.6%		29.2%
Gearing ratio, %	117.3%	132.1%		129.9%

IFRS, EUR million	1–3/15	1–3/14	Change	1–12/14
Net financial expenses	-4.7	-4.4	6%	-20.5
Costs of hedging	-2.9	-1.0	190%	-6.0

At the end of March, YIT's liquidity position was strong. Cash and cash equivalents amounted to EUR 118.6 million, in addition to which YIT had undrawn overdraft facilities amounting to EUR 63.3 million. YIT also has an undrawn, EUR 300 million revolving credit facility maturing in January 2018.

In March, YIT issued an unsecured EUR 100 million bond as a private placement targeted to two domestic institutional investors. The bond matures on March 25, 2020, and carries a coupon of 6.25%. The repayment of long-term debt maturing in 2015 was secured with the bond.

YIT's revolving credit facilities, the bond issued in March and bank loans include a covenant requiring the Group's equity ratio based on the IFRS balance sheet to be higher than 25.0%. In addition, the revolving credit facility and one bank loan include a covenant requiring the Group's gearing ratio based on the IFRS balance sheet to be below 150.0%. At the end of March, the equity ratio was 32.1% and the gearing ratio was 117.3%.

The total amount of interest-bearing debt was EUR 796.6 million at the end of March and net interest-bearing debt decreased to EUR 678.0 million thanks to positive cash flow. A total of EUR 25.8 million of long-term loans will mature in 2015.

Net financial expenses increased year-on-year and amounted to EUR 4.7 million (1–3/14: EUR 4.4 million). Interest expenses at the amount of EUR 5.5 million (1–3/14: EUR 4.2 million) were capitalized in accordance with IAS 23.

The interests on participations in housing corporation loans are included in housing corporation charges and are thus booked in project expenses. Interests on the participations amounted to EUR 0.8 million in January-March (1–3/14: EUR 0.6 million).

At the end of March, EUR 82.1 million of the capital invested in Russia was comprised of debt investments (12/14: EUR 70.9 million) and EUR 312.0 million was equity investments or similar permanent net investments (12/14: EUR 246.0 million). In accordance with YIT's hedging policy, the debt investments are hedged against exchange rate risk, while equity investments are not hedged due to their permanent nature.

Personnel

Personnel by business segment	3/15	3/14	Change	12/14
Housing Finland and CEE	1,804	1,857	-3%	1,783
Housing Russia	1,765	2,001	-12%	1,980
Business Premises and Infrastructure	1,668	1,905	-12%	1,814
Group Services	297	313	-5%	304
Personnel by country	**3/15**	**3/14**	**Change**	**12/14**
Finland	3,118	3,410	-9%	3,210
Russia	1,748	1,984	-12%	1,963
CEE	668	682	-2%	708
Group, total	**5,534**	**6,076**	**-9%**	**5,881**

In January-March the Group employed 5,616 people on average (1–3/14: 6,102). Personnel expenses 13uthori EUR 58.5 million (1–3/14: EUR 68.0 million).
The Group's accident frequency (accidents per million hours worked) was 11 (1–3/14: 12).

The cost effect of YIT's share-based incentive scheme was approximately EUR 0.5 million (1–3/14: EUR 0.2 million).

According to the annual personnel survey, the commitment of YIT's personnel and the quality of leadership within the company have improved broadly.

Strategic objectives

At its meeting on September 11, 2014, YIT Corporation's Board of Directors decided to keep the company's strategic focus areas unchanged. The weakened macroeconomic outlook in Russia and Finland underlines the importance of sufficient financial operating space. In housing, YIT pursues growth through self-developed projects. In the Business Premises and Infrastructure segment, the aim is to increase the share of projects where the added value produced by YIT for the customer is as high as possible. In order to even out cyclicality, the weighting of Central Eastern Europe will be increased as the third geographic pillar in parallel with Finland and Russia.

The implementation of the strategy and reaching the financial targets is supported by the launch of a Group-wide competitiveness program, under which short-term targets have been defined for 2015 and 2016. The long-term financial targets remain unchanged.

YIT's strategy and financial targets were described at YIT's Capital Markets Day on September 25, 2014, in Helsinki, Finland. The presentation materials and recordings from the Capital Markets Day are available at www.yitgroup.com/investors.

Long-term financial targets	Target level
Revenue growth	5–10% annually on average
Return on investment	20%
Operating cash flow after investments	Sufficient for dividend payout and reduction of debt
Equity ratio	40%
Dividend payout	40–60% of net profit for the period

Short-term targets for years 2015 and 2016	Target level
Revenue growth	0–5% annually on average
Return on investment	15%
Net debt (IFRS)	Below EUR 600 million

The target levels excluding the net debt target are based on segment reporting method (POC).

Resolutions passed at the Annual General Meeting

The Annual General Meeting of YIT Corporation was held on March 18, 2015. The Annual General Meeting adopted the 2014 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 authorizing the Board of Directors to decide on the repurchase of company shares and share issues. The Annual General meeting confirmed the composition of the Board of Directors: Reino Hanhinen (Chairman), Kim Gran (Vice Chairman), Satu Huber, Erkki Järvinen, Juhani Pitkäkoski and Teuvo Salminen were re-elected as member.

At its organizational meeting on March 18, 2015 the Board elected the chairmen and members of the Audit Committee and Personnel Committee from among its number.

YIT published stock exchange releases on the resolutions passed at the Annual General Meeting and the organisation of the Board of Directors on March 18, 2015. The stock exchange releases and a presentation of the members of the Board of Directors are available on YIT's website at www.yitgroup.com.

Shares and shareholders

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

Share capital and number of shares

YIT Corporation's share capital and the number of shares outstanding did not change during the review period. YIT Corporation's share capital was EUR 149,216,748.22 in the beginning of 2015 (2014: EUR 149,216,748.22), and the number of shares outstanding was 127,223,422 (2013: 127,223,422).

Treasury shares and authorisations of the Board of Directors

The Annual General Meeting of YIT Corporation resolved on March 18, 2015, 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 March 31, 2016. The share issue authorisation also includes an authorisation to decide on the conveyance of treasury shares.

YIT Corporation held 1,639,430 treasury shares at the beginning of the review period purchased on the basis of the authorisation given by the General Meeting of October 6, 2008. During the review period, 1,413 shares were returned to the company in accordance with the terms and conditions of the share-based incentive scheme, after which the company held 1,640,843 treasury shares at the end of March.

Trading on shares

The price of YIT's share was EUR 4.30 at the beginning of the year. The closing price of the share on the last trading day of the review period on March 31, 2015, was EUR 5.12. YIT's share price increased by approximately 19% during the review period. The highest price of the share during the review period was EUR 6.15, the lowest EUR 4.26 and the average price was EUR 5.28. Share turnover on Nasdaq Helsinki during the review period was approximately 50.9 million (1–3/14: 41.0 million) shares. The value of the share turnover was approximately EUR 270.3 million.

During the review period, approximately 26.2 million (1–3/14: 28.0 million) YIT Corporation shares changed hands in alternative market places, corresponding to approximately 34% of the total share trade, source: Fidessa Fragmentation Index.

YIT Corporation's market capitalisation on March 31, 2015 was EUR 643.0 million. The market capitalisation has been calculated excluding the shares held by the company.

Number of shareholders and flagging notifications

At the end of March 2015, the number of registered shareholders was 44,815 (3/14: 45,294). At the end of March, a total of 27.2% of the shares were owned by nominee-registered and non-Finnish investors (3/14: 31.0%).

On March 12, 2015, YIT received an announcement under Chapter 9, Section 5 of the Securities Markets Act, according to which the holding of the mutual funds managed by BlackRock, Inc. in YIT had exceeded the threshold of 5 per cent. On March 19, 2015 the company received an announcement according to which the holding of the mutual funds managed by BlackRock, Inc. in YIT had gone below the threshold of 5 per cent.

Most significant short-term business risks and risk management

Risk management is an integral part of business control, monitoring, reporting and continuous development under YIT's management system. Risk management covers the identification and assessment of risks and contingency plans for strategic, operational, financial and event risks. A strategic risk assessment is carried out at Group level once a year in connection with the review of the strategy. The nature and probability of strategic risks is continuously monitored and reported on.

Changes in economic, demographic, technological and political factors have an effect on YIT's business. Changes in consumer and business confidence and the availability of mortgages and real estate financing are key risks related to the demand for apartments and business premises. YIT aims to mitigate political risk and to manage cyclicality through geographical diversification. Large area development projects and tender-based projects also enable planned flexibility in different market situations. In operations subject to sales risk, it is key to ensure that the offering matches demand, taking different customer segments into consideration. Agility in moving between different project types is also crucial.

YIT's typical operational risks include risks related to plot investments, the sales risk of self-developed residential and business premises projects, and risks related to contract tenders, service agreements, project management and personnel. In project management, the key considerations are the accuracy of estimated costs and schedules, as well as competence in pricing. Third-party decisions regarding matters such as legislation, norms, zoning and construction permits also constitute a key operational risk. YIT manages sales risk by engaging in active pre-marketing, adjusting the number of residential start-ups according to estimated residential demand and the number of unsold apartments, and by typically securing anchor tenants prior to starting a business premises project and the investor in an early phase of construction. Risk management is an inseparable part of the preparation and implementation of projects and their phases. The management of large projects is supported by control practices including the method of organisation. Proactive communication with various stakeholders improves the predictability of projects and promotes smooth co-operation.

One of YIT's strategic focus areas is increasing financial flexibility, and targets pertaining to the release of capital have been set accordingly. Measures to release capital in a challenging market situation involve the risk of financial losses.

Financial risks include risks related to the sufficiency of financing, currency and interest rates, credit and counterparty risks and risks related to the reporting process. The Group's most significant currency risk is related to ruble-denominated investments. Financial risks are managed through accounting and treasury policies, internal control as well as internal and external auditing. More information on financial risks and their management is provided in Note 30 to the financial statements 2014.

Possible event risks include personal damage, property damage and damage pertaining to information security, environmental damage and accidents, as well as sudden and unforeseen damage to property and premises related to project sites and other property, such as fire, collapse or theft. The primary objective of the management of event risks is the prevention of damage. Event risks are additionally managed through contingency plans as well as a Group-wide insurance policy and programmes. YIT also complies with a Group-wide security policy covering the different areas of security. Extensive training is provided for occupational safety-related matters, and its development is monitored from unit level to the Group's Management Board and Board of Directors. The IT infrastructure and practices are managed through IT policies. In order to ensure compliant and ethical operations, the Group has common Business Principles and effective methods for reporting and processing any misdemeanours. The Business Principles are reviewed on a regular basis, and compliance is supervised by means of internal and external auditing. The compliance of subcontractors' operations is ensured through services related to guidance and internal audits.

Events after the review period

In April, residential sales to consumers are estimated to be around 140 units in Finland, around 70 units in the CEE countries and around 250 units in Russia.

Outlook for 2015

Guidance (segment reporting, POC)

The Group revenue growth is estimated to be in the range of -5 – 5% at comparable exchange rates.

The operating profit margin excluding non-recurring items is estimated to be below the level of 2014.

In addition to the market outlook, the guidance is based on the following factors: At the end of March, 43% of YIT's order backlog was sold, in addition to which the company had signed a significant number of pre-agreements. Projects already sold and signed pre-agreements are estimated to contribute approximately 40% of the Q2-Q4/15 revenue. The rest of the revenue estimate is based on estimated new sales during the remainder of the year and capital release actions.

Operating profit margin excluding non-recurring items will be burdened by the following factors, in addition to the demanding market situation: The share of Housing Russia segment of the Group revenue is estimated to decrease due to the weakening of the ruble and the decline in the production volume, which will impact the operating profit margin negatively. In addition, the share of revenue coming from residential sales to investors, which has lower margin than consumer sales, and contracting is estimated to increase in Finland. Approximately half of the over EUR 380 million capital release program, started in autumn 2013, was carried out by the end of March. The execution of the program will be continued actively in 2015, and the capital release actions are estimated to have a negative effect on the operating profit margin.

Market outlook

Finland

In Finland, the macroeconomic uncertainty is estimated to affect the residential and business premises markets also in 2015.

Consumers are cautious, and the demand is expected to focus on small apartments in growth centres, whereas the investor demand is expected to remain good. Residential price development is estimated to be polarized especially between small and large apartments. Access to mortgage financing is estimated to remain good.

In Finland, the demand for business premises is estimated to remain modest. The real estate investors' interest is estimated to pick up with focus on prime locations in the capital region. Opportunities are seen in contracting.

Russia

The visibility is weak in Russia and economic uncertainty is estimated to have a negative impact also on the residential market. Consumers' purchasing power is estimated to weaken, and the construction costs to increase. Residential price development involves uncertainties. The demand is estimated to focus especially on small apartments that are either close to completion or completed.

The mortgage rates are expected to remain stable thanks to the government's mortgage subsidy program.

The CEE countries

In the CEE countries the residential and business premises markets are expected to be supported by the improved economic situation. Access to mortgage financing is estimated to remain good and residential prices to increase moderately.

Interim Report January 1 – March 31, 2015: Tables

The information presented in the Interim Report has not been audited.

1 Summary of Financial Statements

1.1 Consolidated income statement, IFRS and segment reporting POC

EUR million	1–3/15 IFRS	1–3/14 IFRS	Change IFRS	1–12/14 IFRS	1–3/15 POC	1-3/14 POC	Change POC	1-12/14 POC
Revenue	394.0	403.2	-2%	1,778.6	374.9	403.1	-7%	1,801.2
of which activities outside Finland	125.4	138.7	-10%	616.1	108.7	140.2	-22%	637.2
Other operating income and expenses	-363.8	-376.7	-3%	-1,671.5	-351.4	-373.1	-6%	-1,674.9
Share of results of associated companies and joint ventures	-0.0	0.1		0.3	-0.0	0.1		0.3
Depreciation	-3.0	-3.3	-8%	-12.6	-3.0	-3.3	-8%	-12.6
Operating profit	27.1	23.2	17%	94.8	20.5	26.9	-24%	114.0
% of revenue	6.9%	5.8%		5.3%	5.5%	6.7%		6.3%
Financial income and expenses	-4.7	-4.4	6%	-20.5	-10.1	-8.7	17%	-39.0
Profit before taxes	22.4	18.8	19%	74.3	10.3	18.2	-43%	75.0
% of revenue	5.7%	4.7%		4.2%	2.8%	4.5%		4.2%
Income taxes [1]	-4.9	-4.2	18%	-18.5	-2.5	-4.0	-37%	-18.5
Profit for the review period	17.4	14.6	20%	55.8	7.8	14.2	-45%	56.5
Equity holders of the parent company	17.5	14.6	20%	55.9	7.8	14.3	-45%	56.6
Non-controlling interest	0.0	0.0	527%	-0.1	-0.0	0.0		0.0
Profit for the review period	17.4	14.6	20%	55.8	7.8	14.2	-45%	56.5
Equity holders of the parent company	17.5	14.6	20%	55.9	7.8	14.3	-45%	56.6
Non-controlling interest	0.0	0.0	527%	-0.1	-0.0	0.0	-63%	0.0
Earnings per share, attributable to the equity holders of the parent company, diluted and undiluted, EUR	0.14	0.12	17%	0.44	0.06	0.11	-45%	0.45

[1] Taxes for the review period are based on the tax estimate for the whole financial year.

1.2 Statement of comprehensive income, IFRS

EUR million	1-3/15	1-3/14	Change	1-12/14
Profit for the review period	17.4	14.6	19%	55.8
Items that may be reclassified subsequently to profit/loss				
Cash flow hedges	0.0	0.2	-89%	0.4
-Deferrred tax	-0.0	-0.0	-89%	-0.1
Change in fair value of for available for sale investments		-0.0		0.0
-Deferrred tax		0.0		0.0
Change in translation differences	47.2	-29.5		-166.9
Other change		0.2		0.2
Items that may be reclassified subsequently to profit/loss, total	**47.2**	**-29.2**		**-166.4**
Items that will not be reclassified to prof-it/loss:				
Change in fai value of defined benefit pension				-0.2
- Deferred tax asset				0.0
Items that will not be reclassified to profit/loss, total				**-0.2**
Other comprehensive income, total	**47.2**	**-29.2**		**-166.5**
Total comprehensive result	**64.7**	**-14.6**		**-110.7**
Attributable to equity holders of the parent company	64.7	-14.6		-110.7
Attributable to non-controlling interest	-0.0	0.0	527%	-0.1

1.3 Consolidated balance sheet, IFRS and segment reporting POC

EUR million	3/15 IFRS	3/14 IFRS	Change IFRS	12/14 IFRS	3/15 POC	3/14 POC	Change POC	12/14 POC
ASSETS								
Non-current assets								
Property, plant and equipment	53.7	62.6	-14%	55.4	53.7	62.6	-14%	55.4
Goodwill	10.9	10.9	0%	10.9	10.9	10.9	0%	10.9
Other intangible assets	12.1	7.4	64%	11.3	12.1	7.4	64%	11.3
Shares in associated companies and joint ventures	0.8	0.6	45%	0.8	0.8	0.6	45%	0.8
Other investments	0.8	0.8	1%	0.8	0.8	0.8	1%	0.8
Other receivables	3.0	3.3	-8%	2.9	3.0	3.3	-8%	2.9
Deferred tax assets	43.8	43.5	1%	40.3	35.9	34.8	3%	32.3
Current assets								
Inventories	1,744.2	2,002.7	-13%	1,688.9	1,409.7	1,632.6	-14%	1,370.2
Trade and other receivables	230.7	298.6	-23%	227.7	298.9	355.3	-16%	284.2
Cash and cash equivalents	118.6	79.7	49%	199.4	118.6	79.7	49%	199.4
Total assets	**2,218.5**	**2,509.9**	**-12%**	**2,238.4**	**1,944.4**	**2,187.9**	**-11%**	**1,968.3**
EQUITY AND LIABILITIES								
Equity								
Share capital	149.2	149.2	0%	149.2	149.2	149.2	0%	149.2
Other equity	428.3	481.4	-11%	386.1	475.2	553.0	-14%	437.6
Non-controlling interest	0.2	0.5	-64%	0.3	0.3	0.5	-48%	0.4
Equity total	**577.8**	**631.2**	**-8%**	**535.6**	**624.7**	**702.8**	**-11%**	**587.2**
Non-current liabilities								
Deferred tax liabilities	19.7	17.0	16%	15.6	23.0	25.9	-11%	20.0
Pension liabilities	0.9	0.7	37%	0.9	0.9	0.7	37%	0.9
Provisions	41.0	42.5	-4%	40.6	41.0	42.5	-4%	40.6
Borrowings	373.8	277.4	35%	275.2	373.8	277.4	35%	275.2
Other liabilities	15.6	31.4	-50%	22.9	15.6	29.0	-46%	22.9
Current liabilities								
Advances received	418.1	499.5	-16%	402.8	171.0	174.2	-2%	155.8
Trade and other payables	327.9	346.4	-5%	304.4	327.7	346.0	-5%	304.1
Provisions	21.1	21.3	-1%	20.2	21.2	20.6	3%	20.7
Borrowings	422.8	642.5	-34%	620.2	345.6	568.8	-39%	540.8
Liabilities total	**1,640.7**	**1,878.7**	**-13%**	**1,702.8**	**1,319.6**	**1,485.1**	**-11%**	**1,381.0**
Total equity and liabilities	**2,218.5**	**2,509.9**	**-12%**	**2,238.4**	**1,944.4**	**2,187.9**	**-11%**	**1,968.3**

1.4 Consolidated cash flow statement

EUR million	1–3/15	1–3/14	Change	1–12/14
Net profit for the period	17.4	14.6	19%	55.8
Reversal of accrual-based items	18.5	17.1	8%	70.7
Change in trade and other receivables	-8.3	-14.6	-43%	30.6
Change in inventories	38.0	-9.1		17.0
Change in current liabilities	-40.1	-13.8	191%	-10.2
Change in working capital, total	-10.4	-37.5	-72%	37.4
Cash flow of financial items	-8.8	-2.3	281%	1.4
Taxes paid	1.3	-2.7		-5.8
Continuing operations, total	18.2	-10.9		159.5
Discontinued operations	-0.6	-1.2	-49%	-4.7
Net cash generated from operating activities	**17.6**	**-12.1**		**154.8**
Acquisition of subsidiaries, net of cash	-2.2	-0.2	995%	-0.5
Cash outflow from investing activities	-2.4	-2.0	21%	-11.8
Cash inflow from investing activities	1.6	0.8	95%	4.6
Continuing operations, total	-3.0	-1.4	116%	-7.6
Discontinued operations				
Net cash used in investing activities	**-3.0**	**-1.4**	**116%**	**-7.6**
Continuing operations, total	15.1	-12.3		151.9
Discontinued operations, total	-0.6	-1.2	-49%	-4.7
Operating cash flow after investments	**14.5**	**-13.5**		**147.2**
Change in loan receivables	1.8	0.6	204%	5.0
Change in current liabilities	-19.8	27.8		-32.1
Proceeds from borrowings	100.0	67.2	49%	177.4
Repayments of borrowings	-180.3	-32.9	448%	-109.8
Payments of financial leasing debts	0.0	-0.1		-0.3
Dividends paid		-43.2		-47.7
Continuing operations, total	-98.4	19.3		-7.5
Discontinued operations				
Net cash used in financing activities	**-98.4**	**19.3**		**-7.5**
Net change in cash and cash equivalents	-83.8	5.8		139.7
Cash and cash equivalents at the beginning of the period	199.4	76.3	161%	76.3
Change in the fair value of the cash equivalents	3.0	-2.5		-16.8
Cash and cash equivalents at the end of the period	118.6	79.7	49%	199.4

1.5 Consolidated statement of changes in equity, IFRS

	Equity attributable to equity holders of the parent company									
EUR million	Share capital	Legal reserve	Other reserve	Translation differences	Fair value reserve	Treasury shares	Retained earnings	Total	Non-controlling interest	Equity total
Equity on January 1, 2014	149.2	1.5		-63.5	-1.2	-8.2	614.9	692.7	0.4	693.1
Comprehensive income										
Profit for the period							14.6	14.6	-0.0	14.6
Other comprehensive income:										
Cash flow hedges					0.2			0.2		0.2
- Deferred tax asset					-0.0			-0.0		-0.0
Change in fair value of available-for-sale assets					-0.0			-0.0		-0.0
- Deferred tax asset					0.0			0.0		0.0
Translation differences				-29.5				-29.5		-29.5
Other change							0.2	0.2		0.2
Comprehensive income, total				**-29.5**	**0.2**		**14.8**	**-14.6**	**-0.0**	**-14.9**
Transactions with owners										
Dividend distribution							-47.7	-47.7		-47.7
Share-based incentive schemes							0.2	0.2		0.2
Transactions with owners, total							**-47.5**	**-47.5**		**-47.5**
Change in non-controlling interest									0.1	0.1
Equity on March 31, 2014	**149.2**	**1.5**		**-93.0**	**-1.0**	**-8.2**	**582.1**	**630.6**	**0.5**	**631.2**

EUR million	Share capital	Legal reserve	Other reserve	Translation differences	Fair value reserve	Treasury shares	Retained earnings	Total	Non-controlling interest	Equity total
	Equity attributable to equity holders of the parent company									
Equity on January 1, 2014	149.2	1.5	0.0	-63.5	-1.2	-8.2	614.9	692.7	0.4	693.1
Comprehensive income										
Profit for the period							55.9	55.9	-0.1	55.8
Other comprehensive income:										
Cash flow hedges					0.4			0.4		0.4
- Deferred tax asset					-0.1			-0.1		-0.1
Change in fair value of available-for-sale assets					0.0			0.0		0.0
- Deferred tax asset					0.0			0.0		0.0
Change in fair value of defined benefit pension							-0.2	-0.2		-0.2
- Deferred tax asset							0.0	0.0		0.0
Translation differences				-166.9				-166.9		-166.9
Other change							0.2	0.2		0.2
Comprehensive income, total				**-166.9**	**0.3**		**55.9**	**-110.7**	**-0.1**	**-110.7**
Transactions with owners										
Dividend distribution							-47.7	-47.7		-47.7
Share-based incentive schemes			-0.1			0.0	1.1	1.0		1.0
Transactions with owners, total			**-0.1**			**0.0**	**-46.6**	**-46.8**		**-46.8**
Equity on December 31, 2014	**149.2**	**1.5**	**-0.1**	**-230.3**	**-0.8**	**-8.3**	**624.1**	**535.3**	**0.3**	**535.6**

	Equity attributable to equity holders of the parent company									
EUR million	Share capital	Legal reserve	Other reserve	Translation differences	Fair value reserve	Treasury shares	Retained earnings	Total	Non-controlling interest	Equity total
Equity on January 1, 2015	149.2	1.5	-0.1	-230.3	-0.8	-8.3	624.1	535.3	0.3	535.6
Comprehensive income										
Profit for the period							17.5	17.5	0.0	17.4
Other comprehensive income:										
Cash flow hedges					0.0			0.0		0.0
- Deferred tax asset					0.0			0.0		0.0
Translation differences				47.2				47.2		47.2
Other change										
Comprehensive income, total				**47.2**	**0.0**		**17.5**	**64.7**	**0.0**	**64.7**
Transactions with owners										
Dividend distribution							-22.6	-22.6		-22.6
Share-based incentive schemes			0.0			0.0	0.3	0.3		0.3
Transactions with owners, total			**0.0**			**0.0**	**-22.3**	**-22.3**		**-22.3**
Changes in ownership shares in subsidiaries										
Change in non-controlling interest							-0.1	-0.1	-0.1	-0.2
Change in ownership shares in subsidiaries, total							**-0.1**	**-0.1**	**-0.1**	**-0.2**
Equity on March 31, 2015	**149.2**	**1.5**	**-0.1**	**-183.2**	**-0.8**	**-8.3**	**619.2**	**577.6**	**0.2**	**577.8**

2 Notes, segment reporting

2.1 Segment reporting accounting principles

In reporting to the management the revenue from own residential and commercial development projects is recognised by multiplying the degree of completion and the degree of sale, i.e. according to the percentage of completion method, which does not fully comply with Group's IFRS accounting principles. According to the Group's IFRS accounting principles revenue from own residential construction projects is recognised on completion and the commercial development projects the recognition practice will be evaluated on a case-by-case basis and in accordance with the terms and conditions of each contract. The share of income and expenses to be recognised is calculated by multiplying the percentage of completion by the percentage of sale multiplied by the occupancy rate. YIT usually sells own commercial development projects to investors either prior to construction or during an early phase. The impact of the difference in reporting principles is shown in the line IFRS adjustment. As a result of the accounting policy, Group figures can fluctuate greatly between quarters.

In addition in group reporting the interest expenses are capitalized according to IAS 23 standard, which causes differences in operating profit and financial expenses between segment reporting and group reporting.

The chief operating decision-maker is the YIT Group's Management Board, which reviews the Group's internal reporting in order to assess performance and allocate resources to the segments.

2.2 Revenue, segment reporting POC

EUR million	1–3/15	1–3/14	Change	1–12/14
Housing Finland and CEE	183.6	172.9	6%	726.5
Housing Russia	71.3	108.5	-34%	474.1
Business Premises and Infrastructure	120.1	121.1	-1%	599.3
Other items	-0.1	0.6		1.4
Revenue total, POC	374.9	403.1	-7%	1,801.2
IFRS adjustment	19.0	0.0		-22.6
Revenue total, IFRS	394.0	403.2	-2%	1,778.6

2.3 Operating profit and operating profit margin, segment reporting POC

Operating profit

EUR million	1–3/15	1–3/14	Change	1–12/14
Housing Finland and CEE	14.2	16.8	-15%	57.6
Housing Russia	6.2	12.2	-49%	49.8
Business Premises and Infrastructure	3.1	0.2	over thousand %	20.1
Other items	-3.0	-2.3		-13.5
Operating profit total, POC	20.5	26.9	-24%	114.0
IFRS adjustment	6.6	-3.7		-19.2
Operating profit total, IFRS	27.1	23.2	17%	94.8

Operating profit margin

%	1–3/15	1–3/14	1–12/14
Housing Finland and CEE	7.7%	9.7%	7.9%
Housing Russia	8.7%	11.2%	10.5%
Business Premises and Infrastructure	2.6%	0.2%	3.4%
Group total, POC	5.5%	6.7%	6.3%
Group total, IFRS	6.9%	5.8%	5.3%

Profit before taxes

EUR million	1–3/15	1–3/14	Change	1–12/14
Profit before taxes, POC	10.3	18.2	-43%	75.0
IFRS adjustment	12.0	0.6		-0.7
Profit before taxes, IFRS	22.4	18.8	19%	74.3

2.4 Order backlog, segment reporting POC

EUR million	3/15	3/14	Change	12/14
Housing Finland and CEE	784.2	956.7	-18%	798.5
Housing Russia	701.5	1,070.6	-34%	653.5
Business Premises and Infrastructure	684.1	669.4	2%	673.9
Order backlog, POC	2,169.8	2,696.7	-20%	2,125.9
IFRS adjustment	380.3	449.7		381.1
Order backlog, IFRS	2,550.1	3,146.4	-19%	2,507.1

2.5 Personnel

At the end of the period	3/15	3/14	Change	12/14
Housing Finland and CEE	1,804	1,857	-3%	1,783
Housing Russia	1,765	2,001	-12%	1,980
Business Premises and Infrastructure	1,668	1,905	-12%	1,814
Group Services	297	313	-5%	304
Personnel, total	5,534	6,076	-9%	5,881

2.6 Group figures by quarter, segment reporting POC

Revenue by segments

EUR million	1–3/15	10–12/14	7–9/14	4–6/14	1–3/14
Housing Finland and CEE	183.6	189.2	177.4	187.0	172.9
Housing Russia	71.3	129.7	119.0	116.8	108.5
Business Premises and Infrastructure	120.1	142.4	188.8	147.0	121.1
Other items	-0.1	-0.4	0.5	0.6	0.6
Revenue total, POC	374.9	461.0	485.7	451.4	451.4
IFRS adjustment	19.0	68.3	6.8	-97.7	0.0
Revenue total, IFRS	394.0	529.3	492.4	353.7	403.2

Operating profit by segments

EUR million	1–3/15	10–12/14	7–9/14	4–6/14	1–3/14
Housing Finland and CEE	14.2	11.3	13.3	16.2	16.8
Housing Russia	6.2	12.1	11.7	13.8	12.2
Business Premises and Infrastructure	3.1	2.8	10.3	6.9	0.2
Other items	-3.0	-7.2	-1.8	-2.1	-2.3
Operating profit total, POC	20.5	19.0	33.5	34.7	26.9
IFRS adjustment	6.6	16.3	-5.4	-26.3	-3.7
Operating profit total, IFRS	27.1	35.2	28.1	8.3	23.2

Operating profit margin by segments

%	1–3/15	10–12/14	7–9/14	4–6/14	1–3/14
Housing Finland and CEE	7.7%	6.0%	7.5%	8.6%	9.7%
Housing Russia	8.7%	9.3%	9.9%	11.8%	11.2%
Business Premises and Infrastructure	2.6%	1.9%	5.4%	4.7%	0.2%
Group total, POC	5.5%	4.1%	6.9%	7.7%	6.7%
Group total, IFRS	6.9%	6.7%	5.7%	2.4%	5.8%

Key figures, segment reporting POC

	1–3/15	10–12/14	7–9/14	4–6/14	1–3/14
Profit before taxes, EUR million	10.3	8.5	22.6	25.7	18.2
Profit for the review period, attributable to equity holders of the parent company, EUR million	7.8	5.5	16.8	20.0	14.3
Earnings per share, diluted and undiluted, EUR	0.06	0.04	0.13	0.16	0.11

	3/15	12/14	9/14	6/14	3/14
Equity per share, EUR	4.97	4.67	5.81	5.98	5.63
Invested capital, EUR million	1,344.0	1,403.2	1,562.8	1,603.8	1,553.7
Return on investment, from the last 12 months	7.5%	7.7%	9.1%	9.6%	10.2%
Equity ratio	35.2%	32.4%	35.8%	36.4%	35.0%
Net interest-bearing debt, EUR million	600.7	616.1	741.6	776.3	766.6
Gearing	96.2%	105.0%	101.5%	103.2%	108.4%
Personnel at the end of the period	5,534	5,881	6,032	6,358	6,076

Order backlog by segments

EUR million	3/15	12/14	9/14	6/14	3/14
Housing Finland and CEE	784.2	798.5	929.8	953.2	956.7
Housing Russia	701.5	653.5	1,103.8	1,218.8	1,070.6
Business Premises and Infrastructure	684.1	673.9	702.3	751.9	669.4
Order backlog total, POC	2,169.8	2,125.9	2,736.0	2,923.9	2,696.7
IFRS adjustment	380.3	381.1	542.6	556.5	449.7
Order backlog total, IFRS	2,550.1	2,507.1	3,278.5	3,480.3	3,146.4

Operative invested capital

EUR million	3/15	12/14	9/14	6/14	3/14
Housing Finland and CEE	567.8	579.8	613.0	621.9	649.0
Housing Russia [1)]	428.5	378.1	564.0	601.6	549.2
Business Premises and Infrastructure	201.2	181.9	229.3	233.2	208.8

Return on operative invested capital

Rolling 12 months, %	3/15	12/14	9/14	6/14	3/14
Housing Finland and CEE	9.0%	9.4%	9.5%	10.1%	9.7%
Housing Russia [1)]	9.0%	10.5%	10.2%	11.4%	12.4%
Business Premises and Infrastructure	11.2%	10.8%	12.1%	12.0%	15.6%

Only operational items are taken into account in calculating the segments' invested capital.
[1)] Includes the Gorelovo industrial park.

3 Notes, IFRS

3.1 Group figures by quarter, IFRS

	1–3/15	10–12/14	7–9/14	4–6/14	1–3/14
Revenue, EUR million	394.0	529.3	492.4	353.7	403.2
Operating profit, EUR million	27.1	35.2	28.1	8.3	23.2
% of revenue	6.9%	6.7%	5.7%	2.4%	5.8%
Financial income and expenses net, EUR million	-4.7	-4.5	-6.7	-4.8	-4.4
Profit before taxes, EUR million	22.4	30.7	21.3	3.5	18.8
% of revenue	5.7%	5.8%	4.3%	1.0%	4.7%
Earnings per share, EUR	0.14	0.18	0.13	0.02	0.12
Gross capital expenditures, EUR million	2.5	5.0	3.2	3.6	2.0
% of revenue	0.6%	0.9%	0.7%	1.0%	0.5%

	3/15	12/14	9/14	6/14	3/14
Balance sheet total, EUR million	2,218.5	2,238.4	2,567.8	2,633.4	2,509.9
Equity per share, EUR	4.60	4.26	5.12	5.25	5.06
Average share price during the period, EUR	5.28	7.35	8.02	8.37	8.88
Share price at the end of the period, EUR	5.12	4.27	6.11	8.41	7.73
Weighted average share-issue adjusted number of shares outstanding, diluted and undiluted, 1,000 pcs	125,584	125,587	125,588	125,589	125,590
Share-issue adjusted number of shares outstanding at the end of the period, 1,000 pcs	125,583	125,584	125,585	125,586	125,588
Market capitalisation at the end of the period, EUR million	643.0	536.2	767.3	1,056.2	970.8
Return on investment, from the last 12 months	6.8%	6.4%	6.1%	5.2%	6.1%
Equity ratio	32.1%	29.2%	31.9%	32.2%	31.6%
Net interest-bearing debt, EUR million	678.0	696.0	817.9	860.2	840.3
Gearing ratio	117.3%	129.9%	127.2%	130.4%	132.1%
Unrecognised order backlog at the end of the period, EUR million	2,550.1	2,507.1	3,278.5	3,480.3	3,146.4
-of which activities outside Finland, EUR million	1,123.2	1,061.4	1,697.3	1,838.2	1,568.3
Personnel at the end of the period	5,534	5,881	6,384	6,358	6,076
Personnel, average from the beginning of the year	5,616	6,116	6,172	6,169	6,102

3.2 Accounting principles of the Financial Statements Bulletin

YIT Corporation's Interim Report for January 1 – March 31, 2015, has been drawn up in line with IAS 34: Interim Financial Reporting. The information presented in the Interim Report has not been audited. In the Financial Statement the figures are presented in million euros doing the rounding on each line, which may cause some rounding inaccuracies in column and total sums.

The Interim Report has been prepared in accordance with the International Financial Reporting Standards (IFRS), and the principles for preparing the Interim Report are the same as those used for preparing the financial statements 2014.

Currency exchange rates used in the Financial Statement

		Average rates			Balance sheet rates		
		1–3/15	1–3/14	1–12/14	3/15	3/14	12/14
1 EUR =	CZK	27.6280	27.4412	27.5364	27.5330	27.4420	27.7350
	PLN	4.1940	4.1846	4.1843	4.0854	4.1719	4.2732
	RUB	71.0205	48.0719	51.0378	62.4400	48.7800	72.3370
	LTL		3.4528	3.4528		3.4528	3.4528

3.3 Definitions of key financial figures

Return on investment (ROI, %) =	Group's profit before taxes + interest expenses + other financial expenses <u>+/- exchange rate differences x 100</u> Balance sheet total - non-interest bearing liabilities (average)
Segment's operative invested capital =	Tangible and intangible assets + goodwill + shares in associated companies + investments + inventories + trade receivables + other non-interest bearing operational receivables *) - provisions - trade payables - advances received – other non-interest bearing liabilities *) *) excluding items associated with taxes, distribution of profit and financial items
Return on operative invested capital (%) =	<u>Segment's operating profit</u> Segment's operative invested capital (average)
Equity ratio (%) =	<u>Equity + non-controlling interest x 100</u> Balance sheet total - advances received
Gearing ratio (%) =	<u>Interest-bearing liabilities - cash and cash equivalents x 100</u> Shareholders' equity + non-controlling interest
Segment reporting, earnings / share (EUR) =	<u>Net profit for the period (attributable to equity holders), segment reporting</u> Share issue-adjusted average number of outstanding shares during the period
Group IFRS reporting, earnings / share (EUR) =	<u>Net profit for the period (attributable to equity holders), group reporting</u> Share issue-adjusted average number of outstanding shares during the period
Equity/share (EUR) =	<u>Equity</u> Share issue-adjusted number of outstanding shares at the end of the period
Market capitalisation =	(Number of shares - treasury shares) x share price on the closing date by share series

3.4 Unusual items affecting operating profit

EUR million	1–3/15	1–3/14	Change	1–12/14
Housing Finland and CEE				-6.1
Housing Russia				-6.0
Business Premises and Infrastructure				-0.2
Group total				**-12.4**

In 2014, the operating profit of Housing Finland and CEE included non-recurring costs of EUR 6.1 million, of which EUR 0.2 million was related to restructuring measures in Finland and EUR 5.9 million was related to impairment of assets under the capital release program in Baltic countries.

In 2014, the operating profit of Housing Russia included non-recurring costs of EUR 6.0 million, of which EUR 3.1 million was related to restructuring measures and EUR 3.0 million was related to impairment of assets under the capital release program.

In 2014, the operating profit of Business Premises and Infrastructure included non-recurring costs of EUR 0.2 million, of which EUR 0.1 million was related to restructuring measures in Finland, and EUR 0.1 million was related to impairment of assets under the capital release program in the Baltic countries.

3.5 Business combinations and disposals

There have been no acquisitions or disposals in year 2015.

3.6 Property, plant and equipment

EUR million	3/15	3/14	Change	12/14
Carrying value at the beginning of the period	55.4	65.2	-15%	65.2
Translation difference	0.9	-0.7		-3.7
Increase	1.2	1.5	18%	6.5
Decrease	-1.3	-0.6	119%	-2.3
Depreciation and value adjustments	-2.6	-3.0	-13%	-11.5
Reclassifications	0.0	0.2	-100%	1.2
Carrying value at the end of the period	**53.7**	**62.6**	**-14%**	**55.4**

3.7 Inventories

EUR million	3/15	3/14	Change	12/14
Raw materials and consumables	6.0	9.5	-37%	6.0
Work in progress	888.7	1,015.3	-12%	874.0
Land areas and plot owning companies	555.4	649.4	-14%	509.1
Shares in completed housing and real estate companies	215.6	246.4	-13%	223.8
Advance payments	77.7	81.7	-5%	73.3
Other inventories	0.8	0.4	110%	2.7
Total inventories	**1,744.2**	**2,002.7**	**-13%**	**1,688.9**

3.8 Notes on equity

Share capital and share premium reserve	Number of outstanding shares, pcs	Share capital, EUR million	Treasury shares, EUR million
Shares outstanding on January 1, 2015	125,583,992	149.2	-8.2
Return of treasury shares January 1 - March 31, 2015	-1,413		-0.0
Shares outstanding on March 31, 2015	**125,582,579**	**149.2**	**-8.2**

3.9 Financial risk management

The main financial risks include liquidity risk, credit risk and market risks, such as currency and interest rate risk, and their management is a part of the Group's treasury policy. The Board of Directors has approved the Corporate Treasury Policy. The Group Treasury is responsible for the practical implementation of the policy in association with the business units.

The Group's strategic financial targets guide the use and management of the Group's capital. Achieving the strategic targets is supported by maintaining an optimum Group capital structure. Capital structure is mainly influenced by controlling investments and the amount of working capital tied to business operations.

A more detailed account of financial risks has been published in the notes to the financial statements for 2014.

3.10 Borrowings and fair value

Borrowings which have different fair value and carrying value

EUR million	3/15 Carrying value	3/15 Fair value	12/14 Carrying value	12/14 Fair value
Non-current liabilities				
Bonds	202.1	207.3	105.3	109.6
Loans from credit institutions	70.8	74.0	67.3	63.7
Pension loans	100.8	94.6	102.5	95.3
Non-current liabilities. total	**373.7**	**375.9**	**275.1**	**268.6**
Current liabilities				
Bonds	4.6	4.4	105.4	106.6

The fair values of bonds are based on the market price at the closing date. The fair values of other non-current loans are based on discounted cash flows. Discount rate is defined to consists of risk free market rate and company and maturity related risk premium. At the end of March, a discount rate of 2.07-5.12% was used, depending on maturity (12/14: 2.12-4.08%).

Fair value estimation

Group measures the fair value measurement hierarchy as follows:

Level 1: The fair values of financial instruments are based on quoted prices in active markets. A market can be considered active if quoted prices are regularly available and the prices represent the actual value of the instrument in liquid trading.
Level 2: Financial instruments are not traded in active and liquid markets. The value of a financial instrument can be determined based on market value and potentially partially derived value measurement. If, however, the factors affecting the fair value of the instrument are available and observable, the instrument belongs to level 2.
Level 3: The valuation of a financial instrument is not based on observable market data, and other factors affecting the fair value of the instrument are not available and observable. The following table presents the Group's assets and liabilities that are measured at fair value and their levels.Following table presents the group's assets and liabilities that are measured at fair value and their levels.

Assets, EUR million	3/15 Level 1	3/15 Level 2	12/14 Level 1	12/14 Level 2
Available-for-sale investments	0.1		0.1	
Derivatives (hedge accounting not applied)				2.4
Total assets	**0.1**		**0.1**	**2.4**

Liabilities, EUR million	3/15 Level 1	3/15 Level 2	12/14 Level 1	12/14 Level 2
Derivatives (hedge accounting not applied)		8.9		4.9
Derivatives (hedge accounting applied)		1.0		1.1
Total liabilities		**9.9**		**6.0**

There were neither transfers between level 1 and 2 nor assets categorised at level 3.

3.11 Change in contingent liabilities and assets and commitments

EUR million	3/15	3/14	Change	12/14
Collateral given for own commitments				
Corporate mortgages				
Guarantees on behalf of its associated companies		6.8		6.8
Other commitments				
Repurchase commitments	469.4	456.4	3%	490.9
Operating leases	141.2	148.1	-5%	142.2
Rental guarantees for clients	2.6	0.9	203%	1.4
Liability under derivative contracts				
Value of underlying instruments				
Interest rate derivatives	318.0	303.0	5%	318.0
Foreign exchange derivatives	38.8	68.8	-44%	62.2
Commodity derivatives		0.0		
Fair value				
Interest rate derivatives	-5.9	-3.4	74%	-6.0
Foreign exchange derivatives	-4.0	0.3		2.4
Commodity derivatives		0.0		
YIT Corporation's guarantees on behalf of its subsidiaries	899.5	946.0	-5%	961.9

As a result of the partial demerger registered on June 30, 2013, YIT Corporation had secondary liability for guarantees transferred to Caverion Corporation at the end of March with a maximum total amount of EUR 110.5 million (3/14: EUR 131.7 million).

3.12 Transactions with associated companies and joint ventures

EUR million	1–3/15	1–3/14	Change	1–12/14
Sales	0.2	2.6	-93%	26.7
Purchases				
EUR million	**3/15**	**3/14**	**Change**	**12/14**
Trade and other receivables	0.1	0.0	59%	0.0
Trade and other liabilities				

Together we can do it.

YIT Oyj
P.O. Box 36, Panuntie 11
FI-00621 Helsinki
tel. +358 20 433 111

www.yitgroup.com

twitter.com/
YITInvestors