Q2

YIT Corporation
Half-year report 1-6/2020

July 28, 2020

Table of contents

Second quarter of 2020

Operations remained stable during the coronavirus pandemic with strong cash flow

- The Group's adjusted operating profit decreased to EUR 5 million (28), negatively impacted by financial settlements of EUR 17 million in the Business premises segment.
- Liquidity remained strong supported by better operating cash flow compared to the comparison period, as well as the sale of the Nordic paving and mineral aggregates businesses.
- Apartment sales started to recover towards the end of the quarter after having reached a low point in April. Apartment start-ups remained at a good level.
- Order book increased compared to the first quarter of 2020.

April–June

- Revenue decreased by 8% to EUR 700 million (757)
- Adjusted operating profit decreased to EUR 5 million (28)
- Adjusting items amounted to EUR 5 million (51)
- Operating profit increased to EUR 0 million (-23)
- Earnings per share was EUR 0.22 (-0.22)
- Operating cash flow after investments amounted to EUR 247 million (-51)
- Investments in plots amounted to EUR 18 million (18)
- Net interest-bearing debt was EUR 715 million (939)
- Gearing was 73% (99)
- Order book amounted to EUR 4,074 million (4,652)
- Combined lost time injury frequency was 10.0 (March 31, 2020: 10.2)
- Customer satisfaction rate (Net Promoter Score) was 54 (61)

January–June

- Revenue decreased by 2% to EUR 1,407 million (1,432)
- Adjusted operating profit decreased to EUR 13 million (19)
- Operating loss decreased to EUR -4 million (-35)
- Earnings per share was EUR 0.06 (-0.40)
- Operating cash flow after investments amounted to EUR 199 million (-54)

Key figures

EUR million	4-6/20	4-6/19	1-6/20	1-6/19	1-12/19
Revenue	700	757	1,407	1,432	3,392
Operating profit	0	-23	-4	-35	80
Operating profit margin, %	0.0	-3.0	-0.3	-2.4	2.4
Adjusted operating profit	5	28	13	19	165
Adjusted operating profit margin, %	0.7	3.8	0.9	1.3	4.9
Result before taxes	-8	-32	-25	-55	40
Result for the period, continuing operations	-9	-43	-18	-61	5
Result for the period	45	-47	13	-85	15
Earnings per share, EUR	0.22	-0.22	0.06	-0.40	0.07
Operating cash flow after investments	247	-51	199	-54	51
Net interest-bearing debt	715	939	715	939	862
Gearing ratio, %	73	99	73	99	81
Equity ratio, %	33	31	33	31	34
Return on capital employed, % (ROCE, rolling 12 months)	9.5	10.0	9.5	10.0	11.1
Order book	4,074	4,652	4,074	4,652	4,131

Nordic paving and mineral aggregates businesses sold on April 1, 2020, are reported as discontinued operations.

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

Kari Kauniskangas, President and CEO

“In spite of prevailing uncertainty and demand volatility caused by the coronavirus pandemic, YIT’s operations in the second quarter performed well without major disturbances. The Group’s adjusted operating profit decreased to EUR 5 million (28), negatively impacted by financial settlements of EUR 17 million in the Business premises segment. The rest of our businesses performed according to our expectations. The order book increased from the previous quarter, apartment start-ups continued at a good level, and some significant investor sales were agreed. Cash flow was very strong, supported by stronger operating cash flow compared to the comparison period as well as the sale of the Nordic paving and mineral aggregates businesses in April.

The Business premises’ weak operating profit during the first half of the year has been impacted by the completions of and progress in financial settlements of three challenging projects. Consequently, we have made significant changes to the way we operate. Responsibilities and organisations in the Business premises and Partnership properties segments have been renewed, management resources strengthened, and risk management processes developed further. Going forward, the Business premises segment will focus on project management and productivity improvement in construction. The Partnership properties will be responsible for commercial project development and life-cycle services, as well as investment portfolio management.

Regarding the three challenging projects, Myllypuro Campus was fully settled in the first quarter and Hertsi shopping mall in the second quarter. At the Tripla project, some 1,800 subcontractor contracts had been settled at the end of the second quarter and only few contracts in building systems area are still in progress. Due to disputes, their settlements can take some quarters and may have an impact on our results when agreed. The rest of the business and the order book in the Business premises segment are at a healthy level. We expect the segment to be profitable in the third quarter.

The impact of the coronavirus pandemic on YIT has been moderate. In Housing Finland and CEE, consumer sales dropped markedly in April but demand recovery since then has been encouraging. Residential investor activity has also been high. In Russia, apartment sales have continued at a good level, but decisions made by authorities in a few regions have led to site closures delaying completions with minor financial impact. Strong financial position, advanced digital sales channels and good reputation among clients have supported housing sales and speedy recovery in all countries. In Infrastructure projects, development has been positive, and stimulus packages by the public sector are expected to support demand during upcoming winter and next year. Number of customers in the Mall of Tripla fell in March due to the pandemic but recovery since May has been rapid.

During the second quarter, YIT signed significant leases in upcoming and completed commercial real estate projects. Based on customer feedback, there will be need for new premises even though remote work will become more common. New requirements for safe working environment support demand also in renovation.

Key uncertainties for the rest of this year relate to the possible second wave of the coronavirus pandemic and its implications to apartment sales to consumers and project completion timings at the end of the year. Our liquidity is solid, and we continue to strengthen our operating cash flow to secure our stable position even in the worst scenarios. Our reliable brand and strong order book in all segments give us confidence for positive outlook for the rest of the year and for 2021. We believe that our performance during the rest of the year will be substantially better than during the first half and we are in a solid position for next year.”

Guidance for the third quarter of 2020

In the third quarter, consumer apartment completions are expected to remain at a low level in Finland and the CEE countries. In Russia, housing sales and operative performance are expected to remain solid.

The Business premises segment is expected to be profitable in the third quarter, and in the Infrastructure projects segment, operative performance is expected to be on a good level. In the Partnership properties segment, the Mall of Tripla customer behaviour is estimated to continue to normalise.

The full-year outlook is clouded by uncertainty in consumer sales and apartment completion timings at the end of the year due to the coronavirus pandemic. Significant fluctuation is expected to take place between the quarters due to typical seasonality, closing of sales of business premises projects, as well as sales of apartments and completion of residential projects. As in 2019, the last quarter of the year is expected to be the strongest.

Short-term market outlook by region

Housing	Q2 market situation	Market outlook
Finland • Consumer activity recovering but not yet at the level of 2019. The recovery is visible also in growing number of mortgage applications for banks. • Private property investor demand moderate. • Institutional investor decision making returning more active after the uncertainty caused by the coronavirus pandemic. • Availability of housing company loan financing expected to remain limited and difficult.	Normal	Stable
Baltic countries • Consumer demand starting to recover but expected to stay below the level of 2019.	Weak	Improving
Central European countries • Consumer demand starting to recover but expected to stay below the level of 2019.	Weak	Improving
Russia • Consumer demand continues to focus on reliable contractors. • Low mortgage interest rate is expected to support sales.	Good	Stable

Business premises		
Finland • Property investors becoming more active and readiness to make decisions normalising. • Rental demand recovering also among mid-size companies. • Contracting market remains stable as cities have large volume of projects ongoing and in preparation. • In longer term, the need for office premises is expected to remain stable even though remote work will become more common.	Normal	Stable
Baltic countries • Contracting market staying slow due to uncertainty caused by the coronavirus pandemic. • Price level staying low due to intense competition.	Weak	Stable
Central European countries • Property investors becoming more active.	Normal	Stable

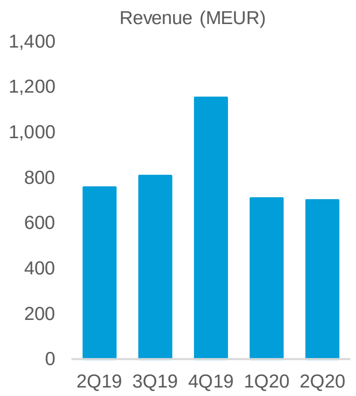
Infrastructure projects		
Finland • Market expected to remain stable due to complex infrastructure projects in urban growth centres, transport projects and industrial investments. • State stimulus packages are supporting the infrastructure sector during the winter and next year.	Normal	Stable
Baltic countries • Price level staying low due to intense competition. • Contracting market slowing down.	Weak	Stable
Sweden and Norway • Infrastructure construction expected to remain at a good level due to traffic infrastructure development programmes and urbanisation development. • Large-scale road, railway projects and industrial investments ongoing and in preparation. • Development and renewal of energy production in Norway supporting demand.	Good	Stable

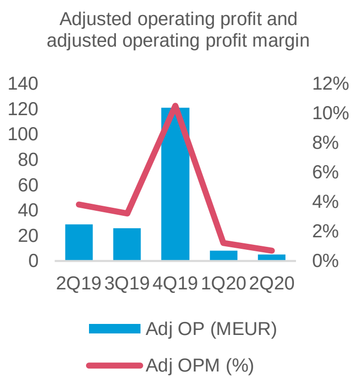
Q2 market situation

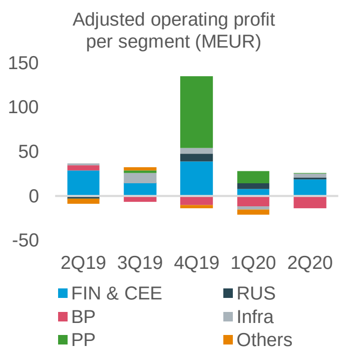
Good Normal Weak

Market outlook, 12 months

Improving Stable Weakening







Results

April–June

At the end of the second quarter 2020, YIT's order book amounted to EUR 4,074 million, lower than EUR 4,652 million at the end of the corresponding period. The decline was partly related to the Tripla project, which had a positive impact of EUR 322 million in the second quarter 2019 order book. At the end of the second quarter 2020, 76% of the order book was sold (77).

The Group's revenue decreased to EUR 700 million compared to EUR 757 million in the comparison period as Business premises' corresponding period included a revenue recognition from the Tripla project. In Housing Finland and CEE, revenue was relative flat, whereas revenue increased in the Housing Russia, the Infrastructure projects and the Partnership properties segments.

The Group's adjusted operating profit decreased to EUR 5 million (28) and the adjusted operating profit margin to 0.7% (3.8) mainly due to the weaker results in the Business premises and the Housing Finland and CEE segments. In the Business premises segment, the result was negatively impacted by financial settlements, and in the Housing Finland and CEE segment, adjusted operating profit decreased primarily due to a weaker sales mix. The results of the Housing Russia and the Infrastructure projects segments improved.

YIT's operating profit was EUR 0 million (-23). The adjusting items amounted to EUR 5 million (51) and include, among others, operating profit from operations to be closed.

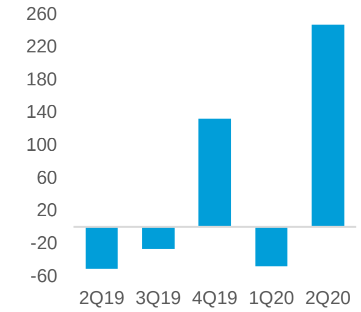
January–June

The Group's revenue decreased slightly from the comparison period and amounted to EUR 1,407 million (1,432). The Business premises segments' revenue decreased by 18% as the comparison period included a revenue recognition from the Tripla project. The Housing Finland and CEE segment's revenue decreased slightly as revenue in the comparison period included a block sale of almost 600 apartments to a joint venture. The Housing Russia segment's revenue increased markedly year-on-year due to a change in revenue recognition and good apartment sales level. The Infrastructure projects segment's revenue increased supported by good progress of the Raide-Jokeri light rail project in Helsinki and Espoo, Finland.

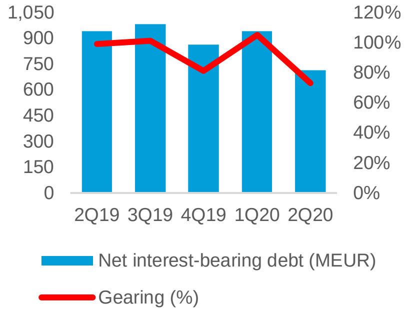
The Group's adjusted operating profit decreased to EUR 13 million (19) and the adjusted operating profit margin to 0.9% (1.3) mainly due to the weaker result in the Business premises and the Housing Finland and CEE segments. The Business premises segment's adjusted operating profit was negatively impacted by financial settlements of EUR 24 million in three earlier communicated problematic projects. Adjusted operating profit improved in the Housing Russia, Infrastructure projects and Partnership properties segments.

YIT's operating profit was EUR -4 million (-35).

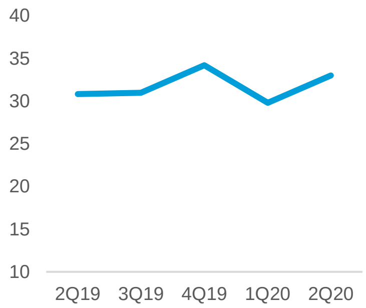
Operating cash flow after investments (MEUR)



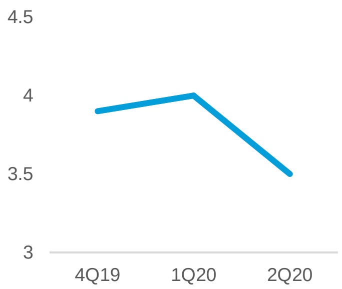
Net interest-bearing debt and gearing



Equity ratio (%)



Net debt/adjusted EBITDA ratio



Cash flow and financial position

Operating cash flow after investments for April–June increased to EUR 247 million (-51) as a result of better operating cash flow compared to the corresponding period, as well as the sale of the Nordic paving and mineral aggregates businesses. Cash flow from plot investments was EUR -30 million (-33). Cash flow from investments to associated companies and joint ventures was EUR 3 million (2).

At the end of the period, interest-bearing debt amounted to EUR 1,160 million (1,113) and net interest-bearing debt to EUR 715 million (939). Equity ratio was 33% (31) and gearing ratio 73% (99). Net debt/adjusted EBITDA ratio was 3.5.

YIT has a strong liquidity position which was further improved by the sale of the Nordic paving and mineral aggregates businesses in April. In addition, YIT agreed in the second quarter to extend EUR 255 million of its EUR 300 million committed revolving credit facility with one year to August 2022. YIT also agreed with on a one-year extension of its EUR 30 million and EUR 50 million credit facilities. The new maturity date for the EUR 30 million credit facility is in June 2021 and the new maturity date for the EUR 50 million credit facility is in October 2021. During the reporting period, net finance costs amounted to EUR 8 million (9).

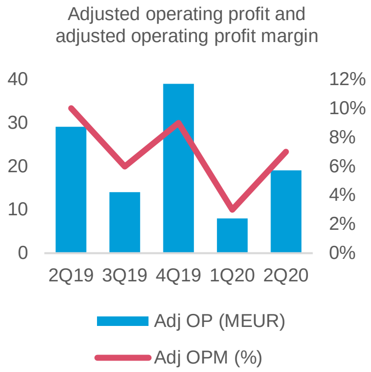
Cash and cash equivalents amounted to EUR 380 million (113), in addition to which YIT had undrawn overdraft facilities amounting to EUR 47 million (73). Additionally, a committed revolving credit facility of EUR 300 million (300) was completely undrawn, and undrawn and committed housing company loan agreements related to Finnish apartment projects amounted to EUR 192 million (219).

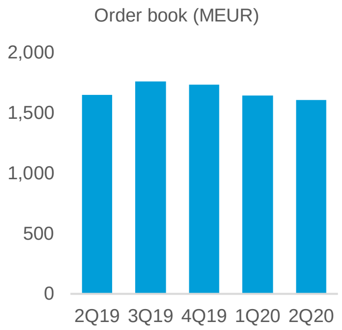
Capital employed was EUR 1,692 million (1,651) at the end of the quarter, out of which capital employed in Russia was EUR 258 million (311). Equity investments in Russia were EUR 321 million (342).

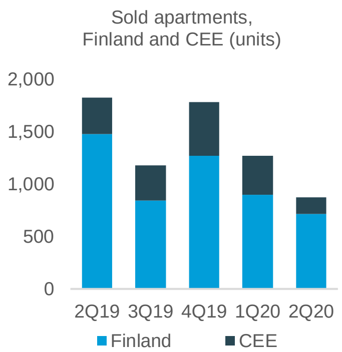
Investments and divestments

In the second quarter, gross capital expenditure in continuing operations amounted to EUR 1 million (3), or 0.1% of revenue (0.4). Investments in plots amounted to EUR 18 million (18), after which the plot reserve amounted to EUR 723 million (726). Investments in leased plots amounted to EUR 2 million (0), after which the leased plot reserve amounted to EUR 137 million (125)

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 sale was closed on April 1, 2020.







Housing Finland and CEE

EUR million	4-6/20	4-6/19	1-6/20	1-6/19	1-12/19
Revenue	284	286	532	543	1,240
Operating profit	19	29	27	38	91
Adjusted operating profit	19	29	27	38	91
Adjusted operating profit margin, %	6.8	10.2	5.1	7.1	7.4
Order book at end of period	1,611	1,649	1,611	1,649	1,737
Capital employed	744	709	744	709	697

Results

April–June

- Residential sales dropped in the beginning of the quarter due to the consumer uncertainty caused by the coronavirus pandemic. Since the beginning of May, sales started to recover.
- Apartment start-ups remained at a good level.
- Revenue was flat at EUR 284 million (286).
- Adjusted operating profit was EUR 19 million, a decrease of 34% from the comparison period (29). This was primarily due to a weaker sales mix.
- Order book decreased slightly from the comparison period to EUR 1,611 million (1,649).
- The new YIT plus user interface was taken into use in May 2020, and service business continued to grow:
  - at the end of June, over 14,000 users in YIT Plus service platform, +40% year-on-year
  - from the beginning of the year, 145,000 visits in YIT Plus service platform, +22% year-on-year
  - with three “Ålandsbanken Koti” rental houses available for rent, private rental assignments increased by 57% year-on-year.

January–June

- Revenue decreased slightly to EUR 532 million (543). Revenue in the comparison period included a block sale of almost 600 apartments to a joint venture.
- Adjusted operating profit amounted to EUR 27 million (38).

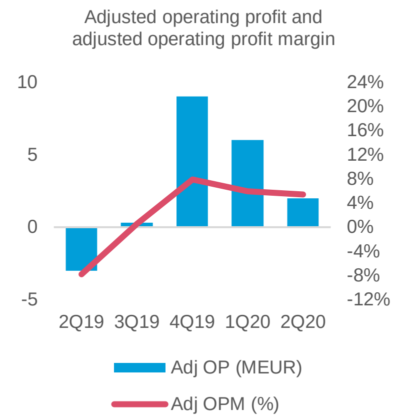
Operating environment in April–June

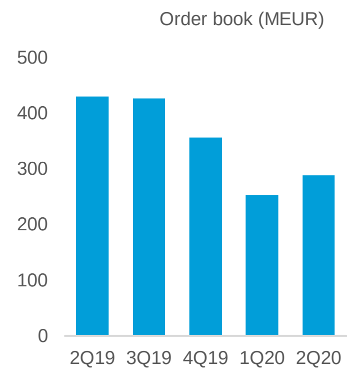
Finland

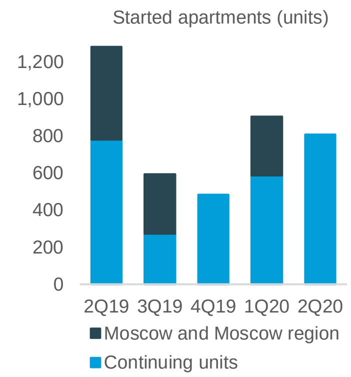
- Residential demand was at a very low level in the beginning of the quarter but started to recover towards the end of the quarter.
- Number of mortgage applications started to grow from the low point in April.
- Housing company loan financing was challenging due to increased caution of banks.

CEE countries

- Consumer uncertainty caused by the coronavirus pandemic had a significant impact on housing demand which reached a low point in April and started to recover thereafter. Recovery has been slower than in Finland.







Housing Russia

EUR million	4-6/20	4-6/19	1-6/20	1-6/19	1-12/19
Revenue	44	35	151	80	240
Operating profit	0	-39	-4	-44	-47
Adjusted operating profit	2	-3	9	-8	1
Adjusted operating profit margin, %	5.4	-7.8	5.8	-9.4	0.5
Order book at end of period	288	430	288	430	356
Capital employed	249	280	249	280	277

Results

April–June

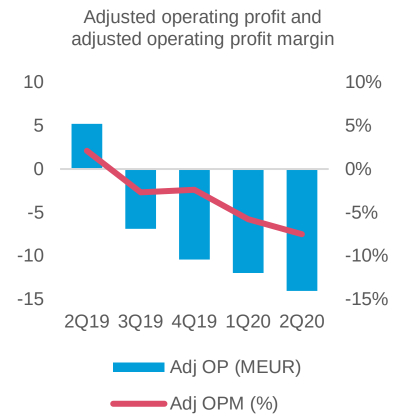
- Revenue increased by 26% to EUR 44 million (35) as a result of stronger apartment sales. This positive development was partly offset by authority decisions to temporarily close down sites in a few regions. Figures in the corresponding period are not fully comparable due to the change in revenue recognition.
- Adjusted operating profit amounted to EUR 2 million (-3) supported by better margins and improved operational efficiency. Figures in the corresponding period are not fully comparable due to the change in revenue recognition.
- The decrease in the order book in the second quarter was due to the change into revenue recognition over time, which was made in the first quarter.
- At end of quarter, YIT was responsible for service and maintenance for
  - over 66,000 apartments
  - over 12,000 parking spaces and
  - almost 9,000 business premises
  - total close to 88,000 clients

January–June

- Following a reassessment of current legislation, legal practice and terms of YIT’s sales contracts in Russia, the criteria for revenue recognition over time (POC) has been fulfilled. Thus, from the first quarter 2020 onwards, YIT has recognised revenue over time from sold apartments in Russian residential development projects.
- Revenue increased by 88% to EUR 151 million (80) as a result of good sales and the change in revenue recognition over time.
- Adjusted operating profit increased to EUR 9 million (-8), driven by improved operations, as well as better margins across the business. The change in revenue recognition had a positive impact of EUR 5 million to the first quarter adjusted operating profit.

Operating environment in April–June

- In the Moscow region, all construction sites were closed for approximately one month due to the coronavirus pandemic through a decision by the authorities.
- Otherwise, construction progressed largely according to plans.
- Interest rates for mortgages decreased further.
- Consumer demand of clients purchasing apartments without mortgage has slowed down due to uncertainty caused by coronavirus pandemic.



Business premises

EUR million	4-6/20	4-6/19	1-6/20	1-6/19	1-12/19
Revenue	188	247	397	486	1,177
Operating profit	-14	5	-26	10	-7
Adjusted operating profit	-14	5	-26	10	-7
Adjusted operating profit margin, %	-7.5	2.1	-6.6	2.1	-0.6
Order book at end of period	797	1,286	797	1,286	897
Capital employed	-5	77	-5	77	65

Results

April–June

- Following the organisational change on May 1, 2020, the real estate management and project development businesses were transferred from the Business premises segment into the Partnership properties segment. The change had an impact on order book and capital employed of both segments.
- Revenue decreased to EUR 188 million (247) as the corresponding period included a revenue recognition from the Tripla project. Revenue decreased also due to the organisational change.
- Adjusted operating profit decreased to EUR -14 million (5), negatively impacted by financial settlements of EUR 17 million.
- Order book decreased to EUR 797 million (1,286). The comparison period includes order book of EUR 199 million from the real estate management unit which was transferred to Partnership properties.
- Additions into the order book include a public-private-partnership agreement with the City of Espoo by the project company Kumppanuuskoulut Oy, formed by YIT and Meridiam Investments II, on the implementation of five schools and three day-care centres.

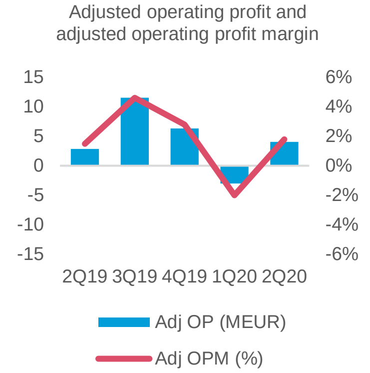
January–June

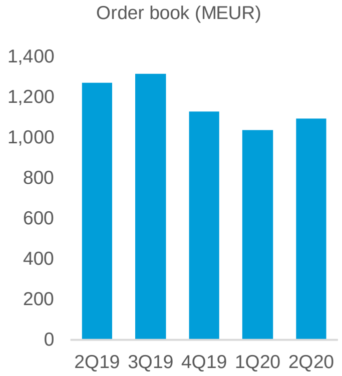
- Revenue decreased by 18% to EUR 397 million (486) as the comparison period included a revenue recognition from the Tripla project and real estate management.
- Adjusted operating profit decreased to EUR -26 million (10), negatively impacted by financial settlements of EUR 24 million in three earlier communicated problematic projects.

Operating environment in April–June

Finland
- Public sector demand continued active.
- Private sector customers started to postpone purchasing decisions due to the coronavirus pandemic.

CEE countries
- Fears of market development during the coronavirus pandemic lead to a declining price level in public contracting.





Infrastructure projects

EUR million	4-6/20	4-6/19	1-6/20	1-6/19	1-12/19
Revenue	201	193	374	334	807
Operating profit	4	3	1	-3	14
Adjusted operating profit	4	3	1	-3	15
Adjusted operating profit margin, %	1.8	1.5	0.2	-0.9	1.9
Order book at end of period	1,091	1,270	1,091	1,270	1,128
Capital employed	74	78	74	78	52

Results

April–June

- Revenue grew by 4% from the comparison period to EUR 201 million (193).
- Adjusted operating profit increased slightly to EUR 4 million (3).
- Order book of EUR 1,091 million decreased from the comparison period (1,270). Additions into the order book include a contract with the Region Stockholm for a part of the metro extension at Sockenplan, Stockholm, Sweden, as well as four state road maintenance contracts in Finland for 2020–2025.
- Wind park development has continued.

January–June

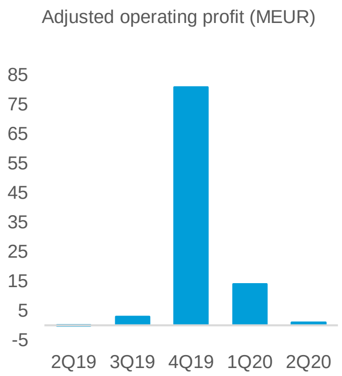
- Revenue increased to EUR 374 million (334) supported by good progress of large projects such as the Raide-Jokeri light rail project in Helsinki and Espoo, Finland.
- Adjusted operating profit improved to EUR 1 million (-3).

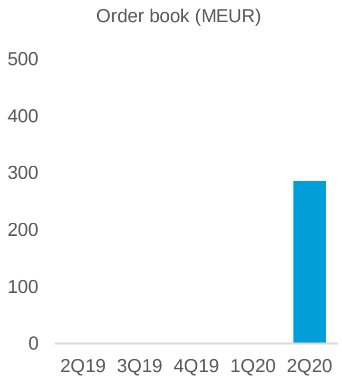
Operating environment in April–June

Finland
- Demand was stable and market at a normalised level.
- State stimulus packages agreed in June. Projects to be started at the end of 2020 and in 2021 supporting the infrastructure sector.

Sweden and Norway
- Market remained solid supported by several ongoing major infrastructure projects and industrial investments.

Baltic countries
- Market environment continued to be challenging due to intense competition.





Partnership properties

EUR million	4-6/20	4-6/19	1-6/20	1-6/19	1-12/19
Revenue	2	0	2	0	0
Operating profit	1	0	15	-2	83
Adjusted operating profit	1	0	15	-2	83
Order book at end of period	286		286		
Capital employed	300	150	300	150	254

Results

April–June

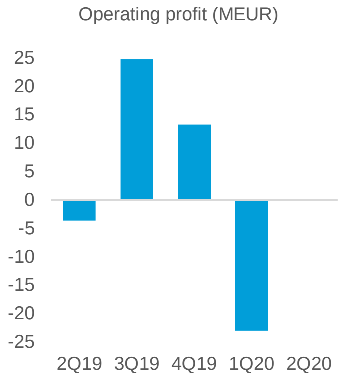
- Following the organisational change on May 1, 2020, the real estate management and project development businesses were transferred from the Business premises segment into the Partnership properties segment having an impact on order book and capital employed of both segments.
- Order book amounted to EUR 286 million, consisting mainly of service periods for life-cycle projects.
- Revenue for the quarter was EUR 2 million (0).
- Adjusted operating profit increased to EUR 1 million (0) driven by the organisational change.

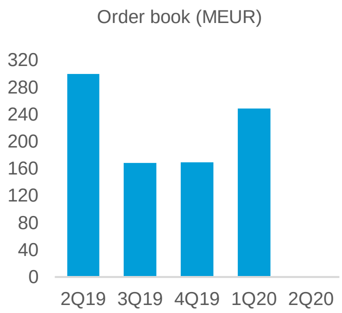
January–June

- Revenue was EUR 2 million (0).
- Adjusted operating profit increased to EUR 15 million (-2) supported by the finalisation of the Espoo Keilaniemi project's real estate transaction in Finland in the first quarter.

Investments

EUR million	
Portfolio balance sheet value January 1, 2020	254
Net change in invested equity	-1
Net result	15
Dividends	-11
Changes in fair value	1
Portfolio balance sheet value June 30, 2020	258





Discontinued operations

EUR million	4-6/20	4-6/19	1-6/20	1-6/19	1-12/19
Revenue		149	28	175	540
Operating profit		-4	-23	-26	12
Gain on sale	51		51		
Result for the period	54	-4	31	-24	10
Order book		300		300	169

Results

April–June

- The sale of Nordic paving and mineral aggregate businesses was successfully completed on April 1, 2020.
- Debt-free purchase price of paving and mineral aggregates businesses amounted to EUR 288 million.
- Gain on sale amounted to EUR 51 million.

January–June

- Revenue was EUR 28 million (175).
- Operating profit was EUR -23 million (-26).
- Gain on sale amounted to EUR 51 million.

Personnel

During January–June 2020, the Group's continuing operations employed on average 7,502 people (7,618). The slight decline resulted from changes in the number of summer trainees, redundancies for production and financial reasons, termination of fixed-term employment and careful means test of recruitments. Including discontinued operations, the average number of personnel in January–June was 8,058 (9,258).

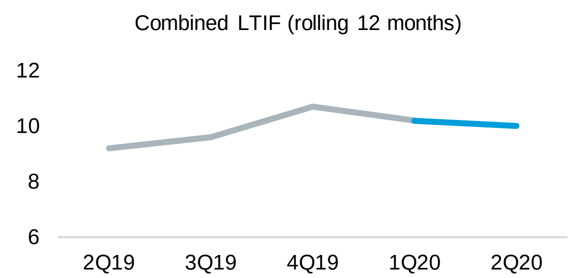
In response to temporarily decreased demand and site delays caused by the coronavirus pandemic, YIT adjusted its costs and temporarily laid off all fixed white-collar employees for two weeks between April and August.

Personnel expenses in January–June totalled EUR 197 million (206).

Sustainability

Safety

Since the beginning of 2020, YIT has renewed its safety reporting practices encompassing both own personnel and subcontractors. The aim is to lead the safety development of the industry to a more comprehensive direction. According to the new reporting method, the Group's rolling 12-month combined lost time injury frequency (LTIF) was 10.0 (March 31, 2020: 10.2).



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

Environment

YIT set long-term targets for climate change mitigation in September 2019:
1) To halve CO_2 emissions of own operations and self-developed projects by 2030 compared to 2019. During the reporting period the baseline calculation was ongoing. Also, a decision was made to move towards consumption of renewable electricity in Finland, Sweden and Norway representing over 75% of YIT's business.
2) To enable carbon neutral heating of self-developed projects. During the reporting period the mapping of options was ongoing. In Finland a decision was made to use ground heat in all self-developed housing projects whenever technically possible.
3) To report project specific CO_2 emissions of all self-developed projects from 2020 onwards. During the reporting period 13 project specific CO_2 calculations were conducted. During January-June 2020, a total of 21 projects have been calculated.

Shares

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

In the beginning of 2020, YIT's share capital was 149,716,748.22 euros (2019: 149,716,748.22) and the number of shares outstanding at the end of the reporting period, on June 30, 2020, was 209,059,938 (end of 2019: 208,768,363).

Significant risks and uncertainties

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 significant operating, reporting and management processes of the Group.

Significant changes in risks are followed on a monthly basis and reported according to the Group's governance and reporting practices.

Full information about risks is available in YIT's Report of the Board of Directors and financial statements 2019 on pages 18-19. These risks still apply.

Main updates to risks since the publishing of the report are related to the coronavirus pandemic and to availability of personnel, potential infections, regulatory decisions and availability of materials. These can lead to temporary shutdowns of or slower progress on construction sites and delayed completions and consequently, postponement of revenue and profit from one quarter or year to another. The government actions to mitigate the impact of the virus could have an impact on consumer behaviour and may postpone apartment purchase decisions. Investor decisions can be postponed. If consumer confidence deteriorates, it may have an impact on asset values or availability of financing.

YIT aims to improve its use of balance sheet and increase operating cash flow by selling assets and by improving the cycle of capital employed. In certain cases, this may have positive or negative impacts on results.

Corporate governance

Changes in the Group Management Team

On April 1, YIT announced the following changes in the Group Management Team:

- Following the closing of the sale of the Nordic paving and mineral aggregates businesses, Heikki Vuorenmaa, Executive Vice President, Paving segment, moved to the buyer of the business and thereby, left YIT.
- Esa Neuvonen, EVP, Business premises and Partnership properties segments, was announced to focus on leading the Partnership properties segment going forward.
- Tom Ekman was appointed as EVP, Business premises, as of May 1, 2020.

Events after the reporting period

On July 27, 2020 YIT announced that it had agreed to establish a company with OP-Rental Yield special fund investing in rental apartments. In the same connection, YIT agreed on the sale of eight rental apartment buildings to the company. The investment value of the projects is approximately EUR 130 million, and YIT's share of the joint investment will be 40%. The buildings will have a total of over 600 apartments, and they will be completed in 2020–2022. OP-Rental Yield special fund will be responsible for the management of the company, and YIT will handle the letting of the apartments on behalf of the company.

YIT Corporation
Board of Directors

Helsinki, July 28, 2020

Half-year report 1-6/2020: Tables

Table of contents

Basis of preparation and accounting policies of the half-year report

Basis of preparation

This half-year report has been prepared in accordance with IFRS recognition and measurement principles and all requirements of IAS 34 Interim Financial Reporting standard have been applied. This half-year report should be read together with YIT's consolidated Financial Statements 2019. The figures presented in the half-year report are unaudited. In the half-year report, the figures are presented in million euros doing the rounding on each line, which may cause some rounding inaccuracies in column and total sums.

Accounting policies

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

Significant management judgements

In preparing this half-year report, significant judgements made by management in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those described in the consolidated financial statements for the year ended December 31, 2019.

Coronavirus pandemic (COVID-19)

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

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

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

Apart from the previously described goodwill, coronavirus pandemic is not expected to have such long-term impacts on YIT's financial performance which would require adjustments to carrying amounts in the statement of financial position. The management of the company follows constantly the indicators and their development relating to fair valuation of the equity investment to Tripla Mall Ky. The sensitivity of fair valuation of Tripla Mall Ky has been described in note Financial assets and liabilities by category.

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

Most relevant currency exchange rates used in the half-year report

		Average rates			End rates		
		1–6/20	**1–6/19**	**1–12/19**	**6/20**	**6/19**	**12/19**
1 EUR =	CZK	26.3496	25.6834	25.6693	26.7400	25.4470	25.4080
	PLN	4.4142	4.2917	4.2974	4.4560	4.2496	4.2568
	RUB	76.7218	73.7181	72.4484	79.6300	71.5975	69.9563
	SEK	10.6617	10.5187	10.5871	10.4948	10.5633	10.4468
	NOK	10.7397	9.7294	9.8505	10.9120	9.6938	9.8638
	DKK	7.4648	7.4651	7.4661	7.4526	7.4636	7.4715

Primary Financial Statements

Consolidated income statement, IFRS

EUR million	4-6/20	4-6/19	1-6/20	1-6/19	1-12/19
Revenue	**700**	**757**	**1,407**	**1,432**	**3,392**
Other operating income	3	6	15	13	22
Change in inventories of finished goods and in work in progress	26	37	-34	15	-205
Production for own use	0	0	0	0	0
Materials and supplies	-88	-156	-165	-236	-524
External services	-436	-432	-820	-817	-1,759
Personnel expenses	-95	-109	-197	-206	-406
Other operating expenses	-100	-107	-190	-201	-464
Changes in fair value of investments	0		1		81
Share of results in associated companies and joint ventures	0	1	15	-1	1
Depreciation, amortisation and impairment	-11	-20	-36	-33	-58
Operating profit	**0**	**-23**	**-4**	**-35**	**80**
Finance income	1	2	2	5	6
Exchange rate differences (net)	1	0	0	-1	-2
Finance expenses	-10	-11	-23	-24	-45
Finance income and expenses, total	-8	-9	-21	-20	-40
Result before taxes	**-8**	**-32**	**-25**	**-55**	**40**
Income taxes	0	-10	6	-6	-36
Result for the period, continuing operations	**-9**	**-43**	**-18**	**-61**	**5**
Result for the period, discontinued operations	**54**	**-4**	**31**	**-24**	**10**
Result for the period	**45**	**-47**	**13**	**-85**	**15**
Attributable to					
Owners of YIT Corporation	45	-47	13	-85	15
Non-controlling interests	0		0		
Total	**45**	**-47**	**13**	**-85**	**15**
Earnings per share, attributable to the equity holders of the parent company					
Basic, EUR, total	0.22	-0.22	0.06	-0.40	0.07
Diluted, EUR, total	0.22	-0.22	0.06	-0.40	0.07
Basic, EUR, continuing operations	-0.04	-0.20	-0.09	-0.29	0.02
Basic, EUR, discontinued operations	0.26	-0.02	0.15	-0.12	0.05
Diluted, EUR, continuing operations	-0.04	-0.20	-0.09	-0.29	0.02
Diluted, EUR, discontinued operations	0.26	-0.02	0.15	-0.12	0.05

Consolidated statement of comprehensive income, IFRS

EUR million	4-6/20	4-6/19	1-6/20	1-6/19	1-12/19
Result for the period	45	-47	13	-85	15
Items that may be reclassified to income statement					
Change in translation differences	28	6	-46	41	50
Translation differences reclassified to income statement	3		3		8
Items that may be reclassified to income statement, total	**31**	**6**	**-43**	**41**	**58**
Items that will not be reclassified to income statement					
Change in fair value of defined benefit pension					0
Income tax relating to item above					0
Items that will not be reclassified to income statement, total					**0**
Other comprehensive income, total	**31**	**6**	**-43**	**41**	**58**
Total comprehensive income	**76**	**-41**	**-29**	**-44**	**73**
Attributable to					
Owners of YIT Corporation	76	-41	-29	-44	73
Non-controlling interests	0		0		
Total	**76**	**-41**	**-29**	**-44**	**73**

Consolidated statement of financial position, IFRS

EUR million	6/20	6/19	12/19
ASSETS			
Non-current assets			
Property, plant and equipment	73	79	76
Leased property, plant and equipment	92	101	95
Goodwill	251	266	264
Other intangible assets	12	18	15
Investments in associated companies and joint ventures	61	150	56
Equity investments	195	2	194
Interest-bearing receivables	49	55	47
Other receivables	11	2	12
Deferred tax assets	41	68	34
Non-current assets total	**785**	**742**	**793**
Current assets			
Inventories	1,635	1,926	1,741
Leased inventories	195	177	188
Trade and other receivables	407	476	484
Interest-bearing receivables	15	5	9
Income tax receivables	3	7	23
Cash and cash equivalents	380	113	132
Current assets total	**2,635**	**2,705**	**2,576**
Assets classified as held-for-sale		**365**	**333**
Total assets	**3,420**	**3,812**	**3,702**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company	974	950	1,061
Non-controlling interests	2		
Equity total	**976**	**950**	**1,061**
Non-current liabilities			
Deferred tax liabilities	9	9	9
Pension obligations	2	3	2
Provisions	75	83	78
Borrowings	340	355	355
Lease liabilities	205	199	206
Advances received		38	
Other liabilities	41	50	57
Non-current liabilities total	**672**	**738**	**707**
Current liabilities			
Advances received[1]	466	690	572
Trade and other payables	647	649	713
Income tax payables	3	10	3
Provisions	41	38	37
Borrowings	558	491	434
Lease liabilities	57	68	55
Current liabilities total	**1,772**	**1,946**	**1,814**
Liabilities directly associated with assets classified as held-for-sale		**178**	**120**
Liabilities total	**2,444**	**2,861**	**2,641**
Total equity and liabilities	**3,420**	**3,812**	**3,702**

[1] On June 30, 2020, the reported amount includes EUR 170 million (6/19: 142) non-cash considerations from customer contracts related to sold uncompleted residential developments arising from housing company loans and plot lease liabilities.

Consolidated cash flow statement, IFRS

EUR million	4-6/20	4-6/19	1-6/20	1-6/19	1-12/19
Result for the period	**45**	**-47**	**13**	**-85**	**15**
Reversal of accrual-based items	-32	69	-20	74	65
Change in trade and other receivables	8	-92	74	-57	-20
Change in inventories	-13	-92	38	-68	139
Change in current liabilities	-24	138	-195	146	-7
Change in working capital, total	-30	-46	-83	21	112
Cash flow of financial items	-16	-14	-20	-28	-60
Taxes paid (-)	0	-11	18	-24	-43
Net cash generated from operating activities	**-33**	**-48**	**-91**	**-43**	**88**
Acquisition of subsidiaries, associated companies and joint ventures, net of cash	-4	-3	-3	-12	-34
Disposal of subsidiaries, associated companies and joint ventures	283	2	294	5	13
Cash outflow from other investing activities	-1	-7	-10	-15	-38
Cash inflow from other investing activities	2	6	11	11	21
Net cash used in investing activities	**280**	**-3**	**290**	**-11**	**-38**
Operating cash flow after investments	**247**	**-51**	**199**	**-54**	**51**
Change in equity	2		1		-6
Change in loan receivables	-1	8	-8	5	4
Change in current borrowings	5	70	90	-25	20
Proceeds from non-current borrowings			50		50
Repayments of non-current borrowings		0	-30	0	-150
Payments of lease liabilities	-7	-13	-17	-25	-48
Dividends paid	-29	-57	-30	-57	-57
Net cash used in financing activities	**-31**	**9**	**57**	**-102**	**-188**
Net change in cash and cash equivalents	216	-42	255	-156	-137
Cash and cash equivalents at the beginning of the period	161	153	132	264	264
Foreign exchange differences	3	3	-7	6	5
Cash and cash equivalents at the end of the period	**380**	**113**	**380**	**113**	**132**

Consolidated statement of changes in equity, IFRS

EUR million	Share capital	Legal reserve	Other reserves	Translation differences	Treasury shares	Retained earnings	Equity attributable to owners of parent company	Non-controlling interests	Equity total
Equity on January 1, 2020	**150**	**1**	**553**	**-216**	**-12**	**585**	**1,061**		**1,061**
Comprehensive income									
Result for the period						13	13		13
Translation differences				-43			-43		-43
Comprehensive income for the period, total				**-43**		**13**	**-29**		**-29**
Transactions with owners									
Dividend distribution						-58	-58		-58
Share-based incentive schemes					2	-1	0		0
Transactions with owners, total					**2**	**-59**	**-58**		**-58**
Other items									
Non-controlling interests from business combinations								2	2
Other items, total								**2**	**2**
Equity on June 30, 2020	**150**	**1**	**553**	**-259**	**-11**	**538**	**974**	**2**	**976**

EUR million	Share capital	Legal reserve	Other reserves	Translation differences	Treasury shares	Retained earnings	Equity attributable to owners of parent company	Non-controlling interests	Equity total
Equity on January 1, 2019	**150**	**1**	**553**	**-274**	**-6**	**625**	**1,050**		**1,050**
Comprehensive income									
Result for the period						-85	-85		-85
Translation differences				41			41		41
Comprehensive income for the period, total				**41**		**-85**	**-44**		**-44**
Transactions with owners									
Dividend distribution						-57	-57		-57
Share-based incentive schemes					1	1	1		1
Transactions with owners, total					**1**	**-56**	**-55**		**-55**
Equity on June 30, 2019	**150**	**1**	**553**	**-233**	**-5**	**484**	**950**		**950**

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

Notes

Segment information

Seasonality of business

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

Changes in the Housing Russia segment

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

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

Other changes

Following the organisational change on May 1, 2020, the real estate management and project development businesses were transferred from the Business premises segment into the Partnership properties segment having an impact on order book and capital employed of both segments. The change had no effect on comparative period figures.

Segment financial information

4-6/20 EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items	Group, IFRS
Revenue	**284**	**44**	**188**	**201**	**2**	**-19**	**700**
Revenue from external customers	284	44	188	197	1	-15	700
Revenue Group internal	0	0	0	4	0	-4	
Depreciation, amortisation and impairment	-1	0	0	-5	0	-4	-11
Operating profit	**19**	**0**	**-14**	**4**	**1**	**-10**	**0**
Operating profit margin, %	**6.8**	**0.7**	**-7.5**	**1.9**	**39.1**		**0.0**
Adjusting items		2	0	0		3	5
Adjusted operating profit	**19**	**2**	**-14**	**4**	**1**	**-7**	**5**
Adjusted operating profit margin, %	**6.8**	**5.4**	**-7.5**	**1.8**	**39.1**		**0.7**

4-6/19 EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items	Group, IFRS
Revenue	**286**	**35**	**247**	**193**	**0**	**-5**	**757**
Revenue from external customers	286	35	247	189	0	-1	757
Revenue Group internal		0	0	4		-4	
Depreciation, amortisation and impairment	-1	-2	-1	-4		-12	-20
Operating profit	**29**	**-39**	**5**	**3**	**0**	**-21**	**-23**
Operating profit margin, %	**10.2**	**-110.3**	**2.1**	**1.5**	**-193.9**		**-3.0**
Adjusting items		36				15	51
Adjusted operating profit	**29**	**-3**	**5**	**3**	**0**	**-6**	**28**
Adjusted operating profit margin, %	**10.2**	**-7.8**	**2.1**	**1.5**	**-193.9**		**3.8**

1-6/20 EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items	Group, IFRS
Revenue	**532**	**151**	**397**	**374**	**2**	**-48**	**1,407**
Revenue from external customers	532	151	397	366	1	-39	1,407
Revenue Group internal	0	0	0	8	0	-9	
Depreciation, amortisation and impairment	-2	-15	-1	-10	0	-9	-36
Operating profit	**27**	**-4**	**-26**	**1**	**15**	**-16**	**-3**
Operating profit margin, %	**5.1**	**-2.6**	**-6.7**	**0.3**			**-0.2**
Adjusting items		13	0	0	0	4	16
Adjusted operating profit	**27**	**9**	**-26**	**1**	**15**	**-12**	**13**
Adjusted operating profit margin, %	**5.1**	**5.8**	**-6.6**	**0.2**			**0.9**

1-6/19 EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items	Group, IFRS
Revenue	**543**	**80**	**486**	**334**	**0**	**-11**	**1,432**
Revenue from external customers	543	79	485	326	0	-2	1,432
Revenue Group internal		0	1	8		-9	
Depreciation, amortisation and impairment	-2	-4	-1	-9		-17	-33
Operating profit	**38**	**-44**	**10**	**-3**	**-2**	**-35**	**-35**
Operating profit margin, %	**7.1**	**-54.9**	**2.1**	**-0.9**			**-2.4**
Adjusting items		36				17	54
Adjusted operating profit	**38**	**-8**	**10**	**-3**	**-2**	**-18**	**19**
Adjusted operating profit margin, %	**7.1**	**-9.4**	**2.1**	**-0.9**			**1.3**

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

Capital employed by segments

EUR million	6/20	6/19	12/19
Housing Finland and CEE	744	709	697
Housing Russia	249	280	277
Business premises	-5	77	65
Infrastructure projects	74	78	52
Partnership properties	300	150	254
Other items	331	359	325
Capital employed, total	**1,692**	**1,651**	**1,669**

Order book at the end of the period

EUR million	6/20	6/19	12/19
Housing Finland and CEE	1,611	1,649	1,737
Housing Russia	288	430	356
Business premises	797	1,286	897
Infrastructure projects	1,091	1,270	1,128
Partnership properties	286		
Other items	0	17	13
Order book, total	**4,074**	**4,652**	**4,131**

Revenue from customers contracts

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

1-6/20 EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items	Group, IFRS
Revenue by market area							
Finland	482		374	246	1	-40	1,063
Russia		151				0	151
CEE	50		23	49			122
Baltic countries	28		19	49			97
Czech, Slovakia, Poland	22		4				26
Scandinavia				71		1	72
Sweden				52		1	53
Norway				19			19
Internal sales between segments	0	0	0	8	0	-9	
Total	**532**	**151**	**397**	**374**	**2**	**-48**	**1,407**

1-6/20 EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items	Group, IFRS
Timing of revenue recognition							
Over time	202	151	396	357	1	1	1,108
At a point in time	329		2	9	0	-40	300
Internal sales between segments	0	0	0	8	0	-9	
Total	**532**	**151**	**397**	**374**	**2**	**-48**	**1,407**

1-6/19 EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items	Group, IFRS
Revenue by market area							
Finland	508		460	211	0	-11	1,169
Russia		79				10	89
CEE	34		25	53			112
Baltic countries	18		24	53			94
Czech, Slovakia, Poland	16		1				18
Scandinavia				63		-1	61
Sweden				39		0	39
Norway				24		-1	23
Internal sales between segments		0	1	8		-9	
Total	**543**	**80**	**486**	**334**	**0**	**-11**	**1,432**

1-6/19 EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure projects	Partnership properties	Other items	Group, IFRS
Timing of revenue recognition							
Over time	139	27	438	310		9	923
At a point in time	404	52	47	16	0	-11	509
Internal sales between segments		0	1	8		-9	
Total	**543**	**80**	**486**	**334**	**0**	**-11**	**1,432**

Property, plant and equipment

EUR million	6/20	6/19	12/19
Carrying amount at Jan,1	**76**	**183**	**183**
Exchange rate differences	-2	1	1
Increases	8	14	36
Decreases	-3	-2	-8
Business acquisitions	0		
Depreciation, continuing operations	-7	-13	-20
Depreciation, discontinued operations		-4	-5
Impairment, continuing operations		-2	-2
Transfers between items		2	4
Transfers to assets classified as held-for-sale	2	-100	-113
Carrying amount at the end of the period	**73**	**79**	**76**

Leased property, plant and equipment

EUR million	6/20	6/19	12/19
Carrying amount at Jan,1	**95**	**138**	**138**
Exchange rate differences	-1	0	0
Increases	12	25	39
Decreases	0	-8	-7
Depreciation and impairment, continuing operations	-13	-16	-30
Depreciation and impairment, discontinued operations		-4	-5
Transfers to assets classified as held-for-sale		-35	-40
Carrying amount at the end of the period	**92**	**101**	**95**

Goodwill

EUR million	6/20	12/19
Housing Finland and CEE	105	105
Housing Russia		13
Business premises	87	87
Infrastructure projects	60	60
Goodwill, total	**251**	**264**

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.

Impairment testing

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

A goodwill test was carried out using value-in-use calculation based on the same principles as in consolidated financial statements 2019. A cash generating units' cash flow forecasts were prepared for a five-year planning period based on the action plan created by the management and the Group's strategy. The growth rate used for the end value of the Housing Russia segment was 4% (12/2019: 4%), which was the inflation target of the Russian Central Bank at the time of the impairment testing. The discount rate used in the testing was 15.0% (12/2019: 14.4%).

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

EUR million	**6/20**	**12/19**
Carrying amount at the beginning of period	**264**	**319**
Translation differences	-2	1
Increases	1	
Impairment	-12	-1
Transfers to assets classified as held-for-sale		-55
Carrying amount at the end of period	**251**	**264**

Discontinued operations

On July 4, 2019, YIT announced having signed an agreement with Peab on the sale of YIT's paving and mineral aggregates businesses in Finland, Sweden, Norway and Denmark. The transaction comprised the operations of the company's Paving segment with the exclusion of the road maintenance business in Finland and paving business in Russia. The sale was successfully completed on April 1, 2020.

Results of discontinued operations

EUR million	**1-6/20**	**1-6/19**	**1-12/19**
Revenue	**28**	**175**	**540**
Other operating income	1	3	3
Change in inventories of finished goods and in work in progress	8	3	-5
Production for own use	0	0	1
Materials and supplies	-11	-65	-168
External services	-12	-44	-145
Personnel expenses	-17	-52	-125
Other operating expenses	-18	-34	-78
Share of results in associated companies and joint ventures	-1	-1	1
Depreciation, amortisation and impairment	0	-12	-11
Operating profit	**-23**	**-26**	**12**
Finance income	0	0	0
Finance expenses	-1	-1	-2
Finance income and expenses, total	-1	-1	-2
Result before taxes	**-24**	**-27**	**10**
Income taxes	4	3	-0
Result after taxes	**-20**	**-24**	**10**
Gain on sale of discontinued operation	**51**		
Result from discontinued operations	**31**		

Cash flows (used in) discontinued operations

EUR million	**1-6/20**	**1-6/19**	**1-12/19**
Cash used in operating activities	-24	-20	18
Cash used in investing activities	277	-6	-16
Cash used in financing activities	-6	-5	-11
Cash flow for the period	**247**	**-31**	**-9**

Effect of disposal on financial position

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

EUR million	April 1, 2020
Cash consideration	288
Sold net assets	-221
Other items	-15
Gain on sale of discontinued operation	**51**

Inventories

EUR million	6/20	6/19	12/19
Raw materials and consumables	12	20	17
Work in progress	666	919	727
Land areas and plot owning companies	723	726	727
Shares in completed housing and real estate companies	174	194	203
Advance payments	57	65	61
Other inventories	3	2	5
Total inventories	**1,635**	**1,926**	**1,741**
Leased inventories	**195**	**177**	**188**

Financial assets and liabilities by category

June 30, 2020, EUR million

Measurement category	Financial assets recognized at fair value through other comprehensive income	Financial assets recognized at amortised cost	Financial assets and liabilities recognised at fair value through profit and loss	Financial liabilities recognized at amortised cost	Carrying amount	Fair value	Fair value measurement hierarchy
Non-current financial assets							
Equity investments	2		192		195	195	Level 3
Trade, loan and other receivables		52			52	51	
Loan receivables			8		8	8	Level 3
Current financial assets							
Trade, loan and other receivables[1]		243			243	243	
Derivative assets			1		1	1	Level 2
Cash and cash equivalents		380			380	380	
Financial assets by category, total	**2**	**675**	**201**		**879**	**878**	
Non-current financial liabilities							
Interest-bearing liabilities				340	340	340	
Trade and other payables				40	40	37	
Derivative liabilities			1		1	1	Level 2
Current financial liabilities							
Interest-bearing liabilities				558	558	559	
Trade and other payables[2]				339	339	339	
Derivative liabilities			2		2	2	Level 2
Financial liabilities by category, total			**3**	**1,277**	**1,280**	**1,278**	

[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.

June 30, 2019, EUR million

Measurement category	Financial assets recognized at fair value through other comprehensive income	Financial assets recognized at amortised cost	Financial assets and liabilities recognised at fair value through profit and loss	Financial liabilities recognized at amortised cost	Carrying amount	Fair value	Fair value measurement hierarchy
Non-current financial assets							
Equity investments	2				2	2	Level 3
Trade, loan and other receivables		57			57	61	
Current financial assets							
Trade, loan and other receivables[1]		260			260	260	
Derivative assets			1		1	1	Level 2
Cash and cash equivalents		114			114	114	
Financial assets by category, total	**2**	**430**	**1**		**433**	**437**	
Non-current financial liabilities							
Interest-bearing liabilities				355	355	359	
Trade and other payables				47	47	47	
Derivative liabilities			3		3	3	Level 2
Current financial liabilities							
Interest-bearing liabilities				491	491	491	
Trade and other payables[2]				362	362	362	
Derivative liabilities			2		2	2	Level 2
Financial liabilities by category, total			**5**	**1,255**	**1,260**	**1,264**	

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

The fair values of bonds are based on the market price at the reporting date. The fair values of other non-current receivables and liabilities are based on discounted cash flows. The discount rate is defined to be the rate YIT Group was to pay for equivalent external loans at the end of the reporting period. It consists of risk-free market rate and company and maturity related risk premium of 2.45-2.79 % (Jun 30, 2019: 2.31-3.00%). The fair values of current receivables and liabilities are equal to their carrying amounts except for bonds.

Fair value measurement

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

Level 1

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

Level 2

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

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

Level 3

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

Fair value measurements using significant unobservable inputs (level 3)

	Valuation technique	Significant unobservable inputs	Base value 2020	Base value 2019	Sensitivity of the input to fair value for YIT	Additional information regarding the input
Equity investments recognised at fair value through profit and loss	Discounted Cash Flow (DCF) method, 10 year period	Compound annual growth rate (CAGR) of Net Operating Income (NOI) for the entire valuation period	8.60%*	4.25%	1 percentage point increase (decrease) in the input value leads to a EUR 31 million increase (EUR 19 million decrease) in the fair value of the asset.	The change in the input value is estimated through a coefficient that increases/decreases the growth of all annual NOI cash flows identically, therefore depicting a scenario where the NOI of commercial facility and parking facility follows a higher/lower growth trajectory during the valuation period.
		Extra coefficient for the discount factor used for the cash flows of parking	25%	25%	25 percentage point increase (decrease) in the input value leads to a EUR 8 million decrease (EUR 4 million increase) in the fair value of the asset.	The purpose of the input value is to act as a variable taking into account the uncertainty related to estimating the future NOI of a new parking facility.
		Extra coefficient for the discount factor used for the additional cash flows of commercial facility	80%		80 percentage point increase (decrease) in the input value leads to a EUR 8 million decrease (EUR 8 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 variable NOI of commercial facility.
		Exit yield	4.85% - 5.75%	4.60% - 5.75%	5 percentage increase (decrease) in the input values leads to a EUR 16 million decrease (EUR 16 million increase) in the fair value of the asset.	Separate exit yields used for different parts of the shopping centre.

Other receivables recognised at fair value through profit and loss	Discounted Cash Flow (DCF) method	Discount rate	2.50%	2.45%	1 percentage point increase (decrease) in the input value leads to a decrease of EUR 1 million (or increase of EUR 1 million).	The input value rate reflects the exit yield of the investor.

**Coronavirus pandemic situation impacts the cash flows of 2020, which will have also an effect on the average compound annual growth rate of NOI.*

Description of valuation techniques

The fair value of YIT's equity investment in Tripla Mall Ky is calculated as the fair value of the property, subtracting the net debt and the sum is multiplied with YIT's share of ownership. The value of the property is determined by using the income approach; taking 10-year discounted cash flows and the present value of the terminal value. An Independent external appraiser (CBRE) has audited the valuation model used by YIT and assessed the relevant valuation assumptions and stated that it fulfills the requirements of IFRS and IVSC (International Valuation Standards Council). Separate calculations have been used for the shopping mall and the parking facility, due to the different income generation profile of the parking facility. For the valuation of the income from the short-term parking YIT has used a third-party report. The potential income is inspected, among other things, through the perspective of pricing, location, and provided services in the 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. Variable additional cash flows such as advertising and event income and income from pop-up spaces have been added to the net rental income. Similarly, expenses such as maintenance expenses for vacant premises and administration expenses have been deducted from the net rental income. The discount rates used are based on reasonable market yields and projected average inflation for the 10-year cash flow valuation period. The market yields are derived from market data and the market knowledge of the independent external appraiser (CBRE). YIT has separately taken into consideration the uncertainty for the income from the parking facilities with a discount rate addition, which is applied to valuation of the present value of the future cashflows. YIT has also taken into consideration the uncertainty for the variable additional cash flows from the commercial facilities with a discount rate addition, which is applied to valuation of the present value of the future cashflows until a better visibility to the cash flows is obtained.

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 10 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

EUR million	6/20	6/19	12/19
Fair value at Jan 1	**202**	**2**	**2**
Additions			119
Decreases			-0
Change in fair value from equity investments recognised in income statement	1		77
Change in fair value from loan receivables recognised in income statement	0		4
Fair value at end of period	**203**	**2**	**202**

Valuation processes

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

Derivative contracts

EUR million	6/20	6/19	12/19
Value of underlying instruments			
Interest rate derivatives	180	180	180
Foreign exchange derivatives	127	163	104
Commodity derivatives	1	20	5
Fair value			
Interest rate derivatives	-1	-3	-2
Foreign exchange derivatives	-1	-2	-1
Commodity derivatives	0	0	-1

Contingent liabilities and assets and commitments

EUR million	6/20	6/19[1]	12/19[1]
Guarantees			
Guarantees on behalf of others	8	4	2
Guarantees on behalf of consortiums	10	10	10
Guarantees on behalf of associated companies		5	0
Guarantees on behalf of parent and other Group companies	1,099	1,699	1,657
Other commitments			
Investment commitments	35	22	35
Purchase commitments	128	221	121

[1] Includes the effect of discontinued operations.

As a result of the partial demerger registered on June 30, 2013, YIT Corporation has secondary liability for guarantees transferred to Caverion Corporation, with a maximum total amount of EUR 7 million on June 30, 2020.

Legal proceedings

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.

YIT has reached a settlement with almost all other claimants whose claims against YIT were pending before the Supreme Court. The settlements were made in line with the legal principles set out in the Supreme Court's above-mentioned judgments. Only the matter concerning the claims by the city of Helsinki is still pending before the Supreme Court with regard to YIT. On June 18, 2020, the Supreme Court announced that it had granted leave to appeal to YIT related to the question on the share of value added tax. The Supreme Court has already dismissed the application for leave to appeal of the city of Helsinki.

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. So far, YIT has settled the matters regarding 19 of these claims. The settlements were made in line with the legal principles set out in the judgments of the Helsinki Court of Appeal and the Supreme Court. Pursuant to the settlements, these claimants have dropped their claims. The capital amount of the claims by the two remaining claimants totals approximately EUR 11 million. For these claims, the company has made a provision worth approximately EUR 1 million based on the Helsinki Court of Appeal's decisions and the subsequent Supreme Court's decisions.

Quality concerns related to ready-mixed concrete

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

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

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

The Hospital District of Southwest Finland has on June 25, 2020 filed a summons in the District Court of Southwest Finland against YIT and presented claims for damages etc. to YIT relating to the project for the construction of the concrete deck of the T3 building of Turku University Hospital. The capital amount of the claims totals approximately EUR 20 million. The company deems the claims for damages etc. unfounded.

Related party transactions

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

Transactions with related party are made at a market price.

EUR million	1-6/20	1-6/19	1-12/19
Sale of goods and services			
Key management personnel	0.4	0.4	0.7
Associated companies and joint ventures	60	53	339
Purchases of goods and services			
Associated companies and joint ventures		2	6

EUR million	6/20	6/19	12/19
Trade and other receivables			
Associated companies and joint ventures	10	3	18
Loan receivables			
Associated companies and joint ventures	26	25	19
Trade payables and other debts			
Associated companies and joint ventures	0	2	0

Additional information

Reconciliation of certain key figures

Reconciliation of adjusted operating profit

EUR million	4-6/20	4-6/19	1-6/20	1-6/19	1-12/19
Operating profit (IFRS)	**0**	**-23**	**-4**	**-35**	**80**
Adjusting items					
Goodwill impairment	0		14		
Fair value changes related to redemption liability of non-controlling interests			-5		
Restructurings and divestments	0		1		0
Court proceedings		-1	-2	-1	-2
Integration costs related to merger	1	1	2	3	9
EBIT from operations to be closed	3	50	6	50	73
Inventory fair value adjustment from PPA[1]	0	1	0	1	2
Depreciation and amortisation expenses from PPA[1]	1	1	1	1	2
Adjusting items, total	**5**	**51**	**16**	**54**	**85**
Adjusted operating profit	**5**	**28**	**13**	**19**	**165**

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

Reconciliation of adjusted EBITDA, rolling 12 months

EUR million	6/20
Adjusted operating profit, rolling 12 months	**160**
Depreciations and amortisations	61
Depreciation and amortisation expenses from PPA	-3
Goodwill impairment	-14
Adjusted EBITDA	**205**

Definitions of financial key performance indicators

Key figure	Definitions	Reason for use
Operating profit	Result for the period before taxes and finance expenses and finance income equalling to the subtotal presented in the consolidated income statement.	Operating profit shows result generated by operating activities excluding finance and tax related items.
Adjusted operating profit	Operating profit excluding adjusting items.	Adjusted operating profit is presented in addition to operating profit to reflect the underlying core business performance and to enhance comparability from period to period. Management believes that this alternative performance measure provides meaningful supplemental information by excluding items not part of YIT's core business operations thus improving comparability from period to period.
Adjusting items	Adjusting items are material items outside ordinary course of business such as write-down of inventories, impairment of goodwill, fair value changes related to redemption liability of non-controlling interests, integration costs related to merger, transaction costs related to merger, costs, compensations and reimbursements related to court proceedings, write-downs related to non-core businesses, operating profit from businesses to be closed down, gains or losses arising from the divestments of a business or part of a business, costs on the basis of statutory personnel negotiations and adaption measures, and cost impacts of the fair value adjustments from purchase price allocation, such as fair value adjustments on acquired inventory, depreciation of fair value adjustments on acquired property, plant and equipment and amortisation of fair value adjustments on acquired intangible assets relating to business combination accounting under the provisions of IFRS 3, referred to as purchase price allocation ("PPA"). (YIT has changed the definition of adjusting items on January 1, 2020 to include fair value changes related to redemption liability of non-controlling interests)	
Capital employed	Capital employed includes tangible and intangible assets, shares in associates and joint ventures, investments, inventories, trade receivables and other non-interest-bearing receivables, provisions, advance payments and other non-interest-bearing debts excluding items related to taxes, finance items and profit distribution.	Capital employed presents capital employed of segment's operative business.
Interest-bearing debt	Non-current borrowings, current borrowings and non-current and current lease liabilities.	Interest-bearing debt is a key figure to measure YIT's total debt financing.
Net interest-bearing debt	Interest-bearing debt less cash and cash equivalents and interest-bearing receivables.	Net interest-bearing debt is an indicator to measure YIT's net debt financing.
Equity ratio, %	Total equity / total assets less advances received.	Equity ratio is a key figure to measure the relative proportion of equity used to finance YIT's assets.
Gearing, %	Interest-bearing debt less cash and cash equivalents and interest-bearing receivables/total equity.	Gearing ratio is one of YIT's key long-term financial targets. It helps to understand how much debt YIT is using to finance its assets relative to the value of its equity.

Key figure	Definitions	Reason for use
Return on capital employed, segments total (ROCE), %, rolling 12 months	Rolling 12 months adjusted operating profit/capital employed, segments total average. (YIT has changed the definition of return on capital employed on January 1, 2020 to include leases related entries)	Return on capital employed, % is one of YIT's key long-term financial targets. Key figure describes segment's relative profitability, in other words, the profit received from capital employed.
Operating cash flow after investments	Operating cash flow presented in cash flow statement after investments.	
Gross capital expenditures	Investments in tangible and intangible assets, excluding additions in leases.	
Equity per share	Total equity divided by number of outstanding shares at the end of the period.	
Net debt / adjusted EBITDA, rolling 12 months	Net interest-bearing debt/rolling 12 months adjusted earnings before depreciations and amortisations added (YIT has changed the definition of return on capital employed on January 1, 2020 to include leases related entries and to exclude EBITDA from discontinued operations)	Net debt to adjusted EBITDA gives investor information on ability to service debt.
Market capitalisation	(Number of shares – treasury shares) multiplied by share price on the closing date by share series.	
Average share price	EUR value of shares traded during period divided by number of shares traded during period.	

Together we can do it.

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