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Hanna Jaakkola: Hello everybody. Welcome to YITs full year 2018 result info. Welcome all of you here in Käpylä and also all of you listening to this on conference call line or watching through webcast. Our agenda today is pretty traditional, so I have our CEO and President, Mr Kari Kauniskangas here with me and CFO, Ilkka Salonen to present the result. We have made some changes to the slides that you will see today, but you will find that soon. Otherwise all the material that will be presented here are related to the result can be found at our web pages at yitgroup.com and investors. After the presentations, we will take the questions from the audience first and thereafter from the conference call line. My name is Hanna Jaakkola and if you have any questions regarding the result or anything else after this presentation, please don't hesitate to contact me. Now, Kari, the stage is yours.

Kari Kauniskangas: Good afternoon also on my behalf. From portfolio point of view, I would highlight two topics, first the amount of non-cyclical businesses was around 24% of Group revenue last year, and share of Business premises and Partnership properties increased 28% of Group revenue. The year 2018 was exceptional for YIT. In addition to making business, we merged and integrated two biggest construction and development companies in Finland. I am proud on the speed, proceeding, commitment and integration during the last 12 months. Combined adjusted operating profit of Housing Finland and CEE, Business premises and Partnership properties was almost €200 million. The year was successful in all those three segments. Combined adjusted operating profit of underperforming segments was minus €38 million.

During the year, the result of Infrastructure project and Housing Russia segments was weak and Paving segment result was modest. There were however several successes within these segments. Challenges in these three segments were known already in spring even the full size of those was not yet known. We have taken several actions since the spring to address the issues.

Significant changes to tender processes have been made already in February last year. Most significant change is a cultural shift from volume focus to result focus, which has resulted a fewer new tender based project won, but higher average margin of new projects compared to historical levels.

We had also very strong cash flow. We strengthened heavily our urban development portfolio during the year which is giving us outlook also for coming years in 2020 on. Also, in autumn, we published our new strategy “Performance through cycles” and we started the execution of that. The Board of Directors proposed to the Annual General Meeting that dividend from the year 2018 will be €0.27 per share. The dividend proposal is 84% of adjusted earnings per share of the year. The proposal is according to the strategic target to pay annually growing dividend per share through the cycle.

Fourth quarter was a great closing for the exceptional year. The financial performance was one of the highest in YIT’s history. The adjusted operating profit was record-high, €100 million, and operating cash flow amounted €205 million, being very strong as well. Strong results had a positive impact on key ratios as well. The result was still burdened by project write-downs and risk provisions made to old pre-merger contracting projects particularly in the Infrastructure projects and Housing Russia segments, totaling approximately €10 million. In both segments, changes to tendering practices were implemented already in the first quarter of last year. So, the profitability and contract terms of new projects in the order backlog are on a healthy level.

In addition, the majority of work related integration after the merger is now done and we have full focus again on normal development and business. As a summary, the starting point for the new year is clearly better than a year ago from several angles including strong backlog of orders giving steady ground for 2019 outlook. Q4 revenue increased strongly as expected. All planned completions and handovers for 2018 were done. Full year revenue was down at 3% which was within the guidance range. Order backlog strengthened 5% year-on-year, the increase in backlog during 2018 was mainly explained by Tripla offices which were added to the order backlog in Q2 and partly removed in the last quarter.

In Housing Finland and CEE segment, the number of handovers in Finland especially with healthy margins, increased impacting positively both revenue and operating profit of the segment. In Housing Russia, completions of the projects were mainly in Moscow region where the profitability of projects is close to zero margin. The result was also burdened by lowered margins in several contracting projects totaling more than €4 million. Sale of Tripla offices in Business premises and Tietotie 6 in Partnership properties among others supported strong earnings in those segments.

In the Infrastructure projects segment, new project with healthy margins already supported the positive development of the performance, but still some write-downs and provisions were done related to old pre-merger projects close to completion. Result in Paving improved more than 6 million euro. The improvement was mainly driven by better results in Norway and Sweden than year ago and successful closing of the season in all units. We estimated to have €14 to 20 million synergy impact in EBIT for 2018. Finally, the result was €19 million. We have increased our annual synergy benefit estimate from €40 to 50 million up to €45 to 50 million by the end of 2020.

So far actions done and agreements signed will lead to €40 million cost synergies mainly relevant by end of 2019. Main unrecognized synergies are still in IT and financial platform where internal legal mergers executed at the beginning of this year makes it possible to simplify the IT platform during this year. It is today, 12 months since the merger, internally we defined the integration period to be 12 months and it has now successfully ended, we are back on the normal track executing the strategy, developing the business. Market outlook is unchanged since the end of Q3. Residential sales in Finland were on a lower level in autumn due to modest demand of private investors. In Finland consumer and institutional investor demand for apartment is expected to remain stable during this year compared to autumn last year. Activity among private residential investors expected to be lower than in the previous years even weak. Overall, we expect that the demand in Finland, housing demand in Finland in 2019 will be at the autumn 2018 level.

In CEE countries and Russia the consumer demand is expected to stay on a good level. In Russia, latest changes in law 214 will have significant impact to market practices, more probable outcome is decline of supply overall and growing sales prices but we have to wait some quarters before we see the impact. In infrastructure, Finnish government won't start any new significant infrastructure projects during this year and the government spend is estimated to decrease by €500 million. From YIT point of view, the outlook is better due to better backlog of order for this year due to backlog and orders won already earlier. Today, we hear news from the government where they decided to establish the new special purpose vehicle to construct €7.5 billion railroads, which is positive from the outlook of point of view during the next decade for infrastructure segment.

Otherwise outlook is unchanged and mainly in good, improving level. With the new strategy we published by autumn, during autumn last year, the aim to improve our profitability and increase our financial stability. Our strategy in Group level can be summarized into two strategic priorities and four cornerstones of success. Through strategic priorities, sources of growth and structural profitability are urban development and non-cyclical businesses. We aim actively to grow in these businesses, both organically and via investments. Here we can see the starting point for the execution of the new strategy. In urban development, last year adjusted EBIT was almost €150 million regardless of the impact from residential development in Housing Russia, which was around €20 million negative. Revenue in non-cyclical businesses was nearly €1 billion and adjusted operating profit was €35 million. The target and also outlook being for this year close €100 million as we said already in Capital Market Day in autumn. The challenges in 2018 quarterly results are largely explained by weak results in the tender based business. This also explains why we don't have a growth target in this business. We are looking for healthy projects despite of volume impact. Majority of hundreds of tender projects that we have are healthy and proceeding according to targets, but around 20 projects account for a result weakening of tens of million euros during the year. This is also an opportunity for us. There is a great opportunity to have healthy margins again in this segment and positive opportunity during the year.

The change we made already at the beginning of last year in tender practices can be already seen in improved profitability of new projects which is driving the improved performance in this business area. Despite of huge changes in company reorganization and integration, the net promoter score from our clients stayed on a very good level, that is a great achievement during the year. Also, despite of positive changes in company, the exit rate was in a very low level during last year.

Summer of 2017, when we announced to join forces with Lemminkäinen, four key financial targets was introduced, return on capital employed last year was weak when we look from real EBIT figures. If you look adjusted return on capital employed, it was already 9%, when ex-YIT had around 7% return on investment a year ago. So we are proceeding in the right direction. In 2019, we also expect that those adjustments including integration costs and also purchase price allocation amortization will be clearly lower than those were last year.

And as you can see from the guidance, our adjusted operating profit is expected to grow so return on capital employed is coming closer and closer to this 12% target level. Equity ratio was on a healthy level. Cash flow was very strong, actually, it was €100 million stronger than we expected in Q2 when we gave guidance for this year, and we estimated a positive cash flow after paid dividend. And dividend proposal of Board of Directors is on a growing track. According to surveys, there are two things, which links the successful mergers to each other. How fast combined company has been able to create a common culture and how well management is able to communicate with employees on reasoning behind the merger, the proceeding and schedules of the integration and proof points of reaching targets. You can imagine that we have put full effort to be successful in these areas and I think we have succeeded.

Group management team used 100 days in spring to support organization to define a common culture: which topics are important for our people. I personally spent 25 days visiting in 28 YIT days in all countries, to create a platform for common culture. We had 1,500 employees engaged in culture definition, we used also OKAI methodology when we studied the desired culture. We also had discussion among Group management team, Board of Directors and management on the culture and surprisingly views on the desired culture was very similar independent on background of people. From ex-YIT, ex-Lemminkäinen, whatever country, whatever business. And in the end of October, we were able to publish the core of our corporate culture, updated values and leadership principals and start the implementation.

I am proud to introduce the values of the new YIT: respect, cooperation, creativity and passion, which widely describes the ambition among our employees through the countries and businesses and I am also myself fully committed to operate according to those. As said already earlier, one important change was seen already last year in cultural point of view. Now, we are result driven company instead of volume driven company.

The structure of presentation has been changed to better highlight the figures and topics relevant in IFRS reporting instead of POC reporting. Information earlier given is still available as appendices of this presentation, but the relevant information from IFRS point of view of those is minor. When we look at Housing Finland and CEE, the revenue was stable but adjusted operating profit increased by 24%, €20 million, due to bigger share of completed projects meant for consumers directly and also higher average gross margin of completed projects. Full year profitability around 9% was on a good level. Residential sales in Finland were on a lower level in H2 especially due to modest demand for private investors. As said ’19, we expect residential sales to continue on the autumn level. This year we will have 1,000 completions less than the last year which was indicated already in autumn, so the expected result of this segment according to IFRS will be lower than last year.

In Housing Russia, the result was very weak. The negative result is explained by three key reasons which doesn't exist in that extent anymore in 2019: losses of contracting business around €12 million, discounts given to decrease number of completed apartments, especially in Moscow region and released capital according to our targets around €50 million and as well IAS 23 interest costs around €7 million. In old POC reporting, we have already reported those as a cost in interest level but now in IFRS we will see those a second time and now above EBIT level. None of those factors or these factors will be relevant this year, so we expect strong result improvement in 2019 if market situation remains unchanged. Measures to improve the flexibility and profitability of this segment was started already a year ago. We have made a huge turnaround in organizational structure from holding structure to one company structure that allowed us to reduce 200 white-collar employees. The total effect of cost savings will be around €11 million compared to the fixed cost level 2017. Those reductions will be reached fully in Q3 this year. Also, the capital release according to set targets has had a significant negative impact on result as the company has reduced the number of unsold completed apartments in Moscow and also sold some plots. We set ourselves two years ago a target to have only 22 billion rubles in residential development by the end of the last year. We succeeded to reach that target. The pricing and contract terms in tendering were changed in February and actually during last year we didn't get any new contract project.

214 law in Russia changed last summer and now there has been several changes also in the year end and that will change the market and also cause us the need to reevaluate and change our operating model further.

In Business premises, we saw a strong year regardless of several successes, there were some projects as well we had to make project write-downs in 2018. Also, in this segment we have put a lot of attention to tender processes, focus on profitability not volume. During the autumn, we have won several lifecycle and alliance projects with a good margin level so the target is on the way.

Good result was explained mainly from Tripla offices sales. The average completion rate of the project was 60% by end of last year, so it will have also good impact to results in 2019. And Tripla is proceeding very well, both in terms of construction and renting the premises and we expect that project, Tripla Mall especially, to be completed during the last quarter of this year.

In Infrastructure projects, old project portfolio has been heavy in terms of several disputes, unfortunate disputes taking time and focus from management. Tender practices changed a year ago and having target to avoid those worst cases through better risk management and result oriented approach in offers. During the autumn, we negotiated with client on unsolved dispute and tried to find acceptable solutions for all parties. In Q4, we made provisions and write-downs related to those certain pre-merger projects based on latest view of the negotiations and estimated cost of those solutions so the table is now much more clean that it was at the beginning of this year. I am very confident now that also this segment will start to improve its performance, but it is good to notice that the impact of old backlog of orders is still visible more than a year still. Already, in Q4 we saw that a new backlog of orders is supporting the performance of this segment already.

In Paving, actions taken in especially improving operations in Norway and Sweden last winter and spring, seem to have a positive impact already now. H2 was €8 million better than year ago in EBIT and we still have improvement potential left. The decrease in production volume was caused by the closedowns of several unprofitable asphalt plants in Southern Sweden and Norway in spring. In other plants, volumes actually grew slightly. In mineral aggregates we record-high production volume. The cost structure of the segment is now lighter than before which will be visible in the result development in 2019 starting already in spring.

First operating year of Partnership properties was a good one, result was recognized from project sales, rental income and service agreements. Equity invested is around €170 million and return on capital employed was 20%, so it is fulfilling our targets well. We are also especially satisfied with the growth of project portfolio and the development of ongoing projects. The project portfolio is now more than €2 billion for coming years.

Now, I think Ilkka will continue with the key ratios and cash flow figures.

Ilkka Salonen: Thank you, Kari. Good afternoon everybody. In the Finance side, we did a quite a lot of operations during the last year in Q1, Q2, Q3 so more or less the structure was ready for the Q4 and if you look at the operations from the finance side, it was more or less what comes to the cash flow. We delivered €205 million operative cash flow for the last quarter and most of that was coming from the property sales, Partnership properties, but the cash flow all in all was in a healthy level. If you look at the following page where we have the net debt of course when you get the cash flow in it means that net debt is coming down and that’s very well supporting our strategic target to go 30-50% in our gearing measures. If you look at our maturity structure, it is quiet balanced this year we have €161 million to expire and about €150 are covered by €100 million bond in the summer and €50 million will be expiring mutual loan in August. That was one part what we did last year to stabilize the maturity structure of the financial portfolio.

If you look the metrics, gearing 53.6, we are right on track to going towards our strategic target. Equity ratio we are in a healthy level over there and net debt to adjusted pro forma EBITDA we are close to 3% even we don’t have the strategic target over there, but we see that healthy construction company should be in the long term less than 3 over there. One structural change will happen in the first quarter of this year and it is the IFRS 16 which was implemented on January 1st, and in Q1 we will report it based on that structure. What it means for us is that our total balance sheet will increase roughly about €300 to 350 million and most of that almost all of those will be covered as interest-bearing debt. Where it is coming? It is coming from the different lease agreements that we have which are at the moment off-balance sheet items. More than half of that sum is coming from the leasing plots, which is part of our business model and the rest is coming from premises like this, which is rented and equipment what we have leased. Its impact for the bottom line in the result is close to zero. It has some positive impact for the EBITDA, but more detailed figures will be given before for the Q1 with a separate announcement. That was shortly about the finance side and now Kari can look at for the future.

Kari Kauniskangas: Main focus last year was the integration. The actual integration process ended in the end January, so yesterday, even though there are still some actions on the agenda in IT and financial services especially. This year we focus on building the future taking advantage of competition edges we have gained through the merger. Changes in the world economy and consumer demand, customer demand will give an interesting flavour for the year. In 2018, several urban development projects that had been prepared for a long time were won, this year we will actively proceed with those projects in order to build pipeline from 2020 onwards.

Last year we had three underperforming segments and several weak contracting projects. We have taken already several actions in contracting business to avoid similar challenges in the future, and through those actions, we have a clear improvement potential there in 2019. In addition, we will focus on implementing the best practises, new management system to the entire organisation. Productivity improvement continues as well under a performance development program.

In Russia, significant steps were taken already 2018 to reorganise the operations. Changes in law 214 require careful consideration on how to develop Russian operations. So that capital invested in Russia will continue to decrease and our operating profit to improve. I remind you on strategic financial targets for the new strategy period. Over 12% return on capital employed, gearing ratio on 30% to 50%. By end of strategy period also according to IFRS16 principles, and also that we are aiming moderately growing dividend annually through cycles.

In 2019, we expect the residential completions to consumers to decline clearly in Finland, around 1,000 units. In the CEE countries and Russia, completions are estimated to remain stable. The number of completions is on a very low level in Q1 and the most of the completions will happen during the end of the year.

The guidance 2019 is based among others, the completion of Mall of Tripla in the last quarter, the estimated timing of completions of the residential projects under construction and also the company's solid order backlog, at the end December 63% of the backlog was sold. There are no special uncertainties related to residential completions in 2019. So the guidance is that Group revenue 2019 is estimated to be in the range of -5 to +5 compared to revenue 2018 pro forma, and also that adjusting operating profit is estimated to be €170 to €230 million, overall. Significant fluctuation is expected between the quarters due to normal seasonal variation, sales of business premises, timing of completions and completion of Mall of Tripla.

As in 2018, the last year – the last quarter of the year is expected to be clearly the strongest. The company estimates at the adjusting operating profit for first quarter 2019 will be approximately on par with the comparison period last year. So that was our presentation of today. Great closing to the exceptional year. Now there is an opportunity for questions and we will start here from Käpylä. One hand up.

Olli Koponen: Yeah, Olli Koponen from Inderes. I saw that the number of apartments started in housing Finland was down quite a bit from a year ago. Do you have any particular reasons for that?

Kari Kauniskangas: We have reduced the overall production volume ongoing to level, which in our opinion is suitable for current market outlook. So that's the reason.

Olli Koponen: Okay and you said that you have done some project write-downs on various segments. Do you have any estimate what – on a whole company level - what would be the share of those bad projects on the order backlog looking forward?

Kari Kauniskangas: Our view is that the all projects now are according to best possible information in our backlog of orders, so we don't expect any more extra losses from those projects. Many of those are already in the completion stage. So the expectation in tender based business is rather positive now than negative. So we have a great improvement potential this year compared to the results of last year. If no more questions from Käpylä then online.

Operator: And to ask a question over the phone that's star one. And we'll go to Anssi Kiviniemi from SEB.

Anssi Kiviniemi: I have a couple of questions. First of all starting with development gains that really drove the Q4 results. Could you give us some kind of indication in euro terms or in percentage terms how big were those gains? Thanks.

Kari Kauniskangas: We have agreed with buyers that we don't say the exact figures. The buyer of Tripla offices was a German company CommerzReal. They will announce their fair value estimation of the project in their fund report in March. So you have to wait a bit. That's the best indication that we can give at the moment.

Anssi Kiviniemi: Okay great, thanks. Then on the guidance, it implies a hefty growth in earnings and also potentially in cash flow. If we kind of look at the drivers, I can see that the synergies are there, but could you give us more indication where does the improvement come from? Do you for example expect that the development gains in 2019 will be larger compared to 2018?

Kari Kauniskangas: The first big topic is that last year we had three underperforming segments making almost €40 million loss. So let's start with the target that all segments are on a positive side already. So that's one very big part of improvement this year.

Secondly, Tripla Mall will be completed by last quarter or during last quarter this year, and that will be seen both in Business premises, revenue and operating profits and Partnership properties operating profit, and we'll made this fair valuation of the project. I think those are the key drivers of profit improvement during this year.

Anssi Kiviniemi: Okay great, thanks. Then on Russia you highlighted that there are market changes. Could you remind us what are those and how are you adapting to the new situation?

Kari Kauniskangas: Law 214 is law concerning selling apartments of projects under construction. There are several changes, quite complicated, will require changes of legal structure of YIT that will also tie a bit more capital, which is against our target. There are also requirement for the players, what kind of track record you should have how long track record, what kind of profitability you should have to be able overall to operate in that market. So the changes in law 214 will still continue so that they are making how to say corrective packages continuously. So we are not yet fully aware of all the changes that will happen, but already now this is what – what we know.

Anssi Kiviniemi: Okay great, thanks. Then on sold units in Finland, there has been a downward trend if you will look at past few years, and now you expect similar level than in second half of the year, so in a way you expect 800 apartments sold per quarter going forward, right?

Kari Kauniskangas: You mean in Russia or in Finland?

Anssi Kiviniemi: In Finland, yeah sorry.

Kari Kauniskangas: To be honest I don't remember exact – the exact figures, but overall yes what has been the level last autumn that is our expectation for this year as well.

Anssi Kiviniemi: Okay great, thanks. Then the last question is on the Q1 guidance. If I remember correctly in Q1 2018, there were some 15-20 million of project write-downs included in the adjusted EBIT in that quarter. In compare to, in comparable terms though now you are guiding for adjusted EBIT decline. So in a way my question is where does the decline come from? Is it housing completions or is it something else?

Kari Kauniskangas: Housing completion is the main driver. So that figure will be quite low during the first quarter.

Anssi Kiviniemi: Okay. That's all from me. Thank you so much.

Operator And as a reminder to ask a question over the phone, that's star one. And we'll go next to Robin Nyberg from Carnegie.

Robin Nyberg: Hello guys and congrats on the good results. I had to call in again, so apologies for potentially asking the same questions as Anssi. A few questions first on the Business premises where you have had two very strong years in this division and also the outlook now for this year seems to be very good. Would you say that the current earnings level is on a relatively high level or do you have more major projects that are likely to support earnings also after this year?

Kari Kauniskangas: If I combine the figures of Business premises and Partnership properties, I think this should be sustainable level at least, but of course when we know what will happen during this year and we already have great backlog of orders, Tripla going to complete during the last quarter, so we have very positive outlook for this year. And then we take into account the portfolio of new urban development projects that we have in our hands, I think we are able to generate also in the future strong profits from these two segments in the future.

Robin Nyberg: Okay thanks. And then going back to the guidance, is it fair to assume that a large part of this expected earnings improvement this year should come from the Partnership properties segment?

Kari Kauniskangas: That's one good assumption.

Robin Nyberg: Alright. And then regarding cost inflation, is it also fair to assume that you should start to benefit from slower cost inflation this year or perhaps at a later stage this year because of the somewhat cooling market in Finland?

Kari Kauniskangas: That's as well a good guess what will happen. I share that opinion.

Robin Nyberg: Alright. And then maybe lastly could you open up a little bit of your thoughts. You talked in the conference call about productivity improvement measures, but just could you give us some concrete examples what you have done recently?

Kari Kauniskangas: We started this Performance leap program two years ago. Now it's part of this Performance program, but the first step was to have several pilots on practices how to utilize Lean principles, cooperative methods in sites, tact schedules and so on, and actually we have reached quite good results in those areas, in industrialised products as well. So now the task is to take those practises as a normal way of operating in our projects. And as said in some other event, it's not just taking those into account because it's question also on huge mental change, huge need of new knowledge and skills of employees.

So it will be a project. It will take time. It's not question on months or quarters, it's question on years, but during the last year, we created a management system, we called it GRIP, based on the best practises of both ex-Lemminkainen and ex-YIT, and a way which allows us to really make changes in practises in all sites where we operate. And that gives us a platform, which will help us to implement those new practises taking new ways of operating in the use. So faster construction, more industrialised construction, shorter lead times, those are examples on the productivity improvement.

Robin Nyberg: Alright, that's all for me. Have a nice weekend. Thank you.

Kari Kauniskangas: Thank you.

Operator: And at this time, there are no further questions. I'll turn the call back to the CEO.

Kari Kauniskangas: Okay, thank you for this extra Q&A session and I still wish you all a great weekend. Thank you.