Q4

Financial statements bulletin 2019

Financial statements bulletin 2019

October–December

- Revenue was on the level of the comparison period, EUR 1,152.4 million (1,127.8).
- Adjusted operating profit[1] amounted to EUR 121.0 million (99.3) and adjusted operating profit margin was 10.5% (8.8).
- Operating profit amounted to EUR 97.0 million (86.2) and operating profit margin was 8.4% (7.6).
- Reported operating cash flow after investments amounted to EUR 132.1 million (204.5).
- Order backlog was EUR 4,130.5 million (4,285.6).
- Adjusted net debt[2] was EUR 601.3 million.
- Adjusted gearing[2] was 57.1%.
- Adjusted earnings per share for continuing operations were EUR 0.35 (0.32) and earnings per share for the review period were EUR 0.35 (0.26).

[1]Adjusted operating profit reflects the result of ordinary course of business and does not include material reorganisation costs, impairment charges or other items affecting comparability. Adjusted operating profit is disclosed to improve comparability between reporting periods. Adjusting items are defined more precisely in note 4 in the tables section.

[2] Definitions of financial key performance indicators can be found in table 4.3 in the tables section

January–December

- Revenue increased 6% year-on-year and was EUR 3,391.5 million (3,201.0).
- Adjusted operating profit[1] amounted to EUR 165.5 million (132.0) and adjusted operating profit margin was 4.9% (4.1).
- Operating profit amounted to EUR 80.5 million (104.7) and operating profit margin was 2.4% (3.3). The operating profit includes adjusting items of EUR 85.0 million (27.2).
- Key adjusting items include write-downs of EUR 43 million and provisions of EUR 9 million related to the closing down or selling of certain businesses in Russia. Other adjusting items are mainly related to merger related fair value cost effects and integration costs.
- Realised cumulative synergies by the end of 2019 were EUR 41 million.
- Reported operating cash flow after investments amounted to EUR 50.7 million (148.6).
- Adjusted earnings per share for continuing operations were EUR 0.30 (0.32) and earnings per share for the review period were EUR 0.07 (0.16).
- The Board of Directors proposes a dividend of EUR 0.28 per share for 2019. In addition, the Board of Directors proposes that the Annual General Meeting authorises the Board of Directors to decide, at its discretion, on the payment of an extra dividend of no more than EUR 0.12 per share. When considering the decision, the Board of Directors takes into account the completion of the Nordic paving and mineral aggregates businesses transaction and its conditions.

YIT announced on July 4, 2019 the sale of its Nordic paving and mineral aggregates businesses and on June 20, 2019 measures in Russia to reduce capital and enhance profitability.

Continuing and discontinued operations

- The text section of this financial statements bulletin concerns continuing operations, i.e. the five reported segments listed below.
- Nordic paving and mineral aggregates businesses are classified as held-for-sale assets and reported as discontinued operations.
- Reported and pro forma income statements of comparative periods have been retrospectively restated and published on July 22, 2019.
- The result of discontinued operations is presented in the income statement net of tax on the line “Result for the period, discontinued operations”.
- Assets and liabilities related to discontinued operations are presented in separate line items in the balance sheet in current assets and current liabilities from June 30, 2019 onwards. Assets are reported as “Assets classified as held-for-sale” and liabilities as “Liabilities directly associated with assets classified as held-for-sale”.
- Balance sheet is not restated for comparative periods.
- Cash flow statement is not restated.

Change in the reported segments

- From the second quarter of 2019 on, YIT’s continuing operations include five reported segments: Housing Finland and CEE, Housing Russia, Business premises, Infrastructure projects and Partnership properties.
- The former Paving segment is no longer reported.
- Road maintenance in Finland, previously reported in the former Paving segment, is reported as part of Infrastructure projects.
- Paving business in Russia, previously reported in the former Paving segment, is reported under “Other items” in segment reporting.
- Segment figures for comparative periods have been retrospectively restated and published on July 22, 2019.

Restated pro forma figures

- YIT and Lemminkäinen merged on February 1, 2018.
- In this financial statements bulletin, comparison figures are pro forma figures so that the financial statements of merged Lemminkäinen for the financial period January 1–January 31, 2018, excluding above mentioned discontinued operations, are included in the pro forma figures and presented in the tables in the columns “Pro forma, restated 10–12/18” and “Pro forma, restated 1–12/18”.

Additional information regarding the presentation of financial information is available at the end of the explanatory statement of this financial statements bulletin.

Unless otherwise noted, the figures in brackets refer to the corresponding period in the previous year, are restated pro forma and of the same unit.

Guidance for 2020

The Group revenue of continuing operations for 2020 is estimated to be in the range of EUR 2,900–3,300 million (2019: EUR 3,391.5 million).

The full-year Group adjusted operating profit from continuing operations is estimated to be in the range of EUR 150–190 million (2019: EUR 165.5 million).

Guidance rationale

The result guidance is based, for instance, on the estimated completion of residential projects under construction, closing of sales of business premises projects and the company's solid order backlog. At the end of 2019, 69% of the order backlog was sold.

Significant fluctuation is expected to take place between the quarters due to typical seasonality in infrastructure projects, closing of sales of business premises projects and the completion of residential projects. The last quarter of the year is expected to be clearly the strongest. The company estimates that the adjusted operating profit for the first quarter of 2020 will be on the level of, or above, the comparison period (continuing operations 1–3/2019: EUR -9.7 million).

The IFRS 16 Leases standard was issued in January 2016 and the company started applying the standard on January 1, 2019. The new standard replaces the IAS 17 Leases standard and related interpretations. YIT adopted the new standard based on the modified method, thus the comparison period is not restated. The company has published a stock exchange release on April 18, 2019 regarding the adoption of the IFRS 16 standard describing the accounting policies among others. The impact of IFRS 16 adoption can be found in note 3.5 of this financial statements bulletin.

Kari Kauniskangas, President and CEO:

Our positive development continued in 2019 and the Group adjusted operating profit increased to EUR 166 million. Adjusted operating profit for the fourth quarter was at an all time high and we expect the strong order backlog and solid demand to support our profitability also in 2020.

The greatest milestone of the year was the opening of the Mall of Tripla in October. The first months of the mall have been extremely successful and the number of customers exceeded 7 million at the end of the year. Even though the finalisation costs of the Mall of Tripla significantly impacted the Business premises segment's result negatively during the second half of the year, the project overall has been very profitable for us. In the fourth quarter, we booked a fair valuation for the Mall of Tripla investment in the Partnership properties segment boosting the segment's adjusted operating profit to EUR 83 million for the full year.

Consumer sales for apartments strengthened clearly in Finland and the CEE countries towards the end of the year. The Housing Finland and CEE segment's full-year adjusted operating profit decreased slightly due to lower number of completed apartments and changes in the sales mix. In Russia, our business returned to profitable, and residential sales picked up at the end of the year. The decision we made in the summer to focus on four cities and maintenance business in Russia, as well as to close down five units, has progressed well. During the year, capital invested in Russia decreased by over EUR 50 million at comparable exchange rates.

The result for Infrastructure projects grew significantly from the previous year driven by strengthened order backlog margins and improved project management. The segment achieved a positive adjusted operating profit after a loss in the previous year, and the order backlog increased to over EUR 1.1 billion. Furthermore, the discontinued Nordic paving and mineral aggregates operations achieved a good result with a substantial turnaround especially in Norway and Sweden.

According to the strategy update in fall 2019, urban development, the Partnership properties segment and services are the main sources for growth and profitability. We have rigorously been developing business and competitive advantages in these areas. Strategy execution is supported by the decision to the sell Nordic paving and mineral aggregates businesses to Peab, which will significantly strengthen our balance sheet and clarify our business structure. The transaction requires approval from competition authorities, and we expect the closing to take place during the first or the second quarter of 2020.

In sum, we strengthened our market position in all businesses in 2019. Solid position together with actions to improve productivity and profitability create a firm foundation for us to continue our favourable development also in 2020.

Significant matters

Actions taken in Russia to reduce capital and enhance profitability

On June 20, 2019, YIT announced its decision to discontinue residential construction in Moscow and the Moscow region, where the business has been very capital intensive and the operating environment challenging. The implementation of the plan will take place in stages. YIT also decided to entirely close down the contracting business for external clients in Russia. All contracting projects under construction were completed during 2019. In addition, YIT announced that it would discontinue residential construction in the city of Rostov-on-Don by the end of 2019 and sell undeveloped plots in the region. YIT has also exited the paving business in Russia as planned. YIT will continue to operate in and to further develop its residential construction business in St. Petersburg, Kazan, Yekaterinburg and Tyumen.

Sale of Nordic paving and mineral aggregates businesses

On July 4, 2019, YIT announced having signed an agreement with Peab for the sale of YIT's paving and mineral aggregates businesses in Finland, Sweden, Norway and Denmark. The transaction comprises the operations of the company's former Paving segment with the exclusion of the road maintenance business in Finland and paving business in Russia. The personnel working in said businesses will be transferred to Peab as part of the transaction. The businesses to be transferred employ a total of approximately 1,700 persons, the majority of whom work in Finland.

The debt-free purchase price is EUR 280 million, in addition to which net debt related to IFRS 16 lease liabilities will be reduced by approximately EUR 25 million. YIT will record a positive cash flow effect of approximately EUR 240 million and a capital gain of approximately EUR 40 million from the sale, which is not part of adjusted operating profit and which will be recognised upon completion of the transaction that is estimated to take place during the first or the second quarter of 2020. The transaction is conditional on approval from competition authorities, as well as the fulfillment of certain contractual conditions.

Events after the review period

Co-operation negotiations in Group support functions, Business premises and Partnership properties segments

On February 4, 2020, YIT announced commencing co-operation negotiations concerning white collar employees in Group support functions and in the Business premises and Partnership properties segments. The estimated number of personnel to be reduced in case of redundancies is at the maximum 40 employees. The potential reduction needs concern the Business premises segment and Group support functions.

Key figures, IFRS

EUR million	Reported 10–12/19	Pro forma, restated 10–12/18	Change	Reported 1–12/19	Pro forma, restated 1–12/18[1]	Change
Revenue, continuing operations	**1,152.4**	**1,127.8**	**2%**	**3,391.5**	**3,201.0**	**6%**
Housing Finland and CEE	445.7	354.0	26%	1,240.1	1,157.9	7%
Housing Russia	107.4	126.7	-15%	240.0	274.1	-12%
Business premises	438.5	438.7	0%	1,176.9	1,045.2	13%
Infrastructure projects	222.7	204.9	9%	806.7	716.8	13%
Partnership properties	0.2			0.3	0.0	
Other items	-62.1	3.6		-72.5	7.1	
Operating profit, continuing operations	**97.0**	**86.2**	**12%**	**80.5**	**104.7**	**-23%**
Operating profit margin, continuing operations, %	**8.4%**	**7.6%**		**2.4%**	**3.3%**	
Adjusted operating profit, continuing operations	**121.0**	**99.3**	**22%**	**165.5**	**132.0**	**25%**
Housing Finland and CEE	39.0	28.5	37%	91.4	103.3	-12%
Housing Russia	8.5	-3.8		1.2	-32.8	
Business premises	-10.4	56.1		-7.1	67.8	
Infrastructure projects	6.3	-0.7		14.9	-6.5	
Partnership properties	81.3	27.9	192%	82.7	26.9	208%
Other items	-3.7	-8.7	58%	-17.6	-26.7	34%
Adjusted operating profit margin, continuing operations, %	**10.5%**	**8.8%**		**4.9%**	**4.1%**	
Housing Finland and CEE	8.7%	8.0%		7.4%	8.9%	
Housing Russia	7.9%	-3.0%		0.5%	-12.0%	
Business premises	-2.4%	12.8%		-0.6%	6.5%	
Infrastructure projects	2.8%	-0.3%		1.9%	-0.9%	
Partnership properties						
Adjusting items	24.0	13.1	84%	85.0	27.2	212%
Profit before taxes	87.6	78.4	12%	40.4	71.4	-43%
Profit for the review period , continuing operations	58.7	56.8	3%	4.5	48.7	-91%
Profit for the review period , discontinued operations	14.4	-3.1		10.2	-15.4	
Profit for the review period[2]	73.2	53.7	36%	14.7	33.3	-56%
Earnings per share for the review period, EUR	0.35	0.26	34%	0.07	0.16	-56%
Adjusted earnings per share for the review period, continuing operations, EUR	0.35	0.32	10%	0.30	0.32	-6%
Operating cash flow after investments	132.1	204.5[4]	-35%	50.7	148.6[4]	-66%
Net interest-bearing debt at the end of the period	862.3	562.9[4]	53%	862.3	562.9[4]	53%
Adjusted net interest-bearing debt at the end of the period[3]	601.3	n/a		601.3	n/a	
Gearing ratio at the end of the period, %	81.3	53.6[4]		81.3	53.6[4]	
Adjusted gearing ratio at the end of the period[3], %	56.7	n/a		56.7	n/a	
Equity ratio at the end of the period, %	33.9	38.1[4]		33.9	38.1[4]	
Adjusted equity ratio at the end of the period[3], %	37.3	n/a		37.3	n/a	
Adjusted return on capital employed[3] (ROCE, rolling 12 months), %	11.1%	n/a		11.1%	n/a	
Order backlog at the end of the period, continuing operations	4,130.5	4,285.6[5]	-4%	4,130.5	4,285.6[5]	-4%

[1] Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018, excluding discontinued operations.
[2] Attributable to the equity holders of the parent company.
[3] Definitions of financial key performance indicators can be found in table 4.3 in the tables section.
[4] Reported.
[5] Restated reported.

	1–12/19	1–12/18	Change
Dividend per share, EUR	0.28[1]	0.27	4%

[1] Board of Directors' proposal to the Annual General Meeting. In addition, the Board of Directors proposes that the Annual General Meeting authorises the Board of Directors to decide on an extra dividend of no more than EUR 0.12 per share.

Group financial development

Revenue

Residential projects for consumers recognised as revenue upon completion.

EUR million	Reported 10–12/19	Pro forma, restated 10–12/18	Change	Reported 1–12/19	Pro forma, restated 1–12/18[1]	Change
Revenue, continuing operations	**1,152.4**	**1,127.8**	**2%**	**3,391.5**	**3,201.0**	**6%**
Housing Finland and CEE	445.7	354.0	26%	1,240.1	1,157.9	7%
Housing Russia	107.4	126.7	-15%	240.0	274.1	-12%
Business premises	438.5	438.7	0%	1,176.9	1,045.2	13%
Infrastructure projects	222.7	204.9	9%	806.7	716.8	13%
Partnership properties	0.2			0.3	0.0	
Other items	-62.1	3.6		-72.5	7.1	

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

October–December

The Group's revenue was approximately on the level of the comparison period and amounted to EUR 1,152.4 million (1,127.8). The Housing Finland and CEE segment's revenue grew from the comparison period due to a higher number of completions in the CEE countries. Additionally, a large number of completed apartments were sold in Finland. The Infrastructure projects segment's revenue increased year-on-year due to higher volumes.

The Business premises segment's revenue was at the same level as in the comparison period. Revenue was positively impacted by the revenue for the remaining part of the Mall of Tripla contract.

The Housing Russia segment's revenue decreased year-on-year due to reduced volumes in the contracting business. YIT has exited the paving business in Russia and it is reported under "Other items". Also the comparison period has been restated accordingly.

At comparable exchange rates, reported revenue was EUR 1,148.7 million.

January–December

The Group's revenue increased 6% year-on-year amounting to EUR 3,391.5 million (3,201.0). Revenue increased mainly due to higher revenue in the Business premises segment that was impacted by the remaining part of the Mall of Tripla contract. Additional renovation project volume and the growth in the number of life-cycle projects contributed to the segment's revenue growth. The Infrastructure project segment's revenue increased due to higher volumes year-on-year. In the Housing Finland and CEE segment, revenue increased year-on-year due to higher investor sales.

In the Housing Russia segment, revenue decreased year-on-year mainly due to reduced volumes in the contracting business.

At comparable exchange rates, reported revenue was EUR 3,390.5 million.

Result

EUR million	Reported 10–12/19	Pro forma, restated 10–12/18	Change	Reported 1–12/19	Pro forma, restated 1–12/18[1]	Change
Operating profit, continuing operations	**97.0**	**86.2**	**12%**	**80.5**	**104.7**	**-23%**
Operating profit margin, continuing operations , %	**8.4%**	**7.6%**		**2.4%**	**3.3%**	
Adjusting items	**24.0**	**13.1**	**84%**	**85.0**	**27.2**	**212%**
Adjusted operating profit, continuing operations	**121.0**	**99.3**	**22%**	**165.5**	**132.0**	**25%**
Housing Finland and CEE	39.0	28.5	37%	91.4	103.3	-12%
Housing Russia	8.5	-3.8		1.2	-32.8	
Business premises	-10.4	56.1		-7.1	67.8	
Infrastructure projects	6.3	-0.7		14.9	-6.5	
Partnership properties	81.3	27.9	192%	82.7	26.9	208%
Other items	-3.7	-8.7	58%	-17.6	-26.7	34%
Adjusted operating profit margin, continuing operations, %	**10.5%**	**8.8%**		**4.9%**	**4.1%**	
Housing Finland and CEE	8.7%	8.1%		7.4%	8.9%	
Housing Russia	7.9%	-3.0%		0.5%	-12.0%	
Business premises	-2.4%	12.8%		-0.6%	6.5%	
Infrastructure projects	2.8%	-0.3%		1.9%	-0.9%	
Partnership properties						

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

EUR million	Reported 10–12/19	Pro forma, restated 10–12/18	Change	Reported 1–12/19	Pro forma, restated 1–12/18[1]	Change
Profit before taxes	87.6	78.4	12%	40.4	71.4	-43%
Profit for the review period, continuing operations	58.7	56.8	3%	4.5	48.7	-91%
Profit for the review period, discontinued operations	14.4	-3.1		10.2	-15.4	
Profit for the review period[2]	73.2	53.7	36%	14.7	33.3	-56%
Earnings per share for the review period, EUR	0.35	0.26	34%	0.07	0.16	-56%
Adjusted earnings per share for the review period, continuing operations, EUR	0.35	0.32	10%	0.30	0.32	-6%

[1] Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018, excluding discontinued operations.
[2] Attributable to the equity holders of the parent company.

October–December

The Group's adjusted operating profit was EUR 121.0 million (99.3), and adjusted operating profit margin was 10.5% (8.8).

The year-on-year increase in adjusted operating profit was mainly due to the Partnership properties segment, where growth came mainly from the fair valuation of the Mall of Tripla investment. The segment's adjusted operating profit was further supported by the fair valuation of investment properties owned by YIT's associated companies and joint ventures.

The Housing Russia segment's adjusted operating profit improved clearly year-on-year supported by improved project margins. From the second quarter 2019 on, operating profit or loss from the businesses to be closed down or sold in Russia has been recorded in adjusting items and is not presented in adjusted operating profit.

In the Housing Finland and CEE segment, adjusted operating profit grew from the comparison period due to a higher number of completions in the CEE countries.

In the Infrastructure projects segment, adjusted operating profit increased due to the improved margins of new contracts in the order backlog.

The Business premises segment's adjusted operating profit decreased year-on-year mainly due to increased costs caused by the completion phase of the Mall of Tripla as well as by two other large projects.

Reported adjusted operating profit at comparable exchange rates was EUR 120.9 million.

Operating profit was EUR 97.0 million (86.2), and the operating profit margin was 8.4% (7.6). The operating profit includes adjusting items of EUR 24.0 million (13.1) related to merger related fair value cost effects (see note

4.2 for additional information) as well as integration costs. Operating loss from the businesses to be closed down or sold in Russia is also reported under adjusting items.

January–December

The Group's adjusted operating profit was EUR 165.5 million (132.0), and adjusted operating profit margin was 4.9% (4.1). The year-on-year increase in adjusted operating profit was mainly due to the Partnership properties segment, where the main reason for the growth was the fair valuation of the Mall of Tripla investment. The segment's adjusted operating profit was further supported by the fair valuation of investment properties owned by YIT's associated companies and joint ventures as well as the business model based fair value change of a loan receivable.

The Housing Russia segments' adjusted operating profit increased year-on-year and returned to positive. From the second quarter of 2019 on, operating profit or loss from the businesses to be closed down in Russia has been recorded in adjusting items and is not presented in adjusted operating profit.

The Infrastructure projects segment's adjusted operating profit improved due to higher margin levels year-on-year.

The Business premises segment's adjusted operating profit decreased year-on-year mainly due to increased costs caused by the completion phase of the Mall of Tripla as well as by two other large projects.

The Housing Finland and CEE segment's adjusted operating profit was negatively impacted by the year-on-year weaker sales mix.

Reported adjusted operating profit at comparable exchange rates was EUR 165.5 million.

Operating profit was EUR 80.5 million (104.7), and operating profit margin was 2.4% (3.3). The operating profit includes adjusting items of EUR 85.0 million (27.2). Key adjusting items include write-downs of EUR 43 million and provisions of EUR 9 million related to the closing down or selling of certain businesses in Russia. Other adjusting items are mainly related to merger related fair value cost effects and integration costs.

Profit before taxes was EUR 40.4 million (71.4) and profit for continuing operations for the reporting period was EUR 4.5 million (48.7).

The actions taken in Russia related to the closing down or selling of certain businesses had a negative impact on income taxes of the period.

Synergies and integration costs

The total synergies of the merger of YIT and Lemminkäinen were estimated to be approximately EUR 40 million annually, and they were expected to materialise in full by the end of 2020. Once the companies had merged, the sources of the synergies and the plans made were verified and detailed further.

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

Total synergy benefit measures done and decided by the end of 2019 amounted to approximately EUR 46 million and achieved cumulative synergy benefits impacting the result were approximately EUR 41 million, of which EUR 19 million were realised in 2018. The company has specified the synergy timetable and estimates that it will reach cumulative annual synergy benefits impacting the result EUR 47 million by the end of 2020.

Integration costs are estimated to result in a non-recurring negative cash flow effect and an effect on the result of approximately EUR 37 million during 2017–2020. During 2019, merger-related integration costs totalled approximately EUR 9 million. Cumulative integration costs at the end of the year totalled approximately EUR 31 million, including the costs recorded for Lemminkäinen in January 2018. The majority of the integration costs has been allocated to 2018 and 2019. In 2020, integration costs are estimated to be approximately EUR 6 million.

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

EUR million	1–12/19	Pro forma 1–12/18
Integration costs, total[1]	9.1	18.2[2]

[1] Integration costs exclude transaction costs.

[2] Includes both continuing and discontinued operations.

Acquisitions and capital expenditure

On July 4, 2019, YIT announced having signed an agreement with Peab for the sale of YIT's paving and mineral aggregates businesses in Finland, Sweden, Norway and Denmark. The transaction is expected to be closed during the first or the second quarter of 2020.

During the reporting period, reported gross investments amounted to EUR 65.1 million (reported 64.4), or 1.7% of revenue (reported 2.0). The investments consisted of investments in associated companies, joint ventures, building equipment and information technology, among other things.

EUR million	1–12/19	1-12/18	Change
Gross capital expenditure on non-current assets	65.1	64.4	1%
% of revenue	1.7%	2.0%	

Gross capital expenditure includes investments in continuing and discontinued operations.

Capital structure and liquidity position, cash flow and investments

EUR million	Reported 12/19	Reported 12/18	Change
Adjusted net interest-bearing debt[1]	601.3	n/a	
Net interest-bearing debt	862.3	562.9	53%
Cash and cash equivalents	131.8	263.6	-50%
Interest-bearing receivables	56.5	65.1	-13%
Interest-bearing debt	1,050.6	891.7	18%
Bonds	249.5	352.6	-29%
Commercial papers	140.8	46.7	202%
Pension loans		50.0	
Loans from financial institutions	180.0	130.4	38%
Housing corporation loans[3]	183.4	259.0	-29%
Lease liabilities[2]	260.9		
Finance lease liabilities[2]		17.8	
Other interest-bearing debt	36.0	35.2	2%
Available committed revolving credit facilities	300.0	300.0	
Available overdraft facilities	46.8	72.2	-35%
Equity ratio, %	33.9	38.1	
Adjusted equity ratio[1], %	37.3	n/a	
Gearing ratio, %	81.3	53.6	
Adjusted gearing ratio[1], %	56.7	n/a	

[1] Definitions of financial key performance indicators can be found in table 4.3 in the tables section.
[2] Lease liabilities include also previous finance lease contracts which were reported as finance lease liabilities before year 2019.
[3] Related to unsold apartments.

EUR million	Reported 10–12/19	Pro forma 10-12/18	Reported 1–12/19	Pro forma 1-12/18[1]
Operating cash flow after investments	132.1	204.5[2]	50.7	148.6[2]
Cash flow from plot investments	-81.3	n/a	-152.6	n/a
Cash flow from investments to associated companies and joint ventures	-9.2	n/a	-33.7	n/a
Net finance costs	-9.4	-7.8	-40.0	-33.3

[1] Comparisons include pro forma figures with Lemminkäinen's financial statements for the accounting period of January 1–January 31, 2018, excluding discontinued operations.
[2] Reported.
Cash flows presented include discontinued operations.

At the end of 2019, YIT's cash and cash equivalents amounted to EUR 131.8 million (reported 2018: 263.6), in addition to which YIT had undrawn overdraft facilities amounting to EUR 46.8 million (reported 2018: 72.2). Additionally, YIT's committed revolving credit facility of EUR 300 million (300) was completely undrawn. Undrawn and committed housing corporation loan agreements related to Finnish apartment projects amounted to EUR 280.5 million (reported 2018: 292.9).

At the end of December 2019, YIT Group's reported equity ratio was 33.9% (38.1) and reported gearing ratio was 81.3% (53.6). Due to the IFRS 16 standard, YIT Group's equity ratio decreased by 3.4 percentage points and gearing ratio increased by 24.6 percentage points. Adjusted equity ratio was 37.3% and adjusted gearing ratio was 56.7%.

Reported interest-bearing debt at the end of 2019 amounted to EUR 1,050.6 million (891.7) and reported net interest-bearing debt to EUR 862.3 million (562.9). Due to the IFRS 16 standard, YIT Group's net interest-bearing debt increased EUR 260.9 million. Adjusted net interest-bearing debt was EUR 601.3 million.

In 2019, YIT repaid its EUR 100 million fixed rate 7.375% unsecured senior bond and also its EUR 50 million pension loan, both on their maturity dates. Additionally, YIT agreed on a new three-year term loan of EUR 50 million with maturity date in November 2022.

During the year, reported net finance costs amounted to EUR 40.0 million (34.7). The impact of the IFRS 16 standard to net finance costs was EUR 15.2 million negative.

At the end of the year, the adjusted net debt/adjusted EBITDA ratio was 3.0. At the end of September 2019, the net debt/adjusted pro forma EBITDA ratio was 3.8.

The adoption of the IFRS 16 standard did not have a negative effect on YIT Group's financial covenants.

Capital employed was EUR 1,669.1 million. The impact of IFRS 16 standard on capital employed was EUR 256.9 million.

At the end of the year, capital employed in Russia was EUR 293.6 million (reported 2018: 318.7). Reported equity investments in Russia were EUR 351.5 million (358.3).

Operating cash flow after investments for January–December 2019 was EUR 50.7 million (reported 2018: 148.6). Cash flow from plot investments was EUR -152.6 million. Cash flow from investments to associated companies and joint ventures was EUR -33.7 million.

Order backlog

EUR million	Reported 12/19	Restated 12/18	Change
Order backlog, continuing operations	**4,130.5**	**4,285.6**	**-4%**
Housing Finland and CEE	1,736.8	1,729.3	0%
Housing Russia	356.1	348.8	2%
Business premises	897.4	1,326.9	-32%
Infrastructure projects	1,127.6	860.7	31%
Partnership properties			
Other items	12.5	19.9	-37%

At the end of 2019, reported order backlog amounted to EUR 4,130.5 million (12/18: 4,285.6).

At the end of the year, 69% of the order backlog was sold (09/19: 78%).

Segments, continuing operations

YIT's continuing operations include five reported segments: Housing Finland and CEE, Housing Russia, Business premises, Infrastructure projects and Partnership properties. The Nordic paving and mineral aggregations operations of the former Paving segment are presented under Discontinued operations, and the paving business in Russia is reported under "Other items". The road maintenance business in Finland of the former Paving segment is reported as part of the Infrastructure projects segment.

Housing Finland and CEE

Operating environment

Good consumer demand for apartments continued and the demand growth strengthened towards the end of the year. Institutional investor demand was also on a good level. In addition to demand for affordable apartments in the Helsinki Metropolitan Area and Tampere, demand for larger apartments improved year-on-year too. Private residential investor demand showed signs of an upturn. Supply in the market was on a high level.

In the CEE countries, consumer confidence continued to be on a good level, and demand for apartments continued to be positive. Shortage of resources due to increased construction volume led to cost pressure during the reporting period.

Prices of new apartments remained stable on average both in Finland and in the CEE countries.

Mortgage interest rates were on a low level in all operating countries and availability of financing was good. In Finland, new mortgages continued to be actively drawn.

Housing Finland and CEE EUR million	Reported 10–12/19	Pro forma, restated 10–12/18	Change	Reported 1–12/19	Pro forma, restated 1–12/18[1]	Change
Revenue	445.7	354.0	26%	1,240.1	1,157.9	7%
Operating profit	39.0	28.5	37%	91.4	102.6	-11%
Operating profit margin %	8.7%	8.0%		7.4%	8.9%	
Adjusted operating profit	39.0	28.5	37%	91.4	103.3	-12%
Adjusted operating profit margin %	8.7%	8.0%		7.4%	8.9%	
Order backlog at end of period	1,736.8	1,729.3[2]	0%	1,736.8	1,729.3[2]	0%
Capital employed	696.6	584.9[2]	19%	696.6	584.9[2]	19%

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

October–December

The segment's revenue and adjusted operating profit increased from the comparison period due to a higher number of completions in the CEE countries. Additionally, a large number of completed apartments were sold in Finland. Revenue increased to EUR 445.7 million (354.0) and adjusted operating profit to EUR 39.0 million (28.5). Adjusted operating profit margin was 8.7% (8.0).

During the period, YIT completed 1,226 apartments in Finland (1,295) and 1,173 apartments in the CEE countries (643). Number of unsold completed apartments remained at the same level as at the end of September and was 516 (9/19: 507), thereof 252 in Finland.

Order backlog at the end of the period was EUR 1,736.8 million (1,729.3).

January–December

The segment's revenue increased 7% year-on-year amounting to EUR 1,240.1 million (1,157.9). The segment's revenue increased year-on-year due to higher investor sales despite the smaller number of completed apartments in Finland. Adjusted operating profit was EUR 91.4 million (103.3) and adjusted operating profit margin was 7.4% (8.9). Adjusted operating profit was negatively impacted by the year-on-year weaker sales mix.

Residential construction in Finland, units	10–12/19	10–12/18	Change	1–12/19	1–12/18[1]	Change
Sold	1,274	815	56%	4,972	3,502	42%
of which initially started for consumers[2]	728	467	56%	2,833	2,363	20%
Start-ups	1,091	792	38%	4,498	3,793	19%
of which for consumers	545	444	23%	2,359	2,654	-11%
Completed	1,226	1,295	-5%	4,282	4,510	-5%
of which for consumers	587	1,131	-48%	2,908	3,657	-20%
Under construction at end of period	5,518	5,302	4%	5,518	5,302	4%
of which sold at end of period, %	63%	56%		63%	56%	
For sale at end of period	2,304	2,777	-17%	2,304	2,777	-17%
of which completed	252	422	-40%	252	422	-40%
Plot reserve in balance sheet at end of period, EUR million	490	222[3]	121%	490	222[3]	121%
Plot reserve at end of period[4], floor square metres	1,911,000	2,226,000	-14%	1,911,000	2,226,000	-14%

[1] Combined figures of YIT and Lemminkäinen.
[2] Includes apartments sold to residential funds: 10–12/19: 19 units; 10–12/18: 0 units; 1-12/19: 706 units; 1-12/18: 180 units.
[3] Excluding rental plots.
[4] Includes pre-agreements, rental plots and own plots.

Residential construction in the CEE countries, units	10–12/19	10–12/18	Change	1–12/19	1–12/18	Change
Sold	442	433	2%	1,284	1,204	7%
of which for consumers	344	292	18%	1,088	950	15%
Fund sales to consumers[1]	69	89	-22%	388	404	-4%
Start-ups	665	572	16%	1,919	1,566	23%
Completed	1,173	643	82%	1,740	1,427	22%
Under construction at end of period	2,912	2,440	19%	2,912	2,440	19%
of which sold at end of period, %	37%	46%		37%	46%	
For sale at end of period	2,085	1,436	45%	2,085	1,436	45%
of which completed	264	130	103%	264	130	103%
Plot reserve in balance sheet at end of period, EUR million	184	112	64%	184	112	64%
Plot reserve at end of period, floor square metres	638,000	474,000	35%	638,000	474,000	35%

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

Housing Russia

Related to the arrangements being made in Russia to reduce capital and to improve profitability, from the second quarter 2019 on, operating profit or loss from the businesses to be closed down has been recorded in adjusting items and is not presented in adjusted operating profit.

Operating environment

Russian consumers were cautious with their apartment buying decisions. Residential demand and prices remained stable. Interest rates for mortgages for new apartments continued to decrease during the period.

The changes in the housing sales legislation implemeneted in 2019 caused uncertainty in the residential market. During the review period, YIT started to sell residential projects through escrow accounts as required in the new housing sales legislation.

Housing Russia EUR million	Reported 10–12/19	Pro forma, restated 10–12/18	Change	Reported 1–12/19	Pro forma, restated 1–12/18[1]	Change
Revenue	107.4	126.7	-15%	240.0	274.1	-12%
Operating profit	-1.7	-3.8	55%	-46.6	-37.3	-25%
Operating profit margin %	-1.5%	-3.0%		-19.4%	-13.6%	
Adjusted operating profit	8.5	-3.8		1.2	-32.8	
Adjusted operating profit margin, %	7.9%	-3.0%		0.5%	-12.0%	
Order backlog at end of period	356.1	348.8[2]	2%	356.1	348.8[2]	2%
Capital employed	277.5	294.3[2]	-6%	277.5	294.3[2]	-6%

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

October–December

The segment's revenue was EUR 107.4 million (126.7). Revenue decreased year-on-year due to reduced volumes in the contracting business.

Adjusted operating profit improved clearly year-on-year, supported by improved project margins, and amounted to EUR 8.5 million (-3.8). Adjusted operating profit margin was 7.9% (-3.0). From the second quarter of 2019 on, operating profit or loss from the businesses to be closed down or sold has been recorded in adjusting items and is not presented in adjusted operating profit.

At comparable exchange rates, reported revenue was EUR 102.7 million and reported adjusted operating profit at comparable exchange rates was EUR 8.4 million.

1,977 apartments (2,042) were completed in Russia during the quarter. Number of unsold completed apartments at the end of the period was 884 (683). The majority of the unsold completed apartments were in the businesses to be closed down, that had a large number of completed apartments. Share of residential deals financed with mortgage was 42% (45).

At the end of the year, YIT was responsible for the service and maintenance of over 42,000 apartments, 8,000 parking spaces and 5,000 business premises in Russia, totalling over 55,000 clients.

In October 2019, YIT announced that it would establish a company in Russia with Brusnika, one of the largest Russian property developers operating in Siberia, Ural and Moscow region and also providing property maintenance services. The company began operations on January 1, 2020. It provides property management and maintenance services for approximately 24,000 apartments in the cities of Yekaterinburg, Tyumen, Novosibirsk and Surgut in the Ural and Siberia parts of Russia.

At the end of the period, order backlog was at the level of the comparison period, at EUR 356.1 million (348.8).

January–December

The segment's revenue declined 12% year-on-year, amounting to EUR 240.0 million (274.1). Revenue decreased year-on-year mainly due to reduced volumes in the contracting business. Approximately half of the revenue came from the businesses to be closed down.

Adjusted operating profit was EUR 1.2 million (-32.8) and adjusted operating profit margin was 0.5% (-12.0). Adjusted operating profit increased year-on-year and returned to positive.

At comparable exchange rates, reported revenue was EUR 234.2 million; reported adjusted operating profit at comparable exchange rates was EUR 1.1 million.

In June 2019, YIT announced that it will continue to take action in Russia to reduce capital and enhance profitability according to its strategy. YIT has decided to discontinue residential construction in Moscow and the Moscow region in stages, and to entirely close down the contracting business in Russia. Additionally, YIT announced that it would discontinue residential construction in the city of Rostov-on-Don by the end of 2019 and sell the undeveloped plots there. YIT has also exited the paving business in Russia as planned.

Key adjusting items in the Group's operating profit include write-downs of EUR 43 million and provisions of EUR 9 million related to the closing down or selling of businesses in Russia, whereof a write-down of EUR 25.5 million and a provision of EUR 7.5 million are connected to the Housing Russia segment.

Residential construction in Russia, units	10–12/19	10–12/18	Change	1–12/19	1–12/18	Change
Sold	928	1,184	-22%	3,037	3,682	-18%
Start-ups	483	1,232	-61%	2,929	3,694	-21%
Completed[1]	1,977	2,042	-3%	3,819	2,974	28%
Under construction at end of period	4,396	5,286	-17%	4,396	5,286	-17%
of which sold at end of period, %	26%	33%		26%	33%	
For sale at end of period	4,119	4,223	-2%	4,119	4,223	-2%
of which completed	884	683	29%	884	683	29%
Plot reserve in balance sheet at end of period[2], EUR million	145	162	-10%	145	162	-10%
Plot reserve at end of period[2], floor square metres	1,158,000	1,546,000	-25%	1,158,000	1,546,000	-25%

[1] Completion of residential projects requires commissioning by the authorities.

[2] Figures include Gorelovo industrial park.

Under construction at end of period, units	12/19	12/18	Change	12/19	9/19	Change
St. Petersburg	990	819	21%	990	1,184	-16%
Moscow	1,152	2,428	-53%	1,152	2,312	-50%
Russian regions	2,254	2,039	11%	2,254	2,394	-6%

Business premises

Operating environment

Good market in Finland continued to support public and private investments. The construction volume was on a high level overall. Outside the Helsinki metropolitan area, competition intensified with residential construction growth slowing down.

Business premises contracting market was active in growth centres in Finland and especially in the Helsinki metropolitan area. Tenant demand was on a good level in the Helsinki area which is also the main market for investor demand. Rental levels of business premises remained good in Finland and in the Baltic countries.

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

Business premises EUR million	Reported 10–12/19	Pro forma, restated 10–12/18	Change	Reported 1–12/19	Pro forma, restated 1–12/18[1]	Change
Revenue	438.5	438.7	0%	1,176.9	1,045.2	13%
Operating profit	-10.4	56.0		-7.1	67.3	
Operating profit margin %	-2.4%	12.8%		-0.6%	6.4%	
Adjusted operating profit	-10.4	56.1		-7.1	67.8	
Adjusted operating profit margin %	-2.4%	12.8%		-0.6%	6.5%	
Order backlog at end of period	897.4	1,326.9[2]	-32%	897.4	1,326.9[2]	-32%
Capital employed	64.6	38.2[2]	69%	64.6	38.2[2]	69%

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

[2] Restated reported.

Business premises	12/19	9/19
Plot reserve in the balance sheet, EUR million	97	101
Plot reserve, floor square metres	821,000	842,000

October–December

The segment's revenue was at the same level as in the comparison period, amounting to EUR 438.5 million (438.7). The Mall of Tripla was finalised as scheduled and opened in October. Revenue was positively impacted by the revenue for the remaining part of the Mall of Tripla contract.

Adjusted operating profit was EUR -10.4 million (56.1), and adjusted operating profit margin was -2.4% (12.8). Adjusted operating profit decreased year-on-year mainly due to increased costs caused by the completion phase of the Mall of Tripla, as well as by two other large projects.

The rental rate of Tripla offices was 95% at the end of the period.

At the end of the period, the segment's order backlog was EUR 897.4 million (1,326.9). In the comparison period, the Tripla project was included in the order backlog.

January–December

The segment's revenue increased 13% year-on-year and amounted to EUR 1,176.9 million (1,045.2). The segment's revenue was positively impacted by the revenue for the remaining part of the Mall of Tripla contract. Additional renovation project volume and the growth in the number of life-cycle projects contributed to the revenue growth.

Adjusted operating profit decreased to EUR -7.1 million (67.8) mainly due to increased costs caused by the completion phase of the Mall of Tripla, as well as by two other large projects. The segment's adjusted operating profit margin was -0.6% (6.5).

Largest ongoing Business premises projects

Project, location	Total value, EUR million	Project type	Completion rate, %	Estimated completion	Sold/ for sale contracting
Tripla offices, East and West, Helsinki, Finland	n/a	office	99%, 97%	03/20	sold
Finavia air terminal expansion, Vantaa, Finland	250[1]	airport	84%	08/21	contracting
Mansikkala school centre, Imatra, Finland	55	life-cycle project	59%	07/20	contracting
The "Hamburger Börs" hotel, Turku, Finland	43	hotel	8%	09/21	contracting
Main building of the University of Helsinki	33	university	9%	07/21	contracting

[1] Project expanded.

Infrastructure projects

The Finnish Road maintenance business, previously reported as a part of the former Paving segment, has been transferred to the Infrastructure projects segment following the planned sale of Nordic paving and mineral aggregates businesses. Comparative segment figures have been restated starting from the beginning of 2018 to reflect the changes.

Operating environment

Urbanisation, industrial investments and investments in energy and traffic infrastructure have kept demand for complex infrastructure construction on a good level. Especially in Sweden and Norway, the market remained strong, and there are several major infra projects and industrial investments ongoing or planned in both countries. In Finland, the infrastructure construction outlook has improved. In the Baltic countries, competition is intense.

Infrastructure projects EUR million	Reported 10–12/19	Pro forma, restated 10–12/18	Change	Reported 1–12/19	Pro forma, restated 1–12/18[1]	Change
Revenue	222.7	204.9	9%	806.7	716.8	13%
Operating profit	5.8	-1.1		14.4	-7.2	
Operating profit margin %	2.6%	-0.5%		1.8%	-1.0%	
Adjusted operating profit	6.3	-0.7		14.9	-6.5	
Adjusted operating profit margin %	2.8%	-0.3%		1.9%	-0.9%	
Order backlog at the end of the period	1,127.6	860.7[2]	31%	1,127.6	860.7[2]	31%
Capital employed	52.4	77.0[2]	-32%	52.4	77.0[2]	-32%

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

[2] Restated reported.

October–December

The segment's revenue increased 9% year-on-year due to higher volumes and amounted to EUR 222.7 million (204.9).

The segment's profitability continued to improve: adjusted operating profit increased due to the improved margins of new contracts in the order backlog to EUR 6.3 million (-0.7), and adjusted operating profit margin improved to 2.8% (-0.3).

Order backlog continued strong, growing 31% year-on-year. During the period, the extension of the tram network in Tampere and the "Atlantinsilta" bridge in Jätkäsaari, Helsinki, both in Finland, were added into the order backlog, among other projects. At the end of the period, order backlog amounted to EUR 1,127.6 million (860.7).

January–December

The segment's revenue increased 13% year-on-year and amounted to EUR 806.7 million (716.8). Adjusted operating profit was EUR 14.9 million (-6.5) and adjusted operating profit margin was 1.9% (-0.9).

Revenue increased due to higher volumes year-on-year. Adjusted operating profit improved due to higher margin levels year-on-year. The result was still partly burdened by the low margins recognised for old projects.

Largest ongoing infrastructure contracting projects

Project, location	Total value of the project, EUR million	Completion rate, %	Estimated completion
Raide-Jokeri light rail, Helsinki and Espoo, Finland	~200	11%	06/24
Blominmäki wastewater treatment plant, Espoo, Finland	~206	44%	02/22
Henriksdal wastewater tunnel, Stockholm, Sweden	~130	0%	10/26
Henriksdal wastewater treatment plant, Stockholm, Sweden	~60	14%	12/23
Light railway alliance, Tampere, Finland, phase 1 and extension	~110 + 10	78%[1], 0%	12/21 and 09/22

[1] Includes the entire Light railway alliance.

Partnership properties

Operating environment

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

Partnership properties EUR million	Reported 10–12/19	Pro forma, restated 10–12/18	Change	Reported 1–12/19	Pro forma, restated 1–12/18[1]	Change
Revenue	0.2			0.3	0.0	
Adjusted operating profit	81.3	27.9	192%	82.7	26.9	207%
Capital employed	253.5	145.0[2]	75%	253.3	145.0[2]	75%

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

Investments

Partnership	Co-operation model	YIT's equity investment commitments, EUR million	YIT's ownership	Additional information
Equity investments				
Mall of Tripla Ky	Shopping centre property company	117	38.75%	Hybrid project Tripla's shopping centre part in Pasila, Helsinki, Finland. The company is formed by YIT, Ilmarinen (38.75%), Conficap (15%) and Fennia (7.5%) Occupancy rate of the Mall approximately 96%, leasable area 85,000 square metres.
Associated companies and joint ventures				
Regenero Oy	Project development company	8[1]	50%	Owned by YIT and HGR Property Partners. Regenero owns office properties in Keilaniemi, Espoo, Finland. The occupancy rate of the property is 80%. Capital investments in Regenero are made based on needs of projects being developed.
E18 Hamina-Vaalimaa motorway	Road company	5	20%	Meridiam Infrastructure Finance II S.á.r.l. holds 80% and YIT 20% of the company. Maintenance contract until 2034.
YCE Housing I fund	Project development fund	15	40%	Residential projects in Slovakia, the Czech Republic, Lithuania and Estonia. Other investors include Ilmarinen (30%) and a group of Finnish investors. The fund's equity is approximately EUR 37 million.
ÅB Lunastustontti I Ky	Plot fund	10	20%	Residential plot fund in Finland. YIT owns 20% of the fund, other investors are Varma (40%) and Ålandsbanken (40%). The fund's equity is projected to be EUR 50 million.
FinCap Asunnot Oy	Residential joint venture	11	49%	Joint venture investing in Finnish rental apartments built by YIT. Investors are YIT (49%) and a group of Finnish private investment companies. YIT has sold to the JV almost 600 apartments completed or in the final stage of construction throughout Finland, total value over EUR 100 million.
Ålandsbanken Kodit Ky	Joint housing investment company	18	40%	Company investing in rental apartments in Finland.

[1] YIT's current equity investment in Regenero.

[2] Includes the entire Keilaniemenranta area development project.

	EUR million
Invested equity December 31, 2018	136
Net increase in invested equity 2019	22
Invested equity December 31, 2019	158
Cumulative results and dividends	10
Change in fair value 2019	77
Portfolio balance sheet value	245

October–December

The segment's adjusted operating profit increased to EUR 81.3 million (27.9) mainly due to the fair valuation of the Mall of Tripla investment. The segment's adjusted operating profit was further supported by the fair valuation of investment properties owned by YIT's associated companies and joint ventures.

In December, YIT announced that Regenero, the joint venture formed by YIT and HGR Property Partners, had completed the first phase of the Keilaniemi area, the Accountor Tower, in Espoo, Finland. However, the finalisation of the real estate transaction was moved from 2019 into 2020, which postponed the profit into the first quarter of 2020.

The biggest project reported in the Partnership properties segment is the Mall of Tripla. The occupancy rate of Mall of Tripla was approximately 96% at the end of period. During the period, the leasing of other projects reported in the Partnership properties segment also proceeded well.

January–December

The segment's adjusted operating profit increased to EUR 82.7 million (26.9) mainly due to the fair valuation of the Mall of Tripla investment. Another factor contributing to the adjusted operating profit was the fair valuation of investment properties owned by YIT's associated companies and joint ventures as well as the business model based fair value change of a loan receivable.

During the period, YIT was involved in establishing a joint venture that invests in rental apartments the company has constructed in Finland. The investors in the joint venture are YIT (49%) and a group of Finnish private investment companies. At the same time, YIT Housing Finland and CEE segment sold almost 600 completed apartments or apartments that are in the final stage of construction throughout Finland to the new joint venture. The total value of the sold apartments is over EUR 100 million.

In 2019, YIT and the Ålandsbanken bank entered into an agreement to establish a company investing in rental apartments. YIT's share of the investment is 40%, and Ålandsbanken's 60%. In the same connection, YIT agreed on the sale of ten rental apartment buildings to the company. The investment value of the projects is approximately EUR 112 million.

Discontinued operations

Discontinued operations include the Nordic paving and mineral aggregates operations that are planned to be sold and related allocations.

Discontinued operations EUR million	10–12/19	Pro forma 10–12/18	Change	1–12/19	Pro forma 1–12/18[1]	Change
Revenue	124.7	141.1	-12%	540.0	558.3	-3%
Operating profit	13.3	-3.6		12.0	-13.4	
Operating profit margin %	10.6%	-2.5 %		2.2%	-2.4%	
Order backlog at the end of the period	168.6	148.2	14%	168.6	148.2	14%

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

October–December

Revenue of discontinued operations was EUR 124.7 million (141.1) and operating profit EUR 13.3 million (-3.6). Operating profit margin was 10.6% (-2.5). The result was supported by continued positive development in Norway and Sweden. Operating profit of discontinued operations includes additional allocations such as fair value allocations from the Lemminkäinen merger and transaction costs.

Order backlog of discontinued operations grew 14% year-on-year and was EUR 168.6 million (148.2).

January–December

Revenue of discontinued operations was EUR 540.0 million (558.3), operating profit EUR 12.0 million (-13.4) and operating profit margin 2.2% (-2.4).

In July 2019, YIT announced having signed an agreement with Peab for the sale of YIT's paving and mineral aggregates businesses in Finland, Sweden, Norway and Denmark. Carve-out preparation of the operations is proceeding as planned; the transaction is expected to be closed during the first or the second quarter of 2020.

Personnel

Personnel per segment, continuing operations	12/19	09/19	Change, nr of persons	12/18
Housing Finland and CEE	2,549	2,568	-19	2,632
Housing Russia	1,278	1,300	-22	1,424
Business premises	1,232	1,273	-41	1,177
Infrastructure projects	2,017	2,167	-150	1,969
Partnership properties	4	3	1	2
Group services	337	364	-27	352
Group total	**7,417**	**7,675**	**-258**	**7,556**

Personnel per geographic area, continuing operations	12/19	09/19	Change, nr of persons	12/18
Finland	4,274	4,397	-123	4,371
Russia–	1,289	1,310	-21	1,432
CEE countries	1,555	1,685	-130	1,539
Scandinavia	299	283	16	214
Group total	**7,417**	**7,675**	**-258**	**7,556**

During January–December 2019, the Group's continuing operations employed on average 7,635 people (7,973). Including discontinued operations, the average number of personnel in January–December 2019 was 9,444 (9,906). Attending employee figures are used in reporting the number of personnel. The change in the Group's number of personnel is mainly due to the decrease in the number of the Infrastructure projects segment's personnel in the CEE countries. In Finland, the change in the number of personnel was mainly due to the changes in the Business premises segment and in the Group services.

Personnel expenses in 2019 totalled EUR 405.7 million (417,8).

YIT's Board of Directors decided on March 16, 2017 to launch a share-based incentive scheme for key persons, comprising three earnings periods. The earnings periods of the 2017–2019 incentive scheme are the calendar years 2017, 2018 and 2019. Any bonus will be determined on the basis of the indicators decided annually by YIT's Board of Directors for each earnings period and respective target levels. Return on investment is the key indicator in the scheme (2017: ROI, 2018 and 2019: ROCE). An additional target related to the Group's Net Promoter Score (NPS), that indicates the Group's customer feedback level, was set for 2017, 2018 and 2019. In 2019, the cost effect of YIT's share-based incentive scheme was EUR 3.0 million.

In 2019, the Group's accident frequency (number of accidents per one million working hours) was 10.5 (2018: 9.7, including discontinued operations). During the year, there was one fatal accident in the Group's construction sites. The accident frequency is calculated by dividing the number of workplace accidents that caused an absence of at least one day by one million hours worked. The accident frequency is calculated as a 12-month rolling average.

Long-term financial targets

YIT's Board of Directors confirmed in September 2019 the company's long-term financial targets for 2020–2022. The adoption of the IFRS 16 standard did not have an effect on the company's long-term financial targets.

Additionally, the Board of Directors decided to propose to the Annual General Meeting a change in dividend payment to be done in two tranches starting with the dividend paid for the year 2019.

Long-term financial targets	Target level
Return on capital employed (ROCE)	over 12%
Gearing	30–50% including the impact of IFRS 16 by the end of the strategy period
Dividend per share	Annually increasing, paid in two tranches

Strategy

In September 2019, YIT's Board of Directors confirmed the company's reviewed strategy for 2020–2022. The target of the reviewed strategy continues to be to improve profitability and to maintain financial stability.

The company's strategic priorities are, as previously, urban development and the non-cyclical Partnership properties and services businesses. Cornerstones of success supporting these priorities are top performance, success with customers and partners, happy people andstepping up sustainability.

Each business segment sees to its own competitiveness in its market area through development work done in the segment. Additionally, YIT implements its strategy through four group-wide development programmes supporting the cornerstones of success and growth. The Performance, Green Growth and Customer Focus programmes started last year continue with adjusted content supporting the strategy review, such as actions targeting carbon neutrality and reduced CO_2 emissions. As a new one, the Services Development programme was started.

Resolutions passed at the Annual General Meeting

The Annual General Meeting of YIT Corporation was held on March 12, 2019. YIT published stock exchange releases on the resolutions of the Annual General Meeting and on the organisational meeting of the Board of Directors on March 12, 2019. The stock exchange releases and introductions of the members of the Board of Directors are available on YIT's web pages.

Shares and shareholders

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

Share capital and number of shares

YIT Corporation's share capital and number of shares remained unchanged during the reporting period.

In the beginning of 2019, YIT's share capital was 149,716,748.22 euros (2018: 149,216,748.22) and the number of shares outstanding at the end of the reporting period, on December 31, 2019, was 208,768,363 (2018: 210,048,010).

Treasury shares and authorisations of the Board of Directors

On March 12, 2019, the Annual General Meeting of YIT Corporation resolved to authorise the Board of Directors to decide on the repurchase of company shares and share issues as proposed by the Board of Directors.

On July 25, 2019, YIT announced that the Board of Directors had passed a resolution to start repurchasing the company's own shares on the basis of the authorisation given by the Annual General Meeting.

On September 2, 2019, YIT announced having completed the repurchasing programme of the company's own shares. During the time period from July 26, 2019 to August 30, 2019, the company purchased through public trading organised by Nasdaq Helsinki Oy a total of 1,500,000 company's own shares at an average price per share of EUR 5.0080.

The Board of Directors decided on April 26, 2019 and on August 20, 2019 on a directed share issue for YIT's and Lemminkäinen's Performance Share Program reward payment from the 2016 performance period as agreed in connection with the merger of YIT and Lemminkäinen. On April 26, 2019 and September 18, 2019, YIT announced that in the share issues in total 220,353 YIT Corporation shares were issued and conveyed without consideration to the key persons participating in the incentive scheme according to the terms and conditions of the incentive scheme.

On December 31, 2019, YIT Corporation held 2,331,490 treasury shares.

Trading of shares

The opening price of YIT's share was EUR 5.08 on the first trading day of 2019. The closing price of the share on the last trading day of the reporting period on December 30, 2019, was EUR 5.96. YIT's share price increased approximately 17% during the reporting period. The highest price of the share during the reporting period was EUR 6.20, the lowest EUR 4.77 and the average price was EUR 5.36. Share turnover on Nasdaq Helsinki during the reporting period was approximately 75 million shares (228.5). The value of the share turnover was approximately EUR 402 million (1,303), source: Nasdaq Helsinki.

During the reporting period, approximately 21.5 million (73.6) YIT Corporation shares changed hands in alternative market places, corresponding to approximately 22 per cent (24) of the total share trade, source: Euroland.

YIT Corporation's market capitalisation on the last trading day of the reporting period on December 30, 2019 was EUR 1,244.3 million (1,073.3). The market capitalisation has been calculated excluding the shares held by the company.

Number of shareholders and flagging notifications

At the end of December 2019, the number of registered shareholders was 43,178 (46,704). A total of 15% of the shares were owned by nominee-registered and non-Finnish investors (13.8).

During the reporting period, YIT did not receive any flagging notifications.

Managers' transactions

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

Most significant short-term business risks

YIT's Board of Directors approves the company's risk management policy and its objectives, including the risk tolerance and risk appetite. Risk management planning and the evaluation of the overall risk position are part of the annual strategy process. Risk management is included in all of the Group's significant operating, reporting and management processes. Significant changes in risks are followed on monthly basis and reported according to the Group's governance and reporting practices.

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

There is still uncertainty related to the economic development of Russia. The volatility of the oil price and the rouble, changes in legislation, geopolitical tensions and inflation may have an influence on the demand for apartments due to a weakening in purchasing power and consumer confidence. Declining purchasing power and oversupply of apartments would also impact the development of residential prices.

At the end of 2019, Finland accounted for the majority of the company's revenue, which highlights the significance of Finland's economic development for YIT's business. The slowing growth of the Finnish economy and the indebtedness of the public sector may weaken consumers' purchasing power and general confidence, which would have a negative impact on the demand for apartments and business premises. An increase of public sector debt could also make it more difficult to finance infrastructure investments. Investors have played a central role in YIT's Finnish business in recent years. An increase in price or interest levels, increased rental accommodation supply and/or weakening in tenant demand on the business premises or residential market and better yields of alternative investments could lead to a significant decrease in investor demand. Increased supply and slowdown of population growth or depopulation can pose a local risk for residential demand.

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

Especially in Finland and the CEE countries, the availability of the resources needed for the increased production volume might prevent increasing the production as planned. Competitors' need for resources also poses a risk of losing key personnel and expertise. The overheating of market, should it materialise, would have an impact on price levels and availability of resources. To support the identification of potential personnel risks, YIT annually creates a proactive personnel and training plan that outlines, in accordance with the Group's strategy, YIT's competence needs, personnel needs and potential attrition due to retirement, for example.

Completing the integration, the planned sale of Nordic paving and mineral aggregates businesses as well as arrangements in Russia take time from key personnel, cause uncertainty among employees, activate competitors to recruitment attempts and may have an impact on the company's financial performance. The company has taken measures as planned to mitigate these risks.

The company expects the annual total synergies to have an impact of EUR 47 million by the end of 2020. Of this, EUR 41 million was achieved by the end of 2019. The assumptions related to the synergy benefits and integration costs are by nature uncertain and liable to numerous significant risks and uncertainties related to business, economy and competition. More detailed information on the risks related to the merger is published in the merger prospectus. The merger prospectus is available on YIT's website.

Most of the company's business is project business, meaning that successful project management plays an integral role in ensuring the company's profit. The most significant project management risks are related to factors such as pricing, planning, scheduling, procurement, cost management and customer behaviour as well as in the company's self-developed business, also the management of sales risk. YIT's major business premises and infrastructure projects in Finland, make up a significant share of the company's expected operating profit in the coming years, meaning that successful project management in the projects is integral.

Among other measures, the company has continued to manage risks related to its business and to capital employed by utilising associated companies and joint ventures in its business operations. Being a party to associated companies and joint ventures is nevertheless subject to risks typical to them related to, among other things, potential disagreements regarding decision making, financing and business operations, as well as distribution of obligations among parties.

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

Epidemies or pandemics can disturb the company's supply chains or at worst weaken the company's operational prerequisites.

Changes in legislation and authorities' processes may slow down the progress of projects, have a negative effect on net debt, increase the need for equity or debt funding or prevent additional funding from being realised. There are uncertainty factors related to authorities' actions, permit processes and their efficiency particularly in Russia and the CEE countries. Political tensions between e.g. EU, USA, Russia and China are materialised as sanctions, among others, that may have a significant impact on the company's business. Changes in the federal law regulating housing market in Russia may cause disturbance in companies' monetary transactions, current contract models and increase capital employed. The housing act came into force in summer 2019, which increases uncertainty. The role of banks in monitoring the law has been expanded and the incompleteness of the monitoring process may cause uncertainty.

In recent years, the company has decreased capital employed in Russia according to its strategy, and the improvement of the capital turnover will continue as a part of normal business. The company's target is to further release capital employed in Russia.

The most significant financial risks are the risks related to foreign exchange rate development and the availability of financing. Availability of financing may be affected by negative development in the Nordic residential construction market. The Group's most significant currency risk is related to rouble-denominated investments. Additional information on financial risks and their management is provided in Note 29 to the Financial statements 2018.

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

Also climate change poses challenges for the operations of YIT and the construction industry. For example, significantly increased annual precipitation or extreme weather may result in increased costs or delayed production processes. Significant changes in legislation, investor demand or customer demand related to climate change or climate action may impair the company's operational prerequisites. YIT aims to prepare for such risks through proactive measures and ambitious goals intended to promote the sustainability and eco-friendliness of the operations.

Risks related to occupational safety are individual, such as various accidents and injuries. Most of the occupational accidents occurring at YIT are related to tripping or slipping when moving around on-site. The Group's current occupational safety activities are increasingly focused on proactive measures such as safety planning, safety observations, on-site safety briefing practices and orientation training. Accidents and near misses are investigated and information on them is communicated internally.

The risks identified by YIT with regard to respecting human rights are related to working conditions, harassment, racism, discrimination and unethical operating methods. These risks are taken into consideration in YIT's Code II online training, orientation training, selection processes, regular development discussions, intervention practices and the annual Voice personnel survey. The Group has also introduced the YIT Ethics Channel for reporting suspected non-compliance.

As regards the subcontractor network, YIT strives to eliminate risks related to foreign workforce in the realisation of respecting human rights by monitoring and auditing subcontractors. YIT manages risks related to labour human rights in the supplier and subcontractor network by enforcing supplier requirements. Respect for labour and human rights in the supply chain is monitored by means of various reviews and audits.

The high level of subcontracting and the use of contracting chains are challenges in the construction industry. The use of contracting chains is always subject to permission at YIT. In spite of active monitoring efforts, internal audits and communication, there is always the risk that there are illegal operators in the subcontracting chain.

Risks related to the prevention of corruption and bribery include the operations being geographically dispersed, the large number of agreements and the fixed-term nature of projects. Increasing transparency throughout the Group's operating countries, defining common operating methods and targets and increasing awareness and the use of internal audits are part of YIT's risk management. Risks related to unethical activities are also managed by conducting background checks for partners to the extent allowed by local legislation. Other methods include approval procedures, the selection and auditing of partners and internal audit practices.

YIT Ethics Channel, an ethical reporting channel, is in use in the company. Its goal is to prevent risks and promote the observance of ethical operating principles throughout the organisation. YIT Ethics Channel is used in situations where non-compliance with legislation, YIT's values, policies, procedures or instructions is suspected. All reported information is handled confidentially and in accordance with the legislation governing the processing of confidential information.

Legal proceedings

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

Damages related to the asphalt cartel

On September 6, 2017, the Supreme Court of Finland announced that it had granted leave to appeal to Lemminkäinen and certain cities regarding the legal proceedings concerning the damages related to the asphalt cartel. The Supreme Court announced on June 18, 2019 its decisions on matters related to the claims by the cities of Mikkeli and Rovaniemi. The Supreme Court approved for the most part YIT's claims related to the question on the share of value added tax. Additionally, the Supreme Court approved partly YIT's claim related to decreasing the damages due to dispersion of responsibility in the matter concerning the claim by the city of Rovaniemi. The Supreme Court dismissed YIT's corresponding claim concerning the claim by the city of Mikkeli. On October 22, 2019, the Supreme Court announced its decision on matters related to the claims by the city of Vantaa. The Supreme Court approved for the most part YIT's claims related to the question on the share of value added tax.

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

The company deems as such the claims for damages unfounded.

In addition, Lemminkäinen has been served summons regarding 21 claims against the company and other asphalt companies for damages. The capital amount of these claims totals approximately EUR 26 million. For these claims, the company has made a provision worth approximately EUR 2.5 million based on the Helsinki Court of Appeal's decisions and the subsequent Supreme Court's decisions regarding the applications for leave to appeal.

Quality concerns related to ready-mixed concrete

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

The Hospital District of Southwest Finland presented claims for damages to YIT relating to the quality of the ready-mixed concrete as well as the work performance in the project for the construction of the concrete deck of the T3 building of Turku University Hospital.

YIT has in April 2019 signed a contract with the concrete supplier on agreeing the dispute between YIT and the concrete supplier.

Short-term outlook by region

Finland

Consumer demand for apartments is expected to remain on the good level average level of 2019. Institutional investor demand is expected to stay on a good level. Activity among private residential investors is expected to be on the level of 2019. Location and price level continue to play a key role. Demand for new rental apartments in good locations continues to be on a good level supported by low interest levels. Stricter lending practice by financial institutions and potential changes in legislation may impact consumer demand in the future.

Divergent development of apartment prices and demand between growth centres and the rest of Finland is expected to continue. Increased supply of apartments is anticipated to prevent the rise of housing prices.

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

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

Construction costs are estimated to stay on a stable level. Construction volume is expected to return to a normal level.

Increased regulation and higher capital requirements imposed on financial institutions affect construction and property development. Financial institutions have tightened housing company lending in the market.

In infrastructure construction, complex infrastructure projects in urban growth centres as well as transport projects and industrial investments maintain demand. In 2020, the infrastructure construction market is expected to grow.

Russia

Demand for apartments is expected to remain at the same level as seen on average in 2019. Demand is expected to focus primarily on affordable apartments; this is also supported by demographic trends. The recent key rate cuts by the Central Bank of Russia have lead to a decrease in mortgage interest rates.

Changes in regulation concerning the housing market are expected to continue to cause uncertainty and turbulence in the market, to maintain volatility in supply and sales practices as well as to increase housing prices in the longer term.

The Baltic countries and CEE countries

Residential demand in the Baltic countries is expected to remain on a good level, where the capital regions continue to grow. Availability of financing and low interest rates are expected to continue to support residential demand. Weaker outlook for the German economy might impact residential demand in the CEE countries. Residential prices are estimated to increase further.

Prices of plots have increased and competition for plots is expected to remain intense. Shortage of resources and long construction permit processes are expected to continue to increase construction cost inflation and to limit volume growth.

Contracting market for business premises is expected to remain at the current level or to decrease slightly in the Baltic countries.

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

Scandinavia

In Norway and Sweden, infrastructure construction is boosted by multi-year, state-funded traffic infrastructure development programmes and urbanisation. In both countries, infrastructure construction is expected to grow in 2020. Large-scale road, railway projects and industrial investments are ongoing or planned in Sweden and Norway, which will increase demand for infrastructure projects. In addition, especially Norway is investing in the development and renewal of energy production.

Guidance for 2020

Guidance for 2020

The Group revenue of continuing operations for 2020 is estimated to be in the range of EUR 2,900–3,300 million (2019: EUR 3,391.5 million).

The full-year Group adjusted operating profit from continuing operations is estimated to be in the range of EUR 150–190 million (2019: EUR 165.5 million).

Guidance rationale

The result guidance is based, for instance, on the estimated completion of residential projects under construction, closing of sales of business premises projects and the company's solid order backlog. At the end of 2019, 69% of the order backlog was sold.

Significant fluctuation is expected to take place between the quarters due to typical seasonality in infrastructure projects, closing of sales of business premises projects and the completion of residential projects. The last quarter of the year is expected to be clearly the strongest. The company estimates that the adjusted operating profit for the first quarter of 2020 will be on the level of, or above, the comparison period (continuing operations 1–3/2019: EUR -9.7 million).

Estimated completions of consumer apartment projects under construction

At the end of 2019, the company had 12,826 apartments under construction in total. The table below shows the company's current estimate of consumer apartment projects under construction to be completed. In the figures for Russia, all projects under construction are included, also the ones which are not included in adjusted operating profit. In addition, the company has 2,250 (09/19: 2,343) apartments the revenue for which is recognised over time.

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

Units	*1-12/18, actual*	*1-12/19, actual*	1-12/20, estimate	1Q20, estimate	2Q20, estimate	3Q20, estimate	4Q20, estimate	1Q21, estimate	Later
Finland[1]	3,657	2,908	2,600	500	600	500	1,000	400	200
CEE[2]	1,427	1,740	1,800	100	300	100	1,300	0	1,100
Russia[3]	2,974	3,819	2,800	300	800	1,100	600	800	800
Total	8,058	8,467	7,200	900	1,700	1,700	2,900	1,200	2,100

[1] In Finland, the estimate of completions may deviate with tens of apartments depending on the construction schedule.
[2] In the CEE countries, the estimate of completions may vary with tens of apartments; a deviation of over 100 apartments is possible depending on authorities' decisions.
[3] In Russia, the estimate of completions may vary with hundreds of apartments; a deviation of over 500 apartments is possible depending on authorities' decisions. Under 50% of the apartments to be completed are in the regions where the operations are to be sold or discontinued.

Factors affecting the guidance

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

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

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

Additional information on the Group's reporting practices and presentation of financial information in this financial statements bulletin and in the interim reports

The text section of this financial statements bulletin concerns continuing operations. In connection with the planned sale of Nordic paving and mineral aggregates businesses, YIT has classified the operations that are part of the transaction as held-for-sale assets and reports them as discontinued operations.

In its segment reporting, YIT reports only continuing operations, which means that the former Paving segment is no longer reported. The Road maintenance division that was previously reported in the former Paving segment is reported as part of the Infrastructure projects segment. The paving business in Russia that YIT has discontinued is presented under "Other items" in the segment reporting.

The company has published its retrospectively adjusted consolidated group and segment level numbers for 2018 and 2019 on July 22, 2019.

YIT and Lemminkäinen merged on February 1, 2018. In this financial statements bulletin, comparison figures have been presented in the tables as pro forma figures excluding discontinued operations under "Pro forma, restated". These unaudited pro forma financial disclosures, excluding discontinued businesses, reflect the current segment reporting structure and reporting practices.

The unaudited restated pro forma financial disclosures are based on YIT's and Lemminkäinen's IFRS-compliant historical financial data, adjusted for the effects of the merger and the discontinued operations. YIT's actual results may deviate materially from the assumptions used in preparing these unaudited pro forma disclosures.

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

YIT applies IFRS in its group reporting as well as in its segment reporting.

Board of Directors' proposal for the distribution of distributable funds

The distributable funds of YIT Corporation on December 31, 2019 amounted to EUR 781.8 million, of which profit of the period amounted to EUR -12.7 million.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.28 per share be paid from the unrestricted equity and that the dividend shall be paid in two instalments.

The first instalment of EUR 0.14 per share shall be paid to the shareholders who are registered in the shareholders register maintained by Euroclear Finland Oy on the dividend record date of March 16, 2020. The Board of Directors proposes that dividend for this instalment be paid on on April 7, 2020.

The second instalment of EUR 0.14 per share shall be paid in October 2020. The second instalment of the dividend shall be paid to shareholders who are registered in the shareholders register maintained by Euroclear Finland Oy on the dividend record date, which, together with the payment date, shall be decided by the Board of Directors in its meeting scheduled for September 18, 2020. The dividend record date for the second instalment as per the current rules of the Finnish book-entry system would be September 22, 2020 and the dividend payment date October 6, 2020.

In addition, the Board of Directors proposes that the Annual General Meeting authorises the Board of Directors to decide, at its discretion, on the payment of an extra dividend of no more than EUR 0.12 per share from the unrestricted equity. When considering the decision, the Board of Directors takes into account the completion of the Nordic paving and mineral aggregates businesses transaction announced on July 4, 2019, and its conditions. If the Board of Directors decides on the extra dividend, it shall simultaneously decide the record and payment dates of the extra dividend. The Board of Directors proposes that the authorization is valid until the opening of the next Annual General Meeting.

At December 31, 2019, the number of outstanding shares of the company amounted to 208,768,363, of which the corresponding dividend amounts to EUR 58.5 million and the corresponding extra dividend amounts to EUR 25.1 million.

Annual General Meeting 2020

YIT Corporation's Annual General Meeting 2020 will be held on Thursday, March 12, 2020. The notice of the General Meeting, which contains the Board of Directors' proposals to the Annual General Meeting, will be published in its entirety as a separate stock exchange release on February 7, 2020.

Financial statements bulletin
January 1 – December 31, 2019: Tables

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES OF THE FINANCIAL STATEMENTS BULLETIN

1.1 Basis of preparation

This financial statements bulletin has been prepared in accordance with IFRS recognition and measurement principles and all requirements of IAS 34 Interim Financial Reporting standard have been applied. This financial statements bulletin should be read together with YIT's Financial Statements 2018. The figures presented in the financial statements bulletin are unaudited. In the financial statements bulletin the figures are presented in million euros doing the rounding on each line, which may cause some rounding inaccuracies in column and total sums.

Pro forma information

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

YIT has previously published unaudited pro forma financial information to illustrate the effects of the merger of YIT and Lemminkäinen to its results of operations and financial position. Following the classification of the Nordic paving and mineral aggregates businesses as discontinued operations in the half-year report 2019, YIT has restated the unaudited pro forma financial information to reflect the reporting of continuing and discontinued operations. 2018 published pro forma financial information was restated by separating the profits of the operations planned to be sold from continuing operations. Pro forma information is presented for illustrative purposes only and is unaudited. Pro forma information does not represent the actual historical result of YIT's operations.

1.2 Accounting policies

The same IFRS recognition and measurement principles have been applied in the preparation of this financial statements bulletin as in YIT's Financial Statements 2018 except for the changes described below.

IFRS 16 Leases

YIT started applying the IFRS 16 standard on January 1, 2019. The company adopted the new standard based on the modified method, thus the comparison period was not restated. A more detailed description of the new accounting policies related to IFRS 16 can be found in Note 3.5 Adoption of IFRS 16 Leases.

Discontinued operations

YIT announced on July 4, 2019 the sale of its Nordic paving and mineral aggregates businesses to Peab. YIT has applied the requirements of the IFRS 5 Non-current Assets Held for Sale and Discontinued Operations standard in classifying, presenting and accounting for the transaction. YIT has classified the operations as held-for-sale assets and reports them as discontinued operations. Result from discontinued operations is reported separately from income and expenses from continuing operations in the consolidated income statement, with prior periods restated accordingly. Intra-group revenues and expenses between continuing and discontinued operations have been eliminated, except for those revenues and expenses that are considered to continue after the disposal of the discontinued operations. The statement of financial position has not been restated for prior periods. Assets and liabilities related to the discontinued operations are presented as separate line items in the statement of financial position in this financial statements bulletin.

Segment reporting

Following the sale of its Nordic paving and mineral aggregates businesses, YIT reports only continuing operations in its segment reporting, which means that the former Paving segment is no longer reported. With effect from the second quarter of 2019, YIT has five reported segments: Housing Finland and CEE, Housing Russia, Business premises, Infrastructure projects and Partnership properties. Comparative segment figures have been restated to reflect the changes in the management reporting. Further information about the change and segments is found in Note 3.1 Segment information.

Classification of financial assets

Based on the business model of the Partnership properties segment, YIT has classified a long-term loan receivable to be included in the fair value through profit and loss category. The fair value of the debt instrument is based on discounted cash flows. The discount rate is defined based on the perceived credit worthiness of the counterparty. The instrument is categorised on level 3. Changes in fair value are recognised in Changes in fair value of investments in the consolidated income statement.

Investment properties

Investment properties are properties or land held by the company to earn rentals or for capital appreciation or both and which are not held for use for the company, use in the operations or sale in the ordinary course of business. Associated companies and joint ventures involved in real estate investing which are consolidated into YIT's consolidated financial statements using equity method have investment properties as defined in the IAS 40 Investment properties standard. The investment properties comprise rental apartments which are both under construction and completed. Completed rental apartments are valued based on an income and market approach. Properties under construction are measured at fair value when the fair value can be reliably measured. Otherwise properties under construction are measured at cost.

Significant management judgements

The preparation of this financial statements bulletin required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this financial statements bulletin, significant judgements made by management in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those described in the consolidated financial statements for the year ended December 31, 2018, except for the new significant judgements related to lessee accounting under IFRS 16, which are described in Note 3.5 Adoption of IFRS 16 Leases and valuation of equity investments at fair value. YIT has one equity investment whose current fair value valuation is significantly based on the valuation of the property. Key inputs in the fair valuation of the property are yield, vacancy rate and the compound annual growth rate of net operating income. YIT's management has had to use its judgment and estimates to specify them. The valuation method and technique as well as sensitivity analysis are described in Note 3.7.

Most relevant currency exchange rates used in the financial statements bulletin

		Average rates		End rates	
		1–12/19	1-12/18	12/19	12/18
1 EUR =	CZK	25.6693	25.6455	25.4080	25.7240
	PLN	4.2974	4.2612	4.2568	4.3014
	RUB	72.4484	74.0687	69.9563	79.7153
	SEK	10.5871	10.2584	10.4468	10.2548
	NOK	9.8505	9.6002	9.8638	9.9483
	DKK	7.4661	7.4532	7.4715	7.4673

2 PRIMARY FINANCIAL STATEMENTS

2.1 Consolidated income statement, IFRS

EUR million	Reported 10-12/2019	Restated 10-12/2018	Pro forma, restated 10-12/2018	Reported 1-12/2019	Restated 1-12/2018	Pro forma, restated 1-12/2018
Revenue	**1,152.4**	**1,127.8**	**1,127.8**	**3,391.5**	**3,138.5**	**3,201.0**
Other operating income	1.8	24.8	24.8	21.8	39.7	40.1
Change in inventories of finished goods and in work in progress	-240.7	-145.4	-145.4	-205.3	35.6	39.7
Production for own use	0.0	0.2	0.2	0.1	0.3	0.3
Materials and supplies	-138.8	-183.4	-181.1	-524.2	-632.1	-634.1
External services	-508.0	-466.1	-466.1	-1,758.5	-1,621.8	-1,668.0
Personnel expenses	-103.0	-111.1	-111.1	-405.7	-405.8	-417.8
Other operating expenses	-139.5	-165.6	-165.6	-463.6	-433.8	-436.7
Changes in fair value of investments	81.0			81.0		
Share of results in associated companies and joint ventures	4.0	10.0	10.0	1.3	9.0	9.0
Depreciation, amortisation and impairment	-12.3	-8.1	-7.2	-58.0	-30.0	-28.9
Operating profit	**97.0**	**83.1**	**86.2**	**80.5**	**99.7**	**104.7**
Finance income	0.6	2.0	2.0	6.4	7.7	7.8
Exchange rate differences (net)	-0.1	-0.8	-0.8	-1.9	-2.1	-2.3
Finance expenses	-9.9	-9.0	-9.0	-44.5	-40.3	-38.8
Finance income and expenses, total	-9.4	-7.8	-7.8	-40.0	-34.7	-33.3
Result before taxes	**87.6**	**75.3**	78.4	**40.4**	**65.0**	**71.4**
Income taxes	-28.9	-20.9	-21.6	-35.9	-17.9	-22.7
Result for the period, continuing operations	**58.7**	**54.4**	**56.8**	**4.5**	**47.1**	**48.7**
Result for the period, discontinued operations	**14.4**	**-3.9**	**-3.1**	**10.2**	**-7.9**	**-15.4**
Result for the period	**73.2**	**50.4**	**53.7**	**14.7**	**39.2**	**33.3**
Attributable to equity holders of the parent company	**73.2**	**50.4**	**53.7**	**14.7**	**39.2**	**33.3**
Earnings per share, attributable to the equity holders of the parent company						
Basic, EUR, total	0.35	0.25	0.26	0.07	0.19	0.16
Diluted, EUR, total	0.35	0.25	n/a	0.07	0.19	n/a
Basic, EUR, continuing operations	0.28	0.27	0.27	0.02	0.23	0.23
Basic, EUR, discontinued operations	0.07	-0.02	-0.01	0.05	-0.04	-0.07
Diluted, EUR, continuing operations	0.28	0.27	n/a	0.02	0.23	n/a
Diluted, EUR, discontinued operations	0.07	-0.02	n/a	0.05	-0.04	n/a

2.3 Consolidated statement of comprehensive income, IFRS

EUR million	Reported 10-12/2019	Reported 10-12/2018	Reported 1-12/2019	Reported 1-12/2018
Result for the period	73.2	50.4	14.7	39.2
Items that may be reclassified to income statement:				
Cash flow hedges		-0.1		0.0
Income tax relating to item above		0.0		0.0
Change in translation differences	5.9	-17.5	49.8	-57.8
Change in translation differences	8.1		8.1	
Items that may be reclassified to income statement, total	**14.0**	**-17.5**	**57.9**	**-57.8**
Items that will not be reclassified to income statement				
Realised fair value changes of equity investments		0.1		0.1
Income tax relating to item above		0.0		0.0
Change in fair value of defined benefit pension	0.4	-0.2	0.4	-0.2
Income tax relating to item above	-0.1	0.0	-0.1	0.0
Items that will not be reclassified to income statement, total	**0.3**	**-0.1**	**0.3**	**-0.1**
Other comprehensive income, total	**14.3**	**-17.6**	**58.3**	**-57.9**
Total comprehensive income	**87.5**	**32.8**	**73.0**	**-18.7**
Attributable to equity holders of the parent company	87.5	32.8	73.0	-18.7

2.4 Consolidated statement of financial position, IFRS

EUR million	Reported 12/2019	Reported Jan 1, 2019[1]	Reported 12/2018
ASSETS			
Non-current assets			
Property, plant and equipment	75.9	183.4	202.3
Leased property, plant and equipment	94.9	137.9	
Goodwill	264.2	319.2	319.2
Other intangible assets	14.5	47.5	47.5
Investments in associated companies and joint ventures	55.6	150.7	150.7
Equity investments	194.1	2.2	2.2
Interest-bearing receivables	47.4	50.3	50.3
Other receivables	11.6	2.3	2.3
Deferred tax assets	34.3	64.4	64.4
Non-current assets total	**792.5**	**957.9**	**839.0**
Current assets			
Inventories	1,740.6	1,880.1	1,880.1
Leased inventories	188.4	187.4	
Trade and other receivables	483.7	495.5	495.5
Interest-bearing receivables	9.1	14.8	14.8
Income tax receivables	22.5	1.8	1.8
Cash and cash equivalents	131.8	263.6	263.6
Current assets total	**2,576.1**	**2,843.2**	**2,655.8**
Assets classified as held-for-sale	**333.1**		
Total assets	**3,701.7**	**3,801.1**	**3,494.8**
EQUITY AND LIABILITIES			
Total equity attributable to the equity holders of the parent company	1,060.8	1,049.8	1,049.8
Equity total	**1,060.8**	**1,049.8**	**1,049.8**
Non-current liabilities			
Deferred tax liabilities	9.2	28.8	28.8
Pension obligations	2.3	2.6	2.6
Provisions	77.8	80.7	82.2
Borrowings	355.3	414.6	424.1
Lease liabilities	205.5	245.5	
Other liabilities	56.6	52.2	52.2
Non-current liabilities total	**706.8**	**824.4**	**590.0**
Current liabilities			
Advances received[2]	571.9	752.9	739.1
Trade and other payables	713.4	575.9	575.9
Income tax payables	2.5	19.5	19.5
Provisions	36.6	46.4	53.0
Borrowings	434.3	459.3	467.6
Lease liabilities	55.4	72.9	
Current liabilities total	**1,813.9**	**1,926.9**	**1,855.1**
Liabilities directly associated with assets classified as held-for-sale	**120.2**		
Liabilities total	**2,640.9**	**2,751.3**	**2,445.0**
Total equity and liabilities	**3,701.7**	**3,801.1**	**3,494.8**

[1] Opening balance sheet January 1, 2019 includes the impact from adoption of the IFRS 16 leases standard to reported balance sheet.
[2] On December 31, 2019 the reported amount includes EUR 156.7 million (12/18: 161.5) non-cash considerations from customer contracts related to sold unfinished residential developments arising from housing company loans and plot lease liabilities.

2.6 Consolidated cash flow statement, IFRS

EUR million	Reported 10-12/2019	Reported 10-12/2018	Reported 1-12/2019	Reported 1-12/2018
Result for the period	73.2	50.4	14.7	39.2
Reversal of accrual-based items	-44.5	42.2	65.0	140.1
Change in trade and other receivables	93.2	113.4	-20.0	-23.5
Change in inventories	249.8	240.3	138.5	38.7
Change in current liabilities	-201.8	-246.6	-6.9	52.6
Change in working capital, total	141.2	107.0	111.7	67.8
Cash flow of financial items	-15.0	-13.2	-60.3	-50.7
Taxes paid	-11.8	-3.2	-42.8	-23.1
Net cash generated from operating activities	**143.1**	**183.2**	**88.3**	**173.3**
Acquisition of subsidiaries, associated companies and joint ventures, net of cash	-9.2	-8.4	-33.7	-50.7
Disposal of subsidiaries, associated companies and joint ventures	5.3	36.0	12.7	37.6
Cash outflow from investing activities	-14.9	-13.4	-37.9	-30.8
Cash inflow from investing activities	7.8	7.0	21.3	19.3
Net cash used in investing activities	**-11.0**	**21.3**	**-37.6**	**-24.7**
Operating cash flow after investments	**132.1**	**204.5**	**50.7**	**148.6**
Change in equity	0.2	1.4	-6.5	1.4
Change in loan receivables	-3.7	-15.4	3.9	-16.4
Change in current liabilities	-130.4	-127.4	20.1	3.8
Proceeds from borrowings	50.0		50.0	270.0
Repayments of borrowings	0.0	-4.1	-150.2	-195.6
Payments of lease liabilities	-11.8	-1.7	-48.2	-7.0
Dividends paid	0.0		-56.7	-52.4
Net cash used in financing activities	**-95.7**	**-147.2**	**-187.6**	**3.7**
Net change in cash and cash equivalents	36.5	57.2	-136.8	152.3
Cash and cash equivalents at the beginning of the period	95.8	204.7	263.6	89.7
Cash generated from merger				21.6
Foreign exchange differences	-0.5	1.7	5.0	0.0
Cash and cash equivalents at the end of the period	**131.8**	**263.6**	**131.8**	**263.6**

2.7 Consolidated statement of changes in equity, IFRS

EUR million	Share capital	Legal reserve	Other reserves	Translation difference	Treasury shares	Retained earnings	Equity total
Equity on January 1, 2019	**149.7**	**1.5**	**553.5**	**-274.2**	**-5.6**	**624.8**	**1,049.8**
Comprehensive income							
Result for the period						14.7	14.7
Change in fair value of defined benefit pension						0.4	0.4
Deferred tax asset						-0.1	-0.1
Translation differences				57.9			57.9
Comprehensive income for the period, total				**57.9**		**15.1**	**73.0**
Transactions with owners							
Dividend distribution						-56.7	-56.7
Share-based incentive schemes					1.0	1.4	2.3
Acquisition of treasury shares					-7.5		-7.5
Transactions with owners, total					**-6.5**	**-55.3**	**-61.9**
Equity on December 31, 2019	**149.7**	**1.5**	**553.5**	**-216.3**	**-12.0**	**584.5**	**1,060.8**

UR million	Share capital	Legal reserve	Other reserves	Translation difference	Fair value reserve	Treasury shares	Retained earnings	Equity total
Equity on January 1, 2018	149.2	1.5	0.7	-216.5	0.0	-7.2	636.9	564.7
IFRS 9 adjustment							-0.7	-0.7
Adjusted equity on January 1, 2018	**149.2**	**1.5**	**0.7**	**-216.5**	**0.0**	**-7.2**	**636.3**	**564.0**
Comprehensive income for the period								
Result for the period							39.2	39.2
Other comprehensive income:								
Cash flow hedges					0.0			0.0
-Income tax relating to item above					0.0			0.0
Realised fair value changes of equity investments							0.1	0.1
-Income tax relating to item above							0.0	0.0
Change in fair value of defined benefit pension							-0.2	-0.2
-Income tax relating to item above							0.0	0.0
Translation differences				-57.8				-57.8
Comprehensive income for the period, total				**-57.8**	**0.0**		**39.1**	**-18.7**
Transactions with owners								
Merger	0.5		554.9					555.4
Cost related to share issue			-1.4					-1.4
Dividend distribution							-52.4	-52.4
Share-based incentive schemes			-0.7			1.7	1.9	2.8
Transactions with owners, total	**0.5**		**552.8**			**1.7**	**-50.5**	**504.4**
Equity on December 31, 2018	**149.7**	**1.5**	**553.5**	**-274.2**		**-5.6**	**624.8**	**1,049.8**

3 NOTES

3.1 Segment information

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

Following the sale of its Nordic paving and mineral aggregates businesses, YIT reports only continuing operations in its segment reporting, which means that the former Paving segment is no longer reported. With effect from the second quarter of 2019, YIT has five reported segments: Housing Finland and CEE, Housing Russia, Business premises, Infrastructure projects and Partnership properties. The paving business in Russia is reported under Other items. The Finnish road maintenance operations of the former Paving segment are reported as part of the Infrastructure projects segment. Capital employed is reported from segments and reconciliated to Group total. Comparative segment figures have been restated to reflect the changes in management reporting.

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

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

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

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

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

Other items in segment reporting include the paving business in Russia. YIT has exited the paving business in Russia. From the second quarter of 2019, operating profit or loss from the businesses to be closed down or sold in Russia has been recorded in adjusting items and is not presented in adjusted operating profit. Additionally, other items include Group internal services, rental revenue from external customers and Group level unallocated costs. Merger related fair value allocations and goodwill have not been allocated to the segments' capital employed but are reported in segment level in "Other items".

Segment reporting accounting policies
YIT prepares segment and group reporting in accordance with the International Financial Reporting Standards (IFRS). YIT regularly reports revenue, depreciation, impairment and operating profit and adjusted operating profit by segment to the management. In addition, capital employed by segment is reported.

The historical segment information of YIT does not give investors a comparable base for financial information of the present combined company. To add comparability, comparative figures are presented as pro forma figures, which expresses the effect of the Lemminkäinen merger as if it had happened on January 1, 2017. Following the classification of the Nordic paving and mineral aggegrates business as discontinued operations in the half-year report 2019, YIT has restated the unaudited pro forma financial information to reflect the reporting of continuing and discontinued operations.

Seasonality of business

Seasonality of certain operations of the company affects the company's profit and its timing. According to the IFRS accounting principles, certain customer contracts are recognised at a certain point in time. As a result, the profit of the company can fluctuate greatly between quarters depending on the completion of the projects. There may be some seasonality in the Infrastructure projects segment's foundation engineering business due to the timing of building construction projects.

Segment financial information

10-12/2019 reported							
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items	Group, IFRS
Revenue	**445.7**	**107.4**	**438.5**	**222.7**	**0.2**	**-62.1**	**1,152.4**
Revenue from external customers	445.7	107.3	438.1	218.4	0.2	-57.4	**1,152.4**
Revenue Group internal		0.1	0.4	4.2		-4.8	
Depreciation, amortisation and impairment	-1.2	-0.9	-0.5	-4.5		-5.2	**-12.3**
Operating profit	**39.0**	**-1.7**	**-10.4**	**5.8**	**81.3**	**-17.0**	**97.0**
Operating profit margin, %	**8.7%**	**-1.5%**	**-2.4%**	**2.6%**			**8.4%**
Adjusting items		10.1		0.5		13.3	**24.0**
Adjusted operating profit	**39.0**	**8.5**	**-10.4**	**6.3**	**81.3**	**-3.7**	**121.0**
of which the IFRS 16 impact	3.4	0.1	0.1	0.2		0.6	4.5
Adjusted operating profit margin, %	**8.7%**	**7.9%**	**-2.4%**	**2.8%**			**10.5%**

10-12/2018 Proforma, restated							
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items	Group, IFRS
Revenue	**354.0**	**126.7**	**438.7**	**204.9**		**3.6**	**1,127.8**
Revenue from external customers	353.8	126.4	436.4	196.9		14.4	**1,127.8**
Revenue Group internal	0.2	0.3	2.3	8.0		-10.8	
Depreciation, amortisation and impairment	-0.3	-0.2	-0.1	-3.4		-3.2	**-7.2**
Operating profit	**28.5**	**-3.8**	**56.0**	**-1.1**	**27.9**	**-21.2**	**86.2**
Operating profit margin, %	**8.0%**	**-3.0%**	**12.8%**	**-0.5%**			**7.6%**
Adjusting items	0.1		0.1	0.4		12.5	**13.1**
Adjusted operating profit	**28.5**	**-3.8**	**56.1**	**-0.7**	**27.9**	**-8.7**	**99.3**
Adjusted operating profit margin, %	**8.1%**	**-3.0%**	**12.8%**	**-0.3%**			**8.8%**

10-12/2018 restated							
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items	Group, IFRS
Revenue	**354.0**	**126.7**	**438.7**	**204.9**		**3.6**	**1,127.8**
Revenue from external customers	353.8	126.4	436.4	196.9		14.4	1,127.8
Revenue Group internal	0.2	0.3	2.3	8.0		-10.8	
Depreciation, amortisation and impairment	-0.3	-0.2	-0.1	-3.4		-4.1	-8.1
Operating profit	**28.5**	**-3.8**	**56.0**	**-1.1**	**27.9**	**-24.3**	**83.1**
Operating profit margin, %	**8.0%**	**-3.0%**	**12.8%**	**-0.5%**			**7.4%**
Adjusting items	0.1		0.1	0.4		15.6	16.2
Adjusted operating profit	**28.5**	**-3.8**	**56.1**	**-0.7**	**27.9**	**-8.7**	**99.3**
Adjusted operating profit margin, %	**8.1%**	**-3.0%**	**12.8%**	**-0.3%**			**8.8%**

1-12/2019 reported							
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items	Group, IFRS
Revenue	**1,240.1**	**240.0**	**1,176.9**	**806.7**	**0.3**	**-72.5**	**3,391.5**
Revenue from external customers	1,240.1	239.5	1,175.0	791.3	0.3	-54.7	**3,391.5**
Revenue Group internal		0.5	1.9	15.4		-17.9	
Depreciation, amortisation and impairment	-4.8	-4.7	-2.1	-17.9		-28.4	**-58.0**
Operating profit	**91.4**	**-46.6**	**-7.1**	**14.4**	**82.7**	**-54.2**	**80.5**
Operating profit margin, %	**7.4%**	**-19.4%**	**-0.6%**	**1.8%**			**2.4%**
Adjusting items		47.8		0.5		36.6	**85.0**
Adjusted operating profit	**91.4**	**1.2**	**-7.1**	**14.9**	**82.7**	**-17.6**	**165.5**
of which the IFRS 16 impact	7.4	1.0	0.5	0.5		2.8	12.2
Adjusted operating profit margin, %	**7.4%**	**0.5%**	**-0.6%**	**1.9%**			**4.9%**

1-12/2018 Pro forma, restated							
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items	Group, IFRS
Revenue	**1,157.9**	**274.1**	**1,045.2**	**716.8**	**0.0**	**7.1**	**3,201.0**
Revenue from external customers	1,157.5	273.3	1,040.0	685.9	0.0	44.2	3,201.0
Revenue Group internal	0.3	0.8	5.2	30.8		-37.1	
Depreciation, amortisation and impairment	-1.2	-0.8	-0.4	-14.1		-12.5	-28.9
Operating profit	**102.6**	**-37.3**	**67.3**	**-7.2**	**26.9**	**-47.5**	**104.7**
Operating profit margin, %	**8.9%**	**-13.6%**	**6.4%**	**-1.0%**			**3.3%**
Adjusting items	0.8	4.5	0.5	0.6		20.8	27.2
Adjusted operating profit	**103.3**	**-32.8**	**67.8**	**-6.5**	**26.9**	**-26.7**	**132.0**
Adjusted operating profit margin, %	**8.9%**	**-12.0%**	**6.5%**	**-0.9%**			**4.1%**

1-12/2018 restated							
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items	Group, IFRS
Revenue	**1,143.5**	**270.2**	**1,024.7**	**692.3**	**0.0**	**7.7**	**3,138.5**
Revenue from external customers	1,143.1	269.5	1,019.8	661.8	0.0	44.3	3,138.5
Revenue Group internal	0.3	0.8	4.9	30.5		-36.5	
Depreciation, amortisation and impairment	-1.2	-0.7	-0.4	-13.6		-14.0	-30.0
Operating profit	**103.4**	**-36.3**	**67.6**	**-4.3**	**26.9**	**-57.4**	**99.7**
Operating profit margin, %	**9.0%**	**-13.4%**	**6.6%**	**-0.6%**			**3.2%**
Adjusting items	0.8	4.5	0.5	0.6		34.1	40.6
Adjusted operating profit	**104.1**	**-31.8**	**68.1**	**-3.7**	**26.9**	**-23.3**	**140.3**
Adjusted operating profit margin, %	**9.1%**	**-11.8%**	**6.6%**	**-0.5%**			**4.5%**

Capital employed by segments

EUR million	Reported 12/2019	Restated 12/2018[2]
Housing Finland and CEE	696.6	584.9
Housing Russia	277.5	294.3
Business premises	64.6	38.2
Infrastructure projects	52.4	77.0
Partnership properties	253.5	145.0
Other items	324.5	249.3
Segments, total	**1,669.1**	**1,388.7**
Reconciliation[1]		212.5
Capital employed, total	**1,669.1**	**1,601.2**

[1] Reconciliation relates to discontinued operations which are not part of segment reporting.

[2] The figures from 2018 do not include IFRS 16 impact.

Order backlog at the end of the period

EUR million	Reported 12/2019	Restated 12/2018
Housing Finland and CEE	1,736.8	1,729.3
Housing Russia	356.1	348.8
Business premises	897.4	1,326.9
Infrastructure projects	1,127.6	860.7
Partnership properties		
Other items	12.5	19.9
Order backlog, total	**4,130.5**	**4,285.6**

3.2 Discontinued operations

On July 4, 2019, YIT announced having signed an agreement with Peab on the sale of YIT's paving and mineral aggregates businesses in Finland, Sweden, Norway and Denmark. The transaction comprises the operations of the company's Paving segment with the exclusion of the road maintenance business in Finland and paving business in Russia. The transaction is conditional upon the approval of the European competition authority and the fulfilment of certain other customary terms and conditions, and it is expected to be completed in the first or the second quarter of 2020.

Change in translation differences related to discontinued operations amounted to EUR -0.5 million (-0.3).

Effect of discontinued operations on statement of financial position

EUR million	12/2019
Assets classified as held-for-sale	
Property, plant and equipment	113.4
Leased property, plant and equipment	40.2
Goodwill	54.8
Other intangible assets	23.1
Investments in associated companies and joint ventures	5.5
Deferred tax assets	0.2
Inventories	49.2
Trade and other receivables	46.6
Assets classified as held-for-sale, total	**333.1**
Liabilities directly associated with assets classified as held-for-sale	
Deferred tax liabilities	18.2
Provisions	8.7
Lease liabilities	33.3
Advances received	0.2
Trade and other payables	59.7
Income tax payables	0.0
Liabilities directly associated with assets classified as held-for-sale, total	**120.2**

Results of discontinued operations

EUR million	Reported 1-12/2019	Restated 1-12/2018[1]
Revenue	**540.0**	**550.9**
Other operating income	3.4	5.1
Change in inventories of finished goods and in work in progress	-5.2	-3.9
Production for own use	0.5	0.4
Materials and supplies	-168.2	-184.6
External services	-144.8	-143.2
Personnel expenses	-124.8	-121.4
Other operating expenses	-78.2	-86.9
Share of results in associated companies and joint ventures	0.8	1.8
Depreciation, amortisation and impairment	-11.5	-23.4
Operating profit	**12.0**	**-5.1**
Finance income	0.2	0.3
Finance expenses	-2.0	-1.1
Finance income and expenses, total	-1.8	-0.8
Result before taxes	**10.3**	**-5.9**
Income taxes	-0.1	-2.0
Result for the period, discontinued operation	**10.2**	**-7.9**

[1] Restated reported figures do not include the figures from Lemminkäinen financial period January 1- January 31, 2018.

Cash flows (used in) discontinued operations

EUR million	Reported 1-12/2019	Restated 1-12/2018[1]
Cash used in operating activities	18.3	22.0
Cash used in investing activities	-15.9	-3.6
Cash used in financing activities	-11.3	-2.3
Cash flow for the period	**-8.9**	**16.1**

[1] Restated reported figures do not include the figures from Lemminkäinens' financial period January 1- January 31, 2018.

3.3 Revenue from customer contracts

The Group's revenue consists of revenue from contracts with customers. Other types of income are reported under Other operating income. Revenue is generated in the following operating segments and market areas:

	1-12/2019 reported						
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items and eliminations	Group, IFRS
Revenue by market area							
Finland	1,054.2		1,102.1	469.1	0.3	-78.5	2,547.3
Russia		239.5				28.6	268.0
CEE	185.9		72.8	161.9			420.6
Baltic countries	66.4		67.8	161.9			296.1
Czech, Slovakia, Poland	119.5		5.0				124.5
Scandinavia				160.3		-4.7	155.6
Sweden				108.6		-0.8	107.9
Norway				51.7		-4.0	47.7
Internal sales between segments		0.5	1.9	15.4		-17.9	
Total	**1,240.1**	**240.0**	**1,176.9**	**806.7**	**0.3**	**-72.5**	**3,391.5**

	1-12/2019 reported						
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items and eliminations	Group, IFRS
Timing of revenue recognition							
Over time	307.0	18.7	1,138.6	772.8	0.3	26.9	2,264.3
At a point in time	933.1	220.8	36.3	18.5		-81.5	1,127.2
Internal sales		0.5	1.9	15.4		-17.9	
Total	**1,240.1**	**240.0**	**1,176.9**	**806.7**	**0.3**	**-72.5**	**3,391.5**

1-12/2018 reported							
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items and eliminations	Group, IFRS
Revenue by market area							
Finland	913.7		941.6	393.0	0.0	3.2	2,251.5
Russia		269.5				44.9	314.3
CEE	229.4		78.2	164.1			471.7
Baltic countries	58.9		77.2	164.1			300.2
Czech, Slovakia, Poland	170.6		1.1				171.6
Scandinavia				104.7		-3.8	100.9
Sweden				73.3		0.0	73.3
Norway				31.4		-3.8	27.7
Internal sales between segments	0.3	0.8	4.9	30.5		-36.5	
Total	**1,143.5**	**270.2**	**1,024.7**	**692.3**	**0.0**	**7.7**	**3,138.5**

1-12/2018 reported							
EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items and eliminations	Group, IFRS
Timing of revenue recognition							
Over time	206.8	69.7	1,001.7	643.9		39.3	1,967.2
At a point in time	936.3	199.8	18.1	17.9	0.0	4.9	1,171.3
Internal sales	0.3	0.8	4.9	30.5		-36.5	
Total	**1,143.5**	**270.2**	**1,024.7**	**692.3**	**0.0**	**7.7**	**3,138.5**

3.4 Property, plant and equipment and leased property plant and equipment

Property, plant and equipment

EUR million	Reported 1-12/2019	Reported 1-12/2018
Carrying amount at the beginning of the period	202.3	54.8
IFRS 16 impact of adoption	-18.9	
Carrying Jan 1, 2019	183.4	
Exchange rate differences	1.2	-1.6
Increases	35.9	29.7
Decreases	-7.8	-18.0
Business acquisitions		171.7
Depreciation, continuing operations	-20.1	-21.1
Depreciation, discontinued operations	-5.2	-15.9
Impairment, continuing operations	-1.9	
Transfers between items	3.9	2.7
Moved to assets classified as held-for-sale	-113.4	
Carrying amount at the end of period	**75.9**	**202.3**

Leased property, plant and equipment

EUR million	Reported 1-12/2019
IFRS 16 impact of adoption Jan 1, 2019	137.9
Exchange rate differences	0.3
Increases	39.0
Decreases	-7.0
Depreciation and impairment, continuing operations	-30.1
Depreciation and impairment, discontinued operations	-4.9
Moved to assets classified as held-for-sale	-40.2
Carrying amount at the end of period	**94.9**

3.5 Adoption of IFRS 16 Leases

Transition

YIT started applying the IFRS 16 standard on January 1, 2019. The company adopted the new standard based on the modified method, thus the comparison period is not adjusted.

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

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

Description of practical expedients used in transition

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

Accounting policies

The Group assesses whether an agreement is, or contains, a lease at the inception date of an agreement. An agreement, or a part of an agreement, is classified as a lease, when the underlying asset can be identified, the lessee has the right to obtain substantially all the economic benefits from the use of the asset and has the right to direct how and for what purpose the asset is used throughout the period of use.

<u>The Group as a lessee</u>

The Group's most significant lease agreements include plot lease agreements related to own building development in Finland and lease agreements related to buildings and structures and machinery and equipment.

If the agreement or part of the agreement is classified as a lease, the lease liability and right-of-use asset are recognised at the commencement date of an agreement. The commencement date is the date when the underlying asset is available for use by the lessee.

The Group recognises lease payments related to short-term leases (lease term is 12 months or less) and leases for which the underlying asset is of low value on straight-line basis as an expense in income statement.

Measurement and presentation of lease liability
Lease liabilities are measured by discounting expected future lease payments to present value. Lease payments include fixed lease payments (including in-substance fixed payments), expected amounts payable related to residual value guarantee and possible exercise price of purchase option, if the decision to use a purchase option is reasonably certain. If the Group is reasonably certain to exercise a termination option, the possible termination fee is included in the lease liability. Lease term is the non-cancellable period of the lease covered by options to terminate if the termination is not reasonably certain. Possible extension options are included in the lease term, if the Group is reasonably certain to exercise the options.

The lease payments are discounted using the interest rate implicit in the lease, if the rate is readily determinable. If the interest rate implicit in the lease is not readily determined, the Group uses incremental borrowing rate as a discount rate.

The lease liabilities are subsequently measured using effective interest rate method and the Group remeasures the carrying amount to reflect any re-assessments or lease modifications. Reassessment of the lease liability takes place, if the cash flow changes based on the original terms and conditions of the lease, for example, if the lease term changes or if the lease payments change based on an index or a variable rate.

Many of the Group's significant lease agreements include lease payments, which are tied to an index. Lease liability is initially measured using the index at the commencement day of the lease agreement. Future changes in the index are considered in the measurement when there is a change in the cash flow.

Reassessment of extension and termination options are done only when a significant event or change in circumstances occur, that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option. The discount rate used in the reassessment varies based on the nature of the reassessment. For example, the reassessment due to an index change is done based on the original discount rate and reassessments due to the changes in the lease term is done using revised discount rate. The lease liability is presented as a separate line item in the statement of financial position as non-current and current liability.

Measurement and presentation of right-of-use asset
Right-of-use assets are measured at cost based on the amount of the initial measurement of lease liability. Initial direct costs, restoration costs or any lease payments made at or before the commencement date less any lease incentives received are also included in the measurement of the right-of-use asset. The right-of-use assets are depreciated over the shorter of the lease term and the useful life of the asset, unless there is a transfer of ownership or a purchase option, which is reasonably certain to be exercised at the end of the lease term. Then the right-of-use asset is depreciated over the useful

life of the underlying asset. Any remeasurements of the lease liability will be treated as a corresponding adjustment to the right-of-use asset.

Right-of-use assets related to tangible assets are presented on a separate line item in the statement of financial position as leased property, plant and equipment. Right-of-use assets related to leased plots are presented on a separate line item in the statement of financial position as leased inventory.

Treatment of plot lease agreements related to own building development

The Group has plot lease agreements related to own building development in Finland and in Russia. The plot lease agreements are presented in the statement of financial position and income statement in a similar manner as the Group's own plots in inventory.

In Finland, the Group has own building development projects, where typically residential buildings are built either on to an owned or a leased plot. The plot lease agreements in Finland are typically long-term agreements, usually between 20-50 years. The leased plots related to own building development projects, as well as Group's own plots in inventory, form part of the performance obligation under the revenue recognition guidance to sell apartments to the customers. The leased plots related to own building development projects are initially measured according to measurement requirements of IFRS 16.

When the Group enters in Finland in the plot lease agreement related to own residential building development and the development project has not started, the right-of-use asset of the plot lease agreement is recognised in inventories and in the lease liability in the statement of financial position. The plot lease agreement related to own building development will be derecognised from inventories under change in inventories when sale is recognized based on the revenue recognition policies of the Group.

The lease liability of plot lease agreements related to incomplete own residential building development projects in Finland is presented in the statement of financial position either in lease liability or advances received depending on the degree of sale. The portion of the unsold apartments related to incomplete own residential building development projects is presented in lease liability in the statement of financial position. The liability related to the sold apartments of incomplete own residential building development projects, is a non-cash consideration, and it is presented in advances received based on the underlying nature of the transaction. At the point of revenue recognition, the lease liability on the sold apartments will be recognised as revenue in income statement. The lease liability on completed unsold apartments is presented in lease liability in the statement of financial position.

The Group as a lessor

The Group has subleased business premises it leases from third parties and these are treated as other lease agreements instead of finance leases. The classification is done with reference to the right-of-use asset of the original lease agreement. Rental income is recorded as income in the income statement during the lease period. The Group's activities as a lessor are not material.

Significant management judgement related to lease agreements

The assessment of lease term and incremental borrowing rate have a significant impact on measurement of lease liabilities and right-of-use assets. When assessing the lease term, the Group will include the periods covered by extension options and termination options whether it's reasonably certain to exercise or not to exercise such an option. The Group considers, for example, contractual terms and conditions for optional periods or costs related to termination of lease and signing of new replacement. Overall, the Group is always considering the importance of a certain asset to its operations. Typically, the plot lease agreements related to own building development are in the Group's possession only for a short period of time. Considering the Group's use of the of the plot lease agreements related to own building development, it can be assumed that the Group will not use possible termination, purchase or extension options. With office agreements the Group is considering the significance of the leasehold improvements and possible relocation costs.

If the lease term is indefinite, the Group assesses the period when the contract is enforceable to define what's the earliest point in time at which both parties (lessee and lessor) can leave the contract and its contractual obligations without no more than an insignificant penalty. As a significant penalty the Group considers not only direct penalty payments to lessor but also indirect or economic penalties for both parties. The Group considers the facts and circumstances mentioned above, including the nature of the leased asset in relation to the corresponding business plan, to assess when it will be reasonably certain to terminate the lease contract. The lease term is assessed accordingly. The Group's indefinite lease contracts are typically related to buildings and machinery and equipment.

In the definition of incremental borrowing rate, the Group has considered the nature of a leased asset, risk factors of the Group and geographical location, underlying currency and duration of an agreement.

Impact of IFRS 16 on the consolidated statement of financial position

EUR million	Dec 31, 2018	IFRS 16 impact of adoption	Jan 1, 2019
ASSETS			
Non-current asstes			
Property, plant and equipment	202.3	-18.9	183.4
Leased property, plant and equipment		137.9	137.9
Goodwill	319.2		319.2
Other intangible assets	47.5		47.5
Investments in associated companies and joint ventures	150.7		150.7
Equity investments	2.2		2.2
Interest-bearing receivables	50.3		50.3
Other receivables	2.3		2.3
Deffered tax assets	64.4		64.4
Non-current assets total	**839.0**	**118.9**	**957.9**
Current assets			
Inventories	1,880.1		1,880.1
Leased inventories		187.4	187.4
Trade and other receivables	495.5		495.5
Interest-bearing receivables	14.8		14.8
Income tax receivables	1.8		1.8
Cash and equivalents	263.6		263.6
Current assets total	**2,655.8**	**187.4**	**2,843.2**
Total assets	**3,494.8**	**306.3**	**3,801.1**
EQUITY AND LIABILITIES			
Total equity attributable to the equity holders of the parent company	1,049.8		1,049.8
Equity total	**1,049.8**		**1,049.8**
Non-current liabilities			
Deferred tax liabilities	28.8		28.8
Pension obligations	2.6		2.6
Provisions	82.2	-1.5	80.7
Borrowings	424.1	-9.5	414.6
Lease liabilities		245.5	245.5
Other liabilities	52.2		52.2
Total non-current liabilities	**590.0**	**234.4**	**824.4**
Current liabilities			
Advances received	739.1	13.8	752.9
Trade and other payables	575.9		575.9
Income tax payables	19.5		19.5
Provisions	53.0	-6.5	46.4
Borrowings	467.6	-8.3	459.3
Lease liabilities		72.9	72.9
Total current liabilities	**1,855.1**	**71.9**	**1,926.9**
Liabilities total	**2,445.0**	**306.3**	**2,751.3**
Total equity and liabilities	**3,494.8**	**306.3**	**3,801.1**

Finance lease assets, related to previous IAS 17 standard, are transferred from property, plant and equipment to leased property, plant and equipment and related finance lease liabilities are transferred from borrowings to lease liabilities. In addition, onerous lease contracts related to right-of-use assets are transferred from provisions to leased property, plant and equipment line item.

The adoption of IFRS 16 increased in total the opening statement of financial position by 306.3 million euros.

Impact of IFRS 16 on capital employed

EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items	Segments, total	Reconciliation [1]	Capital employed, total
Capital employed Dec 31, 2018	584.9	294.3	38.2	77.0	145.0	249.3	**1,388.7**	212.5	**1,601.2**
IFRS 16 impact of adoption	170.8	13.0	6.4	10.4		74.2	**274.7**	25.9	**300.6**
Capital employed Jan 1, 2019	755.7	307.3	44.6	87.4	145.0	323.5	**1,663.4**	238.4	**1,901.8**

[1] Reconciliation relates to discontinued operations which are not part of segment reporting.

The most significant items increasing the capital employed are leased plots, leased property as well as machinery and equipment. Leased plots increase the capital employed by approximately EUR 190 million, leased properties by approximately EUR 90 million and machinery and equipment approximately by EUR 30 million.

Key figures

EUR million	Jan 1, 2019
Equity ratio, %	34.4
Adjusted equity ratio, %	38.6
Interest-bearing net debt, EUR million	863.5
Adjusted interest-bearing net debt, EUR million	545.1
Gearing ratio, %	82.3
Adjusted gearing ratio, %	51.9

The adoption of IFRS 16 standard did not have an impact on the key figures for 2018.

3.6 Inventories

EUR million	Reported 12/2019	Reported 12/2018
Raw materials and consumables	17.1	44.4
Work in progress	727.4	973.4
Land areas and plot owning companies[1]	726.9	580.2
Shares in completed housing and real estate companies	202.9	204.8
Advance payments	61.0	54.5
Other inventories	5.3	22.8
Total inventories	**1,740.6**	**1,880.1**
Leased inventories	**188.4**	

[1]The write-downs of inventories were EUR 27.5 million (4.3), which mainly concerned land-areas in Housing Russia segment.

3.7 Financial assets and liabilities by category

December 31, 2019, EUR million

Measurement category	Financial assets recognized at fair value through other comprehensive income	Financial assets recognized at amortised cost	Financial assets and liabilities recognised at fair value through profit and loss	Financial liabilities recognized at amortised cost	Carrying amount	Fair value	Fair value measurement hierarchy
Non-current financial assets							
Equity investments	2.1		191.9		194.1	194.1	Level 3
Trade, loan and other receivables		50.3			50.3	50.5	
Loan receivables			8.4		8.4	8.4	Level 3
Current financial assets							
Trade, loan and other receivables[1]		272.3			272.3	272.3	
Derivative assets			0.2		0.2	0.2	Level 2
Cash and cash equivalents		131.8			131.8	131.8	
Financial assets by category, total	**2.1**	**454.4**	**200.4**		**657.0**	**657.2**	
Non-current financial liabilities							
Interest-bearing liabilities				355.3	355.3	361.8	
Trade and other payables				55.6	55.6	51.9	
Derivative liabilities			1.1		1.1	1.1	Level 2
Current financial liabilities							
Interest-bearing liabilities				434.3	434.3	434.3	
Trade and other payables[2]				386.6	386.6	386.6	
Derivative liabilities			2.3		2.3	2.3	Level 2
Financial liabilities by category, total			**3.4**	**1,231.8**	**1,235.1**	**1,237.9**	

December 31, 2018, EUR million

Measurement category	Financial assets recognized at fair value through other comprehensive income	Financial assets recognized at amortised cost	Financial assets and liabilities recognised at fair value through profit and loss	Financial liabilities recognized at amortised cost	Carrying amount	Fair value	Fair value measurement hierarchy
Non-current financial assets							
Equity investments	2.2				2.2	2.2	Level 3
Trade and other receivables		52.7			52.7	57.1	
Current financial assets							
Trade and other receivables[1]		277.5			277.5	277.5	
Derivative assets			1.9		1.9	1.9	Level 2
Cash and cash equivalents		263.6			263.6	263.6	
Financial assets by category, total	**2.2**	**593.8**	**1.9**		**597.9**	**602.3**	
Non-current financial liabilities							
Interest bearing liabilities				424.1	424.1	424.5	
Trade and other payables				49.5	49.5	46.1	
Derivative liabilities			2.7		2.7	2.7	Level 2
Current financial liabilities							
Interest bearing liabilities				467.6	467.6	468.2	
Trade and other payables				291.1	291.1	291.1	
Derivative liabilities			2.7		2.7	2.7	Level 2
Financial liabilities by category, total			**5.5**	**1,232.3**	**1,237.7**	**1,235.4**	

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

The fair values of bonds are based on the market price at the reporting date. The fair values of other non-current receivables and liabilities are based on discounted cash flows. The discount rate is defined to be the rate YIT Group was to pay for equivalent external loans at the end of the reporting period. It consists of risk free market rate and company and maturity related risk premium of 1,95-2,19 % (Dec 31,2018: 2.18-2.64%). The fair values of current receivables and liabilities are equal to their carrying amounts.

Fair value measurement

The Group categorises financial instruments recognised at fair value by using a three-level fair value hierarchy. Financial instruments recognised at fair value in the balance sheet are classified by fair value measurement hierarchy as follows:

Level 1

Level 1 of the fair value hierarchy is defined as all financial instruments for which there are quotes available in an active market. These quated market prices are readily and regularly available from an exchange, broker, pricing service or regulatory agency. These prices are used without adjustment to measure fair value. YIT has no financial instruments classified in Level 1.

Level 2

The fair value of financial instruments in Level 2 is determined using valuation techniques. These techniques utilize other than Level 1 quated market prices readily and regularly available from an exchange, broker, pricing service or regulatory agency.

YIT values OTC derivatives from a Level 2 Intremediary, pricing service or regulatory agency at fair value based on observable market inputs and generally accepted valuation methods.

Level 3

Fair values of financial instruments within Level 3 are not based on observable market data. The fair value levels are presented in previous tables. YIT has classified investments at fair value on Level 3.

Fair value measurements using significant unobservable inputs (level 3)

	Valuation technique	Significant unobservable inputs	Base value 2019	Sensitivity of the input to fair value for YIT	Additional information regarding the input
Equity investments recognised at fair value through profit and loss	Discounted Cash Flow (DCF) method, 10 year period	Compound annual growth rate (CAGR) of Net Operating Income (NOI) for the entire valuation period	4.25%	1 percentage point increase (decrease) in the input value leads to an 23.3 M€ increase (27.1 M€ decrease) in the fair value of the asset	The change in the input value is estimated through a coefficient that increases / decreases the growth of all annual NOI cash flows identically, therefore depicting a scenario where the NOI of commercial facility and parking facility follows a higher / lower growth trajectory during the valuation period
		Extra coefficient for the discount factor used for the cash flows of parking	25%	25 percentage point increase (decrease) in the input value leads to an 7.8 M€ decrease (3.9 M€ increase) in the fair value of the asset	The purpose of the input value is to act as a variable taking into account the uncertainty related to estimating the future NOI of the parking facility
		Exit yield	4.60% - 5.75%	5 percentage increase (decrease) in the input values leads to an 15.5 M€ decrease (15.5 M€ increase) in the fair value of the asset	Separate exit yields used for various parts of the shopping centre
Other receivables recognised at fair value through profit and loss	Discounted Cash Flow (DCF) method	Discount rate	2.45%	1 percentage point increase (decrease) in the input value leads to a decrease of 0.7 M€ (or increase of 0.8 M€)	The input value rate reflects the exit yield of the investor

Description of valuation techniques

The fair value of YIT's equity investment in Tripla Mall Ky is calculated as the fair value of the property, subtracting the net debt and the sum is multiplied with YIT's share of ownership. The value of the property is determined by using the income approach; taking 10-year discounted cash flows and the present value of the terminal value. An Independent external appraiser (CBRE) has audited the valuation model used by YIT and assessed the relevant valuation assumptions and stated that it fulfills the requirements of IFRS and IVSC (International Valuation Standards Council). Separate calculations have been used for the shopping mall and the parking facility, due to the different income generation profile of the parking facility. For the valuation of the income from the short-term parking, YIT has used a third party report. The potential income is inspected, among other things, through the perspective of pricing, location, and provided services in the neighboring area and also by comparing to relevant sites. The report also takes a stand to the development of the parking facilities during the first years of operations. In general, the discounted cash flow model uses contract rents until the lease expiry, after which the expected market rent rates are used. The valuation is made on a net rental basis and utilizes a long-term vacancy rate for the net rental income. Other income, such as advertising income has been added to the net rental income for both the shopping mall and the parking facility. Similarly, expenses such as maintenance expenses for vacant premises and administration expenses have been deducted from the net rental income. The discount rates used are based on reasonable market yields and projected average inflation for the 10-year cash flow valuation period. The market yields are derived from market data and the market knowledge of the independent external appraiser (CBRE). YIT has separately taken in to consideration the uncertainty for the income from the parking facilities with a discount rate addition, which is applied to valuation of the present value of the future cashflows.

The value of the investment of YIT to Tripla Mall Ky is also affected by a separate profit sharing agreement between the shareholders of Tripla Mall Ky. When an equity multiple that is calculated with fixed market parameters (inflation and exit yield) exceeds (or is below) an agreed target range, YIT is entitled to a larger (or smaller) share of the fair value of the investment, when the investment is sold or when the profit sharing agreement has expired in 2024. If the equity multiple is in the agreed target range, YIT is entitled to its original share of the fair value of the investment. The equity multiple is defined as the ratio between the equity value, which is projected in the fair value model, and realised equity investments in Tripla Mall Ky. At the balance sheet date, the modeling of the profit sharing agreement indicates that the equity multiple is at the target range, and therefore has no effect on the YIT share. If the equity multiple would increase by 5 percent, YIT would receive a fair value increase of EUR 6 million, given that the agreement would be executed with the current fair value of YIT's equity investment in Mall of Tripla. If the equity multiple would decrease by 5 percent, it would remain in the target range. Fair value changes resulting from the profit sharing agreement are reported in consolidated income statement in the row "Change in fair value of equity investments".

The fair value of loan receivables for YIT has been calculated by discounting the expected cash flows with a specific discount rate. The discount rate is based on the average maturity, market interest rate for the maturity concerned and the risk premium for the loan.

Level 3 reconciliation

	2019	2018
Fair value at 1 Jan	**2.2**	**0.4**
Additions	119.3	
Business acquisitions		1.8
Decreases	-0.1	-0.1
Change in fair value from equity investments recognised in income statement	77.4	
Change in fair value from loan receivables recognised in income statement	3.7	
Fair value at 31 Dec	**202.5**	**2.2**

The Mall of Tripla shopping mall was opened in Pasila, Helsinki, Finland, on October 17, 2019. In the fourth quarter of the year, the Partnership properties segment recognised in operating profit the fair value of the investment in the company Tripla Mall Ky when YIT discontinued consolidating the investment using the equity method in the consolidated financial statements. YIT's share of ownership in Tripla Mall Ky is 38.75%, which is the owner of the shopping mall. YIT no longer has either joint control or significant influence in the investee. The investment is accounted as an equity investment at fair value through profit and loss.

Valuation processes

The valuation is performed in-line with the Group's quarterly reporting cycle by relevant business management. The valuation is validated by an independent external appraiser (CBRE) according to IVS (International Valuation Standards) standards and IFRS standards. The valuation is approved by the Group's CEO based on an active quarterly discussion between the relevant business management preparing the valuation.

3.8 Derivative contracts

EUR million	Reported 12/2019	Reported 12/2018
Value of underlying instruments		
Interest rate derivatives	180.0	230.0
Foreign exchange derivatives	103.9	122.5
Commodity derivatives	5.4	7.2
Fair value		
Interest rate derivatives	-1.8	-2.9
Foreign exchange derivatives	-0.8	1.0
Commodity derivatives	-0.6	-1.6

3.9 Contingent liabilities and assets and commitments

EUR million	Reported 12/2019	Reported 12/2018[2]
Guarantees		
Guarantees on behalf of others	2.2	4.9
Guarantees on behalf of consortiums	9.7	9.7
Guarantees on behalf of associated companies	0.4	5.3
Guarantees on behalf of parent and other Group companies	1,657.0	1,616.1
Other commitments		
Investment commitments	35.1	13.8
Purchase commitments	120.7	256.6
Operating leases[1]		165.7

[1]Due to the adoption of IFRS 16, leases are reported as of 1st of January 2019 as leased property, plant and equipment and lease liabilities in the balance sheet.
[2]Includes the effect of discontinued operations.

As a result of the partial demerger registered on June 30, 2013, YIT Corporation has secondary liability for guarantees transferred to Caverion Corporation, with a maximum total amount of EUR 7.7 million on December 31, 2019.

Legal proceedings

The litigations are covered in this financial statements bulletin in the section Legal proceedings.

3.10 Related party transactions

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

EUR million	Reported 1-12/2019	Reported 1-12/2018
Sale of goods and services		
Key management personnel	0.7	0.4
Associated companies and joint ventures	339.1	148.0
Purchases of goods and services		
Associated companies and joint ventures	6.1	6.7

EUR million	Reported 12/2019	Reported 12/2018
Trade and other receivables		
Associated companies and joint ventures	18.2	4.5
Loan receivables		
Associated companies and joint ventures	19.0	30.0
Trade payables and other debts		
Associated companies and joint ventures	0.0	

Transactions with related party are made at a market price.

4 ADDITIONAL INFORMATION

4.1 Key figures

	Reported 10-12/2019	Restated 10-12/2018	Pro forma, restated 10-12/2018	Reported 1-12/2019	Restated 1-12/2018	Pro forma, restated 1-12/2018
Equity ratio, %	33.9%	38.1%	n/a	33.9%	38.1%	n/a
Adjusted equity ratio, %	37.3%	n/a	n/a	37.3%	n/a	n/a
Net interest-bearing debt, EUR million	862.3	562.9	562.9	862.3	562.9	562.9
Adjusted net interest-bearing debt, EUR million	601.3	n/a	n/a	601.3	n/a	n/a
Net debt/adjusted pro forma ebitda, rolling 12 months	n/a	n/a	n/a	n/a	n/a	3.2
Adjusted net debt/adjusted ebitda, rolling 12 months	n/a	n/a	n/a	3.0	n/a	n/a
Gearing ratio, %	81.3%	53.6%	n/a	81.3%	53.6%	n/a
Adjusted gearing ratio, %	56.7%	n/a	n/a	56.7%	n/a	n/a
Adjusted ROCE,rolling 12 months	11.1	n/a	n/a	11.1	n/a	n/a
Unrecognised order backlog at the end of the period, continuing operations, EUR million	4,130.5	4,285.6	4,285.6	4,130.5	4,285.6	4,285.6
- of which activities outside Finland, EUR million	1,175.1	1,000.1	1,000.1	1,175.1	1,000.1	1,000.1
Personnel at the end of the period, countinuing operations	7,417	7,556	7,556	7,417	7,556	7,556
Gross capital expenditures, EUR million[1]	19.8	14,2	n/a	65.1	64.4	n/a
Average share price during the period, EUR	5.36	5.70	n/a	5.36	5.70	n/a
Share price at the end of the period, EUR	5.96	5.11	n/a	5.96	5.11	n/a
Market capitalisation at the end of the period, EUR million	1,244.3	1,073.3	n/a	1,244.3	1,073.3	n/a
Equity per share, EUR	5.08	5.00	n/a	5.08	5.00	n/a
Earnings per share, continuing operations, EUR	0.28	n/a	0.27	0.02	n/a	0.23
Adjusted earnings per share, continuing operations, EUR	0.35	n/a	0.32	0.30	n/a	0.32
Weighted average number of shares outstanding – basic, 1,000 pcs	210,492	203,002	208,952	210,492	203,002	208,952
Weighted average number of shares outstanding, Diluted, 1,000 pcs	211,450	203,778	n/a	211,450	203,778	n/a
Number of outstanding shares at end of period, 1,000 pcs	208,768	210,048	n/a	208,768	210,048	n/a

[1]Gross capital expenditure includes investments in continuing and discontinued operations.

4.2 Reconciliation of certain key figures

Reconciliation of adjusted operating profit

EUR million	Reported 10-12/2019	Restated 10-12/2018	Pro forma, restated 10-12/2018	Reported 1-12/2019	Restated 1-12/2018	Pro Forma, restated 1-12/2018
Operating profit (IFRS)	**97.0**	**83.1**	**86.2**	**80.5**	**99.7**	**104.7**
Adjusting items						
Write-down of inventories					3.4	3.4
Restructurings and divestments[1]				0.3		-1.3
Court proceedings	-1.2			-2.2		
Transaction costs related to merger		0.1			1.4	
Integration costs related to merger	4.5	11.2	11.3	9.1	17.4	17.4
EBIT from operations to be closed	19.4			73.3		
Inventory fair value adjustment from PPA[2]	0.5	2.8	0.8	2.1	12.1	3.4
Depreciation and amortisation expenses from PPA[2]	0.6	2.0	1.0	2.5	6.2	4.3
Adjusting items, total	**24.0**	**16.2**	**13.1**	**85.0**	**40.6**	**27.2**
Adjusted operating profit	**121.0**	**99.3**	**99.3**	**165.5**	**140.3**	**132.0**

[1] Restructurings and divestments concern business reorganisations of Norway and Sweden. This adjusting item is focused at both Paving segment and other items and reconciliations.
[2] PPA refers to merger related fair value adjustments.

Reconciliation of adjusted earnings per share, continuing operations

EUR million	1-12/2019
Result for the period, continuing operations	**4.5**
Adjusting items, total (included in operating profit	85.0
Adjusting items related to merger included in financial expenses, continuing operations	-11.2
Tax impact	-14.8
Adjusted result for the period, continuing operations, EUR million	63.6
Weighted average number of shares outstanding – basic, pcs	210,491,977
Adjusted earnings per share, continuing operations – basic, EUR	**0.30**

Reconciliation of adjusted EBITDA, rolling 12 months

EUR million	12/2019
Adjusted operating profit	**165.5**
Depreciations and amortisations	58.0
Depreciation and amortisation expenses from PPA	-2.5
IFRS 16 leases ebitda impact	-39.4
Adjusted EBITDA from discountinued operations excluding IFRS 16 leases ebitda impact	17.8
Adjusted ebitda	**199.4**

Reconciliation of adjusted return on capital employed, rolling 12 months

EUR million	12/2019
Adjusted operating profit, rolling 12 months	**165.5**
IFRS 16 operating profit impact, rolling 12 months	-11.2
Adjusted operating profit less IFRS 16 impact, rolling 12 months	**154.3**
Capital employed, segments total 31 December 2019	**1,669.1**
Leased property, plant and equipment	-94.9
Leased inventories	-188.4
IFRS 16 leases impact on advances received	26.4
Adjusted capital employed, segments total 31 December 2019	**1,412.2**

4.3 Definitions of financial key performance indicators

Key figure	Definitions	Reason for use
Operating profit	Result for the period before taxes and finance expenses and finance income equalling to the subtotal presented in the consolidated income statement.	Operating profit shows result generated by operating activities excluding finance and tax related items.
Adjusted operating profit	Operating profit excluding adjusting items.	Adjusted operating profit is presented in addition to operating profit to reflect the underlying core business performance and to enhance comparability from period to period. Management believes that this alternative performance measure provides meaningful supplemental information by excluding items not part of YIT's core business operations thus improving comparability from period to period.
Adjusting items	Adjusting items are material items outside ordinary course of business such as write-down of inventories, impairment of goodwill, integration costs related to merger, transaction costs related to merger, costs, compensations and reimbursements related to court proceedings, write-downs related to non-core businesses, operating profit from businesses to be closed down, gains or losses arising from the divestments of a business or part of a business, costs on the basis of statutory personnel negotiations and adaption measures, and cost impacts of the fair value adjustments from purchase price allocation, such as fair value adjustments on acquired inventory, depreciation of fair value adjustments on acquired property, plant and equipment and amortisation of fair value adjustments on acquired intangible assets relating to business combination accounting under the provisions of IFRS 3, referred to as purchase price allocation ("PPA"). (YIT has changed the definition of this key performance indicator starting of April 1, 2019 to include operating profit from businesses to be closed down.)	
Capital employed	Capital employed includes tangible and intangible assets, shares in associates and joint ventures, investments, inventories, trade receivables and other non-interest bearing receivables, provisions, advance payments and other non-interest bearing debts excluding items related to taxes, finance items and profit distribution.	Capital employed presents capital employed of segment's operative business.

Adjusted capital employed, segments total	Segments' capital employed total includes tangible and intangible assets less leased property, plant and equipment, shares in associates and joint ventures, investments, inventories less leased inventories, trade receivables and other non-interest bearing receivables, provisions, advance payments and other non-interest bearing debts of segments total excluding items related to taxes, finance items, profit distribution and IFRS 16 impact. (YIT has introduced this new key performance indicators starting of January 1, 2019. Additionally, on June 30, 2019 the capital employed definition was changed to include only segments' capital employed.)	Adjusted capital employed, segments total improves comparability to previous years
Interest-bearing debt	Non-current borrowings, current borrowings and non-current and current lease liabilities.	Interest-bearing debt is a key figure to measure YIT's total debt financing.
Adjusted interest-bearing debt	Non-current borrowings and current borrowings. (YIT has introduced this new key performance indicator starting January 1, 2019.)	Adjusted interest-bearing debt improves comparability to previous years.
Net interest-bearing debt	Interest-bearing debt less cash and cash equivalents and interest-bearing receivables.	Net interest-bearing debt is an indicator to measure YIT's net debt financing.
Adjusted net interest-bearing debt	Adjusted interest-bearing debt less cash and cash equivalents and interest-bearing receivables. (YIT has introduced this new key performance indicator starting January 1, 2019.)	Adjusted net interest-bearing debt improves comparability to previous years.
Equity ratio, %	Total equity / total assets less advances received.	Equity ratio is one of YIT's key longterm financial targets. It is a key figure to measure the relative proportion of equity used to finance YIT's assets.
Adjusted equity ratio, %	Total equity / total assets less advances received, leased property, plant and equipment and leased inventory. (YIT has introduced this new key performance indicators starting January 1, 2019.)	Adjusted equity ratio improves comparability to previous years.
Gearing, %	Interest-bearing debt less cash and cash equivalents and interest-bearing receivables/total equity.	Gearing ratio helps to understand how much debt YIT is using to finance its assets relative to the value of its equity.
Adjusted gearing, %	Adjusted interest-bearing debt less cash and cash equivalents and interest-bearing receivables/total equity. (YIT has introduced this new key performance indicators starting January 1, 2019.)	Adjusted gearing ratio improves comparability to previous years.
Adjusted earnings per share, continuing operations	Earnings per share from continuing operations excluding adjusting items included in the operating profit and adjusting items related to merger included in financial expenses including tax impact. (On June 30, 2019, the definition was changed to include only continuing operations.)	Adjusted earnings per share from continuing operations is presented in addition to earnings per share in order to enhance comparability from period to period. Management believes that this alternative performance measure provides meaningful supplemental

		information by excluding items not part of YIT's core business operations thus improving comparability from period to period.
Adjusted return on capital employed, segments total (ROCE), %, rolling 12 months	Rolling 12 months adjusted operating profit less IFRS 16 leases operating profit impact/ adjusted capital employed, segments total on average during period. (YIT has changed the definition of return on capital employed on January 1, 2019 to exclude IFRS 16 leases related entries. On June 30, 2019, capital employed definition was changed to include only segment's capital employed.)	Adjusted return on capital employed, % describes segment's relative profitability, in other words, the profit received from capital employed.
Operating cash flow after investments	Operating cash flow presented in cash flow statement after investments. (On June 30, 2019, the definition was changed. Prior to change the operating cash flow after investments was deducted with cash flow effect from discontinued operations.)	
Gross capital expenditures	Investments in tangible and intangible assets, excluding additions in leases.	
Equity per share	Total equity divided by number of outstanding shares at the end of the period.	
Adjusted net debt / adjusted ebitda, rolling 12 months	Adjusted net debt/rolling 12 months adjusted earnings before depreciations and amortisations less IFRS 16 operating profit impact added with adjusted earnings before depreciations and amortisations from discontinued operations until disposal excluding IFRS 16 EBITDA impact from discontinued operations until disposal. (YIT has changed the definition of net debt/adjusted EBITDA on January 1, 2019 to exclude IFRS 16 leases related entries. On June 30, 2019, the definition of denominator was added with 12 months adjusted EBITDA from discontinued operations. The adjusted EBITDA from discontinued operations will be added to denominator until operations are disposed.)	Adjusted net debt to adjusted ebitda gives investor information on ability to service debt.
Market capitalisation	(Number of shares – treasury shares) multiplied by share price on the closing date by share series.	
Average share price	EUR value of shares traded during period divided by number of shares traded during period.	

Together we can do it.

YIT Oyj
PL 36, Panuntie 11
00621 Helsinki
Puh. +358 20 433 111

www.yit.fi

twitter.com/
YITInvestors