Q4

YIT Corporation
Financial statements bulletin 2020

03 February 2021

Table of contents

Financial statements bulletin 2020

Strong full-year results in the housing segments overshadowed by project management issues in certain projects and a negative fair value change

- Group's adjusted operating profit amounted to EUR 85 million (165).
- Fair value changes amounted to EUR -15 million in 2020, compared to the positive changes of EUR 79 million in 2019.
- Financial settlements in three challenging projects were EUR 50 million in total in 2020.
- Balance sheet was strengthened by a strong operating cash flow after investments of EUR 336 million (51), partly offset by translation differences and weak profitability.
- Dividend proposal EUR 0.14 per share (0.28 + extra dividend of 0.12).
- On 21 December 2020, YIT's Board of Directors appointed Markku Moilanen as YIT Corporation's President and CEO. He shall take up his position by 1 July 2021 at the latest.

October–December

- Revenue decreased by 15% to EUR 975 million (1,152).
- Adjusted operating profit was EUR 56 million (121).
- Adjusting items amounted to EUR 1 million (24).
- Operating profit was EUR 55 million (97).
- Earnings per share were EUR 0.19 (0.35).
- Operating cash flow after investments amounted to EUR 146 million (132).
- Investments in plots, including leased plots, were EUR 43 million (106).
- Net interest-bearing debt was EUR 628 million (862).
- Gearing was 68% (81).
- Impact of IFRS 16 lease liabilities to net interest-bearing debt was EUR 235 million (261) and to gearing 26 percentage points (25).
- Order book amounted to EUR 3,528 million (4,131).
- Combined lost time injury frequency was 9.8 (10.7).
- Customer satisfaction rate (NPS) was 51 (50).

January–December

- Revenue decreased by 10% to EUR 3,069 million (3,392).
- Adjusted operating profit decreased to EUR 85 million (165).
- Operating profit decreased to EUR 35 million (80).
- Earnings per share were EUR 0.13 (0.07).
- Operating cash flow after investments increased to EUR 336 million (51).
- Result for the period including discontinued operations amounted to EUR 27 million (15).
- The Board of Directors proposes that a dividend of EUR 0.14 per share (0.28 + extra dividend of 0.12) be paid for the year 2020 and that the dividend shall be paid in two equal instalments.

Key figures

EUR million	10-12/20	10-12/19	1-12/20	1-12/19
Revenue	975	1,152	3,069	3,392
Operating profit	55	97	35	80
Operating profit margin, %	5.6	8.4	1.1	2.4
Adjusted operating profit	56	121	85	165
Adjusted operating profit margin, %	5.7	10.5	2.8	4.9
Result before taxes	46	88	-6	40
Result for the period	36	59	-8	5
Result for the period, including discontinued operations	39	73	27	15
Earnings per share, EUR	0.19	0.35	0.13	0.07
Operating cash flow after investments	146	132	336	51
Net interest-bearing debt	628	862	628	862
Gearing ratio, %	68	81	68	81
Equity ratio, %	33	34	33	34
Return on capital employed, % (ROCE, rolling 12 months)	5.2	9.7	5.2	9.7
Order book	3,528	4,131	3,528	4,131

Nordic paving and mineral aggregates businesses sold on 1 April 2020, are reported as discontinued operations.
Unless otherwise noted, the figures in brackets refer to the corresponding period in the previous year.

Antti Inkilä, Interim President and CEO

"YIT's year 2020 was mixed. The Group's adjusted operating profit amounted to EUR 85 million (165). The result includes negative fair value changes of EUR 15 million (positive changes of EUR 79 million) mainly related to the Mall of Tripla investment, which reflects increased market yields caused by the COVID-19 pandemic. Financial settlements in three challenging projects, Myllypuro Campus, Hertsi Mall and the Tripla project, had a negative impact of EUR 50 million in our adjusted operating profit in 2020.

On a positive note, the results in the housing segments were very strong in 2020. Behind this strong performance was not only favourable market situation but also increased market share. We expect this solid development to continue supported by higher apartment start-ups in 2021. Our vigorous work to develop relationships with customers and enhance digital tools has now started to bear fruit. A giant leap in digital sales was achieve in 2020 with a 144% increase in the online reservations compared to the previous year. The customer feedback has been excellent throughout the year and our customer satisfaction rates (Net Promoter Score) increased to 62 (51) in Housing Finland and CEE and to 60 (57) in Housing Russia.

Our measures to minimise the impacts of the COVID-19 pandemic were also successful. We kept our construction sites open with only minor disturbances and we completed projects according to plans.

Our strategy execution remained determined in 2020, and we continued to focus on the core of our strategy, sustainable urban development. We streamlined our business portfolio by completing the sale of the Nordic paving and mineral aggregates businesses and made a decision to close down operations in Norway. Our balance sheet was strengthened, and our full-year operating cash flow after investments was solid at EUR 336 million (51).

Furthermore, the target to halve the CO_2 emission of our own operations by 2030 got an excellent start in 2020 with a 21% decrease. We have speeded up work in several sustainability areas, including the prevention of the grey economy and improving occupational safety. Our good development in 2020 gives us confidence that the end-targets are well within our reach.

Overall, we made great progress in several areas in 2020. However, the development of our Business premises business was disappointing, and the Infrastructure segment's underlying project performance was not satisfactory. It is clear that we need to take a substantial step towards change in project management in both of these segments. This work has already started, and we are expecting tangible results already this year.

The year 2020 was challenging in many ways but we managed to navigate through the challenges. I would like to thank our employees, customers and partners for their excellent work and strong commitment. Looking ahead, we have a solid portfolio of projects we have won but which have not yet been added to the order book. We also have a strong plot reserve and competent personnel, and we will continue to select projects in which we can utilise our capabilities and strengths in the best way.

In light of weak Group result in 2020 with an EPS of EUR 0.13 per share, the Board of Directors has decided to propose to the Annual General Meeting a dividend of EUR 0.14 per share. Despite the strong operating cash flow after investments, supported by the sale of the Nordic paving and mineral aggregates businesses, we have faced significant translation differences mainly from the weakened Russian Rouble that negatively impacted our equity by EUR 87 million. In addition, the actions to streamline our business portfolio led to adjusting items of EUR 50 million during the year. Our key target remains to ensure increased profitability and to execute on our strategy through continued focus on top location plot investments and development. This requires a strong balance sheet as well as increasing number of apartment start-ups in our housing business. Consequently, the Board of Directors felt it to be prudent to propose a lower dividend compared to the previous year."

Guidance for 2021

In 2021, housing completions are expected to decrease in Housing Finland and CEE compared to 2020. In Housing Russia, solid underlying performance is estimated to continue. In Business premises, performance is expected to stabilise. Project management issues in the Infrastructure segment are burdening earnings but those issues are expected to be resolved as the year progresses. In Partnership properties, portfolio development is expected to continue.

YIT expects its full-year 2021 adjusted operating profit to be higher than in 2020 (EUR 85 million). The fourth quarter is expected to be clearly the strongest.

The result is dependent on certain project completions and contract closings towards the end of the year. Temporary shutdowns or slower progress on construction sites and delayed completions due to the COVID-19 pandemic could lead to the postponement of revenue and profit from one quarter or year to another. The pandemic may also lead to changes in market yields, which may have impacts on the fair value of the investments.

Q1/2021 market outlook by region

Housing

Q4 market situation | Q1 market outlook

Finland
- Consumer activity expected to stay at a good level.
- Institutional investors returning more active.
- Availability of housing company loan financing expected to remain stable but challenging. Access to consumer mortgages is delayed.
- Uncertainty caused by the COVID-19 pandemic continues.

Baltic countries
- Demand expected to remain stable, but uncertainty caused by the COVID-19 pandemic continues.

Central European countries
- Consumer demand at a good level, but the uncertainty caused by the COVID-19 pandemic continues.

Russia
- Consumer demand expected to decrease due to seasonality and normalising consumer behaviour after a very strong peak in 2020.
- Demand continues to focus on reliable developers.
- The State's interest subsidy programme to continue until June 2021, which continues to support consumer demand.

Business premises and Partnership properties

Finland
- Real estate investor demand and readiness to make decisions, particularly for office and logistics properties, starting to recover.
- Contracting market expected to remain stable but competition intensifying and adding pressure on price levels.
- Yield requirements for commercial projects expected to be impacted by accelerating online sales and uncertainty caused by the COVID-19 pandemic.

Baltic countries
- Contracting market recovering, but uncertainty caused by the COVID-19 pandemic continues.
- Competition expected to stay intense.

Central European countries
- Property investors increasingly cautious due the uncertainty caused by the COVID-19 pandemic.
- Rental demand slowing down due to uncertainty caused by the COVID-19 pandemic.

Infrastructure

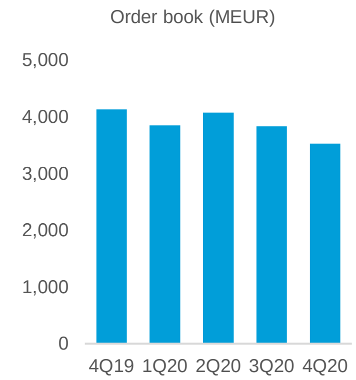
Finland
- Uncertainty expected to remain, and demand expected to continue subdued due to delays in the development of infrastructure projects.
- State stimulus packages expected to start supporting the sector from 2021 onwards.

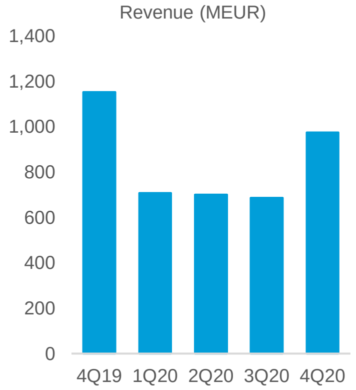
Baltic countries
- Contracting market expected to start recovering.

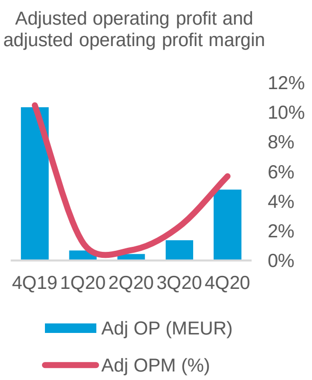
Sweden
- Infrastructure construction expected to remain at a good level due to traffic infrastructure development programmes and urbanisation development.
- Large-scale road and railway projects and industrial investments ongoing and in preparation.

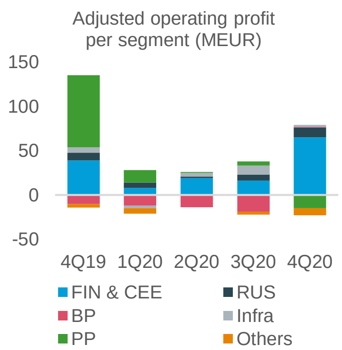
Q4/2020 market situation
Good | Normal | Weak

Market outlook for Q1/2021
Improving | Stable | Weakening









Results

October–December

At the end of the fourth quarter 2020, YIT's order book amounted to EUR 3,528 million (4,131). Order book decreased in housing segments and Infra segment but increased in the Business premises and Partnership properties segments in total. At the end of the quarter, 82% of the order book was sold (69).

The Group's revenue was EUR 975 million (1,152). Revenue decreased in Business premises, Housing Russia and Infra segments. In Housing Finland and CEE and the Partnership properties segments revenue increased.

The Group's adjusted operating profit amounted to EUR 56 million (121) and the adjusted operating profit margin to 5.7% (10.5). The profitability was impacted by a EUR -16 million fair value change of the Mall of Tripla investment in Partnership properties, following increased market yields caused by the COVID-19 pandemic. On the contrary, the corresponding period included positive fair value changes of EUR 77 million from the Mall of Tripla investment and other investment properties. Operationally, profitability in the fourth quarter of 2020 was supported by solid results in the housing segments driven by strong housing sales. Furthermore, Business premises' adjusted operating profit returned positive. In the Infrastructure, profitability weakened slightly.

YIT's operating profit was EUR 55 million (97). The adjusting items amounted to EUR 1 million (24) including, among others, operating profit from operations to be closed.

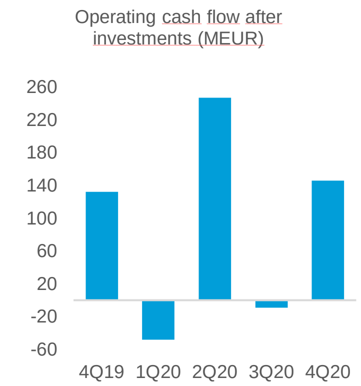
January–December

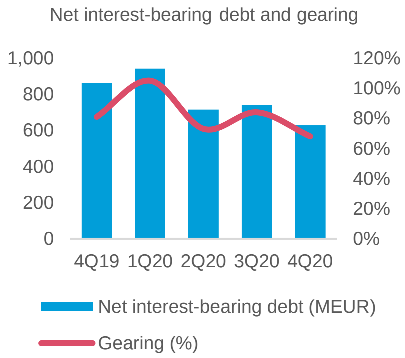
The Group's revenue amounted to EUR 3,069 million (3,392). Revenue increased in Housing Finland and CEE supported by an increase in consumer apartment completions, and in Housing Russia as a result of strong apartment sales levels, as well as the change in revenue recognition over time. Revenue decreased in the Business premises as the comparison period included a revenue from the Tripla project. Revenue of Infrastructure was relatively flat, and revenue of Partnership properties was higher compared to the previous year.

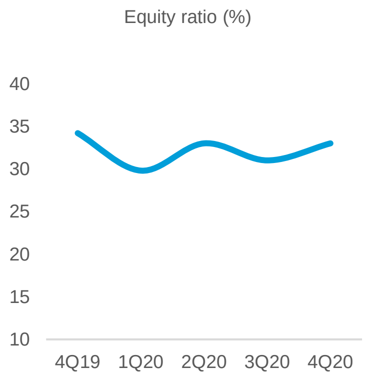
The Group's adjusted operating profit was EUR 85 million (165) and the adjusted operating profit margin 2.8% (4.9). The fair value changes amounted EUR -15 million in 2020, compared to EUR 79 million in 2019. Operationally, the year was mixed. The housing segments posted strong results driven by higher sales and improved margin levels. On the other hand, Business premises' profitability was heavily burdened by financial settlements of EUR 50 million in three challenging projects.

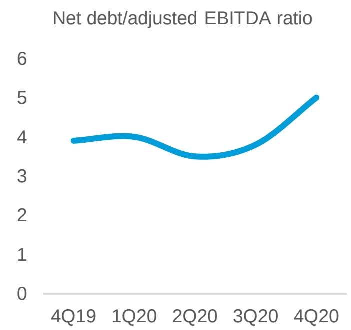
YIT's operating profit was EUR 35 million (80). The adjusting items amounted to EUR 50 million (85). Key adjusting items include a write-down of EUR 12 million related to the decision to close down Infrastructure operations in Norway and a write-down of EUR 13 million in operations to be closed in Russia. Other adjusting items are mainly related to operating profit from operations to be closed.

Result before taxes was EUR -6 million (40). Result for the period amounted to EUR -8 million (5) and result for the period including discontinued operations amounted to EUR 27 million (15). Gain on sale of Nordic paving and mineral aggregate businesses amounted to EUR 55 million.









Cash flow and financial position

Operating cash flow after investments for October-December was EUR 146 million (132). Cash flow from plot investments was EUR -36 million (-81). Cash flow from investments to associated companies and joint ventures was EUR -13 million (-9). Full year operating cash flow after investments was EUR 336 million (51). Full year cash flow from plot investments was EUR -155 million (-153), and cash flow from investments to associated companies and joint ventures was EUR -24 million (-34).

At the end of the period, interest-bearing debt amounted to EUR 1,114 million (1,051) and net interest-bearing debt to EUR 628 million (862). Equity ratio was 33% (34) and gearing ratio 68% (81). Net debt/adjusted EBITDA ratio was 5.0 (3.9).

In the first quarter of 2020, YIT repaid a EUR 30 million term loan and agreed on a two-year term loan of EUR 50 million with a maturity date in March 2022. The agreement includes two options for a one-year extension. In addition, YIT agreed in the second quarter to extend EUR 255 million of its EUR 300 million committed revolving credit facility with one year to August 2022. YIT also agreed on a one-year extension of its EUR 30 million and EUR 50 million term loans. The new maturity date for the EUR 30 million term loan is in June 2021 and the new maturity date for the EUR 50 million term loan is in October 2021.

During October-December, the net finance costs amounted to EUR 9 million (9), and the full-year net finance costs were EUR 41 million (40).

Cash and cash equivalents increased to EUR 419 million (132), in addition to which YIT had undrawn overdraft facilities amounting to EUR 47 million (47). Furthermore, a committed revolving credit facility of EUR 300 million (300) was completely undrawn, and undrawn and committed housing corporation and project loan limits related to apartment projects amounted to EUR 147 million (281).

Capital employed was EUR 1,527 million (1,669) at the end of the quarter, out of which capital employed in Russia was 12% (18) resulting in EUR 186 million (294). Equity investments in Russia were EUR 271 million (352).

In Russia, the change in the housing act, which came into force in summer 2019, requires that in new residential development projects the consumer payments for housing shall be made to escrow accounts instead of direct payments to the contractor. The funds will be released to the contractor from the escrow accounts upon completion of the project. This change had a negative impact of EUR 54 million (1) on YIT's cash flow in 2020. The Russian escrow accounts amounted to EUR 55 million (1) on 31 December 2020.

Equity decreased to EUR 920 million (EUR 1,061 million) reflecting primarily translation differences and paid dividends.

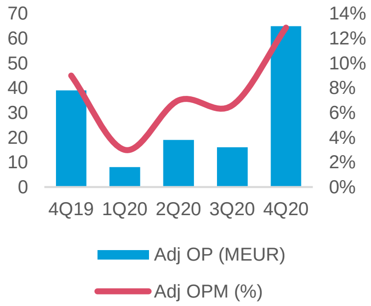
Investments and divestments

In the fourth quarter, gross capital expenditure amounted to EUR 6 million (9), or 0.6% of revenue (0.8), of which EUR 5 million (7) leased. Investments in plots were EUR 43 million (89), after which the plot reserve amounted to EUR 678 million (727). Investments in leased plots were EUR 0 million (17), after which the leased plot reserve amounted to EUR 134 million (126).

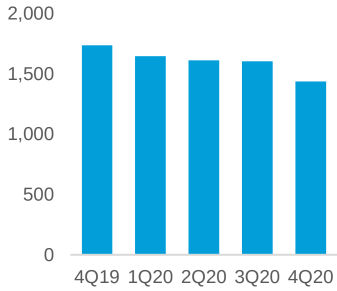
For the full year 2020, gross capital expenditure was EUR 31 million (32), or 1.0% of revenue (0.9), of which EUR 26 million (21) leased. Investments in plots were EUR 95 million (173) and, in addition, investments in leased plots amounted to EUR 13 million (20).

On 1 April 2020, the sale of YIT’s paving and mineral aggregates businesses in Finland, Sweden, Norway and Denmark to Peab was completed. The debt-free purchase price amounted to EUR 288 million.

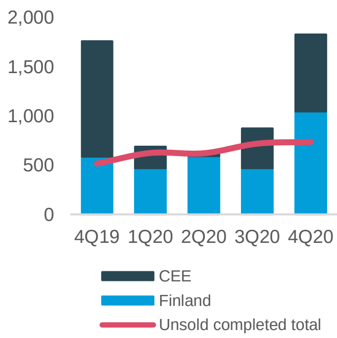
Adjusted operating profit and adjusted operating profit margin



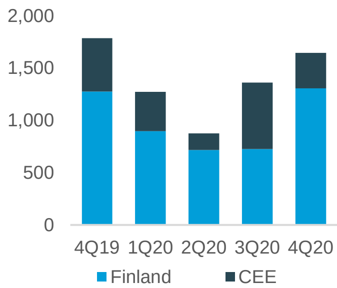
Order book (MEUR)



Completed consumer apartments, Finland and CEE (units)



Sold apartments, Finland and CEE (units)



Housing Finland and CEE

EUR million	10-12/20	10-12/19	1-12/20	1-12/19
Revenue	505	446	1,286	1,240
Operating profit	65	39	108	91
Adjusted operating profit	65	39	108	91
Adjusted operating profit margin, %	12.8	8.7	8.4	7.4
Order book at end of period	1,437	1,737	1,437	1,737
Capital employed	700	697	700	697

Results

October–December

- Revenue increased by 13% to EUR 505 million (446), positively impacted by an increase in consumer apartment completions.
- Adjusted operating profit increased to EUR 65 million (39) supported by strong apartment sales, improved margins and an increase in consumer apartment completions.
- Order book decreased to EUR 1,437 million (1,737) due to the lower number of apartment start-ups in CEE countries during 2020.
- Apartment start-ups in Finland remained at a good level.

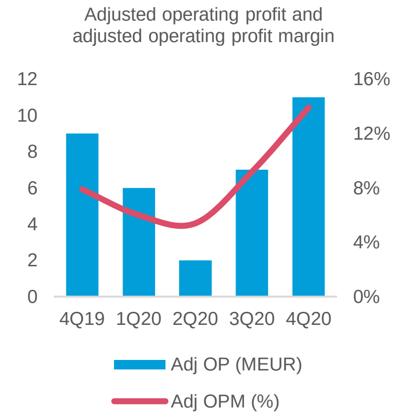
January–December

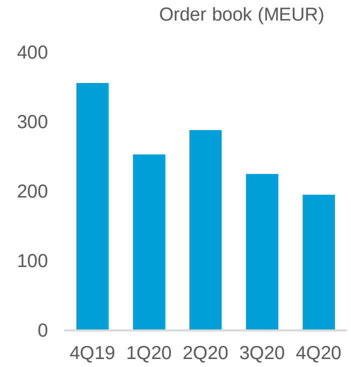
- Revenue increased to EUR 1,286 million (1,240) supported by an increase in consumer apartment completions. Revenue in the comparison period included a block sale of nearly 600 apartments to a joint venture.
- Adjusted operating profit increased by 19% to EUR 108 million (91) driven by strong apartment sales and improved margins.
- The living services business continued to grow:
  - rental assignments increased by 71% year-on-year
  - the number of rental agreements increased by 85% year-on-year
  - 355,000 visits in YIT Plus service platform, increase of 50% year-on-year

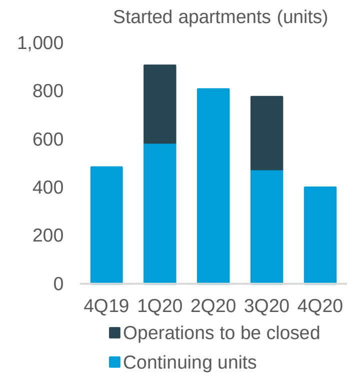
Operating environment in October–December

Finland
- Strong residential demand.
- Housing company loan financing was stable but challenging due to the caution of banks.
- Access to consumer mortgages was delayed as banks were congested.

CEE countries
- Stable residential demand.
- Commissioning of completed apartments slow.







Housing Russia

EUR million	10-12/20	10-12/19	1-12/20	1-12/19
Revenue	79	107	305	240
Operating profit	16	-2	8	-47
Adjusted operating profit	11	9	27	1
Adjusted operating profit margin, %	14.1	7.9	8.8	0.5
Order book at end of period	195	356	195	356
Capital employed	180	277	180	277

Following a reassessment of the current legislation, legal practice and terms of YIT's sales contracts in Russia, the criteria for revenue recognition over time (POC) has been fulfilled. Thus, from the first quarter of 2020 onwards, YIT has recognised revenue over time from sold apartments in Russian residential development projects.

Results

October–December

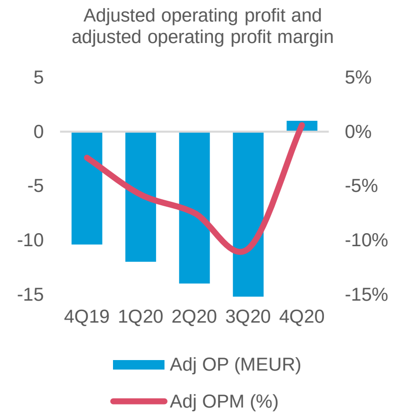
- Revenue decreased by 26% to EUR 79 million (107). Figures in the corresponding period are not fully comparable due to the change in revenue recognition.
- Adjusted operating profit increased to EUR 11 million (9), supported by a plot sale of EUR 5 million. The apartment sales volume was at a strong level and margins continued to increase. Figures in the corresponding period are not fully comparable due to the change in revenue recognition.
- Order book decreased to EUR 195 million (356) mainly due to the change into revenue recognition over time.
- At end of quarter, YIT was responsible for service and maintenance for
  - almost 71,000 apartments
  - over 13,000 parking spaces
  - over 10,000 business premises
  - total over 94,000 clients

January–December

- Revenue increased by 27% to EUR 305 million (240) as a result of strong apartment sales levels, as well as the change in revenue recognition over time. Revenue from continuing units was EUR 204 million. The impact of EUR-RUB exchange rates was EUR -43 million compared to the previous year.
- Adjusted operating profit increased to EUR 27 million (1), driven by strong apartment sales, increased margins, operational efficiency measures, as well as solid operations on sites despite the COVID-19 pandemic. The result was further supported by a plot sale of EUR 5 million. The impact of EUR-RUB exchange rates was EUR -4 million compared to the previous year.
- The client base of YIT's service and maintenance business increased by 72% year-on-year.
- The Russian escrow accounts amounted to EUR 55 million (1) on 31 December 2020.

Operating environment in October–December

- Interest rates for mortgages remained low.
- Number of consumers purchasing apartments with mortgages has increased.
- Price levels started to increase, which was equalising demand.



Business premises

EUR million	10-12/20	10-12/19	1-12/20	1-12/19
Revenue	185	439	761	1,177
Operating profit	0	-10	-46	-7
Adjusted operating profit	1	-10	-44	-7
Adjusted operating profit margin, %	0.6	-2.4	-5.8	-0.6
Order book at end of period	745	897	745	897
Capital employed	-44	65	-44	65

Following the organisational change on 1 May 2020, the real estate management and project development businesses were transferred from the Business premises segment into the Partnership properties segment. The change had an impact on the order book and capital employed of both segments from that point onward.

Results

October–December

- Revenue decreased by 58% to EUR 185 million (439) as the corresponding period was positively impacted by the revenue for the remaining part of the Tripla project.
- Adjusted operating profit increased to EUR 1 million (-10). The comparison period was negatively impacted by increased costs caused by the completion phase of the Mall of Tripla, as well as by other challenging projects.
- Order book decreased to EUR 745 million (897). The comparison period includes an order book of EUR 202 million from the real estate management unit which was transferred to Partnership properties in the second quarter of 2020.

January–December

- Revenue decreased by 35% to EUR 761 million (1,177). The comparison period included revenue from the Tripla project and the real estate management business.
- Adjusted operating profit decreased to EUR -44 million (-7) largely due to financial settlements in three challenging projects.

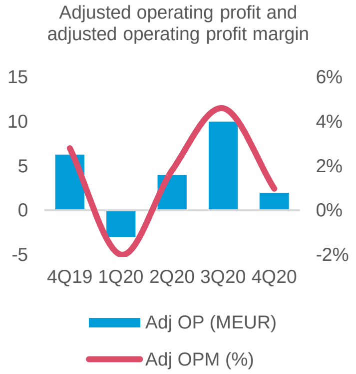
Operating environment in October–December

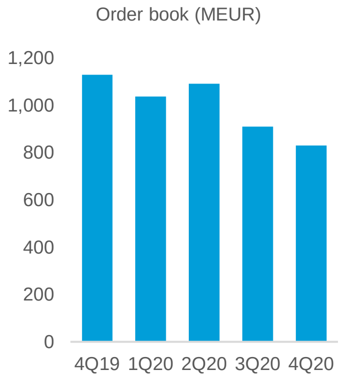
Finland

- Public sector demand continued active.
- Competition in commercial projects has tightened. Demand for hotels has been declining due to the uncertainty caused by the COVID-19 pandemic.

CEE countries

- Price levels in the Central European countries started to stabilise.
- Number of contracting projects in tendering stable in the Baltic countries.





Infrastructure

EUR million	10-12/20	10-12/19	1-12/20	1-12/19
Revenue	205	223	791	807
Operating profit	0	6	-1	14
Adjusted operating profit	2	6	13	15
Adjusted operating profit margin, %	0.9	2.8	1.6	1.9
Order book at end of period	829	1,128	829	1,128
Capital employed	48	52	48	52

In October 2020, YIT announced that it will start preparation to close down the infrastructure operations in Norway. From the third quarter 2020 onwards, operating profit or loss from the businesses to be closed down will be recorded in adjusting items and will not be presented in adjusted operating profit.

Results

October–December

- Revenue decreased by 8% to EUR 205 million (223) largely due to a decrease in production volumes in Norway and the Baltic countries.
- Adjusted operating profit decreased to EUR 2 million (6) due to margin reductions in certain projects. The sale of Murtomäki wind park supported the result.
- Order book decreased to EUR 829 million (1,128) as several large projects are about to be completed.
  - The second phase of the Tampere tram network was entered in the order book.

January–December

- Revenue decreased by 2%, to EUR 791 million (807) largely due to lower production volumes in Norway and the Baltic countries.
- Adjusted operating profit decreased to EUR 13 million (15) mainly due to margin reductions.
- Development of wind park portfolio continued.

Operating environment in October–December

Finland

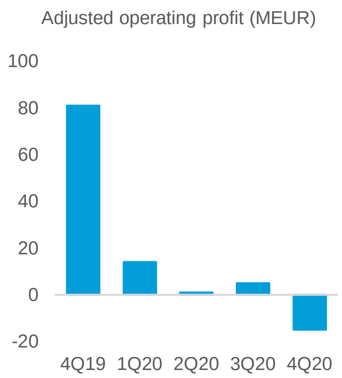
- Uncertainty has remained high due to the COVID-19 pandemic. Demand was negatively impacted by delays in the development of certain infrastructure projects.
- State stimulus packages agreed during the summer of 2020 did not yet have an impact on demand.

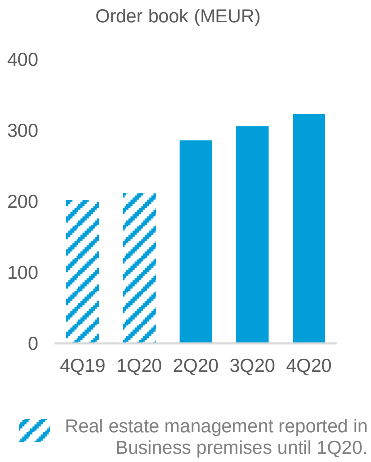
Sweden

- The market remained solid supported by several ongoing major infrastructure projects and industrial investments.

Baltic countries

- The market environment remained challenging.





Partnership properties

EUR million	10-12/20	10-12/19	1-12/20	1-12/19
Revenue	13	0	17	0
Operating profit	-15	81	5	83
Adjusted operating profit	-15	81	5	83
Order book at end of period	323		323	
Capital employed	331	254	331	254

Following an organisational change on 1 May 2020, the real estate management and project development businesses were transferred from the Business premises segment into the Partnership properties segment thereby having an impact on order book and capital employed of both segments from that point onward.

Results

October–December

- Revenue grew to EUR 13 million (0) driven by the organisational change.
- Adjusted operating profit decreased to EUR -15 million (81).
  - The fair value change of the Mall of Tripla investment had a negative impact of EUR 16 million on the result. The change was due to increased market yields caused by the COVID-19 pandemic. Against this, the corresponding period included positive fair value changes of EUR 77 million from the Mall of Tripla investment and other investment properties owned by YIT's associated companies and joint ventures.
  - Performance during the quarter was supported by the sale of the housing stock of YIT's and Ålandsbanken's associated company ÅB Kodit I Ky.
- Order book amounted to EUR 323 million including primarily service periods for life cycle projects.

January–December

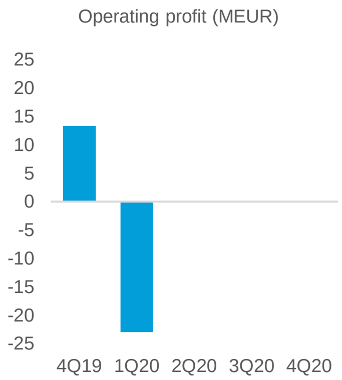
- Revenue was EUR 17 million (0).
- Adjusted operating profit decreased to EUR 5 million (83).
  - The fair values changes amounted EUR -15 million in 2020, compared to EUR 79 million in 2019.
  - Operationally, financial performance in 2020 was supported by the finalisation of the Espoo Keilaniemi project's real estate transaction in Finland as well as the sale of the housing stock of YIT's and Ålandsbanken's associated company ÅB Kodit I Ky.
- YIT widened its investment portfolio by establishing a company with OP-Rental Yield special fund investing in rental apartments. The investment value of the projects is approximately EUR 130 million, and YIT's share of the joint investment is 40%.

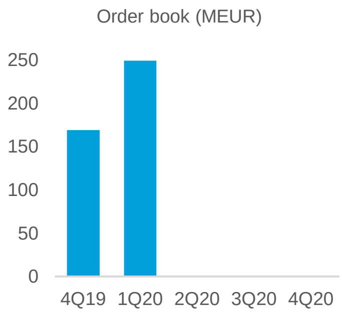
Investments

EUR million	
Portfolio balance sheet value 1 January 2020	254
Net change in invested equity	8
Net result	21
Dividends	-12
Changes in fair value	-15
Portfolio balance sheet value 31 December 2020	254

Operating environment in October–December

- Yield requirements for commercial projects have risen as the uncertainty created by the COVID-19 pandemic has increased.





Discontinued operations

EUR million	10-12/20	10-12/19	1-12/20	1-12/19
Revenue	0	125	27	540
Operating profit	1	13	-22	12
Gain on sale	3		55	
Result for the period	4		35	10
Order book		169		169

Discontinued operations include the Nordic paving and mineral aggregates operations sold on 1 April 2020 and related allocations.

Results

January–December

- Revenue was EUR 27 million (540).
- Operating profit was EUR -22 million (12).
- Debt-free purchase price of paving and mineral aggregates businesses amounted to EUR 288 million.
- Gain on the sale amounted to EUR 55 million.

Personnel

During January–December 2020, the Group employed on average 7,377 people (7,635). The slight decline resulted from changes in the number of summer trainees, redundancies for production and financial reasons, termination of fixed-term employment and limiting recruitments. Including discontinued operations, the average number of personnel in January–December was 7,558 (9,444).

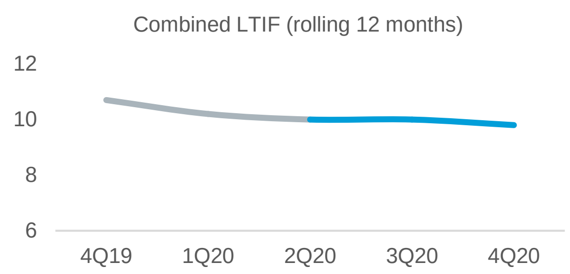
In response to the temporarily decreased demand and site delays caused by the COVID-19 pandemic, YIT adjusted its costs and furloughed a large part of its fixed white-collar employees for two weeks between April and August.

Personnel expenses in October–December totalled EUR 95 million (103) and in January–December amounted to EUR 372 million (406).

Sustainability

Safety

Since the beginning of 2020, YIT has renewed its safety reporting practices encompassing both its own personnel and subcontractors. The aim is to lead the safety development of the industry in a more comprehensive direction. According to the new reporting method, the Group's rolling 12-month combined lost time injury frequency was 9.8 (10.7).



Figures before 1Q20 not fully comparable due to the change in the reporting practices.

Environment

YIT set long-term targets for climate change mitigation in September 2019:

1) To halve greenhouse gas emissions of own operations and self-developed projects by 2030 compared to 2019.

- During the reporting period YIT achieved a -21% reduction in the emissions of its own operations supported by the switch to renewable electricity in Finland and Norway.
- Life cycle emissions of construction materials used in self-developed projects remained close to the level of the comparison year 2019, as during the year the primary focus was on developing the carbon footprint calculation capability of YIT's own personnel.

2) To enable carbon neutral heating, cooling and hot water in self-developed projects.

- During the reporting period a service-based geothermal solution was developed in the first residential pilot projects.
- In addition, the construction of three projects with geothermal heating were started during the year, which will be able to save 49% of the greenhouse gas emissions related to heating, cooling and hot water over the entire life cycle compared to a conventional district heating building.

3) To report project specific carbon footprint of all self-developed projects from 2020 onwards.

- During January-December 2020, a total of 50 projects, which represents 98% of all self-developed projects, have been calculated.

Shares

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

At the beginning of 2020, YIT's share capital was EUR 149,716,748.22 (2019: 149,716,748.22) and the number of shares outstanding at the end of the reporting period, on 31 December 2020, was 209,083,556 (31 December 2019: 208,768,363).

Significant risks and uncertainties

The purpose of YIT's risk management is to identify the most significant risks to the company's operations and manage them in a balanced way. Risk management aims to ensure the continuity of YIT's operations and the achievement of targets. YIT has a risk management policy that guides the management of the company's overall risk position. Risk management is included in all of the Group's significant operating, reporting and management processes.

YIT has categorised the risks that are significant to its operations into strategic, operational, financial and event risks. Strategic risks relate to market, countries of operation, legislation, good corporate governance, reputation and climate change. Operational risks, on the other hand, to projects, contract and agreement disputes, resources and personnel, procurement, occupational safety, human rights and the environment. Financial risks relate to financing, reporting and capital efficiency, while event risks include issues related to information security and pandemics.

Detailed descriptions of risks, their impacts and risk management practices are available in the appendix 1.

Legal proceedings

Damages related to the asphalt cartel

On November 23, 2020, the Supreme Court announced its decision on the last matter pending before courts against YIT concerning the damages related to the asphalt cartel. The Supreme Court approved for the most part YIT's claims related to the question on the share of value added tax. The Supreme Court's decision is in line with the Supreme Court's earlier decisions regarding the issue.
YIT has reached a settlement with all other claimants whose claims against YIT were pending before the Supreme Court. The settlements were made in line with the legal principles set out in the Supreme Court's judgments. In addition, YIT has settled earlier all the matters pending before the District Court against the company. The settlements were made in line with the legal principles set out in the judgments of the Helsinki Court of Appeal and the Supreme Court. Pursuant to the settlements, these claimants have dropped their claims.

All the proceedings pending before courts against YIT concerning the damages related to the asphalt cartel have now ended.

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.

The Hospital District of Southwest Finland has on 3 June 2020 filed a summons in the District Court of Southwest Finland against YIT and presented claims for damages etc. to YIT relating to the project for the construction of the concrete deck of the T3 building of Turku University Hospital. The capital amount of the claims totals approximately EUR 20 million. The company deems the claims for damages etc. unfounded.

YIT has submitted its response to the Hospital District's claims to the District Court on 29 January 2021. In its response YIT has denied the Hospital District's claims as unfounded.

Governance

Changes in the Group Management Team

On 1 April 2020, YIT announced the following changes in the Group Management Team: following the closing of the sale of the Nordic paving and mineral aggregates businesses, Heikki Vuorenmaa, Executive Vice President, Paving segment, moved to the buyer of the business and thereby left YIT. In addition, it was announced that Esa Neuvonen, EVP, Business premises segment and Partnership properties segment, would focus on leading the Partnership properties segment going forward and that Tom Ekman had been appointed as EVP, Business premises and member of the Management Team, as of 1 May 2020.

On 23 October 2020, YIT announced that Kari Kauniskangas will leave his position as the President and CEO of YIT Corporation. The Board of Directors embarked upon the search process for a new CEO, and appointed Antti Inkilä, EVP of Housing Finland and CEE segment of YIT, as interim President and CEO effective from 23 October 2020. Marko Oinas, VP, Strategy and Development of Housing Finland and CEE segment at YIT, is appointed as EVP of the segment and member of the Management Team while Antti Inkilä serves as interim President and CEO.

YIT announced on 14 December 2020 that Esa Neuvonen, Executive Vice President, Partnership properties segment has announced to resign from the company to work for another employer. YIT Corporation's Board of Directors has nominated Timo Lehmus, SVP, Development of Partnership properties segment, to act as interim Executive Vice President of the segment and member of the Group Management Team. The appointment of Timo Lehmus is effective as of 15 December 2020.

The company announced on 21 December 2020 that YIT's Board of Directors has appointed Markku Moilanen as YIT Corporation's President and CEO. He shall take up his position determined at a later date, but at the latest by 1 July 2021.

Resolutions passed at the Annual General Meeting 2020

The Annual General Meeting of YIT Corporation was held on 12 March 2020. YIT published stock exchange releases on the resolutions of the Annual General Meeting and on the organisational meeting of the Board of Directors on 12 March 2020. The stock exchange releases and introductions of the members of the Board of Directors are available on YIT's web pages.

Annual General Meeting 2021

YIT Corporation's Annual General Meeting 2021 will be held on Thursday, 18 March 2021. 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 Wednesday 3 February 2021.

Board of Directors’ proposal for the distribution of distributable funds

The distributable funds of YIT Corporation on 31 December 2020 amounted to approximately EUR 831 million, of which profit of the period amounted to approximately EUR 131 million.

The Board of Directors proposes that a dividend of EUR 0.14 per share be paid based on the balance sheet to be adopted for the year 2020 and that the dividend shall be paid in two equal instalments.

The first instalment of EUR 0.07 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 22 March 2021. The Board of Directors proposes that dividend for this instalment be paid on 7 April 2021.

The second instalment of EUR 0.07 shall be paid in October 2021. 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 29 September 2021. The dividend record date for the second instalment as per the current rules of the Finnish book-entry system would be 1 October 2021 and the dividend payment date 12 October 2021.

At 31 December 2020, the number of outstanding shares of the company amounted to 209,083,556, of which the corresponding dividend based on Board of Directors proposal amounts to approximately EUR 29 million.

Events after the reporting period

YIT announced on 4 January 2021, that it updates its result guidance for 2020 and expects its full-year Group adjusted operating profit to be approximately EUR 80 million (2019: EUR 165 million). Earlier YIT expected its full-year Group adjusted operating profit to be in the range of EUR 90-110 million.

YIT Corporation
Board of Directors

Helsinki, 03 February 2021

Financial statements bulletin 2020: Appendix 1 Most significant short-term business risks

Strategic risks

RISK	DESCRIPTION AND IMPACT OF THE RISK	RISK MANAGEMENT
Market risks	• The general economic development, functioning of the financial markets and the political environment in YIT's operating countries have a significant impact on the company's business. • Negative development in purchasing power, the confidence of consumers and businesses, the availability of financing to consumers or businesses or general interest rate level can weaken the demand for YIT's products and services. They also impact parameters used for the fair valuation of certain balance sheet items. • A drop in prices of assets for sale or held or an increase in investors' yield requirements would pose a risk for the profitability of the company, should these factors materialise. • 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 may pose risks related to the demand for the company's products and services. • An increase in price or interest levels, increased rental accommodation supply and/or weakening tenant demand in the business premises or residential market and better yields of alternative investments could lead to a decrease in investor demand. • Increased supply and slowdown of population growth or depopulation can pose a local risk for residential demand.	• Continuous monitoring and analysis of market developments. • Financing and project model solutions implemented with partners. • Continuous monitoring of yield requirement levels, tender base, situation of sales and investment portfolio. When the market situation changes, it is reacted to in such a way that the risk limits associated with production, completed projects and capital are not exceeded. • Ensuring competitive products and services corresponding to customer demand. • Alternative investors and users will be identified for the projects under construction already in the design phase. The projects are designed to be as flexible as possible so that the layouts will serve different groups of customers and users.
Country risks	Finland • Finland accounts for a significant share of the company's business, which highlights the significance of Finland's economic development for YIT's business. • The slowing growth of the Finnish economy, migration 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 in public sector debt can make it more difficult to finance infrastructure investments, especially in the municipal sector. • In Finland, disruptions or significant changes in project financing and housing company loans can affect YIT's ability to finance construction-time costs and have indirect impacts on customer demand, especially in the consumer market. Russia • There are uncertainty factors related to the economic development of Russia in the long term. The volatility of the oil price and the rouble, changes in legislation, geopolitical tensions and inflation may affect the demand for apartments due to weakening purchasing power and consumer confidence. Weakening purchasing power and oversupply of housing would also have an impact on the development of residential prices, should they materialise. • There are uncertainty factors related to authorities' actions, permit processes and their efficiency. Changes in the federal law regulating housing market in Russia may cause disturbance in companies' monetary transactions and current contract models and increase capital employed. The role of banks in monitoring the law has been expanded and the incompleteness of the monitoring process may cause uncertainty. • Tensions of domestic politics and foreign policy between the EU, USA and Russia may affect construction demand or be visible in the form of sanctions, for example, that can have an impact on the company's business. CEE countries • There are uncertainty factors related to authorities' actions, permit processes and their efficiency.	Finland • Continuous monitoring and analysis of the economic development of Finland and public investments. • Risks related to project financing and housing company loans are managed by the efficient allocation of working capital and financial reserves and use of capital, by shortening the lead-times and ensuring sufficient funding capacity. Project funding models and co-operation with partners are developed continuously. Russia • Continuous monitoring and analysis of Russia's economic development and legislation. • Reducing capital employed in Russia in accordance with the company's strategy. • Close dialogue with the authorities to ensure handovers and the processing of permits. CEE countries • Close dialogue with the authorities to ensure handovers and the processing of permits.

Legislation-related risks	• Changes in legislation and authorities' permit processes may slow down the progress of projects, have a negative impact on net debt, increase the need for equity or debt financing or prevent additional funding from being realised. • With regard to individual projects, zoning, building permits and approvals and interpretations by the authorities, among other factors, can cause risks and, for example, transfer the order book, revenue, profit and cash flow from one quarter or year to another.	• Continuous monitoring of amendments to legislation. • Active dialogue with the stakeholders and authorities.
Risks related to corporate governance	• The company's operations being geographically dispersed, the large number of agreements and the fixed-term nature of projects can cause risks related to the prevention of corruption, the grey economy and bribery.	• Commitment to good corporate governance through compliance with laws and regulations. • The Group's common Code of Conduct. • Increasing transparency throughout the Group's operating countries, development of common operating methods, internal decision-making authorisations and targets as well as increasing awareness and the use of internal audits. • Investigating the backgrounds of partners within the limits provided by the local legislation. • Approval procedures, the selection and auditing of partners and internal audit practices. • YIT's Supplier Code of Conduct and its development. • YIT Ethics Channel, ethical reporting channel.
Risks related to climate change	• Global climate change can cause physical, legislative, technical, financial, market and reputation risks to YIT's business. • Extreme weather, such as considerably higher annual rainfall, may result in increased costs or delayed production processes. • Significant changes in legislation, investor demands or customer demand related to climate change or climate change mitigation may impair the company's operational prerequisites. • Costs related to carbon dioxide emissions can create pressure in the supply chain with the construction industry having to move to alternative building materials and find ways to minimise waste.	• Proactive actions and setting ambitious goals to develop operations in a sustainable and climate-friendly direction. • Detailed survey of climate risks and opportunities and assessment of impacts. • Active co-operation with stakeholders to develop alternative building materials.
Reputation risks	• Negative matters, warranted or unwarranted, discussed in public relating to the construction industry or YIT's operations can decrease trust in the company and cause a significant negative impact on reputation. Such matters include the grey economy, human and labour rights of foreign employees and quality problems in construction.	• Active and open communications with the relevant stakeholders. • Continuous development of the company's internal operations, governance model, and risk management in relation to, for example, the prevention of the grey economy and responsible procurement.

Operational risks

RISK	DESCRIPTION AND IMPACT OF THE RISK	RISK MANAGEMENT
Project risks	• Most of the company's business is project business, meaning that successful project management plays an integral role. Furthermore, major business premises and infrastructure projects account for a significant share of the company's expected operating profit in the coming years, meaning that successful project management in the projects is integral. • The most significant project management risks are related factors such as project management resources and capabilities, pricing, planning, scheduling, procurement, cost management and customer behaviour, as well as the management of sales risk in the company's self-developed business. • Associated companies and joint ventures involve risks relating to decision making, division of responsibility and financing and any disputes occurring in business. • Delays in certain building permit processes or handovers can transfer the order book, revenue, profit and cash flow from one quarter or year to another. • The warranty period associated with construction projects can involve risks.	• Continuously improving project management capability. • Developing the Group's shared management system. • Continuously developing the risk management and transparency of major projects based on lessons learned from previous projects. • Developing YIT's joint financial administration and forecasting systems. • In order to manage the warranty and liability period risks, separate gates with associated measures have been defined in accordance with the gate model. Project management continues until the risks no longer exist.
Risks related to contract and agreement disputes	• The implementation and completion of projects and liabilities and obligations during the warranty and maintenance period can give rise to disputes that can impair the profitability of the projects. • Additional and alteration work during the project in proportion to the original project package is a risk, especially in target price or price ceiling contracts.	• Actively influencing the preparation of general terms and conditions for the construction sector and compliance with them. • Engaging legal expertise in the preparation of new agreements in line with the valid guidelines and decision-making authorisation system. • Developing procurement-related agreement practices. • Complying with agreements.
Resource and personnel risks	• The availability of the resources needed for the planned production volume might prevent production as planned. • Any overheating of the construction market can have impacts on the prices and availability of resources. • Competitors' need for resources poses a risk of losing key personnel and expertise. • Changes in the scope of business operations can consume key employees' time, cause uncertainty among the personnel and activate competitors to attempt to recruit personnel. • Personnel changes in key positions.	• To support the identification of potential personnel resource risks, YIT annually creates a proactive personnel and training plan that outlines, in accordance with the Group's strategy, the competence needs, personnel needs and potential attrition due to retirement, for example. • Plans to commit the personnel, also in business change situations. • Competitive and fair remuneration. • Ensuring a systematic and target-oriented recruitment process.
Risks related to occupational safety and human rights	• Risks related to occupational safety are individual, such as various accidents and injuries. Most of the occupational accidents occurring at the company are related to tripping or slipping when moving around on-site. • Risks related to respecting human rights are associated with working conditions, harassment, racism, discrimination and unethical operating methods, among other things.	• Preventive occupational safety measures, such as safety planning, safety observations, on-site safety briefing practices and orientation training. • Investigation of accidents and dangerous situations and internal communications. • YIT's Code of Conduct and its development. • Increasing awareness of human rights. • YIT Ethics Channel.
Procurement risks	• The high level of subcontracting in the construction industry and specialisation of areas of expertise may involve risks. • Foreign labour can involve risks, such as the realisation of labour and human rights. The mobility of labour within the EU has grown and the volume of labour from outside the EU has increased. • The efficiency of land acquisition and sufficiency of building rights can result in risks due to uncertainties outside of the project, such as changes in legislation, construction-related requirements and other regulations, interpretations by the authorities, general market development and availability. • Availability and delivery disturbances can delay the execution of projects and incur additional costs. • Matters relating to the responsible subcontracting can cause risks and a significant negative impact on reputation. The globalisation of subcontracting can increase risks.	• The use of subcontracting chains is always subject to permission at YIT. • Proactive risk management in the design phase of projects and selection of partners. • Continuous monitoring of supply chains and partners through information systems and audits. • YIT's Supplier Code of Conduct and its development. • Supplier requirements relating to labour and human rights. • Developing the monitoring of foreign labour. • The efficiency risk of the procurement function is managed as part of project management, in addition to which the use of standard solutions will be increased. • Continuous development of matters relating to responsibility in procurement.
Environmental risks	• Operational risks related to environmental issues may be locally significant, for example, in the event of a fuel leak or soil contamination. The most significant acute environmental risks are related to the handling of hazardous materials.	• Construction sites' operating instructions for risk identification, prevention and management. • An environmental risk assessment is conducted in the planning phase for the largest projects.

Financial risks

RISK	DESCRIPTION AND IMPACT OF THE RISK	RISK MANAGEMENT
Financial risks	• The most significant financial risks are related to the availability of financing (additional financing and refinancing), liquidity and development of foreign exchange rates. • The company regularly has financing needs and an extensive portfolio of financial instruments. The availability of financing may decrease or the price may increase depending on the current financial market situation and the development of the company's profitability and / or financial situation. • The Group's most significant currency risk is related to rouble-denominated investments in Group companies.	• Group Treasury ensures that adequate credit facilities and a sufficient number of funding sources are available and manages actively maturing credit agreements. • The aim is to safeguard the sufficiency of financing so that the Group's liquidity matches the Group's total liquidity requirements at all times. • The Group's rouble risk is managed through foreign exchange forward contracts, used for hedging debt investments in Group companies, among other measures. The translation risks arising from equity investments is aimed to be managed by optimising the capital structure of Group companies. • More detailed information about financial risks and their management will be available in Note 29 of the Consolidated Financial Statements.
Reporting risks	• Changes in accounting standards and their interpretations may result in changes in YIT's accounting policies and thereby have an impact on YIT's financial indicators. • The project projections on which YIT's financial reporting is based are estimates of the outcome of projects, which can pose a risk if the projection deviates significantly from the final outcome.	• Risks related to financial reporting are managed with the help of the Group's accounting manual, treasury and tax policy, investment guideline, acquisition instructions, control environment and internal audit. • The company prepares and consistently complies with its defined accounting principles. • The company prepares analyses and conclusions of agreements. • The company actively monitors the development of accounting standards and assesses their impact. • Project performance and financial result is projected, recognised as revenue and controlled in accordance with YIT's accounting processes and gate model, and these practices are continuously developed. • Developing YIT's joint financial administration and forecasting systems.
Capital efficiency	• If YIT does not successfully manage its capital this can lead to an excessive increase of capital employed. • YIT's measures to increase balance sheet efficiency can result in write-downs or costs, which may have negative or positive impacts on results.	• The company continuously evaluates its capital employed and allocation to businesses and makes necessary actions to increase capital efficiency.

Event risks

RISK	DESCRIPTION AND IMPACT OF THE RISK	RISK MANAGEMENT
Information system and information security risks	• Increased cybercrime activity can pose risks to the company's operations and information security. • Misdemeanours by personnel can cause financial losses to the company or risks to other personnel. • The dependence of business on the uninterrupted functioning of information systems has become more emphasised as the processes become digital. • A reform of information systems involves a significant volume of data migrations and replacement of interfaces between systems, and risks can be involved with regard to succeeding in them.	• Enhancing the prevention, detection and resolution of information security deviations. • Continuous development of data protection and information security requirements. • Guaranteeing project management and resources, as well as the detailed planning of interfaces and data migrations in system projects.
Pandemic risks	• Epidemics or pandemics may have direct or indirect effects on the company's operations and risks, for example, the availability of personnel, falling ill, administrative decisions and the availability of materials as well as the availability or cost of financing. They can lead to temporary lockdowns or slower progress of construction sites and delays in completions, and, as a result, revenue and profit being postponed from one quarter or year to another. • Epidemics or pandemics can have an impact on the utilisation rates of properties owned and sold, and thus their values. • The long-term persistence of a pandemic can affect the purchasing decisions and timing of consumers and investors.	• Active development of the health and safety arrangements of YIT's construction sites and offices. • Ensuring the continuity of construction sites and procurement through analyses, deputy arrangements, scheduling of work and breaks, seeing to hygiene and active communication. • Active dialogue with the authorities.

Financial statements bulletin 2020: Tables

Table of contents

Basis of preparation and accounting policies of the financial statements bulletin

Basis of preparation

This financial statements bulletin has been prepared in accordance with IFRS recognition and measurement, and all requirements of IAS 34 Interim Financial Reporting standard have been applied. This financial statements bulletin should be read together with YIT's consolidated Financial Statements 2019. 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.

Accounting policies

The same IFRS recognition and measurement principles have been applied in the preparation of this financial statements bulletin as in YIT's consolidated Financial Statements 2019 except for the amendments to IFRS standards which were effective as of January 1, 2020. The amendments did not have impact on the consolidated financial statements.

Significant management judgements

In preparing this financial statement 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, 2019.

Coronavirus pandemic (COVID-19)

The impact of COVID-19 pandemic on YIT's business has been moderate. The impacts to date have been described in more detail in the text section of the report.

The sections of the financial statements that involve an unusual amount of judgement or that include significant assumptions and estimates have been described in YIT's Financial Statements 2019. When making these judgements, the management estimates constantly the impacts of COVID-19 pandemic on the estimates and judgements.

In Q1 2020, YIT assessed that the overall uncertainty resulting from the COVID-19 pandemic is an impairment indication. Due to this YIT carried out an additional goodwill impairment test on goodwill allocated to Housing Russia segment. Based on the goodwill impairment test, YIT recognised in the income statement an impairment amounting to 14 million euros relating to goodwill in Housing Russia during the first quarter of 2020. Goodwill impairment testing has been described in more detail in note Goodwill.

Apart from the previously described goodwill, COVID-19 pandemic is not expected to have such long-term impacts on YIT's financial performance which would require adjustments to carrying amounts in the statement of financial position. The management of the company follows constantly the indicators and their development relating to fair valuation of the equity investment to Tripla Mall Ky. A significant negative change of the coronavirus pandemic and/or increased restrictions imposed by authorities could affect negatively the future cash flows of Tripla Mall Ky, which would have an effect on the valuation of the property.

YIT has also assessed the implications of the COVID-19 pandemic in regard to its most significant financial risks, i.e. funding, liquidity, and credit risks and market risks, e.g. foreign exchange and interest rate risks. Out of these, the funding and liquidity risks have been seen from YIT perspective as the main affected risks by the turbulence in the market. YIT has a strong liquidity position, which was further improved by the sale of the Nordic paving and mineral aggregates businesses in April. In addition, in the second quarter, YIT agreed to extend EUR 255 million of its EUR 300 million committed revolving credit facility with one year to August 2022. In the second quarter YIT also agreed on a one-year extension of its EUR 30 million and EUR 50 million credit facilities. The new maturity date for the EUR 30 million credit facility is in June 2021 and the new maturity date for the EUR 50 million credit facility is in October 2021. These actions will support sustaining a high level of liquidity.

Most relevant currency exchange rates used in the financial statements bulletin

		Average rates		End rates	
		1–12/20	**1–12/19**	**12/20**	**12/19**
1 EUR =	CZK	26.4595	25.6693	26.2420	25.4080
	PLN	4.4436	4.2974	4.5597	4.2568
	RUB	82.6883	72.4484	91.4671	69.9563
	SEK	10.4875	10.5871	10.0343	10.4468
	NOK	10.7261	9.8505	10.4703	9.8638
	DKK	**7.4543**	**7.4661**	**7.4409**	**7.4715**

Primary Financial Statements

Consolidated income statement, IFRS

EUR million	10-12/20	10-12/19	1-12/20	1-12/19
Revenue	**975**	**1,152**	**3,069**	**3,392**
Other operating income	4	2	30	22
Change in inventories of finished goods and in work in progress	-171	-241	-249	-205
Production for own use	0	0	0	0
Materials and supplies	-73	-139	-325	-524
External services	-417	-508	-1,612	-1,759
Personnel expenses	-95	-103	-372	-406
Other operating expenses	-149	-140	-456	-464
Changes in fair value of investments	-16	81	-14	81
Share of results in associated companies and joint ventures	6	4	23	1
Depreciation, amortisation and impairment	-10	-12	-58	-58
Operating profit	**55**	**97**	**35**	**80**
Finance income	2	1	4	6
Exchange rate differences (net)	0	0	1	-2
Finance expenses	-10	-10	-45	-45
Finance income and expenses, total	-9	-9	-41	-40
Result before taxes	**46**	**88**	**-6**	**40**
Income taxes	-10	-29	-3	-36
Result for the period, continuing operations	**36**	**59**	**-8**	**5**
Result for the period, discontinued operations	**4**	**14**	**35**	**10**
Result for the period	**39**	**73**	**27**	**15**
Attributable to				
Owners of YIT Corporation	39	73	26	15
Non-controlling interests	0		0	
Total	**39**	**73**	**27**	**15**
Earnings per share, attributable to the equity holders of the parent company				
Basic, EUR, total	0.19	0.35	0.13	0.07
Diluted, EUR, total	0.19	0.35	0.13	0.07
Basic, EUR, continuing operations	0.17	0.28	-0.04	0.02
Basic, EUR, discontinued operations	0.02	0.07	0.17	0.05
Diluted, EUR, continuing operations	0.17	0.28	-0.04	0.02
Diluted, EUR, discontinued operations	0.02	0.07	0.17	0.05

Consolidated statement of comprehensive income, IFRS

EUR million	10-12/20	10-12/19	1-12/20	1-12/19
Result for the period	39	73	27	15
Items that may be reclassified to income statement				
Change in translation differences	2	6	-88	50
Translation differences reclassified to income statement	-5	8	1	8
Items that may be reclassified to income statement, total	**-3**	**14**	**-87**	**58**
Items that will not be reclassified to income statement				
Change in fair value of defined benefit pension		0	0	0
Income tax relating to item above		0	0	0
Items that will not be reclassified to income statement, total		**0**	**0**	**0**
Other comprehensive income, total	**-3**	**14**	**-87**	**58**
Total comprehensive income	**37**	**88**	**-60**	**73**
Attributable to				
Owners of YIT Corporation	36	88	-60	73
Non-controlling interests	0		0	
Total	**37**	**88**	**-60**	**73**

Consolidated statement of financial position, IFRS

EUR million	12/20	12/19
ASSETS		
Non-current assets		
Property, plant and equipment	68	76
Leased property, plant and equipment	84	95
Goodwill	249	264
Other intangible assets	10	15
Investments in associated companies and joint ventures	80	56
Equity investments	180	194
Interest-bearing receivables	49	47
Other receivables	11	12
Deferred tax assets	35	34
Non-current assets total	**764**	**793**
Current assets		
Inventories	1,376	1,741
Leased inventories	190	188
Trade and other receivables	417	484
Interest-bearing receivables	17	9
Income tax receivables	2	23
Cash and cash equivalents	419	132
Current assets total	**2,421**	**2,576**
Assets classified as held-for-sale		**333**
Total assets	**3,185**	**3,702**
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent company	918	1,061
Non-controlling interests	2	
Equity total	**920**	**1,061**
Non-current liabilities		
Deferred tax liabilities	10	9
Pension obligations	2	2
Provisions	78	78
Borrowings	286	355
Lease liabilities	174	206
Trade and other payables	27	57
Non-current liabilities total	**577**	**707**
Current liabilities		
Advances received[1]	429	572
Trade and other payables	566	713
Income tax payables	3	3
Provisions	37	37
Borrowings	592	434
Lease liabilities	62	55
Current liabilities total	**1,688**	**1,814**
Liabilities directly associated with assets classified as held-for-sale		**120**
Liabilities total	**2,265**	**2,641**
Total equity and liabilities	**3,185**	**3,702**

[1] On December 31, 2020, the reported amount includes EUR 162 million (157) non-cash considerations from customer contracts related to sold uncompleted residential developments arising from housing company loans and plot lease liabilities.

Consolidated cash flow statement, IFRS

EUR million	10-12/20	10-12/19	1-12/20	1-12/19
Result for the period	**39**	**73**	**27**	**15**
Reversal of accrual-based items	19	-45	56	65
Change in trade and other receivables	34	93	55	-20
Change in inventories	191	250	251	139
Change in current liabilities	-107	-202	-299	-7
Change in working capital, total	117	141	7	112
Cash flow of financial items	-17	-15	-51	-60
Taxes paid (-)	-3	-12	15	-43
Net cash generated from operating activities	**156**	**143**	**54**	**88**
Acquisition of subsidiaries, associated companies and joint ventures, net of cash	-13	-9	-27	-34
Disposal of subsidiaries, associated companies and joint ventures	4	5	306	13
Cash outflow from other investing activities	-1	-15	-13	-38
Cash inflow from other investing activities	0	8	16	21
Net cash used in investing activities	**-10**	**-11**	**282**	**-38**
Operating cash flow after investments	**146**	**132**	**336**	**51**
Change in equity	0	0	2	-6
Change in loan receivables	-1	-4	-10	4
Change in current borrowings	-24	-130	66	20
Proceeds from non-current borrowings		50	57	50
Repayments of non-current borrowings		0	-30	-150
Payments of lease liabilities	-7	-12	-35	-48
Dividends paid	-54	0	-84	-57
Net cash used in financing activities	**-86**	**-96**	**-35**	**-188**
Net change in cash and cash equivalents	60	37	301	-137
Cash and cash equivalents at the beginning of the period	359	96	132	264
Foreign exchange differences	0	-1	-14	5
Cash and cash equivalents at the end of the period	**419**	**132**	**419**	**132**

Consolidated statement of changes in equity, IFRS

EUR million	Share capital	Legal reserve	Unrestricted equity reserve	Translation differences	Treasury shares	Retained earnings	Equity attributable to owners of parent company	Non-controlling interests	Equity total
Equity on 1 January 2020	**150**	**1**	**553**	**-216**	**-12**	**585**	**1,061**		**1,061**
Comprehensive income									
Result for the period						26	26	0	27
Change in fair value of defined benefit pension						0	0		0
Income tax relating to item above						0	0		0
Translation differences				-88			-88	0	-88
Translation differences reclassified to income statement				1			1		1
Comprehensive income for the period, total				**-87**		**27**	**-60**	**0**	**-60**
Transactions with owners									
Dividend distribution						-84	-84		-84
Share-based incentive schemes					2	-1	1		1
Transactions with owners, total					**2**	**-85**	**-83**		**-83**
Other items									
Non-controlling interests from business combinations								2	2
Other items, total								**2**	**2**
Equity on 31 December 2020	**150**	**1**	**553**	**-303**	**-10**	**527**	**918**	**2**	**920**

EUR Million	Share capital	Legal reserve	Unrestricted equity reserve	Translation differences	Treasury shares	Retained earnings	Equity attributable to owners of parent company	Non-controlling interests	Equity total
Equity on 1 January 2019	**150**	**1**	**553**	**-274**	**-6**	**625**	**1,050**		**1,050**
Comprehensive income									
Result for the period						15	15		15
Change in fair value of defined benefit pension						0	0		0
Income tax relating to item above						0	0		0
Translation differences				50			50		50
Translation differences reclassified to income statement				8			8		8
Comprehensive income for the period, total				**58**		**15**	**73**		**73**
Transactions with owners									
Dividend distribution						-57	-57		-57
Share-based incentive schemes					1	1	2		2
Acquisition of treasury shares					-8		-8		-8
Transactions with owners, total					**-7**	**-55**	**-62**		**-62**
Equity on 31 December 2019	**150**	**1**	**553**	**-216**	**-12**	**585**	**1,061**		**1,061**

Notes

Segment information

Seasonality of business

Seasonality of certain operations of the company affects the company's profit and its timing. According to IFRS accounting principles, certain customer contracts are recognised at a certain point in time. As a result, the profit of the company can fluctuate greatly between quarters depending on the completion of the projects. Additionally, length of working season is limited in the Infrastructure segment's road construction business in Baltics.

Changes in the Housing Russia segment

During the first quarter 2020, YIT assessed current legislation, legal practice and terms of its sales contracts in Russia. The current legislation and legal practice make the sales contract non-cancellable for the customer. Due to this, YIT also reassessed the criteria for revenue recognition over time in Russian residential development projects. As a change to previous, YIT has a right to payment for performance completed to date during the whole construction period based on legislation and legal practice. Therefore, the criteria for revenue recognition over time are fulfilled and from the first quarter onward, YIT has recognised revenue over time from its Russian residential development projects.

The change in sales contracts' enforceable rights and obligations for ongoing projects was treated as a contract modification according to IFRS 15 using a cumulative catch-up method. The change affected the first quarter revenue by approximately EUR 50 million, operating profit by EUR 9 million and adjusted operating profit by EUR 5 million. The change had no effect on comparative period figures.

Other changes

Following the organisational change on 1 May 2020, the real estate management and project development businesses were transferred from the Business premises segment into the Partnership properties segment having an impact on order book and capital employed of both segments. The comparative period figures were not adjusted.

Segment financial information

10-12/20 EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure	Partnership properties	Other items	Group, IFRS
Revenue	**505**	**79**	**185**	**205**	**13**	**-12**	**975**
Revenue from external customers	505	80	185	201	14	-10	975
Revenue Group internal	0	-1	0	4	0	-3	
Depreciation, amortisation and impairment	-1	0	0	-4	0	-5	-10
Operating profit	**65**	**16**	**0**	**0**	**-15**	**-11**	**55**
Operating profit margin, %	**12.8**	**20.0**	**-0.1**	**0.2**	**-111.6**		**5.6**
Adjusting items		-5	1	2		3	1
Adjusted operating profit	**65**	**11**	**1**	**2**	**-15**	**-8**	**56**
Adjusted operating profit margin, %	**12.8**	**14.1**	**0.6**	**0.9**	**-111.6**		**5.7**

10-12/19 EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure	Partnership properties	Other items	Group, IFRS
Revenue	**446**	**107**	**439**	**223**	**0**	**-62**	**1,152**
Revenue from external customers	446	107	438	218	0	-57	1,152
Revenue Group internal		0	0	4		-5	
Depreciation, amortisation and impairment	-1	-1	-1	-5		-5	-12
Operating profit	**39**	**-2**	**-10**	**6**	**81**	**-17**	**97**
Operating profit margin, %	**8.7**	**-1.5**	**-2.4**	**2.6**			**8.4**
Adjusting items		10		1		13	24
Adjusted operating profit	**39**	**9**	**-10**	**6**	**81**	**-4**	**121**
Adjusted operating profit margin, %	**8.7**	**7.9**	**-2.4**	**2.8**			**10.5**

1-12/20 EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructur e	Partnership properties	Other items	Group, IFRS
Revenue	**1,286**	**305**	**761**	**791**	**17**	**-90**	**3,069**
Revenue from external customers	1,286	305	760	776	17	-75	3,069
Revenue Group internal	0		0	15		-16	
Depreciation, amortisation and impairment	-4	-14	-2	-18	0	-20	-58
Operating profit	**108**	**8**	**-46**	**-1**	**5**	**-40**	**35**
Operating profit margin, %	**8.4**	**2.5**	**-6.0**	**-0.1**	**30.2**		**1.1**
Adjusting items		19	1	13		15	50
Adjusted operating profit	**108**	**27**	**-44**	**13**	**5**	**-24**	**85**
Adjusted operating profit margin, %	**8.4**	**8.8**	**-5.8**	**1.6**	**30.2**		**2.8**

1-12/19 EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure	Partnership properties	Other items	Group, IFRS
Revenue	**1,240**	**240**	**1,177**	**807**	**0**	**-73**	**3,392**
Revenue from external customers	1,240	240	1,175	791	0	-55	3,392
Revenue Group internal		1	2	15		-18	
Depreciation, amortisation and impairment	-5	-5	-2	-18		-28	-58
Operating profit	**91**	**-47**	**-7**	**14**	**83**	**-54**	**80**
Operating profit margin, %	**7.4**	**-19.4**	**-0.6**	**1.8**			**2.4**
Adjusting items		48		1		37	85
Adjusted operating profit	**91**	**1**	**-7**	**15**	**83**	**-18**	**165**
Adjusted operating profit margin, %	**7.4**	**0.5**	**-0.6**	**1.9**			**4.9**

Capital employed by segments

EUR million	12/20	12/19
Housing Finland and CEE	700	697
Housing Russia	180	277
Business premises	-44	65
Infrastructure	48	52
Partnership properties	331	254
Other items	312	325
Capital employed, total	**1,527**	**1,669**

Order book at the end of the period

EUR million	12/20	12/19
Housing Finland and CEE	1,437	1,737
Housing Russia	195	356
Business premises	745	897
Infrastructure	829	1,128
Partnership properties	323	
Other items		13
Order book, total	**3,528**	**4,131**

Revenue from customer contracts

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

1-12/20 EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure	Partnership properties	Other items	Group, IFRS
Revenue by market area							
Finland	1,079		722	501	17	-74	2,245
Russia		305				-1	303
CEE	207		38	125			370
Baltic countries	87		30	125			242
Czech, Slovakia, Poland	120		8				128
Scandinavia				150		1	151
Sweden				116		1	117
Norway				35			35
Internal sales between segments	0		0	15		-16	
Total	**1,286**	**305**	**761**	**791**	**17**	**-90**	**3,069**

1-12/20 EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure	Partnership properties	Other items	Group, IFRS
Timing of revenue recognition							
Over time	438	305	746	753	17	-46	2,213
At a point in time	847		14	23		-29	856
Internal sales between segments	0		0	15		-16	
Total	**1,286**	**305**	**761**	**791**	**17**	**-90**	**3,069**

1-12/19 EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure	Partnership properties	Other items	Group, IFRS
Revenue by market area							
Finland	1,054		1,102	469	0	-78	2,547
Russia		240				29	268
CEE	186		73	162			421
Baltic countries	66		68	162			296
Czech, Slovakia, Poland	120		5				125
Scandinavia				160		-5	156
Sweden				109		-1	108
Norway				52		-4	48
Internal sales between segments		1	2	15		-18	
Total	**1,240**	**240**	**1,177**	**807**	**0**	**-73**	**3,392**

1-12/19 EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure	Partnership properties	Other items	Group, IFRS
Timing of revenue recognition							
Over time	307	19	1,139	773	0	27	2,264
At a point in time	933	221	36	19		-82	1,127
Internal sales between segments		1	2	15		-18	
Total	**1,240**	**240**	**1,177**	**807**	**0**	**-73**	**3,392**

Property, plant and equipment

EUR million	12/20	12/19
Carrying amount at Jan, 1	**76**	**183**
Exchange rate differences	-1	1
Increases	5	36
Decreases	-13	-8
Depreciation, continuing operations	-14	-20
Depreciation, discontinued operations		-5
Impairment, continuing operations	-1	-2
Transfers between items	14	4
Transfers to assets classified as held-for-sale	2	-113
Carrying amount at Dec, 31	**68**	**76**

Leased property, plant and equipment

EUR million	12/20	12/19
Carrying amount at Jan, 1	**95**	**138**
Exchange rate differences	-2	0
Increases	26	39
Decreases	-10	-7
Depreciation and impairment, continuing operations	-25	-30
Depreciation and impairment, discontinued operations		-5
Transfers to assets classified as held-for-sale		-40
Carrying amount at Dec, 31	**84**	**95**

Goodwill

EUR million	12/20	12/19
Housing Finland and CEE	105	105
Housing Russia		13
Business premises	81	87
Infrastructure	57	60
Partnership properties	6	
Goodwill, total	**249**	**264**

Impairment testing

YIT assessed that the overall uncertainty resulting from the coronavirus pandemic is an impairment indication. The tests carried out during the fourth quarter of 2019 indicated that a reasonable change in the key assumptions used in cash flow forecasts could lead to impairment of goodwill in the Housing Russia segment. Therefore, YIT carried out goodwill impairment tests for Housing Russia during the first quarter of 2020. Impairment tests for other units were not carried out because the recoverable amounts exceeded the carrying amounts of the tested assets substantially in 2019.

A goodwill test was carried out using value-in-use calculation based on the same principles as in consolidated financial statements 2019. Cash generating units' cash flow forecasts were prepared for a five-year planning period based on the action plan created by the management and the Group's strategy. The growth rate used for the end value of the Housing Russia segment was 4% (4%), which was the inflation target of the Russian Central Bank at the time of the impairment testing. The discount rate used in the testing was 15.0% (14.7%).

Based on the impairment test, YIT recognised an impairment during the first quarter in the income statement amounting to EUR 14 million relating to goodwill in Housing Russia. After the impairment, there is no more goodwill allocated to Housing

Russia segment. In addition, YIT recognised goodwill impairment of EUR 2 million in the income statement during the third quarter related to the decision to close down Infrastructure operations in Norway.

EUR million	12/20	12/19
Carrying amount at the beginning of period	**264**	**319**
Translation differences	0	1
Increases		
Impairment	-15	-1
Transfers to assets classified as held-for-sale		-55
Carrying amount at the end of period	**249**	**264**

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 comprised the operations of the company's Paving segment with the exclusion of the road maintenance business in Finland and paving business in Russia. The sale was successfully completed on April 1, 2020. For the financial year 2020 the income statement and cash flows used in discontinued operations are therefore presented for the three months period from Jan 1, 2020 to April 1, 2020.

Results of discontinued operations

EUR million	1-12/20	1-12/19
Revenue	**27**	**540**
Other operating income	1	3
Change in inventories of finished goods and in work in progress	8	-5
Production for own use	0	1
Materials and supplies	-11	-168
External services	-11	-145
Personnel expenses	-17	-125
Other operating expenses	-17	-78
Share of results in associated companies and joint ventures	-1	1
Depreciation, amortisation and impairment		-11
Operating profit	**-22**	**12**
Finance income	0	0
Finance expenses	-1	-2
Finance income and expenses, total	-1	-2
Result before taxes	**-23**	**10**
Income taxes	4	-0
Result after taxes	**-19**	**10**
Gain on sale of discontinued operations	**55**	
Result from discontinued operations	**35**	**10**

Cash flows (used in) discontinued operations

EUR million	1-12/20	1-12/2019
Cash used in operating activities	-24	18
Cash used in investing activities	277	-16
Cash used in financing activities	-6	-11
Cash flow for the period	**247**	**-9**

Effect of disposal on financial position

EUR million	1 April 2020
Sold assets	
Property, plant and equipment	112
Leased property, plant and equipment	39
Goodwill	55
Other intangible assets	23
Investments in associated companies and joint ventures	3
Deferred tax assets	3
Inventories	60
Trade and other receivables	37
Cash and cash equivalents	5
Sold assets, total	**337**
Sold liabilities	
Deferred tax liabilities	16
Provisions	8
Lease liabilities	31
Advances received	7
Trade and other payables	54
Income tax payables	0
Sold liabilities, total	**116**
Sold net assets	**221**

EUR million	1 April 2020
Cash consideration	288
Sold net assets	-221
Other items	-12
Gain on sale of discontinued operation	**55**

Other items include translation difference of -2 million euros.

Inventories

EUR million	12/20	12/19
Raw materials and consumables	10	17
Work in progress	482	727
Land areas and plot owning companies	678	727
Shares in completed housing and real estate companies	151	203
Advance payments	51	61
Other inventories	3	5
Total inventories	**1,376**	**1,741**
Leased inventories	**190**	**188**

In 1-12/2020 the company made write-down related to plots in Housing Russia segment EUR 18 million (28) and in Business premises segment related to work in progress EUR 7 million.

Financial assets and liabilities by category

31 December 2020, 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		177		180	180	Level 3
Trade, loan and other Receivables		51			51	48	
Loan receivables			8		8	8	Level 3
Current financial assets							
Trade, loan and other receivables[1]		195			195	195	
Derivative assets			1		1	1	Level 2
Cash and cash equivalents		419			419	419	
Financial assets by category, total	**2**	**666**	**186**		**854**	**851**	
Non-current financial liabilities							
Interest-bearing liabilities				286	286	283	
Trade and other payables				26	26	24	
Derivative liabilities			1		1	1	Level 2
Current financial liabilities							
Interest-bearing liabilities				592	592	593	
Trade and other payables[2]				257	257	257	
Derivative liabilities			2		2	2	Level 2
Financial liabilities by category, total			**3**	**1,162**	**1,164**	**1,160**	

[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.

31 December 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		192		194	194	Level 3
Trade, loan and other receivables		50			50	51	
Loan receivables			8		8	8	Level 3
Current financial assets							
Trade, loan and other Receivables[1]		272			272	272	
Derivative assets			0		0	0	Level 2
Cash and cash equivalents		132			132	132	
Financial assets by category, total	**2**	**454**	**200**		**657**	**657**	
Non-current financial liabilities							
Interest-bearing liabilities				355	355	362	
Trade and other payables				56	56	52	
Derivative liabilities			1		1	1	Level 2
Current financial liabilities							
Interest-bearing liabilities				434	434	434	
Trade and other payables[2]				387	387	387	
Derivative liabilities			2		2	2	Level 2
Financial liabilities by category, total			**3**	**1,232**	**1,235**	**1,238**	

[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 2.68-3.02 % (Dec 31, 2019: 1.95-2.39%). 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 quoted 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 quoted market prices readily and regularly available from an exchange, broker, pricing service or regulatory agency.

YIT values OTC derivatives from a Level 2 Intermediary, 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 2020	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	5.45%[1]	4.25%	1 percentage point increase (decrease) in the input value leads to a EUR 23 million increase (EUR 23 million 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%	25 percentage point increase (decrease) in the input value leads to a EUR 8 million decrease (EUR 4 million 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 a new parking facility.
		Exit yield	5.25% - 5.75%	4.60% - 5.75%	5 percentage increase (decrease) in the input values leads to a EUR 16 million decrease (EUR 16 million increase) in the fair value of the asset.	Separate exit yields used for different parts of the shopping center.
Other receivables recognised at fair value through profit and loss	Discounted Cash Flow (DCF) method	Discount rate	2.31%	2.45%	1 percentage point increase (decrease) in the input value leads to a decrease of EUR 1 million (or increase of EUR 1 million).	The input value rate reflects the exit yield of the investor.

[1] Coronavirus pandemic situation impacts the cash flows of 2021, which will have also an effect on the average compound annual growth rate of NOI.

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 neighbouring 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 utilises a long-term vacancy rate for the net rental income. For both shopping mall and the parking facility, other operating income such as advertising have been added to the net rental income. 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 into 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 increased by 5 percent, it would still remain in the target range. If the equity multiple decreased by 5 percent, it would still 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 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

EUR million	12/20	12/19
Fair value at Jan 1	**202**	**2**
Additions		119
Decreases	-1	-0
Change in fair value from equity investments recognised in income statement	-14	77
Change in fair value from loan receivables recognised in income statement	-0	4
Fair value at end of period	**187**	**202**

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.

Derivative contracts

EUR million	12/20	12/19
Value of underlying instruments		
Interest rate derivatives	60	180
Foreign exchange derivatives	198	104
Commodity derivatives	1	5
Fair value		
Interest rate derivatives	-1	-2
Foreign exchange derivatives	-1	-1
Commodity derivatives	0	-1

Contingent liabilities and assets and commitments

EUR million	12/20	12/19
Guarantees		
Guarantees on behalf of others	1	2
Guarantees on behalf of consortiums	10	10
Guarantees on behalf of associated companies and joint ventures	5	0
Guarantees on behalf of parent and other Group companies	1,053	1,657
Other commitments		
Investment commitments	46	35
Purchase commitments	201	228

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 6 million on December 31, 2020.

Legal proceedings

Damages related to the asphalt cartel

On November 23, 2020, the Supreme Court announced its decision on the last matter pending before courts against YIT concerning the damages related to the asphalt cartel. The Supreme Court approved for the most part YIT's claims related to the question on the share of value added tax. The Supreme Court's decision is in line with the Supreme Court's earlier decisions regarding the issue.

YIT has reached a settlement with all other claimants whose claims against YIT were pending before the Supreme Court. The settlements were made in line with the legal principles set out in the Supreme Court's judgments. In addition, YIT has settled earlier all the matters pending before the District Court against the company. The settlements were made in line with the legal principles set out in the judgments of the Helsinki Court of Appeal and the Supreme Court. Pursuant to the settlements, these claimants have dropped their claims.

All the proceedings pending before courts against YIT concerning the damages related to the asphalt cartel have now ended.

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 betwee**n YIT and the concrete supplier.**

The Hospital District of Southwest Finland has on June 3, 2020 filed a summons in the District Court of Southwest Finland against YIT and presented claims for damages etc. to YIT relating to the project for the construction **of the concrete deck of the T3 building of Turku University Hospital. The capital amount of the claims totals approximately EUR 20 million. The company deems the claims for damages etc. unfounded.**

YIT has submitted its response to the Hospital District's claims to the District Court on 29 January 2021. In its response YIT has denied the Hospital District's claims as unfounded.

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.

Transactions with related party are made at a market price.

EUR million	1-12/20	1-12/19
Sale of goods and services		
Key management personnel	0.4	0.7
Associated companies and joint ventures	96	339
Purchases of goods and services		
Associated companies and joint ventures		6

EUR million	12/20	12/19
Trade and other receivables		
Associated companies and joint ventures	19	18
Loan receivables		
Associated companies and joint ventures	28	19
Trade payables and other debts		
Associated companies and joint ventures	0	0

Additional information

Reconciliation of certain key figures

Reconciliation of adjusted operating profit

EUR million	10-12/20	10-12/19	1-12/20	1-12/19
Operating profit (IFRS)	**55**	**97**	**35**	**80**
Adjusting items				
Goodwill impairment	0		15	
Fair value changes related to redemption liability of non-controlling interests	1		-7	
Restructurings and divestments			1	0
Court proceedings	-1	-1	-3	-2
Integration costs related to merger	4	5	6	9
EBIT from operations to be closed	-3	19	34	73
Inventory fair value adjustment from PPA[1]	0	1	1	2
Depreciation and amortisation expenses from PPA[1]	1	1	3	2
Adjusting items, total	**1**	**24**	**50**	**85**
Adjusted operating profit	**56**	**121**	**85**	**165**

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

Reconciliation of adjusted EBITDA, rolling 12 months

EUR million	12/20
Adjusted operating profit	**85**
Depreciations and amortisations	58
Depreciation and amortisation expenses from PPA	-3
Goodwill impairment	-15
Adjusted EBITDA	**125**

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, fair value changes related to redemption liability of non-controlling interests, 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 adjusting items on January 1, 2020 to include fair value changes related to redemption liability of non-controlling interests)	
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.
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.
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.
Equity ratio, %	Total equity / total assets less advances received.	Equity ratio is a key figure to measure the relative proportion of equity used to finance YIT's assets.
Gearing, %	Interest-bearing debt less cash and cash equivalents and interest-bearing receivables/total equity.	Gearing ratio is one of YIT's key long-term financial targets. It helps to understand how much debt YIT is using to finance its assets relative to the value of its equity.

Key figure	Definitions	Reason for use
Return on capital employed, segments total (ROCE), %, rolling 12 months	Rolling 12 months adjusted operating profit/capital employed, segments total average. (YIT has changed the definition of return on capital employed on January 1, 2020 to include leases related entries)	Return on capital employed, % is one of YIT's key long-term financial targets. Key figure 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.	
Gross capital expenditures	Investments in tangible and intangible assets. (YIT has changed the definition of gross capital expenditures on July 1, 2020 to include investments in leases.)	
Equity per share	Total equity divided by number of outstanding shares at the end of the period.	
Net debt / adjusted EBITDA, rolling 12 months	Net interest-bearing debt/rolling 12 months adjusted earnings before depreciations and amortisations added (YIT has changed the definition of return on capital employed on January 1, 2020 to include leases related entries and to exclude EBITDA from discontinued operations)	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