yitgroup.com

# Report of the Board of Directors and financial statements

# 2019

# Table of contents

Tripla, Helsinki

# Report of the Board of Directors January 1–December 31, 2019

YIT's good development continued in 2019. The company strengthened its market position and continued determined strategy execution, which resulted in an increased adjusted operating profit compared to the previous year. According to the strategy update in fall 2019, urban development, Partnership properties and services are the company's main sources for growth and profitability. Strategy execution was supported by the decisions to sell the Nordic paving and mineral aggregates operations to Peab, as well as to focus on four cities and maintenance business and close down five units in Russia. With these actions, YIT will improve profitability, significantly strengthen the balance sheet and clarify the business structure. Strong balance sheet, solid market position, and actions to improve productivity and profitability create a firm foundation to continue favorable development also in 2020.

## Significant matters

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

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

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

## Key figures

The text section of the Report of the Board of Directors concerns continuing operations, i.e. YIT's five reported segments: Housing Finland and CEE, Housing Russia, Business premises, Infrastructure projects and Partnership properties. Nordic paving and mineral aggregates businesses are classified as held-for-sale assets and reported as discontinued operations.

| EUR million | Reported 1–12/19 | Pro forma, restated 1–12/18[1] | Change |
|---|---|---|---|
| Revenue, continuing operations | 3,391.5 | 3,201.0 | 6% |
| Operating profit, continuing operations | 80.5 | 104.7 | -23% |
| Operating profit margin, continuing operations, % | 2.4% | 3.3% | |
| Adjusting items | 85.0 | 27.2 | 212% |
| Adjusted operating profit, continuing operations | 165.5 | 132.0 | 25% |
| Adjusted operating profit margin, continuing operations, % | 4.9% | 4.1% | |
| Profit before taxes | 40.4 | 71.4 | |
| Profit for the review period[2] | 14.7 | 33.3 | -56% |
| Earnings per share, EUR | 0.07 | 0.16 | -56% |
| Adjusted earnings per share for the review period, continuing operations, EUR | 0.30 | 0.32 | -6% |
| Order backlog at the end of the period, continuing operations | 4,130.5 | 4,285.6[3] | -4% |

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

The Group's revenue increased 6% year-on-year amounting to EUR 3,391.5 million (3,201.0). Operating profit was EUR 80.5 million (104.7), and operating profit margin was 2.4% (3.3). The operating profit includes adjusting items of EUR 85.0 million (27.2). Key adjusting items include write-downs of EUR 43 million and provisions of EUR 9 million related to the closing down or selling of certain businesses in Russia. Other adjusting items are mainly related to merger related fair value cost effects and integration costs.

The Group's adjusted operating profit was EUR 165.5 million (132.0), and adjusted operating profit margin was 4.9% (4.1). The year-on-year increase in adjusted operating profit was mainly due to the Partnership properties segment, where the main reason for the growth was the fair valuation of the Mall of Tripla investment, and the adjusted operating profit growth in the Housing Russia and Infrastructure projects segments. The increase was partly offset by the year-on-year decrease in the Business premises segment's adjusted operating profit.

Profit before taxes was EUR 40.4 million (71.4) and profit for the review period was EUR 14.7 million (33.3). Earnings per share were EUR 0.07 (0.16), and adjusted earnings per share for continuing operations were EUR 0.30 (0.32).

At the end of 2019, order backlog was approximately on the level of the comparison period, EUR 4,130.5 million (4,285.6).

## Group financial development

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

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

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

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

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

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

## Revenue

Residential projects for consumers recognised as revenue upon completion.

| EUR million | Reported 1–12/19 | Pro forma, restated 1–12/18[1] | Change |
|---|---|---|---|
| **Revenue, continuing operations** | **3,391.5** | **3,201.0** | **6%** |
| Housing Finland and CEE | 1,240.1 | 1,157.9 | 7% |
| Housing Russia | 240.0 | 274.1 | -12% |
| Business premises | 1,176.9 | 1,045.2 | 13% |
| Infrastructure projects | 806.7 | 716.8 | 13% |
| Partnership properties | 0.3 | 0.0 | |
| Other items | -72.5 | 7.1 | |

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

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

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

## Result

| EUR million | Reported 1–12/19 | Pro forma, restated 1–12/18[1] | Change |
|---|---|---|---|
| **Operating profit, continuing operations** | **80.5** | **104.7** | **-23%** |
| **Operating profit margin, continuing operations , %** | **2.4%** | **3.3%** | |
| **Adjusting items** | **85.0** | **27.2** | **212%** |
| **Adjusted operating profit, continuing operations** | **165.5** | **132.0** | **25%** |
| Housing Finland and CEE | 91.4 | 103.3 | -12% |
| Housing Russia | 1.2 | -32.8 | |
| Business premises | -7.1 | 67.8 | |
| Infrastructure projects | 14.9 | -6.5 | |
| Partnership properties | 82.7 | 26.9 | 208% |
| Other items | -17.6 | -26.7 | 34% |
| **Adjusted operating profit margin, continuing operations, %** | **4.9%** | **4.1%** | |
| Housing Finland and CEE | 7.4% | 8.9% | |
| Housing Russia | 0.5% | -12.0% | |
| Business premises | -0.6% | 6.5% | |
| Infrastructure projects | 1.9% | -0.9% | |
| Partnership properties | | | |

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

| EUR million | Reported 1–12/19 | Pro forma, restated 1–12/18[1] | Change |
|---|---|---|---|
| Profit before taxes | 40.4 | 71.4 | -43% |
| Profit for the review period, continuing operations | 4.5 | 48.7 | -91% |
| Profit for the review period, discontinued operations | 10.2 | -15.4 | |
| Profit for the review period[2] | 14.7 | 33.3 | -56% |
| Earnings per share for the review period, EUR | 0.07 | 0.16 | -56% |
| Adjusted earnings per share for the review period, continuing operations, EUR | 0.30 | 0.32 | -6% |

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

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

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

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

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

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

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

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

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

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

## Synergies and integration costs

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

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

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

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

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

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

[1]Integration costs exclude transaction costs.
[2]Includes both continuing and discontinued operations

## Acquisitions and capital expenditure

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

Gross capital expenditure includes investments in continuing and discontinued operations.

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

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

## Capital structure and liquidity position, cash flow and investments

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

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

| EUR million | Reported 1–12/19 | Reported 1–12/18[1] | Change |
|---|---|---|---|
| Operating cash flow after investments | 50.7 | 148.6[2] | -66% |
| Cash flow from plot investments | 152.6 | n/a | |
| Cash flow from investments to associated companies and joint ventures | -33.7 | n/a | |
| Net finance costs | -40.0 | -33.3 | 20% |

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

Cash flows presented include discontinued operations.

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

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

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

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

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

At the end of the year, the adjusted net debt/adjusted EBITDA ratio was 3.0.

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

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

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

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

## Order backlog

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

At the end of 2019, reported order backlog amounted to EUR 4,130.5 million (12/18: 4,285.6). At the end of the year, 69% of the order backlog was sold.

# Segments, continuing operations

## Housing Finland and CEE

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

### Operating environment

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

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

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

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

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

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

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

In 2019, YIT sold 4,972 apartments (3,502) in Finland and 1,284 apartments (1,204 ) in the CEE countries. The share of consumer sales in Finland was 57% (68).

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

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

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

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

# Housing Russia

The Housing Russia segment's business comprises development and construction of apartments and entire residential areas in Russia. Related to the arrangements being made in Russia to reduce capital and to improve profitability, from the second quarter 2019 on, operating profit or loss from the businesses to be closed down has been recorded in adjusting items and is not presented in adjusted operating profit.

## Operating environment

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

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

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

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

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

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

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

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

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

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

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

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

## Business premises

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

### Operating environment

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

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

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

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

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

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

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

Adjusted operating profit decreased to EUR -7.1 million (67.8) mainly due to increased costs caused by the completion phase of the Mall of Tripla, as well as by two other large projects.

The segment's adjusted operating profit margin was -0.6% (6.5).

### Largest ongoing Business premises projects

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

[1]Project expanded.

## Infrastructure projects

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

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

### Operating environment

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

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

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

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

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

### Largest ongoing infrastructure contracting projects

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

[1]Includes the entire Light railway alliance.

## Partnership properties

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

### Operating environment

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

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

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

Tripla, Helsinki

## Investments

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

[1] YIT's current equity investment in Regenero.
[2] Includes the entire Keilaniemenranta area development project.

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

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

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

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

# Discontinued operations

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 is conditional on approval from competition authorities, as well as the fulfillment of certain contractual conditions. The transaction is expected to be closed during the first or second quarter of 2020. Discontinued operations include the businesses that are planned to be sold and related allocations.

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

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

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

In July 2019, YIT announced having signed an agreement with Peab for the sale of YIT's paving and mineral aggregates businesses in Finland, Sweden, Norway and Denmark. Carve-out preparation of the operations is proceeding as planned.

# Research and development

## Integration

In connection with the merger of YIT Corporation and Lemminkäinen Corporation on February 1, 2018, business continuity and good customer experience were successfully secured and the internal targets set for the integration were achieved. In 2019, the focus was shifted from integration-centricity into usual continuous development and on finalising common operating methods.

In 2019, actual integration work has continued with clarifying the IT systems architecture and with renewing related infrastructure. The most significant single system project supporting the integration has been developing financial management capabilities. YIT's financial management is modernised through global processes, transparent financial information and opportunities with new technology.

## Strategic development programmes

The Performance, Green Growth and Customer Focus programmes, started in 2018, continued with adjusted content supporting the strategy review done in September 2019, such as actions targeting carbon neutrality and reduced carbon dioxide emissions. As a new one, the Services Development programme was started.

**In the Performance programme,** the main focus in 2019 was on enabling industrial construction through the development of the management system, prefabrication of products, "Takt" production, logistics and digitalisation. To improve project management and productivity, new digital tools were taken into use and analytics were developed. To improve the supply chain, pilot projects were implemented, and the learnings from these projects are being scaled into wider production.

**In the Customer focus programme,** a particular priority was placed on more active sales, the work with key accounts, digitalisation of consumer services and deepening customer knowledge.

**In the Green Growth development programme,** the company's sustainability activities were organised and developed. During the year, a risk assessment for sustainable procurement and a human rights survey were conducted. The company started the development of the carbon footprint calculation process and the implementation of the calculation. In addition, new business opportunities based on sustainable development were explored. During the year, YIT published its long-term sustainability targets to mitigate climate change. In line with these, the company aims to halve the carbon footprint of its own operations and self-developed projects by 2030, to enable the carbon neutral use of its properties, and to begin reporting on the carbon footprint of its self-developed projects by 2020.

**In the Services Development programme**, new services business models are designed to support the company's profitability over the cycles. Through services design and customer-centric development, new business opportunities are created together with partners. In 2019, YIT's new services platform was prepared. The first service package was agreed with Ålandsbanken Kodit Ky, YIT's and Ålandbanken's joint company investing in rental apartments, and the related services business. YIT constructs the apartment buildings and takes care of rental operations and property management of the portfolio. The company's first tenants moved in in December 2019. Additionally, the Services Development programme identified 7 new service development leads, the development of which into business models will be continued in 2020.

### Investments in research and development

The Group's research and development costs in 2019 amounted to EUR 26.5 million, which represents 0.8% of revenue (EUR 25.0 million or 0.8% of revenue in 2018).

## Personnel

| Personnel per segment, continuing operations | 12/19 | 12/18 |
|---|---|---|
| Housing Finland and CEE | 2,549 | 2,632 |
| Housing Russia | 1,278 | 1,424 |
| Business premises | 1,232 | 1,177 |
| Infrastructure projects | 2,017 | 1,969 |
| Partnership properties | 4 | 2 |
| Group services | 337 | 352 |
| **Group total** | **7,417** | **7,556** |

| Personnel per geographic area, continuing operations | 12/19 | 12/18 |
|---|---|---|
| Finland | 4,274 | 4,371 |
| Russia | 1,289 | 1,432 |
| CEE countries | 1,555 | 1,539 |
| Scandinavia | 299 | 214 |
| **Group total** | **7,417** | **7,556** |

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

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

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

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

## Organisational changes and changes in company management

In 2019, the Group Management Board comprised of

- Kari Kauniskangas, Chairman, President and CEO of YIT Corporation
- Ilkka Salonen, Chief Financial Officer, deputy to President and CEO
- Teemu Helppolainen, Head of the Housing Russia segment
- Antti Inkilä, Head of the Housing Finland and CEE segment
- Harri Kailasalo, Head of the Infrastructure projects segment
- Juha Kostiainen, Executive Vice President, Urban Development
- Esa Neuvonen, Head of the Business premises and Partnership properties segments
- Juhani Nummi, Executive Vice President, Operations development
- Pii Raulo, Executive Vice President, Human Resources
- Heikki Vuorenmaa, Head of the Paving segment

There were no changes in the Group Management Board or in the organisation in 2019.

## Resolutions passed at the Annual General Meeting

The Annual General Meeting of YIT Corporation held on March 12, 2019, adopted the 2018 financial statements and discharged the members of the Board of Directors and the President and CEO from liability. The Annual General Meeting decided on the dividend payout, the composition of the Board of Directors and their fees, the election of the auditor and its fees as well as authorising the Board of Directors to decide on the repurchase of company shares and share issues.

It was decided that a dividend of EUR 0.27 be paid per share, or a total of EUR 56.7 million, as proposed by the Board of Directors, and that the remainder of the earnings be retained in distributable equity. No dividend was to be paid on treasury shares. The right to a dividend rests with a shareholder who, by the record date of March 14, 2019, has been entered as a shareholder in the company's shareholder register maintained by Euroclear Finland Ltd. It was decided that the dividend would be paid on April 16, 2019.

The Annual General Meeting resolved to elect a Chairman, Vice Chairman and six ordinary members to the Board of Directors for a term ending at the close of the next Annual General Meeting following their election, namely: Harri-Pekka Kaukonen as the Chairman, Eero Heliövaara as the Vice Chairman and re-elected members Olli-Petteri Lehtinen, Kristina Pentti-von Walzel and Tiina Tuomela as well as Alexander Ehrnrooth, Frank Hyldmar and Barbara Topolska as new members.

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

- Chairman of the Board: EUR 100,000
- Vice Chairman and Chairmen of the permanent Committees: EUR 70,000, unless the same person is Chairman of the Board or Vice Chairman of the board and members EUR 50,000

In addition, it was decided that the award and payment of the fixed annual fee be contingent on the Board members committing to purchasing directly, based on the resolution of the Annual General Meeting, YIT Corporation shares amounting to 40% of the fixed annual fee from a regulated market (Nasdaq Helsinki Ltd) at a price determined by public trading, and that the shares in question be purchased directly on behalf of the Board members. The shares were to be purchased within two weeks of the publication of the interim report for the period January 1–March 31, 2019.

It was also decided that in addition to the fixed annual fee, the Board members be paid a meeting fee of EUR 800 per meeting to Board member living in Finland and a meeting fee of EUR 2,000 per meeting to member living elsewhere in Europe. In addition, the members of Board Committees are paid an attendance fee of EUR 800 for each committee meeting to a committee member living in Finland and to a committee member living elsewhere in Europe an attendance fee of EUR 2,000 for each committee meeting. Per diems for trips in Finland and abroad are paid in accordance with the State's travel compensation regulations.

The members of the Shareholders' Nomination Board, including the expert member, will be paid a meeting fee of EUR 800 per a Board meeting and the Chairman be paid EUR 1,600 per a Board meeting.

PricewaterhouseCoopers, Authorised Public Accountants, was elected as the company's auditor, with Markku Katajisto, Authorised Public Accountant, as the chief auditor. The auditor's fees will be paid according to the invoices approved by the company.

The Annual General Meeting authorised the Board of Directors to decide on the purchase of company shares as proposed by the Board of Directors. The authorisation covers the purchasing of a maximum of 21,000,000 company shares using the company's unrestricted equity. The authorisation reversed the authorisation to purchase the company's own shares issued by the Annual General Meeting on March 16, 2018. The authorisation is valid until June 30, 2020.

The Annual General Meeting authorised the Board of Directors to decide on share issues as proposed by the Board of Directors. The authorisation can be used in full or partially by issuing shares in the company in one or more tranches so that the maximum number of shares issued is a total of 42,000,000. The Board of Directors has the right to decide on all of the terms and conditions of issuing shares. The authorisation reversed the authorisation to decide on share issues by the Annual General Meeting on March 16, 2018. The authorisation is valid until June 30, 2.

# Organisation of the Board of Directors

YIT Corporation's Board of Directors held its organisational meeting on March 12, 2019. In the meeting, the Board decided on the composition of the Personnel Committee, the Audit Committee as well as the Investment and Project Committee.

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

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

From among its number, the Board elected Eero Heliövaara as chairman and Alexander Ehrnrooth, Harri-Pekka Kaukonen and Barbara Topolska as members of the Investment and Project Committee. The Investment and Project Committee reviews and prepares for the Board of Directors' decision, inter alia, significant tenders, projects and investments as well as monitors portfolio development, reporting and risk management.

# Strategy 2020–2022

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

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

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

# Long-term financial targets 2020–2022

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

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

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

# Corporate governance statement

YIT has prepared a separate Corporate governance statement for 2019 in accordance with the recommendation of the Finnish Corporate Governance Code. The statement is published on YIT's website.

# Shares and shareholders

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

## Share capital and number of shares

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

## Treasury shares and authorisations of the Board of Directors

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

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

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

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

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

## Trading of shares

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

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

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

## Number of shareholders and flagging notifications

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

In 2019, YIT did not receive any flagging notifications.

## Managers' transactions

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

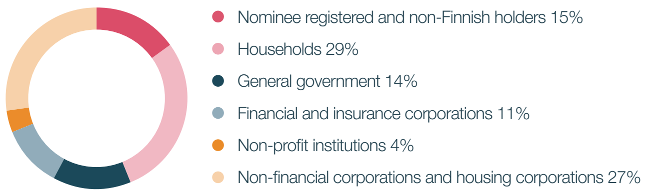
## Major shareholders, December 31, 2019

| | Shareholder | Number of shares | % of shares and votes |
|---|---|---|---|
| 1 | Tercero Invest AB | 24,500,000 | 11.61 |
| 2 | Varma Mutual Pension Insurance Company | 15,945,975 | 7.55 |
| 3 | PNT Group Oy | 15,296,799 | 7.25 |
| 4 | Conficap Invest Oy | 8,886,302 | 4.21 |
| 5 | Pentti Heikki Oskari Estate | 8,146,215 | 3.86 |
| 6 | Ilmarinen Mutual Pension Insurance Company | 5,984,339 | 2.83 |
| 7 | Forstén Noora Eva Johanna | 5,115,529 | 2.42 |
| 8 | Herlin Antti | 4,710,180 | 2.23 |
| 9 | Elo Mutual Pension Insurance Company | 3,674,421 | 1.74 |
| 10 | Pentti Lauri Olli Samuel | 3,398,845 | 1.61 |
| 11 | Fideles Oy | 3,188,800 | 1.51 |
| 12 | The State Pension Fund | 2,826,674 | 1.34 |
| 13 | Föreningen Konstsamfundet R.F. | 2,800,000 | 1.33 |
| 14 | Pentti-von Walzel Anna Eva Kristina | 2,756,792 | 1.31 |
| 15 | Pentti-Kortman Eva Katarina | 2,715,410 | 1.29 |
| | 200 largest shareholders total | 153,008,480 | 72.48 |
| | Nominee registered | 25,705,266 | 12.18 |
| | Other shares | 32,386,107 | 15.34 |
| | **Total** | **211,099,853** | **100.00** |

## Ownership by number of shares held, December 31, 2019

| Number of shares | Number of shareholders | % | Number of shares | % |
|---|---|---|---|---|
| 1–100 | 11,183 | 25.90 | 641,580 | 0.30 |
| 101–500 | 16,029 | 37.12 | 4,533,251 | 2.15 |
| 501–1,000 | 7,030 | 16.28 | 5,558,973 | 2.63 |
| 1,001–5,000 | 7,238 | 16.76 | 16,280,838 | 7.71 |
| 5,001–10,000 | 947 | 2.19 | 6,890,079 | 3.26 |
| 10,001–50,000 | 597 | 1.38 | 11,427,237 | 5.41 |
| 50,001–100,000 | 63 | 0.15 | 4,427,326 | 2.10 |
| 100,001–500,000 | 61 | 0.14 | 12,396,022 | 5.87 |
| 500,001– | 30 | 0.07 | 148,944,547 | 70.56 |
| **Total** | **43,178** | **100.00** | **211,099,853** | **100.00** |

**Ownership by sector December 31, 2019**




## Board of Directors' and management's shareholding, December 31, 2019

| | Number of shares | % of share capital |
|---|---|---|
| Board of Directors | 2,842,177 | 1.34% |
| President and CEO | 100,000 | 0.05% |
| Deputy to the President and CEO | 59,484 | 0.03% |
| **Total** | **3,001,661** | **1.42%** |

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

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

# Most significant short-term business risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The most significant financial risks are the risks related to foreign exchange rate development and the availability of financing. Availability of financing may be affected by negative development in the Nordic residential construction market. The Group's most significant currency risk is related to rouble-denominated investments. Additional information on financial risks and their management is provided in Note 30 to the Financial statements 2019.

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

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

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

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

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

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

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

## Legal proceedings

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

### Damages related to the asphalt cartel

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

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

The company deems as such the claims for damages unfounded.

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

### Quality concerns related to ready-mixed concrete

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

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

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

# Short-term outlook by region

## Finland

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

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

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

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

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

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

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

## Russia

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

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

## The Baltic countries and CEE countries

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

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

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

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

## Scandinavia

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

# Guidance for 2020

## Guidance for 2020

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

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

## Guidance rationale

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

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

## Estimated completions of consumer apartment projects under construction

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

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

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

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

### Factors affecting the guidance

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

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

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

## Board of Directors' proposal for the distribution of distributable funds

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

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

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

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

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

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

## Annual General Meeting 2020

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

# YIT Group Statement of non-financial information

## YIT's key sustainable development themes

YIT has defined the most important themes of sustainable development for its operations in cooperation with its stakeholders. The previous materiality analysis was implemented in the summer of 2018 and the themes selected as a result are still guiding the company's operations. YIT's key sustainable development themes are:

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

## Business model

YIT develops and builds apartments and living services, business premises and entire areas. YIT also specialises in demanding infrastructure construction. Creating a better living environment is at the core of YIT's operations. Urban development and non-cyclical Partnership Properties and services businesses are the strategic priorities of the company, promoting growth and profitability. YIT operates in 10 countries – Finland, Russia, Norway, Sweden, the Baltic countries, the Czech Republic, Slovakia and Poland – where it employs, on average, over 7,500 people, respectively. The company's share is listed on Nasdaq Helsinki.

YIT's long-term vision is to bring more life into sustainable cities. The company's aim is to be a leading Northern European project developer, construction company and service provider, creating value responsibly with its stakeholders.

### Impact of YIT's business on the surrounding society

As a strategic priority of YIT, sustainable development guides the company's operations and planning thereof. Other priorities include top performance, happy people and success with customers and partners. In addition, the strategy is supported by four development programmes, one of which, called the Green Growth programme, is designed to integrate sustainable development with the company's business operations, seeking new, related business opportunities.

YIT's business operations have significant, long-term impacts on the surrounding society. YIT's most significant impact on society comes from the results of its operations: apartments, business premises and infrastructure as well as more extensive projects to develop the urban environment. Built environment lives on for decades, even centuries, which is why sustainable design and execution play a crucial role in the impact of YIT's operations in terms of, for example, climate change.

Examples of positive impacts include sustainable, long-term living environments offered to customers, regional conversion projects, the development and use of products and services in line with the principles of sustainable development as well as the direct and indirect employment effect. Furthermore, the company is a significant taxpayer. Negative impacts, in turn, include the use of raw materials and other materials, energy consumption and the resulting greenhouse gas emissions. In addition, waste is created as a by-product of the company's operations. YIT strives to reduce these negative impacts by improving the productivity and efficiency of operations, reducing the $CO_2$ emissions of existing products and making use of circular economy solutions in YIT's operations.

The impacts of YIT's operations can also be described from the perspective of value creation. The key sustainability themes for YIT's operations have an impact on the company's value creation and value retention as follows:

1. Creating sustainable, comfortable and safe urban development by utilising opportunities provided by the circular economy
- Value for society, environment and customers:
  - business opportunities
  - brand value

2. Compliance with good corporate governance and preventing corruption and the grey economy
- Value for partners, society and owners:
  - risk management

3. Occupational safety
- Value for personnel:
  - risk management

4. Promoting the personnel's occupational well-being and competence development
- Value for personnel:
  - brand value
  - risk management

5. Implementing responsible subcontracting and procurement
- Value for partners, society and environment:
  - risk management
  - brand value
  - partnership opportunities

6. Reducing the environmental impact of the YIT's own operations
- Value for environment, customers and society:
  - business opportunities
  - risk management
  - brand value

The company's value creation model is available at yitgroup.com/sustainabilitymanagement.

### YIT Code of Conduct and Sustainability Policy

Code of Conduct and Sustainability Policy are the highest guiding principles for YIT's non-financial activities.

Updated for 2019, YIT Code of Conduct includes the principles that guide the Group's operations in relation to customers, employees, shareholders, business partners, competitors, society and the environment. The Code of Conduct must be complied with at all times throughout the YIT organisation. All YIT employees are obligated to report a suspected violation, and an infringement of the principles will result in appropriate consequences.

The reporting policies are described in chapter Most significant short-term business risks.

YIT's Sustainability Policy was implemented in 2019 and it defines the company's motivation and target state in terms of sustainable development. The Sustainability Policy specifies the company's operations in relation to the environment, the personnel and social matters, human rights, financial activities, ethicality and governance.

In addition to YIT Code of Conduct and the Sustainability Policy, other guiding principles have been specified around each subject area. These will be discussed in detail in each chapter.

## The environment

### Operating principles and results

YIT's operations have an impact on the environment through modifications and the use of natural resources. The company strives to minimise the negative environmental impact of its operations. The general operating principles governing the management of environmental matters are documented in YIT's environmental principles. The procurement policy and Supplier Code of Conduct also include requirements for YIT's partners concerning environmental responsibility. YIT's Group Management Team defines the Group's environmental targets and monitors their implementation. The business operations organisation is responsible for implementing the objectives and development plans. The sustainable development organisation supports the business operations and coordinates the development projects as well as the Group's environmental reporting.

During the operating year, an environmental system in line with ISO 14001 was expanded in Finland to cover all YIT business operations. YIT's internal environmental auditing process was also developed.

Environmental trainings were extensively organised. The Infrastructure projects segment, for example, trained nearly 140 white-collar employees; nearly 100 people participated in the first phase of the Group's $CO_2$ training; and more than 100 participants started the three-phase series of sustainable development training in the management levels of the Group and the segments.

YIT aims to reduce any negative environmental impacts resulting from its operations by means of energy and material efficiency in particular. In addition to the previously published annual environmental targets, in the autumn of 2019, YIT set three long-term targets related to climate change mitigation:

- Halving $CO_2$ emissions of own energy consumption and self-developed projects by 2030 (compared to 2019)
- Enabling the carbon-neutral use of self-developed projects
- Reporting project specific $CO_2$ emissions from 2020 onwards in self-developed projects

During the year, YIT worked to reduce the emissions resulting from its energy consumption and implemented environmentally friendly energy solutions, such as renewable diesel and natural gas, in various business operations.

During the year, the company also developed the $CO_2$ calculation model and launched the deployment of the project-level calculation process. For example, in the Infrastructure projects segment, $CO_2$ calculations were piloted as part of tender calculations in 2019.

In terms of waste, the company worked to reduce waste volumes and improve the degree of sorting. In Finland, for example, YIT extended its co-operation agreement with its waste management partner. In addition, the Group started to develop its waste reporting model in Finland.

During the year, YIT's procedures to create sustainable, comfortable and safe urban development utilising opportunities provided by the circular economy were focused on recycling soils, particularly in infrastructure projects, on conversion and renovation projects and on more extensive urban development plans. For example, surplus concrete was used as concrete aggregates at Blominmäki wastewater treatment plant project in Espoo using the MARA notice, considerably reducing the need for virgin mineral aggregates and enabling cost savings. In terms of new urban development plans, the year saw the completion of projects such as the Pansio suburb development vision in Turku, implemented by YIT on its own initiative.

In addition, YIT developed its Sustainable Urban Environments indicators and plans to gradually deploy new indicators as of 2020, starting with the carbon footprint monitoring.

In terms of risk management, the Group started to expand its operating instructions related to managing environmental incidents. Furthermore, the company-initiated work on the implementation of Group-wide Environmental Due Diligence (EDD) in plot procurement projects.

Some environmental deviations occurred during the reporting year; some wastewater leaked into bodies of water in Vaasa and Mikkeli, and minor oil spills occurred in some construction sites. These incidents have been investigated and the corrective measures have been completed.

### Performance indicators

YIT uses energy consumption and carbon dioxide emissions as continuous performance indicators of the environmental impacts of its operations. The company uses the distance between self-developed residential property and a grocery shop as well as public transport as continuous indicators for its sustainable urban development. The key figures can be found in the table "Continuous key indicators".

Moreover, the company has set annual sustainable development targets in terms of both the environment and urban development, the indicators of which are described in the table "Sustainability targets and key indicators for 2019".

### Risks

Company's risks and risk management is described in sections Most significant short-term business risks.

## Social and personnel-related issues

### Operating principles and results

YIT considers occupational safety (incl. partners), the occupational well-being of the personnel and the development of competence its key social and personnel-related issues. The personnel management approach is documented in YIT's personnel principles, which are based on YIT's values: respect, cooperation, creativity and passion. The operating methods concerning the management of occupational safety are documented in the occupational safety principles. In addition, procurement operations are governed by the procurement policy and Supplier Code of Conduct, which include requirements concerning personnel and occupational safety.

YIT's Group Management Team defines the Group's occupational safety and personnel objectives and monitors their realisation. The business operations organisation is responsible for implementing the objectives and development plans and realising the measures. Each superior is responsible for their subordinates. The personnel and occupational safety organisation supports the business operations and coordinates development projects and processes.

Every employee has the right to a safe working environment, and YIT has a strong focus on occupational safety and accident prevention. During the year, over 1,000 YIT employees took part in Work Safety Challenge workshops in various operating countries, starting with Russia. The workshops emphasised the culture of caring and respecting life, which will be promoted even more in the future. YIT's accident frequency stayed at the previous year's level. Sadly, one fatal accident occurred during the year. The underlying factors of the accident were discussed at each of YIT's sites and operating locations to avoid similar incidents. Moreover, after the incident the Group Management team visited nearly ten construction sites to discuss the findings regarding the accident.

Occupational safety reporting and monitoring was developed over the course of the year as the implementation of the digital occupational safety observation tool was launched in Finland. Next, the use of the digital tool will be expanded to other operating countries. Information was added on YIT's intranet concerning the Group's safety observations, accident frequency rate and management walks to ensure each employee understood the importance of the issue.

YIT aims to be an attractive employer and offer equal opportunities to its employees. YIT wants to ensure the competence and well-being of its personnel. The deployment of YIT's values, culture and operating models continued during the year. The company also invested in developing the employer image by systemising and standardising the orientation process, among other things. During the year, YIT employed nearly 900 trainees, 99% of whom stated they would recommend YIT as an employer after their stint. The recommendation rate was exceptionally high.

Each year, YIT conducts the Voice personnel survey to monitor the well-being and mindset of the employees. There were no considerable changes in the personnel satisfaction results over the course of the year. During the reporting year, the company piloted the sustainability index of the Voice personnel survey, reflecting the integration of responsibility principles in the company's operations.

The company organises training to develop and maintain the personnel's competence. Annual performance and development discussions are used to review the individual's career options and competence-related development needs. Sustainable development has been integrated in YIT's HR development; in the Mentor, Challenger, Partner and Inspirator training for middle and senior management, for example, the final projects were focused on themes such as occupational safety and circular economy.

YIT invests in supervisory work, and during the year, nearly 200 superiors took part in various forms of supervisory training. The annually monitored leadership index also showed positive development.

During the year, the company started to prepare for the sales process of the paving and mineral aggregates business operations in the Nordic countries, utilising the lessons learned in the merger of Lemminkäinen and YIT. In connection with the transaction, about 1,700 people will transfer from YIT to Peab Group and the transaction is estimated to be closed during the first or the second quarter of 2020.

### Performance indicators

YIT's continuous performance indicators for social and personnel-related issues are related to occupational safety, personnel survey and trainees. The key figures can be found in the table "Continuous key indicators".

Moreover, the company has set annual sustainable development targets in terms of social and personnel-related issuest, the indicators of which are described in the table "Sustainability targets and key indicators for 2019".

### Risks

Company's risks and risk management is described in sections Most significant short-term business risks.

## Respect for human rights

### Operating principles and results

YIT commits to respecting the right to work and human rights in its own operations and supply chain and aims to identify the risks related to them. YIT ensures that employees' rights are observed and all employees are treated fairly. The employees have freedom of association, and in Finland, 84.5% and Group-wide 48.3% of the personnel are members of various collective agreements. YIT does not tolerate any kind of harassment or bullying in the workplace.

The general operating principles related to human rights are documented in YIT's Code of Conduct. YIT's procurement operations are governed by the procurement policy and Supplier Code of Conduct, which include requirements concerning human rights. Each employee at YIT is expected to respect human rights. YIT's Group Management Team is responsible for ensuring that human rights are respected. The procurement operations organisation is responsible for the human rights issues of subcontractors and the supply chain, and the business operations organisation is responsible for sites.

In addition, YIT is committed to comply with any data protection requirements. In performing their duties, every YIT employee is responsible for observing data protection. YIT has a data protection policy that documents the Group's principles governing the processing of personal data. YIT's data protection organisation is responsible for ensuring that the Group's operations are GDPR compliant and providing assistance on issues related to data protection. Data protection is part of data security. During the year over 90% of white-collars completed the GDPR Data Protection online training that is also part of the orientation for white-collar employees.

During the year, YIT Group implemented a human rights analysis conducted by a third party. The human rights analysis covered any policies related to the topic, the impact of YIT's operations on human rights, procedures, monitoring methods, reporting and feedback mechanisms. The results of the survey will be deployed over the course of next year. Furthermore, a Master's thesis was completed on the topic of sustainable procurement, particularly focusing on workforce from outside the EU. The results of the thesis yielded proactive and preventative policies for preventing labour and human rights violations both in procurement and on-site, among other things.

In addition, YIT conducted a risk assessment for sustainable procurement which is discussed further in section Preventing corruption, bribery and grey economy.

### Performance indicators

YIT's continuous performance indicators related to human rights covered cases of bullying among the personnel as well as GDPR training. The key figures can be found in the table "Continuous key indicators".

Moreover, the company has set annual sustainability targets in terms of human rightst, the indicators of which are described in the table "Sustainability targets and key indicators for 2019".

### Risks

Company's risks and risk management is described in sections Most significant short-term business risks.

## Prevention of corruption, bribery and grey economy

### Operating principles and results

YIT is committed to complying with corporate governance and responsible business principles, for example, by following responsible tax practices, preventing corruption and by committing to fighting grey economy. YIT's operations are ethical and transparent and the Group's responsibility requirements apply to the entire supply chain. The company has a zero tolerance policy regarding grey economy.

The prevention of corruption, bribery and grey economy is based on YIT's Code of Conduct. YIT has implemented a risk management policy and corporate security principles. Procurement operations are governed by the procurement policy and Supplier Code of Conduct, which include guidelines for preventing corruption, bribery and grey economy.

YIT's Group Management Team is strategically responsible for preventing corruption, bribery and grey economy. The Group's strategy and development function includes a corporate security organisation in charge of developing the Group's policies. The procurement unit has a corporate responsibility team that assists the procurement organisation and construction sites on issues such as responsible subcontracting practices through training, consulting and internal audits. The business operations organisation is responsible for complying with YIT's Code of Conduct and good governance.

During the year, the company focused on deploying the new YIT Code of Conduct. A total of 33 workshops were organised in the operating countries with over 600 participants. In addition, nearly 80% of all personnel completed the Code II online training, which is based on YIT Code of Conduct operating principles. During the reporting year, the external stakeholders' awereness of YIT's Ethics Channel was increased while updating YIT's subcontracting programme.

YIT implemented a risk assessment for sustainable procurement, cooperating with a third party to examine questions related to YIT's auditing, agreements, risk management and the operating instructions required from partners. Some of the results of the assessment were integrated in the annual planning for 2020.

The auditing policy and practices of YIT's procurement were harmonised during the year. Moving forward, all new material international operators will be audited. YIT also audits partners and construction sites from the perspective of the Finnish Contractor's Obligations Act. The deployment of auditing processes previously used in Finland and Russia has been launched in the Baltic countries and the CEE countries during the year. In addition to auditing, YIT is extensively conducting and developing the prevention of grey economy; in the Czech Republic, for example, YIT sites have implemented biometric identification.

### Performance indicators

YIT's continuous performance indicators related to prevention of corruption, bribery and grey economy cover the company's investigations and inspections in accordance with the Finnish Contractor's Obligations Act. The key figures can be found in the table "Continuous key indicators".

Moreover, the company has set annual sustainable development targets in terms of prevention of corruption, bribery and grey economy, the indicators of which are described in the table "Sustainability targets and key indicators for 2019".

### Risks

Company's risks and risk management is described in sections Most significant short-term business risks.

## Key figures, non-financial information

Figures for 2019 include continuing operations. The 2018 figures have not been restated, so they also include discontinuing operations.

YIT revised its energy consumption data collection method in 2019, which means that the data for 2019 and 2018 are not directly comparable.

Definitions of continuous key figures are rescribed in section Definitions of key performance indicators.

## Continuous key figures

| | | 2019 | 2018 |
|---|---|---|---|
| **The environment** | | | |
| Energy consumption | GWh | 879.5[1] | 910.5 |
| Consumption of direct energy sources | GWh | 688.7[1] | 724.0 |
| Consumption of indirect energy sources | GWh | 190.8[1] | 186.5 |
| | | | |
| | | | |
| Carbon dioxide emissions of energy consumption | kt $CO_2e$ | 213.7[1] | 225.5 |
| Scope 1 | kt $CO_2e$ | 161.4[1] | 171.4 |
| Scope 2 (location-based) | kt $CO_2e$ | 37.5[1] | 36.9 |
| Scope 2 (market-based) | kt $CO_2e$ | 52.4[1] | 54.1 |
| **Sustainable urban development** | | | |
| Distance to a grocery shop: | | | |
| under 500 m | % | 31 | 32 |
| under 1,200 m | % | 54 | 55 |
| over 1,200 m | % | 14 | 13 |
| Distance to public transportation: | | | |
| under 300 m | % | 46 | 47 |
| under 750 m | % | 30 | 40 |
| over 750 m | % | 24 | 14 |

| | | 2019 | 2018 |
|---|---|---|---|
| **Social and personnel-related issues** | | | |
| Accident frequency rate (number of accidents per one million hours worked, average over 12 months) | LTIF | 10.5 | 9.7 |
| Fatal accidents | qty | 1 | 1 |
| Personnel survey: | | | |
| Commitment index | % | 77 | 74 |
| Leadership index | % | 77 | 76 |
| Sustainability index | % | 86 | |
| Trainees and thesis workers | qty | 888 | 929 |
| , of whom hired full-time | % | 11.9 | 8.7 |
| **Human rights** | | | |
| Personnel survey: | | | |
| Bullying | % | 3.4 | 3.7 |
| GDPR training | % | 91[1] | 86 |
| **Prevention of corruption, bribery and grey economy** | | | |
| Investigations regarding potential crimes, misconduct or other deviations related to corporate security | qty | 59 | 71 |
| Compliance with the Contractor's Obligations Act (Finland): | | | |
| Subcontracting agreements | qty | approx. 6,800[1] | approx. 8,700 |
| Projects | qty | 131 | 141 |

[1]Includes also discontinued operations.

## Sustainability targets and key indicators 2019

| Theme | Target 2019 | KPI | Result in 2019 |
|---|---|---|---|
| **THE ENVIRONMENT** | | | |
| Energy and material efficiency | Defining operative efficiency/potential for the circular economy in various business functions and setting objectives | 🔴 🟡 🟢 | 🟡 work in progress |
| Carbon calculations | Development of YIT's energy reporting and $CO_2$ calculation model (Group and project-specific calculation) | 🔴 🟡 🟢 | 🟡 work in progress |
| Recycling and reuse of materials | Developing YIT's waste reporting model (YIT Finland Ltd) | 🔴 🟡 🟢 | 🟢 |
| | The proportion of reclaimed asphalt (RAP) 20% out of all asphalt produced in 2021 | RAP% | 20.8[1] |
| Reducing the environmental impacts | Certification of YIT Finland Ltd's business operations in accordance with the ISO 14001 standard | 🔴 🟡 🟢 | 🟢 |
| **SUSTAINABLE URBAN DEVELOPMENT** | | | |
| Circular economy | Defining YIT's potential for the circular economy and setting objectives | 🔴 🟡 🟢 | 🟡 implemented with circular economy measures |
| | Initiating circular economy pilot projects | 🔴 🟡 🟢 | 🟡 work in progress |
| Sustainable urban development | Extending the key indicators for sustainable urban development | 🔴 🟡 🟢 | 🟢 |
| **SOCIAL AND PERSONNEL-RELATED ISSUES** | | | |
| Occupational safety | Work Safety Challenge workshops: Executive management and 500 participants from various operating countries | qty | over 1,000 |
| | Digitalisation of weekly site assessments and occupational safety observations (YIT Finland Ltd): implementation of the digital tool | 🔴 🟡 🟢 | 🟢 |
| | LTIF <5 (Group personnel) | LTIF | 10.5 |
| Happy people | Spirit index for the Voice HR survey: objective > 78% | % | 75 |
| | Number of trainees: 1,000 trainees/seasonal employees in 2019 | qty | 888 |
| | Trainee feedback (recommendation index): > 90% (YIT Finland Ltd) | % | 99 |
| | Participation in supervisor trainings: objective 100 supervisors in 2019 | qty | 183 |
| | Exit rate %: max. 4.5% (rolling review period of 6 months, resignation for personal reasons) | % | 3.2 |

| Theme | Target 2019 | KPI | Result in 2019 |
|---|---|---|---|
| **HUMAN RIGHTS AND PREVENTING CORRUPTION, BRIBERY AND GREY ECONOMY** | | | |
| Happy people | Human rights assessment: Survey completed and its results factored into annual planning | 🔴 🟡 🟢 | 🟢 |
| Increasing transparency | Real-time development of supplier monitoring using data analytics as part of responsibility assessments (YIT Finland Ltd): implementation of the tool | 🔴 🟡 🟢 | 🟢 |
| | Developing a sustainable procurement chain: gap analysis and preliminary risk assessment completed and results factored into annual planning | 🔴 🟡 🟢 | 🟢 |
| Responsible business principles | Updated YIT Code of Conduct (YIT Code II) online course: coverage 100% of personnel by the end of 2019 | % | 79[1] |
| Fighting corruption and transparent actions | Number of resolved crimes and misdemeanours: aiming for zero incidents | qty | 59[1] |
| | Number of inspection-related observations made by internal audit and the implementation of related corrective measures | qty | 150, 25 in progress[1] |
| Audits and harmonising procurement processes | Harmonising auditing policies and processes, implementation of best practices at the new YIT (incl. responsibility) | 🔴 🟡 🟢 | 🟡 implementation in progress |
| | Harmonising supplier audits and the implementation of best practices (incl. responsibility) | 🔴 🟡 🟢 | 🟡 implementation in progress |

🟢 = fully completed 🟡 = partly completed 🔴 = not completed

[1]Includes also discontinued operations.

# Key financial figures

| | | 2019 IFRS | 2018 IFRS | 2017 IFRS | 2016 IFRS | 2015 IFRS | 2018 Pro forma |
|---|---|---|---|---|---|---|---|
| **Revenue** | EUR million | 3,391.5 | 3,138.5 | 1,993.8 | 1,678.3 | 1,732.2 | 3,201.0 |
| of which activities outside Finland | EUR million | 844.2 | 878.9 | 610.9 | 445.0 | 492.1 | n/a |
| **Operating profit** | EUR million | 80.5 | 99.7 | 85.5 | 17.7 | 81.6 | 104.7 |
| % of revenue | % | 2.4 | 3.2 | 4.3 | 1.1 | 4.7 | 3.3 |
| **Result for the financial year** | EUR million | 14.7 | 39.2 | 56.6 | -7.1 | 47.2 | 33.3 |
| % of revenue | % | 0.4 | 1.2 | 2.8 | -0.4 | 2.7 | 1.0 |
| | | | | | | | |
| **Total shareholders' equity and liabilities** | **EUR million** | **3,701.7** | **3,494.8** | **2,193.3** | **2,284.0** | **1,966.6** | **n/a** |
| | | | | | | | |
| Equity ratio | % | 33.9 | 38.1 | 33.2 | 31.2 | 32.9 | n/a |
| Adjusted equity ratio | % | 37.3 | n/a | n/a | n/a | n/a | n/a |
| Net interest-bearing debt* | EUR million | 862.3 | 562.9 | 453.4 | 598.6 | 529.0 | 562.9 |
| Adjusted net interest-bearing debt | EUR million | 601.3 | n/a | n/a | n/a | n/a | n/a |
| Adjusted net debt/adjusted EBITDA, rolling 12 months | | 2.9 | n/a | n/a | n/a | n/a | n/a |
| Gearing ratio* | % | 81.3 | 53.6 | 80.3 | 112.3 | 101.1 | n/a |
| Adjusted gearing ratio | % | 56.7 | n/a | n/a | n/a | n/a | n/a |
| Adjusted ROCE, rolling 12 months | | 11.1 | n/a | n/a | n/a | n/a | n/a |
| Order backlog as at Dec 31 | EUR million | 4,130.5** | 4,285.6** | 2,912.7 | 3,048.2 | 2,467.3 | 4,285.6** |
| of which activities ouside Finland | EUR million | 1,175.1 | 1,000.1 | 803.1 | 972.8 | 898.3 | 1,000.1 |
| Gross capital expenditures | EUR million | 65.1 | 64.4 | 30.5 | 83.5 | 12.0 | n/a |
| % of revenue | % | 1.9 | 2.1 | 1.5 | 5.0 | 0.7 | n/a |
| Operating cash flow after investments | EUR million | 50.7 | 148.6 | 164.3 | -43.1 | 183.7 | n/a |
| Cash flow from operating activities | EUR million | 88.3 | 173.3 | 235.2 | 36.1 | 195.7 | n/a |
| Return on equity | % | 1.4 | 3.7 | 10.0 | -1.3 | 9.0 | n/a |
| Number of employees at Dec 31 | | 7,417** | 7,556** | 5,427 | 5,261 | 5,340 | 7,556** |

* YIT has changed the definition of gearing and net debt on January 1, 2018. The figures of year 2017 are adjusted.
** Of continuing operations.

# Share-related key figures

| | | 2019 IFRS | 2018 IFRS | 2017 IFRS | 2016 IFRS | 2015 IFRS | 2018 Pro forma |
|---|---|---|---|---|---|---|---|
| Earnings per share | EUR | 0.07 | 0.19 | 0.45 | -0.06 | 0.38 | n/a |
| Earnings per share, continuing operations | EUR | 0.02 | | | | | |
| Adjusted earnings per share, continuing operations | EUR | 0.30 | | | | | |
| Earnings per share, diluted | EUR | 0.07 | 0.19 | 0.44 | -0.06 | 0.37 | n/a |
| Equity/share | EUR | 5.08 | 5.00 | 4.49 | 4.49 | 4.16 | n/a |
| Dividend/share | EUR | 0.40* | 0.27 | 0.25 | 0.22 | 0.22 | n/a |
| Dividend/earnings | % | 571.9 | 144.7 | 55.6 | -388.8 | 58.5 | n/a |
| Effective dividend yield | % | 6.71 | 5.28 | 3.92 | 2.9 | 4.2 | n/a |
| Price/earnings multiple (P/E) | % | 85.2 | 26.9 | 14.2 | -134.1 | 13.9 | n/a |
| Share price trend | | | | | | | |
| Average price | EUR | 5.36 | 5.70 | 6.94 | 6.14 | 5.65 | n/a |
| Low | EUR | 4.77 | 4.56 | 5.97 | 4.32 | 4.26 | n/a |
| High | EUR | 6.20 | 7.25 | 8.09 | 8.07 | 7.21 | n/a |
| Price at Dec 31 | EUR | 5.96 | 5.11 | 6.37 | 7.59 | 5.24 | n/a |
| Market capitalisation at Dec 31 | EUR million | 1,244.3 | 1,073.3 | 801.4 | 953.1 | 658.0 | n/a |
| | | | | | | | |
| Weighted average number of shares outstanding | 1,000 | 210,492 | 203,002 | 125,730 | 125,577 | 125,582 | 208,952 |
| Weighted average number of shares outstanding, diluted | 1,000 | 211,450 | 203,778 | 127,636 | 127,366 | 126,773 | n/a |
| Number of shares outstanding at Dec 31 | 1,000 | 208,768 | 210,048 | 125,815 | 125,577 | 125,579 | n/a |

* Includes the Board of Directors' proposal to the Annual General Meeting to authorise the Board of Directors to decide, at its discretion, on the payment of an extra dividend of no more than EUR 0.12 per share from the unrestricted equity.

# Definitions of key performance indicators

## Definitions of financial key performance indicators

| Key figure | Definitions | Reason for use |
|---|---|---|
| **Operating profit** | Result for the period before taxes and finance expenses and finance income equalling to the subtotal presented in the consolidated income statement. | Operating profit shows result generated by operating activities excluding finance and tax related items. |
| **Adjusted operating profit** | Operating profit excluding adjusting items. | Adjusted operating profit is presented in addition to operating profit to reflect the underlying core business performance and to enhance comparability from period to period. Management believes that this alternative performance measure provides meaningful supplemental information by excluding items not part of YIT's core business operations thus improving comparability from period to period. |
| **Adjusting items** | Adjusting items are material items outside ordinary course of business such as write-down of inventories, impairment of goodwill, integration costs related to merger, transaction costs related to merger, costs, compensations and reimbursements related to court proceedings, write-downs related to non-core businesses, operating profit from businesses to be closed down, gains or losses arising from the divestments of a business or part of a business, costs on the basis of statutory personnel negotiations and adaption measures, and cost impacts of the fair value adjustments from purchase price allocation, such as fair value adjustments on acquired inventory, depreciation of fair value adjustments on acquired property, plant and equipment and amortisation of fair value adjustments on acquired intangible assets relating to business combination accounting under the provisions of IFRS 3, referred to as purchase price allocation ("PPA").<br><br>(YIT has changed the definition of this key performance indicator starting of April 1, 2019 to include operating profit from businesses to be closed down.) | |
| **Capital employed** | Capital employed includes tangible and intangible assets, shares in associates and joint ventures, investments, inventories, trade receivables and other non-interest bearing receivables, provisions, advance payments and other non-interest bearing debts excluding items related to taxes, finance items and profit distribution. | Capital employed presents capital employed of segment's operative business. |
| **Adjusted capital employed, segments total** | Segments' capital employed total includes tangible and intangible assets less leased property, plant and equipment, shares in associates and joint ventures, investments, inventories less leased inventories, trade receivables and other non-interest bearing receivables, provisions, advance payments and other non-interest bearing debts of segments total excluding items related to taxes, finance items, profit distribution and IFRS 16 impact.<br><br>(YIT has introduced this new key performance indicators starting of January 1, 2019. Additionally, on June 30, 2019, the capital employed definition was changed to include only segments' capital employed.) | Adjusted capital employed, segments total improves comparability to previous years. |
| **Interest-bearing debt** | Non-current borrowings, current borrowings and non-current and current lease liabilities. | Interest-bearing debt is a key figure to measure YIT's total debt financing. |
| **Adjusted interest-bearing debt** | Non-current borrowings and current borrowings.<br><br>(YIT has introduced this new key performance indicator starting January 1, 2019.) | Adjusted interest-bearing debt improves comparability to previous years. |
| **Net interest-bearing debt** | Interest-bearing debt less cash and cash equivalents and interest-bearing receivables. | Net interest-bearing debt is an indicator to measure YIT's net debt financing. |
| **Adjusted net interest-bearing debt** | Adjusted interest-bearing debt less cash and cash equivalents and interest-bearing receivables.<br><br>(YIT has introduced this new key performance indicator starting January 1, 2019.) | Adjusted net interest-bearing debt improves comparability to previous years. |

| Key figure | Definitions | Reason for use |
|---|---|---|
| **Equity ratio, %** | Total equity/ total assets less advances received. | Equity ratio is one of YIT's key longterm financial targets. It is a key figure to measure the relative proportion of equity used to finance YIT's assets. |
| **Adjusted equity ratio, %** | Total equity / total assets less advances received, leased property, plant and equipment and leased inventory.<br><br>(YIT has introduced this new key performance indicators starting January 1, 2019.) | Adjusted equity ratio improves comparability to previous years. |
| **Gearing, %** | Interest-bearing debt less cash and cash equivalents and interest-bearing receivables/total equity. | Gearing ratio helps to understand how much debt YIT is using to finance its assets relative to the value of its equity. |
| **Adjusted gearing, %** | Adjusted interest-bearing debt less cash and cash equivalents and interest-bearing receivables/total equity.<br><br>(YIT has introduced this new key performance indicators starting January 1, 2019.) | Adjusted gearing ratio improves comparability to previous years. |
| **Adjusted earnings per share, continuing operations** | Earnings per share from continuing operations excluding adjusting items included in the operating profit and adjusting items related to merger included in financial expenses including tax impact.<br><br>(On June 30, 2019, the definition was changed to include only continuing operations.) | Adjusted earnings per share from continuing operations is presented in addition to earnings per share in order to enhance comparability from period to period. Management believes that this alternative performance measure provides meaningful supplemental information by excluding items not part of YIT's core business operations thus improving comparability from period to period. |
| **Adjusted return on capital employed, segments total (ROCE), %, rolling 12 months** | Rolling 12 months adjusted operating profit less IFRS 16 leases operating profit impact/ adjusted capital employed, segments total on average during period.<br><br>(YIT has changed the definition of return on capital employed on January 1, 2019 to exclude IFRS 16 leases related entries. On June 30, 2019, capital employed definition was changed to include only segment's capital employed.) | Adjusted return on capital employed, % describes segment's relative profitability, in other words, the profit received from capital employed. |
| **Operating cash flow after investments** | Operating cash flow presented in cash flow statement after investments.<br><br>(On 30th of June 2019 the definition was changed. Prior to change the operating cash flow after investments was deducted with cash flow effect from discontinued operations.) | |
| **Gross capital expenditures** | Investments in tangible and intangible assets, excluding additions in leases. | |
| **Equity per share** | Total equity divided by number of outstanding shares at the end of the period. | |
| **Adjusted net debt / adjusted EBITDA, rolling 12 months** | Adjusted net debt/rolling 12 months adjusted earnings before depreciations and amortisations less IFRS 16 operating profit impact added with adjusted earnings before depreciations and amortisations from discontinued operations until disposal excluding IFRS 16 EBITDA impact from discontinued operations until disposal.<br><br>(YIT has changed the definition of net debt/adjusted EBITDA on January 1, 2019 to exclude IFRS 16 leases related entries. On June 30, 2019, the definition of denominator was added with 12 months adjusted EBITDA from discontinued operations. The adjusted EBITDA from discontinued operations will be added to denominator until operations are disposed.) | Adjusted net debt to adjusted EBITDA gives investor information on ability to service debt. |
| **Market capitalisation** | (Number of shares – treasury shares) multiplied by share price on the closing date by share series. | |

| Key figure | Definitions | Reason for use |
|---|---|---|
| **Average share price** | EUR value of shares traded during period divided by number of shares traded during period. | |
| **Earnings per share** | Net profit for the period divided by weighted averade number of shares outstanding during the period. | |
| **Earnings per share, continuing operations** | Net profit of the continuing operationgs for the period divided by weighted averade number of shares outstanding during the period. | |
| **Earnings per share, diluted** | Net profit for the period divided by diluted weighted averade number of shares outstanding during the period. | |
| **Dividend per earnings, %** | Dividend per share divided by earnings per share. | |
| **Effective dividend yield, %** | Dividend per share divided by closing price of the share, December 31. | |
| **Price/earnings ratio (P/E-ratio)** | Closing price of the share, December 31 divided by earnings per share. | |

## Definitions of non-financial key performance indicators

| Key figure | Definitions | Reason for use |
|---|---|---|
| **Energy consumption:** | | |
| **Consumption of direct energy sources** | Energy types whose consumption produces energy or driving power directly for the company's operations are direct energy sources. | Consumption of direct energy sources describes the energy intensity of YIT's operations. |
| **Consumption of indirect energy sources** | Energy produced outside the company but consumed by the company are indirect energy sources. | Consumption of indirect direct energy sources describes the energy intensity of YIT's operations. |
| **Carbon dioxide emissions of energy consumption:** | | |
| **Scope 1** | Carbon dioxide emissions directly caused by the operations. | Direct carbon dioxide emissions describe energy and material emissions directly caused by YIT's operations. |
| **Scope 2** | Carbon dioxide emissions caused by the consumption of energy and electricity. Company reports both market and location-basd indicators but uses market-based approach when calculating the total emissions. | Indirect carbon dioxide emissions describe energy and material emissions indirectly caused by YIT's operations. |
| **Distance to a grocery shop** | Distance between a self-developed residential property and the nearest grocery shop. | The distance to a grocery shop describes the services close to YIT's self-developed premises. This is significant for the development of sustainable urban environments. |
| **Distance to public transportation** | Distance between a self-developed residential property and the nearest public transportation stop. | The distance to public transportation describes the location of YIT's self-developed premises alongside public transportation connections. This is significant for the development of sustainable urban environments. |
| **Accident frequency** | Accidents of YIT's employees per one million hours worked. The accident frequency is calculated by dividing the number of workplace accidents that caused an absence of at least one day by one million hours worked. The accident frequency is calculated as a 12-month rolling average. | The accident frequency rate describes the accidents involving YIT's employees. This is significant for a healthy and safe working environment. |
| **Fatal accidents** | Deaths of YIT's and subcontractors' employees at YIT's construction sites. | Fatal accidents describes any fatalities that have occurred at YIT construction sites. This is significant for a healthy and safe working environment. |
| **Personnel survey:** | | |
| **Commitment index** | The result of the index is demonstrated as a percentage of positive values (values 4 and 5, on a scale from 1 to 5). Questions in the commitment index:<br>• I am proud of working for YIT.<br>• If I was offered a similar position with similar salary and benefits in a different company, I would not leave YIT.<br>• Overall, I am satisfied with YIT as a workplace.<br>• I am prepared to recommend YIT as a good place to work. | The commitment index describes the commitment of YIT's employees towards their employer. This is significant for the comfort of the personnel. |
| **Leadership index** | The result of the index is demonstrated as a percentage of positive values (values 4 and 5, on a scale from 1 to 5). Questions in the leadership index:<br>• My superior clearly communicates what is expected of me.<br>• My superior cares about my well-being.<br>• My superior supports me when needed.<br>• My superior creates an atmosphere where people feel able to express their concerns and be heard. | The leadership index describes the satisfaction of YIT's employees regarding supervisory work. This is significant for the comfort of the personnel. |

| Key figure | Definitions | Reason for use |
|---|---|---|
| **Sustainable development index** | The result of the index is demonstrated as a percentage of positive values (values 4 and 5, on a scale from 1 to 5). Questions in the sustainable development index:<br>• If I witness any unethical activities or neglect of safety, I take action.<br>• My superior prioritises safety.<br>• YIT's values guide my daily actions. | The sustainable development index describes the attitude and experiences of YIT's employees regarding ethical and responsible ways of action. This is significant for the comfort of the personnel and the compliance of common ways of action. |
| **Cases of bullying** | Share of personnel stating that they have experienced bullying. | Cases of bullying describes the frequency of bullying experienced by YIT's employees. This is significant for the comfort of the personnel and equal treatment. |
| **Trainees and thesis workers** | Number of trainees and thesis workers during the year. | The number of trainees and thesis workers describes YIT as an employer of young people. This is significant for cooperation with educational institutions and employer image. |
| **, of whom hired full-time** | Share of trainees and thesis workers who were hired full-time by YIT. | The number of trainees and thesis workers hired full-time describes YIT as an employer of young people. This is significant for cooperation with educational institutions and employer image. |
| **GDPR training** | Share of personnel who have completed the GDPR training by the due date. | Completing the GDPR training describes the number of employees who have completed the mandatory training. This is significant for the deployment of YIT's operating instructions. |
| **Investigations regarding potential criminal activity, misconduct or other deviations related to corporate security** | Internal and external as well as verified and unverified reports. | Investigations regarding potential criminal activity, misconduct or other deviations related to corporate security describes the number of submitted reports. This is significant for the compliance of ethical and common operating instructions and the deployment of a culture of taking action. |
| **Inspections in line with the Contractor's Obligations Act:** | | |
| **Subcontracting agreements** | Number of completed inspections related to subcontracting agreements. | The inspections of subcontracting agreements describes the monitoring of realising the Finnish Contractor's Obligations Act. This is significant for preventing corruption, bribery and grey economy as well as mitigating financial risks. |
| **Projects** | Number of completed inspections related to projects. | The inspections of projects describes the monitoring of realising the Finnish Contractor's Obligations Act. This is significant for preventing corruption, bribery and grey economy as well as mitigating financial risks. |

# Reconciliation of certain key figures

## Reconciliation of adjusted EBITDA (rolling 12 months)

| EUR million | 1–12/2019 |
|---|---|
| **Adjusted operating profit** | **165.5** |
| Depreciations and amortisations | 58.0 |
| Depreciation and amortisation expenses from PPA | -2.5 |
| IFRS 16 leases EBITDA impact | -39.4 |
| Adjusted EBITDA from discontinued operations excluding IFRS 16 leases EBITDA impact | 17.8 |
| **Adjusted EBITDA** | **199.4** |

## Adjusted earning per share, continuing operations

| EUR million, unless otherwise noted | 1–12/2019 |
|---|---|
| Result for the period, continuing operations | 4.5 |
| Adjusting items, total (included inoperating profit) | 85.0 |
| Adjusting items related to merger included in financial expenses, continuing operations | -11.2 |
| Tax impact | -14.8 |
| **Adjusted result for the period, continuing operations** | **63.6** |
| Weighted average number of shares outstanding – basic, 1 000 pcs | 210,491,977 |
| **Adjusted earnings per share, continuing operations - basic, EUR** | **0.30** |

## Adjusted return on capital employed (rolling 12 months)

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

# Consolidated Financial Statements, IFRS

## Consolidated income statement, IFRS

| EUR million | Note | 2019 | 2018 |
|---|---|---|---|
| **Revenue** | 2, 3 | **3,391.5** | **3,138.5** |
| Other operating income | 6 | 21.8 | 39.7 |
| Change in inventories of finished goods and in work in progress | | -205.3 | 35.6 |
| Production for own use | | 0.1 | 0.3 |
| Materials and supplies | | -524.2 | -632.1 |
| External services | | -1,758.5 | -1,621.8 |
| Personnel expenses | 8 | -405.7 | -405.8 |
| Other operating expenses | 7 | -463.6 | -433.8 |
| Changes in fair value of investments | 29 | 81.0 | |
| Share of results in associated companies and joint ventures | 15 | 1.3 | 9.0 |
| Depreciation, amortisation and impairment | 12, 13, 14 | -58.0 | -30.0 |
| **Operating profit** | | **80.5** | **99.7** |
| Finance income | | 6.4 | 7.7 |
| Exchange rate differences (net) | | -1.9 | -2.1 |
| Finance expenses | | -44.5 | -40.3 |
| Finance income and expenses, total | 9 | -40.0 | -34.7 |
| **Result before taxes** | | **40.4** | **65.0** |
| Income taxes | 10 | -35.9 | -17.9 |
| | | | |
| **Result for the financial year, continuing operations** | | **4.5** | **47.1** |
| **Result for the financial year, discontinued operations** | 5 | 10.2 | -7.9 |
| **Result for the financial year** | | **14.7** | **39.2** |
| | | | |
| **Attributable to** | | | |
| Equity holders of the parent company | | 14.7 | 39.2 |
| | | | |
| Earnings per share, basic, EUR | | 0.07 | 0.19 |
| Earnings per share, diluted, EUR | | 0.07 | 0.19 |
| Earnings per share, continuing operations, basic, EUR | 11 | 0.02 | 0.23 |
| Earnings per share, continued operations, diluted, EUR | | 0.02 | 0.23 |
| Earnings per share, discontinuing operations, basic, EUR | 11 | 0.05 | -0.04 |
| Earnings per share, discontinued operations, diluted, EUR | | 0.05 | -0.04 |

## Consolidated statement of comprehensive income, IFRS

| EUR million | Note | 2019 | 2018 |
|---|---|---|---|
| **Result for the financial year** | | **14.7** | **39.2** |
| | | | |
| **Items that may be reclassified to income statement** | | | |
| Cash flow hedges | | | 0.0 |
| Income tax relating to item above | | | 0.0 |
| Change in translation differences | | 49.8 | -57.8 |
| Change in translation differences transferred to income statement | | 8.1 | |
| **Items that may be reclassified to income statement, total** | | **57.9** | **-57.8** |
| | | | |
| **Items that will not be reclassified to income statement** | | | |
| Realised fair value changes of equity investments | | | 0.1 |
| Income tax relating to item above | | | 0.0 |
| Change in fair value of defined benefit pension | | 0.4 | -0,2 |
| Income tax relating to item above | | -0.1 | 0.0 |
| **Items that will not be reclassified to income statement, total** | | **0.3** | **-0.1** |
| | | | |
| **Total comprehensive income** | | **73.0** | **-18.7** |
| | | | |
| **Attributable to** | | | |
| Equity holders of the parent company | | 73.0 | -18.7 |

# Consolidated statement of financial position, IFRS

| EUR million | Note | 2019 | 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 75.9 | 202.3 |
| Leased property, plant and equipment | 12, 14 | 94.9 | |
| Goodwill | 13 | 264.2 | 319.2 |
| Other intangible assets | 13 | 14.5 | 47.5 |
| Investments in associated companies and joint ventures | 15 | 55.6 | 150.7 |
| Equity investments | 16 | 194.1 | 2.2 |
| Interest-bearing receivables | 17 | 47.4 | 50.3 |
| Other receivables | 17 | 11.6 | 2.3 |
| Deferred tax assets | 18 | 34.3 | 64.4 |
| Non-current assets total | | 792.5 | 839.0 |
| | | | |
| **Current assets** | | | |
| Inventories | 19 | 1,740.6 | 1,880.1 |
| Leased inventories | 14 | 188.4 | |
| Trade and other receivables | 20 | 483.7 | 495.5 |
| Interest-bearing receivables | 20 | 9.1 | 14.8 |
| Income tax receivables | | 22.5 | 1.8 |
| Cash and cash equivalents | 21 | 131.8 | 263.6 |
| Current assets total | | 2,576.1 | 2,655.8 |
| | | | |
| Assets classified as held-for-sale | 5 | 333.1 | |
| | | | |
| **Total assets** | | **3,701.7** | **3,494.8** |

| EUR million | Note | 2019 | 2018 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| | | | |
| **Equity attributable to the equity holders of the parent company** | 22 | | |
| Share capital | | 149.7 | 149.7 |
| Legal reserve | | 1.5 | 1.5 |
| Unrestricted equity reserve | | 553.5 | 553.5 |
| Treasury shares | | -12.0 | -5.6 |
| Translation differences | | -216.2 | -274.2 |
| Retained earnings | | 569.8 | 585.6 |
| Result for the financial year | | 14.7 | 39.2 |
| Total equity attributable to the equity holders of the parent company | | 1,060.8 | 1,049,8 |
| | | | |
| **Equity total** | | **1,060.8** | **1,049.8** |
| | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 18 | 9.2 | 28.8 |
| Pension obligations | 24 | 2.3 | 2.6 |
| Provisions | 25 | 77.8 | 82.2 |
| Borrowings | 26 | 355.3 | 424.1 |
| Lease liabilities | 14, 26 | 205.5 | |
| Other liabilities | 27 | 56.6 | 52.2 |
| Non-current liabilities total | | 706.8 | 590.0 |
| | | | |
| **Current liabilities** | | | |
| Advances received | 3 | 571.9 | 739.1 |
| Trade and other payables | 27 | 713.4 | 575.9 |
| Income tax payables | | 2.5 | 19.5 |
| Provisions | 25 | 36.6 | 53.0 |
| Borrowings | 26 | 434.3 | 467.6 |
| Lease liabilities | 14, 26 | 55.4 | |
| Current liabilities total | | 1,813.9 | 1,855.1 |
| | | | |
| **Liabilities directly associated with assets classified as held-for-sale** | 5 | 120.2 | |
| | | | |
| **Liabilities total** | | **2,640.9** | **2,445.0** |
| | | | |
| **Total equity and liabilities** | | **3,701.7** | **3,494.8** |

# Consolidated cash flow statement, IFRS

| EUR million | Notes | 2019 | 2018 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Result for the financial year | | 14.7 | 39.2 |
| Adjustments for: | | | |
| Depreciation, amortisation and impairment | 12, 13, 14 | 69.5 | 53.3 |
| Other non-cash transactions | | -76.5 | 54.2 |
| Finance income and expenses | | 41.8 | 35.5 |
| Gains on the sale of tangible and intangible assets | | -5.8 | -22.8 |
| Taxes | | 36.0 | 19.9 |
| Total adjustments | | 65.0 | 140.1 |
| | | | |
| Change in working capital: | | | |
| Change in trade and other receivables | | -20.0 | -23.5 |
| Change in inventories | | 138.5 | 38.7 |
| Change in current liabilities | | -6.9 | 52.6 |
| Change in working capital, total | | 111.7 | 67.8 |
| | | | |
| Interest paid | | -57.6 | -49.6 |
| Other financial items | | -5.8 | -3.4 |
| Interest received | | 3.1 | 2.2 |
| Dividends received | | 0.0 | 0.0 |
| Taxes paid | | -42.8 | -23.1 |
| **Net cash generated from operating activities** | | **88.3** | **173.3** |
| | | | |
| **Cash flow from investing activities** | | | |
| Acquisition of subsidiaries, associated companies and joint ventures, net of cash | | -33.7 | -50.7 |
| Purchases of property, plant and equipment | | -35.8 | -29.6 |
| Purchases of intangible assets | | -2.1 | -1.2 |
| Proceed from sale of subsidiaries, associated companies and joint ventures | | 12.7 | 37.6 |
| Proceeds from sale of property, plant and equipment and intangible assets | | 21.3 | 19.2 |
| Proceeds from sale of equity investments | | 0.0 | 0.1 |
| **Net cash used in investing activities** | | **-37.6** | **-24.7** |

| EUR million | Notes | 2019 | 2018 |
|---|---|---|---|
| **Operating cash flow after investments** | | **50.7** | **148.6** |
| | | | |
| **Cash flow from financing activities** | | | |
| Change in equity | | -6.5 | 1.4 |
| Change in loan receivables | | 3.9 | -16.4 |
| Proceeds from current borrowings | 26 | 642.5 | 693.6 |
| Repayment of current borrowings | 26 | -622.4 | -689.8 |
| Proceeds from non-current borrowings | 26 | 50.0 | 270.0 |
| Repayment of non-current borrowings | 26 | -150.2 | -195.6 |
| Payments of lease liabilities | 26 | -48.2 | -7.0 |
| Dividends paid and other distribution of assets | | -56.7 | -52.4 |
| **Net cash used in financing activities** | | **-187.6** | **3.7** |
| | | | |
| Net change in cash and cash equivalents | | -136.9 | 152.3 |
| Cash and cash equivalents at the beginning of the financial year | | 263.6 | 89.7 |
| Cash generated from merger | | | 21.6 |
| Foreign exchange rate effect on cash and cash equivalents | | 5.0 | 0.0 |
| **Cash and cash equivalents at end of period** | 21 | **131.8** | **263.6** |

# Consolidated statement of changes in equity, IFRS

| | | Equity attributable to equity holders of the parent company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **EUR million** | Note | Share capital | Legal reserve | Unrestricted equity reserve | Translation difference | Fair value reserve | Treasury shares | Retained earnings | Total | **Non-controlling interest** | **Equity, total** |
| **Equity on January 1, 2018** | | **149.2** | **1.5** | **0.7** | **-216.5** | **0.0** | **-7.2** | **636.9** | **564.7** | | **564.7** |
| **IFRS 9 adjustment** | | | | | | | | **-0.7** | **-0.7** | | **-0.7** |
| **Adjusted equity on January 1, 2018** | | **149.2** | **1.5** | **0.7** | **-216.5** | **0.0** | **-7.2** | **636.3** | **564.0** | | **564.0** |
| | | | | | | | | | | | |
| **Comprehensive income for the period** | | | | | | | | | | | |
| Result for the financial year | | | | | | | | 39.2 | 39.2 | | 39.2 |
| Other comprehensive income: | | | | | | | | | | | |
| Cash flow hedges | | | | | | 0.0 | | | 0.0 | | 0.0 |
| Income tax relating to item above | | | | | | 0.0 | | | 0.0 | | 0.0 |
| Realised fair value changes of equity investments | | | | | | | | 0.1 | 0.1 | | 0.1 |
| Income tax relating to item above | | | | | | | | 0.0 | 0.0 | | 0.0 |
| Change in fair value of defined benefit pension | | | | | | | | -0.2 | -0.2 | | -0.2 |
| Income tax relating to item above | | | | | | | | 0,0 | 0.0 | | 0.0 |
| Translation differences | 22 | | | | -57.8 | | | | -57.8 | | -57.8 |
| **Comprehensive income for the period. total** | | | | | **-57.8** | **0.0** | | **39.1** | **-18.7** | | **-18.7** |
| | | | | | | | | | | | |
| **Transactions with owners** | | | | | | | | | | | |
| Merger | | 0.5 | | 554.9 | | | | | 555.4 | | 555.4 |
| Cost related to share issue | | | | -1.4 | | | | | -1.4 | | -1.4 |
| Dividend distribution | 22 | | | | | | | -52.4 | -52.4 | | -52.4 |
| Share-based incentive schemes | 8 | | | -0.7 | | | 1.7 | 1.9 | 2.9 | | 2.9 |
| **Transactions with owners, total** | | **0.5** | | **552.8** | | | **1.7** | **-50.5** | **504.4** | | **504.4** |
| | | | | | | | | | | | |
| **Equity on December 31, 2018** | | **149.7** | **1.5** | **553.5** | **-274.2** | | **-5.6** | **624.8** | **1,049.8** | | **1,049.8** |

| EUR million | Note | Equity attributable to equity holders of the parent company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Legal reserve | Unrestricted equity reserve | Translation difference | Fair value reserve | Treasury shares | Retained earnings | Total | **Non-controlling interest** | **Equity, total** |
| **Equity on January 1, 2019** | | **149.7** | **1.5** | **553.5** | **-274.2** | | **-5.6** | **624.8** | **1,049.8** | | **1,049.8** |
| | | | | | | | | | | | |
| **Comprehensive income for the period** | | | | | | | | | | | |
| Result for the financial year | | | | | | | | 14.7 | 14.7 | | 14.7 |
| Other comprehensive income: | | | | | | | | | | | |
| Change in fair value of defined benefit pension | | | | | | | | 0.4 | 0.4 | | 0.4 |
| Income tax relating to item above | | | | | | | | -0.1 | -0.1 | | -0.1 |
| Translation differences | 22 | | | | 57.9 | | | | 57.9 | | 57.9 |
| **Comprehensive income for the period, total** | | | | | **57.9** | | | **15.1** | **73.0** | | **73.0** |
| | | | | | | | | | | | |
| **Transactions with owners** | | | | | | | | | | | |
| Dividend distribution | 22 | | | | | | | -56.7 | -56.7 | | -56.7 |
| Share-based incentive schemes | 8 | | | | | | 1.0 | 1.4 | 2.3 | | 2.3 |
| Acquisition of treasury shares | 22 | | | | | | -7.5 | | -7.5 | | -7.5 |
| **Transactions with owners, total** | | | | | | | **-6.5** | **-55.3** | **-61.9** | | **-61.9** |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| **Equity on December 31, 2019** | | **149.7** | **1.5** | **553.5** | **-216.3** | | **-12.0** | **584.5** | **1,060.8** | | **1,060.8** |

# IFRS accounting policies of the Financial Statements, December 31, 2019

## General information

YIT is the biggest Finnish construction service provider.

On July 4, 2019, YIT announced the sale of its Nordic paving and mineral aggregates businesses to Peab. Following the sale, YIT reports only its continuing operations in its segment reporting. Thus, the former Paving segment is no longer reported. From the second quarter of 2019 on, YIT has five reported segments: Housing Finland and CEE, Housing Russia, Business Premises, Infrastructure projects and Partnership properties. The continuing operations' market areas are Finland, Sweden, Norway, Russia, the Baltic countries, the Czech Republic, Slovakia and Poland.

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

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

YIT Corporation's Board of Directors approved these consolidated financial statements for publication in its meeting held on February 6, 2020. A copy of the consolidated financial statements will be available on the company's website from week 12 of 2020 onwards.

## Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved for adoption by the European Union Commission, and they comply with the IAS and IFRS standards and respective SIC and IFRIC Interpretations effective on December 31, 2019. International Financial Reporting Standards refer to standards and their interpretations approved for adoption within the EU in accordance with the procedure enacted in EU regulation (EC) 1606/2002, included in the Finnish Accounting Act and regulations based on it. The notes to the consolidated financial statements are also in accordance with Finnish accounting and corporate legislation supplemental to IFRS standards. The notes are an integral part of the consolidated financial statements. In the financial statements, the figures are presented in million euros rounded on each line, as a result of which some rounding inaccuracies may occur. The financial statements are based on original cost, except for the items presented below, which have been valued at fair value in accordance with the applicable standards.

## Management judgement related to application of accounting policies of the financial statements and key accounting estimates and assumptions

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

Below are described the sections of the financial statements that involve an unusual amount of judgement or that include significant assumptions and estimates.

### Assessment of power when making consolidation decisions

In addition to self-developed projects, YIT implements projects together with other parties via a consortium, company or some other joint arrangement. To define the accounting treatment of the arrangement (a subsidiary, joint venture, joint operation, associated company or equity investment), YIT's management uses its judgement to assess the key elements of power (such as the company's decision-making mechanisms, legal structure and financing of the arrangements) and their effect on the consolidation.

### Recognition and measurement of revenue

Significant management judgements related to recognition and measurement of revenue are related to number of performance obligations, estimates regarding the contract's transaction price, i.e. realised revenues, determining measure of progress as well as the timing of the fulfilment of the performance obligations.

#### Number of performance obligations

When identifying performance obligations, YIT's management assesses, for example, the interrelations between different tasks and services as well as whether the customer can separately benefit from them. Significant management judgement in identifying performance obligations is related to additional tasks performed in addition to construction service. The management has concluded to account for construction service and the transfer of the plot included in the customer contract as one performance obligation. This is because the output of the construction service, that is, the building, is significantly integrated with the plot, the building cannot be later separated from the plot and the plot can no longer be used for another purpose once the building is finished. YIT's management has concluded that the lease liability commitment linked to some of the projects of the Business premises segment creates one performance obligation together with the construction service. In projects like this, YIT's promise to the customer is to deliver a building constructed or renovated and leased as agreed. In other words, the management has determined that the overall promise to the customer is an agreed cash flow amount as rental income instead of a distinct construction service or rental service.

### Determining the transaction price

To determine revenue, the management must assess factors affecting the expected transaction price, including variable components, such as penalties or additional fees based on the work performances. In the transaction price YIT includes variable considerations, such as penalties or additional fees based on work performances, which are highly probable not to result in significant reversal of cumulative revenue recognised when the uncertainty associated with the variable consideration is subsequently resolved. YIT assesses initial transaction price for each contract. YIT only enters into contracts that are highly likely, in YIT's estimate, to be implemented as agreed. As a result, in the initial transaction prices, penalties are typically estimated not to be realised. The variable considerations are reassessed for each contract at each reporting date.

Significant bonuses are primarily linked to the Infrastructure projects segment's alliance projects, where all parties of the alliance affect the outcome of the bonuses. Because the outcome of the bonuses is not purely dependent on the success of YIT's performance, YIT limits the revenue recognition of the variable consideration and does not include bonuses in the transaction price based solely its own performance. YIT's management has concluded that bonuses are highly probable if the bonus has been estimated to be realised by the alliance's steering committee, where the performances of all parties to the project are assessed as a whole.

Significant variable considerations are linked to some of the Business premises segment's projects as lease liability commitments. In these projects, the consideration received by YIT will vary on the basis of the success of the rental, that is, based on realised occupancy rates and prices. In projects like this, YIT limits recognition of revenue from variable considerations and does not recognise variable consideration as revenue when such variable consideration it is not highly probable to be realised. The management's estimate of the amount of variable consideration that is highly probable to be realised is based on historical and project-specific data on a project-by-project basis.

.

### Determining the measure of progress

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

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

YIT uses an input-based method in Infrastructure project's long-term maintenance projects. Management considers that maintenance-related tasks performed cannot be measured reliably by output-based methods or time-based methods. Incurred costs in proportion to estimated total costs best depicts the fulfilment of the performance obligation as maintenance tasks are performed in different amounts in different seasons and in different years during the contract period.

A project's estimated costs are determined and specified as accurately as possible to make a reliable estimate in determining the measure of progress with input-based methods. The calculation of the total profits of projects includes estimates of the development of the total expenditure required to complete the project. Estimates related to project revenue recognition are regularly and reliably updated. If the estimates of the end result of a project recognised as revenue over time change, the revenue and profit recognised are adjusted in the reporting period when the change first became known and could be estimated. If it is probable that the total expenditure required to complete a project will exceed the total income from the project, the expected loss is expensed immediately.

### Timing of fulfilling the performance obligations

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

## Estimates and assumptions used in goodwill impairment testing

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

## Recoverability of deferred taxes

Deferred tax assets recognised on tax losses contain uncertainty of their recoverability. Deferred tax assets from tax losses are recorded in the amount that the management estimates, based on its profit forecasts, to be recoverable in the future, considering the expiration period of tax losses. Additionally, the management takes into consideration the reason of occurrence of losses when estimating the probability of recurrence of losses. The recoverability of deferred tax assets is assessed regularly.

## Measurement and recognition of leases

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

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

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

## Inventories

The need for inventory write-downs is assessed regularly by comparing the cost of inventory with the net realisable value. Net realisable value is an entity-specific value which is based on most reliable evidence available at the time. The management is required to estimate among others the yield levels of the items, the future sales prices and the intended future use of land areas to make the assessment.

Materials and other supplies held for use in the production of inventories are not written-down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

## Assumptions used in measuring pension benefits

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

## Valuation of equity investments

YIT has one equity investment whose current fair value valuation is significantly based on the valuation of the property. The key inputs in the fair valuation of the property are the yield, vacancy rate as well as the compound annual growth rate of the net operating income. YIT's management has had to use its judgment and estimates to specify them.

## Provisions

The recognition of provisions involves probability and amount-related estimates. The estimate of the probability and amount of realised costs is based on previous similar events and experience-based knowledge.

# Application of new and revised standards and interpretations from January 1, 2019

YIT started applying IFRS 16 Leases standard on January 1, 2019. These accounting policies have been changed to comply with the new standard.

## Adoption of IFRS 16 leases standard

Description of practical expedients used in transition

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

The impacts of the implementation have been described in detail in Note 14. The new accounting principles have been described below in section Leases.

# Consolidation

## Subsidiaries

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

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

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

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

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

## Associates and joint ventures

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

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

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

## Joint operations

YIT consolidates the housing companies of Finnish self-developed projects as joint operations starting from the sale of the first apartment in the housing company. At that point, YIT no longer has any control in the company. Mutual property companies of which YIT owns less than 100% are also treated as joint operations. YIT also carries out construction services through consortia. A construction consortium is not an independent legal unit, but the contracting parties are directly responsible for its operations and liabilities. YIT includes in its consolidated financial statements its share of the income, expenses, assets and liabilities of the joint operations.

## Transactions with non-controlling interests

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

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

# Segment reporting

Segment and group reporting is prepared in accordance with IFRS. YIT regularly reports revenue, depreciation and operating profit and adjusted operating profit by segment to the management. In addition, capital employed by segment is reported, which 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.

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

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

## Non-current assets classified as held for sale and discontinued operations

Non-current assets or a disposal group are classified as held for sale if their carrying amount will be recovered principally through the disposal of the assets and the sale is highly probable. If their carrying amount will be recovered principally through their disposal rather than through their continuing use, they are measured at the lower of carrying amount and fair value less costs to sell.

Following the sale of its Nordic paving and mineral aggregates businesses, YIT has classified the operations as held-for-sale assets and reports them as discontinued operations. Result from discontinued operations is reported separately from income and expenses from continuing operations in the consolidated income statement, with prior periods restated accordingly. Intra-group revenues and expenses between continuing and discontinued operations have been eliminated, except for those revenues and expenses that are considered to continue after the disposal of the discontinued operation. The statement of financial position has not been restated for prior periods. Assets and liabilities related to discontinued operations are presented as separate line items in the statement of financial position.

## Foreign currency transactions

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

### Translation of the financial statements of foreign group companies

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

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

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

### Currency exchange rates used in YIT's consolidated financial statements:

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

# Revenue from customer contracts

## Description of services and products

YIT offers construction services to industry and to the public sector, residential construction to consumers, road maintenance in Finland as well as life-cycle services to the public sector. Additionally, in Russia, YIT offers property management and maintenance services to its consumer clients after commissioning.

Residential construction projects are mainly residential development and negotiation projects which are mainly new development projects. Projects include development and construction of apartments, entire residential areas and leisure-time residences. Residential construction customers are private consumers and investors and institutional investors. Private consumers and investors purchase one or a few apartments from residential development projects, whereas institutional investors purchase several apartments from residential development projects, a residential building or multiple residential buildings that are constructed according to each customer's particular needs.

Business premises projects include constructing commercial, industrial and public buildings, renovations. Commercial and industrial buildings are constructed for institutional investors, developers and owner-occupiers. Renovation construction services ranging from small-scale surface renovation to wholesale refurbishment of entire buildings are provided to property owners. Projects are mainly negotiated contracting, which includes both constructing new buildings and renovations. YIT has also own developed business premises projects. These are projects which have not been sold when the construction starts.

Infrastructure projects include road and street construction and maintenance, bridge building and repairing, railway construction, hydraulic and foundation engineering, underground construction, excavation, other earthworks and public utilities. Infrastructure projects in the Baltic countries also include paving services such as paving roads and bridges and selling asphalt mass. For infra services, the customer is often the public sector.

In life cycle projects (PPP, Public Private Partnership), construction expands into a comprehensive long-term service as YIT builds or improves the infrastructure, such as building or road network, and afterwards provides upkeep and maintenance services. The contract period is typically 20 to 25 years. The customer is the public sector.

Paving services refer to the paving of roads, bridges, yards, parking areas, warehouses, industrial floors, etc. Paving also includes supplying mineral aggregates and asphalt mass in addition to the services of quarrying and crushing of mineral aggregates and screening contracting. Customers include the public sector, construction companies, private companies and private customers.

## Presentation and measurement of revenue

YIT presents revenues from contracts with customers less indirect taxes and discounts as revenue. The transaction price expected to be received from the customer, including variable amounts such as possible penalties and bonus payments based on performance, is determined at the contract inception. Some or all of the amount of the variable consideration estimated is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The estimated transaction price is updated at the end of each reporting period. YIT does not have incremental costs of obtaining a contract. All costs generated before the inception of a contract are expensed once incurred if they cannot be capitalised according to other IFRS standards. YIT capitalises costs to fulfil contracts, that meet the criteria of capitalisation. Capitalised costs to fulfil contracts are amortised according to the project's measure of progress. For YIT, costs to fulfil contracts are typically costs related to plots of land in construction projects in which the plot and the construction service constitute one performance obligation. Costs to fulfil contracts are presented in the statement of financial position in the line item inventories.

In some specific contracts with customers, there is a significant timing difference between the payment from the customer and the transfer of the promised goods or services to the customer. YIT applies a practical expedient and does not adjust the promised amount of consideration for the effects of a significant financing component, when the period between the payment from the customer and the transfer of the promised goods or services to the customer is expected to be one year or less. A significant financing component is accounted for if the 12 months financing position is exceeded and the annual average interest expense is significant with respect to the contract.

## Performance obligations

When a contract contains more than one performance obligation, the transaction price is allocated based on stand-alone selling prices. Construction constitutes mainly delivering one integrated entirety. In these cases, the contract contains one performance obligation. Differences between the segments regarding performance obligations are described below. Warranties arising from legislation or general terms do not affect revenue recognition because they are assurance-type warranties which are accounted for as provisions. In a case where YIT has committed to warranty periods that are longer than what has been defined in legislation or in general terms and conditions, the excess warranty period is considered as a separate performance obligation and the transaction price allocated to it, is recognised as revenue when the service is performed. Contract modifications are additional and change works which are mainly accounted for as part of the original contract because usually they do not add distinct services and/or products. YIT's materiality threshold defines whether additional or change works constitute a separate performance obligation.

## Timing of revenue recognition and determining the measure of progress

Revenue is recognised separately for each performance obligation when or as the control of the promised good or service is transferred to the customer. YIT has revenues which are recognised over time and at a point in time. These are described in more detail below. YIT recognises revenue both over time and at a point in time. The recognition of revenue over time is based on the measure of progress, which is input or output based. In some circumstances, for example in the early stages of a contract, YIT may not be able to reasonably measure the outcome of a performance obligation but expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, YIT recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation. If it is probable that the total costs to complete a project will exceed the transaction price to be received from the project, the expected loss is expensed and recognised as a provision.

## Contract assets and liabilities

At the end of the reporting period, if the project billing is less than the revenue recognised based on the measured progress of the project, the difference is presented in the statement of financial position as a contract asset in the line item trade and other receivables. At the end of the reporting period, if the project billing exceeds the revenue recognised based on the measured progress of the project, the difference is presented in statement of financial position as a contract liability under current liabilities in the line item advances received. Contract liabilities include also non-cash considerations related to sold but unrecognised own developed projects.

## Segment-specific matters

### Housing Finland

#### TRANSACTION PRICE AND TIMING OF REVENUE RECOGNITION OF RESIDENTIAL DEVELOPMENT PROJECTS

Residential development projects are projects developed by YIT which are not sold as construction begins and of which individual apartments are sold instead of entire buildings during construction. In residential development projects, separate apartments are distinct performance obligations. YIT receives advance payments for apartments sold during construction. Some of the payments occur over 12 months prior to the hand over of the building. YIT does not account for the time value of money for payments because the management judgment is that the financing component is not significant for the individual contract.

Transaction prices in residential development projects include variable elements, such as delay penalties. In addition, the transaction price of a sold apartment includes the share of housing corporation loan allocated to the apartment. The buyer is responsible for the repayment of the loan allocated to the apartment. Construction cost of Finnish residential development projects are typically covered partially by housing company loans, which the housing company raises. Total sales prices, i.e. transaction prices, received from the sales of apartments by YIT contain both sales prices paid by customers and the housing company loan amounts related to the apartments. Housing company loans are considered as non-cash consideration which is presented, based on the substance of the transaction, as advances received i.e. it is recognised similarly to the transaction price paid in cash. Housing company loans of unfinished residential development projects are presented in the consolidated statement of financial position either in borrowings (unsold apartments) or as a contract liability in advances received (sold apartments). At the time of the project's completion, the amount presented as advances received is recognised as revenue.

Revenue from residential development construction is recognised at a point in time, on completion, when control of the apartment is transferred to the customer. According to the Finnish Housing Transactions Act, the customer has a possibility to cancel the contract before the apartment is transferred to the customer. The buyer pays a compensation to the seller, but the compensation does not cover the work done with a mark-up. Therefore, the over time recognition criteria are not fulfilled.

### Housing CEE

#### TIMING OF REVENUE RECOGNITION OF RESIDENTIAL DEVELOPMENT PROJECTS

Revenue from residential development projects is recognised at a point in time after obtaining permission from the authorities.

### Housing Russia

#### TIMING OF REVENUE RECOGNITION OF RESIDENTIAL DEVELOPMENT PROJECTS

Revenue from residential development projects is recognised at a point in time after obtaining permission from the authorities.

#### RECOGNITION OF MAINTENANCE CONTRACTS

Maintenance contracts are recognised over time as the customer simultaneously receives and consumes the benefits of the provided service. Revenue recognition is based on the maintenance contract and is invoiced monthly according to the contract.

### Business premises

#### DETERMINING PERFORMANCE OBLIGATIONS

The performance obligation is determined by the scope of the work. If a contract includes constructing more than one building, each building is a separate performance obligation. Contracts where YIT sells both the plot and the construction service are accounted for as one performance obligation because the output of the construction service, i.e. the building, is significantly integrated with the plot, the building cannot be separated from the plot later on, and the plot cannot be used for other purposes after the building is completed. Projects containing the obligation to lease the premises, i.e. lease liability commitments, forms one performance obligation together with the construction service. In these projects, YIT's promise to the customer is to deliver a building constructed or renovated and leased according to the agreed specifications, i.e. the management has determined that the overall promise to the customer is an agreed amount of cash flow in the form of rental income instead of a distinct construction service and leasing service.

#### DETERMINING TRANSACTION PRICE

The transaction prices of the contracts include variable elements like possible delay and quality penalties, performance bonuses and lease liability commitments related to commercial premises. A portion of sales price based on leased square metres and rents per square metres of commercial real estate construction is accounted for as a variable consideration in the transaction.

#### COSTS OF FULFILLING A CONTRACT

Costs to fulfil contracts are costs related to plots of land in construction projects in which the plot and the construction service constitute one performance obligation.

#### TIMING OF REVENUE RECOGNITION AND DETERMINING MEASURE OF PROGRESS

The criteria for revenue recognition over time are met in the majority of Business premises' construction services. YIT uses an input-based method to measure the progress. The measure of progress is determined in proportion of realised costs at time of reporting to estimated total costs or stage of physical completion, which is determined in proportion of cost incurred from completed stages of construction to estimated total costs.

In commercial real estate development projects, the criteria for recognising revenue over time are evaluated against the terms and conditions of each project. The revenue from commercial real estate development projects where the criteria for revenue recognition over time are not met, is recognised at a point in time when the control of the asset is transferred to the customer, i.e. the asset is completed and handed over to the customer.

### Infrastructure projects

#### PERFORMANCE OBLIGATIONS AND DETERMINING THE TRANSACTION PRICE

The number of performance obligations depends on the contract and it is always analysed on a contract-by-contract basis. In most cases, YIT delivers an integrated entirety which forms one performance obligation. The transaction prices include variable elements such as possible delay penalties and bonuses. Especially bonuses in alliance projects might be significant. These bonuses include significant management judgement which has been described in more detail in Management judgement related to application of accounting policies of the financial statements and key accounting estimates and assumptions.

#### TIMING OF REVENUE RECOGNITION AND DETERMINING MEASURE OF PROGRESS

The criteria for revenue recognition over time are met in most Infrastructure projects' construction services because the work is usually done on customer's land area. In other words, the customer has control over the asset under construction. YIT uses an input-based method to measure the progress. The measure of progress is determined in proportion of realised costs at time of reporting to estimated total costs or stage of physical completion, which is determined in proportion of cost incurred from completed stages of construction to estimated total costs. The company recognises revenue from the sale of asphalt mass at a point in time when the control transfers and the goods are delivered to the customer.

### Partnership properties

#### TIMING OF REVENUE RECOGNITION

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

### Discontinued operations (paving and mineral aggregates)

#### PERFORMANCE OBLIGATIONS AND TRANSACTION PRICE

The performance obligation is the scope of the work, whether it is paving a motorway, a parking garage or a farmhouse courtyard. Most paving services include variable elements in transaction prices in the form of indices, delay penalties and quality penalties. In supplying mineral aggregates and asphalt mass, the performance obligation is goods sold, such as crushed gravel, screened sand, cobblestones or asphalt mass. In providing services, the performance obligation is the scope of the work, such as quarrying the customer's rock. Most of the paving services are short-term, with invoicing after completion. As the payment terms are also short, there is no significant timing difference between satisfying the performance obligation and receiving payment. In long-term paving services, YIT receives payments based on the paving service's progress, which corresponds to satisfying the performance obligation.

#### TIMING OF REVENUE RECOGNITION AND DETERMINING MEASURE OF PROGRESS

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

## Life cycle projects (service concession arrangements)

In life cycle projects (public-private partnership projects, PPP), the service provider designs and builds or renovates the infrastructure used for providing the services, such as a school or road network, and maintains it for the duration of the contract period. The maintenance contract period is typically long, 20–25 years. PPP projects are used in large public construction and renovation projects, and the customer is typically the public sector. YIT is engaged in PPP projects in which YIT itself is responsible for all contractual obligations to the customer as well as projects that are carried out using a joint venture or a consortium together with another party. In all PPP projects, the basis for payment is usability or quality, hence there are no intangible rights in the statement of financial position.

All of the PPP projects in which YIT is a direct contracting party to the customer are financed by the customer. In these PPP projects, the revenue from construction or renovation phases and maintenance phases are recognised over time as separate performance obligations. YIT receives payments during the construction period based on progress of the construction. During the maintenance period, YIT receives payments on a monthly basis, corresponding to the provided services. PPP projects include usability deductions which are accounted for as variable considerations. The consideration of the construction phase is tied to construction cost index, and the maintenance periods are tied to maintenance index. The indices are reviewed on an annual basis. YIT has no material supplementary right of use to the infrastructure.

PPP projects in which the contracting party to the customer is a joint venture established by YIT and another party, has been carried out using a model where the joint venture is responsible for the financing. The joint venture is consolidated into YIT's consolidated financial statements using the equity method. For the consolidation, the financial statements of the joint venture have been changed to correspond to YIT's accounting policies. YIT acts as the contractor and service provider for the joint venture, and YIT recognises revenue using the previously explained method.

YIT is also a party to consortia that acts as a contracting party to the customer. A consortium is not a legal entity. Contractually, the parties have a joint responsibility towards the customer. In such projects, YIT is responsible for building the infrastructure. YIT receives payments during the construction phase based on progress of the construction and recognises revenue over time from the construction services.

## Interest and dividends

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

## Employee benefits

### Pension liabilities

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

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

### Share-based payments

Possible rewards under the share-based incentive scheme are paid as a combination of YIT Corporation's shares and a cash settlement, or fully in cash, depending on whether the specified financial target levels have been met.

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

### Termination benefits

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

## Lease agreements

YIT has started applying the IFRS 16 Leases standard on January 1, 2019. The figures of the comparison periods have not been adjusted.

### Accounting policies as of January 1, 2019

#### Group as lessee

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

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

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

##### MEASUREMENT AND PRESENTATION OF LEASE LIABILITY

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

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

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

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

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

#### MEASUREMENT AND PRESENTATION OF RIGHT-OF-USE ASSET

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

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

#### TREATMENT OF PLOT LEASE AGREEMENTS RELATED TO OWN BUILDING DEVELOPMENT

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

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

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

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

### Group as lessor

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

## Accounting policies prior to January 1, 2019

### Group as lessee

Leases of assets where the Group has substantially all of the risks and rewards of ownership are classified as finance leases. A finance lease is entered on the statement of financial position at the commencement of lease term at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Corresponding liability is presented in current and non-current interest-bearing liabilities. Assets acquired under finance lease agreements are depreciated over their economic lifetime or the period of lease, whichever is shorter. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding per financial period.

Lease agreements in which the risks and benefits of ownership are retained by the lessor are treated as other lease agreements. Payments made under operating leases are expensed on a straight-line basis in the income statement over the period of lease. Incentives received are deducted from the lease payments based on the time pattern of the benefit.

### Group as lessor

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

# Income taxes

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

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

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

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

# Government grants

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

# Tangible assets

Tangible assets are stated at cost less depreciation and impairment. Tangible assets are depreciated over their estimated useful lives using a straight-line method starting from the date when the asset is ready for use. Land is not depreciated. The estimated useful lives of tangible assets are the following:

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

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

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

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

# Investment property

Investment properties are properties or land held by the Company to earn rentals or for capital appreciation or both and which are not held for use for the Company, use in the operations or sale in the ordinary course of business. Associated companies and joint ventures involved in real estate investing which are consolidated into YIT's consolidated financial statements using equity method have investment properties as defined in IAS 40 Investment properties -standard. The investment properties comprise rental apartments which are both under construction and completed. Neither the parent company of YIT or subsidiaries possess assets classified as investment property. In YIT consolidated financial statements, the investment properties are included in the statement of financial position as part of the line item Investments into associated companies and joint ventures.

## Recognition and measurement principles

At initial recognition, investment properties are measured at cost, which includes transaction costs. Subsequently, investment properties are valued at fair value in accordance with IFRS 13 Fair value measurement. Gains and losses from changes in fair value are recognized in profit and loss in the period in which it arises. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions. YIT classifies all investment properties on fair value hierarchy level 3. Items included in the hierarchy level 3 are measured using input data which is not based on observable market data.

Completed rental apartments are valued based on an income and market approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets or a group of assets, such as a business. The income approach converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts. Properties under construction are measured at fair value when the fair value can be reliably measured. Otherwise properties under construction are measured at cost. Associated company and joint venture use an external independent appraiser to define the fair value.

An investment property is derecognised from the statement of financial position on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss. The amount of consideration to be included in the gain or loss arising from the derecognition of an investment property is determined in accordance with the requirements for determining the transaction price according to IFRS 15. Investment properties held for sale are measured at fair value and the value is presented in Note 15.

A property is transferred to, or from, investment property when there is a change in use.

# Intangible assets

## Goodwill

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

## Other intangible assets

An intangible asset is initially entered on the statement of financial position at cost when the cost can be reliably determined, and the intangible asset is expected to yield economic benefit to the Group. Intangible assets with a known or estimated useful life are expensed in the income statement on a straight-line basis over their estimated useful lives. Amortisation begins when the asset is ready for use. Intangible assets with indefinite useful lives are not amortised but are instead subjected to an impairment test annually.

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

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

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

The amortisation periods of other intangible assets are as follows:

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

# Impairment of tangible and intangible assets

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

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

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

# Inventories

Inventories are measured either at the lower of acquisition cost or net realisable value. The acquisition cost of materials and supplies is primarily determined using the FIFO method (first-in, first-out). The cost of mineral aggregates and bitumen is determined using the weighted average method. The cost of products and goods comprises raw materials, planning costs, direct costs of labour, other direct costs and the appropriate portion of the variable general costs of manufacture and fixed overhead. Additionally, the acquisition cost of work in progress and shares in completed housing and real estate companies comprises the value of the plot.

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

The net realisable value is the estimated selling price in ordinary business operations less the estimated expenditure on product completion and sales. In estimating the net realisable value of shares in completed housing and real estate companies, the available market information and the level of the yield on the properties are taken into account. In assessing the net realisable value of plots of land, their intended use is taken into account. In the valuation of plots of land used for construction, the completed products in which they will be included are taken into consideration. The carrying amount of plots of land is decreased only when the completed products are evaluated at a price lower than the acquisition cost. The net realisable value of other plots of land is based on the market price of the land.

Borrowing costs are capitalized to cost of inventory if the criteria are met.

The accounting policy related to leased plots has been described in section Lease agreements.

# Financial assets and liabilities

## Financial assets

Financial assets are recognised on the trading day. The Group classifies financial assets on initial recognition into the following measurement categories: financial assets measured at amortised cost, financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are derecognised once the Group has lost the contractual right to their cash flows or when it has substantially transferred their material risks and rewards to a party outside the Group.

## Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit or loss include all investments and derivative contracts acquired for trading purposes. These derivative contracts include the Group's interest rate, foreign exchange and commodity derivatives. Derivatives are carried at fair values based on market prices and generally accepted valuation models. Changes in the fair values are recognised according to the nature of the derivative, either in the financial items or in other operating income or expenses. Measurement at fair value is described in detail in Note 29.

## Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are non-derivative equity investments.

In respect of such financial assets, the company has irrevocably decided in connection with the original recognition that changes that occur later in the fair value of an equity investment that is not made for trading purposes are recognised in other comprehensive income. In YIT, this includes certain investments in real estate properties and housing company shares as well as other shares. Once this choice has been made, the amounts presented in other comprehensive income will not be transferred later to the income statement. The dividends of such investments are recognised through profit or loss. The choice is made based on the investment-specific assessment.

## Financial assets measured at amortised cost

Financial assets measured at amortised cost are non-derivative financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest. This category includes funds, the Group's trade, loan and other receivables on the statement of financial position. Financial assets of this category are initially recognised at fair value added with transaction costs, and they are subsequently measured at amortised cost using the effective interest rate method. A gain or loss on a financial asset measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Cash and cash equivalents comprise cash in hand, bank-account balances and liquid money-market investments with original maturities of three months or less.

## Impairment of financial assets

The impairment model for financial assets is based on expected credit losses in accordance with IFRS 9. The expected credit losses affect the valuation of financial assets that have been classified at amortised cost.

On every reporting date, the Group assesses whether the credit risk pertaining to a financial asset has materially increased. If the credit risk is deemed to have materially increased, the amount recoverable from the financial asset, which is the fair value of the asset, is estimated and the impairment loss is recognised to the extent that the carrying amount exceeds the recoverable amount. Impairment losses are recognised as an expense in the income statement. For example, when a debtor is in significant financial difficulties, any probable bankruptcy, delinquent payments, or payments that are more than 90 days overdue constitute evidence of possible neglect of the receivables.

### Trade receivables and contract assets

YIT applies the simplified model in accordance with IFRS 9 for trade receivables and contract assets. According to the model, the credit loss allowance is recognised based on the lifetime expected credit losses. Trade receivables and contract assets have been reviewed by country. YIT has specified default rates for trade receivables of different maturities in accordance with the age distribution.

The amount of the expected credit loss is based on the management's best estimate of the expected credit losses. The credit loss model takes into account the customers' previous payment behaviour as well as the available future forecasts.

### Loan receivables

The impairment of loan receivables is calculated on the basis of the credit loss that is expected to occur during a 12-month period, unless a significant credit risk increase has occurred since the original recognition, in which case the provision is calculated on the basis of the expected credit loss of the asset's entire lifetime.

### Financial liabilities

The Group records financial liabilities at the fair value of the trading day less the transaction costs. Subsequently, all financial liabilities except derivative instruments are measured at amortised cost using the effective interest rate method.

Financial liabilities measured at fair value through profit or loss include derivative contracts. These derivative contracts include the Group's interest rate, foreign exchange and commodity derivatives. Derivatives are carried at fair values based on market prices and generally accepted valuation models. Changes in the fair values are recognised according to the nature of the derivative, either in the Group's financial items or in other operating income or expenses.

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

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

### Fair value of derivative instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is acquired and subsequently re-measured at fair value on each reporting date. Changes in the fair value of these derivatives are recognised according to the nature of the derivative, either in other operating income and expenses or in the financial items. YIT does not apply hedge accounting.

## Treasury shares

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

## Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the obligation will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are measured at present value of the expenditure required to settle the obligation. Where some or all of the expenditure required to settle the provision is expected to be reimbursed from a third party, the reimbursement is recognised as an asset when receiving the reimbursement is virtually certain.

Provision is made for onerous contracts when the amount of expenditure required by the agreement to fulfil the obligations exceeds the benefits that may be derived from it. The required expenditure includes the costs arising from completing the contract or the lower costs resulting from the cancellation of the contract.

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

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

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

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

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

## Contingent liabilities and assets

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

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

## Earnings per share

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

Notes to the consolidated Financial Statements.................. 56




Tripla, Helsinki

# Notes to the consolidated financial statements, IFRS

## 1. Restated pro forma information

Lemminkäinen merged into YIT on February 1, 2018. From accounting perspective. Thus, Lemminkäinen has been merged into the consolidated financial statements starting on February 1, 2018. The identifiable assets acquired and liabilities assumed of Lemminkäinen have been recognised at their fair values as of the merger date, with excess of the purchase consideration over the provisional fair value of identifiable net assets acquired recognised as goodwill.

To illustrate the effects of the merger to the results of operations and financial position of YIT and to facilitate the comparability of the combined company's financial information, YIT has prepared unaudited pro forma financial information. Following the classification of the Nordic paving and mineral aggregates businesses as discontinued operations in the half-year report 2019, YIT has restated the unaudited pro forma financial information to reflect the reporting of continuing and discontinued operations. 2018 published pro forma financial information was restated by separating the profits of the operations planned to be sold separately from continuing operations. This additional information is under the title ”Unaudited restated pro forma additional information”.  Pro forma information is presented only for illustrative purposes and the information does not represent the actual historical result of YIT's operations.

The restated pro forma financial information has been prepared on a basis consistent with the accounting policies applied in YIT's consolidated financial statements.

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

### Unaudited restated pro forma additional information

| Restated pro forma performance related key figures, EUR million | 1–12/2018 |
|---|---|
| **Revenue** | **3,201.0** |
| Other operating income | 40.1 |
| Change in inventories of finished goods and in work in progress | 39.7 |
| Production for own use | 0.3 |
| Materials and supplies | -634.1 |
| External services | -1,668.0 |
| Personnel expenses | -417.8 |
| Other operating expenses | -436.7 |
| Share of results in associated companies and joint ventures | 9.0 |
| Depreciation, amortisation and impairment | -28.9 |
| **Operating profit** | **104.7** |
| Financial income and expenses, total | -33.3 |
| Result before taxes | 71.4 |
| Income taxes | -22.7 |
| **Result for the period, continuing operations** | **48.7** |
| **Result for the period, discontinued operations** | **-15.4** |
| **Result for the period** | **33.3** |
| Attributable to | |
| Equity holders of the parent company | 33.3 |
| | |
| Basic earnings per share, EUR | 0.16 |
| Basic earnings per share, EUR, continuing operations | 0.23 |
| Basic earnings per share, EUR, discontinued operations | -0.07 |

# 2. Segment information and market areas

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

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

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

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

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

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

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

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

## Segment reporting accounting principles

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

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

## Seasonality of business

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

## Segment financial information, continuing operations

### 1–12/2019

| EUR million | Housing Finland and CEE | Housing Russia | Business premises | Infrastructure projects | Partnership properties | Other items | Group, IFRS |
|---|---|---|---|---|---|---|---|
| **Revenue** | **1,240.1** | **240.0** | **1,176.9** | **806.7** | **0.3** | **-72.5** | **3,391.5** |
| Revenue from external customers | 1,240.1 | 239.5 | 1,175.0 | 791.3 | 0.3 | -54.7 | 3,391.5 |
| Revenue Group internal | | 0.5 | 1.9 | 15.4 | | -17.9 | |
| Depreciation, amortisation and impairment | -4.8 | -4.7 | -2.1 | -17.9 | | -28.4 | -58.0 |
| **Operating profit** | **91.4** | **-46.6** | **-7.1** | **14.4** | **82.7** | **-54.2** | **80.5** |
| Operating profit margin, % | 7.4% | -19.4% | -0.6% | 1.8% | | | 2.4% |
| Adjusting items | | 47.8 | | 0.5 | | 36.6 | 85.0 |
| Court proceedings | | | | | | -2.2 | -2.2 |
| Restructurings and divestments | | | | 0,3 | | | 0,3 |
| Integration costs related to merger | | 0.2 | | | | 8.9 | 9.1 |
| Operating profit from operations to be closed | | 47.6 | | 0.3 | | 25.4 | 73.3 |
| Inventory fair value adjustment from PPA* | | | | | | 2.1 | 2.1 |
| Depreciation and amortisation expenses from PPA* | | | | | | 2.5 | 2.5 |
| **Adjusted operating profit** | **91.4** | **1.2** | **-7.1** | **14.9** | **82.7** | **-17.6** | **165.5** |
| of which IFRS 16 impact | 7.4 | 1.0 | 0.5 | 0.5 | | 2.8 | 12.2 |
| Adjusted operating profit margin, % | 7.4% | 0.5% | -0.6% | 1.9% | | | 4.9% |

* PPA refers to merger related fair value adjustments.

## Segment financial information, continuing operations

### 1–12/2018 restated

| EUR million | Housing Finland and CEE | Housing Russia | Business premises | Infrastructure projects | Partnership properties | Other items | Group, IFRS |
|---|---|---|---|---|---|---|---|
| **Revenue** | **1,143.5** | **270.2** | **1,024.7** | **692.3** | **0.0** | **7.7** | **3,138.5** |
| Revenue from external customers | 1,143.1 | 269.5 | 1,019.8 | 661.8 | 0.0 | 44.3 | 3,138.5 |
| Revenue Group internal | 0.3 | 0.8 | 4.9 | 30.5 | | -36.5 | |
| Depreciation, amortisation and impairment | -1.2 | -0.7 | -0.4 | -13.6 | | -14.0 | -30.0 |
| **Operating profit** | **103.4** | **-36.3** | **67.6** | **-4.3** | **26.9** | **-57.4** | **99.7** |
| Operating profit margin, % | 9.0% | -13.4% | 6.6% | -0.6% | | | 3.2% |
| Adjusting items | 0.8 | 4.5 | 0.5 | 0.6 | | 34.1 | 40.6 |
| Write-down of inventories | | 3.4 | | | | | 3.4 |
| Transaction costs related to merger | | | | | | 1.4 | 1.4 |
| Integration costs related to merger | 0.8 | 1.1 | 0.5 | 0.6 | | 14.4 | 17.4 |
| Inventory fair value adjustment from PPA* | | | | | | 12.1 | 12.1 |
| Depreciation and amortisation expenses from PPA* | | | | | | 6.2 | 6.2 |
| **Adjusted operating profit** | **104.1** | **-31.8** | **68.1** | **-3.7** | **26.9** | **-23.3** | **140.3** |
| Adjusted operating profit margin, % | 9.1% | -11.8% | 6.6% | -0.5% | | | 4.5% |

* PPA refers to merger related fair value adjustments.

## 1–12/2018 unaudited restated pro forma additional information

| EUR million | Housing Finland and CEE | Housing Russia | Business premises | Infrastructure projects | Partnership properties | Other items | Group, IFRS |
|---|---|---|---|---|---|---|---|
| **Revenue** | **1,157.9** | **274.1** | **1,045.2** | **716.8** | **0.0** | **7.1** | **3,201.0** |
| Revenue from external customers | 1,157.5 | 273.3 | 1,040.0 | 685.9 | 0.0 | 44.2 | 3,201.0 |
| Revenue Group internal | 0.3 | 0.8 | 5.2 | 30.8 | | -37.1 | |
| Depreciation, amortisation and impairment | -1.2 | -0.8 | -0.4 | -14.1 | | -12.5 | -28.9 |
| **Operating profit** | **102.6** | **-37.3** | **67.3** | **-7.2** | **26.9** | **-47.5** | **104.7** |
| Operating profit margin, % | 8.9% | -13.6% | 6.4% | -1.0% | | | 3.3% |
| Adjusting items | 0.8 | 4.5 | 0.5 | 0.6 | | 20.8 | 27.2 |
| Write-down of inventories | | 3.4 | | | | | 3.4 |
| Restructurings and divestments | | | | | | -1.3 | -1.3 |
| Integration costs related to merger | 0.8 | 1.1 | 0.5 | 0.6 | | 14.4 | 17.4 |
| Inventory fair value adjustment from PPA* | | | | | | 3.4 | 3.4 |
| Depreciation and amortisation expenses from PPA* | | | | | | 4.3 | 4.3 |
| **Adjusted operating profit** | **103.3** | **-32.8** | **67.8** | **-6.5** | **26.9** | **-26.7** | **132.0** |
| Adjusted operating profit margin, % | 8.9% | -12.0% | 6.5% | -0.9% | | | 4.1% |

* PPA refers to merger related fair value adjustments.

## Capital employed by segments

| EUR million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Housing Finland and CEE | 696.6 | 584.9 |
| Housing Russia | 277.5 | 294.3 |
| Business premises | 64.6 | 38.2 |
| Infrastructure projects | 52.4 | 77.0 |
| Partnership properties | 253.5 | 145.0 |
| Other items | 324.5 | 249.3 |
| **Segments, total** | **1,669.1** | **1,388.7** |
| Reconciliation* | | 212.5 |
| **Capital employed, total** | **1,669.1** | **1,601.2** |

* Reconciliation related to discontinued operations which are not part of segment reporting.

## Geographical information

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

## Non-current assets without non-current receivables and equity investments

| EUR million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Finland | 435.7 | 583.5 |
| Russia | 18.1 | 18.7 |
| CEE | | |
| Baltics | 16.3 | 8.2 |
| The Czech Republic, Slovakia, Poland | 7.3 | 4.3 |
| Scandinavia | | |
| Sweden | 13.7 | 18.5 |
| Norway | 14.1 | 60.5 |
| Denmark | | 28.1 |
| **Group total** | **505.2** | **721.9** |

# 3. Revenue from customer contracts

## Disaggregation of revenue

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

### 1–12/2019

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

### 1–12/2019

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

## 1–12/2018

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

## 1–12/2018

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

## Contract assets and liabilities

| EUR million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Contract assets | 209.3 | 205.4 |
| Contract liabilities | 571.9 | 739.1 |

Contract liabilities include advances received. Advances received include payments from customers exceeding the work progress in over time recognised projects, customer payments related to sold but unrecognised own developed projects and housing company loans related to them and lease liabilities of leased plots. Housing company loans included in the advances received amounted to EUR 130.3 million (2018: EUR 161.5 million) and lease liabilities of leased plots were EUR 26.4 million at December 31, 2019 (2018: EUR 0).

## Performance obligations

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

| EUR million | 2019 | 2018* |
|---|---|---|
| Transaction price to be recognised as revenue later | 2,830.2 | 2,661.6 |
| To be recognised next year | 1,754.7 | 1,806.7 |
| To be recognised later | 1,075.6 | 854.9 |

* The financial information for 2018 includes only continuing operations.

## Life cycle projects

| Project | Contract date | Construction phase | Maintenance phase | Total value, EUR million* |
|---|---|---|---|---|
| Oulu, Kastelli community center | 06/2006 | completed | ends 2039 | 86 |
| Kuopio, schools and day-care center | 12/2009 | completed | ends 2036 | 94 |
| Pudasjärvi, school campus | 03/2014 | completed | ends 2041 | 41 |
| Hollola, Heinsuo and Kalliola schools | 06/2015 | completed | ends 2037 | 49 |
| Pudasjärvi, care facility | 11/2015 | completed | ends 2036 | 12 |
| Porvoo, schools and day-care centers | 12/2015 | completed | ends 2038 | 61 |
| Kuopio, Jynkkä and Karttula schools | 06/2016 | completed | ends 2038 | 37 |
| E18 Hamina-Vaalimaa | 06/2015 | completed | ends 2034 | 378 |
| Parkano, school campus | 03/2017 | completed | ends 2039 | 25 |
| Sodankylä Health center | 06/2017 | completed | ends 2039 | 31 |
| Kuopio, Hiltulanlahti school | 12/2017 | completed | ends 2039 | 26 |
| Imatra, School campus | 05/2018 | ends 2020 | ends 2040 | 55 |
| Kuopio, Kuntolaakso | 12/2017 | ends 2020 | -** | 18 |
| Kirsti school and day-care center | 10/2017 | completed | -** | 22 |
| Viherlaakso schools | 12/2016 | ends 2022 | -** | 27 |
| Espoo, Tuomarila school | 10/2019 | ends 2021 | -** | 16 |
| Espoo, Laajalahti school | 10/2019 | ends 2022 | -** | 16 |
| Helsinki, Vuosaari school | 08/2019 | ends 2021 | -** | 20 |
| Espoo, Lintuvaara school and day-care center | 01/2014 | completed | -** | 15 |
| Espoo, Päivänkehrä school | 03/2015 | completed | -** | 14 |
| Kokkola, Torkinmäki school | 04/2015 | completed | -** | 9 |
| Hämeenlinna, Nummikeskus | 06/2016 | completed | -** | 19 |
| Jyväskylä, Huhtasuo schoolcenter | 03/2012 | completed | -** | 26 |
| Lappeenranta, Lauritsala school | 11/2019 | ends 2021 | ends 2041 | 32 |
| Pudasjärvi, wellness center | 10/2019 | ends 2021 | ends 2041 | 36 |
| Juva, school campus | 01/2019 | ends 2021 | ends 2040 | 33 |

* Based on estimate of the total value of the contract at contract inception. Regarding consortia value includes only YIT's share.
** The life cycle project cariied out as consortia where YIT is responsible for the construction phase and the other party of consortia is responsible for the maintenance phase.

# 4. Acquisitions and divestments

## Acquisitions

There were no material acquisitions or divestments during the financial year 2019.

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

From accounting perspective, YIT is the acquirer of Lemminkäinen. YIT has used the acquisition method of accounting to account for the merger. The identifiable assets acquired and liabilities assumed of Lemminkäinen have been recognised at their fair values as of the merger date, with excess of the purchase consideration over the provisional fair value of identifiable net assets acquired recognised as goodwill. Lemminkäinen’s shareholders received as merger consideration 3.6146 shares for each share they held in Lemminkäinen and thus the number of new shares issued was 83,876,431. New shares issued to Lemminkäinen’s shareholders as merger consideration were admitted to trading to Nasdaq Helsinki on February 1, 2018. The purchase consideration transferred amounting to EUR 556.7 million is based on the fair value of EUR 6.62 of the YIT share on Nasdaq Helsinki on January 31, 2018 (closing price) and the aggregate number of 83,876,431 new shares issued as merger consideration.

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

The above described merger and its impact on the statement of financial position, as of the date of the merger, is presented in the table to the right.

### February 1, 2018

| EUR million | Acquired assets and assumed liabilities at fair value |
|---|---|
| **Non-current assets** | |
| Property, plant and equipment | 164.4 |
| Other intangible assets | 50.9 |
| Investments in associated companies and joint ventures | 4.1 |
| Equity investments | 1.8 |
| Other receivables | 0.3 |
| Deferred tax assets | 8.2 |
| **Total non-current assets** | **229.7** |
| | |
| **Current assets** | |
| Inventories | 415.5 |
| Trade and other receivables | 255.8 |
| Income tax receivables | 1.1 |
| Cash and cash equivalents | 21.6 |
| **Total current assets** | **694.0** |
| | |
| **Total assets** | **923.7** |
| | |
| **Non-current liabilities** | |
| Deferred tax liabilities | 22.7 |
| Pension obligations | 0.3 |
| Provisions | 37.5 |
| Borrowings | 123.5 |
| Other liabilities | 0.0 |
| **Total non-current liabilities** | **183.9** |
| | |
| **Current liabilities** | |
| Advances received | 139.9 |
| Trade and other payables | 215.7 |
| Income tax liabilities | 0.5 |
| Provisions | 13.7 |
| Borrowings | 111.6 |
| **Total current liabilities** | **481.4** |
| | |
| **Total liabilities** | **665.4** |
| | |
| **Net assets acquired** | **258.4** |
| Non-controlling interest | 0.0 |
| Goodwill | 298.3 |
| **Purchase consideration** | **556.7** |

## Goodwill

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

## Intangible assets

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

## Property, plant and equipment

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

## Receivables

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

## Inventories

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

## Assumed contingent liabilities

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

## The costs in connection with the merger

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

## Other acquisitions and mergers during the reporting period

There were no aquisitions during 2019. During the financial year 2018, the company acquired a majority of Talon Tekniikka Oy and Udobnyje reshenija and bought Vahva Sora Oy.

# 5. Discontinued operations

On July 4, 2019, YIT and Peab signed an agreement for the sale of YIT's paving and mineral aggregates businesses in Finland, Sweden, Norway and Denmark. The transaction is conditional on approval from competition authorities, as well as the fulfillment of certain contractual conditions. The transaction is expected to be closed during the first or second quarter of 2020.

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

## Effect of discontinued operations on statement of financial position

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

## Result of discontinued operations

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

## Cash flows (used in) discontinued operations

| EUR million | 2019 | 2018 |
|---|---|---|
| Net cash used in operating activities | 18.3 | 22.0 |
| Net cash used in investing activities | -15.9 | -3.6 |
| Net cash used in financing activities | -11.3 | -2.3 |
| **Net cash flow for the period** | **-8.9** | **16.1** |

# 6. Other operating income

| EUR million | 2019 | 2018 |
|---|---|---|
| Gain on sales of property, plant and equipment assets | 5.1 | 2.2 |
| Gain on sales of intangible assets | | 2.5 |
| Gain on sales of investments* | | 17.8 |
| Rental income | 6.6 | 10.9 |
| Gain from hedging purchases and sales** | 1.2 | 3.0 |
| Other income | 9.0 | 3.4 |
| **Total** | **21.8** | **39.7** |

* Gain on sales of investments in 2018 comprised mainly of the gain on the sale of Otaniemen Kiinteistökehitys Oy (Tietotie 6 real estate).
** Gains from hedging purchases and sales includes realised gains and changes in fair values of commodity derivatives which are used for hedging bitumen purchases and currency derivatives which are used for hedging purchases and sales.

# 7. Other operating expenses

| EUR million | 2019 | 2018 |
|---|---|---|
| Losses on the sale of property, plant and equipment and intangible assets | -0.9 | 0.9 |
| Rental expenses | -57.5 | -89.8 |
| Voluntary indirect personnel expenses | -12.6 | -11.6 |
| Travel expenses | -18.8 | -18.4 |
| IT expenses | -33.0 | -30.6 |
| Premises expenses | -9.4 | -11.3 |
| Other costs from customer contracts | -289.3 | -256.0 |
| Losses from hedging purchases and sales* | -1.8 | -3.3 |
| Other expenses | -40.3 | -13.7 |
| **Total** | **-463.6** | **-433.8** |

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

Group's reseach and development expenses ioncluding discontinued operations amounted to EUR 26.5 million (24.5).

## Audit fees

| EUR million | 2019 | 2018 |
|---|---|---|
| PricewaterhouseCoopers | | |
| Statutory audit | -1.2 | -1.0 |
| Tax services | -0.2 | -0.1 |
| Other services | -0.5 | -0.4 |
| **Total** | **-1.9** | **-1.5** |

The fees for other than statutory audit services provided by PricewaterhouseCoopers Oy for YIT Group companies amounted to EUR 0.5 million in 2019. The fees included opinions (EUR 0.0 million) and other services (EUR 0.5 million).

# 8. Employee benefit expenses and number of personnel

| EUR million | 2019 | 2018 |
|---|---|---|
| Wages and salaries | -341.2 | -327.7 |
| Pension costs, defined contribution plan | -45.5 | -49.2 |
| Pension costs, defined benefit plan | 0.1 | 0.1 |
| Share-based compensations | -4.2 | -1.9 |
| Other indirect employee costs | -15.0 | -27.1 |
| **Total** | **-405.7** | **-405.8** |

| Number of personnel by segment at the end of the period | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Housing Finland and CEE | 2,549 | 2,632 |
| Housing Russia | 1,278 | 1,424 |
| Business premises | 1,232 | 1,177 |
| Infrastructure projects | 2,017 | 1,969 |
| Partnership properties | 4 | 2 |
| Group services | 337 | 352 |
| **Total, continuing operations** | **7,417** | **7,556** |

Information concerning key management compensation is found in the note Salaries and fees to the management.

## Share-based payments

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

## Plan of 2014–2016

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

## Plan of 2017–2019

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

## Plan of 2016–2018 (transferred from Lemminkäinen)

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

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

## Information concerning share-based incentive plans are presented below:

| | Plan of 2014–2016 | Plan of 2017–2019 | | | Plan of 2016–2018 (transferred from Lemminkäinen) | |
|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2016 | 2017 |
| Grant date | 09/03/2016 | 04/04/2017 | 15/08/2018 | 25/3/2019 | 02/03/2016 | 09/02/2017 |
| Earning period start date | 01/01/2016 | 01/01/2017 | 01/01/2018 | 1/1/2019 | 01/01/2016 | 01/01/2017 |
| Earning period end date | 31/12/2016 | 31/12/2017 | 31/12/2018 | 31/12/2019 | 31/12/2016 | 31/12/2017 |
| Commitment period end date | 31/05/2019 | 31/05/2020 | 31/05/2021 | 31/5/2022 | 30.9.2017 / 30.9.2018 / 30.9.2019 / 30.9.2020 | 30.9.2018 / 30.9.2019 / 30.9.2020 / 30.9.2021 |
| Vesting conditions | Return on investment and earnings by share (EPS) | Return on investment and Net Promoter Score (NPS) | ROCE% and Net Promoter Score (NPS) | ROCE% and Net Promoter Score (NPS) | ROCE% and operating profit | ROCE% and operating profit |
| Payment method | Cash & equity | Cash & equity | Cash & equity | Cash & equity | Cash & equity | Cash & equity |
| Share price at grant date, EUR | 5.13 | 6.29 | 5.40 | 5.10 | 3.82*** | 5.11*** |
| Fair value of benefit at grant date, EUR* | 4.24 | 5.57 | 4.59 | 4.29 | 3.48*** | 4.48*** |
| | | | | | | |
| Description of shares** | Net share | Net share | Net share | Net share | Gross share | Gross share |
| Outstanding shares 1 Jan 2019 | 184,299 | 331,905 | 1,031,000 | | | |
| Business acquisitions | | | | | 174,247 | 681,858 |
| Amount of granted shares | | | | 1,080,583 | | |
| Amount of lost shares | -4,960 | -15,260 | -9,750 | -36,096 | -8,573 | |
| Amount of realised shares | -179,339 | -3,270 | -300 | 904 | -84,616 | |
| Amount of expired shares | | | -971,850 | | | -681,858 |
| Number of outstading shares at the end of the period | 0 | 313,375 | 49,100 | 1,043,583 | 81,058 | 0 |
| | | | | | | |
| Number of plan participants at end of earning period | 0 | 197 | 280 | 296 | 60 | 0 |

* The fair value of share at grant date is the share's grant date value less estimated dividend payments during the earning period.
** The amount of shares to be presented in the gross share arragement includes the cash component to be settled in cash. In the net share arragement, the number of shares does not include the cash share, but is paid in addition to the number of shares presented.
*** The share amounts and share values of the plan transferred from Lemminkäinen are converted to correspond the YIT share by using the issue factor of 3.6146.

The accrued expenses from the share based incentive plans recognised in the income statement in 2019 were a total of EUR 3.0 million (2.3). The net liability recognised in the statement of financial position in respect of share-based incentive plan at the end of 2019 was EUR 3.0 million (2.6). The company estimates that expenses to be recognised in 2020 from incentive plans realised before 2020 will be approximately EUR 2.4 million. The actual amount may differ from the estimated amount.

# 9. Finance income and expenses

| EUR million | 2019 | 2018 |
|---|---|---|
| **Finance income** | | |
| Interest income on loans and other receivables | 3.1 | 1.9 |
| Other finance income | 3.3 | 5.8 |
| **Finance income total** | **6.4** | **7.8** |
| | | |
| **Finance expenses** | | |
| Interest expenses on financial liabilities recognised at amortised cost | -22.4 | -28.8 |
| Interest expenses on lease liabilities | -15.2 | |
| Interest expenses on not-hedge accounted interest rate derivatives | -1.8 | -2.3 |
| Other interest and finance expenses | -11.1 | -15.0 |
| Interest expenses capitalised on qualifying assets | 6.0 | 5.8 |
| **Finance expenses total** | **-44.5** | **-40.3** |
| | | |
| Exchange rate differences, net | -1.9 | -2.1 |
| | | |
| **Finance income and expenses total** | **-40.0** | **-34.7** |
| | | |
| **Exchange rate differences recognised in income statement** | | |
| Exchange rate differences in operating income and expenses | -0.8 | 0.4 |
| Exchange rate differences in financial items | 0.4 | -2.1 |
| **Exchange rate differences total** | **-0.4** | **-1.7** |

# 10. Income taxes

## Income taxes in the income statement

| EUR million | 2019 | 2018 |
|---|---|---|
| Current taxes | -5.9 | -24.7 |
| Taxes for prior years | 0.4 | -0.4 |
| Deferred taxes | -30.4 | 7.1 |
| **Total income taxes** | **-35.9** | **-17.9** |

## Tax reconciliation

| EUR million | 2019 | 2018 |
|---|---|---|
| **Profit before taxes** | **40.4** | **65.0** |
| Income taxes at the tax rate in Finland 20.0% | -8.1 | -13.0 |
| Effect of different tax rates outside Finland | 0.0 | 1.0 |
| Tax exempt income and non-deductible expenses | -0.6 | 2.2 |
| Net results of associated companies and joint ventures | 0.1 | 2.3 |
| Changes to deferred taxes due to changes in tax rates | | -0.2 |
| Unrecognised tax on loss for the period | -9.8 | -2.4 |
| Write-down of deferred tax assets relating to tax lossess | -17.9 | -7.4 |
| Taxes for prior years | 0.4 | -0.4 |
| **Income taxes in the income statement** | **-35.9** | **-17.9** |

# 11. Earnings per share

| | Basic | | Diluted | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Profit attributable to the equity holders of the company, EUR million | 14.7 | 39.2 | 14.7 | 39.2 |
| Weighted outstanding basic number of shares, million shares | 210.5 | 203.0 | 210.5 | 203.0 |
| Potentially dilutive shares of share based incentive plans, million shares | | | 1.0 | 0.8 |
| Weighted outstanding adjusted dilutive number of shares, million shares | | | 211.5 | 203.8 |
| Earnings per share, EUR/ share | 0.07 | 0.19 | 0.07 | 0.19 |
| Earnings per share, continuing operations, EUR/ share | 0.02 | 0.23 | 0.02 | 0.23 |
| Earnings per share, discontinued operations, EUR/ share | 0.05 | -0.04 | 0.05 | -0.04 |

# 12. Property, plant and equipment

## 2019

| EUR million | Land and water areas | Buildings and structures | Machinery and equipment | Other tangible assets | Advance payments and work in progress | Total |
|---|---|---|---|---|---|---|
| Historical cost at January 1, 2019 | 18.9 | 32.5 | 303.7 | 47.1 | 2.0 | 404.3 |
| IFRS 16 adjustment | | -0.1 | -30.4 | | | -30.5 |
| Adjusted historical cost at January 1, 2019 | 18.9 | 32.4 | 273.3 | 47.1 | 2.0 | 373.9 |
| Exchange rate differences | 0.0 | 0.7 | 1.3 | 0.1 | 0.0 | 2.1 |
| Increases | 0.2 | 1.9 | 21.2 | 1.9 | 10.7 | 35.9 |
| Decreases | -0.3 | -1.3 | -5.2 | -0.5 | -0.4 | -7.8 |
| Transfers to assets classified as held-for-sale | -8.3 | -8.4 | -104.1 | -21.0 | -4.8 | -146.6 |
| Reclassifications | | 0.9 | 7.1 | 2.8 | -6.9 | 4.0 |
| **Historical cost at December 31, 2019** | **10.5** | **26.2** | **193.6** | **30.4** | **0.6** | **261.4** |
| | | | | | | |
| Accumulated depreciation and impairment at January 1, 2019 | | -9.9 | -172.0 | -20.2 | | -202.0 |
| IFRS 16 adjustment | | 0.1 | 11.5 | | | 11.6 |
| Adjusted accumulated depreciation and impairment at January 1, 2019 | | -9.9 | -160.5 | -20.2 | | -190.6 |
| Exchange rate differences | | -0.2 | -0.6 | 0.0 | | -0.9 |
| Depreciation, continuing operations | | -1.7 | -16.1 | -2.3 | | -20.1 |
| Depreciation, discontinued operations | | -0.2 | -4.5 | -0.6 | | -5.2 |
| Impairment, continuing operations | | -0.6 | -1.3 | | | -1.9 |
| Transfers to assets classified as held-for-sale | | 1.0 | 29.4 | 2.8 | | 33.2 |
| Accumulated depreciation of reclassifications | | -0.1 | 0.0 | 0.0 | | -0.1 |
| **Accumulated depreciation and impairment at December 31, 2019** | | **-11.6** | **-153.5** | **-20.3** | | **-185.4** |
| | | | | | | |
| Adjusted carrying value January 1, 2019 | 18.9 | 22.7 | 112.8 | 27.0 | 2.0 | 183.4 |
| **Carrying value December 31, 2019** | **10.5** | **14.6** | **40.1** | **10.1** | **0.6** | **75.9** |

## 2018

| EUR million | Land and water areas | Buildings and structures | Machinery and equipment | Other tangible assets | Advance payments and work in progress | Total |
|---|---|---|---|---|---|---|
| Historical cost at January 1, 2018 | 2.4 | 15.2 | 185.0 | 21.9 | 0.0 | 224.4 |
| Exchange rate differences | | -0.7 | -1.7 | -0.2 | 0.0 | -2.6 |
| Increases | | 1.6 | 21.8 | 2.2 | 4.1 | 29.7 |
| Business acquisitions | 16.9 | 16.9 | 109.9 | 25.6 | 2.5 | 171.7 |
| Decreases | -0.3 | -0.8 | -12.4 | -0.9 | -3.5 | -18.0 |
| Reclassifications | 0.0 | 0.4 | 1.2 | -1.5 | -1.1 | -1.0 |
| **Historical cost at December 31, 2018** | **18.9** | **32.5** | **303.7** | **47.1** | **2.0** | **404.3** |
| | | | | | | |
| Accumulated depreciation and impairment at January 1, 2018 | | -8.3 | -143.7 | -17.6 | | -169.7 |
| Exchange rate differences | | 0.2 | 0.8 | 0.1 | | 1.0 |
| Depreciation, continuing operations | | -1.4 | -17.3 | -2.4 | | -21.1 |
| Depreciation, discontinued operations | | -0.4 | -14.6 | -0.9 | | -15.9 |
| Accumulated depreciation of reclassifications | | 0.1 | 2.8 | 0.7 | | 3.7 |
| **Accumulated depreciation and impairment at December 31, 2018** | | **-9.9** | **-172.0** | **-20.2** | | **-202.0** |
| | | | | | | |
| Carrying value January 1, 2018 | 2.4 | 6.8 | 41.2 | 4.3 | 0.0 | 54.8 |
| **Carrying value December 31, 2018** | **18.9** | **22.6** | **131.8** | **27.0** | **2.0** | **202.3** |

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

## Finance lease agreements 2018*

In 2018 tangible assets included assets leased with finance lease agreements as follows:

| EUR million | Buildings and structures | Machinery and equipment | Total 2018 |
|---|---|---|---|
| Historical cost at January 1 | 0.4 | 6.4 | 6.8 |
| Exchange rate differences | 0.0 | -0.3 | -0.3 |
| Increases | | 4.3 | 4.3 |
| Business acquisitions | | 22.3 | 22.3 |
| Decreases | | -1.2 | -1.2 |
| Reclassifications | -0.3 | -0.9 | -1.2 |
| **Historical cost at December 31** | **0.1** | **30.4** | **30.5** |
| | | | |
| Accumulated depreciation and impairment at January 1 | -0.1 | -6.3 | -6.3 |
| Exchange rate differences | 0.0 | 0.2 | 0.2 |
| Depreciation, continuing operations | | -1.9 | -1.9 |
| Depreciation, discontinued operations | | -4.5 | -4.5 |
| Accumulated depreciation of reclassifications | | 0.9 | 0.9 |
| **Accumulated depreciation and impaiment at December 31** | **-0.1** | **-11.5** | **-11.6** |
| | | | |
| Carrying value January 1 | 0.3 | 0.1 | 0.4 |
| **Carrying value December 31** | **0.0** | **18.9** | **18.9** |

* Due to adoption of IFRS 16 in 2019, finance lease contracts previously reported as finance leases in 2018 are also included in the IFRS 16 leases note 14.

# 13. Intangible assets

## 2019

| EUR million | Goodwill | Other intangible assets | Advanced payments | Total other intangible assets |
|---|---|---|---|---|
| Historical cost at January 1, 2019 | 319.2 | 80.1 | 2.5 | 82.6 |
| Exchange rate differences | 0.5 | 0.0 | | 0.0 |
| Increases | | 0.1 | 2.0 | 2.1 |
| Decreases | -0.7 | -0.3 | -0.3 | -0.6 |
| Reclassifications | | 0.0 | -4.1 | -4.0 |
| Transfers to assets classified as held-for-sale | -54.8 | -32.2 | | -32.2 |
| **Historical cost at December 31, 2019** | **264.2** | **47.7** | **0.1** | **47.9** |
| | | | | |
| Accumulated depreciation and impairment at January 1, 2019 | | -35.1 | | -35.1 |
| Exchange rate differences | | 0.0 | | 0.0 |
| Depreciation, continuing operations | | -5.8 | | -5.8 |
| Depreciation, discontinued operations | | -1.5 | | -1.5 |
| Transfers to assets classified as held-for-sale | | 9.1 | | 9.1 |
| **Accumulated depreciation and impairment at December 31, 2019** | | **-33.3** | | **-33.3** |
| | | | | |
| Carrying value January 1, 2019 | 319.2 | 45.0 | 2.5 | 47.5 |
| **Carrying value December 31, 2019** | **264.2** | **14.4** | **0.1** | **14.5** |

## 2018

| EUR million | Goodwill | Other intangible assets | Advanced payments | Total other intangible assets |
|---|---|---|---|---|
| Historical cost at January 1, 2018 | 8.1 | 26.6 | 5.0 | 31.6 |
| Increases | | 0.2 | 1.1 | 1.2 |
| Business acquisitions | 311.4 | 50.7 | 0.0 | 50.7 |
| Decreases | | -1.4 | -0.4 | -1.8 |
| Reclassifications | | 4.2 | -3.2 | 1.0 |
| Exchange rate differences | -0.3 | -0.1 | | -0.1 |
| **Historical cost at December 31, 2018** | **319.2** | **80.1** | **2.5** | **82.6** |
| | | | | |
| Accumulated depreciation and impairment at January 1, 2018 | | -20.3 | | -20.3 |
| Depreciation, continuing operations | | -8.8 | | -8.8 |
| Depreciation, discontinued operations | | -7.5 | | -7.5 |
| Exchange rate differences | | 0.0 | | 0.0 |
| Accumulated depreciation of reclassifications | | 1.4 | | 1.4 |
| **Accumulated depreciation and impairment at December 31, 2018** | | **-35.1** | | **-35.1** |
| | | | | |
| Carrying value January 1, 2018 | 8.1 | 6.3 | 5.0 | 11.3 |
| **Carrying value December 31, 2018** | **319.2** | **45.0** | **2.5** | **47.5** |

## Goodwill

For the purpose of goodwill testing, at the date of acquisition, goodwill is allocated to cash-generating units, or groups of cash-generating units, that are expected to benefit from the goodwill arising from the business combination. Goodwill allocated to the discontinued operations has not been tested, due to prospect of capital gain from giving up the business.

The most significant proportion of the goodwill was generated in the 2018 merger of Lemminkäinen Corporation into YIT Corporation. Goodwill of EUR 298.3 million was recorded as a result of the merger.

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

| EUR million | 2019 | Discount rate, % (WACC before taxes) |
|---|---|---|
| Housing Finland and CEE | 104.8 | 6.5* |
| Housing Russia | 13.2 | 14.7 |
| Business premises | 86.7 | 6.0* |
| Infrastructure projects | 59.5 | 7.1* |
| **Goodwill, total** | **264.2** | |

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

* Country-specific capital employed-weighted average.

## Goodwill impairment tests

Goodwill tests are carried out using value-in-use calculations. Value in use is calculated by discounting future cash flows to their present value. If the present value is lower than the carrying amount, the difference is recognised through profit or loss in the current year. The goodwill tests carried out during the fourth quarter of 2018 and 2019 showed that the present values of the future cash flows exceeded the carrying amounts in all segments. The recoverable amounts of all of the tested units exceeded the carrying amounts of the tested assets substantially, with the exception of the Housing Russia segment, where a reasonable change in the key assumptions used in cash flow forecasts could lead to impairment of goodwill.

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

## Sensitivity analysis

The Group has prepared a sensitivity calculation for tested units in which a reasonable change in the key assumptions of the cash flow forecast would result in impairment. Based on the goodwill testing carried out in 2018 and 2019, a sensitivity analysis is presented for the Housing Russia segment's cash flow forecast. The table presents the percentage changes in the key assumptions of cash flow forecasts at which the present value of cash flows would correspond to the carrying value of the tested assets.

| 2019 | Housing Russia |
|---|---|
| Revenue development | -1% |
| Weakening of project margins | -0.2% units |
| Amount of working capital | 2% |

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

# 14. Leases

## Impact of IFRS 16 on the consolidated statement of financial position

### Impact on consolidated statement of financial position on January 1, 2019

| EUR million | 31 Dec 2018 | IFRS 16 impact of adoption | 1 Jan 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current asstes** | | | |
| Property, plant and equipment | 202.3 | -18.9 | 183.4 |
| Leased property, plant and equipment | | 137.9 | 137.9 |
| Goodwill | 319.2 | | 319.2 |
| Other intangible assets | 47.5 | | 47.5 |
| Investments in associated companies and joint ventures | 150.7 | | 150.7 |
| Equity investments | 2.2 | | 2.2 |
| Interest-bearing receivables | 50.3 | | 50.3 |
| Other receivables | 2.3 | | 2.3 |
| Deffered tax assets | 64.4 | | 64.4 |
| **Non-current assets total** | **839.0** | **118.9** | **957.9** |
| **Current assets** | | | |
| Inventories | 1,880.1 | | 1,880.1 |
| Leased inventories | | 187.4 | 187.4 |
| Trade and other receivables | 495.5 | | 495.5 |
| Interest-bearing receivables | 14.8 | | 14.8 |
| Income tax receivables | 1.8 | | 1.8 |
| Cash and equivalents | 263.6 | | 263.6 |
| **Current assets total** | **2,655.8** | **187.4** | **2,843.2** |
| **Total assets** | **3,494.8** | **306.3** | **3,801.1** |

| EUR million | 31 Dec 2018 | IFRS 16 impact of adoption | 1 Jan 2019 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| Total equity attributable to the equity holders of the parent company | 1,049.8 | | 1,049.8 |
| **Equity total** | **1,049.8** | | **1,049.8** |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 28.8 | | 28.8 |
| Pension obligations | 2.6 | | 2.6 |
| Provisions | 82.2 | -1.5 | 80.7 |
| Borrowings | 424.1 | -9.5 | 414.6 |
| Lease liabilities | | 245.5 | 245.5 |
| Other liabilities | 52.2 | | 52.2 |
| **Total non-current liabilities** | **590.0** | **234.4** | **824.4** |
| **Current liabilities** | | | |
| Advances received | 739.1 | 13.8 | 752.9 |
| Trade and other payables | 575.9 | | 575.9 |
| Income tax payables | 19.5 | | 19.5 |
| Provisions | 53.0 | -6.5 | 46.4 |
| Borrowings | 467.6 | -8.3 | 459.3 |
| Lease liabilities | | 72.9 | 72.9 |
| **Total current liabilities** | **1,855.1** | **71.9** | **1,926.9** |
| **Liabilities total** | **2,445.0** | **306.3** | **2,751.3** |
| **Total equity and liabilities** | **3,494.8** | **306.3** | **3,801.1** |

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

### Reconciliation of statement of position January 1, 2019

| EUR million | |
|---|---|
| **Operating lease commitments Dec 31, 2018** | **165.7** |
| Finance lease liabilities in the statement of financial position Dec 31, 2018 | 17.8 |
| Change in lease term interpretation of leased inventories* and discount effect | 161.6 |
| Discount effect of property, plant and equipment | -26.7 |
| **Lease liabilities Jan 1, 2019** | **318.4** |

* In calculation the operating lease commitments on Dec 31, 2019 the minimum lease payments for leased plots were included until the most probable start date.

The lease liabilities were discounted as at January 1, 2019 and the weighted average incremental borrowing discount rate was 5.3%.

## Description of lease agreements

Leased property, plant and equipment of the company include among others properties, company cars and other equipment used in the business. The weighted average lease term for the leased property, plant and equipment is about 3 years, of which properties are typically longer than average and other leased property, plant and equipment typically shorter than average. Part of the lease agreements related to property, plant and equipment include index terms, which are typically tied to cost-of-living-index.

Leased inventories include leased plots, which are used in the residential construction. Leased plots are long-term in their nature, lease agreements with a lease term with weighted average of 40 years. The company transfers these mostly by selling apartments from own developed residential projects. Plot lease agreements include typically index terms which are typically tied to cost-of-living-index. The lease payments for plots are considered to their full amount when assessing the lease liability. Short term and low value leases are typically equipment used at construction sites and ICT-equipment.

## Right-of-use assets

### Leased property, plant and equipment

### 2019

| EUR million | Land and water areas | Buildings and structures | Machinery and equipment | Other tangible assets | Total |
|---|---|---|---|---|---|
| **IFRS 16 impact of adoption Jan 1, 2019** | **7.7** | **78.0** | **52.1** | **0.0** | **137.9** |
| Exchange rate differences | 0.0 | 0.1 | 0.1 | | 0.3 |
| Increases* | 3.6 | 13.8 | 21.6 | | 39.0 |
| Decreases | -0.8 | -1.4 | -4.8 | | -7.0 |
| Depreciation and impairment, continuing operations | -1.1 | -17.8 | -11.2 | | -30.1 |
| Depreciation and impairment, discontinued operations | -0.3 | -0.9 | -3.7 | 0.0 | -4.9 |
| Moved to assets classified as held-for-sale | -4.4 | -4.6 | -31.2 | 0.0 | -40.2 |
| **Carrying value at the end of period** | **4.8** | **67.1** | **23.0** | **0.0** | **94.9** |

* Increases include the effect of index changes.

## Leased inventories

### 2019

| EUR million | Land areas | Total |
|---|---|---|
| **IFRS 16 impact of adoption Jan 1, 2019** | **187.4** | **187.4** |
| Exchange rate differences | 0.2 | 0.2 |
| Increases* | 26.1 | 26.1 |
| Decreases | -25.1 | -25.1 |
| **Carrying value December 31, 2019** | **188.4** | **188.4** |

* Increases include the effect of index changes

## Lease liabilities

Maturity analysis of contractual undiscounted cash flows

| EUR million | 2019 |
|---|---|
| Less than one year | 34.1 |
| From one to three years | 54.8 |
| From three to five years | 44.4 |
| From five to ten years | 87.1 |
| Over ten years | 319.3 |
| **Undiscounted lease liabilities. total** | **539.5** |

## Items recognised in the income statement

| EUR million | 2019 |
|---|---|
| Change in inventories of finished goods and in work in progress | -21.9 |
| Expenses related to short-term leases and low-value assets | -57.5 |
| Depreciations and impairment on rights-of-use assets | -30.1 |
| Interest on lease liabilities | -15.2 |

## YIT Group as lessor

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

| EUR million | 2019 | 2018 |
|---|---|---|
| No later than 1 year | 2.5 | 2.8 |
| 1–5 years | 3.1 | 5.3 |
| Later than 5 years | | |
| **Total** | **5.6** | **8.1** |

Rental income from subleasing the right-of-use assets amounted to EUR 5.1 million.
The Group has primarily subleased business premises it leases from others. The operating lease agreements of office facilities have a period of validity of up to eight years. The index, renewal and other terms of the lease agreements of office premises vary. Most of the agreements include extention options after the initial expiry date. The minimum lease amount is calculated until the earliest possible date of termination.

# 15. Investments in associated companies and joint ventures

## Investments in associated companies and joint ventures

| | Segment | Business | Domicile | Ownership 2019 | Carrying value, EUR million 2019 | Carrying value, EUR million 2018 |
|---|---|---|---|---|---|---|
| **Joint ventures** | | | | | | |
| FinCap Asunnot Oy | Partnership properties | Real estate investing | Finland | 49.00% | 13.70 | |
| Projekti GH Oy | Business premises | Project development | Finland | 33.33% | 0.5 | 0.5 |
| Nordasfalt AS* | Paving and mineral aggregates businesses | Paving and mineral aggregates businesses | Norway | 50.00% | | 5.4 |
| Tripla Mall GP Oy | Partnership properties | Real estate investing | Finland | | | 0.0 |
| Tripla Mall Ky | Partnership properties | Real estate investing | Finland | | | 115.8 |
| Regenero Oy | Partnership properties | Project development | Finland | 50.00% | 14.5 | 12.5 |
| Trnavske myto a.s. | Housing Finland and CEE | Project development | Slovakia | | | 0.9 |
| Konopna Residence s.r.o | Housing Finland and CEE | Project development | Slovakia | | | 0.0 |
| Nuppu Housing s.r.o | Housing Finland and CEE | Project development | Slovakia | 50.00% | 0.3 | 0.0 |
| Zwirn area s.r.o | Housing Finland and CEE | Project development | Slovakia | 50.00% | 0.9 | 0.0 |
| Pradiaren 1900 s.r.o | Business premises | Project development | Slovakia | 50.00% | 0.2 | 0.0 |
| Tieyhtiö Vaalimaa Oy | Partnership properties | PPP project business | Finland | 20.00% | 0.0 | 0.1 |
| Campus Marian Kehitys Oy | Business premises | Project development | Finland | 50.00% | 0.5 | |
| **Joint ventures total** | | | | | **30.6** | **135.1** |
| | | | | | | |
| **Associated companies** | | | | | | |
| ÅB Kodit Ky | Partnership properties | Real estate investing | Finland | 40.00% | 12.1 | |
| Ålandsbanken Lunastustontti I Ky | Partnership properties | Real estate investing | Finland | 20.00% | 8.6 | 3.9 |
| YCE Housing I Ky | Partnership properties | Project development | Finland | 40.00% | 4.4 | 11.7 |
| **Associated companies total** | | | | | **25.1** | **15.6** |

* Nordasfalt AS has been transferred to assets classified as held-for-sale.

The associated companies and joint ventures have been consolidated using the equity method.

## Changes in carrying values

| EUR million | Associated companies | Joint ventures | Total 2019 | Associated companies | Joint ventures | Total 2018 |
|---|---|---|---|---|---|---|
| Carrying value January 1 | 15.6 | 135.1 | 150.7 | 15.1 | 105.0 | 120.1 |
| Share of results | 2.2 | -0.9 | 1.3 | 1.3 | 9.5 | 10.8 |
| Increases | 18.7 | 17.2 | 35.9 | 4.8 | 33.9 | 38.7 |
| Business acquisitions | | | | | 4.1 | 4.1 |
| Decreases | -11.4 | -115.5 | -126.9 | -5.5 | -4.8 | -10.3 |
| Dividend received during the financial year | | | | | -12.8 | -12.8 |
| Transfer to assets classified as held-for-sale | | -5.5 | -5.5 | | | |
| **Carrying value December 31** | **25.1** | **30.6** | **55.6** | **15.6** | **135.1** | **150.7** |

During the financial year 2019 the Group waived the significant influence over Tripla Mall Ky, after which the ownership will not be consolidated according to the equity method. The ownership will be treated as an equity investment, which will be recognised at fair value throught profit or loss based on business model.

Additional information from recognising at fair value is given in Note 29. During the financial year 2018, the Group acquired majority of Talon Tekniikka Oy. Otaniemen kiinteistökehitys Oy was acquired and sold during financial year 2018.

## Summary of financial information for the associated companies and joint ventures

| | Associated companies | Joint ventures | Total 2019 | Associated companies | Joint ventures | Total 2018 |
|---|---|---|---|---|---|---|
| **Condensed Statement of Financial Position** | | | | | | |
| Investment properties | 29.5 | 105.6 | 135.1 | | | |
| Other non-current assets | 85.0 | 276.9 | 361.9 | 37.3 | 772.4 | 809.7 |
| Current assets | 66.7 | 103.7 | 170.4 | 99.0 | 178.0 | 277.0 |
| Non-current liabilities | 51.6 | 368.5 | 420.1 | 25.5 | 529.5 | 555.0 |
| Current liabilities | 37.5 | 63.9 | 101.4 | 66.0 | 88.6 | 154.6 |
| **Net assets** | **92.1** | **53.8** | **145.9** | **44.8** | **332.3** | **377.1** |
| | | | | | | |
| | | | | | | |
| **Income Statement** | | | | | | |
| Revenue | 98.3 | 34.2 | 132.5 | 0.7 | 71.4 | 72.1 |
| Result for the period | 8.4 | 1.1 | 9.5 | 0.3 | 15.0 | 15.3 |
| of which IAS 40 change in fair value | 0.6 | 6.8 | 7.4 | | | |
| **Dividends received by YIT** | | **0.7** | **0.7** | | **12.8** | **12.8** |

## Financial Information of the material joint ventures

The group did not have individually material associated companies or joint ventures at the end of financial year 2019.

| EUR million | Assets Dec 31, 2018 | Liabilities Dec 31, 2018 | Revenue 2018 | Profit/ Loss, 2018 | Share of net assets Dec 31, 2018 | Carrying amount Dec 31, 2018 |
|---|---|---|---|---|---|---|
| **Tripla Mall Ky** | 472.0 | 177.3 | | -1.6 | 114.2 | 115.8 |

## Commitments

The company has investment commitments concerning associated companies and joint ventures in total of EUR 34.2 million.

The commitments decribed above include investment commitments, which include both equity investment and debt investment commitments.

## Investment properties in associated companies and joint ventures

The amount presented in the tables below are presented as full amounts from the financial reporting of the associated company and the joint venture.

| EUR million | 2019 |
|---|---|
| **Fair value of investment properties on January 1** | |
| Acquisitions | 131.0 |
| Gains and losses from changes in fair value | 7.4 |
| **Fair value of investment properties on December 31*** | **138.5** |

* Includes investment properties classified as held for sale amounting to EUR 3.4 million.

| EUR million | Investment properties under construction | Completed investment properties* | Investment properties in total |
|---|---|---|---|
| Measured based on income | | 5.4 | 5.4 |
| Measured based on market value | | 109.0 | 109.0 |
| Measured based on cost | 24.1 | | 24.1 |
| **Total December 31, 2019** | **24.1** | **114.4** | **138.5** |

* Includes investment properties classified as held for sale amounting to EUR 3.4 million.

# 16. Equity investments

| EUR million | 2019 | 2018 |
|---|---|---|
| Carrying value January 1 | 2.2 | 0.4 |
| Business acquisitions | | 1.8 |
| Additions | 191.9 | |
| Decreases | -0.1 | -0.1 |
| **Carrying value December 31** | **194.1** | **2.2** |

The most significant individual equity investment at the end of 2019 was Tripla Mall Ky, which was moved from investments in associated companies and joint ventures item when significant influence was renounced. More information related to fair valuation in note 29.

# 17. Non-current receivables

| EUR million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Trade receivables | 2.9 | 2.2 |
| Interest-bearing receivables | 47.4 | 50.3 |
| Other receivables | 8.7 | 0.2 |
| **Total** | **59.0** | **52.7** |

# 18. Deferred tax assets and liabilities

| EUR million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Deferred tax assets | 34.3 | 64.4 |
| Deferred tax liabilities | 9.2 | 28.8 |
| **Deferred tax assets, net** | **25.1** | **35.6** |

## Changes in deferred tax assets and liabilities

| EUR million | 2019 | 2018 |
|---|---|---|
| Deferred tax assets, net January 1 | 35.6 | 43.4 |
| Business acquisitions | | -15.3 |
| Exchange rate difference | 2.4 | -2.9 |
| Changes recognised in income statement, continuing operations | -30.4 | 7.1 |
| Adjustment of discontinued operations | 17.6 | 3.3 |
| Changes recognised in comprehensive income | -0.1 | 0.0 |
| **Deferred tax assets, net December 31** | **25.1** | **35.6** |

## Changes in deferred tax assets and liabilities

| 2019 | January 1 | Exchange rate difference | Transfers to assets classified as held-for-sale | Business acquisitions | Recognised in income statement | Recognised in comprehensive income/equity | December 31 |
|---|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | | |
| Provisions | 16.6 | -0.3 | -0.2 | | 5.9 | | 21.9 |
| Tax losses carried forward | 19.4 | 1.7 | | | -2.3 | | 18.9 |
| Pension obligations | 0.5 | 0.0 | | | 0.0 | -0.1 | 0.4 |
| Revenue recognition over time | 17.4 | 1.1 | | | -14.3 | | 4.3 |
| Inventories | 10.3 | 0.2 | | | -8.9 | | 1.6 |
| Other items | 6.8 | 0.1 | | | -1.2 | | 5.7 |
| Offsetting of deferred taxes | -6.6 | 0.0 | | | -11.8 | | -18.5 |
| **Total deferred tax assets** | **64.4** | **2.8** | **-0.2** | | **-32.5** | **-0.1** | **34.3** |
| | | | | | | | |
| **Deferred tax liabilities** | | | | | | | |
| Allocation of intangible assets | 2.4 | | | | -2.4 | | 0.0 |
| Accumulated depreciation differences | 10.4 | 0.0 | 5.6 | | -0.9 | | 4.0 |
| Pension obligations | | | | | 0.0 | | 0.0 |
| Revenue recognition over time | 4.7 | 0.5 | | | -3.5 | | 1.7 |
| Inventories | 0.9 | 0.1 | | | -0.2 | | 0.7 |
| Equity investments | -0.2 | | -0.2 | | 15.7 | | 15.7 |
| Other items | 17.4 | 0.0 | 12.8 | | 1.0 | | 5.6 |
| Offsetting of deferred taxes | -6.6 | | | | -11.8 | | -18.5 |
| **Total deferred tax liabilities** | **28.8** | **0.5** | **18.2** | | **-2.1** | | **9.2** |

| 2018 | January 1 | Exchange rate difference | Business acquisitions | Recognised in the income statement, continuing operations | Recognised in the income statement, discontinuing operations | Recognised in comprehensive income/equity | December 31 |
|---|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | | |
| Provisions | 15.4 | 0.0 | 2.7 | -1.4 | -0.1 | -0.1 | 16.6 |
| Tax losses carried forward | 15.9 | -1.9 | 2.8 | 2.6 | | | 19.4 |
| Pension obligations | 0.4 | 0.0 | 0.1 | 0.0 | | | 0.5 |
| Revenue recognition over time | 11.2 | -0.9 | 2.3 | 4.8 | | | 17.4 |
| Inventories | 5.6 | -0.4 | 0.0 | 5.1 | | | 10.3 |
| Other items | 7.1 | -0.1 | 8.0 | -8.1 | | | 6.8 |
| Offsetting of deferred taxes | -2.4 | 0.0 | -0.5 | -3.7 | | | -6.6 |
| **Total deferred tax assets** | **53.2** | **-3.3** | **15.3** | **-0.7** | **-0.1** | **-0.1** | **64.4** |
| | | | | | | | |
| **Deferred tax liabilities** | | | | | | | |
| Allocation of intangible assets | 2.4 | | | | | | 2.4 |
| Accumulated depreciation differences | 3.6 | 0.0 | 9.7 | 0.0 | -2.9 | | 10.4 |
| Pension obligations | 0.0 | 0.0 | 0.1 | -0.1 | | | 0.0 |
| Revenue recognition over time | 2.9 | -0.4 | 0.0 | 2.2 | | | 4.7 |
| Inventories | 2.3 | -0.2 | -0.3 | -1.1 | | | 0.9 |
| Equity investments and fair value reserve | 0.1 | | -0.2 | 0.0 | -0.1 | | -0.2 |
| Other items | 1.1 | 0.1 | 21.7 | -2.3 | -3.3 | | 17.4 |
| Offsetting of deferred taxes | -2.4 | | -0.5 | -3.7 | | | -6.6 |
| **Total deferred tax liabilities** | **9.9** | **-0.5** | **30.6** | **-5.0** | **-6.2** | | **28.8** |

From accumulated losses of which some part are not approved by the tax authorities, deferred tax assets of EUR 31.7 million (27.2) have not been recognised. The unrecognised deferred tax assets from losses in 2019 are mainly from the companies in Russia, Norway and Sweden. According to the Estonian and Latvian tax systems, the companies are not taxed until the profits are distributed out of the company. Thus, the company is able to determine the reversal date of the temporary difference and therefore, no deferred tax has been recognised related those countries.

# 19. Inventories

| EUR million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Raw materials and consumables | 17.1 | 44.4 |
| Work in progress | 727.4 | 973.4 |
| Land areas and plot-owing companies | 726.9 | 580.2 |
| Shares in completed housing and real estate companies | 202.9 | 204.8 |
| Advance payments | 61.0 | 54.5 |
| Other inventories | 5.3 | 22.8 |
| **Total inventories** | **1,740.6** | **1,880.1** |

The speciification of leased inventories can be found in note 14.

The write-downs of inventories were EUR 27.5 million  (4.3), which mainly concerned land-areas in Housing Russia Segment. Work in progress include capitalised interests EUR 7.5 million (7.7).

# 20. Trade and other receivables

| EUR million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Trade receivables | 214.7 | 209.5 |
| Interest-bearing loan receivables | 9.1 | 14.8 |
| Contract assets | 209.3 | 205.4 |
| Accrued income | 11.3 | 25.5 |
| Receivables from derivative agreements | 0.2 | 1.9 |
| Other receivables | 48.4 | 53.2 |
| **Total** | **492.8** | **510.3** |

Information about expected credit losses is found in note Financial risk management.

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

| EUR million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Trade and other receivables | 492.8 | 510.3 |
| Contract assets | -209.3 | -205.4 |
| Accrued income | -11.3 | -25.5 |
| Receivables from derivative agreements | -0.2 | -1.9 |
| **Total** | **272.1** | **277.5** |

# 21. Cash and cash equivalents

| EUR million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Cash in hand and in banks | 131.8 | 263.6 |

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

# 22. Equity

## Share capital and treasury shares

| EUR million | Number of outstanding shares | Share capital, EUR million | Treasury shares, EUR million |
|---|---|---|---|
| January 1, 2018 | 125,815,209 | 149.2 | -7.2 |
| Decrease of treasury shares | 357,070 | | 1.7 |
| Increase of treasury shares | -700 | | 0.0 |
| Business acquisitions | 83,876,431 | 0.5 | |
| **December 31, 2018** | **210,048,010** | **149.7** | **-5.6** |
| | | | |
| January 1, 2019 | 210,048,010 | 149.7 | -5.6 |
| Decrease of treasury shares | 220,353 | | 1.0 |
| Increase of treasury shares | -1,500,000 | | -7.5 |
| **December 31, 2019** | **208,768,363** | **149.7** | **-12.0** |

At December 31, 2019 the total number of YIT Corporations's shares was 211,099,853 and the share capital amounted to EUR 149,716.7 thousand. All issued and subscribed shares have been fully paid. Shares do not have a nominal value.

## Treasury shares

Changes in treasury shares during the accounting period.

| | Amount, pcs. |
|---|---|
| January 1, 2019 | 1,051,843 |
| Decrease of treasury shares | -220,353 |
| Increase of treasury shares | 1,500,000 |
| **December 31, 2019** | **2,331,490** |

The consideration paid for the treasury shares amounted to EUR 12.0 million and is disclosed as separate fund in equity.

The consideration paid for treasury shares decreases the distributable funds of YIT Corporation. YIT Corporation holds them as treasury shares and has the right to return them to the market in the future.

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

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

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

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

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

### Legal reserve

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

### Unrestricted equity reserve

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

### Translation differences

Translation differences include the exchange rate differences recognised in Group consolidation. In addition, on the net investment in foreign subsidiaries, which are hedged with currency forwards, the portion of the gains and losses of effective hedges is recognised in translation differences. There were no hedges of a net investment in a foreign operation in 2019 and 2018.

At the year end of 2019 cumulative translation differences amounted to EUR 216.2 million of which EUR 210.7 million related to operations in Russia. Change in translation differences was EUR 57.9 million of which EUR 49.8 million related to exchange rate differences and EUR 8.1 million related to closed operations in Russia. During 2019 the company realised cumulative translation differences amounting to EUR -8.1 million through income statement relating to closed operations in Russia. The cumulative translation differences related to closed operations in Russia, EUR -8.1 million, is presented in income statement as ”Other operating expenses”.

### Fair value reserve

Fair value reserve includes movements in the fair value of the equity investments designated at fair value through other comprehensive income and the derivative intruments used for cash flow hedging.

### Dividends

| Dividend paid and proposed | 2019 | 2018 |
|---|---|---|
| Dividend paid during the financial year | | |
| Per share for the previous year, EUR | 0.27 | 0.25 |
| In total for the previous year, EUR million | 56.7 | 52.4 |
| Proposed for approval by the AGM | | |
| Per share for the previous year, EUR | 0.40* | 0.27 |
| In total for the previous year, EUR million | 83.5* | 56.7 |

* Includes the Board of Directors' proposal to the Annual General Meeting to authorise the Board of Directors to decide, at its discretion, on the payment of an extra dividend of no more than EUR 0.12 per share from the unrestricted equity.

## 23. Salaries and fees to the management

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

### Decision-making regarding remuneration

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

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

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

## Remuneration of Board members

The Annual General Meeting 2019 decided that the Board of Directors be paid fixed annual remuneration for the term ending at the close of the next Annual General Meeting. The remuneration of the Chairman of the Board is EUR 100,000 per year (2018: EUR 100,000), the remuneration of the Vice Chairman of the Board and the Chairman of the Audit Committee is EUR 70,000 per year (2018: Vice Chairman of the Board EUR 70,000 and the Chairman of the Audit Committee EUR 70,000) and the remuneration of the other members of the Board is EUR 50,000 per year (2018: EUR 50,000).

The award and payment of the fixed annual remuneration is contingent on the Board members committing to purchasing directly, based on the resolution of the Annual General Meeting, YIT Corporation shares amounting to 40% of the fixed annual fee from a regulated market (Nasdaq Helsinki Ltd) at a price determined by public trading, and that the shares in question be purchased directly on behalf of the Board members. The shares have been purchased within two weeks of the publication of the interim report for the period January 1–March 31, 2019.

In addition, a meeting fee of EUR 800 is paid for each Board and committee meeting to a committee member living in Finland and to a committee member living elsewhere in Europe an attendance fee of 2,000 for each committee meeting. (2018: EUR 550). Per diems for trips in Finland and abroad are paid in accordance with the Group`s travel policy and taxation regulations. No other fees or benefits were paid to Board members.

The members of the Shareholders' Nomination Board, including the expert member, will be paid a meeting fee of EUR 800 per a Board meeting and the Chairman be paid EUR 1,600 per a Board meeting.

## Remuneration of key management personnel

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

Costs related to remuneration of the President and CEO and the Group Management Team are presented in the table below. In 2019, the company booked social security costs of EUR 0,7 million (2018: EUR 0.8 million) from key management personnel's salaries, fees and other employee benefits. The social security costs are not included in the figures shown in the table below. The figures presented in the table are calculated on an accrual basis and the performance and share-based rewards included in the figures are based on a year-end estimate.

| **EUR million** | **2019** | **2018** |
|---|---|---|
| Short-term employee benefits | 3.6 | 3.6 |
| The president and CEO | 0.7 | 0.7 |
| Key management personnel other than the President and CEO | 2.9 | 2.9 |
| | | |
| Post-employment benefits | 0.5 | 0.2 |
| The president and CEO | 0.1 | |
| Key management personnel other than the President and CEO | 0.4 | 0.2 |
| | | |
| Share-based payments | 0.3 | 0.3 |
| The president and CEO | 0.1 | 0.1 |
| Key management personnel other than the President and CEO | 0.2 | 0.3 |
| Other long term benefits | | 0.1 |
| The president and CEO | | |
| Key management personnel other than the President and CEO | | 0.1 |
| | | |
| **Remuneration of key management personnel, total** | **4.4** | **4.2** |

## Short-term employee benefits

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

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

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

## Post-employment benefits

The additional pension plan of the members of the Group Management Team is based on cash basis and earning a paid-up policy. The amount of the payment is 20 per cent of the fixed annual salary. Members of the management are entitled to retire at the age of 63.

## Other long-term benefits

There are no other long-term benefits.

## Termination benefits

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

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

# 24. Pension obligations

| EUR million | 2019 | 2018 |
|---|---|---|
| Pension benefits | | |
| Balance sheet obligations | 2.3 | 2.6 |
| Income statement charge | -0.1 | -0.1 |

In 2019 and 2018, the Group had defined benefit pension plans resulting from supplementary pension insurance in Finland. The pension liability has been calculated based on among other things the number of years employed and the salary level. The pension plans are managed in insurance companies, which follow the local pension legislation in their management.

### Determination of pension obligations

| EUR million | 2019 | 2018 |
|---|---|---|
| Present value of funded obligations | 27.8 | 27.7 |
| Fair value of plan assets | -25.5 | -25.1 |
| **Deficit/surplus** | 2.3 | 2.6 |
| Present value of unfunded obligations | | |
| **Pension liability, net** | 2.3 | 2.6 |

### Changes in present value of the obligation

| EUR million | 2019 | 2018 |
|---|---|---|
| At 1 January | 27.7 | 15.1 |
| Obligations through business acquisitions | | 12.9 |
| Service cost | | 0.0 |
| Interest cost | 0.3 | 0.4 |
| Actuarial gains / losses | 1.6 | 1.1 |
| Benefits paid | -1.8 | -1.9 |
| **At 31 December** | **27.8** | **27.7** |

### Fair value changes of plan assets

| EUR Million | 2019 | 2018 |
|---|---|---|
| At 1 January | 25.1 | 13.0 |
| Fair values thought business acquisitions | | 12.6 |
| Adjustment to plan assets* | | 0.0 |
| Expected return of plan assets | 0.3 | 0.3 |
| Remeasurments | 1.9 | 0.9 |
| Employer contribution | 0.0 | 0.0 |
| Benefits paid | -1.8 | -1.9 |
| **At 31 December** | **25.5** | **25.1** |

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

### Actuarial assumptions

| | 2019 | 2018 |
|---|---|---|
| Discount rate | 0.1% | 1.2% |
| Rate of salary increase | 1.2% | 1.8% |
| Rate of pension increases | 1.3% | 1.9% |

## Future payments

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

| EUR million | 2019 | 2018 |
|---|---|---|
| Due within one year | 1.9 | 1.9 |
| Due in 1–5 years | 6.7 | 7.1 |
| Due in 5–10 years | 6.8 | 7.4 |
| Due in 10–15 years | 5.2 | 5.8 |
| Due in 15–20 years | 3.6 | 4.3 |
| Due in 20–25 years | 2.2 | 2.7 |
| Due in 25–30 years | 1.1 | 1.4 |
| Due after more than 30 years | 0.6 | 0.7 |
| **Total** | **28.1** | **31.3** |

## Sensitivity analysis

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

| EUR million | 2019 | 2018 |
|---|---|---|
| Interest increase by 0.5% | -1.4 | -1.4 |
| Interest decrease by 0.5% | 1.5 | 1.5 |

# 25. Provisions

| EUR million | Warranty provision | 10-year liability commitments | Onerous contracts | Restructuring provisions | Legal provisions | Other provisions | 2019 Total | 2018 Total |
|---|---|---|---|---|---|---|---|---|
| January 1 | 32.2 | 65.3 | 10.8 | 3.0 | 22.7 | 1.0 | 135.2 | 72.3 |
| Adjustment of IFRS 16 adoption | | | -8.1 | | | | -8.1 | |
| Exchange rate difference | 0.4 | | 0.0 | 0.0 | | 0.3 | 0.7 | -1.5 |
| Additions | 15.6 | 8.3 | 8.6 | 1.6 | 0.0 | 11.8 | 45.9 | 37.9 |
| Business acquisitions | | | | | | | | 51.1 |
| Used during the period | -26.0 | -5.0 | -8.7 | -1.0 | -1.7 | -5.7 | -48.0 | -16.2 |
| Reversals of unused provisions | | | -0.1 | | -2.4 | -0.1 | -2.7 | -8.4 |
| Transfers to assets classified as held-for-sale | -5.1 | | -0.4 | -3.2 | | | -8.7 | |
| **December 31** | **17.2** | **68.6** | **2.2** | **0.3** | **18.7** | **7.3** | **114.4** | **135.2** |
| | | | | | | | | |
| Non-current | 1.4 | 56.6 | 0.6 | 0.2 | 18.5 | 0.5 | 77.8 | 82.2 |
| Current | 15.8 | 12.0 | 1.6 | 0.1 | 0.2 | 6.9 | 36.5 | 53.0 |
| **Total** | **17.2** | **68.6** | **2.2** | **0.3** | **18.7** | **7.3** | **114.4** | **135.2** |

The effect of discounting on the total amount of provisions was EUR 0.0 million (-0.7).

# 26. Interest-bearing financial liabilities

## Non-current financial liabilities

| EUR million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Bonds | 249.5 | 249.3 |
| Loans from financial institutions | 69.9 | 130.0 |
| Pension loans | | |
| Finance lease liabilities | | 9.5 |
| Other interest-bearing liabilities | 36.0 | 35.3 |
| **Total** | **355.3** | **424.1** |

## Current financial liabilities

| EUR million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Bonds | | 103.3 |
| Loans from financial institutions | 110.1 | 0.3 |
| Pension loans | | 50.0 |
| Commercial papers | 140.8 | 46.7 |
| Housing corporation loans | 183.4 | 259.0 |
| Finance lease liabilities | | 8.3 |
| **Total** | **434.3** | **467.6** |

Loans from financial institutions at 31 December 2019 were non-recurring loans taken from banks. The commercial papers have been drawn up under the company's EUR 400 million Finnish commercial paper program. Housing company loans presented in financial liabilities relate to unsold sold apartments' share of housing company loans in residential development projects and the loans have a long maturity. Details of the bonds are shown below.

## Information about the bonds

| | Nominal amount | Maturity date | Coupon interest,% | Covenants |
|---|---|---|---|---|
| FI4000330824 | EUR 100 million | 11/06/2021 | 3.150 | Equity ratio |
| FI4000330832 | EUR 150 million | 11/06/2023 | 4.250 | Equity ratio |
| **Total** | **EUR 250 million** | | | |

Fixed rate bonds are unsecured and callable before the final maturity date.

## Maturity of finance lease liabilities 2018*

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

* Due to adoption of IFRS 16 in 2019, finance lease contracts previously reported as finance leases in 2018 are also included in the IFRS 16 leases note 14.

## Non-current lease liabilities

| EUR million | 31 Dec 2019 |
|---|---|
| Lease liabilities | 205.5 |

## Current lease liabilities

| EUR million | 31 Dec 2019 |
|---|---|
| Lease liabilities | 55.4 |

## Reconciliation of interest-bearing financial liabilities

| EUR million | Current | Non-current | Finance lease liabilities | Lease liabilities | Total |
|---|---|---|---|---|---|
| **Interest-bearing financial liabilities 1 Jan 2019** | **459.3** | **414.6** | **17.8** | | **891.7** |
| Short-term part of the long-term liabilities | -153.5 | 153.5 | | | |
| Effect of IFRS16 adoption | | | -17.8 | 318.4 | **300.6** |
| Cash flows | 450.8 | -100.2 | | -48.2 | **305.2** |
| Share of housing loans concerning sold apartments* | -430.7 | | | | **-430.7** |
| Changes in lease liabilities | | | | 22.1 | **22.1** |
| Other non-cash changes** | -1.6 | -2.5 | | -31.4 | **-35.5** |
| Short-term part of the long-term liabilities | 110.1 | -110.1 | | | |
| **Interest-bearing financial liabilities 31 Dec 2019** | **434.3** | **355.3** | | **260.9** | **1,050.6** |

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

* Housing company loans of unfinished residential development projects are transferred to advances received. Housing company loans of finished apartments are recognised as a non-cash consideration directly as revenue. These transfers are presented as repayments of current borrowings in cash flow statement.

** Foreign exchange rate differences are included in Other non-cash changes. In 2019 Other non-cash changes also include financial liabilities trasferred to discontinued operations.

# 27. Trade and other payables

## Non-current liabilities

| EUR million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Trade payables | 32.5 | 27.9 |
| Liabilities of derivative agreements | 1.1 | 2.7 |
| Other liabilities | 23.1 | 21.6 |
| **Total** | **56.6** | **52.2** |

## Current liabilities

| EUR million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Trade payables | 257.9 | 255.6 |
| Other accrued expenses | 141.9 | 146.3 |
| Accrued expenses in projects | 182.6 | 135.8 |
| Liabilities of derivative agreements | 2.3 | 2.7 |
| Other payables | 128.7 | 35.5 |
| **Total** | **713.4** | **575.9** |

## Other accrued expenses

| EUR million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Accrued employee-related liabilities | 80.4 | 88.5 |
| Interest liabilities | 1.2 | 5.2 |
| Other accrued expenses | 60.3 | 52.5 |

## Reconciliation to the categorisation of trade and other payables

(Note Financial assets and liabilities by category)

| EUR million | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Non-current trade and other liabilities | 56.6 | 52.2 |
| Liabilities of derivative agreements | -1.1 | -2.7 |
| **Total** | **55.6** | **49.5** |
| | | |
| Current trade and other payables | 713.4 | 575.9 |
| Other accrued expenses | -141.9 | -146.3 |
| Liabilities of derivative agreements | -2.3 | -2.7 |
| Accrued expenses for projects | -182.6 | -135.8 |
| **Total** | **386.6** | **291.1** |

# 28. Derivative instruments

| | 31 Dec 2019 | | | | 31 Dec 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| **EUR Million** | **Nominal amount** | **Fair value, positive** | **Fair value, negative** | **Fair value, net** | **Nominal amount** | **Fair value, positive** | **Fair value, negative** | **Fair value, net** |
| Foreign exchange derivatives | 103.9 | 0.0 | -0.8 | -0.8 | 122.5 | 1.5 | -0.5 | 1.0 |
| Interest rate derivatives | 180.0 | | -1.8 | -1.8 | 230.0 | | -2.9 | -2.9 |
| Commodity derivatives | 5.4 | 0.1 | -0.7 | -0.6 | 7.2 | 0.0 | -1.7 | -1.6 |
| **Total** | **289.3** | **0.2** | **-3.4** | **-3.2** | **359.6** | **1.5** | **-5.1** | **-3.5** |

All derivative instruments are utilised for hedging purposes according to the Group's treasury policy. The derivatives are used in order to reduce business risks, interest rate risks and to hedge balance sheet items denominated in foreign currencies. YIT did not apply hedge accounting in 2019.

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

# 29. Financial assets and liabilities by category

## 31 Dec 2019 EUR million

| Measurement category | Financial assets recognised at fair value through other comprehensive income | Financial assets recognised at amortised cost | Financial assets and liabilities recognised at fair value through profit and loss | Financial liabilities recognised at amortised cost | Carrying amount | Fair value | Fair value measurement hierarchy | Note |
|---|---|---|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | | | | |
| Equity investments | 2.1 | | 191.9 | | 194.1 | 194.1 | Level 3 | 16 |
| Trade. loan and other receivables | | 50.3 | | | 50.3 | 50.5 | | 17 |
| Loan receivables | | | 8.4 | | 8.4 | 8.4 | Level 3 | 17 |
| **Current financial assets** | | | | | | | | |
| Trade. loan and other receivables[1] | | 272.3 | | | 272.3 | 272.3 | | 20 |
| Derivative assets | | | 0.2 | | 0.2 | 0.2 | Level 2 | 20 |
| Cash and cash equivalents | | 131.8 | | | 131.8 | 131.8 | | 21 |
| **Financial assets by category. total** | **2.1** | **454.4** | **200.4** | | **657.0** | **657.2** | | |
| | | | | | | | | |
| **Non-current financial liabilities** | | | | | | | | |
| Interest bearing liabilities | | | | 355.3 | 355.3 | 361.8 | | 26 |
| Trade and other payables | | | | 55.6 | 55.6 | 51.9 | | 27 |
| Derivative assets | | | 1.1 | | 1.1 | 1.1 | Level 2 | 27 |
| **Current financial liabilities** | | | | | | | | |
| Interest-bearing liabilities | | | | 434.3 | 434.3 | 434.3 | | 26 |
| Trade and other payables[2] | | | | 386.6 | 386.6 | 386.6 | | 27 |
| Derivative liabilities | | | 2.3 | | 2.3 | 2.3 | Level 2 | 27 |
| **Financial liabilities by category, total** | | | **3.4** | **1,231.8** | **1 ,235.1** | **1,237.9** | | |

## 31 Dec 2018 EUR million

| Measurement category | Financial assets recognised at fair value through other comprehensive income | Financial assets recognised at amortised cost | Financial assets and liabilities recognised at fair value through profit and loss | Financial liabilities recognised at amortised cost | Carrying amount | Fair value | Fair value measurement hierarchy | Note |
|---|---|---|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | | | | |
| Equity investments | 2.2 | | | | 2.2 | 2.2 | Level 3 | 15 |
| Trade and other receivables | | 52.7 | | | 52.7 | 57.1 | | 16 |
| **Current financial assets** | | | | | | | | |
| Trade and other receivables[1] | | 277.5 | | | 277.5 | 277.5 | | 19 |
| Derivative assets | | | 1.9 | | 1.9 | 1.9 | Level 2 | 19 |
| Cash and cash equivalents | | 263.6 | | | 263.6 | 263.6 | | 20 |
| **Financial assets by category. total** | **2.2** | **593.8** | **1.9** | | **597.9** | **602.3** | | |
| | | | | | | | | |
| **Non-current financial liabilities** | | | | | | | | |
| Interest-bearing liabilities | | | | 424.1 | 424.1 | 424.5 | | 25 |
| Trade and other payables | | | | 49.5 | 49.5 | 46.1 | | 26 |
| Derivative liabilities | | | 2.7 | | 2.7 | 2.7 | Level 2 | 26 |
| **Current financial liabilities** | | | | | | | | |
| Interest-bearing liabilities | | | | 467.6 | 467.6 | 468.2 | | 25 |
| Trade and other payables[2] | | | | 291.1 | 291.1 | 291.1 | | 26 |
| Derivative liabilities | | | 2.7 | | 2.7 | 2.7 | Level 2 | 26 |
| **Financial liabilities by category, total** | | | **5.5** | **1,232.3** | **1,237.7** | **1,235.4** | | |

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

The fair values of bonds are based on the market price at the reporting date. The fair values of other non-current receivables and liabilities are based on discounted cash flows. The discount rate is defined to be the rate YIT Group was to pay for equivalent external loans at the end of the reporting period. It consists of risk free market rate and company and maturity related risk premium of 1.95–2.39% (Dec 31,2018: 2.18–2.64%). The fair values of current receivables and liabilities are equal to their carrying amounts.

## Fair value measurement

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

### Level 1

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

### Level 2

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

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

### Level 3

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

### Fair value measurements using significant unobservable inputs (level 3)

| | Valuation technique | Significant unobservable inputs | Base value 2019 | Sensitivity of the input to fair value for YIT | Additional information regarding the input |
|---|---|---|---|---|---|
| **Equity investments recognised at fair value through profit and loss** | Discounted Cash Flow (DCF) method, 10 year period | Compound annual growth rate (CAGR) of Net Operating Income (NOI) for the entire valuation period | 4.25% | 1 percentage point increase (decrease) in the input value leads to a EUR 23.3 million increase ( EUR 27.1 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 percentage point increase (decrease) in the input value leads to a EUR 7.8 million decrease (EUR 3.9 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 | 4.60%–5.75% | 5 percentage increase (decrease) in the input values leads to a EUR 15.5 million decrease (EUR 15.5 million increase) in the fair value of the asset. | Separate exit yields used for various parts of the shopping centre. |
| **Other receivables recognised at fair value through profit and loss** | Discounted Cash Flow (DCF) method | Discount rate | 2.45% | 1 percentage point increase (decrease) in the input value leads to a decrease of EUR 0.7 million (or increase of EUR 0.8 million ) | The input value rate reflects the exit yield of the investor. |

## Description of valuation techniques

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

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

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

### Level 3 reconciliation

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

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

## Valuation processes

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

# 30. Financial risk management

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

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

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

## Liquidity risk

The Group seeks to ensure the availability of funding, optimise the use of liquid assets in funding its business operations and to minimise interest and other finance costs. The Group Treasury is responsible for managing the Group's overall liquidity and ensuring that adequate credit lines and a sufficient number of different funding sources are available. It also ensures that the maturity profile of the Group's loans and credit facilities is spread sufficiently evenly over coming years as set out in the treasury policy.

The maturity schedule of the interest-bearing liabilities, as per the Group's accounting, is front-loaded. The reason for this are housing company loans, which are recorded in current interest-bearing liabilities. Housing company loans presented in financial liabilities relate to unsold apartments' share of housing company loans in residential development projects. Regarding unsold apartments housing company loans will be paid with financial consideration for the apartments in questions during a long loan period.

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

Liquidity of the Group consists of a commercial paper programme, committed credit limits, bank overdraft facilities, and liquid funds. The total amount of the Group's commercial paper programme is
EUR 400 million (400), of which was unused EUR 259.2 million (353.3) at the end of reporting period. At the end of the reporting period, the Group had available committed credit facilities amounting to EUR 300 million (300) and overdraft limits amounting to EUR 46.8 million (72.2). Committed credit facility is available until August 2021. In addition, committed housing company loan agreements related to Finnish apartment projects amounted to EUR 280.5 million (292.9) at the end of the reporting period. The amount of YIT's liquid funds at the end of 2019 was EUR 131,8 million (263.6).

The housing company finances the construction works using a financing model where the housing company draws housing company loan according to measure of progress to finance the construction. Housing company loans presented in interest-bearing financial liabilities relate to unsold apartments' share of housing company loans in residential development projects which amounted to EUR 183.4 million (259.0) at the end of financial year.

The following table describes the contractual maturities of the financial liabilities and interest and other expenses related to those items. The amounts are undiscounted. The interest flows of floating-rate loans and interest rate derivative instruments are based on interest rates prevailing on December 31, 2019 (December 31, 2018). Cash flows of foreign currency denominated loans are translated into euros at the foreign exchange rates prevailing at the balance sheet date. Cash flows of foreign currency forward contracts are translated into euros at forward rates.

## Contractual cash flows of financial liabilities and derivative instruments

### 2019

| EUR million | 2020 | 2021 | 2022 | 2023 | 2024 | 2025- | Total |
|---|---|---|---|---|---|---|---|
| Interest-bearing liabilities | 451.0* | 142.8 | 67.4 | 163.0 | 9.8 | 0.0 | 834.0 |
| Lease liabilities | 34.1 | 28.6 | 26.1 | 24.0 | 20.4 | 406.3 | 539.5 |
| Trade and other payables | 386.6 | 23.5 | 3.2 | 5.4 | 11.6 | 11.8 | 442.1 |
| Interest rate derivatives | 1.3 | 0.4 | 0.3 | 0.0 | 0.0 | 0.0 | 2.0 |
| Foreign exchange derivatives | | | | | | | |
| cash outflow | 103.8 | | | | | | 103.8 |
| cash inflow | -103.3 | | | | | | -103.3 |
| Commodity derivatives | | | | | | | |
| cash outflow | 0.6 | 0.1 | | | | | 0.7 |
| cash inflow | -0.1 | | | | | | -0.1 |
| Guarantees given on behalf of others | 1.3 | 0.5 | 0.2 | 0.1 | | | 2.2 |
| **Total** | **875.2** | **195.9** | **97.2** | **192.5** | **41.9** | **418.1** | **1,820.8** |

### 2018

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

* Includes housing company loans related to unsold apartments EUR 183.4 million (259.0).

## Interest rate risk

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

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

The Group can have both variable- and fixed-rate long-term borrowings. The ratio of fixed- and variable-rate borrowings can be changed by using interest rate derivatives. The Group has used interest rate swaps for managing interest rate risks. 62.8 per cent (78) of the interest rate porfolio was at fixed rate at the end of reporting period.

According to interest rate sensitivity analysis an increase of one percentage point in interest rates would have reduced the Group's net financial expenses by EUR 0.3 million (3.0) before taxes. Similar decrease in interest rates would have increased net financial expenses by EUR 2.9 million (4.6). Change of one percentage point in interest rates would have had no significant impact on the Group's balance sheet. Sensitivity analysis includes floating rate items of the year-end balance sheet net debt and interest rate derivatives. Potential negative interest rates and possible interest rate floors related to negative interests are taken into account in the sensitivity calculations.

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

YIT did not apply hedge accounting for the interest rate derivative contracts during the reporting period, so changes in value are recognised in the consolidated income statement according to the accounting principles.

## Credit and counterparty risk

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

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

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

### Expected credit losses

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| **EUR million** | **Carrying value** | **Expected credit loss** | **Expected credit loss rate, %[1]** | **Carrying value** | **Expected credit loss** | **Expected credit loss rate, %[1]** |
| **Trade receivables** | | | | | | |
| Not past due | 135.0 | 0.1 | 0.1% | 150.6 | 0.4 | 0.1% |
| 1–60 days | 22.1 | 0.0 | 0.1% | 28.0 | 0.1 | 0.3% |
| 61–90 days | 1.8 | 0.0 | 2.1% | 3.4 | 0.1 | 2.6% |
| 91–180 days | 18.1 | 0.6 | 1.4% | 3.5 | 0.1 | 2.7% |
| Over 181 days | 37.6 | 0.2 | 0.8% | 26.2 | 0.6 | 2.7% |
| **Total** | **214.7** | **0.9** | | **211.6** | **1.4** | |
| | | | | | | |
| **Contract assets** | **209.3** | **0.2** | **0.1%** | **205.4** | **0.6** | **0.1%** |
| **Total** | **423.9** | **1.0** | | **417.0** | **2.0** | |
| | | | | | | |
| **Loan receivables** | **64.9** | **0.0** | | **65.1** | **0.0** | |
| **Total** | **64.9** | **0.0** | | **65.1** | **0.0** | |

[1]Average of country spefic expected credit loss rates.

## Foreign exchange rate risk

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

Translation risk consists of foreign exchange rate differences arising from the translation of the income statements and the statement of financial position of foreign group companies into the Group's functional currency. Translation risk recorded in accounting is caused by equity investments in foreign entities and their retained earnings, the effects of which are recorded under translation differences in shareholders' equity. By decision of the Board of Directors, the net investments in foreign operations are not hedged from the changes in foreign exchange rates. The change in foreign exchange rates increased the value of the Group's net investments in equity by EUR 49.8 million (-57.8) compared to the end of the previous year. EUR 48.5 million (-56.0) of the change in year 2019 was caused by Russian rouble. A decrease or increase of ten percent in the euro exchange rate against Russian rouble would have had an impact of EUR 32.0 million (32.6) on translation differences under consolidated equity at the reporting date.

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

Subsidiaries' commercial contracts cause foreign exchange risk for the Group. However, the contracts are mainly made in the units' own functional currencies. The Group seeks to hedge business currency risks primarily by operative means. The remaining transaction risk is hedged by using e.g. foreign exchange derivatives. Business units are responsible for identifying, reporting, forecasting and hedging their transaction risk positions internally with Group Treasury. The Group Treasury is responsible for hedging the group's risk positions as external transactions in accordance with the treasury policy. During 2019, there were no significant open foreign exchage rate risks related to commercial contracts.

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

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

## Commodity price risk

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

## Management of capital and the capital structure

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

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

The amount of the Group's interest-bearing liabilities is affected by factors such as scale of operations and cash flow, seasonal changes in production, acquisitions, investments in or the sale of production equipment, buildings and land, and possible equity related arrangements. The company's equity is also affected by changes in value from investments valued at fair value which may change due to various factors.

The company continuously monitors especially the amount of debt, the ratio of net debt to EBITDA, gearing and the equity ratio. The company also follows the development of capital by means of the return on capital employed. YIT has determined its long-term financial targets to be Return on capital emloyed (ROCE) above 12% and Gearing 30–50%. In addition, company aims at annually growing dividend per share.

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

YIT has reorganised its debt portfolio and funding sources during the reporting period as follows:

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

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

| Financial indicators. IFRS | 2019 | 2018 |
|---|---|---|
| Interest-bearing liabilities. EUR million | 1,050.6 | 891.7 |
| Interest-bearing receivables. EUR million | 56.5 | 65.1 |
| Cash and cash equivalents. EUR million | 131.8 | 263.6 |
| Net interest-bearing debt. EUR million* | 862.3 | 562.9 |
| Equity. EUR million | 1,060.8 | 1,049.8 |
| Equity ratio. % | 33.9% | 38.1% |
| Gearing ratio. % * | 81.3% | 53.6% |

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

# 31. Commitments and contingent liabilities

| EUR million | 2019 | 2018 |
|---|---|---|
| **Guarantees on behalf of associated companies and joint ventures** | | |
| Guarantees on behalf of others | 2.2 | 4.9 |
| Guarantees on behalf of consortiums | 9.7 | 9.7 |
| Guarantees on behalf of its associated companies | 0.4 | 5.3 |
| Guarantees on behalf of parent and other Group companies | 1,657.0 | 1,616.1 |
| | | |
| **Pledged assets** | | |
| For own commitments | | 2.3 |
| | | |
| **Other commitments** | | |
| Investment commitments | 35.1 | 13.8 |
| Purchase commitments | 120.7 | 256.6 |
| Operating leases | | 165.7 |

These guarantees are typical in construction industry including, for example, performance and warranty guarantees.

As a result of the partial demerger registered on June 30, 2013, YIT Corporation has secondary liability for guarantees transferred to Caverion Corporation, with a maximum total amount of EUR 7.7 million (9.0) on December 31, 2019.

Purchase commitments are mainly plot acquisitions' pre contracts which will apply when contract terms are met, for example when the zoning of the area is confirmed.

The adaption of IFRS 16 Lease standard has impacted so that leases are reported as fixed assets and lease liabilities from January 1, 2019. In the table below are presented the lease commitments for 2018 which are not recognised in the balance sheet and their maturity.

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

| EUR million | 2018 |
|---|---|
| No later than 1 year | 44.4 |
| 1–5 years | 87.2 |
| Later than 5 years | 34.1 |
| **Total** | **165.7** |

The minimum rent for these plots are calculated to the estimated starting time and they are included in table above EUR 12.0 million in 2018.

## Litigation

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

### Damages related to the asphalt cartel

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

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

The company deems as such the claims for damages unfounded.

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

### Quality concerns related to ready-mixed concrete

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

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

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

# 32. Subsidiaries

(Excluding the real estate companies presented in inventories)

| Name | Domicile | Ownership of the parent company, % | Ownership of the Group, % | Ownership of the non-controlling interest, % |
|---|---|---|---|---|
| YIT Suomi Oy | Finland | 100.00% | 100.00% | |
| YIT Kalusto Oy | Finland | 100.00% | 100.00% | |
| Lemcon Networks Oy | Finland | 100.00% | 100.00% | |
| UAB Lemcon Vilnius | Lithuania | 100.00% | 100.00% | |
| YIT Teollisuus Oy | Finland | 100.00% | 100.00% | |
| YIT Invest Export Oy | Finland | | 100.00% | |
| Urepol Oy | Finland | | 100.00% | |
| YIT Salym Development Oy | Finland | | 100.00% | |
| Tortum Oy Ab | Finland | | 100.00% | |
| Finn-Stroi Oy | Finland | | 100.00% | |
| Living services Russia Oy | Finland | | 100.00% | |
| YIT Mars Oy | Finland | | 100.00% | |
| YIT Saturnus Oy | Finland | | 100.00% | |
| YIT Sirius Oy | Finland | | 100.00% | |
| YIT Uranus Oy | Finland | | 100.00% | |
| YIT Neptunus Oy | Finland | | 100.00% | |
| YIT Talon Tekniikka Oy[1] | Finland | | 73.97% | 26.03% |
| YIT IT East Oy | Finland | | 100.00% | |
| YIT International Oy | Finland | | 100.00% | |
| YIT Russia Oy | Finland | | 100.00% | |
| Lemcon HR Oy | Finland | | 100.00% | |
| Vahva Sora Oy | Finland | | 100.00% | |
| YIT Eesti AS | Estonia | | 100.00% | |
| AS Koidu Kinnisvara | Estonia | | 100.00% | |
| SIA "YIT Infra Latvija" | Latvia | | 100.00% | |
| SIA "YIT Latvija" | Latvia | | 100.00% | |
| UAB "YIT Lietuva" | Lithuania | | 100.00% | |
| YIT Norge AS | Norway | | 100.00% | |
| YIT Infra Norge AS | Norway | | 100.00% | |
| YIT Industri AS | Norway | | 100.00% | |
| YIT Development SP. Z O.O. | Poland | | 100.00% | |
| YIT Plus sp. Z O.O. | Poland | | 100.00% | |
| Lemminkäinen Construction (India) | India | | 100.00% | |
| Lemminkäinen Polska Sp.ZOO | Poland | | 100.00% | |

| Name | Domicile | Ownership of the parent company, % | Ownership of the Group, % | Ownership of the non-controlling interest, % |
|---|---|---|---|---|
| YIT Sverige AB | Sweden | | 100.00% | |
| YIT Slovakia a.s. | Slovakia | | 100.00% | |
| YIT Danmark AS | Danmark | | 100.00% | |
| YIT Stavo s.r.o[1] | Czech | | 96.00% | 4.00% |
| OOO YIT-Service | Russia | | 100.00% | |
| OOO YIT Service | Russia | | 100.00% | |
| OOO SPV YIT Vremena goda-leto | Russia | | 100.00% | |
| OOO YIT Don Service | Russia | | 100.00% | |
| OOO KP Rozhdestveno | Russia | | 100.00% | |
| AO YIT Saint-Petersburg | Russia | | 100.00% | |
| AO YIT Uralstroi | Russia | | 100.00% | |
| OOO Ural YIT Service | Russia | | 100.00% | |
| OOO YIT Service Tyumen | Russia | | 100.00% | |
| OOO YIT Dom | Russia | | 100.00% | |
| OOO YIT CityService | Russia | | 100.00% | |
| ZAO TPK Strojmaterialy | Russia | | 100.00% | |
| AO YIT Moscow Region | Russia | | 100.00% | |
| YIT CountryStroi | Russia | | 100.00% | |
| OOO YIT Service Kazan | Russia | | 100.00% | |
| OOO YIT SSC | Russia | | 100.00% | |
| Udobnyje reshenija[1] | Russia | | 51.00% | 49.00% |
| OOO Lemminkäinen Service | Russia | | 100.00% | |
| OOO Lemminkäinen Stroy | Russia | | 100.00% | |
| YIT Contracting | Russia | | 100.00% | |
| SPV Strelochnikov | Russia | | 100.00% | |
| SPV Novoolovsky | Russia | | 100.00% | |
| SPV Finskiy | Russia | | 100.00% | |
| SPV Severny kvartal | Russia | | 100.00% | |
| SPV Rifei | Russia | | 100.00% | |
| Brusnika Service | Russia | | 100.00% | |

[1]YIT Group's share in YIT Stavo s.r.o is 100% in IFRS accounting. because the minority share of 4% YIT is assessed to be a share based payment to the management. Udobnyje reshenija and Talotekniikka Oy are treated as 100%. Company has an obligation to rendeem the non-controlling interest within an agreed period for which reason the share of the non-controllinen interest has not recognised in the statement of financial position. The obligation has been measured at fair value and recorded as a liability in the consolidated statement of financial position.

# 33. Related party transactions

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

| EUR million | 2019 | 2018 |
|---|---|---|
| | | |
| **Sale of goods and services** | | |
| Key management personnel | 0.7 | 0.4 |
| Associated companies and joint ventures | 339.1 | 148.0 |
| **Total** | **339.8** | **148.4** |
| | | |
| **Purhace of goods and services** | | |
| Associated companies and joint ventures | 6.1 | 6.7 |
| | | |
| **Trade and other receivables** | | |
| Associated companies and joint ventures | 18.2 | 4.5 |
| | | |
| **Trade payables and other debts** | | |
| Associated companies and joint ventures | 19.0 | 30.0 |

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

# 34. IFRS standards, interpretations and amendments not yet effective

The company has not applied any standards, changes in standars or interpretations, that will become valid after the beginning of financial year starting January,1 2019.

The company does not expect any significant impact on the financial statements from any published, but not yet valid, IFRS standard, IFRIC interpretation, IFRS yearly improvement or change.

# Parent company's Financial Statements, FAS

## Income statement, Parent company (FAS)

| EUR million | Note | 2019 | 2018 |
|---|---|---|---|
| **REVENUE** | | 74.9 | 52.0 |
| | | | |
| Other operating income | 2 | 11.8 | 3.1 |
| | | | |
| Personnel expenses | 3 | -31.8 | -25.8 |
| Depreciation and value adjustments | 4 | -5.6 | -2.9 |
| Other operating expenses | 5 | -77.6 | -68.5 |
| **Operating profit/loss** | | **-28.3** | **-42.1** |
| | | | |
| Financial income and expenses | 6 | -4.5 | 14.8 |
| **Profit before appropriations and taxes** | | **-32.8** | **-27.2** |
| | | | |
| Appropriations | 7 | 20.2 | 88.2 |
| | | | |
| Income taxes | 8 | -0.2 | -14.8 |
| **Profit/loss for the financial year** | | **-12.7** | **46.2** |

# Balance sheet, Parent company (FAS)

| EUR million | Notes | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 9 | | |
| Intangible rights | | 4.1 | 2.1 |
| Other capitalise expenditure | | 2.8 | 0.7 |
| Advance payments | | 0.1 | 2.0 |
| Total intangible assets | | 7.1 | 4.8 |
| | | | |
| Property, plant and equipment | 9 | | |
| Land and water areas | | 6.4 | 6.6 |
| Buildings and structures | | 3.8 | 4.4 |
| Machinery and equipment | | 1.6 | 1.3 |
| Other tangible assets | | 0.2 | 0.2 |
| Total property, plant and equipment | | 11.9 | 12.4 |
| | | | |
| Investments | 10 | | |
| Shares in Group companies | | 1,299.7 | 1,194.7 |
| Other shares and holdings | | 0.5 | 0.6 |
| Total investments | | 1,300.3 | 1,195.3 |
| | | | |
| **Total non-current assets** | | **1,319.2** | **1,212.5** |
| | | | |
| **Current assets** | | | |
| Long-term receivables | 11 | | |
| Receivables from Group companies | | 262.8 | 377.5 |
| Total long-term receivables | | 262.8 | 377.5 |
| | | | |
| Short-term receivables | 11 | | |
| Trade receivables | | 0.3 | 0.4 |
| Receivables from Group companies | | 163.3 | 296.3 |
| Other receivables | | 3.0 | 0.9 |
| Accrued income | | 16.8 | 4.7 |
| Total receivables | | 183.4 | 302.3 |
| | | | |
| Cash and cash equivalents | | 63.0 | 217.8 |
| | | | |
| **Total current assets** | | **509.3** | **897.6** |
| | | | |
| **Total assets** | | **1,828.5** | **2,110.2** |

| EUR million | Notes | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| | | | |
| **Equity** | 12 | | |
| Share capital | | 149.7 | 149.7 |
| Other reserves | | | |
| Non restricted equity reserve | | 564.0 | 563.9 |
| Retained earnings | | 230.5 | 247.5 |
| Profit/loss for the financial year | | -12.7 | 46.2 |
| **Total equity** | | **931.5** | **1,007.3** |
| | | | |
| **Provisions** | 13 | **6.9** | **10.9** |
| | | | |
| **Liabilities** | | | |
| Non-current liabilities | 15 | | |
| Bonds | | 250.0 | 250.0 |
| Loans from credit institutions | | 70.0 | 130.0 |
| Non-current accured liabilities | | 1.1 | 2.7 |
| Total non-current liabilities | | 321.1 | 382.7 |
| | | | |
| Current liabilities | 16 | | |
| Bonds | | | 100.0 |
| Loans from credit institutions | | 110.0 | |
| Pension loans | | | 50.0 |
| Advances received | | 0.0 | 0.1 |
| Trade payables | | 7.9 | 2.9 |
| Current liabilities to group companies | | 291.4 | 479.7 |
| Other current liabilities | | 148.7 | 55.7 |
| Accrued expenses | | 11.0 | 20.8 |
| Total current liabilities | | 569.1 | 709.2 |
| | | | |
| **Total liabilities** | | **890.2** | **1,092.0** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **1,828.5** | **2,110.2** |

# Cash flow statement, Parent company (FAS)

| EUR million | 2019 | 2018 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit/loss before appropriations | -32.8 | -27.2 |
| Adjustments for: | | |
| Depreciations | 5.6 | 2.9 |
| Other non-cash transactions | -8.8 | 14.5 |
| Gains on the sale of tangible and intangible assets | -2.0 | -0.1 |
| Financial income and expenses | 4.5 | -14.8 |
| Cash flow before change in working capital | -33.6 | -24.8 |
| | | |
| Change in working capital | | |
| Change in trade and other receivables | 32.3 | -35.5 |
| Change in current liabilities | 2.5 | 232.5 |
| Net cash flow from operating activities before financial items and taxes | 1.1 | 172.3 |
| | | |
| Interest paid and other finance expenses | -51.3 | -60.4 |
| Dividends received | 0.0 | 0.0 |
| Interest received and financial income | 47.1 | 73.1 |
| Taxes paid | -21.7 | -9.8 |
| **Net cash generated from operating activities** | **-24.8** | **175.2** |
| | | |
| **Cash flow from investing activities** | | |
| Purchases of tangible and intangible assets | -2.4 | -3.3 |
| Proceeds from sale of tangible and intangible assets | 2.8 | |
| Purchase of investments | -110.0 | -0.1 |
| Proceeds from sale of investments | 0.1 | 8.4 |
| **Net cash used in investing activities** | **-109.5** | **5.0** |

| EUR million | 2019 | 2018 |
|---|---|---|
| **Cash flow from financing activities** | | |
| Change in loan receivables | 156.5 | -1.1 |
| Change in current loans | -102.0 | -112.5 |
| Proceeds from borrowings | 50.0 | 270.0 |
| Repayment of borrowings | -150.0 | -195.7 |
| Dividends paid and other distribution of assets | -56.7 | -52.4 |
| Group contributions received | 88.4 | 49.2 |
| Purchases/sales of treasury shares* | -6.7 | 1.3 |
| **Net cash used in financing activities** | **-20.5** | **-41.3** |
| | | |
| **Net change in cash and cash equivalents** | **-154.8** | **139.0** |
| Cash and cash equivalents at the beginning of the financial year | 217.8 | 66.9 |
| Cash and cash equivalents transferred in merger | | 12.0 |
| Cash and cash equivalents at the end of the financial year | 63.0 | 217.8 |

* Presented incorrectly in cash flow from operating activities in 2018.

# Notes to income statement, Parent company ........................ 113



Tripla, Helsinki

# Notes to income statement, Parent company

## 1. Parent company accounting principles

YIT Corporation's financial statements are prepared in accordance with the principles of Finnish accounting legislation. The financial statements are prepared for 12 months in the financial period January 1– December 31, 2019.

### Items denominated in foreign currencies

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

### Derivative instruments and risk management

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

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

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

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

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

Derivative instruments have been utilised for hedging purposes. The Company has not applied hedge accounting. Changes in the fair values are recognised according to the nature of the derivative, either in the financial items or in other operating income or expenses. Interest related to interest rate swaps are recognised under interest income and expenses in the income statement, and interest accrued is entered under accrued income and accrued expenses on the balance sheet.

### Non-current assets and depreciation

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

Depreciation periods are as follows:

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

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

### Provisions

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

### Cash and cash equivalents

The cash and cash equivalents consist of cash, bank deposits that can be withdrawn on demand and other short-term liquid investments with original maturities of three months or less.

### Research and development expenses

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

### Pensions

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

### Leasing

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

### Taxes

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

## 2. Other operating income

| EUR million | 2019 | 2018 |
|---|---|---|
| Capital gains on disposals of fixed assets | 2.0 | 0.1 |
| Changes in provisions | 2.4 | |
| Gain on merger | 3.2 | |
| Other | 4.2 | 3.0 |
| **Total** | **11.8** | **3.1** |

Rental and service income are presented in revenue in year 2019. Thus, figures of previous year have been changed respectively so that 52 EUR mill. is transferred from other operating income to revenue.

## 3. Information concerning personnel and key management

| EUR million | 2019 | 2018 |
|---|---|---|
| Personnel expenses | | |
| Wages, salaries and fees | 25.8 | 20.9 |
| Pension expenses | 5.4 | 3.4 |
| Other indirect personnel costs | 0.7 | 1.6 |
| **Total** | **31.8** | **25.8** |
| | | |
| Salaries and fees to the management | | |
| President | 0,9 | 0.8 |
| Members of the Board of Directors | 0,7 | 0.6 |
| **Total** | **1,6** | **1.4** |

| | 2019 | 2018 |
|---|---|---|
| Average personnel | 393 | 248 |

### Audit fee

| EUR million | 2019 | 2018 |
|---|---|---|
| PricewaterhouseCoopers Oy, Authorised Public Accountants | | |
| Audit fee | 0.4 | 0.5 |
| Tax services | 0.1 | |
| Other services | 0.4 | 0.4 |
| **Total** | **0.9** | **0.9** |

## 4. Depreciation and value adjustments

| EUR million | 2019 | 2018 |
|---|---|---|
| Depreciation on other capitalised expenditures | 4.1 | 1.9 |
| Depreciation on buildings and structures | 0.9 | 0.8 |
| Depreciation on machinery and equipment | 0.6 | 0.2 |
| Depreciation on other tangible assets | 0.0 | 0.0 |
| **Total** | **5.6** | **2.9** |

## 5. Other operating expenses

| EUR million | 2019 | 2018 |
|---|---|---|
| Rents | 14.7 | 17.4 |
| Cost of premises | 7.2 | 8.4 |
| IT cost | 30.0 | 12.8 |
| Consulting costs | 5.4 | 6.7 |
| Administration costs | 1.9 | 1.9 |
| Changes in provisions | -1.6 | 5.9 |
| Other | 20.1 | 15.3 |
| **Total** | **77.6** | **68.5** |

Changes in provisions are presented in other operating expenses. Changes in provisions 5,9 EUR mill. of fiscal year 2018 have been transferred from appropriations to other operating expenses.

## 6. Financial income and expenses

| EUR million | 2019 | 2018 |
|---|---|---|
| Dividend income | | |
| From others | 0.0 | 0.0 |
| Interest income from non-current receivables | | |
| From Group companies | 15.9 | 18.4 |
| Other interest and financial income | | |
| From Group companies | 10.5 | 44.6 |
| From associates and joint ventures | | 0.5 |
| From other companies | 9.3 | 14.6 |
| **Total** | **35.8** | **78.1** |
| | | |
| Other interest and financial expenses | | |
| Interest expenses to Group companies | -2.0 | -13.6 |
| Interest expenses on derivatives to others | -1.8 | -2.5 |
| Interest expenses to others | -17.6 | -21.8 |
| Other expenses to others | -18.8 | -25.4 |
| **Total** | **-40.2** | **-63.3** |
| | | |
| **Total financial income and expenses** | **-4.5** | **14.8** |
| | | |
| **Items included in financial income and expenses** | | |
| Foreign exchange rate gains and losses | -2.1 | -2.1 |
| Fair value change in currency derivatives | 0.7 | 1.1 |
| Fair value change in interest derivatives | 1.1 | 1.0 |

## 7. Appropriations

| EUR million | 2019 | 2018 |
|---|---|---|
| Appropriations | | |
| Change in depreciation difference | 0.1 | 0.5 |
| Group contributions | 20.1 | 87.7 |
| **Total** | **20.2** | **88.2** |

## 8. Income taxes

| EUR million | 2019 | 2018 |
|---|---|---|
| Income taxes on extraordinary items | 0.0 | 0.0 |
| Income taxes on operating activities | | 14.8 |
| Income taxes on previous years | 0.2 | 0.0 |
| **Total** | **0.2** | **14.8** |

# 9. Changes in fixed assets

## Intangible assets

| EUR million | 2019 | 2018 |
|---|---|---|
| Intangible rights | | |
| Historical cost at Jan 1 | 29.2 | 1.9 |
| Business acquisitions | 20.7 | 35.3 |
| Increases | 0.1 | 0.0 |
| Decreases | -0.9 | -8.1 |
| Historical cost at Dec 31 | 49.1 | 29.2 |
| | | |
| Accumulated depreciation and value adjustments Jan 1 | 27.1 | 0.9 |
| Business acquisitions | 15.0 | 24.9 |
| Depreciation for the period | 3.5 | 1.4 |
| Accumulated depreciation of decreases | -0.6 | |
| Accumulated depreciation and value adjustments Dec 31 | 45.0 | 27.1 |
| **Book value at December 31** | **4.1** | **2.1** |

| EUR million | 2019 | 2018 |
|---|---|---|
| Other capitalised expenditures | | |
| Historical cost at Jan 1 | 11.6 | 11.3 |
| Transfer between lines | 1.8 | |
| Increases | 0.9 | 0.3 |
| Decreases | -7.2 | |
| Historical cost at Dec 31 | 7.2 | 11.6 |
| | | |
| Accumulated depreciation and value adjustments Jan 1 | 10.9 | 10.4 |
| Depreciation for the period | 0.6 | |
| Accumulated depreciation of decreases | -7.1 | 0.5 |
| Accumulated depreciation and value adjustments Dec 31 | 4.4 | 10.9 |
| | | |
| **Book value at December 31** | **2.8** | **0.7** |
| | | |
| Advance payments | | |
| Historical cost at Jan 1 | 2.0 | |
| Business acquisitions | 0.4 | |
| Transfer between lines | -2.0 | |
| Increases | | 2.0 |
| Decreases | -0.3 | |
| **Book valuet at December 31** | **0.1** | **2.0** |
| | | |
| **Total intangible assets** | **7.1** | **4.8** |

## Tangible assets

| EUR million | 2019 | 2018 |
|---|---|---|
| Land and water areas | | |
| Historical cost at Jan 1 | 6.6 | 0.9 |
| Business acquisitions | | 5.8 |
| Decrease | -0.3 | |
| **Book value at December 31** | **6.4** | **6.6** |
| | | |
| Buildings and structures | | |
| Historical cost at Jan 1 | 22.8 | 5.6 |
| Business acquisitions | | 17.3 |
| Increase | 0.7 | |
| Transfer between lines | 0.1 | |
| Decreases | -4.6 | |
| Historical cost at Dec 31 | 19.0 | 22.8 |
| | | |
| Accumulated depreciation and value adjustments Jan 1 | 18.5 | 4.1 |
| Business acquisitions | | 13,6 |
| Depreciation for the period | 0.9 | 0,8 |
| Accumulated depreciation of decreases | -4.1 | |
| Accumulated depreciation and value adjustments Dec 31 | 15.2 | 18.5 |
| | | |
| **Book value at December 31** | **3.8** | **4.4** |
| | | |
| Machinery and equipment | | |
| Historical cost at Jan 1 | 9.6 | 8.1 |
| Business acquisitions | 1.1 | 0.6 |
| Increases | 0.6 | 0.9 |
| Transfer between lines | 0.0 | |
| Decreases | -0.1 | |
| Historical cost at Dec 31 | 11.2 | 9.6 |
| | | |

| EUR million | 2019 | 2018 |
|---|---|---|
| Accumulated depreciation and value adjustments Jan 1 | 8.3 | 7.6 |
| Business acquisitions | 0.9 | 0.5 |
| Depreciation for the period | 0.6 | 0.2 |
| Accumulated depreciation of decreases | -0.1 | |
| Accumulated depreciation and value adjustments Dec 31 | 9.6 | 8.3 |
| | | |
| **Book value at December 31** | **1.6** | **1.3** |
| Other tangible assets | | |
| | | |
| Historical cost at Jan 1 | 0.6 | 0.5 |
| Increases | 0.1 | 0.1 |
| Transfer between lines | 0.0 | |
| Decreases | -0.4 | |
| Historical cost at Dec 31 | 0.3 | 0.6 |
| | | |
| Accumulated depreciation and value adjustments Jan 1 | 0.4 | 0.4 |
| Depreciation for the period | 0.0 | 0.0 |
| Accumulated depreciation of decreases | -0.3 | |
| Accumulated depreciation and value adjustments Dec 31 | 0.2 | 0.4 |
| | | |
| **Book value at December 31** | **0.2** | **0.2** |
| | | |
| **Total tangible assets** | **11.9** | **12.4** |

# 10. Investments

| EUR million | 2019 | 2018 |
|---|---|---|
| Shares in Group companies | | |
| Historical cost at Jan 1 | 1,194.7 | 718.3 |
| Business combinations | | 484.5 |
| Increases | 110.0 | 0.1 |
| Decreases | -5.0 | -8.2 |
| **Historical cost at Dec 31** | **1,299.7** | **1,194.7** |
| | | |
| Other shares and holdings | | |
| Historical cost at Jan 1 | 0.6 | 0.1 |
| Business combinations | | 0.5 |
| Decreases | -0.1 | |
| **Historical cost at Dec 31** | **0.5** | **0.6** |
| | | |
| **Total investments** | **1,300.3** | **1,195.3** |

# 11. Receivables

## Non-current receivables

| EUR million | 2019 | 2018 |
|---|---|---|
| Receivables from Group companies | | |
| Loan receivables* | 262.8 | 377.5 |
| **Current receivables** | **262.8** | **377.5** |

## Current receivables

| EUR million | 2019 | 2018 |
|---|---|---|
| Receivables from Group companies | | |
| Trade receivables | 15.8 | 43.1 |
| Loan receivables* | 3.7 | 64.4 |
| Other receivables | 141.9 | 180.2 |
| Accrued income | 1.9 | 8.6 |
| **Total** | **163.3** | **296.3** |
| | | |
| Accrued receivables, intra-group | | |
| Accrued interest receivables | 0.0 | 1.8 |
| Receivables from derivatives | 0.7 | 1.4 |
| Other receivables | 1.3 | 5.4 |
| **Total** | **1.9** | **8.6** |
| | | |
| Accrued receivables, group external | | |
| Exchange rate derivatives | 0.2 | 1.9 |
| Accrued arrangement fees from financial agreements | 1.6 | 2.6 |
| Other receivables | 15.1 | 0.1 |
| **Total** | **16.8** | **4.7** |

* The figures of year 2018 has been changed. Thus, 14.3 mill. euros has been transferred from current to non-current loan receivables from Group companies.

# 12. Equity

| EUR million | 2019 | 2018 |
|---|---|---|
| Share capital | | |
| Share capital Jan 1 | 149.7 | 149.2 |
| Share issue | | 0.5 |
| **Share capital Dec 31** | **149.7** | **149.7** |
| | | |
| Non restricted equity reserve | | |
| Non restricted equity reserve Jan 1 | 563.9 | 8.9 |
| Merger consideration | | 554.8 |
| Share issue | 0.1 | 0.2 |
| **Non restricted equity reserve Dec 31** | **564.0** | **563.9** |
| | | |
| Retained earnings | | |
| Retained earnings Jan 1 | 293.7 | 298.3 |
| Dividends paid and other distribution of assets | -56.7 | -52.4 |
| Treasury shares | 1.0 | 1.7 |
| Treasury shares | -7.5 | |
| **Retained earnings Dec 31** | **230.5** | **247.5** |
| | | |
| Net profit/loss for the financial period | -12.7 | 46.2 |
| **Total retained earnings** | **217.7** | **293.7** |
| | | |
| **Total equity** | **931.5** | **1 007.3** |

## Distributable funds at Dec 31

| EUR million | 2019 | 2018 |
|---|---|---|
| Non restricted equity reserve | 564.0 | 563.9 |
| Retained earnings | 230.5 | 247.5 |
| Net profit/loss for the financial year | -12.7 | 46.2 |
| **Distributable fund from shareholders' equity** | **781.8** | **857.6** |

## Treasury shares of YIT Oyj

| | 2019 | 2018 |
|---|---|---|
| Amount | 2,331,490 | 1 ,051,143 |
| % of total shares | 1.10% | 0.50% |
| % of voting rights | 1.10% | 0.50% |

# 13. Provisions

| EUR million | 2019 | 2018 |
|---|---|---|
| Provitions of unprofitable contracts | 4.4 | 6.0 |
| Litigation provision | 2.5 | 4.9 |
| **Total** | **6.9** | **10.9** |

# 14. Deferred tax receivables and liabilities

## Deferred tax receivables

| EUR million | 2019 | 2018 |
|---|---|---|
| Postponed depreciation | 0.5 | 0.4 |
| Pension liability | 0.4 | 0.5 |
| Other temporary differences | 1.4 | 2.2 |
| Unused tax losses | 3.6 | |
| **Total** | **5.9** | **3.0** |

## Deferred tax liabilities

| EUR million | 2019 | 2018 |
|---|---|---|
| Land and water revaluations | 0.6 | 0.6 |
| **Total** | **0.6** | **0.6** |

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

# 15. Non-current liabilities

| EUR million | 2019 | 2018 |
|---|---|---|
| Bonds* | 250.0 | 250.0 |
| Loans from financial institutions | 70.0 | 130.0 |
| Accrued expenses | 1.1 | 2.7 |
| **Total** | **321.1** | **382.7** |

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

# 16. Current liabilities

## Liabilities to Group companies

| EUR million | 2019 | 2018 |
|---|---|---|
| Trade payables | 1.5 | |
| Other liabilities | 289.7 | 478.3 |
| Accrued expenses | 0.2 | 1.5 |
| **Total** | **291.4** | **479.7** |

## Accrued expenses, intra-Group

| EUR million | 2019 | 2018 |
|---|---|---|
| Interest expenses | 0.1 | 0.4 |
| Payables from derivatives | 0.1 | 0.5 |
| Other expenses | 0.0 | 0.6 |
| **Total** | **0.2** | **1.5** |

## Accrued expenses, Group external

| EUR million | 2019 | 2018 |
|---|---|---|
| Personnel expenses | 8.2 | 8.4 |
| Interest expenses | 1.2 | 5.0 |
| Tax expenses | | 6.7 |
| Other expenses | 1,7 | 0.6 |
| **Total** | **11,0** | **20.8** |

# 17. Commitments and contingent liabilities

| EUR million | 2019 | 2018 |
|---|---|---|
| Leasing commitments for premises | | |
| Payable during the current financial year | 7.2 | 14.1 |
| Payable in subsequent years | 50.4 | 70.4 |
| **Total** | **57.6** | **84.6** |
| | | |
| Operating leasing commitments | | |
| Payable during the current financial year | 4.9 | 0.2 |
| Payable in subsequent years | 7.0 | 0.1 |
| **Total** | **11.9** | **0.2** |
| | | |
| Other commitments | | |
| Other commitments | 2.0 | 2.3 |
| VAT on investments in real estates | 0.6 | |
| | | |
| Guarantees | | |
| On own behalf | 12.2 | 31.2 |
| On behalf of Group companies | 1,643.1 | 1,581.3 |
| On behalf of associates and joint ventures | | 5.0 |
| On behalf of consortiums | 9.7 | 9.7 |
| On behalf of others | 2.2 | 4.9 |
| **Total** | **1,667.2** | **1,632.1** |

## Derivative contracts

| EUR million | 2019 | 2018 |
|---|---|---|
| External foreign currency derivatives (level 2) | | |
| Fair value, positive | 0.0 | 1.5 |
| Fair value, negative | -0.8 | -0.5 |
| Value of underlying instruments | 103.9 | 122.5 |
| Internal foreign currency derivatives (level 2) | | |
| Fair value, positive | 0.1 | 0.2 |
| Fair value, negative | -0.0 | -0.3 |
| Value of underlying instruments | 5.3 | 22.7 |
| External interest rate swaps derivatives (level 2) | | |
| Fair value, positive | | |
| Fair value, negative | -1.8 | -2.9 |
| Value of underlying instruments | 180.0 | 230.0 |
| External commodity derivatives (level 2) | | |
| Fair value, positive | 0.1 | 0.0 |
| Fair value, negative | -0.6 | -1.1 |
| Value of underlying instruments | 5.4 | 4.6 |
| Internal commodity derivatives (level 2) | | |
| Fair value, positive | 0.6 | 1.1 |
| Fair value, negative | -0.1 | 0.0 |
| Value of underlying instruments | 5.4 | 4.6 |

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

# Board of Directors’ proposal for the distribution of distributable equity

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

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

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

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

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

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


Tripla, Helsinki

# Signature of the Report of the Board of Directors and financial statements

Helsinki, February 6, 2020

**Harri-Pekka Kaukonen**
Chairman

**Eero Heliövaara**
Vice chairman

**Alexander Ehrnrooth**

**Frank Hyldmar**

**Olli-Petteri Lehtinen**

**Kristina Pentti-von Walzel**

**Barbara Topolska**

**Tiina Tuomela**

**Kari Kauniskangas**
President and CEO

# Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of YIT Corporation

## Report on the Audit of the Financial

### Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

#### What we have audited

We have audited the financial statements of YIT Corporation (business identity code 0112650-2) for the year ended 31 December 2019.
The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

## Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5 (1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 7. Other Operating Expenses/Auditor's Fees to the Financial Statements.

## Our Audit Approach

### Overview

#### Materiality

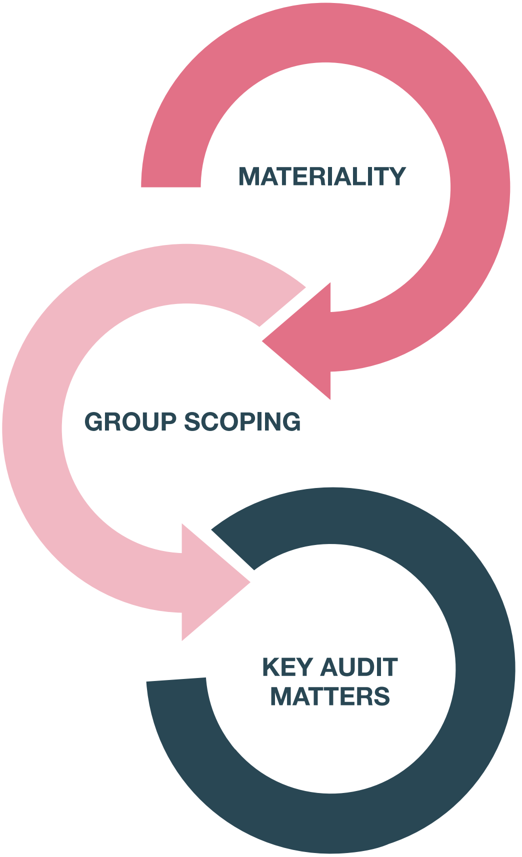
Overall group materiality was € 20 million (previous year € 20 million).

#### Group scoping

The group audit scope encompassed all significant group companies, as well a number of other group companies in Finland, Denmark, Norway, Russia, Slovakia and Sweden, covering the vast majority of revenue, assets and liabilities.

#### Key audit matters

- Revenue recognition
- Inventory valuation
- Equity investments
- Goodwill



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

- **Overall group materiality**
  € 20 million (2018: € 20 million)
- **How we determined it**
  Revenue
- **Rationale for the materiality benchmark applied**
  We chose revenue as a benchmark because, in our view, in absence of steady profits and in the specific circumstances of the group, it represents a stable and relevant way to measure the performance of the group. Additionally, it is a generally accepted benchmark.

### How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the YIT group, the accounting processes and controls, and the industry in which the group operates.

We determined the type of work that needed to be performed at reporting units by us, as the group engagement team, or component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we issued specific instructions to reporting component auditors which included our risk analysis, materiality and audit approach to centralized systems. Audits were performed in group companies, which were considered significant either because of their individual financial significance or due to their specific nature, covering the majority of revenue, assets and liabilities of the group.

By performing the procedures above at reporting components, combined with additional procedures at the group level, we have obtained sufficient and appropriate evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Key audit matter in the audit of the group

REVENUE RECOGNITION OVER TIME

Refer to the IFRS accounting principles of the financial statements 31.12.2019 – "Recognition and measurement of revenue" and "Revenue from customer contracts" and to the Note 3. "Revenue from customer contracts" of the consolidated financial statements.

Revenue is recognized over time when reasonable measure of progress of satisfying the performance obligation is available. In circumstances where it is not possible to reasonably measure the outcome of the performance obligation but the costs are expected to be recovered, revenue is recognized only to the extent of the costs incurred.

The measure of progress is determined in proportion of realized costs to estimated total costs or stage of physical completion.

Revenue recognition over time is based on the expected revenue and costs as well as on the reliable measurement of the progress of satisfying the performance obligation. Due to estimates included in the revenue recognition, revenue recognized by measure of progress and profit presented by financial period only rarely correspond to the equal distribution of the total profit over the duration of the project.

The aforementioned estimates reflect both management's experience and expectations, and are therefore subject to management judgment. Accordingly, we have considered revenue recognition over time to constitute a key audit matter in our audit.

This matter is a significant risk of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.

### How our audit addressed the key audit matter

Our audit procedures included understanding and testing of the company's controls as well as substantive testing.

Our testing of the company's controls focused on the IT systems used by the company.

Our substantive testing focused on 1) assessing the appropriateness of the used accounting methods for compliance with the applicable accounting standards, 2) accuracy and reliability of the estimates, 3) accuracy and completeness of the recognised revenue and profit, as follows:

- We performed analytical substantive procedures at project level for revenue and gross margin
- We read the contracts of selected new projects and evaluated the appropriateness of used accounting method
- We tested revenue and cost estimates for selected projects by comparing the estimates to supporting documents and by discussing with project management
- We tested the degree of completion for selected projects by recalculating the degree of completion based on actual costs at the time of assessment. When stage of physical completion method was used, we obtained appropriate evidence based on the circumstances to support the stage of completion
- We compared estimated margins in previous year-end with actual outcomes for projects completed during the current year to ensure the accuracy and reliability of the project estimates
- We tested the accuracy of revenue and profit recognised over time selected projects by recalculating.

### Key audit matter in the audit of the group

INVENTORY: VALUATION OF SLOW MOVING LAND PLOTS

Refer to the IFRS accounting principles of the financial statements 31.12.2019 – "Valuation of inventories" and "Inventories" and to the Note 19. "Inventories" of the consolidated financial statements.

Inventories are measured either at the lower of acquisition cost or net realizable value (i.e. the estimated selling price less the estimated expenditure on product completion and sale). The estimated net realizable value of land plot is dependent on management's assumptions of the future market development and construction activities in the geographical location where the land plot is located.

In assessing the net realisable value of land plots, their intended use in construction or immediate sale to the market is taken into account. These assumptions contain particular uncertainties in geographical areas, where market activities are low.

Valuation of slow moving land plots includes significant management judgement. Accordingly, we have considered valuation of slow moving land plots to constitute a key audit matter in our audit.

### How our audit addressed the key audit matter

Our testing focused on valuation assessments prepared by management for the selected major slow moving land plots in Russia in a following way:

- We assessed the used valuation method for compliance with the applicable accounting standards
- We discussed with the management on their intention to develop or sell the slow moving land plots
- We inspected the documentation supporting the estimated net realisable values and assessed the reasonability of the estimates by comparing them to other similar projects in the area
- We analysed management's forecasted sales prices of land plots for sale by comparing them to sales prices achieved.

## Key audit matter in the audit of the group

EQUITY INVESTMENTS

Refer to the IFRS accounting policies of the financial statements 31.12.2019 – "Assessment of power when making consolidation decisions", "Valuation of equity investments" and "Financial assets measured at fair value through profit and loss" and to the Notes 15. "Investments in associated companies and joint ventures", 16. "Equity investments" and 29. "Financial assets and liabilities by category" of the consolidated financial statements.

During the financial year the group waived its significant influence over Tripla Mall Ky and classified the investment as an equity investment recognized at fair value through profit and loss. Reclassification of the investment required to assess whether the group has lost its significant influence over the investee.

The fair value of the investment is based on the fair value of the property owned by the investee. The fair value of the property is determined by using a present value technique in order to convert the estimated future net operating income to present value. Determining the present value requires estimates of the future cashflows and discount rates.

Equity investment to Tripla Mall Ky is a key audit matter in our audit due to the size of the investment and the level of management judgement included in the classification and in the valuation of the investment.

## How our audit addressed the key audit matter

Our audit focused on assessing the appropriateness of management's judgment and estimates through the following procedures:

- We familiarized ourselves with the analysis prepared by the company to support the reclassification of the investment. We also read the contracts relevant to the analysis. Based on the aforementioned procedures we assessed whether the conclusion made by the company is appropriate and in accordance with the guidance of IAS 28.
- We assessed the appropriateness of valuation model used and tested the mathematical accuracy of the model.
- We tested on a sample basis the input information used in the valuation model and assessed the appropriateness of the assumptions and estimates included in the model.
- We discussed with the external appraiser used by management about the valuation model and the assumptions used in the valuation. In addition, we read the reports prepared by the appraiser concerning the valuation.
- We involved PwC property valuation specialists in the audit of the valuation.

## Key audit matter in the audit of the group

GOODWILL

Refer to the IFRS accounting principles of the financial statements 31.12.2019 – "Estimates and assumptions used in goodwill impairment testing", "Goodwill" and "Impairment of tangible and intangible assets" and to the Note 13. "Intangible assets - Goodwill" of the consolidated financial statements.

Goodwill is subjected to an annual impairment test. To this end, goodwill is allocated to cash-generating units.

Goodwill tests are carried out by using value-in-use calculations. Value in use is calculated by discounting estimated future cash flows to their present value. If the present value is lower than the carrying amount, the difference is recognized through profit or loss in the current year.

Goodwill is measured at the original acquisition cost less impairment.

Value-in-use calculations, in particular estimated future cash flows, discount rates and the long-term growth assumptions are subject to significant management judgement.

Valuation of goodwill is a key audit matter in our audit due to the size of the goodwill in balance sheet and the high level of management judgement involved in goodwill impairment tests.

## How our audit addressed the key audit matter

We obtained an understanding of the goodwill impairment test performed by the company.

We tested the methodology applied in the value-in-use calculation as compared to the requirements of IAS 36, impairment of assets.

We tested the mathematical accuracy of the calculations prepared by management.

We evaluated management's future cash flow forecasts and the process by which they were drawn up, including comparing them to the latest board approved budgets and strategies.

We evaluated and challenged the underlying assumptions for the cash flow forecasts in particular revenue and profitability forecasts.

We involved our valuation experts to verify that the discount rates and the long-term growth rates used are consistent with observable market data.

We also assessed the adequacy of the disclosures particularly related to assumptions and sensitivities.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the parent company financial statements.

## Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Other Reporting Requirements

## Appointment

YIT Corporation become a public interest entity on 4 September 1995. We have been the auditors of YIT Corporation all that time it has been a public interest entity.

## Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

**In our opinion**

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 11 February 2020
PricewaterhouseCoopers Oy
Authorised Public Accountants

**Markku Katajisto**
Authorised Public Accountant (KHT)

# Information for shareholders

## YIT's Investor Relations

The aim of YIT's Investor Relations is to support appropriate valuation of YIT's share by continuously and consistently communicating all essential information on the company to all market parties. Investor Relations aims to increase interest in the company among equity and debt investors as well as analysts, to improve the loyalty of current shareholders and to reach new investors and analysts interested in the company.

YIT's Investor Relations team works on composing interim reports, financial statements bulletins, stock exchange releases and investor news, investor reports as well as creating investor presentations. In addition to reporting, the Investor Relations team organises YIT's annual Capital Markets Days, analyst conferences, conference calls and road shows as well as participates in investor and analyst meetings.

The Investor Relations team handles all investor queries coming to YIT. The team also collects and analyses investor feedback and share-related information for the needs of the management and Board of Directors.

## Investor Relations: operations in 2019

In 2019, the Investor Relations team met with almost 300 investors and analysts. During the year, YIT arranged approximately 20 roadshow, conference and analyst days with the company's management, meeting investors and equity analysts in Europe and Northern America. In addition to equity investors, the management also met with debt investors. The team also met with Finnish private investors and participated in the ”SijoitusSummit” web event and in the ”SijoitusInvest” fair in Helsinki, Finland.

YIT organised a Capital Markets Day on September 29, 2019, in Kamppi, Helsinki, Finland, at the Start-up campus Maria 01 premises. The extensive expansion of the campus is one of YIT's large urban projects. The main theme of the day was the Group's reviewed strategy for 2020–2022, published on September 18, 2019. Approximately 45 analysts and investors attended the event in person and almost 100 people watched it online.

In 2019, the team published eight investor reports targeted to private investors. The reports are on YIT's investor pages. The purpose of the reports is to share current topics with private investors.

## Contact information for YIT's Investor Relations

YIT Corporation
Investor Relations
P.O.Box 36, FI-00621 Helsinki, Finland
investorrelations@yit.fi
www.yitgroup.com/investors
Twitter: @YITInvestors

# YIT Corporation's financial reporting in 2020

YIT's financial statements bulletin for 2019 was published on February 7, 2020. In addition, YIT will publish two interim reports and a half-year report in 2020:

- Interim report for January–March on Thursday, April 30, 2020
- Half-year report for January–June on Tuesday, July 28, 2020
- Interim report for January–September on Friday, October 30, 2020

Prior to the publishing, YIT follows a so-called silent period that will begin on April 1, July 1 and October 1 and that will last until the publication of the respective financial report. During a silent period, YIT's representatives will not comment on the company's financial position or meet capital market representatives.


Tripla, Helsinki

# Annual General Meeting

YIT Corporation's Annual General Meeting will be held in Helsinki on March 12, 2020, starting at 10:00 a.m. Finnish time (GMT +2) in the Siipi section of the Messukeskus Expo & Convention Centre (address: Rautatieläisenkatu 3, FI-00520 Helsinki, Finland). Check-in for those who have registered for the meeting, distribution of ballots and serving of coffee will start at 9:00 a.m.

## Participation rights

In order to have the right to participate in the Annual General Meeting, a shareholder must be registered in the company's shareholders' register, which is maintained by Euroclear Finland Oy, no later than the record date of the Annual General Meeting on March 2, 2020. Shareholders whose shares are registered in their personal Finnish book-entry accounts are registered in the company's shareholder register.

A shareholder whose shares are nominee-registered and who wishes to participate in the Annual General Meeting and exercise their right to vote must be entered into the company's shareholder register by March 9, 2020, by 10:00 a.m. in order to participate in the meeting.

## Notice of meeting

The notice of meeting has been published on the company's website. The notice contains the agenda, the names of the persons nominated for seats on the Board of Directors and the nominated auditor. Resolution proposals, documents presented to the Annual General Meeting and the presentation of the nominees for the Board of Directors have also been published on YIT's website.

## Registration

Registration for the Annual General Meeting began on February 7, 2020, and will end on March 9, 2020 at 10:00 a.m.

Registration is possible

- Online through YIT Corporation's website at www.yitgroup.com/en/corporate-governance/annual-general-meeting/agm2020 or
- By telephone on +358 20 770 6890, from 9 a.m. to 4 p.m. on weekdays

The shareholder's name and personal identification number or business ID, as well as the name of his/her eventual assistant or proxy representative must be given in connection with the registration.

Any proxy documents should be notified in connection with the registration and they should be delivered as originals to YIT Corporation, Viivi Kuokkanen, P.O. Box 36, FI-00621 Helsinki, Finland, prior to the end of the registration period. Alternatively, a copy of the proxy may be sent by e-mail to viivi.kuokkanen@yit.fi, in addition to which the original proxy must be presented at the meeting.

## Payment of dividend

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

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

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

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

## Shareholder rights

Shareholders have the right to have items included on the agenda of the Annual General Meeting, provided they demand, in writing, that the Board of Directors do so early enough so that the item can be included in the notice of the meeting. In order to have their items included on the agenda of the Annual General Meeting 2020, shareholders had to present their requests to YIT's corporate services by January 10, 2020.

Shareholders have the right to raise questions at the General Meeting, as set out in the Limited Liability Companies Act.

A shareholder or shareholders who own at least 10 per cent of all the company's shares may demand that an extraordinary general meeting be convened.

The minutes of the Annual General Meeting will be available on the Company's website at www.yitgroup.com by March 26, 2020.

## Address changes of shareholders

Shareholders are requested to give notification of any changes of address to the bank branch office at which their book-entry account is handled.

If the account is handled by Euroclear Finland Ltd, notifications of a change of address should be sent to:

Euroclear Finland LtdP.O. Box 1110, FI-00101 Helsinki, Finland.
Street address: Urho Kekkosen katu 5 C, 8th floor
Telephone (switchboard): +358 20 770 6000
E-mail: info.finland@euroclear.eu

### IMPORTANT DATES RELATED TO THE ANNUAL GENERAL MEETING

- Registration began on February 7, 2020
- Record date of the Annual General Meeting March 2, 2020
- Registration closes on March 9, 2020 at 10:00 a.m. EET
- Annual General Meeting on March 12, 2020 at 10:00 a.m. EET
- Dividend record dates March 16 and September 22, 2020
- Proposed dividend payment dates April 7 and October 6, 2020

Additional information on the Annual General Meeting on our web pages

Tripla, Helsinki

**YIT CORPORATION**
P.O.Box 36 (Panuntie 11)
00621 Helsinki, Finland

Tel. +358 20 433 111
firstname.lastname@yit.fi

facebook.com/yitsuomi

twitter.com/YITGroup

linkedin.com/company/yit