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Annual Review 2021

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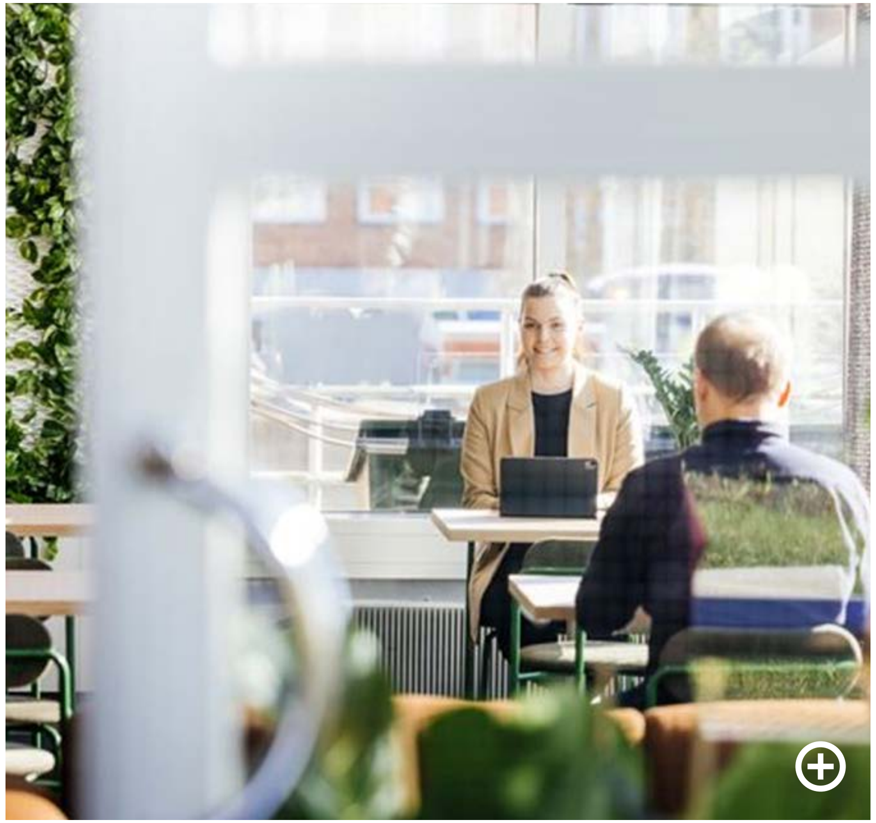
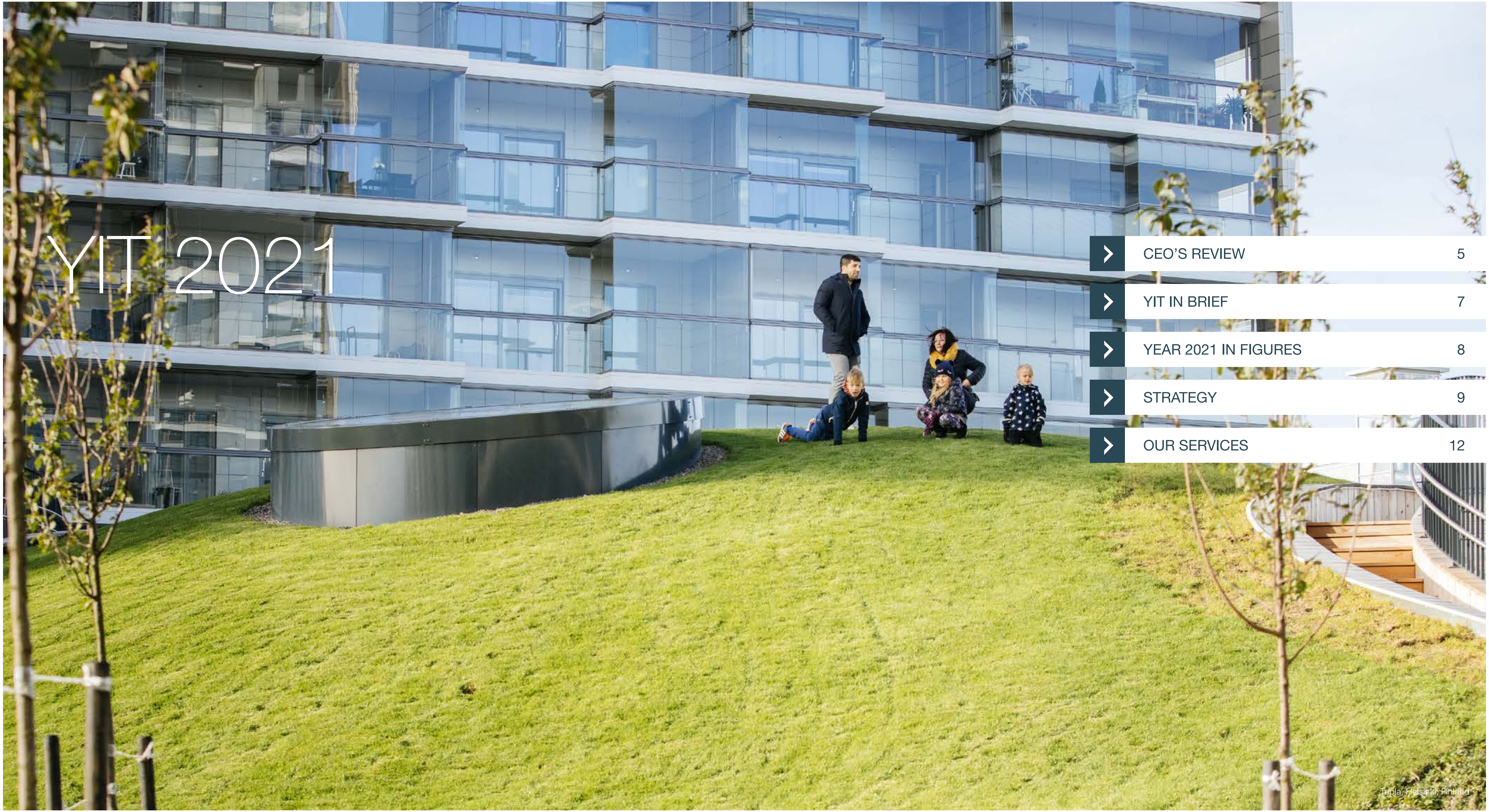


Highlights 2021

Contents

This publication contains interactive elements

The items with the icon are activated when you move the mouse cursor over them. These "Hot Spots" reveal more information about their targets. You can try the function by clicking on the icon above.



YIT 2021

Tripla, Helsinki, Finland

A year of change and renewal

YIT had a year of change and renewal in 2021. We wanted to secure stable profitability development and lay the foundation for sustainable success. We establised new, clear processes and practices in project preparation, tendering and project management. We renewed our operating model, making it even more customer-oriented and competitive. Late in the year, we announced our new strategy, which will strengthen our position as Finland's most significant development and construction company. Going forward, we will be even more focused, and we will concentrate on projects that enable us to leverage our strengths and competitiveness.

I am satisfied with our efforts last year. The Group's adjusted operating profit grew to EUR 114 million (EUR 85 million) in 2021, with all business segments being profitable. I want to take this opportunity to thank our personnel for their high performance and their role in putting our renewal measures into action during a challenging year in the midst of a pandemic. The commitment and professionalism of our personnel has ensured the high-quality progress of our projects and the implementation of changes.

I am particularly proud of the excellent performance achieved by our Housing Finland and CEE segment and the Housing Russia segment. We responded to our customers' demand and improved our efficiency in all of our operating areas. In spite of the pandemic – or, perhaps, because of the pandemic – we were successful in winning the customers' trust. A good indication of this is the Construction of New Residential Units survey commissioned by the Confederation of Finnish Construction Industries RT and conducted by EPSI Rating. In the 2020 survey, customers rated YIT as the best company in its industry. Our customer satisfaction has remained at a very high level for several years now, and the credit for our long-term efforts belongs to all of the employees of the Housing segment.

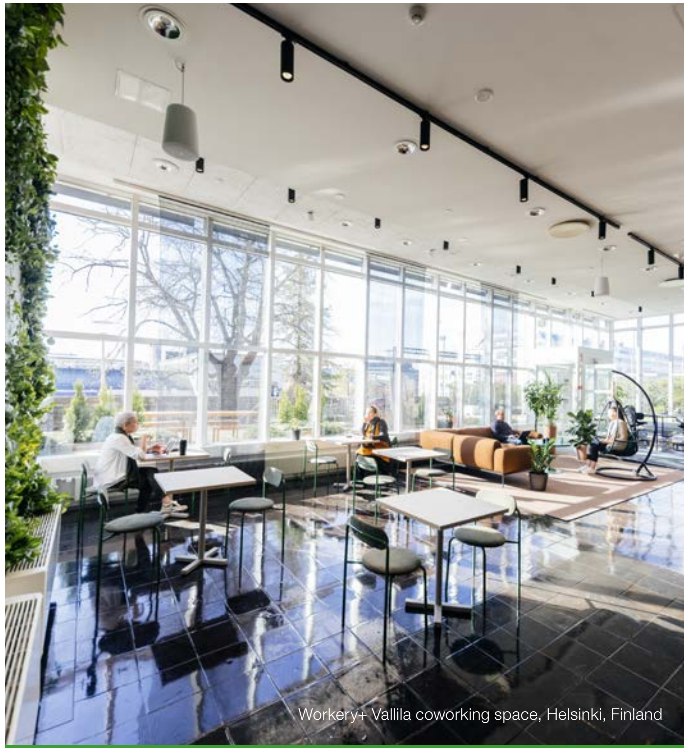
In the Housing business, we are now ready to pursue growth in our selected regions to further strengthen our position. We are currently evaluating our strategic options for our business in Russia. The potential capital release from that business would be primarily used to strengthen the growth of housing production in growing cities in Finland, Poland, the Czech Republic and Slovakia. The market outlook in these regions remains favourable, which supports our growth targets.

The biggest turnaround during the year was achieved in the Business Premises segment. Our determined and thorough efforts to improve project management was bearing fruit and the business is now making steady progress towards best-in-class financial performance. We started a similar journey of change in the Infrastructure business in 2021. We went through our entire project portfolio and made the necessary adjustments. We now have a healthy project portfolio, with the exception of a handful of low-margin projects. This enables continuously improving profitability in the coming years.

The Partnership Properties segment underwent significant restructuring in 2021. The segment's projects, services and balance

"We renewed our operating model, making it even more customer-oriented and competitive."

Markku Moilanen


Workery+ Vallila coworking space, Helsinki, Finland

Our goal is to create sustainable solutions with regard to people as well as the environment.

sheet were re-evaluated and the business model was reshuffled into the new Property Development segment effective from the beginning of 2022. In spite of the changes, the segment's adjusted operating profit was positive. In addition, we now have a strong project development portfolio that enables the implementation of projects with high returns in the coming years. The Lestijärvi wind park sale and the completion of property transactions concerning, Keilalampi and Keilaniemenranta in 2021 indicate that project development provides us with significant earnings potential to us.

We took a major leap forward in sustainability in 2021. We became the first Finnish construction company to commit to the Science Based Targets initiative. As part of the commitment, we will strengthen our previous climate efforts and update our climate targets to make them even more comprehensive. We want to be a pioneer in sustainability in the construction industry and transform the entire industry to achieve improvements related to the environment, occupational safety and human rights. Our goal is to create sustainable solutions with regard to people as well as the environment. Our external stakeholders and financing partners also expect us to take concrete actions in the various areas of sustainability. We responded to these expectations by issuing our first green bonds under our Green Finance Framework. As regards human rights, we specified our operating practices concerning posted workers who are citizens of countries other than the EU/EEA countries and Switzerland. Starting from the beginning of October, our new contracting and subcontracting agreements will require such posted workers to have a residence permit granting the right to work issued by the Finnish authorities. Following our decision, several construction companies operating in Finland adopted the same principle.

All in all, we can be proud of our stabilised and improved performance in 2021. This also required certain tough decisions. In relation to the renewal of our operating model, we conducted cooperation negotiations with our personnel, which led to the termination of certain employment relationships in Finland and the CEE countries. In addition, as part of our strategy work and risk management, we analysed our entire project portfolio, leading to the booking of margin reductions and write-downs of over EUR 100 million in 2021. This had a substantial impact on our result, but this action was needed.

We have now implemented entirely new management systems, processes and controls to ensure that we will not have substantial deviations in our projects in the future. We have a strong grasp of our current projects, and we will conduct careful feasibility studies and risk assessments for new projects. In line with our strategy, we will continue to pursue continuous improvement in project management and implement methods that reduce lead times in our production operations. Going forward, we will also focus even more on the development of the entire production chain, supply chain and logistics processes.

During the year, we managed to reduce YIT's net debt to its lowest level in 15 years. This enables us to pursue significant growth in the housing business in line with our strategy. We have a new operating model led by a new, strong Group Management Team. We have a solid order book, which speaks to our competitiveness and competence. We offer interesting and challenging work to our existing employees and new recruits. Together with our highly competent personnel, we will create better living environments with even greater efficiency, competitiveness and customer orientation. This is a good foundation for building our future success.

I want to take this opportunity to extend my warmest thanks to our customers and shareholders for their trust as well as our employees and partners for their purposeful work and strong commitment to the company during the year of changes in 2021.

Markku Moilanen
President and CEO

We create better living environments – sustainably


Housing cooperative Helsingin Harjus, Helsinki, Finland

YIT IS THE LARGEST FINNISH AND A SIGNIFICANT NORTH EUROPEAN DEVELOPMENT AND CONSTRUCTION COMPANY

Read more

YIT has a strong customer focus and clear mission to create better living environments. We develop and build functional homes for sustainable living, future-proof public and commercial buildings and infrastructure for smoother flow of people, businesses and society. With 110 years of expertise, we make sustainable housing and living easy for people, businesses and society. Through our choices and actions, we want to mitigate climate change and do responsible business every day.

We employ 7,000 professionals in ten countries: Finland, Russia, Sweden, Norway, Estonia, Latvia, Lithuania, the Czech Republic, Slovakia and Poland. Our revenue in 2021 was EUR 2.9 billion. YIT Corporation's share is listed on Nasdaq Helsinki Oy.

GEOGRAPHICAL DISTRIBUTION OF REVENUE EUR MILLION

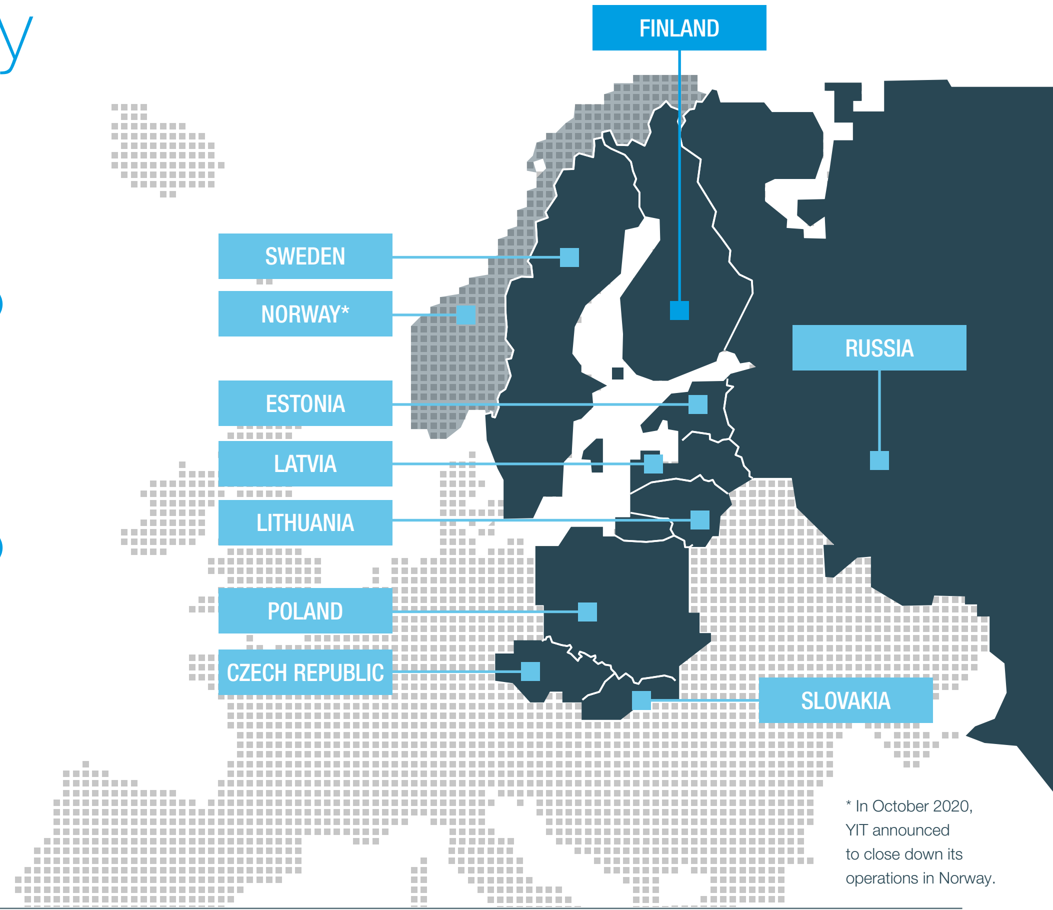
Finland
Revenue: 2,094
Personnel: ~4,000

Russia
Revenue: 204
Personnel: ~1,500

Baltic countries
Revenue: 256
Personnel: ~900

Scandinavia
Revenue: 127
Personnel: ~200

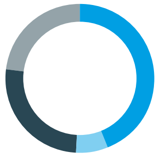
Central European countries
Revenue: 176
Personnel: ~400



* In October 2020, YIT announced to close down its operations in Norway.

Housing
Business Premises
Infrastructure
Partnership Properties

Share of revenue per segment



- Housing Finland and CEE 44%
- Housing Russia 7%
- Business Premises and Partnership Properties 26%
- Infrastructure 23%

Revenue

2.9

EUR billion in 2021

Adjusted operating profit

114

EUR million in 2021

The year 2021 in figures

100 GOOD DEEDS

In our sustainability programme, we have already implemented more than

230

good deeds in the last 10 years.

COMPETENT PEOPLE

#1

the ideal construction industry employer among students and university educated professionals in the field of technology in Finland

SATISFIED CUSTOMERS AND SHAREHOLDERS

Customer satisfaction

52

Net Promoter Score in construction projects scale: -100–100

Dividend proposal for 2021

€0.16

per share

ESG

Carbon dioxcide emissions (CO_2e)

-17%

of our own operations

Occupational safety

8.9

Combined accident frequency (own and subcontractors' personnel)

Maistraatinportti Office Building, Helsinki, Finland

YIT STRATEGY 2022–2025

Focus on sustainable success

Crown Bridges, City of Helsinki, WSP, Knight Architects

Focus on profitability and sustainable growth

Continuing urbanization increases the demand for sustainable, attractive and vibrant urban environments. At the same time climate change requires us to rethink how resources are used. Lifecycle thinking becomes more critical.

Our fundamental mission is to build functional and sustainable homes and environments in growing cities, making sustainable living easy. In addition, we develop, build and renovate schools, hospitals, commercial and public spaces and infrastructure. Our mission is to enable a smoother flow of sustainable living for people, businesses and society.


Tripla, Helsinki, Finland

Our success is based on sustainable development. Sustainable living is a key challenge for our planet – and an opportunity for us.

Read more

THREE STRATEGIC PRIORITIES: FOCUS, PRODUCTIVITY AND ESG

A key objective of our strategy is to seek growth in the housing business and improve profitability. We will strive for more proactive performance and be more focused and selective in our business.

We will focus on construction and project development, and will abandon the services business unless services are closely linked to our core business.

As part of our new strategy, we have clarified our business model. Each segment has its own strategy and clear targets and KPI's. The targets set for the Group as a whole are based on the segment strategies. We are implementing the new strategy through three strategic focus areas: Focus, Productivity and ESG.

MORE FOCUSED BUSINESSES

In Housing, we continue to build functional and sustainable homes and environments, making sustainable living easy. We seek growth in the growing cities of Finland, Poland, Czech Republic, and Slovakia. We have announced that we are evaluating various strategic options in Russia and the potential sale of our Russian businesses would release capital for the acquisition of new plots in growing cities in the above countries. In Housing, our goal is to grow its revenue by over 20% by the end of 2025 with an operating profit margin of over 10%.

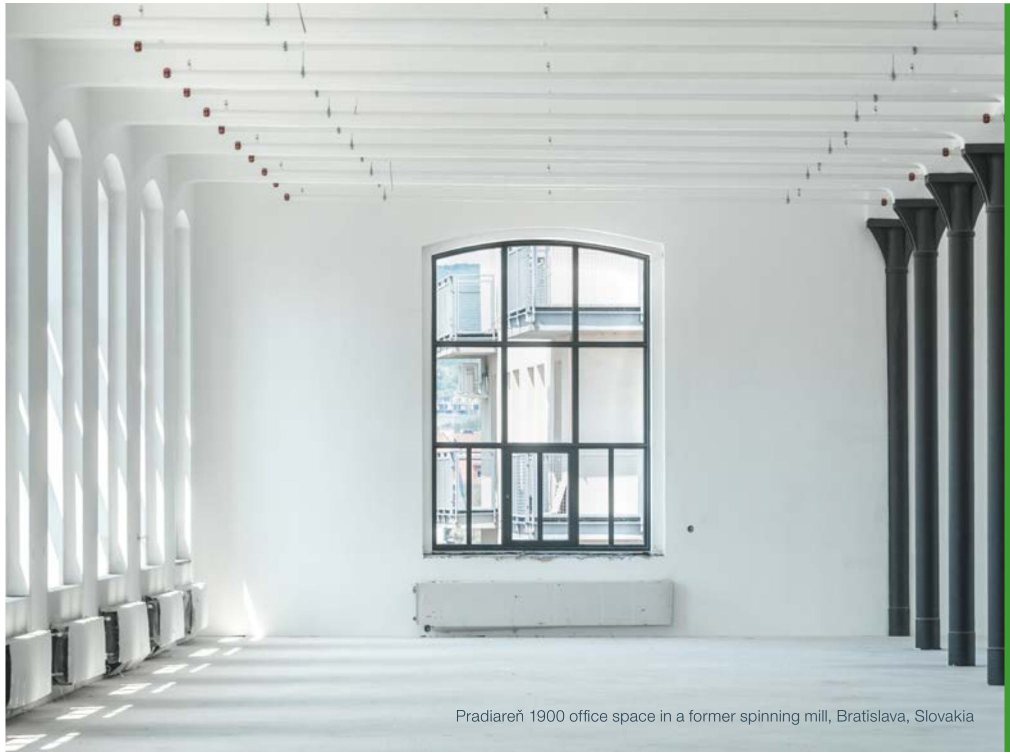
Infrastructure and Business Premises businesses continue to have a strategic role within YIT. In both Business Premises and Infrastructure, we leverage our expertise to deliver strong operating profits and stable cash flow. In Business Premises and Infrastructure, we focus on our profitable core competencies, careful project selection and efficient project execution. Both segments aim to achieve an operating profit margin of over 4% by the end of 2025.

The new Property Development segment will be responsible for YIT's end-to-end commercial and mixed-use project development. The segment will be a customer-centric developer and a best-in-class partner providing attractive investment opportunities for its investor partners. At the same time, long-term ownerships and service businesses will no longer be in focus. Property Development aims to achieve a ROCE of over 10% by the end of the strategy period.

PRODUCTIVITY FROM THE OPERATIONAL MODEL AND SUPPLY CHAIN MANAGEMENT

We have streamlined our operating model to build a customer-centric organisation and improve cost competitiveness.

In the medium term, we will improve the management of our supply chain and exploit economies of scale more effectively and develop industrial construction methods and practices to reduce project lead times.



Pradiareň 1900 office space in a former spinning mill, Bratislava, Slovakia

We commit to the Science Based Targets initiative (SBTi) to limit global warming to 1.5 degrees in line with the Paris Climate Agreement.

Read more

UPDATED ESG STRATEGY WILL SET NEW STANDARDS FOR THE INDUSTRY

On the Environmental criteria, we commit to the Science Based Targets initiative (SBTi) to limit global warming to 1.5 degrees in line with the Paris Climate Agreement. YIT is the first Finnish construction company to commit to reducing emissions from both its own operations and its value chain in accordance with the Science Based Targets Initiative. With this commitment, we strengthen our previous climate work and update our current climate targets to be more comprehensive, which will also reduce our customers' emissions.

On the Social criteria, we will continue our work to develop and build a better living environment. We aim to achieve a 30% reduction in accidents at work by the end of 2025 and invest in strengthening well-being at work and personal development.

On the Governance criteria, we will continue our strict approach on gray economy. Furthermore, we have zero tolerance in corruption, as well as in labor exploitation and discrimination.

We will also take decisive steps to advance ESG matters throughout our supply chains. Going forward, we will require our suppliers to meet the same environmental, social and governance standards as we have set to ourselves. We believe that this will set new standards for the entire industry.

FINANCIAL TARGETS UPDATED

We will measure the success of our strategy by new Group financial targets to be reached by the end of 2025:

OPERATING PROFIT MARGIN:

>6%

GEARING:

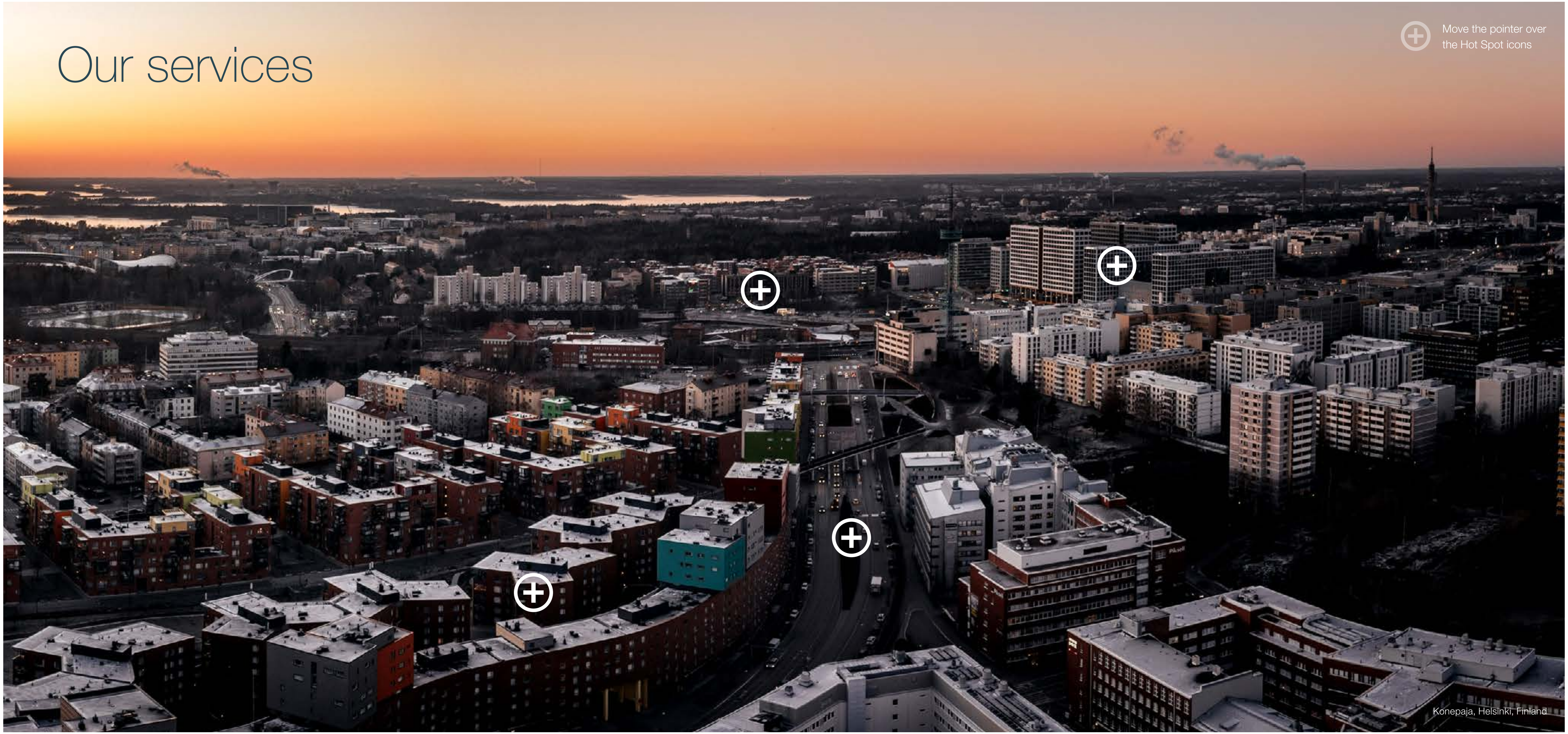
< 50%

DIVIDEND:

stable growth

Our services

Move the pointer over the Hot Spot icons



Konepaja, Helsinki, Finland

Report of the Board of Directors

Maistraatinportti Office Building, Helsinki, Finland

Letter from the Chairman of the Board: A year of changes in 2021

DECISIVE MEASURES STRENGTHENED OUR PROFIT PERFORMANCE

For YIT, 2021 was a year of changes. Markku Moilanen took up his post as YIT's new President and CEO in April. Under his leadership, we started decisive measures to stabilise our profit performance. At the same time, several new members were recruited to the Group Management Team to further strengthen YIT's management expertise.

Our top priority in 2021 was to improve project management and thereby strengthen our profitability. This objective was successfully achieved. While certain challenging projects continued to weigh down on the Group's result, we were able to restore profitability in all of our business segments and improve our adjusted operating profit compared to the previous year.

The most significant financial challenges in 2021 concerned the Infrastructure business. The segment's result has not been satisfactory, which is why we began an in-depth analysis in the spring regarding the Infrastructure segment's situation and possibilities. The result of our analysis was clear: we are a leading urban developer and infrastructure company in several areas in Finland. YIT's Infrastructure business has a very strong and competitive core. It provides a foundation on which we can build an infrastructure business that leads the industry not only in terms of operational quality but also profit performance. The key is to strengthen the project portfolio, continuously develop our competence and systematically adhere to YIT's project practices. I am confident that, under the leadership of the new management, the turnaround of the Infrastructure will be well under way in 2022.

The COVID-19 pandemic affected our business sector throughout the year. The waves of infection in the society created challenges with regard to the availability of labour, for example, but we took appropriate measures and were able to keep our construction sites operational without significant disruptions. I am proud of the work done by YIT's management and employees during this challenging time to maintain health security.

TOP PRIORITY IN 2021 WAS TO IMPROVE PROJECT MANAGEMENT

This objective was successfully achieved. We were able to restore profitability in all of our business segments and improve our adjusted operating profit.

All in all, 2021 was a good year in many respects. In response to the improved profitability, YIT's Board of Directors has decided to propose to the Annual General Meeting that the dividend to be paid for 2021 be increased to EUR 0.16 per share.

OUR NEW STRATEGY WILL MAKE US THE MOST RELIABLE PARTNER FOR ALL OF OUR STAKEHOLDERS

Prior to 2021, our profit performance was characterised by inconsistency. However, at the same time, we recognised that YIT has a strong brand, best-in-class customer satisfaction, talented people and a very strong presence in the Group's key markets. We wanted YIT to have a strategy that leverages these strengths to improve reliability, make our profit performance more predictable and, above all, strengthen our well-deserved position as a leading company in our industry. We wanted to have a strategy that makes us the most reliable partner for our stakeholders.

YIT's new strategy for 2022–2025 was presented in connection with YIT's Capital Markets Day in November. The new strategy brings us back to the basics and focuses our activities on our core competencies. We intend to accelerate growth in Housing and improve profitability in the Business Premises segment as well as the Infrastructure segment. The new Property Development segment, in turn, will improve the entire Group's development and construction margins through active project development and selective co-investments.

"Making sustainable living possible is a major challenge for society but, at the same time, we see it as a tremendous opportunity for YIT.

At the same time, we are assessing our strategic options regarding our operations in Russia. The potential sale of the Group's businesses in Russia would release a significant amount of capital, which YIT could use to accelerate growth in Housing.

The continuous improvement of project management remains a key priority in our new strategy. The Group will focus heavily on project selection, risk management and project management. With regard to the efficiency of construction operations, we seek a performance leap by focusing on lead times as well as the streamlining and digitalisation of production chain, supply chain and logistics processes.

YIT also improved the efficiency of its operations in 2021 by developing a new customer-oriented and cost-competitive operating model. A revised organisational structure that reflects the new operating model was introduced at the beginning of 2022.

Following these measures, we expect the Group's profitability to improve significantly by the end of 2025. Our key targets are to achieve an operating profit margin of at least 6% while keeping the balance sheet strong and paying increasing dividends.

SUSTAINABLE LIVING IS AN OPPORTUNITY FOR YIT

The ongoing megatrend of urbanisation leads to growing demand for sustainable, attractive and vibrant urban areas. Needs are becoming more diverse and requirements are increasing. At the same time, mitigating climate change calls for new ways of utilising resources, and life-cycle thinking is becoming increasingly critical. Making sustainable living possible is a major challenge for the society but, at the same time, we see it as a tremendous opportunity for YIT.

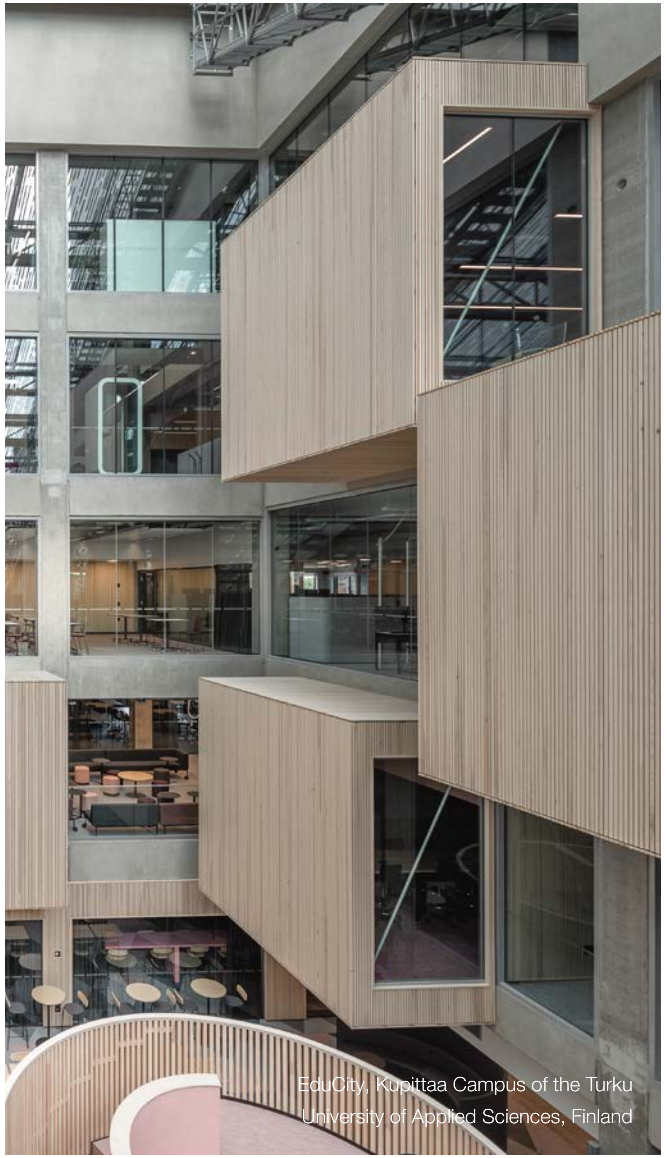
Indeed, one of the key objectives of our new strategy is to expedite our efforts to mitigate climate change. Climate change requires our entire industry to re-evaluate resource utilisation. Requirements related to environmental responsibility are constantly increasing and will play an increasingly central role in both private and public sector projects. At the same time, the consumers' knowledge and requirements are increasing. We believe that sustainability will be an essential precondition for business in the years to come.

At YIT, we want to be the industry leader. To demonstrate this, we decided to commit to the Science Based Targets (SBTi) initiative to limit global warming to 1.5°C in line with the Paris Agreement. YIT is the first Finnish construction company to commit to reducing emissions from its own operations and its value chain in accordance with the initiative.

Even before our SBTi commitment, we have purposefully developed our sustainability practices and promoted emission reductions in our own operations and our value chain. Among other things, we have calculated the carbon footprint of our self-developed projects since the beginning of 2020 and developed lower-carbon material solutions together with our partners – for example, the green hollow-core slab developed in collaboration with Parma has a carbon footprint that is over 40% lower compared to a conventional hollow-core slab. We have also increased the use of renewable energy sources in our projects, including geothermal heat in residential projects, and we have switched to certified green electricity in most of our business operations. In wood construction, we took a big leap forward when YIT's first self-developed wooden apartment building was completed in Tampere. We were the first large Finnish construction company to require non-EU and non-EEA workers at our construction sites to have the right to work granted by the Finnish authorities. We are pleased to note that almost all of the major players in our industry have followed our example.

We cannot change the construction industry's operating practices on our own. To mitigate climate change, we need strategic cooperation between construction firms, designers, construction material suppliers, subcontractors and other parties. At YIT, we will require our suppliers to make the same commitments to environmental, social and governance criteria as we have set for ourselves. We invite the entire industry to join this important effort.

Harri-Pekka Kaukonen
Chairman of the Board



EduCity, Kupittaa Campus of the Turku University of Applied Sciences, Finland

Strategy

YIT presented its **new strategy** for 2022–2025 in November. The objective of the new strategy is to be the most reliable partner to all stakeholders, delivering predictable, market-leading results. The strategy is based on YIT's mission of creating better living environments. YIT is a high-quality property development and construction company with a strong brand, best-in-class customer satisfaction, talented people and strong local presence in the Group's key markets.

To implement the new strategy, YIT introduced three strategic priority areas: Focus, Productivity and ESG. The Group also redefined and clarified its business model. Going forward, all of YIT's business segments will have clear individual strategies and targets.

ALL BUSINESS SEGMENTS HAVE CLEAR INDIVIDUAL STRATEGIES AND TARGETS

In the Housing business, YIT will continue to build functional and sustainable homes and living environments to enable sustainable living. The Group aims to grow the revenue of the Housing business by 20 per cent and achieve an operating profit margin exceeding 10 per cent by the end of 2025. The potential sale of the Group's businesses in Russia would release a significant amount of capital, which YIT could use to pursue growth in the Housing business in the growing cities of Finland, Poland, the Czech Republic and Slovakia. YIT is already a leading housing developer in these growing regions, with a strong track record in operational and financial performance.

YIT's Business Premises and Infrastructure businesses will continue to play an important role within the Group. Under the new strategy, Business Premises will continue to build and renovate commercial and public spaces to ensure the optimal usability of buildings over their life cycle. The Infrastructure business builds networks and facilities to enable a smoother flow of sustainable living. Both segments are well on their way to execute transformations by focusing on the profitable core around their differentiated competencies and by being more selective regarding their projects. Business Premises and Infrastructure target stable cash flow to support the growth of the Housing business. Both segments target an operating profit margin of over 4% by the end of 2025, which would put them among the best in the industry.

The Partnership Properties segment was discontinued at the end of 2021 and replaced by a new Property Development segment effective from the beginning of 2022. The new segment is responsible for YIT's end-to-end commercial and mixed-use project development. The Property Development segment's goal is to improve development and construction margins throughout the Group through active property development and selective co-investments. YIT will no longer focus on long-term ownership or expanding the service business. The target for the Property Development segment is to achieve return on capital employed in excess of 10 per cent by the end of 2025.

MEASURES TO ENHANCE PRODUCTIVITY UNLOCK SIGNIFICANT POTENTIAL FOR IMPROVING PROFIT PERFORMANCE

The new strategy sees YIT tackle challenges related to project tendering and delivery, which have characterised the previous years, by having a rigorous focus on project selection, risk management and project management. The ongoing measures aimed at improving project execution capability are expected to yield a profitability improvement in excess of EUR 50 million by 2024.

In addition, YIT is streamlining its operating model to build a customer-centric organisation and improve cost competitiveness. Through these measures, YIT expects to achieve annual cost savings of EUR 15–20 million by 2023 in continuing operations.

In the medium term, YIT will pursue efficiency improvements and economies of scale in supply chain management and promote industrial construction methods and practices to shorten lead times. These actions are expected to significantly improve the Group's productivity, which will be reflected in improved sales margins by 2025 and beyond.

YIT'S UPDATED ESG STRATEGY SETS NEW STANDARDS FOR THE INDUSTRY

Climate change requires a re-evaluation of resource utilisation. Life-cycle thinking is becoming increasingly important. Buildings account for nearly 40% of global CO_2 emissions each year, which is why significant changes are needed throughout the construction sector.

YIT wants to be an industry pioneer by seeking and providing solutions together with its customers. In 2021, YIT decided to commit to the Science Based Targets initiative (SBTi) to limit global warming to 1.5°C in line with the Paris Agreement. YIT is the first Finnish construction company to commit to reducing emissions from its own operations and its value chain in accordance with the Science Based Targets initiative. With this commitment, YIT strengthens its previous climate efforts and updates its climate targets to make them even more comprehensive, which will also lead to reductions in emissions for YIT's customers.

In the area of social responsibility, YIT will continue to develop and build better living environments for society. YIT builds commercial and public spaces and infrastructure networks that are the foundation of a sustainable society. YIT will continue its determined efforts to reduce accidents at its construction sites, with the aim of achieving an accident-free working environment at construction sites as well as the Group's offices. YIT provides employees with opportunities for personal and professional growth, and the Group aims to maintain its position as a preferred employer in the construction industry.

As regards governance, YIT continues its zero-tolerance policy towards the grey economy, corruption, labour exploitation and discrimination. YIT will also take purposeful action to promote ESG matters throughout its supply chain. Going forward, YIT will require its suppliers to make the same commitments to environmental, social and governance criteria as the Group has set for itself. YIT believes that this will set new standards for the entire industry.

FINANCIAL TARGETS

YIT will measure the success of its strategy against new Group-level financial targets, which are to be achieved by the end of 2025:

OPERATING PROFIT MARGIN:

$>6\%$

GEARING:

$<50\%$

DIVIDEND:

steady growth

The market outlook for the construction sector in YIT's operating regions appears promising, but the Group takes a moderate view towards the market growth assumptions and expects its profitability to strengthen primarily as a result of sharpened focus and improved productivity. YIT also expects to gain a competitive advantage from its ESG commitments.


Community Centre of Keravanjoki alliance, Kerava, Finland

Operating environment

During the year under review, the ongoing COVID-19 pandemic was the most significant factor influencing YIT's operating environment and customer demand. Extensive shutdown measures were seen in several of YIT's operating countries in the early part of the year. These did not, however, have a significant impact on YIT's construction sites due to the precautionary measures implemented in 2020. The demand for business premises began to recover in the spring, boosted by general economic growth and encouraging data on vaccinations. In spite of the pandemic, housing demand remained good in all of YIT's operating countries throughout the year. Towards the end of the year, market uncertainty and pressures in society to tighten restrictions again increased with the arrival of a new variant of COVID-19.

Due to global logistics problems and significantly increased demand, increases in the prices of materials accelerated significantly in the first half of the year, with the outlook subsequently stabilising towards the end of the year. The impact of the higher material prices on YIT's total expenses was less dramatic than the overall price development due to framework agreements and long-term supplier cooperation.

HOUSING MARKET

The demand for housing was strong in all of YIT's operating regions. High demand led to intensifying competition for plots in all countries.

In Finland, the prolongation of the COVID-19 pandemic was reflected in qualitative changes in housing demand: the demand for larger apartments and terraced houses was higher than in the preceding years. Housing loan processes for consumers were slowed down by congestion in banks. Financing with housing company loans was challenging due to caution among banks.

In Central Eastern Europe, the COVID-19 pandemic slowed down the public authorities' permit processes and delayed the official commissioning of completed apartments. Towards the end of the year, labour availability started to become challenging due to the COVID-19 pandemic and political factors.

In Russia, interest rates on housing loans remained at a low level during the first half of the year, supporting demand, but subsequently began to rise towards the end of the year. The government's interest subsidy programme continued, albeit with a more limited scope than previously. Housing prices increased during the year.

REAL ESTATE MARKET

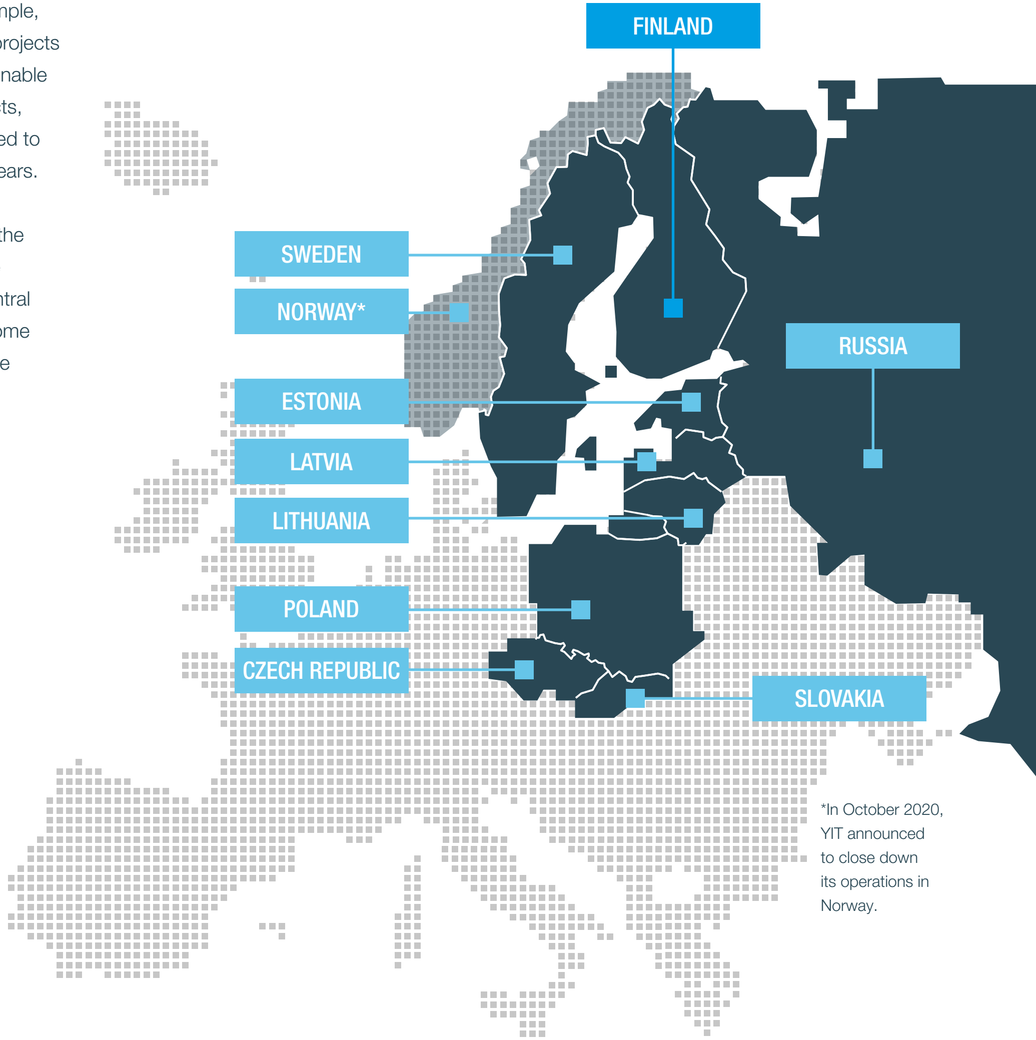
Public demand in Finland remained strong in spite of the COVID-19 pandemic. Activity among private customers increased from the previous year, but the demand for offices and commercial premises remained more cautious than average until the latter part of the year. In the office rental market, uncertainty concerning the need for premises and the growth of hybrid work were reflected in shorter rental agreements and the need for more flexible solutions.

In Central Eastern Europe, labour availability started to become a challence towards the end of the year due to the COVID-19 pandemic and political factors.

INFRASTRUCTURE MARKET

In Finland, the demand for infrastructure projects recovered compared to the previous year as demand associated with public sector projects increased. Railway projects progressed particularly well. Nevertheless, demand did not reach the pre-pandemic level in all areas. The demand for rock tunneling, for example, was characterised by caution. There are several projects currently in the planning stage that support sustainable development. The demand for wind power projects, for example, is strong. These projects are expected to support the infrastructure market in the coming years.

In Sweden, demand was very strong throughout the year, driven by several public sector infrastructure projects and private industrial investments. In Central Eastern Europe, labour availability started to become a challenge towards the end of the year due to the COVID-19 pandemic and political factors.



*In October 2020, YIT announced to close down its operations in Norway.

Financial development

REVENUE

YIT's revenue was EUR 2,856 million (3,069). Revenue was flat in Housing Finland and CEE, increased in Partnership Properties, but decreased in Housing Russia, Business Premises, and Infrastructure.

RESULT

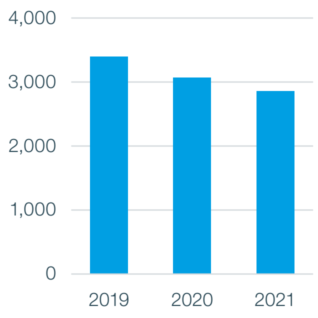
YIT's adjusted operating profit increased to EUR 114 million (85) and the adjusted operating profit margin to 4.0% (2.8). Improved profitability reflects successful turnaround in Business Premises and solid performance in both Housing Finland and CEE and Housing Russia segments. The Infrastructure and Partnership Properties segments' adjusted operating profits decreased slightly.

YIT's operating profit was EUR 65 million (35). The adjusting items amounted to EUR 49 million (50) including, among others, operating profit from operations to be closed in Infrastructure and Housing Russia segments. The result for the period amounted to EUR 4 million (27) and earnings per share EUR 0.00 (0.13).

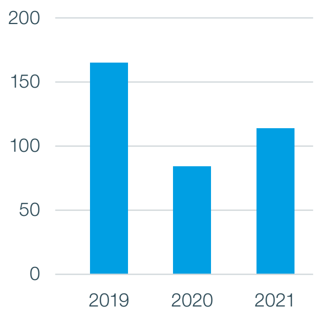
CASH FLOW AND FINANCIAL POSITION

During 2021, operating cash flow after investments was EUR 288 million (336). Cash flow was supported by lower capital employed. The corresponding period included cash flow of EUR 283 million from the sale of the Nordic paving and mineral aggregates businesses. Cash flow from plot investments was EUR -124 million (-155) and cash flow from investments to associated companies and joint ventures was EUR -29 million (-24).

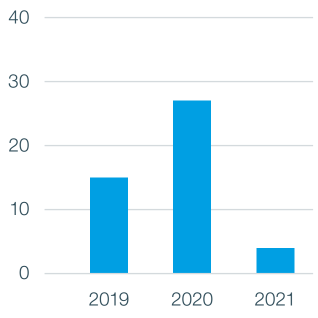
REVENUE (MEUR)

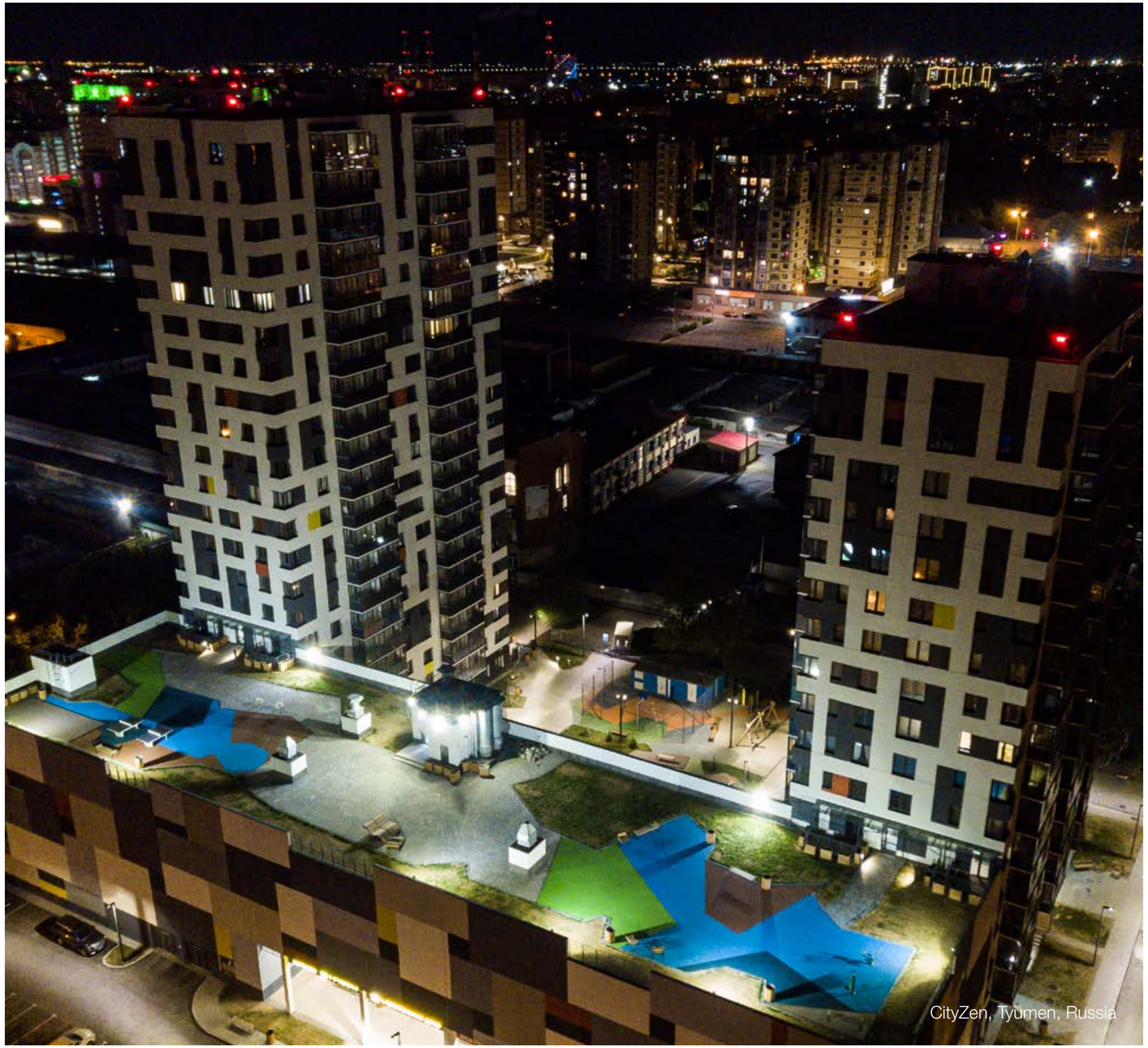


ADJUSTED OPERATING PROFIT (MEUR)



RESULT FOR THE PERIOD INCLUDING DISCONTINUED OPERATIONS (MEUR)





CityZen, Tyumen, Russia

At the end of the period, interest-bearing debt amounted to EUR 751 million (1,114) and net interest-bearing debt was EUR 303 million (628). Net interest-bearing debt included IFRS 16 lease liabilities of EUR 234 million (235), as well as housing company loans of EUR 106 million (163) related to unsold apartments. The key drivers behind the net debt reduction were strong operating cash flow after investments during the last 12 months, as well as the hybrid bond issue at the end of the first quarter of 2021. Gearing ratio was 30% (68) and equity ratio 40% (33). Equity increased to EUR 1,017 million (920). Net debt/adjusted EBITDA ratio was 2.1 (5.0) and interest cover ratio 4.5 (3.0).

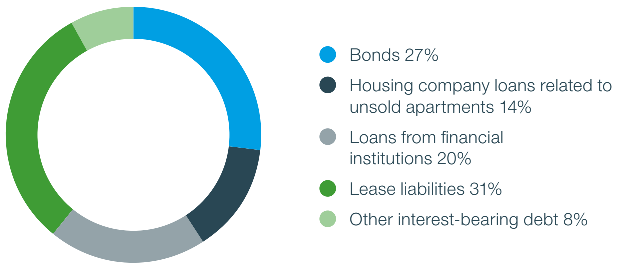
During 2021, YIT launched a Green Finance Framework. YIT also reorganised its debt portfolio by issuing two EUR 100 million senior unsecured green bonds and a EUR 100 million green hybrid bond. YIT also signed a committed EUR 300 million revolving credit facility linked to sustainability targets. The facility will mature during the second quarter of 2024, with an option for one one-year extension. Simultaneously, YIT cancelled its previous EUR 300 million committed revolving credit facility. During 2021, YIT also extended three EUR 50 million term loans with one having a new maturity date in March 2023, and the two others having maturities in November 2023. One of the loans maturing in November 2023 was linked to sustainability targets.

Net finance costs decreased to EUR 30 million (41). Cash and cash equivalents amounted to EUR 389 million (419), and YIT had undrawn overdraft facilities amounting to EUR 32 million (47). Furthermore, a committed revolving credit facility of EUR 300 million (300) was completely undrawn, and undrawn and committed housing company and project loan limits related to apartment projects were EUR 336 million (163).

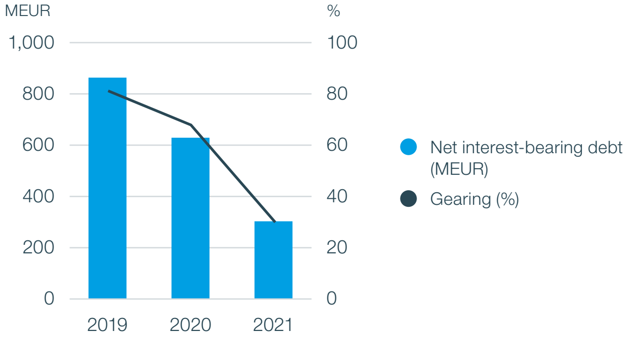
Capital employed was EUR 1,314 million (1,527) at the end of the year, out of which capital employed in Russia was 12% (12) resulting in EUR 161 million (186). Capital employed decreased primarily due to strong apartment sales, low apartment start-ups in 2020 and, consequently, the low number of unsold completed apartments in the housing segments in 2021. In new residential development projects in Russia, the consumer payments for housing will be made to escrow accounts and the funds will be released to the developer from the escrow accounts upon completion of the project. At the end of the period, the Russian escrow accounts amounted to EUR 107 million (55). Equity investments in Russia were EUR 210 million (271). The accumulated RUB/EUR translation difference amounted to EUR 284 million at the end of the year (304), of which EUR 53 million (57) was related to the operations to be closed.

> Net interest-bearing debt was EUR 303 million (628).

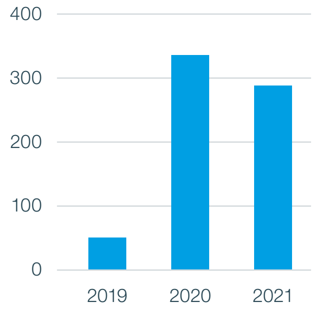
INTEREST-BEARING DEBT PORTFOLIO



NET INTEREST-BEARING DEBT AND GEARING



OPERATING CASH FLOW AFTER INVESTMENTS (MEUR)



Pradiareň 1900 office space
in a former spinning mill, Bratislava, Slovakia

INVESTMENTS AND DIVESTMENTS

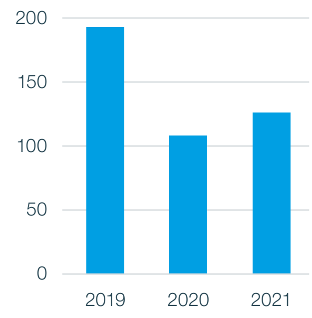
Gross capital expenditure was EUR 32 million (31), or 1.1% of revenue (1.0), of which EUR 22 million (26) was leased. Investments in plots were EUR 110 million (95) and, in addition, investments in leased plots amounted to EUR 16 million (13). The total plot reserve at the end of the year was EUR 748 million (812).

ORDER BOOK

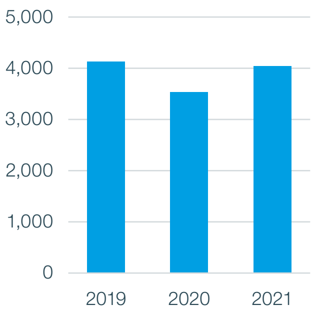
At the end 2021, YIT's order book amounted to EUR 4,042 million (3,528). Order book was stable in Housing Russia and increased in all other segments. At the end of the year, 80% of the order book was sold (82).

Numerous projects were added to YIT's order book during the year, the most significant of which were the implementation phase of the Tammisairaala eye hospital, the Kymenlaakso Central Hospital expansion, the renovation of the Helsinki City Housing Company's rental apartments, a new wastewater treatment plant in Sweden, a metro extension in Sweden, an apartment construction agreement with the City of Helsinki, a parking hall in Turku, Finland, the Crown Bridges project, road maintenance contracts in Veteli, Lappeenranta, Raahe-Ylivieska and Karstula in Finland, the earthworks at Northvolt's facility in Sweden, the construction of Pirkkala school campus in Tampere, Finland, the second phase of the University of Helsinki Main Building renovation, a school centre in Turenki, Finland, and the implementation phase of Tiistilä's school and day-care centre in Espoo, Finland.

INVESTMENTS IN PLOTS (MEUR)



ORDER BOOK (MEUR)




Mäepealse, Tallinn, Estonia

Businesses

YIT had five reportable business segments in 2021: Housing Finland and CEE, Housing Russia, Business Premises, Infrastructure and Partnership Properties.

HOUSING FINLAND AND CEE

Revenue was relatively flat at EUR 1,281 million (1,286) despite the lower number of completed apartments as sales prices and mix developed favourably. Adjusted operating profit was EUR 102 million (108), negatively impacted by the write-downs while underlying operating performance improved.

HOUSING RUSSIA

Revenue decreased by 33% to EUR 204 million (305). Revenue from continuing units was EUR 170 million (204). In the corresponding period, the change in revenue recognition had a positive impact of EUR 57 million. Adjusted operating profit was flat at EUR 26 million (27). The corresponding period was positively impacted by the change in revenue recognition of EUR 5 million, as well as a plot sale of EUR 5 million. Operationally, profitability improved year-on-year due to improved margins and overall efficiency. Adjusting items were EUR 19 million (19), mainly related to operating profit from operations to be closed including certain plot write-downs.

BUSINESS PREMISES

Revenue decreased to EUR 715 million (761). The comparison period included revenue recognition of EUR 50 million from the finalisation of the Espoo Keilaniemi project's Accountor Tower transaction. Adjusted operating profit improved to EUR 10 million (-44), supported by stabilising operational performance.

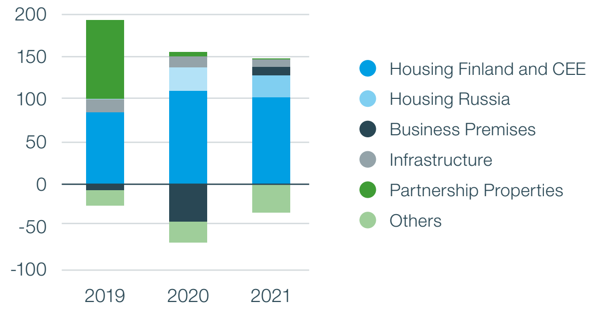
INFRASTRUCTURE

Revenue decreased by 17% to EUR 658 million (791) primarily due to the strict selection of projects, delays in project starts, as well as progress in closing down operations in Norway, Estonia and Latvia. Adjusted operating profit decreased to EUR 9 million (13). Profitability was negatively impacted by margin reductions of EUR 37 million, as Infrastructure strategy and projects were thoroughly analysed, and certain legacy projects were reassessed. The sale of the Lestijärvi wind park had a positive impact of EUR 43 million. Adjusting items were EUR 22 million (13) including operating profit from operations to be closed in Norway and businesses sold in Estonia.

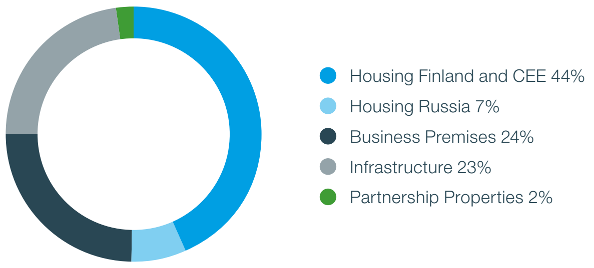
PARTNERSHIP PROPERTIES

Revenue increased to EUR 49 million (17) supported by the progress of certain project development projects. Adjusted operating profit decreased to EUR 1 million (5), negatively impacted by write-downs in certain non-strategic assets. The corresponding period was negatively impacted by the fair value change of EUR 14 million of the Mall of Tripla investment.

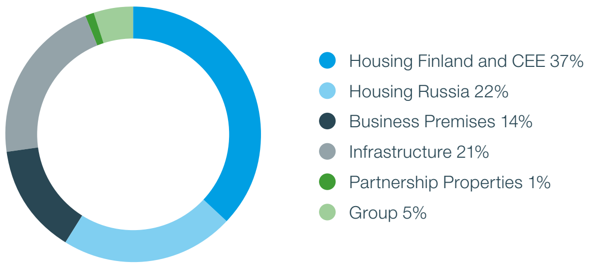
ADJUSTED OPERATING PROFIT PER SEGMENT (MEUR)



REVENUE PER SEGMENT (MEUR)



PERSONNEL BY SEGMENT



Research and development

YIT's research and development activities continued in 2021 according to the themes of the Group's strategy. The Group's research and development investments amounted to EUR 24 million (25), which corresponds to 0.8% (0.8) of revenue. The investments include internal resource allocation and consulting in strategic development programmes as well as technology investments.

STRATEGIC DEVELOPMENT PROGRAMMES

YIT continued its four strategic development programmes in 2021: Performance, Customer Focus, Green Growth and Services Development. The strategic programmes were completed as planned at the end of 2021. Responsibility for the outcomes of the development programmes and the lessons learned from them were transferred in late 2021 to the line organisation and individual continuing development projects as part of the renewal of the Group's operating model.

The Performance programme focused on improving the business mix, pricing, productivity and project management. During the year, special emphasis was placed on deploying practices related to project financial forecasting, consistent project management principles and project risk management at all construction sites. Good results were achieved in all business segments in industrial construction pilot projects aimed at reducing project lead times. The three-year development programme launched at the beginning of 2019 was completed as planned at the end of the year.

The Customer Focus programme focused on developing sales and the customer interface as well as promoting customer focus. After the start of the COVID-19 pandemic in the spring of 2020, the programme focused particularly on the digitalisation of the customer interface. In 2021, development continued on the fully electronic housing sales process and the YIT Plus platform for consumers. The collection, reporting and utilisation of customer feedback from professional customers was also developed further. The three-year programme was completed at the end of the year as planned.

The Green Growth programme focused on integrating sustainable development into business operations. During the year, the focus was on the development of carbon footprint calculation, EU taxonomy reporting, the preparation of the YIT Green Finance Framework and assessing climate targets for the Science Based Targets initiative as part of the Group's strategic development. The share of properties using geothermal heat was significantly increased in new housing development projects, but a strategic review led to the decision to discontinue the development of energy solution services. Going forward, YIT will continue to favour geothermal heat as an energy solution when the conditions are met, but the Group will not pursue geothermal heat as a new business activity during the life cycle. The Green Growth programme was also completed at the end of 2021 as planned.

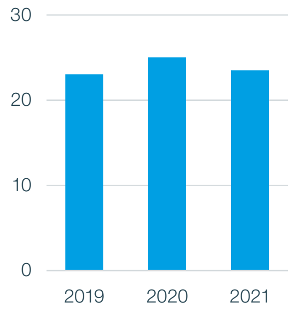
The Services Development programme built new service business models to support YIT's profitability. In spring 2021, YIT launched the Workery+ concept of flexibly leased furnished office space. In April 2021, YIT announced it was acquiring Technopolis' UMA Workspace business in Finland and integrating it to the Workery+ concept. Workery+ Vallila was awarded a Smart Building certificate with a Platinum rating and it also won the Smartest Building Award 2021. The use of data in various stages of the building life-cycle was developed as part of YIT's own service business and in the KEKO development project supported by Business Finland. The Smart Building concept developed in the programme was published in late 2021. In spite of the good results, the decision was made to discontinue the development programme at the end of 2021 as part of the new strategy.

OTHER RESEARCH AND DEVELOPMENT ACTIVITIES

In the financial management development project, YIT continued to harmonise financial and forecasting practices and systems. The first pilot of financial management systems was put into production in Sweden and Norway at the turn of the year 2020–2021. The development of the Group's core data management also continued.

Data-driven management was developed by continuing investments in the development of data and analytics capabilities, focusing on data collection, centralisation, standardisation and compilation.

RESEARCH AND DEVELOPMENT COSTS (MEUR)



Workery+ Vallila coworking space, Helsinki, Finland

Sustainability

This section covers YIT's non-financial information.

SUSTAINABILITY MANAGEMENT

Sustainability is one of the three strategic priorities of YIT's updated strategy. The updated ESG (Environmental, Social and Governance) strategy sets new practices for the industry. YIT also promotes ESG objectives throughout its supply chain. Going forward, our suppliers will be subject to the same ESG requirements as we are.

The Board of Directors is ultimately in charge of sustainability management at YIT. The Board also discusses issues related to sustainability as needed and decides on YIT's long-term objectives. YIT's Group Management Team, led by the President and CEO, is in charge of the operational management of sustainability, setting annual targets and integrating them into the Group's operations. More detailed management practices are described by topic in the following chapters.

During the year under review, YIT continued to promote the mitigation of climate change. The Group's targets include, for example, halving its greenhouse gas emissions from its own operations and self-developed projects by 2030, using 2019 as the baseline. YIT has prepared a Green Finance Framework aimed at supporting investments that promote the transition to a low-carbon circular economy and the Group's other sustainability targets. In late 2021, YIT also announced its commitment to the Science Based Targets initiative (SBTi). YIT sets Group and segment-level targets annually for each key area of sustainability. Progress towards these targets is monitored in accordance with the agreed reporting principles by the Group Management Team as well as the Board of Directors.

Sustainability themes have been integrated into YIT's risk management. The identification and management of risks related to the environment, climate change, personnel, sustainable procurement, human rights, anti-corruption and the grey economy take place as part of the overall risk management and are implemented in accordance with common practices. Risks and risk management are discussed in more detail in the chapter **Risks and risk management**.

Sustainability is part of YIT's management system, the topics of which were expanded during the year under review. Used throughout the Group, the management system is based on the ISO 14001 environmental management system, the ISO 45001 occupational health and safety system and the ISO 9001 quality management system. The Group has ISO 14001, ISO 45001 and ISO 9001 certification in Finland, Sweden, Norway, Estonia, Lithuania and the Czech Republic. In addition, the Group has a certified ISO 50001 energy management system in Latvia.

> YIT is committed to supporting the UN Sustainable Development Goals.

Guiding principles

YIT's Code of Conduct and Sustainability Policy serve as the highest guiding principles for YIT's sustainability.

The YIT Code of Conduct sets out 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 observed always and everywhere at YIT. Everyone at YIT is under an obligation to report any suspected violations. Violations of the Code of Conduct principles always lead to appropriate consequences.

YIT's Sustainability Policy defines the Group's objectives in relation to the key sustainability themes. The Sustainability Policy guides the Group's operations in relation to the environment, personnel and social issues, human rights, economic activities, ethics and corporate governance.

YIT is committed to supporting the UN Sustainable Development Goals (SDGs). The most relevant SDGs for YIT's operations are 11. Sustainable cities and communities, 12. Responsible consumption and production, 13. Climate action, 16. Peace, justice and strong institutions and 8. Decent work and economic growth. The relationship between each SDG and YIT's key sustainability themes are described in the section **Key sustainability indicators**.

Read more

Key sustainability themes

YIT has defined the most important sustainability themes for its operations together with its stakeholders. YIT conducted a stakeholder questionnaire during the year under review. The Group plans to publish its new key sustainability themes, which will be based on the stakeholder survey results, in 2022. The themes selected on the basis of a stakeholder analysis conducted in 2018 still guide the Group's operations. The most important sustainability themes for YIT's operations are as follows:

1. Sustainable, comfortable and safe urban development by utilising the opportunities presented 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 YIT's own operations

Impact of business on the surrounding society

YIT's business has significant and long-lasting effects on the surrounding society. YIT's biggest impact on the society emerges through the results of the Group's operations – such as housing, business premises, properties and infrastructure – as well as projects involving the development of larger urban environments. As the built environment has a life cycle of several decades, even centuries, sustainable design and implementation are highly relevant to the impacts of YIT's operations with regard to climate change, for example.

The positive impacts of YIT's operations include, for example, sustainable and long-lasting living environments offered to customers, regional conversion projects, the development and use of new sustainable products and services as well as YIT's direct and indirect employment effect. YIT is also a significant taxpayer and creates value for its shareholders through dividends and growth in market capitalisation. YIT's negative impacts arise from the use of raw materials and other materials, energy consumption and the resulting greenhouse gas emissions. In addition, waste is generated as a by-product of the Group's operations.

The aim is to reduce the negative impacts by improving the productivity and efficiency of operations, developing existing products in a low-carbon direction and taking advantage of circular economy solutions in YIT's operations.

In line with YIT's strategy, the Group strives to generate positive value for society through sustainable development.

YIT's business model is described in the chapter **Strategy**.

The common house martins residing in a block of houses under the new Raide-Jokeri bridge on the Vantaanjoki River - when building the bridge, these very endangered birds were taken into account with pre-installed artificial nests. The birds also ended up building nests of their own.

ENVIRONMENT

YIT's operations have an impact on the environment through its alteration, the use of natural resources and the long life cycle of its products. YIT strives to reduce its negative environmental impacts with regard to its operations and products. The Group also strives to provide customers with environmentally friendly solutions.

YIT Group's Board of Directors and Group Management Team define the Group's environmental targets and monitor their achievement. The Group's businesses are responsible for putting the targets and development plans into action. The sustainability organisation supports business operations and coordinates Group-wide development projects as well as the Group's sustainability reporting. The general operating principles governing environmental management are described in YIT's environmental principles. The Group also has a procurement policy and a Supplier Code of Conduct, which set out requirements for YIT's partners with regard to environmental responsibility.

In the autumn 2019, YIT set long-term objectives for climate change mitigation:

- Halve the greenhouse gas emissions from its own operations and the materials of self-developed projects by 2030, using 2019 as the baseline
- Enable carbon-neutral heating, cooling and hot water in self-developed projects
- Report CO_2 emissions from 2020 onwards in self-developed projects

To support the achievement of the long-term objectives, YIT has set annual targets at the Group level and the segment level, and the related actions have been incorporated into the segments' annual plans.

At the end of the year under review, YIT also announced its commitment to the Science Based Targets initiative.

Environmental aspects in YIT's own operations

YIT strives to reduce the negative environmental impacts of its operations. The biggest impacts of YIT's own operations arise from energy consumption and waste. The target set by YIT to halve the emissions of its own operations takes into account emissions caused by energy consumption, waste and business flights.

Measures and progress in 2021

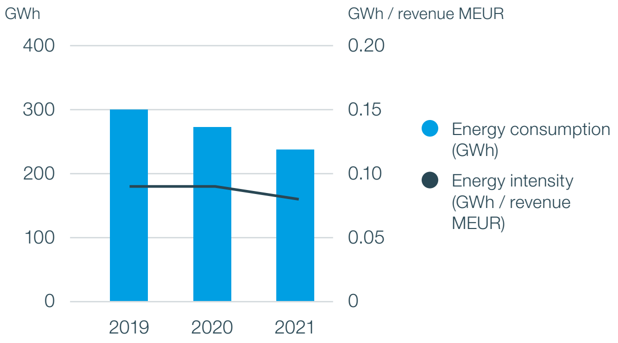
In 2021, YIT focused on further specifying the emission reduction roadmap in its business segments. YIT also assessed the largest emission sources in its value chain and launched an emission reporting development project. YIT reduced its own emission intensity by 17% compared to the previous year. YIT's energy consumption and energy intensity decreased slightly compared to the previous year. Emissions from energy consumption decreased as the use of renewable electricity was extended to Estonia and Latvia and further increased in Finland. The Group-wide share of renewable electricity rose to 78% (56).

Measures were taken during the year to improve the sorting and recycling of waste. In response to the new Waste Act, stricter rules were introduced with regard to the number of waste fractions to be sorted at construction sites. A pilot project was launched during the year under review concerning enhanced work phase-specific waste management planning. The project will continue in 2022. In Finland, the sorting rate of construction sites rose to 77% (70). Total emissions from waste decreased slightly compared to the previous year.

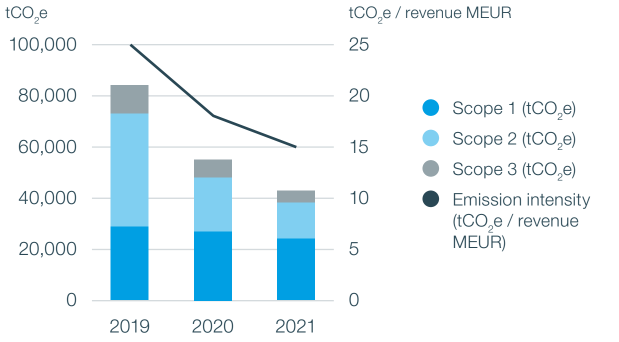
YIT has also prepared a Green Finance Framework aimed at supporting investments that promote the transition to a low-carbon circular economy and the Group's other sustainability targets. Green financing under the framework is one way of supporting the achievement of YIT's climate and sustainability targets.

In order to expedite the achievement of its emission reduction targets, YIT has incorporated the promotion of emission reduction targets into the long-term remuneration of the Group's management.

ENERGY CONSUMPTION AND INTENSITY



GREENHOUSE GAS EMISSIONS AND EMISSION INTENSITY



During the year under review, YIT also started technical piloting of the EU sustainable finance taxonomy. The aim is to produce information on the degree to which the criteria of the sustainable finance taxonomy are realised in YIT's projects and how project management can be developed in such a way as to fulfil the taxonomy targets in the future. More information on our taxonomy reporting is provided in the Taxonomy section of this annual report.

As in the previous year, the number of business flights and the related emissions remained low, mainly due to the COVID-19 pandemic. While the volume of business-related travel remained low, there was a slight increase in business travel towards the end of the year. White-collar employees worked under a hybrid model, combining remote work and in-office work in accordance with the local guidelines.

Environmental observations and a new common reporting platform were implemented in Finland during the year under review. The new mobile tool has simplified the submission of environmental observations and harmonised the procedure with the safety observation system. 270 environmental observations were made at YIT during the first year.

Protecting biodiversity is another important aspect of YIT's operations. The most direct biodiversity impacts of projects take place locally. YIT strives to take into account the conservation of biodiversity and species in the planning of projects and during the construction phase on construction sites.

During the reporting year, there were a few minor environmental deviations, such as minor oil spills, for which corrective measures were taken immediately at the sites in accordance with the action plans.

To bring all project risks under a single plan, YIT created a Group-wide risk management plan that is shared by all business segments in all operating countries. The segments will continue the development of risk management tools in accordance with the plan.

Environmental aspects in YIT's products and services

YIT strives to offer its customers environmentally friendly solutions, and to develop its products and services in a low-emission direction. The design takes into account environmental aspects throughout the product's life cycle. This development is supported by YIT's long-term objectives of halving the life cycle emissions of materials from self-developed projects by 2030 compared to 2019, reducing the carbon footprint of all self-developed projects and enabling carbon-neutral heating, cooling and hot water in self-developed projects. In late 2021, YIT also announced its commitment to the Science Based Targets initiative (SBTi).

Measures and progress in 2021

Life cycle emissions caused by materials used in self-developed projects remained largely unchanged from the baseline year 2019. During the year under review, YIT further specified the emissions of its entire value chain and made a commitment to the Science Based Targets initiative (SBTi). The new targets will be published later when the SBTi organisation has completed its approval process.

The Group-wide work related to the emission reduction roadmap continued during the year on a segment-specific basis. Based on the Group-wide emission reduction roadmap effort that began in 2020, the Business Premises segment carried out an action assessment to clarify how the roadmap can best be utilised in the business segment's operations related to sustainability.

Further research was conducted on emission reduction methods in YIT's projects with the help of academic theses and expert projects. Pilots concerning materials were also carried out, and geothermal solutions were implemented in construction projects. In two projects in the Housing segment, a multi-optimisation project was carried out to examine life cycle, energy and material emission reductions and compare the cost impacts. The academic theses focused on the technical and financial feasibility of lower-emission concrete products in the market and greener products from one supplier of ready-to-use concrete and one supplier of pre-cast concrete elements were tested in YIT's own projects. Construction on the first property to be built using low-carbon hollow-core slabs started in summer 2021. In the Housing segment, geothermal heat was confirmed in 12 properties, which helps reduce the full life cycle greenhouse gas emissions related to heating, cooling and hot water by 49% compared to a property that uses ordinary district heating.

During the year, a preliminary carbon footprint calculation was carried out in the project planning phase of all self-developed projects (100% of all projects). In the Housing segment, the carbon footprint calculation of projects continued during the year under review with project-specific planning phase calculations performed by the project teams and the development of the automation of more precise calculations in the production phase. In addition, calculations were carried out for all self-developed projects and life cycle projects in the Business Premises segment in 2021. In the Infrastructure segment, construction phase calculations were performed in many projects to develop competence and satisfy customer requirements.

In the infrastructure industry, YIT is actively involved in the development of a common carbon footprint calculation model, for example by participating in various network learning events and an interview concerning the Finnish Transport Infrastructure Agency's national emissions database. The rock engineering and road maintenance units piloted carbon footprint calculation as part of academic theses, the lessons of which were implemented in calculations and their development.

In the Business Premises segment, YIT aims to actively support sustainability by developing property operations in a smarter direction. Managing a property's energy consumption is an essential part of minimising the property's life cycle emissions. YIT also strives to enable good indoor air conditions in all of the properties it builds. The optimisation of energy consumption in properties was enabled with the help of a service created by Nuuka Solutions, a service technology company that YIT has invested in, and the Smart Building design guidelines implemented by YIT in 2021. The aim of the minority investments made by YIT's Partnership Properties segment is to promote the development of the real estate sector towards more sustainable solutions, promote the achievement of YIT's climate targets, increase the value of the properties built and owned by YIT and improve the user experience.

The concept behind YIT's Workery+ business premises in Vallila, Helsinki won the Smartest Building Award in the international Real Estate and Building Futureproof event. Good progress was also made in the cooperation launched in December 2020 with a number of partners to accelerate the digitalisation of buildings through the KEKO ecosystem consortium, with the journey towards smarter buildings continuing with the piloting of digital solutions.

In business premises construction, the Espoo partnership school project continued during the year. The project involves the construction of five schools and three daycare centres using the PPP (Public Private Partnership) model, which incentivises the use of sustainable solutions. Based on the client's assessment, the model has made it possible to improve the efficiency of the use of space by approximately 20% compared to the starting point in the early stages of the project. In addition, the properties have an E-value – which measures energy efficiency – that is about 35% lower than the level stipulated by the relevant regulations, the share of renewable energy is over 20% and the customer's requirement of an 80% reduction in CO_2 emissions compared to the 1990s benchmark solution will be met.

YIT utilises various environmental certificates to support design and construction. For example, life cycle projects are planned with customers in accordance with the Finnish RTS environmental classification. During the year, the Vuosaari upper secondary school built by YIT was awarded four RTS stars, while LEED Silver certification was sought for the K3 Logistics North area completed in Vantaa. In addition, BREEAM environmental certification was sought for Finavia's northern extension project at Helsinki Airport. International CEEQUAL certification was sought for the Crown Bridges project in Helsinki and the Sockenplan metro project in Stockholm, and specialists from the Infrastructure segment completed training as CEEQUAL experts during the year under review. In addition, the Tampere Tramway project and Finavia were finalists for the RIL award.

In Russia, YIT is a pioneer in compliance with environmental certification for buildings. During the year, we started construction on four residential projects that will be BREEAM certified. The projects are located in St. Petersburg, Kazan, Yekaterinburg and Tyumen.

Environmental aspects are increasingly prominent in customer wishes and requirements, but also in project performance indicators. For example, the Tampere Tramway Alliance uses various environmental indicators from energy consumption to waste and carbon footprint calculation.

YIT's EU Taxonomy 2021 reporting

Regulatory landscape

The EU launched the Taxonomy for sustainable activities as a part to fulfil the objectives laid out in the European Green Deal. The purpose of the EU Taxonomy is to clearly define which economic activities are considered as sustainable and help steer capital towards these sustainable economic activities. Under the EU Taxonomy act, YIT and other companies subject to the Non-Financial Reporting Directive (NFRD) are required to report their proportion of Taxonomy-eligibility in relation to revenue (turnover), capital and operating expenditures as well as accompanying qualitative information.

As part of the reporting requirements set by the EU Taxonomy, YIT reports its Taxonomy-eligibility for the financial year 2021. Reporting on Taxonomy-eligibility requires identifying YIT's economic activities that are classified in the Taxonomy for the first two environmental objectives, climate change mitigation and adaptation.

Going forward from Taxonomy-eligibility, the reporting requirement of Taxonomy-alignment is enforced from the financial year 2022 onwards. To assess the Taxonomy-alignment of an economic activity, the EU has created three criteria which all need to be fulfilled: substantially contributing to at least one environmental objective of the Taxonomy, doing no significant harm to other environmental objectives, and complying with minimum social safeguards. From the financial year 2022 onwards, four more environmental objectives are also considered in the Taxonomy.

Based on YIT's assessment, the majority of YIT's business is Taxonomy-eligible. However, due to the strict Taxonomy-alignment criteria being introduced from 2022 onward, in the following years, YIT expects the Taxonomy-aligned proportion of its business to be lower than the Taxonomy-eligible proportion reported for the financial year 2021.

YIT's approach to the EU Taxonomy for sustainable activities

YIT's approach to the EU Taxonomy reporting for the financial year 2021 was to assess which YIT's economic activities are included in the Taxonomy to define the Taxonomy-eligibility of YIT's revenue, Taxonomy-eligible capital expenditure and operating expenditure. The scope of YIT's analysis of eligible activities was limited to the largest businesses including both Housing segments and all businesses in Finland and Sweden. The businesses which were classified in the Taxonomy and included in YIT's scoping were identified as Taxonomy-eligible for YIT.

YIT's Group Finance Team including representatives from all business segments together with the sustainability team examined the activities in relation to EU Taxonomy, resulting in scoping the eligible and non-eligible activities. Taxonomy-eligible revenue of YIT is associated mainly to 7.1. Construction of new buildings and 7.2. Renovation of existing buildings. Non-eligible activities included, among others, all road-related operations in Infrastructure segment, as the Taxonomy would require demonstrating that the road infrastructure is dedicated to the operation of zero tailpipe CO_2 emission vehicles. A demonstration in this nature cannot be reliably conducted, and therefore was considered as non-eligible. The businesses scoped out from the assessment have been reported as non-eligible activities in Taxonomy KPI calculations. In reporting the eligibility, double counting was avoided by categorising the external revenue streams into activities. The KPI's were calculated using the consolidated financial information.

YIT's Taxonomy-eligible revenue

Taxonomy-eligible revenue of YIT is associated mainly with YIT's construction of new buildings, including residential construction and construction of other eligible premises and renovation operations of buildings. YIT's total Taxonomy-revenue for the financial year amounted to 2,856 million euros, which reconciles with the top line revenue in the consolidated financial statements in 2021. YIT's Taxonomy-eligible share of YIT's total revenue amounted to 85% for the financial year 2021. The non-eligible share amounted to 15%.

YIT's Taxonomy-eligible Capital expenditure

YIT's Taxonomy-eligible share of total Taxonomy-CapEx amounted to 67% for the financial year 2021. The non-eligible share amounted to 33%. Taxonomy-eligible capital expenditure was calculated excluding capital expenditures related to noneligible activities. The calculation was made using the percentage of eligible revenue of the reportable division in question when it was not possible to exclude a reportable division in whole. However, capital expenditures related to the Taxonomy activity 7.7. Acquisition and ownership of buildings were fully included.

YIT's total Taxonomy-CapEx amounted to 32 million euros for the financial year 2021. The amount comprised of additions to intangible and tangible assets during the financial year including additions to right-of-use assets. A large part of the total Taxonomy-CapEx comes from leased and owned machinery and equipment.

YIT's Taxonomy-eligible Operating expenditure

YIT's Taxonomy-eligible share of total Taxonomy-OpEx amounted to 61% for the financial year 2021. The non-eligible share amounted to 39%. Taxonomy-eligible operating expenditure was calculated excluding operating expenditures related to noneligible activities. The calculation was made using the percentage of eligible revenue of the reportable division in question when it was not possible to exclude a division in whole.

YIT's total Taxonomy-OpEx amounted to 56 million euros for the financial year 2021. The amount comprised of research and development expenditures, direct costs related to building renovation measures, day to day servicing of property, plant and equipment, and costs related to short term and low value leases. A major part of the total Taxonomy-OpEx comes from costs related to leases.

Future outlook

From the financial year 2022 onwards, the reporting of Taxonomy-alignment is required. The requirement for alignment introduces criteria for economic activities to be considered as sustainable. Furthermore, other aspects of sustainability are incorporated to the Taxonomy, as the environmental objectives of water and marine resources, circular economy, pollution prevention and biodiversity and ecosystems are introduced on top of climate change mitigation and adaptation objectives.

In preparation for the expansion of the EU Taxonomy, YIT launched a technical pilot project in September 2021, which aims to investigate how the Taxonomy-alignment criteria are achieved in different YIT's projects and how project governance can be improved to meet Taxonomy-alignment in the future. In addition, the pilot project aimed to identify the information required for future Taxonomy-alignment reporting and how the necessary data can be produced. The project tested the Taxonomy-alignment criteria in a total of nine pilot sites representing YIT's different businesses and design phases. Also, selected parts of the technical screening criteria, such as the chemical requirements, were examined in separate studies.

SOCIAL AND PERSONNEL-RELATED ISSUES

Employee health, safety, well-being and competence development are at the core of YIT's social responsibility and human resource management. YIT aims to be an attractive employer that takes good care of its personnel in all circumstances.

The human resource management approach is documented in YIT's HR principles and based on YIT's values: Respect, Cooperation, Creativity and Passion. The operating practices related to the management of health and safety are described in YIT's occupational safety and health principles. In addition, procurement operations are governed by the procurement policy and Supplier Code of Conduct, which include requirements concerning employees and occupational safety.

YIT's Group Management Team sets out the Group's occupational safety and HR targets and monitors their achievement. The Group's businesses are responsible for implementing the objectives, development plans and measures. Each supervisor is responsible for their subordinates. The HR organisation supports business operations in the aforementioned matters and coordinates development projects and processes.

Measures and progress in 2021

During the year under review, the COVID-19 pandemic continued to affect YIT's operating environment as well as the Group's operating practices and the working conditions of employees. As in the previous year of the pandemic, YIT's primary focus was on ensuring the health and safety of personnel and the continuity of business. Particular attention has been placed on supporting construction sites, ensuring their functionality and allocating resources appropriately.

The preparedness team coordinated instructions and guidelines throughout the Group and ensured open and regular dialogue with personnel representatives. YIT continued to actively cooperate with the national and regional authorities, labour market organisations, occupational health care and other construction industry participants to share information and develop best practices. YIT continued to seek new solutions for ensuring the safety of construction sites and employees; for example, by piloting the use of COVID-19 sniffer dogs and COVID-19 mobile testing at construction sites.

In offices and at construction sites, YIT focused heavily on proactive measures to ensure a safe working environment with the support of separately established country-level preparedness teams. A total of 100 COVID-19 infections were reported among the Group's own employees during the year.

YIT's internal COVID-19 travel policy was observed in business travel between countries. While the volume of travel remained low, there was a slight increase in business travel towards the end of the year. White-collar employees worked under a hybrid model, combining remote work and in-office work in accordance with the local guidelines. Operations at construction sites continued without interruption, except for a few instances where YIT voluntarily closed part of a site or an entire project for days or weeks due to health reasons to facilitate COVID-19 testing. These voluntary testing activities prevented the wider spread of infections and ensured the continuity of operations without significant delays.

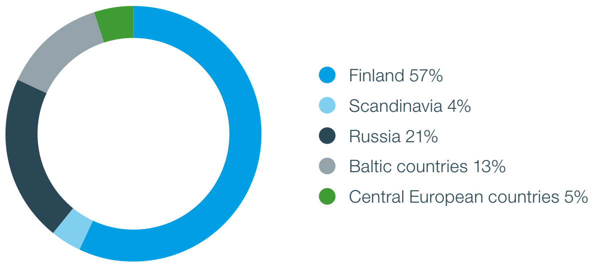
During the year, YIT also piloted a sustainability audit procedure that covers human rights, responsible procurement and good corporate governance.

In January–December 2021, the Group employed 7,088 (7,377) people on average. In spite of the COVID-19 pandemic, YIT was able to provide summer jobs and internships for 797 (804) young people. Women accounted for 25% (24%) of all employees. The number of persons present in employment relationships is used to report the number of employees.

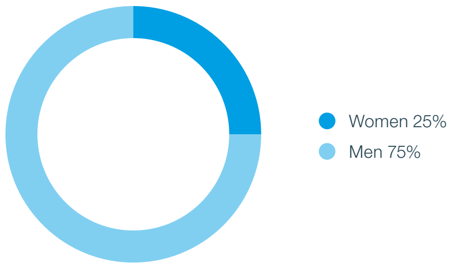
GROUP PERSONNEL

~7,100

PERSONNEL BY REGION



PERSONNEL BY GENDER



Compensation and benefits

During the year, YIT executed its remuneration policy, which aims to strengthen the corporate culture and shareholder value, motivate and engage personnel, support the recruitment of necessary skills and promote the implementation of the strategy. In addition to a fixed salary, YIT has project-based and short-term compensations as well as a long-term incentive programme. The need to update YIT's incentive schemes was assessed during the year.

Personnel expenses in 2021 totalled EUR 370 million (372).

In October, YIT concluded cooperation negotiations concerning white-collar employees in Finland. The negotiations addressed the transition to a more efficient, competitive and customer-oriented operating model as well as the implications for personnel and options related to the planned change. The organisational changes to operate according to the new operating model were started and they were announced to take effect on 1 January 2022.

For more detailed information on remuneration, please refer to YIT's **Remuneration Report**.

Occupational safety

Recognising that every employee is entitled to a healthy and safe working environment, YIT invests heavily in ensuring a safe operating environment.

Measures and progress in 2021

Preventing the challenges caused by the COVID-19 pandemic was one of the main features of occupational safety activities during the year under review. Construction sites focused on maintaining a good level of hygiene and ensuring a safe working environment, even in exceptional circumstances. A hygiene meter was introduced as part of the weekly measurements taken on site at all of our construction sites in Finland. The rate of adoption was 76%. The implementation of weekly measurements was also developed to further promote safe operating practices.

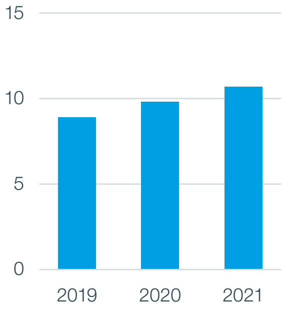
The open reporting of hazardous incidents was again encouraged during the year. The number of reported hazardous incidents increased by 10% from the previous year and amounted to 555. While the total number of serious accidents at YIT decreased, there were two fatal accidents at our construction sites. According to YIT's reporting model, the Group's combined lost time injury frequency (cLTIF) was 8.9 (9.6), including the Group's own personnel and subcontractors.

During the year under review, preventive operating practices were promoted by encouraging the Group's own employees as well as partners' employees to make occupational safety observations and by training personnel. Occupational safety training was organised as planned, mainly using online platforms due to the COVID-19 pandemic. YIT also supported construction sites by maintaining regular internal and interactive communication across various channels. In May, YIT organised a Group-wide internal Health and Safety Week. Later, in the autumn, YIT participated in the Confederation of Finnish Construction Industries RT's Occupational Safety Week in Finland.

The management's commitment to occupational safety has been evident in the active highlighting of occupational safety and well-being in employee information sessions. The management visited construction sites actively in spite of the COVID-19 pandemic. The pandemic situation and local guidelines were taken into account during the visits.

In the Housing segment's capital division, a pilot project aimed at improving the level of occupational safety achieved substantial on-site improvements in safety culture and safety-related procedures. This was accomplished by regular safety walks by managers as well as observation, responding to deviations, giving feedback and sharing good practices.

ACCIDENT FREQUENCY (COMBINED LTIF, ROLLING 12 MONTHS)



Preventive operating practices were promoted by encouraging the Group's own employees as well as partners' employees to make occupational safety observations and by training personnel.

Development of personnel competence and well-being at work

YIT wants to be an attractive employer and offer equal opportunities to its employees. YIT takes care of the competence and well-being of its personnel.

Measures and progress in 2021

YIT's training activities support the long-term strategic and operational development of the organisation and individuals in key business areas. In 2021, the focus areas of competence development included project management, remote and hybrid management as well as establishing a broader understanding of sustainability. Further focus areas included health and safety competencies, urban development, supervisory work, orientation training and change management. YIT has invested heavily in the development of project management competencies with the help of the PRO development programme, which is aimed at elevating YIT's project management to a very high level through the harmonisation of project management practices.

Yearly performance and development discussions are held to set individual annual targets and assess the employee's career opportunities, competence development needs and training needs. Training was mainly organised online as the COVID-19 pandemic continued. The number of online training activities increased from the previous year. To support hybrid work and remote management, remote work training for the entire personnel was continued. The topics included the employee's self-knowledge, managing their own work and interaction skills.

The content of all internal supervisor training was updated in response to future competence needs. A total of 173 (approx. 300) supervisors participated in supervisor training during the year. YIT's internal mentoring programme continued with 36 employees participating. YIT provided a total of 31,867 hours of training for personnel during the year.

A hybrid work survey was carried out among permanent white-collar employees to determine the personnel's preparedness and capacity to work in the changed working environment. The respondents highlighted sufficient recovery, a clear job description, good meeting practices and lunch breaks as significant factors for their well-being. YIT supported the personnel's needs related to remote and hybrid work during the year by further specifying the remote work instructions.

YIT's Voice personnel survey was postponed to the next year due to the extensive changes in the operating model and the several pulse surveys conducted with regard to hybrid work. During the year, the focus was on the implementation of the measures stemming from the previous year's Voice survey and on revising the content and structure of the new Voice personnel survey, taking into account the need for a shorter interval between surveys.

In response to the realities of daily life during the pandemic and the cooperation negotiations concerning the Group's white-collar employees in Finland, YIT piloted a low threshold sparring model to support employee well-being. Low threshold sparring sessions are confidential discussions with a psychologist or psychotherapist. During the last quarter of the year, a virtual video library containing guidance materials supporting mental health and physical well-being was made available to YIT employees.

During the year, significant efforts were made to increase personnel awareness and understanding of key sustainability themes. In Finland, regular information sessions were held for personnel and sustainability was extensively incorporated into internal communications throughout the Group.

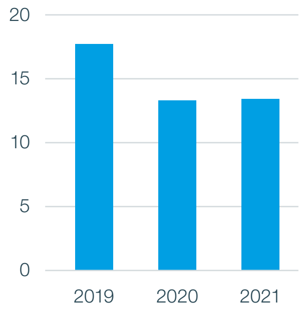
YIT also aims to invest in internal job rotation and career development.

Personnel turnover was 17.7% (13.3). The turnover rate including only resignations at one's own request was 9.3% (7.0).

"Read YIT's guide to identifying and preventing labor exploitation in the construction industry.

Read more

EMPLOYEE TURNOVER (ROLLING 12 MONTHS, %)



RESPONSIBLE SOURCING, HUMAN RIGHTS AND THE FIGHT AGAINST CORRUPTION, BRIBERY AND THE GREY ECONOMY

YIT is committed to good corporate governance and responsible business principles, for example by following responsible tax practices, combating corruption, investing in risk management and committing to combating the 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.

YIT is committed to respecting labour and human rights in its own operations and supply chain, and seeks to identify related risks. YIT ensures that the legal aspects of employment relationships are appropriately observed and that all employees are treated fairly. YIT requires employees from non-EU and non-EEA countries to have the right of employment and residence granted by the Finnish authorities in order to prevent work-related exploitation and other grey economy phenomena. In exceptional cases, YIT's corporate responsibility team may grant an exceptional permit for an employee's short-term work. Such permits must be applied for in advance by the employer. Employees have freedom of association, and in Finland 84.3% (84.3) and in the Group as a whole 51.4% (48.3) of the personnel were covered by collective agreements. YIT does not tolerate any kind of harassment or bullying in the workplace.

The Code of Conduct is the basis for YIT's prevention of corruption, bribery and the grey economy and it documents the general operating principles pertaining to human rights. YIT has a risk management policy that guides the management of the Group's overall risk position and corporate security principles. With regard to procurement activities, YIT has a procurement policy and a Supplier Code of Conduct, which guide operations in the areas of human rights and the prevention of corruption, bribery and the grey economy.

The Group Management Team is strategically responsible for the prevention of corruption, bribery and the grey economy. The Group Management Team is also responsible for respecting human rights and responsible procurement at the strategic level. The internal audit organisation supports the management in the development and supervision of risk management, internal control and good corporate governance.

YIT has a risk management and corporate security organisation that is responsible for developing the Group's corporate security practices. In addition, the procurement corporate responsibility team assists the procurement organisation and construction sites in Finland in, for example, responsible subcontractor practices by providing training and advice as well as by conducting internal audits. The procurement function is responsible for monitoring human rights among subcontractors and in the supply chain. The businesses are responsible for compliance with the YIT Code of Conduct and good corporate governance in operational activities. Each employee at YIT is expected to respect human rights.

In addition, YIT is committed to complying with data protection requirements. Each YIT employee is responsible for compliance with data protection in their own duties. YIT has a Privacy Policy that describes the company's processing principles concerning all personal data. YIT's data protection organisation supports and trains the Group's internal stakeholders, who in turn are responsible for GDPR compliance in their operations.

Measures and progress in 2021

The development of good corporate governance and responsible operating practices continued during the year. Responsible procurement practices were supplemented by YIT issuing strict guidelines to suppliers regarding contract numbering in invoices. Suppliers are required to include in their invoices the number of the relevant contract or other reference to a written purchase order. The request applies to partners that supply materials and/or subcontracting services at YIT's construction sites in Finland. The contract numbering practice is aimed at enabling more transparent and traceable ordering processes for materials and work at construction sites.

The procurement corporate responsibility team developed criteria for corporate responsibility audits in procurement, which included for example YIT's policy on chained subcontracting being subject to authorisation. Corporate responsibility audits in procurement were also piloted in Estonia. In addition, ten (9) corporate responsibility training events in procurement were held during the year, with 233 (120) people from all businesses participating.

Supply chain management is a key aspect of responsible procurement. YIT enhanced its supplier management by updating its minimum criteria for supplier selection, including sustainability requirements such as commitment to the Supplier Code of Conduct. The minimum criteria also include the Group's policy stating that the chaining of subcontracting is subject to authorisation by YIT.

In addition, the category management concept in procurement was developed further during the year by piloting three categories, for which action plans were completed. The model enables category-level analysis instead of division-level or unit-level analysis on the measures needed for YIT to achieve its carbon dioxide reduction targets, for example, while recognising the potential risks related to the category in question and the management of those risks. The category management model can also be used to facilitate the selection of suppliers that are committed to supporting sustainability.

Performance indicators related to the chaining of subcontracting, harmonised by the procurement corporate responsibility team, were adopted in Finland and the CEE countries. During the year, a preliminary induction training that includes information on YIT's sustainability principles and the YIT Ethics Channel for reporting violations was completed a total of 29,305 times by people operating at YIT's construction sites.

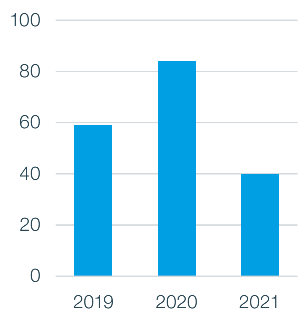
The number of corporate security incident investigations decreased from the previous year to 40 (84). Of these investigations 12 led to criminal claim, end of contract, end of employment contract, or purchase ban. The decrease in the number of investigations is attributable to previous year's increase in incidents related to international procurement, especially in large projects.

YIT's responsible procurement roadmap for 2020–2022 guides the development of responsibility in procurement and includes operational and strategic measures. The roadmap supports the business segments' annual planning. Responsible procurement is coordinated in collaboration between representatives of the procurement management function, sustainability and corporate security.

Progress was made in 2021 with the project launched in Finland in late 2020 to promote responsible procurement and prevent the grey economy, with an analysis of the situation of foreign nationals working at YIT's construction sites being completed in January. An action plan was created on the basis of the analysis. The action plan took concrete form during the year in YIT's policy concerning the right of residence and employment in Finland of posted workers from outside the EU and EEA and the publication of YIT's guidelines concerning indications of work-related exploitation.

In the autumn of the year under review, YIT announced it will enhance its corporate responsibility practices by requiring posted workers from outside the EU, EEA and Switzerland to have the right of residence and employment in Finland. Posted workers are required to have the right of employment and residence granted by the Finnish authorities effective from 1 January 2022. The change entered into force in new subcontracting agreements on 1 October 2021. This policy, which exceeds the Finnish legislative requirements, is aimed at increasing the transparency of the terms of employment and minimising the risks associated with various grey economy phenomena. During the year under review, two publicly listed construction companies subsequently announced they would adopt the same policy. Key construction industry associations have also publicly welcomed the policy. The policy was communicated to those who operate at YIT's construction sites in the preliminary induction for construction sites.

INVESTIGATIONS REGARDING POTENTIAL CRIMES, MISCONDUCT OR OTHER DEVIATIONS RELATED TO CORPORATE SECURITY (UNITS)



The development of supplier audits aimed at ensuring the eligibility of suppliers and subcontractors to be YIT's partners continued and the audit practices were specified further. Group-wide supplier audit guidelines were completed as a result of this development effort. Due to the COVID-19 pandemic, supplier audits focused on development and the aim is for the actual implementation of the new practices to take place in 2022, when the pandemic situation allows it.

Due to the ongoing pandemic during the year, YIT sent regular e-mails to its partners and subcontractors. These messages contained up-to-date information on the COVID-19 situation, restrictions and precautions at YIT's construction sites as well as additional information on COVID-19 vaccination locations and, late in the year, the COVID-19 passport and its potential implementation at YIT's construction sites if future legislation allows it.

KEY SUSTAINABILITY INDICATORS

SDG	Indicator	Unit	2021	2020	2019
11 Sustainable cities and communities	**SUSTAINABLE URBAN DEVELOPMENT**				
	Finance according to Green Finance Framework	€	300 mil.		
	Example project Tripla mall	KPI	LEED Platinum certificate		
13 Climate action; 12 Responsible consumption and production	**ENVIRONMENT**				
	Energy consumption [1]	GWh	237.3	273.1	300.4
	Emissions [1]	tCO_2e	43,001	55,100	84,173
	Scope 1	tCO_2e	24,356	27,033	28,955
	Scope 2 (market-based)	tCO_2e	13,991	20,948	44,026
	Scope 3 (waste and business flights)	tCO_2e	4,654	7,119	11,192
	Emissions intensity				
	Own operations (Scope 1, Scope 2 and Scope 3) [1 2]	tCO_2e/revenue M€	15.1	18.1	25.0
	Self-developed projects (materials)	$kgCO_2e/m^2$/year	9[3]	9[3]	10
	Waste [4]	1,000 tonnes	72	107	148
	Sorting rate (Finland)	%	77	70	46[4]

SDG	Indicator	Unit	2021	2020	2019
8 Decent work and economic growth	**SOCIAL AND PERSONNEL MATTERS**				
	Accident frequency rate, combined (YIT personnel and subcontractors)	LTIF, rolling 12 months	8.9	9.6	10.7
	Fatal accidents (YIT personnel and subcontractors)	qty	2	0	1
	Personnel turnover	%, rolling 12 months	17.7	13.3	13.4
16 Peace, justice and strong institutions	**RESPONSIBLE PROCUREMENT, HUMAN RIGHTS AND THE FIGHT AGAINST CORRUPTION, BRIBERY AND THE GREY ECONOMY**				
	Investigations regarding potential crimes, misconduct or other deviations related to corporate security	qty	40	84	59[5]
	Compliance with the Contractor's Obligations Act (Finland):				
	Subcontracting agreements	qty	approx. 9,228	approx. 8,900	approx 6,800[5]
	Projects	qty	154	166	131[5]

[1]The company announced the sale of its paving business in Estonia in April 2021. With the sale, the company recalculated its emissions in 2019 and 2020. For 2021, emissions from the Estonian paving business have also been removed from emissions reporting.
[2]Turnover used in the calculation of emissions and energy intensity excluding the Estonian paving business.
[3]The company continued to use the updated calculation method during 2021 and carried out the calculation on a project-by-project basis during the planning phase. The change in the calculation method will result in a maximum difference of 13% compared to 2019, with lower results according to the updated method.
[4]The company developed and improved the coverage of waste reporting after 2019. Therefore, the figures are not fully comparable.
[5]Also includes discontinued operations.

More detailed sustainability indicators are reported in a separate **GRI index** and calculation methods of the indicators are described in section **Definitions of non-financial key performance indicators**.

Corporate governance

The starting point for YIT's operations is ethics and adherence to good corporate governance. Detailed information on the company's corporate governance and remuneration can be found in **Corporate Governance Statement** and **Remuneration Report**.

RESOLUTIONS PASSED AT THE ANNUAL GENERAL MEETING

The Annual General Meeting of the YIT Corporation held on 18 March 2021 adopted the 2020 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.

Dividend payment

It was decided that a dividend of EUR 0.14 be paid per share, or a total of approximately EUR 29.3 million, as proposed by the Board of Directors, and that the dividend would be paid in two instalments. No dividend would be paid on treasury shares. The first instalment of EUR 0.07 per share was paid to the shareholders who were registered in the shareholders' register maintained by Euroclear Finland Oy on the dividend record date of 22 March 2021. It was decided that dividends for this instalment were paid on 7 April 2021. The second instalment of EUR 0.07 per share was paid in October 2021. The second instalment of the dividend was paid to shareholders who were registered in the shareholders' register maintained by Euroclear Finland Oy on the dividend record date. At its meeting on 29 September 2021, the Board decided as the record date for the payment for the second instalment of the dividend 1 October 2021 and the dividend payment date 12 October 2021.

Remuneration report for the Company's governing bodies

Remuneration report for the Company's governing bodies was presented to the Annual General Meeting. The Annual General Meeting resolved to support the presented report. The resolution was advisory.

Composition of the Board of Directors and their fees

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 re-elected as the Chairman, Eero Heliövaara re-elected as the Vice Chairman and Alexander Ehrnrooth, Frank Hyldmar, Olli-Petteri Lehtinen, Kristina Pentti-von Walzel, Barbara Topolska and Tiina Tuomela re-elected as 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. The shares were purchased within two weeks of the publication of the interim report for the period 1 January –31 March 2021. In addition to the fixed annual fee, the Board members were 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. Additionally, it was decided that EUR 800 be paid per permanent or temporary committee meeting to a committee member living in Finland and EUR 2,000 to a committee member living elsewhere in Europe. Per diems are paid for trips in Finland and abroad in accordance with YIT Corporation's and tax authorities' travelling compensation regulations.

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

Election of the auditor and their fee

PricewaterhouseCoopers, Authorised Public Accountants, was elected as the company's auditor, with Samuli Perälä, Authorised Public Accountant, as the chief auditor. The auditor's fees would paid according to the invoices approved by the company.

Repurchase of the company's own shares

The Annual General Meeting authorised the Board of Directors to decided on the purchase of company shares as proposed by the Board of Directors. The authorisation covered 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 18 March 2021 The authorisation is valid until 30 June 2022.

Share issues

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 21,000,000. The Board of Directors has the right to decide on all terms and conditions of issuing shares. The authorisation reversed the authorisation to decide on share issues by the Annual General Meeting on 12 March 2020. The authorisation is valid until 30 June 2022.

ORGANISATION OF THE BOARD OF DIRECTORS

YIT Corporation's Board of Directors held its organisational meeting on 18 March 2021. 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 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.

SHARE-BASED INCENTIVE SCHEME

YIT has implemented a share-based incentive scheme for key employees decided by the Board of Directors of YIT Corporation on 16 March 2020.

The earning periods of the incentive scheme are for three years. A potential bonus will be determined on the basis of the indicators decided annually by the Board of Directors of YIT Corporation for each earning period and their target levels. Return on capital employed, absolute TSR (Total Shareholder Return) and the Group's Net Promoter Score (NPS) have been set for 2020–2022. The Board of Directors also decides on the approximately 260 key persons from different YIT countries to be included in the incentive scheme for each earning period.

After the three-year earning period and the confirmation of the annual report, the shares are transferred to key persons employed by the company. A maximum of approximately 2,100,000 gross shares can be distributed each year. Furthermore, the Board of Directors recommends that the Group Management Team member aims to hold along with the long-term incentive program YIT shares with the value of half of his/her annual salary as long as he/she is the member of the Group Management Team. The President and CEO aims to hold YIT shares with the value equivalent to his annual salary. Under all circumstances, the Board of Directors has the right to amend the bonuses in a reasonable manner.

The target of YIT's remuneration policy is to strengthen the company culture and shareholder value creation, motivate and commit personnel, support to retain and recruit the talents needed, as well as promote strategy execution.

CHANGES IN COMPANY MANAGEMENT

Markku Moilanen started as the President and CEO of YIT Corporation on 1 April 2021.

Ilkka Tomperi started as Executive Vice President of Property Development segment and a member of the Group Management Team on 1 August 2021.

Pasi Tolppanen started as the Executive Vice President of Infrastructure segment and a member of the Group Management Team on 24 August 2021. Previous Executive Vice President of Infrastructure segment, Harri Kailasalo, left the company on 1 April 2021.

Tuomas Mäkipeska started as Chief Financial Officer and a member of the Group Management Team on 1 November 2021. YIT's previous CFO Ilkka Salonen had requested to leave YIT to focus on board membership and advisor roles in the future.

Juhani Nummi, EVP, Development, left the company on 31 December 2021. His tasks were shared between the CFO and the segment development leads.

Pii Raulo, EVP, Human Relations, left the company on 31 December 2021. Minna Korander, VP Business Partner of Infrastructure segment, started as Interim EVP, Human Relations and member of the Management Team from 1 January 2022.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Risks and risk management

The purpose of YIT's risk management is to promote the achievement of the objectives set for YIT's operations and ensure the continuity of operations.

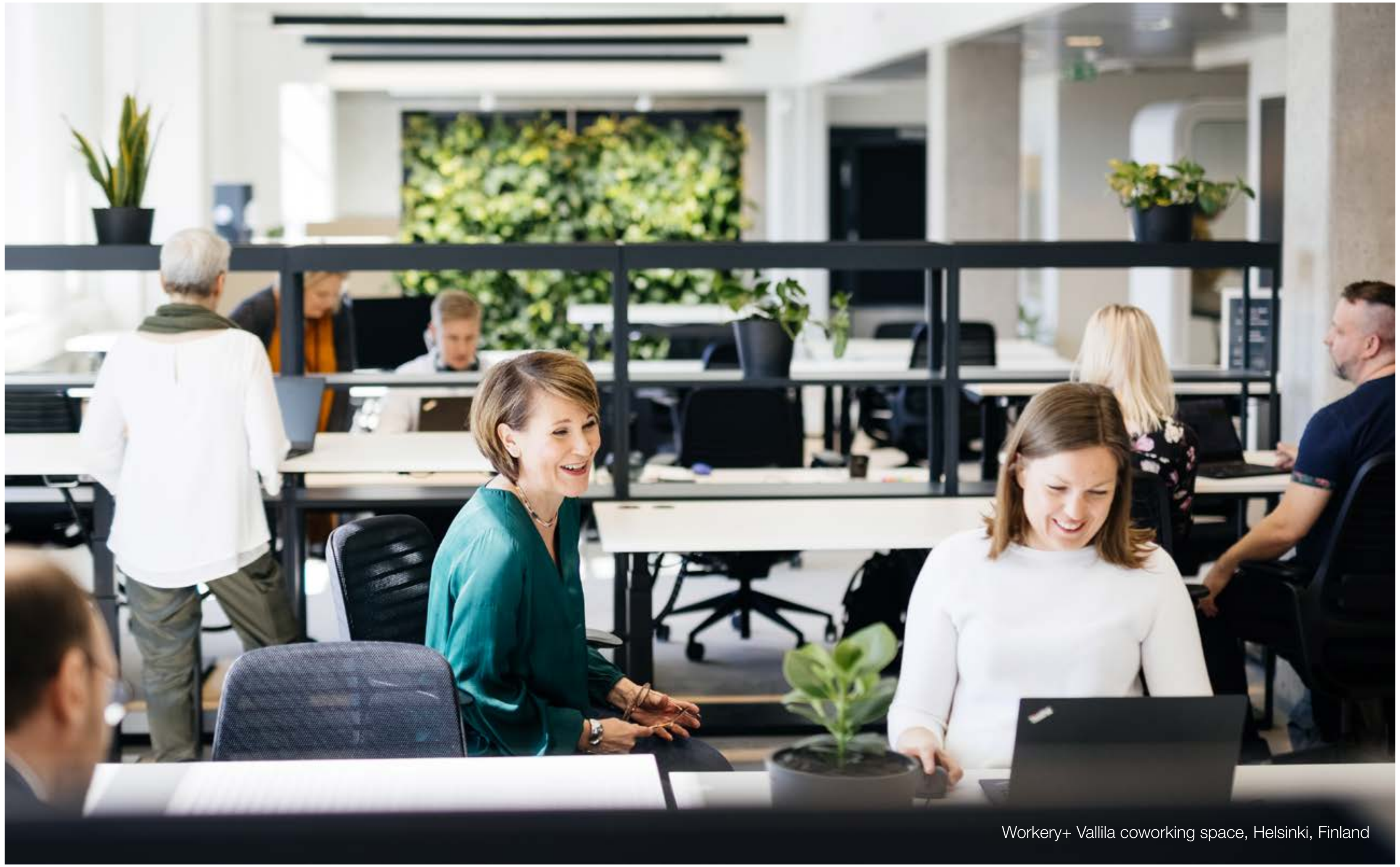
YIT's risk management policy guides the management of the company's overall risk portfolio. The risk management policy describes the main principles of risk management at YIT, the risk management model and the key risk management processes. The risk management policy is approved by YIT's Board of Directors. The Board of Directors guides and supervises the planning and execution of risk management and approves the company's risk-taking ability and risk appetite. The Group's President and CEO has the overall responsibility for risk management. The President and CEO is responsible for the organisation, monitoring and implementation of risk management as well as the development of the risk management strategy. Business and support functions are responsible for risk management practices for their own part.

Risk management is incorporated into all of the Group's significant operating, reporting and management processes. Risk management planning, risk exposure assessment and risk analyses of the operating environment are part of the annual strategy and planning process. In addition, material changes in risks and risk exposure are reported and monitored on a monthly and quarterly basis in accordance with the Group's governance and reporting practices.

YIT has categorised the risks that are significant to its operations into strategic, operational, project-related, financial and event risks. The main characteristics of the internal control and risk management systems related to the financial reporting process are presented in the corporate governance statement.

YIT's business is project-based, which is why uncertainty related to project portfolios and individual projects is key to risk management. Project portfolio risk management is implemented in connection with, for example, annual planning, project selection and business reviews. A gate model is used in the risk management of individual projects, with each gate including a risk review. Risks in the implementation and maintenance stages are also managed with the help of harmonised project risk management principles and tools.

The main characteristics of the internal control and risk management systems related to the financial reporting process are presented in the **Corporate Governance Statement**.



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MOST SIGNIFICANT SHORT-TERM BUSINESS RISKS

Strategic risks

RISK	RISK DESCRIPTION	RISK MANAGEMENT
Market risks	• The general economic development, functioning of the financial markets and the political environment in YIT's countries of operation have an impact on the Group's business operations. • Negative developments related to purchasing power, consumer confidence, business confidence, the availability of financing for consumers or businesses and the general interest rates may weaken the demand for YIT's products and services. They also affect the parameters used for the measurement of balance sheet items at fair value. • Declining prices for assets sold or owned, or an increase in investors' yield requirements, present a risk for the Group's profitability should these risks materialise. With regard to pricing, the risk increases if increases in input prices cannot be passed on to selling prices or protected, especially in fixed-price contracting. • Changes in customer preferences and in the competitors' offerings present risks related to the demand for the Group's products and services. • New competitors, business models and products may pose risks related to the demand for the Group's products and services. • Higher prices or interest rates, the increased supply of rental housing or the weakening of tenant demand in the business premises or residential market, and better yields of alternative investments, may lead to a decrease in investor demand. • Increased supply, slower population growth or depopulation may present a local risk for housing demand.	• Continuous monitoring and analysis of market developments. • Financing and project model solutions implemented with partners. • Continuous monitoring of yield requirement levels, tender portfolio and sales situation. The Group reacts to changes in the market situation by refraining from exceeding the risk limits associated with production, completed projects and capital. • Contract structures and practices that enable the Group to hedge against the negative effects of price changes. • Ensuring competitive products and services that correspond to customer demand. • Alternative investors and users are assessed for projects starting from the design phase. Projects are designed to be as flexible as possible so that the spatial solutions serve different groups of customers and users.
Climate change and the taxonomy	• Global climate change may present physical, legislative, technical, financial, market and reputation risks to YIT's business. • Extreme weather, such as considerably higher annual rainfall, may lead to increased costs, changes in planning processes or delays in production. • Significant changes in legislation (for example taxonomy), investor requirements or customer demand related to climate change or taxonomy procedures and to the interpretation of new reporting legislations may have an adverse impact on the Group's operating environment. • Costs related to CO_2 emissions, emission reduction or the taxonomy requirements may create pressure with regard to the supply chain or the development of new solutions as the construction industry needs to transition to alternative building materials and find more effective ways to reduce emissions. • Increasing sustainability-related requirements among customers, investors and other stakeholders may be reflected in YIT's customer demand, financing conditions and attractiveness as an investment or development partner.	• Detailed analysis and impact assessment of climate-related risks and opportunities as well as taxonomy requirements. • Proactive action and setting ambitious goals to develop operations in a sustainable and climate-friendly direction. • Active cooperation and dialogue with stakeholders in the value chain to develop alternative construction materials and solutions. • YIT's proactive project and product development, piloting new solutions and active cooperation throughout the value chain.
Strategic development projects and strategy implementation	• The Group may not be able to implement or adjust its strategy in its operating environment, or the chosen strategy may prove to be incorrect, which may have adverse impacts on YIT's financial performance.	• YIT has redefined and clarified its business model and presented three strategic priority areas: Focus, Productivity and ESG. YIT has also updated the financial targets used to measure its performance. • Going forward, all of YIT's business segments will have clear individual strategies and targets. The new management model brings business development closer to the operational level. • Regular monitoring of strategy implementation, reviewing plans and introducing corrective measures as necessary. Flexibility of the strategy and continuous assessment of alternative paths.

RISK	RISK DESCRIPTION	RISK MANAGEMENT
Country risks	**Finland** • Finland accounts for a significant share of the Group's business, which underscores the significance of Finland's economic development for YIT's business. • Slowing growth in the Finnish economy, migration and increasing public sector debt may weaken consumers' purchasing power and general confidence, which would have a negative impact on the demand for apartments and business premises. An increase in public sector debt can make it more difficult to finance infrastructure investments, especially in the municipal sector. • In Finland, disruptions or significant changes in project financing and housing company loans can affect YIT's ability to finance construction-time costs and have indirect impacts on customer demand, especially in the consumer market. **Russia** • There are uncertainty factors related to the economic development of Russia in the long term. Fluctuation in the price of oil and the volatility of the rouble, legislative changes, state subsidies, geopolitical tensions and inflation may affect the demand for apartments due to weakening purchasing power and consumer confidence. Weakening purchasing power and oversupply of housing would also have an impact on the development of apartment prices, should they materialise. • There are uncertainty factors related to activities by the authorities, permit processes and their efficiency. Amendments to the legislation on housing transactions in Russia may cause disruptions to the financial transactions of companies and current contractual structures, as well as increase the amount of capital employed. The role of banks in supervising the legislation has been increased, and the incomplete nature of the supervisory process can cause uncertainty. • Domestic and foreign policy tensions in the EU, the USA and Russia may affect construction demand, complicate business or be reflected in sanctions, for example, which can have an impact on the Group's business. **Central and Eastern Europe** • There are uncertainty factors related to the operations of the authorities, permit processes and their efficiency, which may result in significant delays to project development. • Increase in political risks might affect demand or in other ways hinder business. • Increased risk related to labour and migration from outside the EU, for example.	**Finland** • Continuous monitoring of the economic development of Finland and public investments. • Managing risks related to project financing and housing company loans by means of the efficient allocation of working capital and financial reserves and the use of capital, shortening lead times and ensuring sufficient funding capacity. Developing project funding models and cooperation with partners. **Russia** • In Russia, YIT operates in self-developed housing production, which is seen as less susceptible to political risks. The demand for housing has remained at a good level in Russia even during the COVID-19 pandemic. In self-developed housing production, start-up decisions and changes in selling prices can be more effectively used to manage price risks compared to contracting-based production. • Continuous monitoring and analysis of Russia's economic development and legislation, both internally and by using external specialists. Active monitoring of tied-up capital and the financial forecasts for projects. • Close dialogue with the authorities to ensure handovers and the processing of permits. YIT has been able to respond effectively to the changes the Russian legislation governing housing transactions, even though the impacts of the changes in the amount of tied-up capital have been unfavourable for the Group. • Continuous monitoring of sanctions and related circumstances, updating guidelines and practices related to sanctions and relevant training. **Central and Eastern Europe** • Close engagement with the authorities to ensure handovers and the processing of permits. • With regard to political risks, self-developed housing production is a relatively low-risk business, where demand has remained at a good level in spite of the general uncertainty. Changes in selling prices and the continuous monitoring of sales make it possible to manage price risks better than in contracting-based production. • The mobility of people and labour from outside the EU has decreased during the COVID-19 pandemic due to the restrictions imposed by the authorities. Increasing attention has been paid to the terms of employment and human rights issues in YIT's production and procurement activities.
Changes in legislation and requirements	• Changes in legislation and the authorities' permit processes may slow down the progress of projects, have a negative impact on net debt, increase the need for equity or debt financing or prevent additional funding from being realised. • In individual projects, zoning, building permits and approvals and interpretations by the authorities, among other factors, can cause risks and, for example, postpone the order book, revenue or profits from one quarter or year to another.	• Continuous monitoring of changes in legislation and regulations. Active participation in zoning and planning to support risk management. Comprehensive identification and assessment of risks that affect projects and the project portfolio before making tender or start-up decisions. • Active dialogue with stakeholders and the authorities throughout the project life cycle. Proactive project risk management in such a way that last-minute decisions or changes do not have a significant impact on the start or completion of projects and consequently on financial indicators.

RISK	RISK DESCRIPTION	RISK MANAGEMENT
Corporate governance	• The industry's special characteristics, the geographical dispersion of the Group's operations, the large number of contracts and the fixed-term nature of projects may present risks related to the prevention of corruption, bribery, the grey economy and labour exploitation, for example.	• YIT is committed to good corporate governance through compliance with laws and regulations. • YIT has updated its sustainability strategy. YIT continues its zero-tolerance policy towards the grey economy, corruption, labour exploitation and discrimination. YIT is also undertaking purposeful action to promote sustainability-related issues throughout its supply chain. Going forward, YIT will require its suppliers to make the same commitments to environmental, social and governance criteria as the Group has set for itself. YIT believes that this will set new standards for the entire industry.
Reputation risks	• Topics discussed in the media in relation to the construction industry or YIT's operations may reduce trust in the Group and have a negative impact on YIT's reputation. Such topics include the grey economy, the human rights and labour rights of foreign employees and quality problems in construction.	• Continuous development of the Group's governance model, preventive risk management and monitoring practices in connection with sustainability issues in procurement, for example. • Quick, reliable and open communication with stakeholders. • Crisis communication principles. Media monitoring. Managing crises on social media.
Investments & divestments, mergers and acquisitions	• The Group's investments, divestments, mergers or acquisitions may prove to be contrary to the implementation of the strategy or fall short of meeting the set objectives. • YIT is considering different strategic alternatives regarding its operations in Russia; examples of the uncertainties involved include the potential selling price, transaction risks, non-recurring costs related to changes and risks associated with operations potentially excluded from the sale. Changes in the operating environment or in the performance of the local company may influence the alternatives and their feasibility. In certain scenarios, the accumulated RUB/EUR translation difference would be recognised as an expense in the consolidated income statement, but this would not affect the Group's total equity or cash flow. The identified risks also include the general uncertainty associated with the situation, counterparty risks and the completion of a potential sale.	• YIT applies the gate model in the preparation of investments and divestments and related decision-making as well as the gate-specific approval practices and criteria stipulated by the model. Individual investments and divestments must be in line with YIT's investment policy and satisfy the criteria of the gate model, including risk assessment before approval. • Starting an acquisition or divestment process for a business of material significance and decision-making on the final transaction is always subject to approval by the Group's President and CEO, the Group Investment Board, the Investment and Project Committee of the Board of Directors and YIT Corporation's Board of Directors. • Processing and decision-making related to acquisitions and divestments (the acquisition or sale of a legal entity [share transaction] or business [asset deal]), where the purpose of the transaction is to acquire or divest a business, is conducted in accordance with YIT's gate model for acquisitions and divestments and the relevant gate-specific approval practices and criteria. • In processing and decision-making concerning associated companies and joint ventures, YIT applies the gate model of the company in question and the relevant gate-specific approval practices and criteria. • Investing in a joint venture or setting up a business or selling a share and leaving the structure always requires the approval of the Group's President and CEO and the Group's Investment Management Team. The above-mentioned decision-making and control measures are intended to ensure that the objectives in accordance with the criteria of YIT's strategy and investment policy are met. • Risks have been identified as part of the identification and possible differentiation of Russia's strategic options. The risks associated with the possible leaving of Russia are regularly updated and assessed. Particular attention has been paid to business continuity risks in the transition phase, communications and ICT risks.

Operational risks

RISK	RISK DESCRIPTION	RISK MANAGEMENT
Resources and personnel	• The availability of the human resources necessary for achieving the planned production volume may prevent production according to plan. • Cyclical fluctuations in the construction market may affect the price level and availability of human resources, such as construction site management. • Competitors' need for human resources presents a risk of losing key personnel and expertise. • Changes in the scope of business operations can consume key employees' time, cause uncertainty among the personnel and activate competitors to attempt to elicit personnel. • Personnel changes in key positions.	• To support the identification of human resource risks, YIT annually creates a proactive personnel and training plan that outlines, in accordance with the Group's strategy, the competence needs, personnel needs and potential attrition due to retirement, for example. • Plans to engage the commitment of the personnel, also in business change situations. • Competitive and fair compensation and benefits. • Ensuring a systematic and goal-driven recruitment and resource allocation process. • Wide-ranging development of skills and competencies as well as succession planning.
Risks related to occupational safety and human rights	• Occupational safety risks, typically various accidents and hazardous situations that primarily lead to injury or material damage. Most accidents at work are related to movement, such as tripping, falling and slipping at construction sites. Hazardous situations arise in relation to falling materials during lifting or when employees work above or below other workers. • Risks related to respecting human rights, such as working conditions, harassment, racism, discrimination and other unethical conduct. The chaining of contracts makes transparency more difficult.	• Preventive occupational safety measures, such as safety planning, management walks, safety observations, on-site weekly meeting and safety briefing practices, orientation and training. Investigation of accidents and hazardous situations and internal communications. • Supplier requirements related to labour and human rights. Special attention is paid to risk management related to risk identification and the chaining of contracts.

RISK	RISK DESCRIPTION	RISK MANAGEMENT
Procurement risks	• The high level of subcontracting in the construction industry and specialisation of areas of expertise may involve risks. • Foreign labour can involve risks, such as the realisation of labour and human rights. The mobility of labour within the EU has grown and the volume of labour from outside the EU has increased. • Availability and delivery disturbances can delay the implementation of projects and incur additional costs. • Procurement-related sustainability issues and internationalisation may cause risks and significant adverse reputational impacts related to the realisation of labour rights and human rights as well as challenges associated with the management of chained contracts. • The delivery times, availability and prices of construction materials may vary due to global supply chain challenges.	• The efficiency risk of the procurement function is managed as part of project management, in addition to which the use of standard solutions will be increased. Reducing supply chain risks through effectively managed lean construction. • Proactive risk management in the planning phase of projects and the selection of partners. Use of annual contracts and forecasting purchases. • YIT aims to develop mutually beneficial long-term relationships with its partners. Continuous development of sustainability-related matters in procurement; for example, ensuring compliance with own obligations throughout the supply chain. The use of subcontracting chains is always subject to permission at YIT. Engaging suppliers' commitment to the Supplier Code of Conduct. • Continuous monitoring of supply chains and partners through information systems and audits. • Requiring the contract number related to the order for all invoices allocated to YIT's construction sites. • Enabling the detection of human rights violations through YIT's Code of Conduct and the YIT Whistleblower channel. • Developing the monitoring of the working conditions of foreign workers. Supplier requirements related to labour and human rights. Requiring a residence permit issued by the Finnish authorities and the related right to work from posted workers who are not from the EU, EEA or Switzerland.

RISK	RISK DESCRIPTION	RISK MANAGEMENT
Acquisition risks related to plots of land and properties	• Zoning and general market developments may be reflected in the availability, risks and economic feasibility associated with plots of land and building rights. There have been price increases for plots of land and building rights, at least in certain markets. • External uncertainties, such as changes in legislation and regulations, construction-related requirements and interpretations by the public authorities and changes in decision-makers may present risks that have financial impacts. Complaints related to zoning and building permits may cause delays and additional costs. • The efficiency of YIT's own land acquisition and the sufficiency of building rights may pose risks. Deficiencies in input data or incorrect project calculations may lead to the incorrect pricing of plots.	• Continuous monitoring of the sufficiency of the plot reserve to ensure business continuity and economy of operations. Continuous monitoring of land acquisitions and commitments to ensure capital efficiency and manage financial risks. • YIT applies the company-specific gate model in the preparation of plot acquisitions and related decision-making as well as the gate-specific approval practices and criteria stipulated by the model. The uncertainties associated with land acquisitions are identified and assessed as part of the gate review procedures. • Acquisitions or sales of plots of land are subject to the approval of the Group's President and CEO and the Group Investment Board and, depending on the size of the transaction, the approval of the Board of Directors' Investment and Project Committee and the Board of Directors. • For individual plot acquisitions, managing uncertainty through participation in area development and zoning, for example. Due diligence, risk transfer and plot acquisition structuring practices aimed at mitigating and managing risks. • Allocating adequate and competent resources to land acquisition activities.
Environmental risks	• Operational risks related to the environment may be locally significant; for example, in the event of a fuel leak or soil contamination. • The most significant acute environmental risks are related to the handling of hazardous materials.	• Construction sites' operating instructions for risk identification, prevention and management. • An environmental risk assessment conducted in the planning phase for the largest projects.

Project risks

RISK	RISK DESCRIPTION	RISK MANAGEMENT
Changes in the operating environment	• Political, macroeconomic and social changes as well as changes related to technological development and the regulatory operating environment.	• Continuous monitoring of market and area price development, each area's image and the zoning situation. • Comprehensive risk identification, risk assessment and action planning as part of decision-making pertaining to plot acquisition, planning, bidding and the start of construction. Appropriate pricing of risks, especially in long-term projects.
Project portfolio risks	• Efficiency risks and financial risks if the Group is unsuccessful in site selection, tendering, contract negotiations or project management. • The project requirements do not correspond to YIT's competencies, resources or profitability targets. • The risks associated with individual large projects may jeopardise the Group's financial performance.	• Managing the project portfolio so that the set targets can be achieved within the planned risk thresholds. • The decision-making authorisations defined in YIT's investment policy, together with risk ratings, determine the decision-making level of the project. • Focus on large project selection using gate review practices before the project development phase. Risk and project management in large projects involves more stringent review practices than normal projects during the implementation phase in addition to financial reporting reviews.

RISK	RISK DESCRIPTION	RISK MANAGEMENT
Project and property risks	• Risks related to diversity, design management, the quality of tender and planning documentation and the suitability of the contracting form as well as the project's life cycle risks.	• Project limits and choosing an appropriate form of implementation. Determining the project's risk category. Proactive identification of risks and opportunities and preparing a risk management plan for the project. Risk sharing between project participants. • Design management and managing changes to plans and designs. Planning the project to be flexible and adaptable. Ensuring the economic feasibility of the project. • Implementation planning, efficient procurement. • Gate reviews are used to assess the risks of individual projects as part of the fulfilment of the gate's decision-making criteria.
Risks related to project implementation and liability period	• Project management challenges in individual projects may jeopardise the achievement of financial targets. • The project implementation stage involves various risk areas, including construction feasibility risks, unexpected changes in project scope, yield or costs, partner risks, construction site and contractor performance, schedule risks, environmental risks, occupational safety risks, quality deviations, complaints, liability repairs and service level deviations. The impacts of the aforementioned risks on the project's financial performance and financial reporting.	• Analysis of significant project deviations with the help of specialists, corrective action, making use of the experiences and lessons learned in risk management development efforts. • Risk management during the implementation and maintenance phases has been developed through the adoption of harmonised project risk management principles and tools. • Continuous maintenance of the risk management plan and financial impact assessment as part of project management and reporting. Gate reviews concerning risks and, in high-risk projects, periodic risk reviews. Escalation of deviations. Financial reporting risk reviews and processing on a monthly basis. • Management of occupational safety risks. Handover planning. Proactive maintenance.

RISK	RISK DESCRIPTION	RISK MANAGEMENT
Customer and end user risks	• The implementation of self-developed projects includes an element of sales risk in changing economic cycles. • In contracting projects and investor sales, the fixed price implementation form, in particular, creates a profitability risk as inflation related to material costs continues. • In contracting projects, the requirements of the client organisation, the quality of the plans risks related to the effectiveness of cooperation. Additional and alteration work during the project in proportion to the original project package is a risk, especially in target price or price ceiling contracts. • The implementation and completion of projects as well as the warranty and maintenance period may involve risks that can reduce project profitability.	• In self-developed projects, achieving an adequate selling rate or occupancy rate by means of market-based pricing. • Preparing for cost increases with adequate provisions for increases and, where possible, strive to link the costs of key materials to indices. • Through active cooperation with the client and the designers, seek collaborative implementation models to mitigate risks related to the implementation stage and improve the management of additional work and alterations. • Actively influencing the development of the general contractual terms used in the construction industry. Compliance with the general contractual terms. • Customer communication and managing customer insight. Managing contracting forms and contract structures. Use of legal expertise in the drafting of contracts. • Developing the management of additional work and alterations as part of a project aimed at the development of project management capabilities.

Financial risks

RISK	RISK DESCRIPTION	RISK MANAGEMENT
Reporting risks	• Changes in accounting standards and their interpretation may lead to changes in YIT's accounting policies and consequently affect YIT's financial indicators. • The project projections on which YIT's financial reporting is based are estimates of the outcome of projects, which can pose a risk if the projection deviates significantly from the final outcome. Changes after project completion, liabilities and requirements may lead to risks related to the measurement of asset items.	• Risks related to financial reporting are managed with the help of the Group's accounting principles, financing and tax policy, investment guideline, acquisition instructions, control environment and internal control. • YIT actively monitors the development of accounting standards and assesses their impact. • The Group maintains and consistently complies with its defined accounting principles. • The development of a new reporting and ERP system is under way.
Financial risks	• The most significant financial risks are risks related to the availability of financing (new loan acquisition and refinancing), liquidity and the development of foreign exchange rates. • The Group has regular financing needs and an extensive portfolio of financial instruments. The availability of financing may decline or the price of financing may increase depending on the prevailing situation in the financial market as well as the development of the Group's profitability and/or financial position. • The Group's most significant currency risk is related to Russian rouble-denominated investments in Group companies.	• The Group Treasury ensures that sufficient credit facilities and a sufficient number of sources of financing are available and actively manages financing agreements that are falling due. • The aim is to safeguard the sufficiency of financing so that the liquidity available to the Group matches the Group's overall liquidity needs at all times. • The Group's Russian rouble risk is managed through foreign exchange forward contracts, used for hedging debt investments in Group companies, among other measures. The translation risks arising from equity investments is managed by optimising the capital structure of Group companies. • More detailed information on financial risks and their management is provided in Note 30 to the consolidated financial statements.

RISK	RISK DESCRIPTION	RISK MANAGEMENT
Capital efficiency	• If YIT were to fail in managing tied-up capital, this could lead to the excessive growth of tied-up capital. • YIT's measures to increase balance sheet efficiency may result in write-downs or expenses, which may have negative or positive financial impacts.	• The Group continuously assesses the use of tied-up capital and its allocation to businesses and takes the necessary measures to improve capital efficiency.

Event risks

RISK	RISK DESCRIPTION	RISK MANAGEMENT
Information systems, data security and data protection	• Increased cybercrime activity can present risks to the Group's data security and continuity. • The dependence of business on the uninterrupted functioning of information systems has become more emphasised as the processes become digital. The capabilities of business critical system and service providers is a growing risk. • Upgrades to information systems involve a significant amount of data migrations and the replacement of interfaces between systems, the success of which may involve risks. • Changes to financial systems may present continuity risks and risks pertaining to the reliability of reporting. • Changes to regulations governing data security and data protection and interpretations of those regulations may pose risks.	• Investing in capabilities to identify serious threats to security and continuity. Analysing business continuity processes to support the targeting of recovery plans. • Identification of business critical suppliers, services and service providers. Assessment and control of these to ensure continuity. • In the financial systems project, giving due consideration to financial process controls. • Ensuring project management and resource allocation as well as the detailed planning of interfaces and data migrations in system projects. • Resources and capabilities to assess and monitor compliance changes and deploy the necessary controls.
Pandemics, COVID-19	• Epidemics or pandemics may have direct or indirect impacts on the Group's operations and risks, such as the availability of personnel, sickness rate, administrative decisions and the availability and price of materials and financing. They can lead to the temporary closure of construction sites or slower progress and delays in completion and, consequently, financial risks and risks associated with financial reporting. • Epidemics or pandemics may have an impact on the rate of usage of properties owned and sold, and consequently their values. • A prolonged pandemic can affect consumers' and investors' purchasing decisions and their timing.	• Active development of the health and safety arrangements of YIT's construction sites and offices. • Ensuring the continuity of construction sites and procurement through analyses, substitution arrangements, the scheduling of work and breaks, maintaining appropriate hygiene standards and active communication. • Active dialogue with various stakeholders and the public authorities.

RISK	RISK DESCRIPTION	RISK MANAGEMENT
Criminal offences, misconduct and other serious non-conformities	• YIT's business is local and project-oriented. Criminal offences and incidents of misconduct are typically related to construction site functions or procurement. The networked and chained operating principles in the construction industry and the relatively low barrier to entry may create conflicts of interest. • Climate change, economic uncertainty and political activity may increase the probability of event risks.	• During the past few years, the construction industry has developed risk management concerning the grey economy. Examples of this include reverse charge value added tax, reporting in compliance with the legislation governing contractors' obligations when work is contracted out, the use of the VALTTI card and monthly company-level and employee-level reporting to the tax authorities. • YIT's risk management is based on the Group's values, leadership principles, Code of Conduct and Supplier Code of Conduct. • Decision-making authorisations have been defined at the Group level and separately in each business segment. Segment-level investment boards have been established in addition to the Group Investment Board, with some decision-making delegated to the segment-level boards. • Detecting and addressing serious non-conformities through an escalation procedure. • For risks that are insured against, the Group decides on and acquires Group insurance and supports the business units in insurance-related matters. • Proactive risk management, with a typical example being the risk evaluation of contractual partners and acquired properties before any commitment is made and managing corporate security risks at construction sites with the help of access management and camera surveillance. Risk management efforts by the corporate security function, especially in Russia. • Investigating serious non-conformities in accordance with the agreed process, minimising damage and continuous development based on the lessons learned.

LEGAL PROCEEDINGS

QUALITY CONCERNS RELATED TO READY-MIXED CONCRETE

Ready-mixed concrete, among other things, has been used in construction business as a raw material. During 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.

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

On 3 June 2020, the Hospital District of Southwest Finland 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. as unfounded.

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

CityZen, Tyumen, Russia

Outlook and guidance

SHORT-TERM MARKET OUTLOOK

Housing market

In Finland, consumer and institutional investor demand is expected to remain stable but availability of housing company loan financing is expected to remain challenging. In the rental market, uncertainty is expected to increase due to the COVID-19 pandemic. Construction material cost inflation is expected to continue to have an impact on the industry and competition for plots expected to remain intense.

In Central Eastern Europe, consumer demand is expected to stay stable at a good level, but availability of workforce is expected to remain challenging due to the COVID-19 pandemic. Construction material cost inflation is expected to continue to have an impact on the industry, and competition for plots is expected to remain intense.

In Russia, consumer demand is expected to stay stable, but availability of foreign workforce is expected to be challenging. Overall inflation is expected to lead to pressure on salaries and prices, and competition for plots is expected to remain intense.

Real estate market

In Finland, public sector demand is expected to remain active, and investor demand solid especially for sustainable properties. Office rental demand for grade A offices is expected to continue to increase. Yield requirements for commercial properties are expected to remain stable. Cautiousness in the contracting market is expected to continue, and construction material cost inflation is expected to continue to have an impact on the industry.

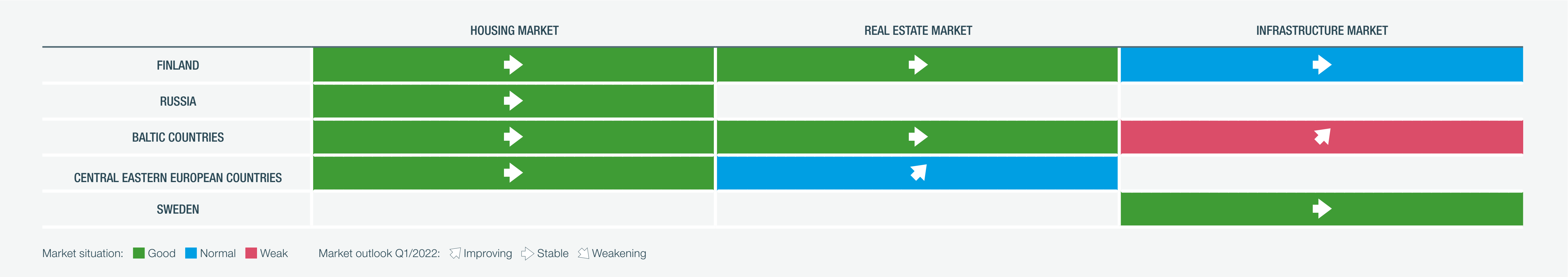
In Central Eastern Europe, investor demand is expected to remain strong, and rental demand stable. Availability of foreign workforce expected to remain challenging. Construction material cost inflation expected to continue to have an impact on the industry, and overall inflation increasing concerns.

Infrastructure market

In Finland, there are some signs of public sector demand recovery. Active green technology sector demand is expected to support the market. Construction material cost inflation is expected to continue to have an impact on the industry.

In Central Eastern Europe, public sector demand is expected to be supported by Rail Baltica. Construction material cost inflation is expected to continue to have an impact on the industry.

In Sweden, public sector demand is expected to remain strong and private demand at a good level. Construction material cost inflation expected to continue to have an impact on the industry.



GUIDANCE

In Housing Finland and CEE, completions of consumer apartments are expected to decrease compared to 2021. Housing Russia segment's solid underlying performance is estimated to continue but earnings are expected to be impacted by the lower number of ongoing projects. In Business Premises, operational performance will continue to improve. Infrastructure will gradually improve, while still impacted by certain legacy low-margin projects. In Property Development, the project pipeline is healthy and attractive.

YIT expects its Group adjusted operating profit to be higher than in 2021 (2021: EUR 114 million).

Temporary shutdowns or slower progress on construction sites and delayed completions due to the COVID-19 pandemic could lead to the postponement of revenue and profit from one quarter or year to another.

YIT aims to transfer increased construction material costs into contracting and housing prices. As a consequence, YIT expects this to have only minor impact on its earnings during the year.

Supported by a strong balance sheet, YIT has increased its apartment start-ups in Finland and Central Eastern Europe. This is expected to tie up capital as the year progresses.

Tampere Tram, Tampere, Finland

Shares and shareholders

YIT Corporation's shares are listed on Nasdaq Helsinki. 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 2021, YIT's share capital was EUR 149,716,748.22 (149,716,748.22) and the number of shares outstanding at the end of the reporting period 31 December 2021 was 209,118,906 (209,083,556).

TREASURY SHARES AND AUTHORISATIONS OF THE BOARD OF DIRECTORS

On 31 December 2021, YIT Corporation held 1,980,947 (2,016,297) treasury shares.

The Annual General Meeting authorised the Board of Directors on 18 March 2021 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 is valid until 30 June 2022.

On 29 April 2021, The Board of Directors decided on a directed share issue for the reward payment from the 2018 earnings period under YIT Group's Incentive Scheme 2017–2022. On 5 May 2021, in the share issue, in total 35,350 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.

OWNERSHIP STRUCTURE AND OWNERS

At the end of 2021 the number of registered shareholders was 45,839 (47,491). A total of 23.51% (12.97) of the shares were owned by nominee-registered and non-Finnish investors.

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

The information is based on the shareholder register on 31 December 2021 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.

Major shareholders

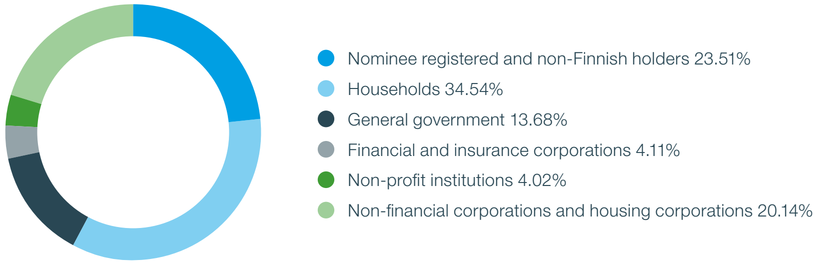
	Shareholder	Number of shares	% of shares and votes
1	Tercero Invest AB	25,360,000	12.01
2	Keskinäinen työeläkevakuutusyhtiö Varma	15,945,975	7.55
3	PNT Group Oy	15,296,799	7.25
4	Conficap Oy	8,886,302	4.21
5	Pentti Heikki Oskari Dbo	8,146,215	3.86
6	Keskinäinen Eläkevakuutusyhtiö Ilmarinen	5,210,000	2.47
7	Forstén Noora Eva Johanna	5,115,529	2.42
8	Keskinäinen Työeläkevakuutusyhtiö Elo	4,034,577	1.91
9	Herlin Antti	3,445,180	1.63
10	Pentti Lauri Olli Samuel	3,398,845	1.61
11	Fideles Oy	3,188,800	1.51
12	Pentti-von Walzel Anna Eva Kristina	2,764,259	1.31
13	Pentti-Kortman Eva Katarina	2,715,410	1.29
14	Valtion Eläkerahasto	2,626,674	1.24
15	Pentti Timo Kaarle Kristian	2,368,575	1.12
	200 largest shareholders total	146,766,586	69.52
	Nominee registered	23,833,893	11.29
	Other shares	40,499,374	19.19
	Total	**211,099,853**	**100.00**

Keilaniemenranta area development, Espoo, Finland

Ownership by the number of shares held

Number of shares	Number of shareholders	%	Number of shares	%
1–100	12,597	27.48	664,354	0.32
101–500	16,346	35.66	4,570,402	2.17
501–1,000	7,057	15.40	5,640,128	2.67
1,001–5,000	7,837	17.10	17,794,021	8.43
5,001–10,000	1,139	2.49	8,348,174	3.96
10,001–50,000	709	1.55	13,742,682	6.51
50,001–100,000	62	0.14	4,257,419	2.02
100,001–500,000	63	0.14	12,999,561	6.16
500,001–	29	0.06	143,083,112	67.78
Total	**45,839**	**100**	**211,099,853**	**100**

OWNERSHIP BY SECTORT



Board of Directors' and management's shareholding

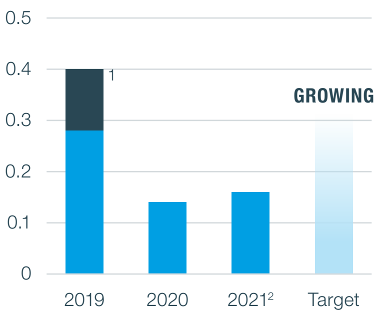
	Number of shares	% of share capital
Board of Directors	2,915,358	1.38 %
President and CEO	30,000	0.01 %
Deputy to the President and CEO	29,849	1.01 %
Total	**2,975,207**	**1.40 %**

Further information on the shareholdings of the Board of Directors and management can be found in the **Corporate Governance Statement**. In addition, YIT's manager's transactions during the reporting period have been published as stock exchange releases, and they are available on **YIT's website**.

DIVIDEND

The Annual General Meeting of YIT Corporation held on 18 March 2021 decided that a dividend of EUR 0.14 be paid per share, or a total of approximately EUR 29.3 million, as proposed by the Board of Directors, and that the dividend will be paid in two instalments. No dividend will be paid on treasury shares. The first instalment of EUR 0.07 per share was paid on 7 April 2021. The second instalment of EUR 0.07 per share was paid on 12 October 2021.

DIVIDEND PER SHARE (EUR)



[1] Additional dividend
[2] Board of Director's proposal to AGM

Key figures and definitions

SHARE-RELATED KEY FIGURES

		2021	2020	2019	2018	2017
Earnings per share	EUR	0.00	0.13	0.07	0.19	0.45
Earnings per share, diluted	EUR	0.00	0.13	0.07	0.19	0.44
Earnings per share, continuing operations	EUR	0.02	-0.04	0.02	0.23	n/a
Dividend per share	EUR	0.16*	0,14	0.40	0.27	0.25
Equity per share	EUR	4.86	4.40	5.08	5.00	4.49
Dividend/earnings	%	5,000	107.7	571.9	144.7	55.6
Effective dividend yield	%	3.71	2.84	6.71	5.28	3.92
Price/earnings multiple (P/E)	%	1,346.9	37.9	85.2	26.9	14.2
Share price trend						
Average price	EUR	4.81	5.10	5.36	5.70	6.94
Low	EUR	4.21	3.58	4.77	4.56	5.97
High	EUR	5.68	7.12	6.20	7.25	8.09
Price at 31 Dec	EUR	4.31	4.93	5.96	5.11	6.37
Market capitalisation at 31 Dec	EUR million	901	1,031	1,244	1,073	801
Weighted average number of shares outstanding	1,000	209,107	208,966	210,492	203,002	125,730
Weighted average number of shares outstanding, diluted	1,000	209,546	209,536	211,450	203,778	127,636
Number of shares outstanding at 31 Dec	1,000	209,119	209,084	208,768	210,048	125,815

*Board of Directors' proposal to the Annual General Meeting.

KEY FINANCIAL FIGURES

		2021	2020	2019	2018	2017
Revenue	EUR million	2,856	3,069	3,392	3,138	1,994
of which activities outside Finland	EUR million	762	824	844	879	611
Operating profit	EUR million	65	35	80	100	86
% of revenue	%	2	1	2	3	4
Result for the financial year	EUR million	4	27	15	39	57
% of revenue	%	0	1	0	1	3
Equity ratio	%	40	33	34	38	33
Net interest-bearing debt*	EUR million	303	628	862	563	453
Net debt/adjusted EBITDA, rolling 12 months		2.1	5.0	3.9	n/a	n/a
Interest cover ratio		4.5	3.0	5.8	n/a	n/a
Gearing ratio	%	30	68	81	54	80
ROCE, rolling 12 months*		8	5	10	n/a	n/a
Order book as at 31 Dec	EUR million	4,042	3,528	4,131	4,286	2,913
of which activities outside Finland	EUR million	974	988	1,175	1,000	803
Gross capital expenditures	EUR million	32	31	32	n/a	n/a
% of revenue	%	1	1	1	n/a	n/a
Operating cash flow after investments	EUR million	288	336	51	149	164
Return on equity	%	1	3	1	4	10
Number of employees at 31 Dec		6,803	7,045	7,417	7,556	5,427

*YIT has changed the definitions of the key figures on January 1, 2020 so that the impact of IFRS16 has been taken into account. The figures of year 2019 are adjusted.

DEFINITIONS OF KEY FIGURES

Definitions of financial key performance indicators

Key figure	Definition	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 total less provisions, advances received related to contract liabilities, other contract liabilities 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.

Key figure	Definition	Reason for use
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 ratio	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.
Return on equity, %	Transaction price allocated to performance obligations that are partially or fully unsatisfied and estimated transaction price related to started unsold own developments	Key figure describes YIT's relative profitability.
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, % 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.	

Key figure	Definition	Reason for use
Net debt / adjusted EBITDA ratio (rolling 12 months)	Net debt/rolling 12 months adjusted earnings before depreciations and amortisations. (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.
Orderbook	Transaction price allocated to performance obligations that are partially or fully unsatisfied and estimated transaction price related to started unsold own developments	Order book presents estimated transaction price for all projects under construction
Interest cover ratio	Adjusted operating profit before depreciations and amortisations / (Net finance costs - net exchange currency differences), rolling 12 months	Interest cover ratio gives investors information on YIT's 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.	
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	Definition	Reason for use
Net impact	Upright model version 0.3.331 (10 December 2020).	The model by The Upright Project illustrates the net impacts of the outcomes of YIT's operations to the society.
Energy consumption	Consumption of direct and indirect energy sources in all YIT's offices, construction sites and transportation under operational control.	Energy consumption describes the energy intensity of YIT's operations.
Emissions	Scope 1, Scope 2 and Scope 3 emissions in total.	
Scope 1	Emissions of direct energy consumption in carbon dioxide equivalents. Includes all offices, construction sites and transportation under YIT's operational control.	Describes the direct emissions of energy consumption caused by YIT's operations.
Scope 2	Emissions of electricity and heat consumption in carbon dioxide equivalents. Includes all offices, construction sites and transportation under YIT's operational control. YIT reports both market and location-basd indicators in its separate GRI index but uses a market-based approach when calculating the total emissions.	Describes the indirect emissions of energy consumption caused by YIT's operations.
Scope 3	Emissions of waste and business flights in carbon dioxide equivalents. Includes all offices and sites under YIT's operational control and entire personnel.	Describes the indirect emissions of waste and business flights caused by YIT's operations.
Emission intensity:		
Own operations	Total emissions divided by revenue (tCO_2e/M€).	Emission intensity of own operations describes emissions of YIT's operations with relation to business volume.
Self-developed projects	Emissions of materials' product phase and replacements divided by area of building divided by calculation period ($kgCO_2e$/m2/year). In Finland, the area of a building is the net heated area, and in other countries the gross internal floor area. Calculation period is based on the calculation methodology in use. In Finland, self-developed projects are calculated using the Finnish Ministry of Environment's Method for the whole life carbon assessment of buildings in accordance with the version in force at the time of calculation. In all other countries, self-developed projects are calculated using the European Commission's Level(s) method in accordance with the version in force at the time of calculation. Both methods are based on the EN 15978 standard.	The emission intensity of self-developed projects describes the emissions caused by the projects designed and constructed by YIT in relation to the volume of construction and operating life of projects.

Key figure	Definition	Reason for use
Waste	Amount of waste generated in all offices and construction sites under YIT's operational control. Amount of waste does not include land masses.	The amount of waste describes the material loss resulting from YIT's operations Reducing the amount of waste reflects the efficiency of operational activities.
Sorting rate	Amount of sorted waste divided by total amount of waste generated.	Sorting rate describes YIT's ability to sort waste. Waste management partner, if possible, has the ability to recycle the waste that has been sorted.
Combined accident frequency	Accidents of YIT's employees and subcontractors 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.	Accident frequency rate describes the accidents involving YIT's employees and subcontractors. 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: • I am proud of working for YIT. • If I was offered a similar position with similar salary and benefits in a different company, I would not leave YIT. • Overall, I am satisfied with YIT as a workplace • 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: • My superior clearly communicates what is expected of me. • My superior cares about my well-being. • My superior supports me when needed. • 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.
Spirit 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 Spirit index: • I like coming to work. • We are making the needed changes to be successful in the future. • I understand the goals and direction of YIT. • I have access to the information I need to know what is going on at YIT. • I would recommend YIT as a great place to work. • The people I work with cooperate to get the job done.	The spirit index describes the wellbeing at work and cooperation of YIT's employees. This is significant for the comfort of the personnel.

Key figure	Definition	Reason for use
Sustainability 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: • I am satisfied with my development opportunities. • I dare to intervene if I see unethical or unsafe behaviour. • My superior places safety first. • YIT Values guide my day-to-day behaviour. • YIT looks after the well-being of personnel. • Environmental responsibility is implemented in our daily operations. • People are treated fairly at YIT.	The sustainability 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 working.
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.
Employee turnover	The share of employees who left YIT's service out of all employees. Calculated as a 12-month rolling average.	Describes YIT's attractiveness as an employer and employee commitment.
Code of Conduct training	Share of personnel who have completed the Code of Conduct training by the due date.	Completing the Code of Conduct 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 OPERATING PROFIT

EUR million	2021	2020
Operating profit (IFRS)	**65**	**35**
Adjusting items		
Goodwill impairment		15
Fair value changes related to redemption liability of non-controlling interests	1	-7
Restructurings and divestments	3	1
Court proceedings	0	-3
Integration costs related to merger		6
Operating profit from operations to be closed	42	34
Inventory fair value adjustment from PPA[1]	1	1
Depreciation and amortisation expenses from PPA[1]	2	3
Adjusting items, total	**49**	**50**
Adjusted operating profit	**114**	**85**

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

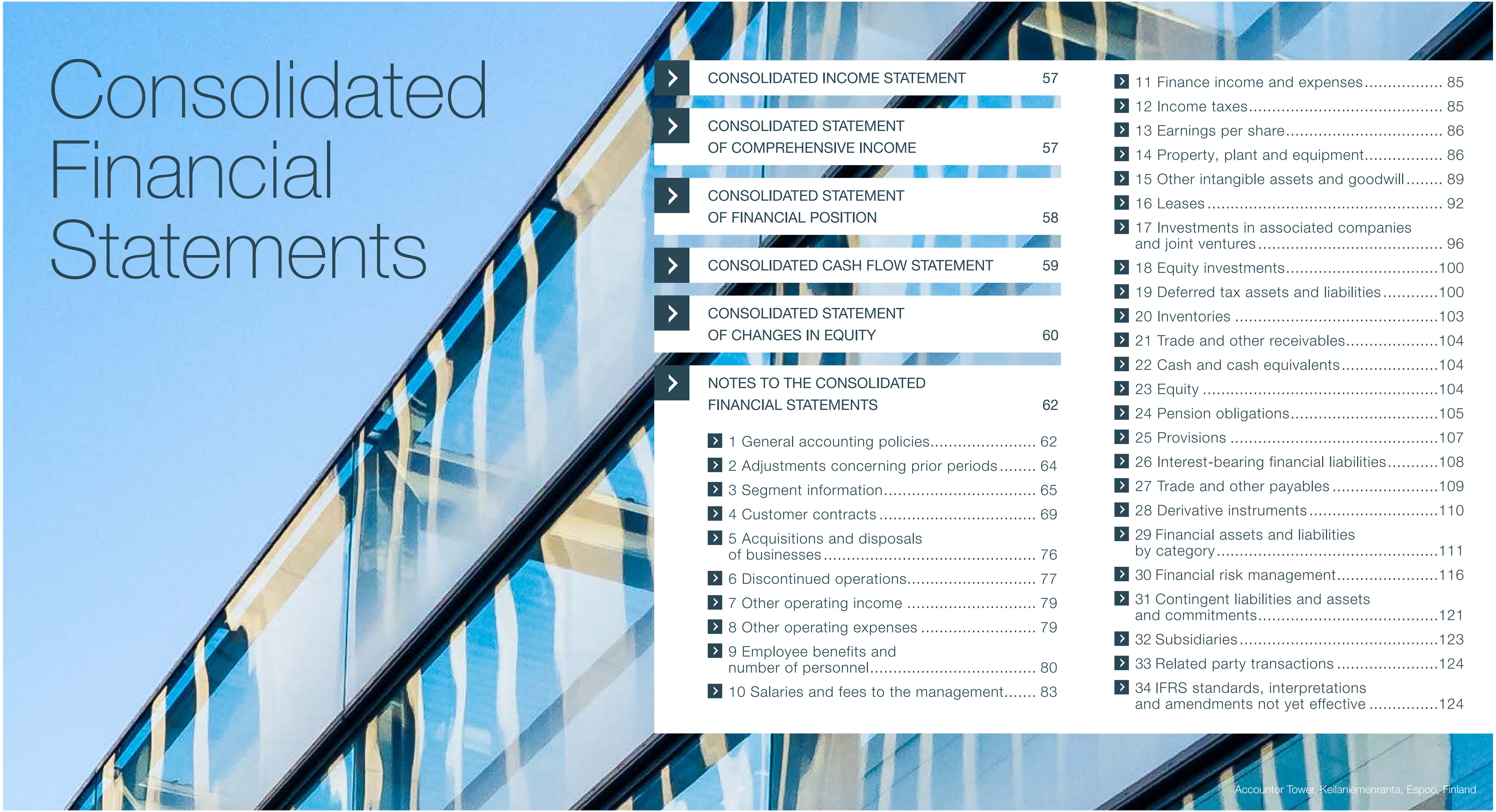
RECONCILIATION OF ADJUSTED EBITDA, ROLLING 12 MONTHS

EUR million	2021	2020
Adjusted operating profit	**114**	**85**
Depreciations and amortisations	34	58
Depreciation and amortisation expenses from PPA	-2	-3
Goodwill impairment		-15
Adjusted EBITDA	**146**	**125**

RECONCILIATION OF ORDERBOOK

EUR million	31 Dec 2021	31 Dec 2020
Partially or fully unsatisfied performance obligations	3,252	2,885
Started unsold self-developed projects	790	643
Orderbook	**4,042**	**3,528**

Consolidated Financial Statements



Accountor Tower, Keilaniemenranta, Espoo, Finland

CONSOLIDATED INCOME STATEMENT

EUR million	Note	2021	2020
Revenue	3, 4, 6	**2,856**	**3,069**
Other operating income	7	17	30
Change in inventories of finished goods and in work in progress		-132	-249
Production for own use		0	0
Materials and supplies		-483	-325
External services	2	-1,537	-1,777
Personnel expenses	9	-370	-372
Other operating expenses	2, 8	-269	-291
Changes in fair value of financial assets	29	6	-14
Share of results of associated companies and joint ventures	17	11	23
Depreciation, amortisation and impairment	14, 15, 16	-34	-58
Operating profit		**65**	**35**
Finance Income		4	4
Exchange rate differences (net)		2	1
Finance expenses		-36	-45
Finance income and expenses, total	11	-30	-41
Result before taxes		**35**	**-6**
Income taxes	12	-28	-3
Result for the period, continuing operations		**7**	**-8**
Result for the period, discontinued operations	6	**-3**	**35**
Result for the period		**4**	**27**
Attributable to			
Owners of YIT Corporation		4	26
Non-controlling interests		1	0
Total		**4**	**27**
Earnings per share, attributable to the equity holders of the parent company, EUR			
Basic	13	0.00	0.13
Diluted	13	0.00	0.13
Basic, continuing operations	13	0.02	-0.04
Basic, discontinued operations	13	-0.02	0.17
Diluted, continuing operations	13	0.02	-0.04
Diluted, discontinued operations	13	-0.02	0.17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	2021	2020
Result for the period		4	27
Items that may be reclassified to income statement			
Cash flow hedges		1	
Income tax relating to item above		0	
Change in translation differences	23	22	-88
Translation differences reclassified to income statement	23	0	1
Items that may be reclassified to income statement, total		**23**	**-87**
Items that will not be reclassified to income statement			
Change in fair value of defined benefit pensions		-1	0
Income tax relating to item above		0	0
Items that will not be reclassified to income statement, total		**-1**	**0**
Other comprehensive income, total		**22**	**-87**
Total comprehensive income		**26**	**-60**
Attributable to			
Owners of YIT Corporation		25	-60
Non-controlling interests		1	0
Total		**26**	**-60**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	14	53	68
Leased property, plant and equipment	16	79	84
Goodwill	15	249	249
Other intangible assets	15	7	10
Investments in associated companies and joint ventures	17	92	80
Equity Investments	18	186	180
Interest-bearing receivables	21	46	49
Trade and other receivables	21	36	11
Deferred tax assets	19	31	35
Non-current assets total		**779**	**764**
Current assets			
Inventories	20	1,285	1,376
Leased inventories	16	174	190
Trade and other receivables	2, 21	350	390
Interest-bearing receivables	21	13	17
Income tax receivables		5	2
Cash and cash equivalents	22	389	419
Current assets total		**2,215**	**2,394**
Total assets		**2,994**	**3,158**

EUR million	Note	2021	2020
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company	23		
Share capital		150	150
Legal reserve		1	1
Unrestricted equity reserve		553	553
Treasury shares		-10	-10
Translation differences		-281	-303
Fair value reserve		0	
Retained earnings		501	527
Equity attributable to owners of the parent company		**915**	**918**
Non-controlling interests		3	2
Hybrid bond		99	
Equity total		**1,017**	**920**
Non-current liabilities			
Deferred tax liabilities	19	19	10
Pension obligations	24	3	2
Provisions	25	86	78
Interest-bearing liabilities	26	398	286
Lease liabilities	16, 26	161	174
Contract liabilities, advances received	2, 4	11	
Trade and other payables	27	27	27
Non-current liabilities total		**705**	**577**
Current liabilities			
Contract liabilities, advances received	2, 4	293	240
Other contract liabilities	2, 4	121	162
Trade and other payables	27	615	566
Income tax payables		5	3
Provisions	25	46	37
Interest-bearing liabilities	26	118	592
Lease liabilities	16, 26	74	62
Current liabilities total		**1,272**	**1,661**
Liabilities total		**1,977**	**2,238**
Total equity and liabilities		**2,994**	**3,158**

CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2021	2020
Cash flow from operating activities			
Result for the financial year		4	27
Adjustments for:			
Depreciation, amortisation and impairment	14, 15, 16	34	58
Other non-cash transactions		23	14
Finance income and expenses	11	30	42
Gains on the sale of tangible and intangible assets		2	-57
Taxes		28	-1
Total adjustments		117	56
Change in working capital:			
Change in trade and other receivables	2	69	82
Change in inventories		104	251
Change in current liabilities	2	24	-326
Change in working capital, total		197	7
Interest paid		-32	-48
Other financial items		-1	-7
Interest received		4	4
Dividends received			0
Taxes paid		-14	15
Net cash generated from operating activities		**275**	**54**
Cash flow from investing activities			
Acquisition of subsidiaries, associated companies and joint ventures, net of cash		-29	-27
Purchases of property, plant and equipment		-8	-13
Purchases of intangible assets		-1	0
Proceeds from sale of subsidiaries, associated companies and joint ventures		37	306
Proceeds from sale of property, plant and equipment and intangible assets		15	16
Proceeds from sale of equity investments			0
Net cash used in investing activities		**13**	**282**
Operating cash flow after investments		**288**	**336**

EUR million	Note	2021	2020
Cash flow from financing activities			
Proceeds from non-current borrowings	26	239	57
Repayment of non-current borrowings	26	-329	-30
Proceeds from current borrowings	26	326	513
Repayment of current borrowings	26	-597	-448
Payments of lease liabilities	26	-31	-35
Change in interest-bearing receivables	21	5	-10
Proceeds from hybrid bond		100	
Change in treasury shares	23	0	2
Dividends paid	23	-30	-84
Net cash used in financing activities		**-316**	**-35**
Net change in cash and cash equivalents		-29	301
Cash and cash equivalents at the beginning of the financial year		419	132
Foreign exchange rate effect on cash and cash equivalents		-1	-14
Cash and cash equivalents at end of period	22	**389**	**419**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Note	Share Capital	Legal reserve	Unrestricted equity reserve	Translation differences	Fair value reserve	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								26	26	0	27
Change in fair value of defined benefit pensions								0	0		0
Income tax relating to item above								0	0		0
Change in translation differences	23				-88				-88	0	-88
Translation differences reclassified to income statement	23				1				1		1
Comprehensive income for the period, total					**-87**			**27**	**-60**	**0**	**-60**
Transactions with owners											
Dividend distribution	23							-84	-84		-84
Share-based incentive schemes	9							-1	-1		-1
Transfer of treasury shares	23						2		2		2
Transactions with owners, total							**2**	**-85**	**-83**		**-83**
Other items											
Non-controlling interests from business combinations										2	2
Other items, total										**2**	**2**
Equity on December 31, 2020		**150**	**1**	**553**	**-303**		**-10**	**527**	**918**	**2**	**920**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Note	Share Capital	Legal reserve	Unrestricted equity reserve	Translation differences	Fair value reserve	Treasury shares	Retained earnings	Equity attributable to owners of parent company	Non-controlling interests	Hybrid bond	Equity total
Equity on January 1, 2021		**150**	**1**	**553**	**-303**		**-10**	**527**	**918**	**2**		**920**
Comprehensive income												
Result for the period								4	4	1		4
Cash flow hedges						1			1			1
Income tax relating to item above						0			0			0
Change in fair value of defined benefit pensions								-1	-1			-1
Income tax relating to item above								0	0			0
Change in translation differences	23				22				22	0		22
Translation differences reclassified to income statement	23				0				0			0
Comprehensive income for the period, total					**22**	**0**		**3**	**25**	**1**		**26**
Transactions with owners												
Dividend distribution	23							-29	-29	0		-29
Share-based incentive schemes	9							1	1			1
Transfer of treasury shares	23						0		0			0
Transactions with owners, total							**0**	**-28**	**-28**	**0**		**-28**
Other items												
Hybrid bond											99	99
Other items, total											**99**	**99**
Equity on December 31, 2021		**150**	**1**	**553**	**-281**	**0**	**-10**	**501**	**915**	**3**	**99**	**1,017**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL ACCOUNTING POLICIES

The overall general accounting policies of the financial statements are described in this section.

ACCOUNTING POLICY

To improve the readability and understandability of the financial statements, YIT presents the accounting policies in connection with the note to which the accounting policy refers to.

MANAGEMENT JUDGEMENT AND ESTIMATES

The management judgement related to the accounting policies and key accounting estimates and assumptions are presented as part of the note it relates to.

GENERAL INFORMATION OF THE GROUP

YIT is the biggest Finnish construction service provider. YIT develops and builds apartments and living services, business premises and entire areas. YIT is also specialised in demanding infrastructure construction. The continuing operations' market areas are Finland, Sweden, Norway, Russia, Estonia, Lithuania, Latvia, the Czech Republic, Slovakia and Poland.

The Group's parent company is YIT Corporation. The parent company is domiciled in Helsinki (Finland), 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 3, 2022. Copies of the consolidated financial statements will be available on the company's website from week 8 of 2022 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, 2021. 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 the IFRS standards. The notes are an integral part of these consolidated financial statements. In the financial statements, the figures are presented in million euros, but the figures are presented in more detail if giving a true view requires it. The financial statements are based on original cost, except for the assets presented hereinafer, 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 management has had to make accounting estimates and assumptions about the future, as well as judgement-based decisions on the application of 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.

The sections of the financial statements that involve an unusual amount of judgement or that include significant assumptions and estimates are described in the table below. The management judgement, estimates and assumptions have been described in more detail in the related note.

Area	
Consolidation	Assessment of power when making consolidation decisions
Customer contracts	Recognition and measurement of revenue and self-developed residential construction in Finland
Goodwill	Estimates and assumptions used in goodwill impairment testing
Deferred tax assets and liabilities	Recoverability of deferred taxes
Lease agreements	Measurement and recognition of leases
Inventories	Valuation of inventories
Pension obligations	Assumptions used in measuring pension benefits
Equity investments	Valuation of equity investments
Provisions	Probability and amount of provisions

PRINCIPLES OF 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 Group owns more than 50% of voting shares in the company, either directly or indirectly, or when it has otherwise control. Control means that YIT is exposed, or has rights, to variable returns from its involvement with the investee and YIT has the ability to affect those returns through its power over the investee. 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.

Intra-group transactions, internal margins, internal receivables and 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 non-controlling interests is presented in the income statement.

Associates and joint ventures

Associates are entities over which the Group has significant influence, but neither control nor joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Typically, significant influence is considered to exist when the Group holds 20% or more of the voting rights of the entity but does not have control. Also, YIT's business relationship (for example construction) with the investee can cause significant influence. If YIT has significant influence in the investee caused by a significant business relationship, the significant influence ends when YIT's business relationship (for example construction) with the investee ends.

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.

Internal gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's ownership and they are realised to income statement when control of the service or product is transferred outside the Group's influence, the investee is sold, or it is classified as an equity investment for example as a result of loss of significant influence. Unrealised losses from transactions between the Group and its associates and joint ventures are not eliminated. Accounting policies of the associates and joint ventures have been changed where necessary to ensure consistency with the policies applied by the Group.

Joint operations

Construction consortia and consortia are typical joint operations for YIT. A construction consortium is not an independent legal entity, but the contracting parties are directly responsible for its operations and liabilities. A consortium is not a legal entity. Contractually, the parties have a joint responsibility towards the customer. Also mutual real estate companies of which YIT owns less than 100% are treated as joint operations. YIT includes in its consolidated financial statements its share of the income, expenses, assets and liabilities of the joint operations.

Non-controlling interests

On the statement of financial position, the non-controlling interest is included in the total equity of the Group. The Group treats transactions with non-controlling interests as transactions with equity owners. When the Group purchases shares from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying amount 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 in the income statement. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as realised and booked to the 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.

MANAGEMENT JUDGEMENT 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.

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on 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 differences relating to ordinary course of business are recognised in the corresponding line items above operating profit and foreign exchange differences resulting from financing transactions are presented in the income statement as a separate line items in finance income and expenses. 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 translation differences.

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 equity in the translation differences. When a business is disposed of or sold, translation differences that were recorded 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 the consolidated financial statements

		Average rate		Balance sheet rate	
		1–12/21	1–12/20	12/21	12/20
1 EUR =	CZK	25.6465	26.4695	24.8580	26.2420
	PLN	4.5647	4.4436	4.5969	4.5597
	RUB	87.2208	82.6883	85.3004	91.4671
	SEK	10.1452	10.4875	10.2503	10.0343
	NOK	10.1635	10.7261	9.9888	10.4703

APPLICATION OF NEW AND REVISED STANDARDS OR INTERPRETATIONS FROM JANUARY 1, 2021

The amendments effective as of January 1, 2021 did not have impact on the consolidated financial statements.

CORONAVIRUS PANDEMIC (COVID-19)

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

The Covid-19 pandemic is not expected to have such long-term impacts on YIT's financial performance which would require adjustments to carrying amounts in the statement of financial position. However, YIT's management follows constantly the market indicators and estimated future cash flows related to fair values of investments and carrying amounts of other assets.

2. ADJUSTMENTS CONCERNING PRIOR PERIODS

ADJUSTMENT TO CUSTOMER CONTRACT RELATED ITEMS IN THE STATEMENT OF FINANCIAL POSITION

YIT adjusted current Trade and other receivables and current Contract liabilities, advances received line items in the 2020 statement of financial positions by EUR –27 Million. The adjustment relates to gross amount presentation of customer contract balances for CEE countries, which was adjusted to net amount-based presentation. The cash flow statement was adjusted between the line items Trade and other receivables and Current liabilities. The adjustment did not have an impact on the income statement.

PRESENTATION OF EXPENSES RELATED TO FINNISH VAT FOR OWN USE

In the beginning of 2021, YIT adjusted its presentation of Finnish VAT expenses for own use. This adjustment has been made between items above operating profit and has no effect on revenue, operating profit or items presented after operating profit. Prior to 2021, VAT expenses for own use were presented in the income statement under Other operating expenses. From the beginning of 2021 these expenses are presented in External services. The change has been implemented by adjusting the items of the comparison period that are affected as follows:

EUR million	2020	Adjustment	Adjusted 2020
External services	-1,612	-164	-1,777
Other operating expenses	-456	164	-291

PRESENTATION OF CONTRACT LIABILITIES

YIT changed the presentation and names of contract liabilities in the primary financial statements in the statement of financial position. Previously, YIT has presented all customer contract related liability items in the Advances received line item in the statement of financial position. The presentation was changed in such a way that the housing company loans and lease liabilities of leased plots related to sold apartments in unfinished residential development projects, presented before in Advances received, have been transferred to Other contract liabilities line item. In addition to this, Advances received line item was named Contract liabilities, advances received.

3. SEGMENT INFORMATION

ACCOUNTING POLICY

YIT has five reportable segments: Housing Finland and CEE, Housing Russia, Business Premises, Infrastructure and Partnership Properties. YIT presents the segment information in a manner which is consistent with the internal reporting provided to the Group Management Team. The Group Management Team is YIT's chief operating decision-maker which is responsible for the allocation of resources to the segments and for the assessment of the business segments' performance.

Group and segment reporting is prepared in accordance with the International Financial Reporting Standards (IFRS). The segments' revenue, depreciation, amortisation, impairment, operating profit and adjusted operating profit are reported regularly to the Group Management Team. In addition, the segment-specific capital employed is reported, which includes both tangible and intangible assets, shares in associates and joint ventures, investments, inventories, trade receivables and other non-interest-bearing receivables, provisions, advances received related to contract liabilities, other contract liabilities and other non-interest-bearing liabilities excluding items related to taxes, distribution of profits and finance items.

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.

SEGMENT DESCRIPTIONS

The Housing Finland and CEE segment's business comprises development and construction of apartments, entire residential areas and leisure-time residences. YIT also offers and develops different living services and concepts. Residential construction projects are mainly residential development and negotiation projects which are mainly new development projects. The customers are private consumers and investors. Private consumers and investors purchase one or a few apartments from residential development projects, whereas investors purchase several apartments from residential development projects, a residential building or multiple residential buildings. 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. YIT develops apartments and residential areas on a self-developed basis in Russia. Residential construction customers are private consumers. In Russia, YIT also provides property management and maintenance services for apartments and offers and develops a wide range of living services.

The Business Premises segment consists of business premises businesses as well as residential contracting. Business Premises projects include constructing office, retail, commercial, logistic and industrial buildings and as well public buildings, such as schools and multipurpose buildings, and renovations. Projects are built for investors and owner-occupiers. Most of the projects are cooperative project management contracting, design and build projects, alliances and PPP (Public Private Partnership) and life cycle projects which can include both construction of new buildings and as well renovation of old buildings. The Business Premises segment also develops and carries out hybrid projects. Renovation constructing services range from small-scale surface renovation to comprehensive refurbishment of entire buildings. Business Premises segment also carries out pipe renovation projects for housing companies. Business Premises segment has also self-developed business premises projects. These are projects which have not been necessarily sold when the construction starts. Most of the segment's business is in Finland, but the segment is also in Estonia, Lithuania, Poland and Slovakia.

The Partnership Properties segment consists of business premises and hybrid projects' project development businesses and real estate services such as renting and real estate management. Additionally, the segment is responsible for financing in the development phase of significant real estate development projects as well as owning plots and developed real estates and realising them at the right moment. The segment operates in Finland, Estonia, Latvia, Lithuania, Slovakia, the Czech Republic and Poland.

The Infrastructure segment includes, among others, railway and traffic route construction and maintenance, bridge building and repairing, foundation construction and other earthworks, shoreline and water works construction, underground construction such as excavation and structural engineering, water supply construction and implementing parking facilities as well as wind power park development and contracting. Most of the projects are alliances, project management contracting, design and build projects and road maintenance projects. Infrastructure services in the Baltic countries also include paving services and selling asphalt mass. For infra services, the customer is often the public sector, but it is also done for many kinds of companies. The segment operates in Finland, Sweden, Norway, Estonia, Latvia and Lithuania.

Other items include Group internal services, rental revenue from external customers, Group level unallocated costs and eliminations of internal margins. Year 2018 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.

CHANGES

Following the organisational change on 1 May 2020, the real estate management and project development businesses were transferred from the Business Premises segment into the Partnership Properties segment.

ALTERNATIVE PERFORMANCE MEASURES IN SEGMENT REPORTING

YIT uses alternative performance measures in internal reporting of business performance and profitability to the chief operating decision-maker, i.e. the Group Managment Team.These indicators should be examined together with the performance indicators based on IFRS financial statements. Further information on the definitions of the alternative performance measures and the reconciliations for the IFRS cosolidated income statement and balance sheet can be found in Report of the Board of Directors in section Key figures and definitions and in section Reconciliation of certain key figures.

SEGMENT FINANCIAL INFORMATION

2021

EUR million	Housing Finland and CEE	Housing Russia	Business Premises	Infrastructure	Partnership Properties	Other items	Group
Revenue	**1,281**	**204**	**715**	**658**	**49**	**-51**	**2,856**
Revenue from external customers	1,281	204	714	643	49	-35	2,856
Revenue Group internal	0	0	0	15	0	-16	
Depreciation, amortisation and impairment	-3	-1	-1	-14	-1	-14	-34
Operating profit	**101**	**7**	**9**	**-12**	**1**	**-41**	**65**
Operating profit margin, %	**7.9**	**3.5**	**1.2**	**-1.8**	**2.4**		**2.3**
Adjusting items / Unaudited	0	19	1	22	0	7	49
Fair value changes related to redemption liability of non-controlling interests			1				1
Restructurings and divestments	0		0	1	0	1	3
Court proceedings						0	0
Operating profit from operations to be closed		19		21		2	42
Inventory fair value adjustment from PPA*						1	1
Depreciation and amortisation expenses from PPA*						2	2
Adjusted operating profit (unaudited)	**102**	**26**	**10**	**9**	**1**	**-34**	**114**
Adjusted operating profit margin, % (unaudited)	**7.9**	**12.7**	**1.4**	**1.4**	**2.9**		**4.0**

*PPA refers to merger related fair value adjustments.

2020

EUR million	Housing Finland and CEE	Housing Russia	Business Premises	Infrastructure	Partnership Properties	Other items	Group
Revenue	**1,286**	**305**	**761**	**791**	**17**	**-90**	**3,069**
Revenue from external customers	1,286	305	760	776	17	-75	3,069
Revenue Group internal	0		0	15		-16	
Depreciation, amortisation and impairment	-4	-14	-2	-18	0	-20	-58
Operating profit	**108**	**8**	**-46**	**-1**	**5**	**-40**	**35**
Operating profit margin, %	**8.4**	**2.5**	**-6.0**	**-0.1**	**30.2**		**1.1**
Adjusting items / Unaudited		19	1	13		15	50
Goodwill impairment		13				2	15
Fair value changes related to redemption liability of non-controlling interests		-8	1				-7
Restructurings and divestments			0			0	1
Court proceedings						-3	-3
Integration costs related to merger						6	6
Operating profit from operations to be closed		15		13		6	34
Inventory fair value adjustment from PPA*						1	1
Depreciation and amortisation expenses from PPA*						3	3
Adjusted operating profit (unaudited)	**108**	**27**	**-44**	**13**	**5**	**-24**	**85**
Adjusted operating profit margin, % (unaudited)	**8.4**	**8.8**	**-5.8**	**1.6**	**30.2**		**2.8**

*PPA refers to merger related fair value adjustments.

Capital employed by segments (unaudited)

EUR million	31 Dec 2021	31 Dec 2020
Housing Finland and CEE	585	700
Housing Russia	172	180
Business Premises	-91	-44
Infrastructure	-2	48
Partnership Properties	365	331
Other Items	286	312
Capital employed total	**1,314**	**1,527**

GEOGRAPHICAL INFORMATION

Revenue by market area is presented in the note Customer contracts. Non-current assets are presented by location of assets in the below table.

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

EUR million	31 Dec 2021	31 Dec 2020
Finland	435	441
Russia	5	5
CEE		
Baltics	4	15
The Czech Republic, Slovakia and Poland	20	12
Scandinavia		
Sweden	15	14
Norway	1	3
Group total	**480**	**490**

4. CUSTOMER CONTRACTS

ACCOUNTING POLICY

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. All costs generated before the inception of a contract are expensed once incurred if they cannot be capitalised according to other standards. YIT capitalises costs to fulfil contracts that meet the criteria of capitalisation. Capitalised costs to fulfil contracts are amortised according to the 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. Specific aspects regarding performance obligations are described hereinafter. 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 hereinafter. 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 customer contract will exceed the transaction price to be received from the customer contract, 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 the statement of financial position under current liabilities in the line item Contract liabilities, advances received. The line item Other contract liabilities include housing company loans and plot lease liabilities related to sold but unrecognised Finnish self-developed projects.

SPECIAL ASPECTS REGARDING REVENUE RECOGNITION

Self-developed residential construction in Finland

Residential development projects are projects developed by YIT which are not sold as construction begins and of which individual residential apartments are sold instead of entire buildings during construction. YIT constructs a residential building for the housing company it has established. YIT sells the apartments of the residential building it has constructed to the customer in the form of shares which give a right to control the apartment. The (Finnish) RS security system is applied in the self-developed residential construction with the intent of protecting the buyer's rights during the construction phase. The decisions linked to the construction phase of the self-developed housing company have been defined beforehand in the RS documents. The housing company is not engaged in commercial activities, and the decisions are made according to the previously mentioned documents. YIT recognises revenue from the sale of the shares in the housing company according to IFRS 15 standard. Applying IFRS 15 reflects best the economical substance of the transaction.

When the customer and YIT sign the sales contract, a binding contract according to IFRS 15 is formed. Even though the customer has a legal right to cancel the contract, YIT considers the compensation due to cancellation of the contract to be significant for the customer, and thus fulfilling the IFRS 15 criteria in regard to contractual commitment. YIT applies the five-step model of IFRS 15 to the customer contract.

TRANSACTION PRICE AND TIMING OF REVENUE RECOGNITION

In residential development projects, separate residential 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 residential building. YIT does not account for the time value of money for payments because management's judgement 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 residential apartment includes the share of housing company loan allocated to the apartment. The buyer is responsible for the repayment of the loan allocated to the apartment. The 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 residential apartments by YIT contain both sales prices paid by customers and the housing company loan amounts related to the apartments. Housing company loans of unfinished residential development projects are presented in the consolidated statement of financial position either in interest-bearing liabilities (unsold apartments) or as other contract liability (sold apartments). At the time of the project's completion, the amount presented as contract liabilities are recognised as revenue.

The revenue from residential development construction is recognised at a point in time, on completion, when control of the apartment is transferred to the customer. The over time revenue recognition criteria are not met due to customer's right to cancel the contract based on Finnish Housing Transactions Act.

Self-developed residential construction in CEE countries

TIMING OF REVENUE RECOGNITION

The revenue from self-developed residential projects is recognised at a point in time after obtaining permission from the authorities when YIT de facto considers having fulfilled its performance obligation.

Self-developed residential construction in Russia

TIMING OF REVENUE RECOGNITION AND DETERMINING MEASURE OF PROGRESS

Based on YIT's assessment, the current legislation and legal practice make the sales contract non-cancellable for the customer in Russia. Therefore, YIT has a right to payment for performance completed to date during the whole construction period. Therefore, YIT recognises revenue over time from its Russian residential development projects. YIT uses an input-based method for determining the measure of progress. The measure of progress is determined in proportion of realised costs at time of reporting to estimated total costs of the project.

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.

Self-developed real estate construction

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. The amount and probability of the lease liability commitments are estimated as the project is progressing.

TIMING OF REVENUE RECOGNITION AND DETERMINING MEASURE OF PROGRESS

In real estate development projects, the criteria for recognising revenue over time are evaluated against the contract terms and conditions of each project. The revenue from real estate development contracts 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.

YIT uses an input-based method for determining measure of 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.

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.

Contracting

PERFORMANCE OBLIGATIONS AND DETERMINING 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.

TIMING OF REVENUE RECOGNITION AND DETERMINING MEASURE OF PROGRESS

The criteria for revenue recognition over time are met in most customer contracts related to contracting 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.

Wind power projects

PERFORMANCE OBLIGATIONS

Wind power projects' customer contracts, where YIT sells project rights and construction service to the customer, contain two separate performance obligations based on YIT's current business model.

TIMING OF REVENUE RECOGNITION

The revenue from wind power projects' project rights is recognised as revenue once the customer obtains the legal title of the rights and therefore controls them. Revenue from the construction services are recognised over time.

Life cycle and PPP projects

In all life cycle projects, the basis for payment is usability or quality, hence there are no intangible rights in the statement of financial position.

All of the projects in which YIT is a direct contracting party to the customer are financed by the customer. In these 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 the construction's progress. During the maintenance period, YIT receives payments on a monthly basis, corresponding to the provided services. Life cycle and PPP projects include usability deductions which are accounted for as variable considerations. The consideration of the construction phase is tied to the construction cost index, and the maintenance periods are tied to the maintenance index. The indices are reviewed on an annual basis. YIT has no material supplementary right of use to the infrastructure.

Projects in which the contractual party to the customer is a joint venture established by YIT and another party have been carried out using a model where the joint venture is responsible for the financing. 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 act as a contracting party to 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.

Revenue recognition for 2020 discontinued operations

PERFORMANCE OBLIGATIONS AND TRANSACTION PRICE

The performance obligation is determined by the scope of the work. 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. 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. 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 tons in proportion to estimated total tons 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. A mineral aggregates excavation and crushing service performed on land owned by the customer is recognised as revenue over time. The service is recognised as revenue using an input-based method, and it is based on the realised costs relative to the estimated total cost. Revenue from the sale of mineral aggregates and asphalt mass is recognised as revenue at a point in time.

MANAGEMENT JUDGEMENT AND ESTIMATES

RECOGNITION AND MEASUREMENT OF REVENUE

A major part of YIT's business is project related, and projects might extend across several years. Project revenue recognition over time is based on estimated revenue and costs as well as a reliable estimate of measure of progress. These estimates contain a considerable amount of management judgement which is described in more detail hereinafter.

Significant management judgements related to recognition and measurement of revenue are related to the number of performance obligations, estimates regarding the contract's transaction price, i.e. realised revenues, determining measure of progress, timing of revenue recognition in self-developed residential construction as well as Finnish self-developed residential projects.

Number of performance obligations

When identifying performance obligations, YIT's management assesses, for example, the interrelations between the different tasks and services of construction services as well as whether the customer can separately benefit from them. The significant management judgement in identifying performance obligations is related to additional tasks performed in addition to construction service. 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. Wind power projects' customer contracts, where YIT sells project rights and construction services to the customer, include two distinct performance obligations based on YIT's current business model. YIT's management has concluded that the lease liability commitment in business premise projects', or the so-called lease liability commitments, 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 in the form of rental income instead of a distinct construction service or rental service.

Determining the transaction price

To determine revenue, management must assess the 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 the 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 contract-specifically at each reporting date.

Significant bonuses are primarily linked to infrastructure 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 on 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 customer contracts as lease liability commitments. In this case, the consideration received by YIT will vary on the basis of the success of the rental, that is, based on the realised occupancy rates and prices. In contracts like this, YIT limits the recognition of revenue from variable considerations and does not recognise variable consideration as revenue when such variable consideration 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.

In some cases, YIT's claims to the customer might cause disagreements. The disagreements might be a result of additional and change works, defects in designs as well as disruptions to the project's time schedule. In these cases, YIT assesses its legal position and applies IFRS 15 guidance on contract modifications.

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 transferred performance obligation.

A contract'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 contracts includes estimates of the development of the total expenditure required to complete the contract. The total cost estimate might also include estimates related to subcontractors' costs in dispute. When assessing the impact of those costs on the total cost estimate, YIT's management estimates the situation of the disputes based on the best knowledge available at that point. Despite of the careful assessment by YIT's management, the outcome might differ from the estimate. Estimates related to contract revenue recognition are regularly and reliably updated.

If the estimates of the end result of a contract 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 contract will exceed the total income from the contract, the expected loss is expensed immediately.

Timing of revenue recognition in self-developed residential projects

YIT's management is exercising country-specific judgement when assessing the timing of fulfillment of performance obligations. In making the judgement, the management analyses, among others, the local legislation and terms of customer contracts when assessing the criteria for transfer of control. The key aspects of the assessment are that YIT has fulfilled its contractual performance obligation, the authorities have approved the use of the building and YIT has a right to payment from the customer.

Finnish self-developed residential projects

In Finland, the sales of apartments is done by selling shares of the housing company which is acting as a corporate wrapper. The (Finnish) RS security system is applied in the self-developed residential construction with the intent of protecting the buyer's rights during the construction phase. The decisions linked to the construction phase of the self-developed housing company have been defined beforehand in the RS documents. The housing company is not engaged in commercial activities, and the decisions are made according to the previously mentioned documents. Based on the true substance of the transaction, the sale is accounted for according to IFRS 15.

DISAGGREGATION OF REVENUE

The Group's revenue consists of revenue from contracts with customers. The services and products provided by YIT are described in the note Segment information. For other types of income see note Other operating income.

2021

EUR million	Housing Finland and CEE	Housing Russia	Business Premises	Infrastructure	Partnership Properties	Other items	Group
Market area							
Finland	1,010		620	449	49	-35	2,094
Russia		204				0	204
CEE	271		94	67			432
Baltics	100		89	67			256
The Czech Republic, Slovakia, Poland	171		5				176
Scandinavia				127		0	127
Sweden				119		0	119
Norway				8			8
Internal sales between segments	0		0	15	0	-16	
Total	**1,281**	**204**	**715**	**658**	**49**	**-51**	**2,856**

2021

EUR million	Housing Finland and CEE	Housing Russia	Business Premises	Infrastructure	Partnership Properties	Other items	Group
Timing of revenue recognition							
Over time	441	201	668	584	45	12	1,951
At a point in time	841	3	46	59	4	-47	905
Internal sales between segments	0		0	15	0	-16	
Total	**1,281**	**204**	**715**	**658**	**49**	**-51**	**2,856**

2020

EUR million	Housing Finland and CEE	Housing Russia	Business Premises	Infrastructure	Partnership Properties	Other items	Group
Market area							
Finland	1,079		722	501	17	-74	2,245
Russia		305				-1	303
CEE	207		38	125			370
Baltics	87		30	125			242
The Czech Republic, Slovakia, Poland	120		8				128
Scandinavia				150		1	151
Sweden				116		1	117
Norway				35			35
Internal sales between segments	0		0	15		-16	
Total	**1,286**	**305**	**761**	**791**	**17**	**-90**	**3,069**

2020

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

CONTRACT ASSETS AND LIABILITIES

EUR million	31 Dec 2021	31 Dec 2020
Contract assets	**165**	**197**
Contract liabilities, advances received		
Non-current contract liabilities, advances received	11	
Non-current contract liabilities, advances received	293	240
Contract liabilities, advances received total	**304**	**240**
Other contract liabilities		
Housing company loans related to sold apartments	95	121
Lease liabilities related to leased plots for sold apartments	25	41
Other contract liabilities, total	**121**	**162**

Contract liabilities, advances received include payments from customers exceeding the work progress in over time recognised projects and customer payments related to sold but unrecognised self-developed projects.

PERFORMANCE OBLIGATIONS

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

EUR million	31 Dec 2021	31 Dec 2020
Unrecognised transaction price	**3,252**	**2,885***
To be recognised next year	1,942	1,833*
To be recognised later	1,310	1,052

*Comparison period transaction price has been adjusted.

LIFE CYCLE AND PPP PROJECTS

In life cycle and PPP projects (Public Private Partnership), 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. Life cycle and PPP projects are used in large public construction and renovation projects, and the customer is typically the public sector. YIT is engaged in 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.

Project	Contract date	Construction phase	Maintenance phase	Total value, EUR million*
Oulu, Kastelli community centre	06/2006	completed	ends 2039	86
Kuopio, schools and day-care centre	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 centres	12/2015	completed	ends 2038	61
Kuopio, Jynkkä and Karttula schools	06/2016	completed	ends 2038	37
E18 Hamina–Vaalimaa (PPP project)	06/2015	completed	ends 2034	378
Parkano, school campus	03/2017	completed	ends 2039	25
Sodankylä health centre	06/2017	completed	ends 2039	31
Kuopio, Hiltulanlahti school	12/2017	completed	ends 2039	26
Imatra, School campus	05/2018	completed	ends 2040	55
Kuopio, Kuntolaakso	12/2017	completed	-**	18
Kirsti school and day-care centre	10/2017	completed	-**	22
Viherlaakso schools	12/2016	ends 2022	-**	27
Espoo, Tuomarila school	10/2019	ends 2022	-**	16
Espoo, Laajalahti school	10/2019	ends 2023	-**	16
Helsinki, Vuosaari school	08/2019	completed	-**	20
Espoo, Lintuvaara school and day-care centre	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 school centre	03/2012	completed	-**	26
Lappeenranta, Lauritsala school	11/2019	ends 2021	ends 2041	32
Pudasjärvi, wellness centre	10/2019	completed	ends 2041	36
Juva, school campus	01/2019	completed	ends 2040	33
Espoo, schools (PPP project)	06/2020	ends 2024	ends 2042	300
Etelä-Nummela, school and day-care centre	04/2021	ends 2023	ends 2043	37
Valkeala, community centre	06/2021	ends 2023	ends 2043	38
Sodankylä, community centre	08/2020	ends 2022	ends 2042	35

*Based on estimate of the total value of the contract at contract inception. Regarding consortia, the value includes only YIT's share. The total value for PPP projects is the total value of the whole project.

**The life cycle project carried out as a consortium (joint operation) where YIT is responsible for the construction phase and the other party of the consortium is responsible for the maintenance phase.

JOINT OPERATIONS

Construction consortia and consortia are typical joint operations for YIT. The consortia have been listed in the table for Life cycle and PPP projects.
A construction consortium is not a separate legal person and it is incorporated only to execute one project after which it will be winded up.
A construction consortium makes a joint offer and a contract of which the parties to the construction consortium will be jointly liable for against the customer and third parties.

The most significant construction consortia are listed in the table below.

Project	Segment	Contract date	Total value of the contract for the construction consortium, EUR million
Crown Bridges	Infrastructure	09/2021	126
Kaitaa metro	Infrastructure	09/2018	47
Soukka metro	Infrastructure	06/2018	50

5. ACQUISITIONS AND DISPOSALS OF BUSINESSES

ACCOUNTING POLICY

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 amount of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in the income statement.

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 the income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity. Redemption liabilities related to non-controlling interests are recognised as financial liabilities measured at fair value.

There were no material business acquisitions or disposals during the financial year 2021. During the financial year 2020 YIT sold its paving and mineral aggregates businesses in Finland, Sweden, Norway and Denmark to Peab. Impacts of the sale are described in more detail in note Discontinued operations.

6. DISCONTINUED OPERATIONS

ACCOUNTING POLICY

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.

The assets and liabilities related to discontinued operations are presented as separate line items in the statement of financial position as assets held-for-sale until the sale. The result from discontinued operations is reported separately from income and expenses from continuing operations in the consolidated income statement. 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.

On 4 July 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. In the financial statements of 2019, YIT classified its Nordic paving and mineral aggregates businesses as assets held-for-sale and reported them as discontinued operations. The sale was successfully completed on 1 April 2020. For the financial year 2020, the income statement and cash flows used in discontinued operations are therefore presented for the three-month period from 1 January 2020 to 1 April 2020. In the financial year 2021, YIT adjusted the gain on sale by EUR -3 million.

RESULT OF DISCONTINUED OPERATIONS

EUR million	2021	2020
Revenue		**27**
Other operating income		1
Change in inventories of finished goods and in work in progress		8
Production for own use		0
Materials and supplies		-11
External services		-11
Personnel expenses		-17
Other operating expenses		-17
Share of results in associated companies and joint ventures		-1
Operating profit		**-22**
Finance income		0
Finance expenses		-1
Finance income and expenses, total		-1
Result before taxes		**-23**
Income taxes		4
Result for the period, discontinued operations		**-19**
Gain on sale of discontinued operations	**-3**	**55**
Result from discontinued operations	**-3**	**35**

CASH FLOWS (USED IN) DISCONTINUED OPERATIONS

EUR million	2020
Net cash used in operating activities	-24
Net cash used in investing activities	277
Net cash used in financing activities	-6
Net cash flow for the period	**247**

EFFECT OF DISPOSAL ON FINANCIAL POSITION

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

EUR million	2021	1 April 2020
Cash consideration		288
Sold net assets		-221
Other items	-3	-12
Gain on sale of discontinued operations	**-3**	**55**

Other items included translation difference of EUR -2 million in year 2020.

7. OTHER OPERATING INCOME

ACCOUNTING POLICY

Income not related to ordinary course of business, such as rental income and gains on sales of tangible and intangible assets are typically presented in other operating income. Rental income relates mainly to subleased right-of-use assets. Accounting policies related to leases are described in more detail in note Lease agreements.

EUR million	2021	2020
Gain on sales of property, plant and equipment	3	4
Rental income	5	5
Fair value changes related to redemption liability of non-controlling interests		8
Other income	9	13
Total	**17**	**30**

8. OTHER OPERATING EXPENSES

ACCOUNTING POLICY

Losses on sales of property, plant and equipment and intangible assets, expenses related to short-term leases and leases of low-value assets, IT expenses and other operating expenses, among others, are presented in other operating expenses. Expenditure related to research are expensed when incurred. Development costs are capitalised if the criteria in IAS 38 standard are fulfilled. So far, the development costs have not fulfilled the criteria.

OTHER OPERATING EXPENSES

EUR million	2021	2020
Losses on the sale of property, plant and equipment and intangible assets	-1	-2
Expenses related to short-term leases and low-value assets	-51	-54
Voluntary indirect personnel expenses	-11	-12
Travel expenses	-14	-16
IT expenses	-32	-29
Maintenance costs of premises	-7	-10
Other costs from customer contracts	-98	-122
Other expenses	-55	-46
Total	**-269**	**-291**

Group's expensed reseach and development costs amounted to EUR 24 million (25).

Audit fees

EUR million	2021	2020
PricewaterhouseCoopers		
Statutory audit	-1.1	-1.0
Tax services	0.0	0.0
Other services	-0.2	-0.2
Total	**-1.3**	**-1.2**

The fees for other than statutory audit services provided by PricewaterhouseCoopers Oy for YIT Group companies amounted to EUR 0.2 million (0.2) in 2021. The fees included tax services EUR 0.01 million (0.0) and other services EUR 0.2 million (0.2).

9. EMPLOYEE BENEFITS AND NUMBER OF PERSONNEL

ACCOUNTING POLICY

SHARE-BASED PAYMENTS

Depending on the settlement of the reward, the share-based incentive plans are recognised either as equity-settled or cash-settled share-based payment transactions. If the share-based payment transaction includes a net-settlement feature for withholding tax obligations, the transaction is classified fully as equity-settled. YIT has both equity- and cash-settled share-based payment plans and entirely equity-settled plans.

The fair value of the reward settled as equity is based on the market price of YIT Corporation's share at the grant date less the present value of expected dividends. Additionally, when determining the grant date fair value of the reward, the effect of market-based vesting conditions (Total Shareholder Return, TSR) is taken into account. The grant date fair value is determined using a probability weighted valuation model to reflect the probability of not achieving the market-based vesting condition. The expense is recognised irrespectively of whether the market-based vesting condition is satisfied. Non-market-based vesting conditions and the service condition are not included when determining the grant date fair value. Instead, the conditions are taken into account in the number of shares which are expected to vest at the end of the vesting period. The fair value of the equity-settled reward is recognised in personnel expenses and equity during the vesting period.

The cash-settled reward is based on the market price of YIT Corporation's share at the reporting date and it is expensed to personnel expenses and current liabilities until the settlement date. The liability is valued at fair value at every reporting 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 the 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.

PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

EUR million	2021	2020
Wages and salaries	-304	-308
Pension costs, defined contribution plan	-43	-40
Pension costs, defined benefit plan	0	0
Share-based compensations	-2	-3
Other indirect employee costs	-21	-21
Total	**-370**	**-372**

The average number of employees during the financial year was 7,088 (7,377).

SHARE-BASED PAYMENTS

YIT has implemented a long-term share-based incentive program to support the company's strategy of profitable growth and financial stability and supplement the existing incentive program. The program aims at encouraging employees to engage in goal-oriented work, rewarding 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 program.

Plan of 2017–2019

The earning periods of the 2017–2019 incentive plan 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 plan (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 net shares from year 2017 and maximum of 1,150,000 net shares from years 2018 and 2019 can be distributed annually. In 2019, a maximum of 45,000 net 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 mainly held by YIT. There is a two-year commitment period associated with each earning period, after which the shares are transferred to key persons still employed by YIT Group. In exceptional cases and for justified reasons, YIT's Board of Directors may decide to provide key employees with a monetary amount corresponding to the market price of the shares at the date of transfer. The employer will cover the taxes and tax-like fees charged to the key employees covered by the plan in connection with the transfer of the shares. Under all circumstances, the Board of Directors has the right to change the bonuses. The commitment period regarding shares delivered for years 2017 and 2018 has ended.

Plans of 2020–2022 and 2021–2023

The Board of Directors of YIT Corporation decided on 16 March 2020 to launch a new long-term share-based incentive plan for key persons. The earning periods of the incentive plan are for three years. A potential bonus will be determined on the basis of the indicators decided annually by the Board of Directors of YIT Corporation for each earning period and their target levels. Return on capital employed (ROCE), absolute TSR (Total Shareholder Return) and the Group's Net Promoter Score (NPS) have been set for 2020–2022. For 2021–2023 earning period indicators are Return on capital employed (ROCE), absolute TSR (Total Shareholder Return) and Sustainability (CO_2 reduction index). The Board of Directors also decides on the approximately 260 key persons from YIT's operative countries to be included in the incentive plan for each earning period.

After the three-year earning period and the confirmation of the annual report, the shares are transferred to key persons employed by the company. A maximum of approximately 2,100,000 gross shares can be distributed each year. Furthermore, the Board of Directors recommends that the Group Management Team members aims to hold along with the long-term incentive plan YIT shares equalling half of the value of his/her annual salary as long as he/she is the member of the Group Management Team. The Board of Directors recommends that the President and CEO aims to hold YIT shares equalling the value of his annual salary. Under all circumstances, the Board of Directors has the right to change the bonuses.

Share-based plan information

	Plan of 2021–2023	Plan of 2020–2022	Plan of 2017–2019	
	2021	**2020**	**2019**	**2018**
Grant date	22 Feb 2021	31 Mar 2020	25 Mar 2019	15 Aug 2018
Maximum number of shares	2,100,000	2,100,000	1,150,000	1,150,000
Earning period start date	1 Jan 2021	1 Jan 2020	1 Jan 2019	1 Jan 2018
Earning period end date	31 Dec 2023	31 Dec 2022	31 Dec 2019	31 Dec 2018
Commitment period end date	31 May 2024	31 May 2023	31 May 2022	31 May 2021
Vesting conditions	ROCE %, absolute Total Shareholder Return (TSR), sustainability (CO_2 reduction index) and continued employment	ROCE %, Net Promoter Score (NPS), absolute Total Shareholder Return (TSR) and continued employment	ROCE %, Net Promoter Score (NPS) and continued employment	ROCE %, Net Promoter Score (NPS) and continued employment
Payment method	Cash & equity	Cash & equity	Cash & equity	Cash & equity
Description of shares	Gross share	Gross share	Net share	Net share
Number of persons in the arrangement at the end of reporting period	237	214	235	0

The amount of shares to be presented in the gross share arrangement includes the cash component to be settled in cash. In the net share arrangement, the number of shares does not include the cash share, but it is paid in addition to the number of shares presented.

Changes in number of shares

	Plan of 2021–2023	Plan of 2020–2022	Plan of 2017–2019	
	2021	2020	2019	2018
Outstanding shares on 1 Jan 2021, pcs		1,870,000	597,896	44,900
Shares granted	2,172,388			
Shares forfeited	-172,000	-372,000	-58,311	-2,000
Shares exercised			-54,549	-42,900
Shares expired				
Outstanding shares on 31 Dec 2021, pcs	2,000,388	1,498,000	485,036	0

Information regarding fair value determination

	Plan of 2021–2023	Plan of 2020–2022	Plan of 2017–2019
	2021	2020	2019
Grant date	22 Feb 2021	31 Mar 2020	25 Mar 2019
Share price at grant date, EUR	4.96	4.04	5.10
Share price at the end of the reporting period, EUR	4.31	4.31	4.31
Expected dividends, EUR	0.98	1.16	0.81
Valuation model	Monte Carlo	Monte Carlo	
Risk-free interest rate, %	-0.7	-0.5	
Expected volatility, %	33.0	31.0	
Maturity, years	2.8	2.8	
Fair value, EUR million on 31 Dec 2021	1	0	5

The fair value of the market-based criteria (TSR) of the plans 2020–2022 and 2021–2023 has been determined using Monte Carlo simulation. Expected volatility was determined by calculating the historical volatility of the share using monthly observations over corresponding maturity.

Effect of share-based incentive plans on profit and loss and to statement of financial position

EUR million	2021	2020
Total expenses for the financial year regarding share-based payments	-1	-3
Total expenses for the financial year regarding equity-settled share-based payments	-1	-1
Liabilities arising from share-based payments	2	3

YIT estimates the amount of cash to be paid to the tax authorities in the future regarding share-based plans to be EUR 0 million. The actual amount may differ from the estimated amount.

10. SALARIES AND FEES TO THE MANAGEMENT

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 2021 decided that the Board of Directors are 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 (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 (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 (EUR 50,000).

The award and payment of the fixed annual remuneration is contingent on the Board members committing to purchase 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 are 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 from 1 January to 31 March 2021.

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 a meeting fee of EUR 2,000 for each committee meeting. Per diems for trips in Finland and abroad are paid in accordance with the Group`s travel policy and tax 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. The remuneration of the Board of the Directors has been decided at the Annual General Meeting on 18 March 2021.

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 2021, the company booked social security costs of EUR 0.6 million (EUR 0.6 million) from key management personnel's salaries, fees and other employee benefits. 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	2021	2020
Short-term employee benefits	3.9	3.1
Former President and CEO*		0.6
Interim President and CEO**	0.2	0.1
President and CEO***	0.6	
Key management personnel other than the President and CEO	3.1	2.5
Post-employment benefits	0.6	0.6
Former President and CEO*		0.1
Interim President and CEO**	0.0	
President and CEO***	0.1	
Key management personnel other than the President and CEO	0.5	0.5
Termination benefits	0.9	1.3
Former President and CEO*		1.0
Key management personnel other than the President and CEO	0.9	0.3
Share-based payments	0.5	0.6
Former President and CEO*		0.1
Interim President and CEO**	0.0	
President and CEO***	0.0	
Key management personnel other than the President and CEO	0.5	0.5
Remuneration of Group Management Team, total	**5.8**	**5.6**

*Former President and CEO Kari Kauniskangas until 22 October 2020
**Interim President and CEO Antti Inkilä from 23 October 2020 to 31 March 2021
***President and CEO Markku Moilanen from 1 April 2021 onwards

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits include a 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.

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 90 per cent of the annual remuneration (salary and fringe benefits), to interim President and CEO 60 per cent and 50 per cent for other members of the Group Management Team.

POST-EMPLOYMENT BENEFITS

The additional pension plan of the members of the Group Management Team is based on a 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.

11. FINANCE INCOME AND EXPENSES

ACCOUNTING POLICY

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

EUR million	2021	2020
Finance income		
Interest income on loans and other receivables	4	4
Other finance income	0	0
Finance income total	**4**	**4**
Finance expenses		
Interest expenses on financial liabilities recognised at amortised cost	-16	-20
Interest expenses on lease liabilities	-12	-15
Interest expenses on interest rate derivatives	-1	-1
Other interest and finance expenses	-14	-10
Interest expenses capitalised on qualifying assets	7	1
Finance expenses total	**-36**	**-45**
Exchange rate differences, net	2	1
Finance income and expenses total	**-30**	**-41**
Exchange rate differences recognised in income statement		
Exchange rate differences in operating income and expenses	0	1
Exchange rate differences in financial items	2	1
Exchange rate differences total	**2**	**1**

12. INCOME TAXES

ACCOUNTING POLICY

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 or other comprehensive income is recognised correspondingly in equity or in other comprehensive income. The current tax charge is calculated using the tax rate that is in force at the end of the reporting period for each country.

INCOME TAXES IN THE INCOME STATEMENT

EUR million	2021	2020
Income taxes for the financial year	-14	-5
Taxes for prior years	0	0
Deferred taxes	-13	3
Total income taxes	**-28**	**-3**

TAX RECONCILIATION

EUR million	2021	2020
Result before taxes	**35**	**-6**
Income taxes at the tax rate in Finland 20%	-7	1
Effect of different tax rates outside Finland	2	1
Tax exempt income and non-deductible expenses	-3	-2
Net results of associated companies and joint ventures	2	1
Unrecognised tax on loss for the period	-10	-4
Adjustments to previous year's deferred taxes	-11	0
Taxes for prior years	0	0
Income taxes in the income statement	**-28**	**-3**

Unrecognised deferred ta assets on losses for the period amounting to EUR -10 million relate to companies in Russia, Sweden and Norway. The recoverability of tax losses in companies in these countries is subject to considerable uncertainty, and hence no deferred tax assets have been recognised for the financial year 2021. Adjustments to prior period deferred taxes amounting to EUR -11 million included mainly adjustments to deferred tax assets in companies in Russia.

13. EARNINGS PER SHARE

ACCOUNTING POLICY

Basic earnings per share is calculated by dividing result for the period attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the number of shares to assume conversion of all diluting potential shares. When calculating earnings per share, the result is adjusted with hybrid bond interests regardless of payment date and adjusted with tax effect.

	Basic		Diluted	
	2021	**2020**	**2021**	**2020**
Result attributable to the equity holders of the company, EUR million	4	26	4	26
interest expenses on hybrid bond for the period after taxes, EUR million	-3		-3	
Result used in the calculation of earnings per share, EUR million	0	26	0	26
Weighted outstanding number of shares during the period, million shares	209	209	209	209
Potentially dilutive shares of share based incentive plans during the period, million shares			0	1
Weighted outstanding adjusted dilutive number of shares during the period, million shares			210	210
Earnings per share, EUR/ share	0.00	0.13	0.00	0.13
Earnings per share, continuing operations, EUR/ share	0.02	-0.04	0.02	-0.04
Earnings per share, discontinued operations, EUR/ share	-0.02	0.17	-0.02	0.17

When calculating the earnings per share for continued operations, the Interest expenses on hybrid bond after taxes for the period have been deducted from the result used in the calculation. In earnings per share for discontinued operations, the interest expenses on hybrid bond have not been deducted from the result used in the calculation.

14. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

MEASUREMENT AND RECOGNITION

Tangible assets are measured 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 residual values and useful lives of assets are assessed at the end of the reporting period. If necessary, they are adjusted to reflect the changes in the expected economic benefits. Gains or losses on the sale and disposal of property, plant and equipment are included in other operating income or expenses. 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 life of the asset to which they pertain, if it is likely that YIT will derive future economic benefit from the investment. YIT 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.

	Estimated useful life, years
Land areas, no depreciation	-
Buildings and constructions	10–40
Machinery and equipment	3–15
Other tangible assets	10–40

IMPAIRMENT

At the end of each reporting period, YIT evaluates whether there are indications of impairment in any asset item. If there are indications of impairment, the recoverable amount of said asset is estimated. 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.

An impairment loss is recognised if the carrying amount of the asset item is higher than its recoverable amount. The impairment loss is entered immediately in the income statement. An impairment loss is reversed if the situation changes and the amount recoverable from the asset has improved since the date when the impairment loss was recorded. However, impairment losses are not reversed beyond the carrying amount of the asset excluding the impairment losses.

2021

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Historical cost on 1 January	12	21	200	18	0	251
Exchange rate differences	0	0	0	0	0	1
Increases		2	6	0	0	8
Decreases	0	-1	-3	-1	0	-6
Business disposals	-1	-1	-4	-1	0	-8
Reclassifications	0	0	0	0		0
Historical cost on 31 December	**12**	**21**	**198**	**16**	**0**	**247**
Accumulated depreciation and impairment on 1 January	-1	-12	-159	-12	0	-183
Exchange rate differences		0	0	0		0
Depreciation		-1	-9	-1		-11
Impairment		0				0
Accumulated depreciation of reclassifications	0	0	0	1	0	1
Accumulated depreciation and impairment on 31 December	**-1**	**-13**	**-168**	**-12**		**-193**
Carrying amount on 1 January	12	9	41	6	0	68
Carrying amount on 31 December	**11**	**8**	**30**	**4**	**0**	**53**

2020

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Historical cost on 1 January	10	26	194	30	1	261
Exchange rate differences		-1	-2	0	0	-3
Increases		0	4	1	0	5
Decreases	0	-1	-12	0	0	-13
Transfers to assets classified as held-for-sale	2					2
Reclassifications		-4	16	-14	0	-1
Historical cost on 31 December	**12**	**21**	**200**	**18**	**0**	**251**
Accumulated depreciation and impairment on 1 January		-12	-154	-20		-185
Exchange rate differences		0	1	0	0	2
Depreciation		-2	-11	-2		-14
Impairment	-1					-1
Accumulated depreciation of reclassifications	0	1	4	10	0	15
Accumulated depreciation and impairment on 31 December	**-1**	**-12**	**-159**	**-12**	**0**	**-183**
Carrying amount on 1 January	10	15	40	10	1	76
Carrying amount on 31 December	**12**	**9**	**41**	**6**	**0**	**68**

15. OTHER INTANGIBLE ASSETS AND GOODWILL

ACCOUNTING POLICY

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 in the statement of financial position 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 licenses 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.

	Estimated useful life, years
Customer relations and contract bases	3–5
Trademarks	15
Computer software and other items	2–5
Unpatented technology	3–5

GOODWILL

Goodwill is the difference between the consideration paid including any non-controlling interest and the acquisition date fair value of identifiable net assets acquired. Goodwill is subjected to an annual impairment test. For that purpose, goodwill is allocated to cash-generating units. Goodwill is measured at the original acquisition cost less impairment. Impairment is expensed immediately in the income statement. An impairment loss recognised from goodwill is not reversed at a later reporting period. Gains and losses on the disposal of an entity or business include the carrying amount of goodwill relating to the entity sold.

IMPAIRMENT

At the end of each reporting period, YIT evaluates whether there are indications of impairment in any asset item. If there are indications of impairment, the recoverable amount of said asset is estimated. In addition, the recoverable amount is assessed annually for each of the following assets regardless of whether impairment is indicated: goodwill, intangible assets with an unlimited useful life and intangible assets in progress. The need for impairment is assessed at the level of cash-generating units. The recoverable amount is the fair value of the asset 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 immediately in the income statement and is initially allocated to the goodwill allocated to the cash-generating unit and thereafter equally to other assets.

MANAGEMENT JUDGEMENT AND ESTIMATES

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 YIT'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.

OTHER INTANGIBLE ASSETS

2021

EUR million	Other intangible assets	Advance payments	Other intangible assets Total
Historical cost on 1 January	42	0	42
Exchange rate differences	0		0
Increases	0		0
Decreases	-8	0	-8
Reclassifications	0		0
Historical cost on 31 December	**34**		**34**
Accumulated amortisation and impairment on 1 January	-32		-32
Exchange rate differences	0		0
Amortisation	-3		-3
Accumulated amortisation of reclassifications	8		8
Accumulated amortisation and impairment on 31 December	**-27**		**-27**
Carrying amount on 1 January	10	0	10
Carrying amount on 31 December	**7**		**7**

2020

EUR million	Other intangible assets	Advance payments	Other intangible assets Total
Historical cost on 1 January	48	0	48
Exchange rate differences	0		0
Increases	0		0
Decreases	0	0	0
Reclassifications	-6		-6
Historical cost on 31 December	**42**	**0**	**42**
Accumulated amortisation and impairment on 1 January	-33		-33
Exchange rate differences	0		0
Amortisation	-5		-5
Transfers to assets classified as held-for-sale	6		6
Accumulated amortisation and impairment on 31 December	**-32**		**-32**
Carrying amount on 1 January	14	0	15
Carrying amount on 31 December	**10**	**0**	**10**

GOODWILL

EUR million	2021	2020
Carrying amount on 1 January	249	264
Exchange rate differences	0	0
Impairment		-15
Increases	1	
Decreases	-1	
Carrying amount on 31 December	**249**	**249**

YIT has identified cash generating units at the the level of reported segments.

Allocation of goodwill to segments

EUR million	31 Dec 2021	Discount rate, % (WACC before taxes)*	31 Dec 2020	Discount rate, % (WACC before taxes)*
Housing Finland and CEE	105	7.7	105	6.3
Business Premises	81	7.5	81	5.6
Infrastructure	56	7.4	57	7.0
Partnership Properties	7	6.2	6	5.6
Goodwill, total	**249**		**249**	

*Average, weighted with country-specific capital employed

Goodwill impairments

During the financial year 2021 there were no impairments recognised on goodwill. In 2020 YIT recognised an impairment during the first quarter in the income statement amounting to EUR 14 million relating to goodwill in Housing Russia. After the impairment, there is no more goodwill allocated to Housing Russia segment. In addition, during Q3, 2020, YIT recognised goodwill impairment of EUR 2 million in the income statement related to the decision to close down Infrastructure operations in Norway.

Annual goodwill impairment tests

The goodwill tests carried out during the fourth quarter of 2021 and 2020 showed that the present values of the future cash flows exceeded the carrying amounts substantially in all segments.

Cash flow forecasts and assumptions used in annual goodwill impairment tests

The cash-generating units' cash flow forecasts were prepared for a five-year planning period based on the action plan created by management and the Group's strategy. Cash flows beyond the forecasting period are calculated using the end value method. All the 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. In the calculation of the discount rate for the unit being tested, YIT uses country-specific discount rates that are weighted by country-specific capital employed.

16. LEASES

ACCOUNTING POLICY

YIT AS LESSEE

The Group's most significant lease agreements include plot lease agreements related to self-developed construction 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 the income statement.

Measurement and presentation of lease liability

Lease liabilities are measured by discounting expected future lease payments to present value. Lease payments comprise 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. The 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. 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 the incremental borrowing rate as a discount rate.

Lease liabilities are subsequently measured using the effective interest rate method and the Group remeasures the carrying amount to reflect any reassessments or lease modifications. A 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. The 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, excluding plot lease agreements, 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 self-developed construction

The Group has material plot lease agreements related to self-developed construction only in Finland. 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 self-developed construction 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 self-developed residential construction projects, as well as to the 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 self-developed residential construction projects are initially measured according to measurement requirements of IFRS 16.

In Finland, when the Group enters a plot lease agreement related to self-developed residential construction and the development project has not started, the right-of-use asset of the plot lease agreement is recognised in inventories and the lease liability in the statement of financial position. The plot lease agreement related to self-developed residential construction will be derecognised from inventories and the change in inventories is recognised in the income statement when the sale is recognised based on the revenue recognition policies of the Group. The lease liability of plot lease agreements related to incomplete self-developed residential construction projects in Finland is presented in the statement of financial position either as a lease liability or in the Other contract liabilities line item depending on the degree of sale. The portion of the lease liability related to unsold apartments in self-developed residential construction projects under construction is presented as a lease liability in the statement of financial position. The lease liability related to sold apartments in self-developed residential construction projects under construction is a liability transferred to the customer's responsibility. This liability is presented in Other contract liabilities line item, based on the substance of the transaction. When recognising revenue from the project, the lease liability of the sold apartments is recognised as revenue in the income statement. The lease liability of completed unsold apartments is presented as a lease liability in the statement of financial position.

Sale and leaseback

In sale and leaseback transactions YIT assesses first whether the IFRS 15 criteria, according to which the transfer is accounted for as a sale, are met. If the transfer of the asset is a sale, the right-of-use asset is measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by YIT. As a gain or loss is presented only the amount of any gain or loss that relates to the rights transferred to the buyer. If the consideration from the sale of the asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the sale proceeds are adjusted. Any below-market terms are accounted for as a prepayment of lease payments and any above-market terms are accounted for as a financial liability. If the IFRS 15 criteria are not fulfilled, the transferred asset is continued to recognise in the statement of financial position and the consideration is presented as a financial liability.

YIT 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.

MANAGEMENT JUDGEMENT AND ESTIMATES

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 management considers, for example, contractual terms and conditions for optional periods or costs related to termination of lease and signing of new replacement. Overall, the management 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 YIT will not use possible termination, purchase or extension options. With office agreements the management is considering the significance of the leasehold improvements and possible relocation costs.

If the lease term is indefinite, the management 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 YIT considers not only direct penalty payments to lessor but also indirect or economic penalties for both parties. YIT 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. YIT's indefinite lease contracts are typically related to buildings and machinery and equipment.

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

YIT AS LESSEE

Description of lease agreements

Leased property, plant and equipment of YIT 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 or consumer price index.

Leased inventories include leased plots, which are used in self-developed residential construction. Leased plots are long-term in their nature, lease agreements with a lease term with weighted average of 40 years. YIT transfers these mostly by selling apartments from self-developed residential projects. Plot lease agreements include typically index terms which are typically tied to cost-of-living-index in Finland. 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

2021

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Total
Carrying amount on 1 January	1	64	18	84
Exchange rate differences	0	0	0	1
Increases including the effect of index changes	0	14	8	22
Decreases	0	-5	-2	-7
Business acquisitions		1		1
Business disposals	0		-2	-2
Depreciation and impairment	0	-11	-8	-20
Carrying amount on 31 December	**1**	**63**	**15**	**79**

2020

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Carrying amount on 1 January	5	67	23	0	95
Exchange rate differences	0	-1	-1		-2
Increases including the effect of index changes	1	11	14		26
Decreases	-3	0	-8	0	-10
Depreciation and impairment	-1	-14	-10		-25
Carrying amount on 31 December	**1**	**64**	**18**		**84**

Leased inventories

EUR million	2021 Plots	2020 Plots
Carrying amount on 1 January	190	188
Exchange rate differences	0	-1
Increases including the effect of index changes	46	35
Decreases	-62	-33
Carrying amount on 31 December	**174**	**190**

Lease liabilities

Maturity analysis of contractual undiscounted cash flows

EUR million	31 Dec 2021	31 Dec 2020
Less than one year	29	32
From one to three years	49	53
From three to five years	41	40
From five to ten years	73	77
Over ten years	271	287
Undiscounted lease liabilities, total	**462**	**489**

Items recognised in the income statement

EUR million	2021	2020
Change in inventories of finished goods and in work in progress	-56	-30
Expenses related to short-term leases and low-value assets	-51	-54
Depreciation and impairment of right-of-use assets	-20	-25
Interest on lease liabilities	-12	-15
Income from sale and leaseback agreements	1	

YIT AS LESSOR

YIT has primarily subleased business premises it leases from others. The operating lease agreements of office facilities have a lease term of up to eight years. The index, renewal and other terms of the lease agreements of office premises vary. Most of the agreements include extension options after the initial expiry date. The minimum lease amount is calculated until the earliest possible date of termination.

The future minimum lease receivables under non-cancellable operating leases

EUR million	31 Dec 2021	31 Dec 2020
No later than 1 year	2	3
1–5 years	2	4
Over 5 years	0	
Total	**4**	**6**

Rental income from subleasing the right-of-use assets amounted to EUR 5 million (5).

17. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

ACCOUNTING POLICY

The consolidation principles of associated companies and joint ventures have been described in note Consolidation principles.

INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	Segment	Business	Domicile	Ownership 2021, %	Carrying amount 2021	Ownership 2020, %	Carrying amount 2020
Joint ventures							
FinCap Asunnot Oy	Partnership Properties	Real estate investing	Finland	49.00	16	49.00	15
Projekti GH Oy	Partnership Properties	Project development	Finland	33.33	1	33.33	1
Regenero Oy	Partnership Properties	Project development	Finland	50.00	16	50.00	20
Nuppu Housing s.r.o	Housing Finland and CEE	Project development	Slovakia	50.00	5	50.00	3
Zwirn area s.r.o	Housing Finland and CEE	Project development	Slovakia	50.00	1	50.00	2
Pradiaren 1900 s.r.o	Business Premises	Project development	Slovakia	50.00	2	50.00	1
Tieyhtiö Vaalimaa Oy	Partnership Properties	PPP project company	Finland	20.00		20.00	0
Campus Marian Kehitys Oy	Partnership Properties	Project development	Finland	50.00	1	50.00	1
Kumppanuuskoulut Oy	Partnership Properties	PPP project company	Finland	20.00	0	20.00	0
Nuuka Solutions	Partnership Properties	Services	Finland	20.20	2	20.20	3
Joint ventures total					**44**		**44**
Associated companies							
ÅB Kodit I Ky	Partnership Properties	Real estate investing	Finland	40.00	8	40.00	19
Ålandsbanken Lunastustontti I Ky	Partnership Properties	Real estate investing	Finland	20.00	12	20.00	9
YCE Housing I Ky	Partnership Properties	Project development	Finland	40.00	0	40.00	1
IISY Oy	Partnership Properties	Services	Finland	20.20	1	20.20	1
OP Vuokrakoti Ky	Partnership Properties	Real estate investing	Finland	40.00	20	40.00	5
SIA "Live On"	Partnership Properties	Real estate investing	Latvia	30.00	6		
Associated companies total					**48**		**35**

The table does not include housing and real estate companies owned by associated companies and joint ventures nor housing and real estate construction project companies.

CHANGES IN CARRYING AMOUNTS

EUR million	Associated companies	Joint ventures	Total 2021	Associated companies	Joint ventures	Total 2020
Carrying amount on 1 January	35	44	80	25	31	56
Share of results	2	9	11	6	17	23
Increases	25	11	36	14	10	24
Decreases	-12	-15	-28	-6	-5	-10
Dividend received during the financial year	-2	-5	-7	-3	-9	-12
Carrying amount on 31 December	**48**	**44**	**92**	**35**	**44**	**80**

SUMMARY OF FINANCIAL INFORMATION FOR THE ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	Associated companies	Joint ventures	Total 2021	Associated companies	Joint ventures	Total 2020
Condensed statement of financial position						
Investment properties	76	111	187	45	110	155
Other non-current assets	110	332	442	100	382	482
Current assets	35	157	193	39	136	175
Non-current liabilities	88	456	544	51	461	512
Current liabilities	4	110	114	26	93	118
Net assets	**129**	**35**	**164**	**108**	**74**	**181**
Income statement						
Revenue	46	95	140	36	111	147
Result for the period	5	15	20	13	35	47
of which change in fair value of investment properties	0	1	1	8	1	9
Dividends received by YIT	**2**	**5**	**7**	**3**	**9**	**12**

COMMITMENTS

YIT has investment commitments, both equity and loan, concerning current and coming associated companies and joint ventures in total of EUR 85 million (46).

INVESTMENT PROPERTIES IN ASSOCIATED COMPANIES AND JOINT VENTURES

ACCOUNTING POLICY

INVESTMENT PROPERTIES

Investment properties are properties or land held by YIT to earn rentals or for capital appreciation or both and which are not held for use for YIT, use in the operations or sale in the ordinary course of business. Associated companies and joint ventures involved in real estate investing which are consolidated into YIT's consolidated financial statements using equity method have investment properties as defined in the IAS 40 Investment properties standard. 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 properties. In YIT's 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 recognised in the income statement 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 or 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 income statement. 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. A property is transferred to, or from, investment property when there is a change in use.

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

Fair value of investment properties

EUR million	2021	2020
1 January	155	138
Acquisitions	76	40
Sales	-45	-33
Gains and losses from changes in fair value	1	9
31 December	**187**	**155**

Investment properties based on valuation method

	31 Dec 2021			31 Dec 2020		
EUR million	Investment properties under construction	Completed investment properties	Total	Investment properties under construction	Completed investment properties	Total
Measured based on market value		117	117	45	110	155
Measured based on cost	70		70			
Total	**70**	**117**	**187**	**45**	**110**	**155**

18. EQUITY INVESTMENTS

ACCOUNTING POLICY

The accounting policies and management judgement and estimates are described in more detail in note Financial assets and liabilities by category.

EUR million	2021	2020
Carrying amount on 1 January	180	194
Decreases	0	0
Changes in fair value	6	-15
Carrying amount on 31 December	**186**	**180**

The most significant individual equity investment is Tripla Mall Ky, whose value was EUR 184 million (177). More information related to fair valuation is provided in the note Financial assets and liabilities by category.

19. DEFERRED TAX ASSETS AND LIABILITIES

ACCOUNTING POLICY

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 the result for the period in bookkeeping 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.

Carry-forward tax losses are treated as a deferred tax asset to the extent that it is likely that YIT 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 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 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.

MANAGEMENT JUDGEMENT AND ESTIMATES

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.

CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES

2021

EUR million	1 January	Exchange rate difference	Recognised in income statement	Recognised in comprehensive income/equity	31 December
Deferred tax assets					
Provisions	20	0	7		27
Tax losses carried forward	18	0	-15		4
Pension benefits	0		0	0	1
Revenue recognition over time	1	0	1		2
Inventories	1	0	-1		0
Other items	9	0	4		14
Offsetting of deferred taxes	-16	0	-1		-16
Total	**35**	**1**	**-5**	**0**	**31**
Deferred tax liabilities					
Accumulated depreciation differences	3	0	0		3
Revenue recognition over time	0	0	2		2
Inventories	0	0	5		6
Equity investments	13		1		14
Other items	10	0	0	0	10
Offsetting of deferred taxes	-16	0	-1		-16
Total	**10**	**1**	**9**	**0**	**19**
Deferred taxes, net					**12**

From accumulated losses of which some part are not approved by the tax authorities, deferred tax assets of EUR 45 million (27) have not been recognised. The comparision period has been adjusted. The unrecognised deferred tax assets from losses in 2021 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, YIT is able to determine the reversal date of the temporary difference and therefore, no deferred tax has been recognised related those countries.

2020

EUR million	1 January	Exchange rate difference	Transfers to assets classified as held-for-sale	Recognised in income statement	Recognised in comprehensive income/equity	31 December
Deferred tax assets						
Provisions	22	0	0	-2		20
Tax losses carried forward	19	-2		1		18
Pension benefits	0			0	0	0
Revenue recognition over time	4	-1		-2		1
Inventories	2	0		0		1
Other items	6	0	0	4		9
Offsetting of deferred taxes	-18	0	-2	5		-16
Total	**34**	**-3**	**-2**	**5**	**0**	**35**
Deferred tax liabilities						
Capitalisation of intangible assets	0			0		0
Accumulated depreciation differences	4	0	0	-1		3
Pension benefits	0					0
Revenue recognition over time	2	0	0	-2		0
Inventories	1	0	0	0		0
Equity investments	16			-3		13
Other items	6	0	2	3	0	10
Offsetting of deferred taxes	-18		-2	5		-16
Total	**9**	**-1**	**-1**	**2**	**0**	**10**
Deferred taxes, net						**25**

20. INVENTORIES

ACCOUNTING POLICY

The cost of **materials and supplies** is determined using the FIFO method (first-in, first-out).

The plots and plot owning companies line item includes the original cost of purchase as well as the costs related to soil improvement, water and electricity connections and construction permits that raise the value of the plot. YIT acquires plots to develop them to be sold as apartments or real estate. The plot can be acquired directly or through the acquisition of the company in ownership of the plot. At the moment of starting the construction project, the plot possibly included in it will be transferred at its cost into Work in progress line item. YIT also sells unconstructed plots and companies in ownership of plots.

Work in progress line item includes, in addition to the possible cost of plot, the construction costs to the extent they have not been expensed. The construction costs include cost of raw material, planning costs improving the asset, direct costs of labour, other direct costs and the appropriate portion of the variable general costs of manufacture and fixed overhead. In self-developed construction projects lasting over 12 months where revenue is recognised at a point in time, the value of work in progress includes borrowing costs.

Unsold apartments and real estate in completed construction projects are presented in line item **Completed apartments and real estate**.

Advance payments line item primarily includes advances related to acquisition of plots.

Inventories are measured either at the lower of cost or net realisable value. The net realisable value is the estimated selling price in ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. When estimating the net realisable value of completed apartments and real estate, the information available from the market is taken into consideration as well. When estimating the net realisable value of plots, their intended use is taken into consideration. Plots used for construction are assessed as part of the construction projects. The value of plots is written-down when apartments and real estate under construction are being assessed to be sold at a lower price than the book value of the plot. The net realisable value of plots other than those used for construction purposes is based on their market value.

YIT carries out construction projects also on leased plots which are presented as part of inventory, but which are measured according to the IFRS 16 standard. The accounting policy related to leased plots is described in more detail in the note Lease agreements.

MANAGEMENT JUDGEMENT AND ESTIMATES

VALUATION OF INVENTORY

The possible need for inventory write-downs is assessed regularly by comparing the cost of inventory with the net realisable value. The net realisable value is an assessment of the management that is based on the most reliable information available. Making the assessment requires that the management makes an assessment of the net realisable value in the market. A write-down is not recognised in case the finished products, which will include the assessed inventory items, are assessed to be sold at cost or at a higher price.

EUR million	31 Dec 2021	31 Dec 2020
Inventories		
Raw materials and consumables	7	10
Work in progress	501	482
Plots and plot owning companies	643	678
Completed apartments and real estate	92	151
Advance payments	41	51
Other inventories	0	3
Total inventories	**1,285**	**1,376**
Leased inventories	**174**	**190**

The specification of leased inventories can be found in the note Leases.

In 2021, YIT made inventory write-down amounting to EUR 53 million (25). Write-down in Housing Finland and CEE amounted to EUR 23 million, of which EUR 15 million related to the Trigoni project. Write-down in Housing Russia segment amounted to EUR 13 million (18), in Partnership Properties segment EUR 8 million and in Business Premises segment EUR 8 million (7).

21. TRADE AND OTHER RECEIVABLES

EUR million	31 Dec 2021	31 Dec 2020
Non-current receivables		
Trade receivables	28	2
Interest-bearing receivables	46	49
Other receivables	1	1
Trade receivables, interest-bearing receivables and other receivables total	**75**	**52**
Loan receivables	7	8
Receivables from derivative agreements	1	
Non-current receivables total	**82**	**60**
Current receivables		
Trade receivables	143	131
Interest-bearing receivables	13	17
Other receivables	32	47
Trade receivables, interest-bearing receivables and other receivables total	**189**	**195**
Contract assets	165	197
Accrued income	9	14
Receivables from derivative agreements	1	1
Current receivables total	**363**	**407**
Non-current and current receivables total	**445**	**467**

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

22. CASH AND CASH EQUIVALENTS

EUR million	31 Dec 2021	31 Dec 2020
Cash in hand and in banks	389	419

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

23. EQUITY

ACCOUNTING POLICY

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 unrestricted equity reserve includes the subscription price of the shares to the extent that it is not explicitly recognised in the share capital.

Translation differences

Translation differences include foreign exchange rate differences arising from translation of the financial statements of foreign group companies in Group consolidation. In addition, gains and losses from hedges related to the net investments in foreign subsidiaries are recognised in translation differences when requirements of hedge accounting are met.

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 instruments used for cash flow hedging.

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.

Hybrid bond

A hybrid bond is recognised in shareholders' equity after equity belonging to shareholders. Noteholders of the hybrid bond do not have any rights equivalent to ordinary shareholders, and the bond does not dilute shareholders' ownership in the company. YIT does not have a contractual obligation to repay the loan capital or the interest on the loan.The hybrid bond is initially recognised at fair value less transaction cost and subsequently the bond is measured at cost. If interest is paid to the hybrid bond, it is recognised directly into retained earnings adjusted with tax effect.

Share capital and treasury shares

	Number of outstanding shares	Number of treasury shares	Share capital, EUR million	Treasury shares, EUR million
1 January 2020	208,768,363	2,331,490	150	-12
Transfer of treasury shares	315,193	-315,193		2
31 December 2020	**209,083,556**	**2,016,297**	**150**	**-10**
1 January 2021	209,083,556	2,016,297	150	-10
Transfer of treasury shares	35,350	-35,350		0
31 December 2021	**209,118,906**	**1,980,947**	**150**	**-10**

All issued and subscribed shares have been fully paid and the shares do not have a nominal value. The consideration paid for the treasury shares amounted to EUR 10 million and is disclosed as a separate reserve in equity. The consideration paid for treasury shares decreases the distributable funds of YIT Corporation. The shares are held by the company as treasury shares and have the right to be reissued in the future.

TRANSLATION DIFFERENCES

The translation differences at the end of the year 2021 amounted to EUR 281 million (303) of which EUR 284 million (304) related to operations in Russia. The change in translation differences was EUR 22 million (87). There were no hedges related to net investments in a foreign operations in 2021 and 2020.

DIVIDENDS

Dividend paid and proposed	2021	2020
Dividend paid during the financial year		
Per share for the previous year, EUR	0.14	0.40
In total for the previous year, EUR million	29	84
Board of Directors' proposal for approval by the AGM		
Per share for the financial year, EUR	0.16	0.14
In total for the financial year, EUR million	33	29

24. PENSION OBLIGATIONS

ACCOUNTING POLICY

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 or payments.

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.

MANAGEMENT JUDGEMENT AND ESTIMATES

ASSUMPTIONS USED IN MEASURING DEFINED BENEFIT PENSIONS

The present 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.

EUR million	2021	2020
Net defined benefit pension oblligations in the statement of financial position	3	2
Defined benefit pension costs in the income statement	0	0

In 2021 and 2020, 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 by insurance companies, which are managed according to the local pension legislation.

DETERMINATION OF DEFINED BENEFIT PENSION OBLIGATIONS

EUR million	31 Dec 2021	31 Dec 2020
Present value of funded obligations	17	20
Fair value of plan assets	-14	-18
Pension liability, net	**3**	**2**

Changes in present value of the obligation

EUR million	2021	2020
Obligation on 1 January	20	28
Service cost		0
Interest cost	0	0
Actuarial gains/losses	2	-7
Settlements	-3	
Benefits paid	-1	-2
Obligation on 31 December	**17**	**20**

Fair value changes of plan assets

EUR million	2021	2020
Plan assets on 1 January	18	25
Expected return of plan assets	0	0
Remeasurements	1	-6
Settlements	-3	
Employer contribution	0	0
Benefits paid	-1	-2
Plan assets on 31 December	**14**	**18**

Actuarial assumptions

	2021	2020
Discount rate	0.2%	0.5%
Rate of salary increase	1.9%	1.3%
Rate of pension increases	2.0%	1.4%

Future payments

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

EUR million	2021	2020
Due within one year	1	2
Due in 1–5 years	4	5
Due in 5–10 years	4	5
Due in 10–15 years	3	4
Due in 15–20 years	2	2
Due in 20–25 years	1	1
Due in 25–30 years	1	1
Due after more than 30 years	0	0
Total	**17**	**21**

Sensitivity analysis

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

EUR million	2021	2020
Interest increase by 0.5% percentage points	-1	-1
Interest decrease by 0.5% percentage points	1	1

25. PROVISIONS

ACCOUNTING POLICY

Provisions are recorded when the Group has a legal or constructive obligation on the basis of a prior event, the materialisation of the payment obligation is probable, and the size of the obligation can be reliably estimated. Provisions are valued at the present value of the costs required to cover the obligation. If compensation for a share of the obligation can be received from a third party, the compensation is recorded as a separate asset item when it is practically certain that said compensation will be received.

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 on the basis of the level of warranty expenses actually incurred in earlier accounting periods. If the Group will receive reimbursement from a subcontractor or material supplier on the basis of an agreement in respect of anticipated expenses, the future compensation is recognised when its receipt is considered secure. Warranty provisions are mainly used in one to two 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.

YIT recognises a provision for legal proceedings and for potential disputes which lead to a legal proceeding when the company's management estimates that an outflow of financial resources is likely, and the amount of the outflow can be reliably estimated.

MANAGEMENT JUDGEMENT AND ESTIMATES

PROBABILITY AND AMOUNT OF 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.

EUR million	Warranty provision	10-year liability commitments	Onerous contracts	Legal provisions	Other provisions	2021 Total	2020 Total
1 January	18	69	2	15	12	115	114
Exchange rate difference	0		0	0	0	1	-2
Additions	7	9	12	6	3	38	25
Used during the period	-9	-2	-3	-1	-6	-21	-20
Reversals of unused provisions	-1			0	0	-1	-2
31 December	**15**	**77**	**10**	**20**	**10**	**132**	**115**
Non-current	2	64	0	17	3	86	78
Current	13	13	10	3	7	46	37
Total	**15**	**77**	**10**	**20**	**10**	**132**	**115**

26. INTEREST-BEARING FINANCIAL LIABILITIES

Non-current financial liabilities

EUR million	31 Dec 2021	31 Dec 2020
Bonds	199	150
Loans from financial institutions	150	100
Other interest-bearing liabilities	50	37
Total	**398**	**286**

Current financial liabilities

EUR million	31 Dec 2021	31 Dec 2020
Bonds		100
Loans from financial institutions		100
Commercial papers		216
Housing company loans	106	163
Other interest-bearing liabilities	13	13
Total	**118**	**592**

Loans from financial institutions on 31 December 2021 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 on the next table.

Information about the bonds

31 Dec 2021

	Nominal amount, EUR million	Maturity date	Coupon interest, %	Covenants*
FI4000496294	100	31 Mar 2024	3M Euribor + 3.100	Equity ratio
FI4000496302	100	15 Jan 2026	3.250	Equity ratio
Total	**200**			

*In addition to the equity ratio covenant, terms and conditions of the bonds include an incurrence based interest coverage covenant.

Bonds are unsecured and callable before the final maturity date. In addition, YIT has a hybrid bond which is recognised in equity. The details of the hybrid bond are described in the note Financial risk managent.

31 Dec 2020

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

*In addition to the equity ratio covenant, terms and conditions of the bonds included an incurrence based interest coverage covenant.

Bonds were unsecured and callable before the final maturity date. Both of the bonds reported on 31 December 2020 have been redeemed during 2021.

Lease liabilities

EUR million	31 Dec 2021	31 Dec 2020
Non-current lease liabilities	161	174
Current lease liabilities	74	62
Total	**234**	**235**

Reconciliation of interest-bearing financial liabilities

2021

EUR million	Current	Non-current	Lease liabilities	Total
Interest-bearing financial liabilities on 1 Jan	**592**	**286**	**235**	**1,114**
Short-term part of the long-term liabilities	-207	207		
Cash flows	110	-90	-31	-11
Share of housing company loans related to sold apartments*	-381			-381
Changes in lease liabilities			30	30
Other non-cash changes**	-8	8		-1
Short-term part of the long-term liabilities	13	-13		
Interest-bearing financial liabilities on 31 Dec	**118**	**398**	**234**	**751**

2020

EUR million	Current	Non-current	Lease liabilities	Total
Interest-bearing financial liabilities on 1 Jan	**434**	**355**	**261**	**1,051**
Short-term part of the long-term liabilities	-110	110		
Cash flows	498	27	-35	490
Share of housing loans concerning sold apartments*	-432			-432
Changes in lease liabilities			9	9
Other non-cash changes**	-5	1		-4
Short-term part of the long-term liabilities	207	-207		
Interest-bearing financial liabilities on 31 Dec	**592**	**286**	**235**	**1,114**

*Housing company loans related to sold apartments of unfinished residential development projects are transferred to Other contract liabilities line item. Upon completion, the housing company loans of sold apartments are transferred to revenue. These transfers are presented as repayments of current borrowings in cash flow statement.
**The amount of Other non-cash changes in current financial liabilities has been corrected for comparison period 2020. Figures of 2021 include liabilities which have been adjusted from current to non-current during the reporting period. Other non-cash changes also include foreign exchange rate differences and it included financial liabilities transferred to discontinued operations.

27. TRADE AND OTHER PAYABLES

EUR million	31 Dec 2021	31 Dec 2020
Non-current liabilities		
Trade payables	19	14
Other liabilities	9	12
Trade payables and other liabilities total	**27**	**26**
Liabilities of derivative agreements		1
Non-current liabilities total	**27**	**27**
Current liabilities		
Trade payables	197	182
Other liabilities	79	75
Trade payables and other liabilities total	**276**	**257**
Other accrued expenses	128	135
Accrued expenses in projects	208	171
Liabilities of derivative agreements	3	2
Current liabilities total	**615**	**566**
Trade payables and other liabilities total	**642**	**593**

Other accrued expenses

EUR million	31 Dec 2021	31 Dec 2020
Accrued employee-related expenses	75	65
Accrued interest expenses	4	2
Other	48	69
Total	**128**	**135**

28. DERIVATIVE INSTRUMENTS

ACCOUNTING POLICY

Derivatives are initially recognised at fair value on the statement of financial position on the date a derivative contract is entered into and subsequently re-measured at fair value on each reporting date.

YIT has applied hedge accounting under IFRS 9 for hedging against the change of the reference interest rate of specific floating rate loans (cash flow hedging), but YIT always estimates hedge accounting needs case by case. YIT documents the hedging relationship between the hedging instrument and hedged item, and risk management objective as well as the strategy applied. The effectiveness of hedging is evaluated at least on every reporting date. Changes in the fair value of the effective part of derivative instruments meeting the criteria for cash flow hedging are entered in the fair value reserves in shareholders' equity, taking the tax impact into consideration. Gains and losses recognised in shareholders' equity are transferred to income statement within the same financial periods as the hedged items have an effect on income statement.

The fair value changes of derivatives that are not eligible for hedge accounting are recognised according to the nature of the derivative, either in other operating income and expenses or in the financial items.

	31 Dec 2021				31 Dec 2020			
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	216	1	-2	-2	198	1	-2	-1
Interest rate derivatives (hedge accounting applied)	100	1		1				
Interest rate derivatives (hedge accounting not applied)	30		0	0	60		-1	-1
Commodity derivatives					1	0		0
Total	**346**	**1**	**-3**	**-1**	**259**	**1**	**-2**	**-1**

All derivative instruments are utilised for hedging purposes according to the Group's treasury policy, but hedge accounting, as defined in IFRS 9, is only applied to certain interest rate derivative contracts. The derivatives are used in order to reduce business risks, interest rate risks and to hedge balance sheet items denominated in foreign currencies.

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 1 million (1) smaller than the gross figures presented above.

At the end of the reporting period (or comparison period) YIT had no outstanding paid or received variation margin / margin call payments in relation to its derivative agreements.

29. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

ACCOUNTING POLICY

FINANCIAL ASSETS

YIT records financial assets at the current value of the trading day. YIT 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 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 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 other operating income or expenses, or in financial items.

Financial assets measured at fair value through other comprehensive income

Financial equity assets measured at fair value through other comprehensive income are financial assets exclusive of derivative assets. 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 assets of the comprehensive income. At YIT, this includes certain investments in real property and apartment shares as well as other shares. Once the choice has been made, the amounts presented in the other assets of the comprehensive income will not be transferred to the income later. The dividends of such investments are recognised in income statement. 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 cash and cash equivalents, trade receivables, interest-bearing receivables 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.

FINANCIAL LIABILITIES

YIT records financial liabilities at the current value of the trading day deducted by 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 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 other operating income or expenses, or in financial items.

Fees paid on the establishment of loan facilities are capitalised as a prepayment 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 YIT's obligations in relation to liability are discharged, cancelled or expired.

FAIR VALUE MEASUREMENT

YIT 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 quotations or market prices. YIT has classified investments at fair value on Level 3.

MANAGEMENT JUDGEMENT AND ESTIMATES

VALUATION OF EQUITY INVESTMENTS

YIT has one equity investment (Tripla Mall Ky) whose 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 consideration and estimates to specify them. YIT's management follows constantly the indicators and their development relating to fair valuation of the equity investments.

31 Dec 2021

EUR million	Financial assets and liabilities recognised at amortised cost	Financial assets and liabilities recognised at fair value through profit and loss	Financial assets and liabilities recognised at fair value through other comprehensive income	Carrying amount	Fair value	Fair value measurement hierarchy	Note
Non-current financial assets							
Equity investments		184	2	186	186	Level 3	18
Trade receivables, interest-bearing receivables and other receivables*	74			74	68		21
Loan receivables		7		7	7	Level 3	21
Derivative agreements			1	1	1	Level 2	28
Current financial assets							
Trade receivables, interest-bearing receivables and other receivables*	189			189	189		21
Derivative agreements		1		1	1	Level 2	28
Cash and cash equivalents	389			389	389		22
Financial assets by category, total	**652**	**192**	**2**	**846**	**839**		
Non-current financial liabilities							
Interest bearing liabilities	398			398	395		26
Trade payables and other liabilities*	27			27	25		27
Current financial liabilities							
Interest-bearing liabilities	118			118	118		26
Trade payables and other liabilities*	276			276	276		27
Derivative agreements		3		3	3	Level 2	28
Financial liabilities by category, total	**820**	**3**		**823**	**818**		

*Do not include accruals, statutory obligations or advances, as these are not classified as financial assets and liabilities under IFRS.

31 Dec 2020

EUR million	Financial assets and liabilities recognised at amortised cost	Financial assets and liabilities recognised at fair value through profit and loss	Financial assets and liabilities recognised at fair value through other comprehensive income	Carrying amount	Fair value	Fair value measurement hierarchy	Note
Non-current financial assets							
Equity investments		177	2	180	180	Level 3	18
Trade receivables, interest-bearing receivables and other receivables*	51			51	48		21
Loan receivables		8		8	8	Level 3	21
Current financial assets							
Trade receivables, interest-bearing receivables and other receivables*	195			195	195		21
Derivative agreements		1		1	1	Level 2	28
Cash and cash equivalents	419			419	419		22
Financial assets by category, total	**666**	**186**	**2**	**854**	**851**		
Non-current financial liabilities							
Interest-bearing liabilities	286			286	283		26
Trade payables and other liabilities*	26			26	24		27
Derivative agreements		1		1	1	Level 2	28
Current financial liabilities							
Interest-bearing liabilities	592			592	593		26
Trade payables and other liabilities*	257			257	257		27
Derivative agreements		2		2	2	Level 2	28
Financial liabilities by category, total	**1 162**	**3**		**1 164**	**1 160**		

*Do not include accruals, statutory obligations or advances, as these are not classified as financial assets and liabilities under IFRS.

The fair values of bonds are based on the market prices at the reporting date. The fair values of other non-current financial assets and liabilities are based on discounted cash flows. The discount rate is defined to be the rate YIT 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 2.40-3.48% (31 Dec 2020: 2.68–3.02%). The fair values of other current financial assets and liabilities are equal to their carrying amounts.

Fair value measurements using significant unobservable inputs (level 3)

	Valuation technique	Significant unobservable inputs	Base value 2021	Base value 2020	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	4.44%*	5.45%*	1 percentage point increase (decrease) in the input value leads to a EUR 23 million increase (EUR 23 million decrease) in the fair value of the asset.	The change in the input value is estimated through a coefficient that increases/decreases the growth of all annual NOI cash flows identically, therefore depicting a scenario where the NOI of commercial facility and parking facility follows a higher/lower growth trajectory during the valuation period.
		Extra coefficient for the discount factor used for the cash flows of parking	10%	25%	25 percentage increase (decrease) in the input value leads to a EUR 0 million decrease (EUR 0 million increase) in the fair value of the asset.	The purpose of the input value is to act as a variable taking into account the uncertainty related to estimating the future NOI of a new parking facility.
		Exit yield	5.25 %–5.75 %	5.25%–5.75%	5 percentage increase (decrease) in the input values leads to a EUR 16 million decrease (EUR 16 million increase) in the fair value of the asset.	Separate exit yields used for different parts of the shopping center.
Loan receivables recognised at fair value through profit and loss	Discounted Cash Flow (DCF) method	Discount rate	2.66 %	2.31%	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.

*The Covid-19 pandemic impacts the cash flows of 2020–2022, which will also have an effect on the average compound annual growth rate of NOI.

Description of valuation techniques

Equity investments recognised at fair value through profit and loss

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 fulfils the requirements of IFRS and IVSC (International Valuation Standards Council). Separate calculations have been used for the shopping mall and the parking facility, due to the different income generation profile of the parking facility. For the valuation of the income from the short-term parking YIT has used a third-party report. The potential income is inspected, among other things, through the perspective of pricing, location, and provided services in the neighbouring area and also by comparing to relevant sites. The report also takes a stand to the development of the parking facilities during the first years of operations. In general, the discounted cash flow model uses contract rents until the lease expiry, after which the expected market rent rates are used. The valuation is made on a net rental basis and utilises a long-term vacancy rate for the net rental income. For both shopping mall and the parking facility, other operating income such as advertising have been added to the net rental income. Similarly, expenses such as maintenance expenses for vacant premises and administration expenses have been deducted from the net rental income. The discount rates used are based on reasonable market yields and projected average inflation for the 10-year cash flow valuation period. The market yields are derived from market data and the market knowledge of the independent external appraiser (CBRE). YIT has separately taken into consideration the uncertainty for the income from the parking facilities with a discount rate addition, which is applied to valuation of the present value of the future cashflows.

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

Loan receivables recognised at fair value through profit and loss

The fair value of YIT's loan receivables are 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 in question and the risk premium for the loan receivable.

Level 3 reconciliation

	2021	2020
Fair value on 1 Jan	187	202
Decreases	0	-1
Change in fair value from equity investments recognised in income statement	6	-14
Change in fair value from loan receivables recognised in income statement	-1	0
Fair value on 31 Dec	**193**	**187**

Valuation processes

The valuation of Tripla Mall Ky is performed in-line with YIT'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 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 YIT's financial risk management is to reduce uncertainty concerning the possible impacts that changes in fair values on the financial markets could have on YIT'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 subarea. 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

YIT 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 availability of funding could decrease and/or finance costs increase due to negative development of YIT's profitability and financial key figures.

According to the treasury policy, the Group's liquidity shall at all times match the Group's total liquidity requirement. The funding requirements 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

YIT's liquidity consists of liquid funds, a commercial paper programme, bank overdraft facilities, and committed credit limits. The amount of YIT's liquid funds at the end of 2021 was EUR 389 million (419). The total amount of YIT's commercial paper programme is EUR 400 million (400), of which was unused EUR 400 million (184) at the end of reporting period. At the end of the reporting period, YIT had available committed credit facilities amounting to EUR 300 million (300) and overdraft limits amounting to EUR 32 million (47). Committed credit facility is available until Q2 2024. In addition, committed housing company and project loan limits related to apartment projects amounted to EUR 336 million (163) at the end of the reporting period. Part of YIT's existing financial agreements and limits requires that certain financial covenants are met. Key financial covenants are equity ratio, gearing and interest coverage. It is essential that YIT's key figures maintain at an adequate level to meet the covenants.

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 amounted to EUR 106 million (163) at the end of the reporting period. Regarding unsold apartments, housing company loans will be paid with financial consideration for the apartments in questions during a long loan period.

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 31 December 2021 (31 December 2020). Cash flows of foreign currency denominated liabilities are translated into euros at the foreign exchange rates prevailing at the reporting date. Cash flows of foreign exchange derivative contracts are translated into euros at forward rates.

Contractual cash flows of financial liabilities and derivative instruments

31 Dec 2021

EUR million	2022	2023	2024	2025	2026	2027-	Total
Interest-bearing liabilities	130*	172	105	3	145		557
Lease liabilities	29	26	22	21	19	344	462
Trade payables and other liabilities	276	16	2	4	4	0	303
Interest rate derivatives	0	0	0				0
Foreign exchange derivatives							
cash outflow	-213						-213
cash inflow	215						215
Guarantees given on behalf of others	0	0	0	0	0		1
Total	**438**	**215**	**130**	**29**	**168**	**344**	**1 325**

31 Dec 2020

EUR million	2021	2022	2023	2024	2025	2026-	Total
Interest-bearing liabilities	594*	116	153		9	20	893
Lease liabilities	32	28	25	21	19	365	489
Trade payables and other liabilities	257	10	4	1	8	3	284
Interest rate derivatives	0	0					1
Foreign exchange derivatives							
cash outflow	198						198
cash inflow	-198						-198
Commodity derivatives							
cash inflow	0						0
Guarantees given on behalf of others	0	0	0	0	0	0	1
Total	**884**	**154**	**183**	**22**	**36**	**388**	**1 667**

*Includes housing company loans related to unsold apartments EUR 106 million (163).

INTEREST RATE RISK

The aim of YIT's interest rate risk management is to minimise changes affecting the result, cash flows and value of YIT due to interest rate fluctuations. The Group Treasury manages and monitors the interest rate position. YIT'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.

YIT's 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 of YIT's business is estimated to be about 2 years. Average interest rate fixing term and fixed/floating ratio of the debt protfolio is being followed by Group Treasury. In addition, sensitivity analysis on interest rate risk are being done.

YIT 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. YIT has used interest rate swaps for managing interest rate risks. Hedge accounting has been applied to certain derivative contracts and it has been effective. 52 per cent (39) 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 YIT's net financial expenses by EUR 1 million (2) before taxes and increased ohter comprehensive income by EUR 1 million taken on account the tax effect. Similar decrease in interest rates would have increased net financial expenses by EUR 1 million (3) and reduced other comprehensive income by EUR 1 million. Sensitivity analysis inculdes 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 YIT's business, but a significant rise in the level of interest rates may have a detrimental effect on the demand for apartments.

CREDIT AND COUNTERPARTY RISK

YIT's credit risk is related to counterparties with open receivables or with long-term agreements. YIT is exposed to credit risk mainly through the Group's trade receivables, interest-bearging receivables, cash and cash equivalents 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.

Historically, the actual credit losses at YIT have been small. The most significant past due receivables relate to cases where YIT's different claims to the customer have caused disagreements. The disagreements might be a result of additional and change works, defects in designs as well as disruptions to the project's time schedule. In these cases, YIT assesses its legal position and applies IFRS 15 guidance on contract modifications. Therefore, the changes in the revenue recognition of the customer contract are not accounted for as a credit loss and it will not have an impact on the expected credit loss rate. There were no significant credit losses recognised during the financial year.

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. 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 YIT's counterparty and credit risks related to cash and cash equivalents, 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, the cash and cash equivalents or other financial transactions in the reporting period. At the end of the reporting period the counterparty risk of aforementioned items was considered to be low.

Expected credit losses

ACCOUNTING POLICY

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 in the amortised cost.

On every reporting date, YIT 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 wherever the carrying amount exceeds the recoverable amount. Impairment losses are recognised in the income statement. 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 assets based on customer contracts

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 expected credit loss 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.

Interest-bearing 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.

	2021			2020		
EUR million	**Carrying amount**	**Expected credit loss**	**Expected credit loss rate, %***	**Carrying amount**	**Expected credit loss**	**Expected credit loss rate, %***
Trade receivables						
Not past due	127	1	0.6	82	0	0.6
1–60 days	13	0	0.6	21	0	0.5
61–90 days	1	0	0.6	4	0	6.2
91–180 days	3	0	0.6	2	0	2.0
Over 181 days	26	1	4.1	23	0	0.6
Total	**171**	**2**		**133**	**1**	
Contract assets	**165**	**1**	**0.3**	**197***	**1**	**0.3**
Interest-bearing receivables	**59**			**66****		

* The carrying amount of Contract assets in 2020 has been corrected. More details can be found on note Adjustments concerning prior periods.

** The reported carrying amount of interest-bearing receivables in 2020 has been corrected.

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 risk arising from the translation of the income statements and the statement of financial position of foreign group companies into the Group's functional currency. Exchange rate difference 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 YIT's net investments in equity by EUR 22 million (decreased 88) compared to the end of the previous year. EUR 20 million (93) of the change in year 2021 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 19 million (25) on translation differences under consolidated equity at the reporting date.

Transaction risk consists of foreign currency transactions from operational and financial activities. Business units' commercial contracts cause foreign exchange rate risk for YIT. However, the contracts are mainly made in the units' own functional currencies. YIT seeks to hedge business currency risks primarily by operative means. The remaining transaction risk is hedged by using for example 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 2021 there were no significant open foreign exchage rate risks related to commercial contracts.

Loans taken by the centralised treasury function in parent company are mainly denominated in euro, but the intra-Group loans are primarily given in the functional currency of each subsidiary. The parent company hedges this foreign exchange rate risk by using, for example, foreign exchange derivatives. According to sensitivity analysis, weakening or strengthening of euro would not have had a material impact on the result of YIT. 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.

YIT 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

Business units are responsible for identifying their commodity price risks. YIT can protect itself against the commodity price risks for example with price clauses in sales agreements and fixed purchase prices. Bitumen price risk related to YIT's paving operations have been hedged also with derivatives for which hedge accounting is not applied.

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's capital management ensures cost-effectively that all of YIT'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 business 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 YIT's interest-bearing liabilities is affected by factors such as scale of operations and cash flow, acquisitions, investments in or the sale of production equipment, buildings and land, and possible equity related arrangements. YIT's equity is also affected by changes in value from investments valued at fair value which may change due to various factors.

YIT 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 financial targets to be reached by the end of 2025 as follows: operating profit margin: 6%, gearing: less than 50%, and dividend: stable growth.

YIT 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. YIT 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, liquidity requirements, contractual restrictions and other factors.

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

In the first quarter of 2021, YIT launched a Green Finance Framework and issued two EUR 100 million senior unsecured green bonds and a EUR 100 million green hybrid bond. The hybrid bond is recorded as part of equity. Simultaneously YIT announced a tender offer and a voluntary total redemption targeting to redeem its old bonds: EUR 100 million bond due 2021 and EUR 150 million bond due 2023. The redemption through the tender offer took place during the first quarter when old bonds worth nominal amount of EUR 201 million were redeemed. The settlement of the voluntary total redemption took place in the second quarter and remaining nominal amount of the old bonds worth EUR 49 million were redeemed. With these arrangements the company proactively managed the upcoming debt redemptions and extended its average debt maturity profile, as well as mobilised debt capital to support YIT to reach its climate and sustainability targets.

During the second quarter, YIT signed a committed EUR 300 million revolving credit facility linked to sustainability targets (lost time injury frequency rate, LTIF, and emission intensity of the Group's own operations). The margin of the facility is impacted by, positively or negatively, the success in regard to these two sustainability targets. The facility will mature during the second quarter in 2024, with an option for one one-year extension. Simultaneously, YIT cancelled the current EUR 300 million committed revolving credit facility. YIT also agreed to extend the maturity of its EUR 50 million term loan by one year. The new maturity date is in March 2023.

During the last quarter, YIT extended the maturity of its two EUR 50 million term loans. One was extended by one year and the other by two years with new maturity dates being in November 2023 for both loans. In addition, the first mentioned term loan was also linked to sustainable targets (lost time injury frequency rate, LTIF, and emission intensity of the Group's own operations). The margin of the loan is impacted by, positively or negatively, the success in regard to these two sustainability targets.

Hybrid bond issued in the first quarter, which is recoder as part of equity, bears a fixed interest rate of 5.75% per annum until 31 March 2026 (the "Reset Date"), and, from the Reset Date, a floating interest rate as defined in the terms and conditions of the hybrid bond. According to certain conditions, YIT can defer the interest payments. The hybrid bond does not have a maturity date, but the company is entitled to redeem it on the Reset Date, and subsequently, on each interest payment date.

There are quarterly monitored financial covenants included in YIT's financial agreements. These covenants are equity ratio, gearing and interest coverage. There is also an incurrence based interest coverage covenant included in YIT's senior bonds. YIT has met its financial covenants. If YIT's profitability and key figures develop unfavourably it may cause a risk that company's covenants would not be met and lead to covenant restrictions to enter into force. This may lead to early maturity of the loans or restrict YIT's ability to raise certain type of funding.

Financial indicators	31 Dec 2021	31 Dec 2020
Interest-bearing liabilities, EUR million	751	1,114
Interest-bearing receivables, EUR million	59	66
Cash and cash equivalents, EUR million	389	419
Net interest-bearing debt, EUR million (unaudited)	303	628
Equity, EUR million	1,017	920
Equity ratio, % (unaudited)	40	33
Gearing ratio, % (unaudited)	30	68

31. CONTINGENT LIABILITIES AND ASSETS AND COMMITMENTS

ACCOUNTING POLICY

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 within the control of the Group. In addition, a present obligation whose settlement is not likely to require an 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 to 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 statements.

EUR million	31 Dec 2021	31 Dec 2020
Guarantees given		
Guarantees on behalf of others	1	1
Guarantees on behalf of construction consortia	10	10
Guarantees on behalf of associated companies and joint ventures	5	5
Guarantees on behalf of parent and other Group companies	989	1,053
Other commitments		
Investment commitments	85	46
Purchase commitments	171	201

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

As a result of the partial demerger registered on 30 June 2013, YIT has a secondary liability for guarantees transferred to Caverion Corporation, with a maximum total amount of EUR 6 million (6) on December 31, 2021.

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

At the end of the reporting period, YIT has EUR 4 million accrued interest on the hybrid bond which is not recognised in the statement of financial position.

LITIGATION

Quality concerns related to ready-mixed concrete

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

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

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

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

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

32. SUBSIDIARIES

Name	Domicile	Ownership of the parent company, %	Ownership of the Group, %	Ownership of the non-controlling interest, %
UAB Lemcon Vilnius	Lithuania	100	100	
YIT Equipment Ltd	Finland	100	100	
YIT Finland Ltd	Finland	100	100	
YIT Ventures Oy	Finland	100	100	
Finn-Stroi Oy	Finland		100	
Lemcon HR Oy	Finland		100	
Living services Russia Oy	Finland		100	
Tortum Oy Ab	Finland		100	
YIT International Oy	Finland		100	
YIT Invest Export Oy	Finland		100	
YIT Mars Oy	Finland		100	
YIT Neptunus Oy	Finland		100	
YIT Russia Oy	Finland		100	
YIT Salym Development Oy	Finland		100	
YIT Saturnus Oy	Finland		100	
YIT Sirius Oy	Finland		100	
YIT Talon Tekniikka Oy*	Finland		87.07	12.93
YIT Eesti AS	Estonia		100	
AS Koidu Kinnisvara	Estonia		100	
SIA "YIT Infra Latvija"	Latvia		100	
SIA "YIT Latvija"	Latvia		100	
UAB "YIT Lietuva"	Lithuania		100	
YIT Infra Norge AS	Norway		100	
YIT Development SP. Z O.O.	Poland		100	
YIT Plus sp. Z O.O.	Poland		100	
Lemminkäinen Polska Sp.ZOO	Poland		100	
YIT Sverige AB	Sweden		100	

Name	Domicile	Ownership of the parent company, %	Ownership of the Group, %	Ownership of the non-controlling interest, %
YIT Slovakia a.s.	Slovakia		100	
YIT Stavo s.r.o	the Czech Republic		100	
AO YIT Moscow Region	Russia		100	
AO YIT Saint-Petersburg	Russia		100	
Brusnika Ekaterinburg Service	Russia		50.01	49.99
Brusnika Novosibirsk Sevice	Russia		50.01	49.99
Brusnika Surgut Service	Russia		50.01	49.99
Brusnika Tyumen Service	Russia		50.01	49.99
LLC 3 Grazdanskay	Russia		100	
LLC Service and Comfort	Russia		50.01	49.99
OOO Handy Solutions	Russia		100	
OOO Lemminkäinen Stroy	Russia		100	
OOO Ural YIT Service	Russia		50.01	49.99
OOO YIT Service Don	Russia		100	
OOO YIT-Service	Russia		100	
OOO YIT Service Kazan	Russia		100	
OOO YIT Service Tyumen	Russia		50.01	49.99
OOO YIT SSC	Russia		100	
OOO YIT Service	Russia		100	
YIT Brusnika Holding	Russia		50.01	49.99
YIT Brusnika Vidnoe	Russia		50.01	49.99
YIT CountryStroi	Russia		100	

* Talon tekniikka Oy is treated as a 100% subsidiary. YIT has an obligation to redeem the shares of the non-controlling interest within an agreed period which is the reason no share of the non-controlling interest has been 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.

The table does not include housing and real estate companies or housing and real estate construction project companies.

33. RELATED PARTY TRANSACTIONS

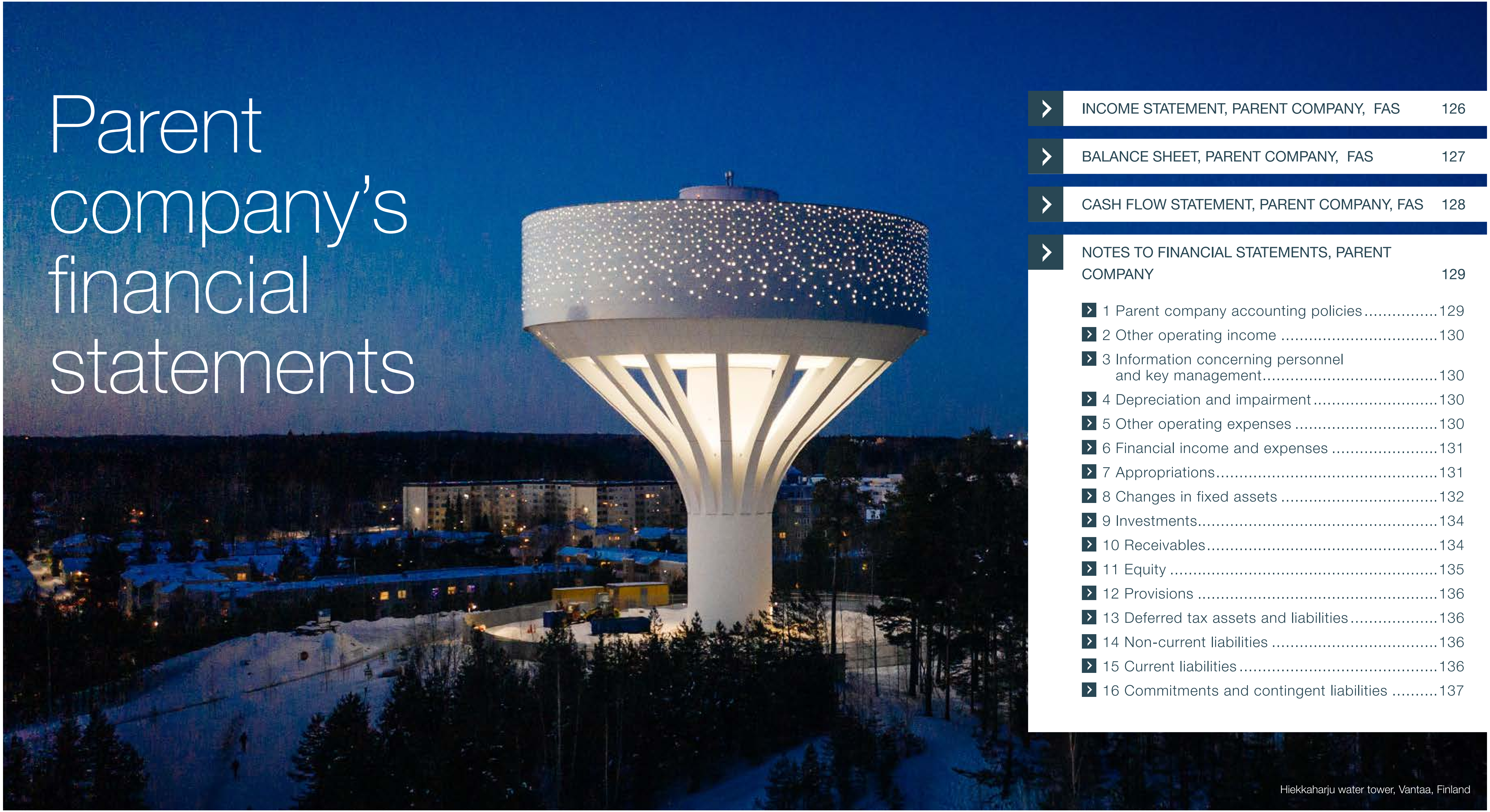
The Group's related parties include associated companies, joint ventures and key executives with their closely associated persons. Key executives include the members of the Board of Directors, President and CEO and the Group Management Team.

EUR million	2021	2020
Sale of goods and services		
Key management personnel	0.2	0.4
Associated companies and joint ventures	50	96
Total	**50**	**97**
Trade and other receivables		
Associated companies and joint ventures	6	19
Interest-bearing receivables		
Associated companies and joint ventures	22	28
Trade payables and other liabilities		
Associated companies and joint ventures		0

The sale of goods and services to key management personnel was sale of apartments in 2021 and 2020. Other related party transactions with key management personnel and board of directors consisted of ordinary salaries and remuneration. All transactions with related parties are made at arm's length principle.

34. IFRS STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

YIT has not applied any standards, amendments to standards or interpretations that will be effective after the annual reporting period beginning after 1 January 2021. YIT does not expect any significant impact on the financial statements from any published, but not yet effective, IFRS standard, IFRIC interpretation, IFRS annual improvement or change.



Parent company's financial statements

Hiekkaharju water tower, Vantaa, Finland

INCOME STATEMENT, PARENT COMPANY, FAS

EUR thousand	Note	2021	2020
REVENUE		**70,603**	**67,099**
Other operating income	2	1,395	3,355
Personnel expenses	3	-33,091	-29,480
Depreciation and impairment	4	-2,852	-4,045
Other operating expenses	5	-71,492	-65,579
Operating profit/loss		**-35,436**	**-28,650**
Financial income and expenses	6	-13,129	106,839
Profit before appropriations and taxes		**-48,565**	**78,188**
Appropriations	7	53,850	53,100
Income taxes			
Profit for the financial year		**5,285**	**131,288**

BALANCE SHEET, PARENT COMPANY, FAS

EUR thousand	Note	2021	2020
Assets			
Non-current assets			
Intangible assets	8		
Intangible rights		586	1,828
Other capitalize expenditure		2,069	2,431
Total intangible assets		2,655	4,259
Property, plant and equipment	8		
Land and water areas		6,267	6,367
Buildings and structures		2,076	2,929
Machinery and equipment		778	1,092
Other tangible assets		115	139
Total property, plant and equipment		9,237	10,526
Investments	9		
Shares in Group companies		1,244,372	1,244,372
Other shares and holdings		541	541
Total investments		1,244,914	1,244,914
Total non-current assets		**1,256,805**	**1,259,699**
Current assets			
Long-term receivables	10		
Receivables from Group companies		217,586	130,185
Accrued income		1,141	
Total long-term receivables		218,728	130,185
Short-term receivables	10		
Trade receivables		198	275
Receivables from Group companies		67,247	192,010
Other receivables		2,136	2,353
Accrued income		3,746	2,763
Total receivables		73,327	197,401
Cash and cash equivalents		342,047	357,111
Total current assets		**634,102**	**684,696**
TOTAL ASSETS		**1,890,907**	**1,944,395**

EUR thousand	Note	2021	2020
Equity and liabilities			
Equity	11		
Share capital		149,717	149,717
Fair value reserve		537	
Other reserves			
Non restricted equity reserve		563,893	563,895
Retained earnings		238,025	135,813
Profit/loss for the financial year		5,285	131,288
Total equity		**957,457**	**980,713**
Provisions	12		**2,618**
Liabilities			
Non-current liabilities	14		
Bonds		300,000	150,000
Loans from credit institutions		150,000	100,000
Non-current accured liabilities			624
Total non-current liabilities		450,000	250,624
Current liabilities	15		
Bonds			100,000
Loans from credit institutions			100,000
Advances received			25
Trade payables		8,393	5,107
Current liabilities to group companies		451,342	273,185
Other current liabilities		5,707	221,249
Accrued expenses		18,009	10,875
Total current liabilities		483,451	710,441
Total liabilities		**933,451**	**961,064**
TOTAL EQUITY AND LIABILITIES		**1,890,907**	**1,944,395**

CASH FLOW STATEMENT, PARENT COMPANY, FAS

EUR thousand	2021	2020
Cash flow from operating activities		
Profit/loss before appropriations	-48,565	78,188
Adjustments for:		
Depreciations	2,852	4,045
Other non-cash transactions	-701	-3,966
Gains on the sale of tangible and intangible assets	56	
Financial income and expenses	13,129	-106,839
Cash flow before change in working capital	-33,229	-28,571
Change in working capital		
Change in trade and other receivables	-4,179	16,533
Change in current liabilities	1,674	-5,819
Net cash flow from operating activities before financial items and taxes	-35,734	-17,857
Interest paid and other finance expenses	-47,110	-64,374
Dividends received	0	7,324
Interest received and financial income	47,401	43,663
Taxes paid	-156	14,913
Net cash generated from operating activities	**-35,598**	**-16,331**
Cash flow from investing activities		
Purchases of tangible and intangible assets	-187	-99
Proceeds from sale of tangible and intangible assets	225	
Purchase of investments		-3,849
Proceeds from sale of investments		167,282
Net cash used in investing activities	**38**	**163,334**

EUR thousand	2021	2020
Cash flow from financing activities		
Change in loan receivables	45,409	114,534
Change in current loans	-48,865	74,973
Proceeds from borrowings	300,000	50,000
Repayment of borrowings	-300,000	-30,000
Dividends paid and other distribution of assets	-29,274	-83,589
Group contributions received	53,100	20,100
Purchases/sales of treasury shares	126	1,041
Net cash used in financing activities	**20,497**	**147,059**
Net change in cash and cash equivalents	**-15,063**	**294,061**
Cash and cash equivalents at the beginning of the financial year	357,111	63,049
Cash and cash equivalents at the end of the financial year	342,047	357,111

NOTES TO FINANCIAL STATEMENTS, PARENT COMPANY

1. PARENT COMPANY ACCOUNTING POLICIES

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 from 1 January to 31 December 2021.

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 recognized under financial income and expenses in the income statement.

DERIVATIVE INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management of YIT Corporation is centralised to Treasury department. The principles of financial risk management of the Group are presented in more detail in the consolidated 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 have used commodity derivatives to manage bitumen price risk. The execution of those derivatives with external counterparties has been centralised to YIT Corporation, and the corresponding internal derivative contracts have been executed with intra-Group transactions with each subsidiary. Consequently, commodity derivatives have not affected YIT Corporation's income statement significantly.

All derivative instruments have been utilised for hedging purposes, but hedge accounting is applied to only some of the instruments. If hedge accounting is applied, the changes in the fair values are recognised in equity's fair value reserve. If hedge accounting is not applied the 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 useful life of tangible and intangible assets.

Depreciation periods are as follows:

Intangible assets	
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

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 recognised 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 recognised in other operating expenses. The remaining lease payments under lease agreements are recognised under liabilities in the notes. The terms and conditions of lease agreements do not differ from ordinary terms and conditions.

TAXES

The income tax row in the income statement includes taxes for previous periods. Deferred taxes have not been booked.

2. OTHER OPERATING INCOME

EUR thousand	2021	2020
Capital gains on disposals of fixed assets	64	
Changes in provisions		1,510
Other	1,330	1,845
Total	**1,395**	**3,355**

3. INFORMATION CONCERNING PERSONNEL AND KEY MANAGEMENT

EUR thousand	2021	2020
Personnel expenses		
Wages, salaries and fees	27,395	24,417
Pension expenses	4,699	4,190
Other indirect personnel costs	997	873
Total	**33,091**	**29,480**
Salaries and fees to the management		
President and CEO	547	
Former president and CEO		2,111
Interim president and CEO	120	91
Members of the Board of Directors	778	751
Total	**1,445**	**2,953**

	2021	2020
Average personnel	352	353

Company books share based compensation costs to wages and salary costs. The share based compensation arrangement does not include off-balance sheet obligations.

AUDIT FEE

EUR thousand	2021	2020
PricewaterhouseCoopers Oy, Authorised Public Accountants		
Audit fee	379	352
Tax services	11	17
Other services	194	108
Total	**583**	**477**

4. DEPRECIATION AND IMPAIRMENT

EUR thousand	2021	2020
Depreciation on other capitalised expenditures	1,552	2,660
Depreciation on buildings and structures	853	861
Depreciation on machinery and equipment	423	500
Depreciation on other tangible assets	23	23
Total	**2,852**	**4,045**

5. OTHER OPERATING EXPENSES

EUR thousand	2021	2020
Rents	10,352	11,807
Cost of premises	5,268	6,132
IT costs	28,886	26,804
Consulting costs	9,781	4,544
Administration costs	3,420	2,300
Other	13,786	13,993
Total	**71,492**	**65,579**

6. FINANCIAL INCOME AND EXPENSES

EUR thousand	2021	2020
Dividend income		
From Group companies		7,324
From others	0	0
Interest income from non-current receivables		
From Group companies	7,283	8,550
Income from investments in Group companies		
Profit on sales of shares		108,399
Other interest and financial income		
From Group companies*	6,693	6,216
From other companies*	36,922	44,638
Total	**50,898**	**175,127**
Other interest and financial expenses		
Interest expenses to Group companies*	-3,909	-3,970
Interest expenses on derivatives to others	-504	-1,281
Interest expenses to others*	-16,686	-15,946
Other expenses to others*	-42,928	-47,092
Total	**-64,027**	**-68,288**
Total financial income and expenses	**-13,129**	**106,839**
Items included in financial income and expenses		
Foreign exchange rate gains and losses	2,087	583
Fair value change in currency derivatives*	-1,652	-587
Fair value change in interest derivatives	507	1,056

*The comparison period has been adjusted.

7. APPROPRIATIONS

EUR thousand	2021	2020
Appropriations		
Group contributions	53,850	53,100
Total	**53,850**	**53,100**

8. CHANGES IN FIXED ASSETS

INTANGIBLE ASSETS

EUR thousand	2021	2020
Intangible rights		
Historical cost on 1 January	32,301	49,073
Increases	18	28
Transfer between lines	-69	
Decreases	-16,218	-16,799
Historical cost on 31 December	16,032	32,301
Accumulated depreciation and impairment on 1 January	30,473	44,974
Depreciation for the period	1,131	2,212
Accumulated depreciation of decreases	-16,158	-16,713
Accumulated depreciation and impairment on 31 December	15,446	30,473
Carrying amount on 31 December	**586**	**1,828**

EUR thousand	2021	2020
Other capitalised expenditures		
Historical cost on 1 January	3,872	7,217
Increases	60	41
Decreases	-342	-3,386
Historical cost on 31 December	3,591	3,872
Accumulated depreciation and impairment on 1 January	1,442	4,380
Depreciation for the period	421	448
Accumulated depreciation of decreases	-342	-3,386
Accumulated depreciation and impairment on 31 December	1,522	1,442
Carrying amount on 31 December	**2,069**	**2,431**
Total intangible assets	**2,655**	**4,259**

TANGIBLE ASSETS

EUR thousand	2021	2020
Land and water areas		
Historical cost on 1 January	6,367	6,367
Transfer between lines	69	
Decrease	-168	
Carrying amount on 31 December	**6,267**	**6,367**
Buildings and structures		
Historical cost on 1 January	19,010	18,993
Increase		17
Decreases	-226	
Historical cost on 31 December	18,784	19,010
Accumulated depreciation and impairment on 1 January	16,081	15,220
Depreciation for the period	853	861
Accumulated depreciation of decreases	-226	
Accumulated depreciation and impairment on 31 December	16,709	16,081
Carrying amount on 31 December	**2,076**	**2,929**
Machinery and equipment		
Historical cost on 1 January	3,526	11,166
Increases	110	13
Decreases	-569	-7,653
Historical cost on 31 December	3,067	3,526
Accumulated depreciation and impairment on 1 January	2,434	9,587
Depreciation for the period	423	501
Accumulated depreciation of decreases	-568	-7,653
Accumulated depreciation and impairment on 31 December	2,288	2,434
Carrying amount on 31 December	**778**	**1,092**

EUR thousand	2021	2020
Other tangible assets		
Historical cost on 1 January	176	333
Decreases		-157
Historical cost on 31 December	176	176
Accumulated depreciation and impairment on 1 January	37	170
Depreciation for the period	23	23
Accumulated depreciation of decreases		-157
Accumulated depreciation and impairment on 31 December	60	37
Carrying amount on 31 December	**115**	**139**
Total tangible assets	**9,237**	**10,526**

9. INVESTMENTS

EUR thousand	2021	2020
Shares in Group companies		
Historical cost on 1 January	1,244,372	1,299,718
Increases		3,849
Decreases		-59,195
Carrying amount on 31 December	**1,244,372**	**1,244,372**
Other shares and holdings		
Historical cost on 1 January	541	541
Carrying amount on 31 December	**541**	**541**
Total investments	**1,244,914**	**1,244,914**

10. RECEIVABLES

NON-CURRENT RECEIVABLES

EUR thousand	31 Dec 2021	31 Dec 2020
Receivables from Group companies		
Loan receivables	217,586	130,185
Total	**217,586**	**130,185**
Accrued receivables, group external		
Exchange rate derivates	537	
Accrued arrangement fees from financial agreements	605	
Total	**1,141**	

CURRENT RECEIVABLES

EUR thousand	31 Dec 2021	31 Dec 2020
Receivables from Group companies		
Trade receivables	3,252	
Loan receivables	9,223	137,532
Other receivables	53,850	53,107
Accrued income	923	1,371
Total	**67,247**	**192,010**
Accrued receivables, intra-group		
Receivables from derivatives	20	1
Other receivables	903	1,370
Total	**923**	**1,371**
Accrued receivables, group external		
Exchange rate derivatives	1,028	1,237
Accrued arrangement fees from financial agreements	2,288	1,233
Other receivables	430	294
Total	**3,746**	**2,763**

11. EQUITY

EUR thousand	2021	2020
Share capital		
Share capital on 1 January	149,717	149,717
Share capital on 31 December	**149,717**	**149,717**
Fair value reserve		
Fair value reserve on 1 Janaury		
Increases	537	
Fair value reserve on 31 December	**537**	
Non restricted equity reserve		
Non restricted equity reserve on 1 January	563,895	564,021
Share issue	-2	-126
Non restricted equity reserve on 31 December	**563,893**	**563,895**
Retained earnings		
Retained earnings on 1 January	267,101	217,745
Dividends paid and other distribution of assets	-29,274	-83,589
Transfer of treasury shares	198	1,658
Retained earnings on 31 December	**238,025**	**135,813**
Net profit/loss for the financial period	5,285	131,288
Total retained earnings	**243,310**	**267,101**
Total equity	**957,457**	**980,713**

DISTRIBUTABLE FUNDS ON 31 DECEMBER

EUR thousand	31 Dec 2021	31 Dec 2020
Non-restricted equity reserve	563,893	563,895
Retained earnings	238,025	135,813
Net profit/loss for the financial year	5,285	131,288
Distributable fund from shareholders' equity	**807,203**	**830,996**

TREASURY SHARES OF YIT OYJ

EUR thousand	31 Dec 2021	31 Dec 2020
Amount	1,980,947	2,016,297
% of total shares	0.94%	0.96%
% of voting rights	0.94%	0.96%

12. PROVISIONS

EUR thousand	31 Dec 2021	31 Dec 2020
Provisions of unprofitable contracts		2,618
Total		**2,618**

13. DEFERRED TAX ASSETS AND LIABILITIES

DEFERRED TAX ASSETS

EUR thousand	31 Dec 2021	31 Dec 2020
Postponed depreciation	730	631
Pension liability	439	321
Other temporary differences		524
Unused tax losses	1	985
Total	**1,170**	**2,461**

DEFERRED TAX LIABILITIES

EUR thousand	2021	2020
Land and water revaluations	615	615
Total	**615**	**615**

Deferred taxes are not booked in the parent company's financial statements.

14. NON-CURRENT LIABILITIES

EUR thousand	31 Dec 2021	31 Dec 2020
Bonds*	300,000	150,000
Loans from financial institutions	150,000	100,000
Accrued expenses		624
Total	**450,000**	**250,624**

*More information about bonds are given in the consolidated financial statement of YIT.

15. CURRENT LIABILITIES

LIABILITIES TO GROUP COMPANIES

EUR thousand	31 Dec 2021	31 Dec 2020
Trade payables	282	223
Other liabilities	450,991	272,864
Accrued expenses	70	99
Total	**451,342**	**273,185**

ACCRUED EXPENSES, INTRA-GROUP

EUR thousand	31 Dec 2021	31 Dec 2020
Payables from derivatives	70	99
Total	**70**	**99**

ACCRUED EXPENSES, GROUP EXTERNAL

EUR thousand	31 Dec 2021	31 Dec 2020
Personnel expenses	9,654	6,950
Interest expenses	7,285	1,282
Other expenses	1,070	2,642
Total	**18,009**	**10,875**

16. COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	31 Dec 2021	31 Dec 2020
Leasing commitments for premises		
Payable during the current financial year	6,879	5,127
Payable in subsequent years	38,384	45,966
Total	**45,264**	**51,093**
Operating leasing commitments		
Payable during the current financial year	4,553	4,903
Payable in subsequent years	1,626	3,497
Total	**6,179**	**8,400**
Other commitments		
Other commitments	2,193	1,606
VAT on investments in real estates		522
Total	**2,193**	**2,128**
Guarantees given		
On own behalf	10,637	10,661
On behalf of Group companies	977,896	1,041,529
On behalf of associates and joint ventures	4,575	4,575
On behalf of construction consortia	9,720	9,720
On behalf of others	585	1,036
Total	**1,003,414**	**1,067,522**

DERIVATIVE CONTRACTS

EUR thousand	31 Dec 2021	31 Dec 2020
External foreign currency derivatives (level 2)		
Fair value, positive	1,028	965
Fair value, negative	-2,630	-1,553
Value of underlying instruments	215,613	198,397
Internal foreign currency derivatives (level 2)		
Fair value, positive	17	1
Fair value, negative	-67	
Value of underlying instruments	7,119	120
External interest rate swaps derivatives (level 2)		
Fair value, positive	537	
Fair value, negative	-275	-782
Value of underlying instruments	130,000	60,000
External commodity derivatives (level 2)		
Fair value, positive		99
Fair value, negative		
Value of underlying instruments		1,079
Internal commodity derivatives (level 2)		
Fair value, positive		
Fair value, negative		-99
Value of underlying instruments		1,079

Derivative instruments are measured at fair value and categorised 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 31 December 2021 amounted to EUR 807 million, of which profit of the period 2021 amounted to EUR 5 million.

The Board of Directors proposes that a dividend of EUR 0.16 per share be paid based on the balance sheet to be adopted for the year 2021 and that the dividend shall be paid in two equal instalments.

The first instalment of the dividend shall be paid to the shareholders who are registered in the shareholders' register maintained by Euroclear Finland Oy on the dividend record date of 22 March 2022. The Board of Directors proposes that dividend for this instalment be paid on 7 April 2022.

The second instalment of the dividend shall be paid in October 2022. 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 to be scheduled for September 2022. The dividend record date for the second instalment as per the current rules of the Finnish book-entry system would be 4 October 2022 at the earliest and the dividend payment date 12 October 2022.

At 31 December 2021, the number of outstanding shares of the company amounted to 209,118,906 of which the corresponding dividend based on Board of Directors proposal amounts to approximately EUR 33 million.

DIVIDEND PROPOSAL

€0.16

PER SHARE

Tripla, Helsinki, Finland

Signature of the Report of the Board of Directors and financial statements

Helsinki, 3 February 2022

Harri-Pekka Kaukonen
Chairman

Eero Heliövaara
Vice Chairman

Alexander Ehrnrooth

Frank Hyldmar

Olli-Petteri Lehtinen

Kristina Pentti-von Walzel

Barbara Topolska

Tiina Tuomela

Markku Moilanen
President and CEO

Tilinpäätösmerkintä
Suoritetusta tilintarkastuksesta on tänään annettu kertomus.
Helsingissä

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä, Authorised Public Accountant (KHT)

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of YIT Corporation

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 2021. 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 8 to the Financial Statements.

OUR AUDIT APPROACH

Overview

Materiality

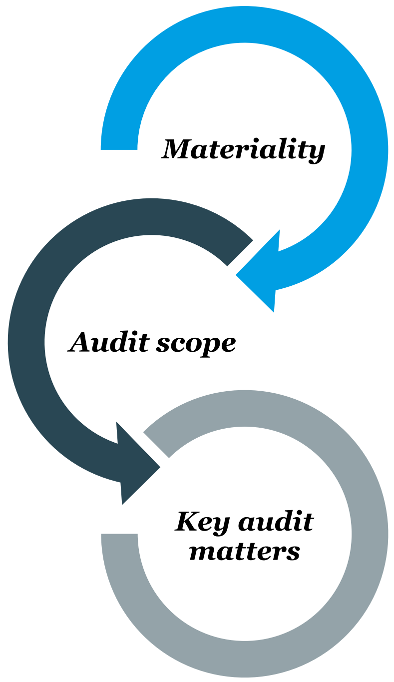
- Overall group materiality was € 20 million (previous year € 20 million).

Audit Scope

- The group audit scope encompassed the most significant group companies and covers the vast majority of group's revenues, 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 (2020: € 20 million)
- **How we determined it**
  We used a combination of total revenues and profit before tax as benchmarks to determine overall group materiality.
- **Rationale for the materiality benchmark applied**
  We determined that total revenue and profit before tax as a combination provide a suitable representation of the volume of YIT's operations and profitability.

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 Note 4. "Customer contracts" of the consolidated financial statements.

A major part of YIT's business is project related, and projects might extend across several years. Project revenue recognition over time is based on estimated revenue and costs as well as reliable estimate of measure of progress.

The measure of progress is determined in proportion of realised costs at the 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.

Revenue recognition over time requires a considerable amount of management judgement included in the estimate of measure of progress and in the estimated outcome of the project. Despite the careful assessment made by management, the outcome might differ from the estimate.

If the estimate of the outcome of the project change, revenue and profit recognised are adjusted in the reporting period when the change first became known and could be estimated.

Revenue recognition over time is a key audit matter in the audit due to the level of management judgement included in the estimates.

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 the 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 realised costs at the time of reporting. 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 realised 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 for selected projects by recalculating.

Key audit matter in the audit of the group

Valuation of slow moving land plots in Inventory

Refer to the Note 20 "Inventories" of the consolidated financial statements.

Inventories consist primarily of the cost of land plots and plot owning companies, work in progress, completed apartments and real estate as well as advance payments.

Inventories are measured either at the lower of acquisition cost or net realizable value. Calculation of the net realizable value includes management judgement.

When estimating the net realisable value of plots, their intended use is taken into consideration. Plots used for construction are assessed as part of the construction projects.

The value of plots is written-down when apartments and real estate under construction are being assessed to be sold at a lower price than the book value of the plot. The net realisable value of plots other than those used for construction purposes is based on their market value.

Valuation of land plots is considered a key audit matter because it forms a significant balance sheet item and the valuation includes management judgement.

How our audit addressed the key audit matter

Our audit procedures included the following but was not limited to:

- We assessed the applicability of the valuation models used by management.
- We have discussed with management about their action plans in relation to slow moving land plots.
- Specifically for the unconstructed land plots with the largest net realizable value, we investigated the construction plans and timetables as well as plans to change the intended use during the financial year.
- The net realisable value of plots other than those used for construction purposes was analysed by comparing management's forecasted sales prices to realized sales prices.

Key audit matter in the audit of the group

Equity investments

Refer to the Notes 18. "Equity investments" and 29. "Financial assets and liabilities by category" of the consolidated financial statements.

YIT's investment in Tripla Mall Ky is classified as an equity investment recognised at fair value through profit and loss.

The fair value of the investment 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. Determining the fair 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 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 assessed the appropriateness of the 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 management about the valuation model and the assumptions used in the valuation.
- We read the reports prepared by the external appraiser used by management concerning the valuation.

Key audit matter in the audit of the group

Goodwill

Refer to the Note 15. "Other Intangible assets and goodwill" of the consolidated financial statements.

Goodwill is measured at the original acquisition cost less impairment.

Goodwill is tested for potential impairment annually and whenever there are indications of impairment. To this end, goodwill is allocated to cash-generating units.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

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.

An impairment loss is recognised if the carrying amount of the asset item is higher than its recoverable amount.

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 the 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, as follows:

- We tested the methodology applied in the value-in-use calculation and 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 budgets and strategies approved by the Board of Directors.
- 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 assessed the adequacy of the information presented in the financial statements.

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 consolidated financial statements or 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 became 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 have 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

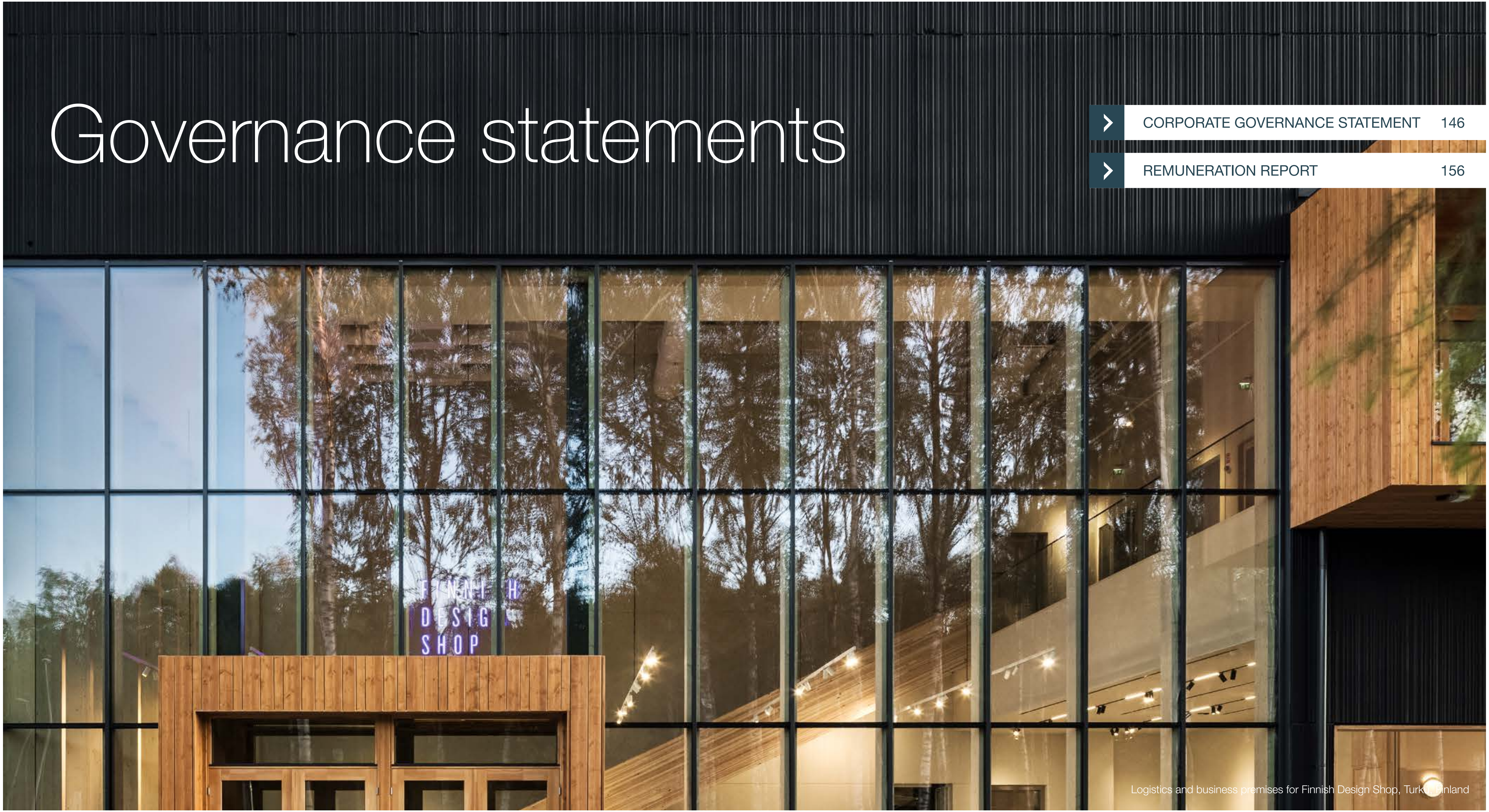
- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki
PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant (KHT)

Governance statements



Logistics and business premises for Finnish Design Shop, Turku, Finland

YIT Corporation's Corporate Governance Statement for 2021

This Corporate Governance Statement by YIT Corporation has been prepared separately from the Board of Directors' report, pursuant to the Finnish Securities Markets Act and the Finnish Corporate Governance Code. The Statement is available on YIT Corporation's website at **www.yitgroup.com/corporategovernance**.

The administration of YIT Corporation complies with valid legislation, the company's Articles of Association and the rules and regulations of bodies that regulate and supervise the operations of Finnish listed companies. YIT complies with the recommendations of the Finnish Corporate Governance Code approved by the Securities Market Association in September 2019, which took effect on 1 January 2020. The Code is publicly available on the Securities Market Association's website at **www.cgfinland.fi/en**.

YIT Corporation's auditor PricewaterhouseCoopers Oy has reviewed the description of the main features of the internal control and risk management systems in relation to the financial reporting process in this Statement and found it to be consistent with the financial statements. The Audit Committee of the Board of Directors reviewed, and the Board of Directors approved the Statement at its meetings held on 3 February 2022.

ANNUAL GENERAL MEETING

SHAREHOLDERS' NOMINATION BOARD

BOARD OF DIRECTORS
- Audit Committee
- Personnel Committee
- Investment and Project Committee

CEO

- Management Team

ANNUAL GENERAL MEETING

The Annual General Meeting is YIT's highest decision-making body, where the shareholders participate in the supervision and control of the company and exercise their right to speak and vote. The Annual General Meeting is held each year by the end of June on a date determined by the Board of Directors. Extraordinary General Meetings can be held when the Board of Directors deems it necessary or when required by legislation.

The Annual General Meeting makes decisions on matters falling within its scope of responsibilities by virtue of the Limited Liability Companies Act and the company's Articles of Association, such as:

- The approval of the financial statements
- The distribution of profits
- Discharging members of the Board of Directors and the President and CEO from liability
- The election of the Chairman of the Board of Directors, Vice Chairman and other members, and the remuneration paid to them
- The election of the auditors and the auditors' fees
- Amendments to the Articles of Association
- Decisions leading to changes in the share capital
- The repurchase and transfer of the Company's own shares

The Chairman of the Board of Directors, the members of the Board of Directors, the President and CEO and the external auditor are all present at the Annual General Meeting. Persons nominated to seats on the Board of Directors must always participate in the Annual General Meeting deciding on their election.

ANNUAL GENERAL MEETING 2021

The Annual General Meeting was held in Helsinki on March 18, 2021 in accordance with the so-called Temporary Act without the shareholders' or their proxy representatives' presence at the meeting venue. Shareholders participated in the meeting and exercised their shareholder rights only by voting in advance and by presenting counterproposals and questions in advance.

A total of 239 shareholders representing 110,890,209 shares and voting rights, which was approximately 52,53 per cent of the company's shares and votes, participated in the advance voting.

BOARD OF DIRECTORS

The Board of Directors supervises and controls the management and operations of the company. The duty of the Board is to promote the interests of all shareholders and the Group by seeing to the administration and proper organisation of operations.

The Board of Directors comprises the Chairman and the Vice Chairman and 3–7 members elected by the Annual General Meeting of shareholders for one year at a time. The Articles of Association have no special provisions on the members of the Board of Directors. The majority of the members must be independent of the company. In addition, it is required that at least two of these members are independent of the major shareholders of the company. The President and CEO cannot be elected as the Chairman of the Board. Both genders must be represented on the Board of Directors.

The Board of Directors convenes regularly as summoned by the Chairman. A quorum is established when more than half of its members are present. An opinion supported by more than half of the members present becomes the decision. When the votes are even, the Chairman has the casting vote. The CEO as referendary and the Corporate General Counsel as secretary of the Board are present at Board meetings. Other Group Management Team members and heads of business units and functions attend the meetings when necessary. The President and CEO and the secretary of the Board prepare the meetings with the Chairman of the Board and draw up the agendas. The President and CEO ensures that the Board is provided with sufficient information on matters such as the structure, operations, markets and competitive situation of the company in order to carry out its tasks. The meeting agendas and materials are sent to Board members in good time before the meeting.

The Board of Directors and its committees have ratified standing orders. The members of the Board evaluate the operations of the Board and its committees each year, and the results are taken into account in the Board's work and its development.

KEY TASKS OF THE BOARD OF DIRECTORS

Among other duties, the Board of Directors:

- ensures that the supervision of accounting and asset management is organised appropriately
- reviews and approves the company's Financial Statements and the Board of Directors' report as well as interim reports and half-yearly reports
- supervises and controls operating management
- elects and dismisses the CEO and his deputy, decides on their salaries, and fees and agrees on the other terms of their employment
- convenes the Annual General Meeting and makes proposals on matters to be included on the agenda
- specifies the dividend policy and makes a proposal to the Annual General Meeting on the dividend to be paid annually
- approves the Group's strategy, strategic goals and risk management principles
- approves budgets and action plans and oversees their implementation
- approves significant acquisitions and other investments
- confirms the Group's functional structure
- ensures the functioning of management systems
- ratifies the Group's values and management principles
- monitors and evaluates the Group's financial reporting system as well as the effectiveness of internal control, internal auditing and risk management
- monitors the Group's audit and monitors and evaluates the auditor's independence and the provision of non-audit services by the auditor
- prepares a proposal for the election of the auditor.

DIVERSITY OF THE BOARD OF DIRECTORS

The diversity principles ratified by YIT Corporation's Board of Directors refer to the different backgrounds of the Board members, such as age, gender, international experience, education, expertise and competencies. The aim of diversity on the Board of Directors is to ensure it is broad-based, versatile, has both customer and stakeholder insight, and is creative and future-oriented. A sufficiently diverse Board of Directors supports the company's business and its development, promotes open discussion and independent decision making and is better equipped to support and challenge the operating management.

The members of the Board of Directors having different backgrounds, experiences and views supports the achievement of YIT Corporation's strategic objectives. Anyone elected to the Board of Directors must be qualified for the position, taking into account the requirements and development stages of the company's business as well as the areas of expertise required by the Board of Directors and its committees. Anyone elected as a member of the Board of Directors must have the capacity to allocate sufficient time to managing their duties.

The long-term diversity objective is to ensure that the process for selecting and evaluating candidates for Board membership involves representatives of both genders so as to facilitate a balanced gender distribution on the Board of Directors.

MEMBERS OF THE BOARD OF DIRECTORS AND BOARD MEETINGS IN 2021

The members of YIT Corporation's Board of Directors from 1 January to 18 March 2021 were: Harri-Pekka Kaukonen, Chairman; Eero Heliövaara, Vice Chairman; and Alexander Ehrnrooth, Frank Hyldmar, Olli-Petteri Lehtinen, Kristina Pentti-von Walzel, Barbara Topolska and Tiina Tuomela, members.

The Annual General Meeting held on 18 March 2021, re-elected six (6) ordinary members to YIT's Board of Directors in addition to the Chairman and the Vice Chairman. Harri-Pekka Kaukonen, born 1963, Ph.D. (Computational material physics), M.Sc. (Eng.), was re-elected as the Chairman of the Board, with Eero Heliövaara, born 1956, M.Sc. (Eng.), M.Sc. (Econ.), re-elected Vice Chairman, and the following were re-elected as ordinary members: Alexander Ehrnrooth, born 1974, M.Sc.(Econ), MBA, President and CEO of Virala Corporation; Frank Hyldmar, born 1961, M.Sc.(Econ.), CEO at Currenta GmbH & Co OHG; Olli-Petteri Lehtinen, born 1960, M.Sc. (Econ.); Kristina Pentti-von Walzel, born 1978, M.Sc. (Econ.), M.Sc. (Pol.Sc.), CEO at Laponie Corporation; Barbara Topolska, born 1966, MBA, CPI Property Group, General Director, Poland and Tiina Tuomela, born 1966, M.Sc. (Eng.), CFO, Uniper SE.

BOARD OF DIRECTORS ON 31 DECEMBER 2021

Harri-Pekka Kaukonen
Chairman
b. 1963, Ph.D. (Computational material physics), M.Sc. (Eng.)

Eero Heliövaara
Vice Chairman
b. 1956, M.Sc. (Eng.), M.Sc. (Econ.)

Alexander Ehrnrooth
Member
b. 1974 M.Sc.(Econ), MBA,
President and CEO of Virala Corporation

Frank Hyldmar
Member
b. 1961, M.Sc.(Econ.)
CEO at Currenta GmbH & Co OHG

Olli-Petteri Lehtinen
Member
b. 1960, Master of Economics

Kristina Pentti-von Walzel
Member
b. 1978, M.Sc. (Econ.), M.Sc. (Pol.Sc.)
CEO and Chairman at Laponie Corporation

Barbara Topolska
Member
b. 1966, MBA,
CPI Property Group, General Director, Poland

Tiina Tuomela
Member
b.1966, M.Sc. (Eng.),
Executive Vice President, CFO, Uniper SE

In 2021, all members of the Board of Directors were independent of YIT and its major shareholders, except Alexander Ehrnrooth, who was not independent of significant shareholders.

The Board of Directors convened 15 times during 2021. The members' total attendance rate was 98 per cent. Corporate General Counsel Juha Jauhiainen served as the secretary of the Board of Directors.

In 2021, a significant part of the Board of Directors' work was, among the main responsibilities and tasks, dedicated to monitor the development of the Group's financial results particularly by supporting the analysis, development and improvement of measures related to the performance of the Group and its' segments as well as work to renew the company strategy. The Board also continuously monitored and evaluated company's measures to prevent and limit the potential business impacts of the Covid-19 pandemic.

In addition, the Board of Directors supported and monitored the company's operating model transformation process and measures to secure the continuation of business operations as well as support the development of sustainability targets of the company.

The Board of Directors also conducted the annual self-evaluation. The evaluation emphasized identification of the development areas related to the Board's strategic work, board annual agenda and practices in order to further develop the Board of Directors' work.

SHARE OWNERSHIP OF THE MEMBERS OF THE BOARD OF DIRECTORS ON 31 DECEMBER 2021

Name	Position	Shares	Total
Kaukonen Harri-Pekka	Chairman of the Board	47,781	47,781
Heliövaara Eero	Vice Chairman of the Board	33,297	33,297
Ehrnrooth Alexander	Member of the Board	11,185	25,371,185
Tercero Invest AB Shares held by organisation in which the person exercises influence (substantial economic interest, no control)		25,360,000	
Hyldmar Frank	Member of the Board	11,185	11,185
Lehtinen Olli-Petteri	Member of the Board	19,187	19,187
Pentti-von Walzel Kristina	Member of the Board	2,764,259	2,764,259
Topolska Barbara	Member of the Board	11,185	11,185
Tuomela Tiina	Member of the Board	17,279	17,279

COMMITTEES FOR THE BOARD OF DIRECTORS

The Board of Directors had three permanent committees in 2021: The Personnel Committee, the Audit Committee and the Investment and Project Committee.

The Board of Directors elects the members and Chairmen of the committees from among its members at its constitutional meeting following the Annual General Meeting. The committees have written standing orders ratified by the Board of Directors. The committees report to the Board of Directors on the matters they deal with and the required actions on a regular basis at the Board meeting following each committee meeting.

In addition to Audit, Personnel and Investment and Project committees, the Board may appoint other permanent or temporary committees to focus on certain duties assigned by the Board.

PERSONNEL COMMITTEE

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 planning for management successors fall under the preparation responsibility of the committee. The committee also prepares the remuneration policy and remuneration report for the company's governing bodies.

The committee convenes as necessary and when summoned by the Chairman. It has 3–5 members, who all have knowledge of the Group's business operations and business segments, as well as HR and remuneration-related matters. The majority of the members of the Personnel Committee must be independent of the company. The President and CEO and other members of the company's executive management cannot be members of the Personnel Committee. The Executive Vice President, Human Resources, acts as the secretary to the committee.

PERSONNEL COMMITTEE IN 2021

In 2021, the members of the Personnel Committee were Harri-Pekka Kaukonen, Chairman, and Eero Heliövaara and Tiina Tuomela as members. The company's President and CEO also participated in the committee's meetings. The committee convened a total of six times in 2021. The members' total attendance rate was 100 per cent. Pii Raulo, Executive Vice President, Human Resources, served as the committee's secretary.

The Personnel Committee monitored and handled health, wellbeing and safety related preventive measures. Due to the COVID-19 pandemic, particularly measures to hinder virus spreading and ensuring business continuity were regularly handled by the Committee. Key personnel selection related to renewed strategy and operating model, as well as development of corporate culture, leadership and business performance were also strongly on the Committee's agenda. The Committee prepared and submitted for confirmation by the Board of Directors the remuneration principles pursuant to the governance model, structures of short- and long-term remuneration programmes pursuant to the remuneration policy as well as the budget, including the indicators, goals and target groups. The Committee also examined and presented for confirmation by the Board of Directors the nominations to management positions as well as levels and practices regarding the remuneration of the President and CEO and other management.

AUDIT COMMITTEE

The Audit Committee assists the Board of Directors in the supervision of the Group's reporting and accounting processes. Its tasks include overseeing the financial reporting process of the company, the effectiveness of internal control, internal audit and risk management systems, as well as monitoring and assessing the audit. The committee participates in the preparation of the Group's financing policy, financing plan and financing arrangements. The committee reviews the company's Financial Statements, Interim Reports and Half-Year Reports and monitors auditing. It evaluates compliance with laws and regulations and follows the Group's financial position. The committee convenes at least four times per year and more often if necessary. The committee comprises 3–5 members, the majority of whom must be independent of the company, and at least one of the members must be independent of major shareholders. To be selected as a member of the committee, a person must have extensive knowledge of the Group's business operations and business segments and possess the qualifications required by the committee's sphere of duties and have experience with the mandatory tasks related to auditing. The Corporate General Counsel acts as the secretary of the Audit Committee.

Audit Committee in 2021

In 2021, the members of the Audit Committee were Olli-Petteri Lehtinen, Chairman, and Alexander Ehrnrooth, Frank Hyldmar and Kristina Pentti-von Walzel as members.

The Audit Committee convened eight times in 2021. The members' total attendance rate was 100 per cent. Corporate General Counsel Juha Jauhiainen served as the committee's secretary. The company's President and CEO also participated in the committee's meetings. The Internal Audit Director Markus Vuorimaa and, as the Company's chief auditor, Markku Katajisto (PricewaterhouseCoopers) until March 18, 2021 and since then Samuli Perälä (PricewaterhouseCoopers) also participated in the committee's meetings, as did members of the Company's management and experts, depending on the matters dealt with by the meeting.

In 2021, the Audit Committee regularly handled and monitored the development of the company's capital expenditure and financing and balance sheet position, financing plan execution as well as handled the achievement of the cash flow and profitability targets. In addition, the Committee regularly handled company's financial reporting relating to major projects.

In addition to its main tasks, the Audit Committee also regulary handled the key IFRS standards and their application to the company's business operations as well as participated in the process of preparing and approving the Group's investment policy and renewed strategy.

INVESTMENT AND PROJECT COMMITTEE

The main function of the Investment and Project Committee is to assist the Board of Directors of YIT Corporation by discussing and preparing, in accordance with the internal decision-making authorizations approved by the Board of Directors, significant contract tenders, property development projects, plot and area development project investments and divestments, acquisitions, disposals and equity investments, and to monitor the development, financial reporting and risk management of the respective portfolios.

The committee convenes regularly, at least twice a year, and more frequently by separate invitation from the chairman if deemed necessary in view of the matters discussed by the committee. The committee has 3–5 members, who all have extensive knowledge of the Group's business operations and business segments and the competence required by the position. The majority of the members of the Investment and Project Committee must be independent of the company and at least one of the members must be independent of significant shareholders. The Corporate General Counsel acts as the secretary of the Investment and Project Committee.

Investment and Project Committee in 2021

In 2021, the members of the Investment and Project Committee were Eero Heliövaara, Chairman, and Alexander Ehrnrooth, Harri-Pekka Kaukonen and Barbara Topolska as members. The company's President and CEO also participated in the committee's meetings. The committee convened a total of fourteen times in 2021. The members' total attendance rate was 100 per cent. Juha Jauhiainen, Corporate General Counsel, served as the committee's secretary.

In accordance with the main tasks of the Investment and Project Committee, the Committee concentrated on tasks related to the preparation of significant contract tenders, property development projects, investments, divestments and company acquisitions to be proposed to the Board of Directors for decision. The Committee also participated in the monitoring of the development of the strategic key projects and capital employed as well in the reporting practice development. In addition, the Committee participated in the process of preparing and approving the Group's investment policy.

Temporary Committees in 2021

In addition to permanent committees Board had three temporary committees until April 1, 2021: Asset Management Committee, Service Business Development Committee and Working Committee. These committees supported the Board of Directors and the management in the company's financial property management, service business model development, achievement of business continuity and strategic objectives and implementing changes.

Meeting attendance of the Board of Directors and its committees in 2021

Name	Board of Directors	Personnel Committee	Audit Committee	Investment and Project Committee	Asset Management Committee (until April 1, 2021)	Service Business Development Committee (until April 1, 2021)	Working Committee (until April 1, 2021)
Kaukonen Harri-Pekka	15/15	6/6		14/14			11/11
Heliövaara Eero	14/15	6/6		14/14	0/0		11/11
Ehrnrooth Alexander	15/15		8/8	14/14	0/0		11/11
Hyldmar Frank	14/15		8/8			0/0	
Lehtinen Olli-Petteri	15/15		8/8				
Pentti-von Walzel Kristina	15/15		8/8				
Topolska Barbara	15/15			14/14	0/0		
Tuomela Tiina	15/15	6/6				0/0	
Board members' average attendance rate	98%	100%	100%	100%			100%

SHAREHOLDERS' NOMINATION BOARD

YIT Corporation's 2016 Annual General Meeting resolved to establish a Shareholders' Nomination Board for the company to prepare proposals on the election and remuneration of the members of the Board of Directors for the Annual General Meeting and confirmed the proposal for the standing order of the Nomination Board.

The Shareholders' Nomination Board is a body comprised of the company's shareholders or their representatives, the duty of which is to prepare, in accordance with the Board's diversity principles, proposals on the election and remuneration of the members of the Board of Directors for the Annual General Meeting and, where necessary, for the Extraordinary General Meeting. The primary purpose of the Nomination Board is to ensure that the Board of Directors and its members have sufficient expertise, competence and experience in view of the company's needs, and to prepare proposals, with justifications, on the election and remuneration of members of the Board of Directors to the Annual General Meeting for this purpose.

The Nomination Board comprises the company's three major shareholders or the representatives nominated by these shareholders. The right to nominate members to represent shareholders in accordance with the Standing Order rests with three shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd or another operator on the last weekday of August in the year preceding the Annual General Meeting, and who hold the largest number of votes conferred by shares according to the shareholder register.

The Nomination Board has been established to serve until further notice. The term of office of the Nomination Board members ends at the appointment of new members every year.

The Nomination Board shall submit its proposal to YIT's Board of Directors every year, by the last weekday of January preceding the next Annual General Meeting. The proposals of the Nomination Board are published in a stock exchange release and included in the notice of meeting. Furthermore, the Nomination Board shall present and justify its proposals and give an account of its operations to the Annual General Meeting.

SHAREHOLDERS' NOMINATION BOARD 2021

Between 1 January and 31 August 2021, the Nomination Board (elected in 2020) comprised Juhani Mäkinen, Counsellor of Law, shareholder group, Alexander Ehrnrooth, Chairman of the Board, Tercero Invest AB and Risto Murto, CEO of Varma Mutual Pension Insurance Company. The Chairman of YIT Corporation's Board of Directors, Harri-Pekka Kaukonen, served as an expert member on the Nomination Board, Juhani Mäkinen served as Chairman of the Nomination Board and Corporate General Councel Juha Jauhiainen served as the secretary of the Nomination Board.

Starting from 1 September 2021, the members of the Nomination Board were Juhani Mäkinen, Counsellor of Law, shareholder group, Alexander Ehrnrooth, Chairman of the Board, Tercero Invest AB, shareholder group and Risto Murto, President and CEO of Varma Mutual Pension Insurance Company. The Chairman of YIT Corporation's Board of Directors, Harri-Pekka Kaukonen, served as an expert member on the Nomination Board, and Juhani Mäkinen served as Chairman of the Nomination Board. Corporate General Councel Juha Jauhiainen served as the secretary of the Nomination Board.

The Nomination Board convened five times in 2021. Between meetings, the Nomination Board prepared its proposals under the leadership of its chairman. The members' total attendance rate was 100 per cent.

PRESIDENT AND CEO AND HIS DEPUTY

The President and CEO attends to the day-to-day administration of the company in accordance with the instructions and regulations laid down by the Board of Directors. The Board of Directors appoints and discharges the CEO and supervises the operations of the office. The Board of Directors also decides on the CEO's salary and fees and other terms of the service contract. The CEO ensures that the company's accounting is carried out according to the law and asset management is organised reliably. YIT's President and CEO serves as Chairman of the Group Management Team.

Between January 1 and April 1, 2021 YIT Corporation's Interim President and CEO was Antti Inkilä M.Sc. (Tech.) (born 1969) and Ilkka Salonen, M.Sc. (Econ.) (born 1965) was acting as his deputy.

On 1, April 2021 Markku Moilanen Ph.D., (Tech), (born 1961) started as the company's new President and CEO and Antti Inkilä was acting as his deputy.

Community Centre of Keravanjoki alliance, Kerava, Finland

GROUP MANAGEMENT TEAM

YIT's Group Management Team is the highest operational decision-making body and is responsible for allocating resources to the business segments. The Group Management Team is also responsible for assessing the performance of the business segments.

The President and CEO and other members appointed by the Board of Directors make up the Group Management Team. The President and CEO appoints the Group Management Team's secretary. The Group Management Team, which meets on a regular basis, approximately once a month, assists the Group CEO with operational planning and management and prepares matters that are to be processed by the Board of Directors. Among other duties, the Group Management Team formulates and co-ordinates the Group's strategic and annual planning, supervises the implementation of plans and financial reporting and prepares significant investments, mergers and acquisitions. The development of the Group's internal co-operation and the promotion of joint development projects are among the Group Management Team's key duties. The President and CEO is responsible for the decisions made by the Group Management Team. The task of the members of the Group Management Team is to implement the decisions in their respective areas of responsibility.

GROUP MANAGEMENT TEAM ON 31 DECEMBER 2021

Name	Year of birth	Position and duties	Education	Share ownership
Moilanen Markku	1961	President and CEO Chairman of the Group Management Team	D.Sc. (Tech.) Industrial Engineering and Management	30,000
Mäkipeska Tuomas	1978	CFO	M.Sc. (Econ.)	0
Tom Ekman	1972	EVP, Business Premises segment	M.Sc. (Tech.)	10,098
Teemu Helppolainen	1962	EVP, Housing Russia segment	M.Sc. (Econ.)	37,930 (2,600 shares held by a controlled corporation)
Inkilä Antti	1969	EVP, Housing Finland and CEE segment, Deputy to the President and CEO	M.Sc. (Tech.)	29,849
Juha Kostiainen	1965	EVP, Urban Development and ESG	M.Sc. (Tech), D.Sc. (Adm.)	13,915
Juhani Nummi	1967	EVP, Strategy and development, Integration	M.Sc. (Tech.)	27,454
Pii Raulo	1967	EVP, Human Resources	M.Sc. (Econ.)	30,695
Tolppanen Pasi	1967	EVP, Infrastructure segment	Ph.D. Engineering Geology	600
Tomperi Ilkka	1975	EVP, Partnership Properties segment	Ph.D, Finance	0

Ilkka Tomperi, EVP Property Development segment, has been a member of the Group Management Team since August 1, 2021; Pasi Tolppanen, EVP Infrastructure segment, since August 24, 2021 and Tuomas Mäkipeska, CFO, since November 1, 2021.

Harri Kailasalo, EVP Infrastructure segment, was a member of the Group Management Team until April 1, 2021; Timo Lehmus, Interim EVP Partnership Properties segment, until July 1, 2021; Marko Oinas, interim EVP Housing Finland and CEE segment, until August 24, 2021, Ilkka Salonen, CFO, until November 1, 2021 and Juhani Nummi, EVP, Operations Development and Pii Raulo, EVP, HR were members of the Management Team until December 31, 2021.

Wind farm, Örnsköldsvik, Sweden

GROUP MANAGEMENT TEAM ON 1 JANUARY 2022

Markku Moilanen
President and CEO
b. 1961, D.Sc. (Tech.) Industrial Engineering and Management

Tuomas Mäkipeska
CFO
b. 1978, M.Sc. (Econ.)

Teemu Helppolainen
EVP, Housing Russia segment
b.1962, M.Sc. (Econ.)

Tom Ekman
EVP, Business Premises segment
b. 1972, M.Sc. (Tech.)

Minna Korander
Interim EVP, Human Resources
b. 1970, M.Sc. (Food Economics)

Juha Kostiainen
EVP, Urban Development
b. 1965, M.Sc. (Tech), D.Sc. (Adm.)

Antti Inkilä
EVP, Housing Finland and CEE segment, Deputy to the President and CEO
b.1969, M.Sc. (Tech.)

Pasi Tolppanen
EVP, Infrastructure segment
b. 1967, Ph.D. Engineering Geology

Ilkka Tomperi
EVP, Property Development segment
b. 1975, Ph.D, Finance

THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS CONNECTED WITH THE FINANCIAL REPORTING PROCESS

CONTROL ENVIRONMENT

YIT's financial administration consists of the following functions that report to the Chief Financial Officer: Financial service centre, Group accounting and reporting, Group treasury, Group control, Taxes, Investments, segment-specific Business controlling functions and financial development. The Financial service centre manages the basic processes of financial administration.

YIT Corporation's financial reporting and supervision are based on budgets drafted and ratified annually as well as monthly financial reporting and forecasting. YIT Corporation's business is characterised by project-type operations, due to which financial reporting applies revenue recognition over time (POC) or recognition of revenue at a point in time. Accurate information on the degree of completion of the project and the final cost estimate are essential for the reliability of financial data in project business. In addition, for projects where revenue is recognised at a point in time, degree or sale is typically one of the key component.

The aim of the internal control, control environment and risk management related to the financial reporting process is to ensure the harmonised and reliable reporting of the Group's financial results in a manner compliant with applicable laws and regulations and the reporting principles confirmed in YIT Group. The responsibilities of risk management and internal control are defined in the Group's risk management policy as well as in the operating models of the Group functions and business segments. The operating models describe the key tasks, operations and responsibilities of the various administrative bodies. The Group's business reporting and forecasting process produces information related to project monitoring. The businesses produce project reporting and forecasting in co-operation with the business controlling function.

The Group accounting and reporting function, which works under the supervision of the Group's CFO, defines, and communicates the principles related to financial reporting, maintains the tools required for Group accounting and reporting and prepares financial information to interim reports and official financial statements published by the Group. The Business controlling function is responsible for ensuring that reporting within the segments is carried out according to instructions. The Group treasury function issues instructions concerning the reporting of internal and external calculations related to financial transactions and monitors the accuracy of reporting. Based on long-term and short-term cash flow forecasts, the Group treasury function ensures adequate liquidity as well as appropriate and suitable financial instruments. Group treasury also supports the entire financial administration organisation in reporting on financing and the reconciliation of reporting. Group Controlling produces quantitative analyses for the management and prepares a monthly management report. The Taxes function produces the Group's tax guidelines and practices and ensures that tax-related matters are in compliance with the Group's corporate governance principles and internal tax policies. Financial development improves and develops financial processes and information systems, which supports reporting and monitoring.

The Investments function prepares and supports decision making on projects and investments and is responsible for making preparations for the meetings of the Investment and Project Committee.

IDENTIFICATION AND ASSESSMENT OF RISKS RELATED TO FINANCIAL REPORTING

The Group's financial and financing management is responsible for identifying and assessing risks in relation to financial reporting. The processes and systems of financial reporting are developed and their effectiveness analysed continuously. Risks related to financial reporting are managed with the help of the Group's accounting manual, financing and tax policy, investment guideline, acquisition instructions, control environment and internal audit.

COMMUNICATIONS

The Group's CFO and Investor Relations are responsible for the publication and release of financial information and for the fulfilment of disclosure obligations concerning a listed company. Investor Relations are also responsible for the planning and implementation of investor communications and for daily contact with investors and analysts.

The aim of the company's Investor Relations is to support the appropriate valuation of YIT shares by providing all market parties with all essential information concerning YIT in a continuous and consistent manner.

Corporate Communications maintain YIT's communications policy, published on the Group's website, as well as the internal guidelines for external and financial communications, which define YIT's practices in relation to the disclosure of financial information.

GOVERNANCE MODEL

YIT's business segments are responsible for the accuracy of the segment data presented in interim reports and financial statements. The Group's accounting department is responsible for the accuracy and scope of the group-level numerical data as well as their compliance with rules and regulations. The Audit Committee reviews information that is to be published and submits them for the Board of Directors' approval.

The Group's financial management team convenes on a monthly basis. It is composed of the Business controllers responsible for the business segments, the Group controller, group accounting and reporting, group treasury, the service center, financial development, investments, the Corporate General Counsel and the Vice President, Investor Relations. The financial management team mainly discusses financial administration development projects as well as matters related to risk management and resource allocation.

The Group's operational financial management team meets weekly and is composed of the Business controllers responsible for the business segments, the Group controller, group accounting and reporting, group treasury, the service centre and financial development. The operational financial management team addresses all financial process and development issues concerning financial reporting.

YIT Group's internal audit organisation supported the management in the development and supervision of risk management, internal control and good corporate governance. The internal audit reported in 2021 to the Audit Committee of the Board of Directors and administratively to YIT's President and CEO. The targets of the internal audit were selected annually based on risk. The focus of the internal audit has typically been on project risk management, new geographic or functional operating areas and semi-annually defined risk areas.

In 2021, the Board of Director's decided that the YIT Group's Internal Audit is organized as a fully outsourced service starting from January 1, 2022. The Internal Audit function reports onwards functionally to the Audit Committee of the Board of Directors and administratively to YIT's Corporate General Counsel. The internal annual audit plan is developed using a risk-based methodology, including any risks or control concerns identified by senior management and the Audit Committee. Internal Audit's work is coordinated with other Group functions and financial auditing.

RELATED PARTY TRANSACTIONS

The company maintains a list of its related parties and monitors and evaluates related party transactions on a regular basis in accordance with regulative principles. The members of the Board of Directors and Management Team members as well as certain other management key persons are obligated to notify the company of any possible related party transactions. Any possible related party transactions are reported in connection with the company's consolidated financial statements. During the financial year 2021, the company did not have any material related party transactions that deviated from the company's normal business operations or were not be implemented on arms-length terms.

INSIDER ADMINISTRATION

At YIT, the insider administration is responsible for internal communications and training related to insider matters as well as drawing up and maintaining insider lists and submitting these to the Finnish Financial Supervisory Authority upon request.

The insider administration also ensures that trading restrictions and the obligation to give notification of transactions by managers and their closely associated persons are complied with. The insider administration is responsible for internal communications, training, supervision and monitoring regulatory changes in matters pertaining to the trading restriction and the notification obligation. It maintains a list of managers and their closely associated persons, informs managers of their obligations related to trading restrictions and the notification of transactions, is responsible for providing guidance to managers regarding the provision of information to their closely associated persons regarding the closely associated persons' notification obligation as well as the publication of transactions in stock exchange releases, the practical implementation of which is the responsibility of the Investor Relations (IR) function. The person in charge of insider matters at YIT Corporation is the Corporate General Counsel.

AUDIT

YIT has one auditor, which must be an approved and registered auditing firm pursuant to the Auditing Act (1141/2015).

The Annual General Meeting elects the auditor based on the proposal of the Board of Directors. The Board's Audit Committee prepares the draft resolution concerning the election of the auditor. The auditor audits the company's accounting, financial statements and administration for the financial year. The parent company's auditor must also audit the consolidated financial statements. The auditor reports regularly to the Board of Directors and its Audit Committee and gives YIT's shareholders an Auditor's Report as required by law.

Pursuant to the decision of the Annual General Meeting, the auditor's fee is paid as per the invoice approved by the company. We comply with the provisions of the Finnish Accounting Act and the EU Audit Regulation regarding the maximum duration of the auditor's terms of office and, in electing the auditor, we also ensure that the duration of the chief auditor's consecutive terms of office does not exceed seven years.

YIT's auditor is the auditing firm PricewaterhouseCoopers Oy. Until 18 March 2021 the Authorised Public Accountant was Markku Katajisto and since then it has been Samuli Perälä.

AUDIT FEES IN 2021

EUR million	2021	2020	2019
Audit	1.1	1.0	1.2
Tax services	0.0	0.0	0.2
Other services	0.2	0.2	0.5
Total	**1.3**	**1.2**	**1.9**

BOARD OF DIRECTORS' REPORT

The Board of Directors issued its report for 2021 on 3 February 2022. The Board of Directors' report will be published simultaneously with the Corporate Governance Statement and the Remuneration Report on the company's website at **www.yitgroup.com/corporategovernance**.

YIT Remuneration Report

The aim of remuneration at YIT is to support our ability to create better living environments and accelerate strategic transformation where the aim is to deliver higher, well predicted, level of profit and being the leader in developing and building urban environments. The four corner stones of our remuneration policy are:

YIT REMUNERATION

- Strengthens our culture and supports shareholder value creation
- Motivates our people and supports to retain and recruit the talents needed
- Promotes strategy execution and management by key results
- Is responsibly managed, flexible and in line with our long-term financial goals

The strategic priorities and the corner stones of our remuneration policy are built in our remuneration elements. Base pay and benefits are at a competitive level to recruit, motivate and retain talents and the level of these is benchmarked regularly with the market practices. Driving long and short-term financial performance, successful strategic transformation, success with our customers and sustainability related targets are supported by long-term and short-term incentive plans.

Year 2021 was marked by the release of new strategy and starting actions to improve business performance. Financially the year was mixed, there was continuous success in the Housing segments and good performance in many projects but as a group we did not reach our profitability targets. Moderate short-term incentive payments are made based on 2021 performance. YIT's long-term incentive KPI performance has been inadequate during the 2020–2022 and 2021–2023 earning periods. Of the LTI KPIs, NPS and Sustainability have developed positively whereas ROCE and absolute TSR depending on YIT share value development, remained both below their threshold levels.

This Remuneration Report is based on the Finnish Corporate Governance Code 2020 of the Securities Market Association and provides the details of the remuneration paid to members of the Board of Directors, President and CEO and his Deputy.

The remuneration of the Board of Directors and the President and CEO of YIT follows the principles of YIT's remuneration policy 2020–2023 approved at YIT's Annual General Meeting in 12 March 2020.

Remuneration policy 2020–2023 has been followed during year 2021.

REMUNERATION DEVELOPMENT

During past five years, the most significant single event for the YIT was the merger of YIT and Lemminkäinen 1 February 2018 into the new YIT. The remuneration of the Board of Directors and the President and CEO was reviewed following the merger.

President and CEO (EUR)[1]	2021	2020[5]	2019	2018	2017
YIT CEO[2]	547,497	91,143	-	-	-
YIT Interim CEO[3]	180,280				
YIT former CEO[4]	0	1,655,303	887,225	815,723	-
YIT CEO before the merger	-	-	-	-	841,824
Lemminkäinen CEO before the merger	-	-	-	-	642,340

Board of Directors (EUR)	2021	2020[5]	2019	2018	2017
YIT Board of Directors	777,600	751,000	690,300	556,050	-
YIT Board of Directors before the merger	-	-	-	-	457,900
Lemminkäinen Board of Directors before the merger	-	-	-	-	449,500

Employee remuneration (EUR)	2021	2020[5]	2019	2018	2017
YIT employee	52 2021	44,213	46,569	43,621	-
YIT employee before the merger	-	-	-	-	41,460
Lemminkäinen employee before the merger	-	-	-	-	55,743

[1] Remuneration details in this table do not include supplementary pension
[2] Markku Moilanen, YIT President and CEO since 1 April 2021
[3] Antti Inkilä, Interim President and CEO 23 October 2020–31 December 2020 and 1 January 2021–21 March 2021
[4] Kari Kauniskangas, Former President and CEO since 23 October 2020. Remuneration includes final salary and severance payments for EUR 999,708.
[5] COVID-19 pandemic related temporary layoffs and cost saving measures impact the 2020 figures.

FINANCIAL KEY METRICS (IFRS)

Revenue (EUR million)	2021	2020[2]	2019	2018	2017
YIT[1]	2,855.8	3,069.0	3,391.5	3,201.0	-
YIT before the merger	-	-	-	-	1,993.8
Lemminkäinen before the merger	-	-	-	-	1,847.2

Operating profit (EUR million)	2021	2020[2]	2019	2018	2017
YIT[1]	65.0	35.0	80.5	99.7	-
YIT before the merger	-	-	-	-	85.5
Lemminkäinen before the merger	-	-	-	-	41.8

Order backlog (EUR million)	2021	2020[2]	2019	2018	2017
YIT[1]	4,041.7	3,528.2	4,130.5	4,285.6	-
YIT before the merger	-	-	-	-	2,912.7
Lemminkäinen before the merger	-	-	-	-	1,305.6

[1]Pro forma figures incorporating Lemminkäinen's financial statement from 1 January–31 January 2018.
[2]Sales of the Pavement business to Peab in 2020 contributes to the decrease in Order backlog and Revenue numbers and has a one-time positive impact to Operating profit in 2020.

REMUNERATION OF THE BOARD OF DIRECTORS

The Annual General Meeting decides on the annual remuneration of the Board of Directors and the members of the Board Committees. Based on the decision of the Annual General Meeting on 18 March 2021 members of the Board were required to acquire YIT corporation shares from a regulated market (Nasdaq Helsinki Ltd) with amount equal to 40% of their fixed fee. The shares in question were purchased directly on behalf of the members of the Board within a two-weeks period following the disclosure of the Q1 2021 quarterly report. In addition to s fixed fee, the Board members were paid based on their positions as chair or members of the Board committees.

Fixed fees decided by the Annual General Meeting on 18 March 2021.

- Chair of the Board: EUR 100,000
- Vice chair of the Board and chairs of the committees unless same person serves as chair or vice chair of the Board: EUR 70,000
- Members of the Board: EUR 50,000

In addition, EUR 800 per meeting is paid to members of the Board located in Finland and EUR 2,000 per meeting to members of the Board located in Europe outside Finland. The same fees are paid also for the Board committee meetings for the committee members, chairs of the committees are paid EUR 1,600 fee per meeting.

Travel related costs in home country and abroad are reimbursed and daily allowances are paid according to YIT's travel policy and rules set by the tax authorities.

The remuneration paid to the members of the Board of Directors for the calendar year 2021 totals EUR 777,600 (EUR 751,000 in 2020). None of the Board members have an employment relationship or service contract with YIT Group and they are not covered by YIT Group's short- or long-term incentive schemes or pension plans. Board remuneration in total and YIT shares purchased with the set proportion of the fixed fee are disclosed in the tables below.

BOARD OF DIRECTORS' FEES IN TOTAL (EUR)

Name	Position	Fixed Fee	Board meeting fees	Committee meeting fees	Total 2021	Total 2020	Total 2019	Total 2018
Harri-Pekka Kaukonen	Chair of the Board	100,000	12,000	31,200	143,200	129,200	127,900	117,750
Eero Heliövaara	Vice Chair of the Board	70,000	11,200	32,800	114,000	108,600	95,500	78,800
Alexander Ehrnrooth	Member of the Board	50,000	12,000	28,000	90,000	90,600	71,600	-
Frank Hyldmar	Member of the Board	50,000	28,000	16,000	94,000	91,000	78,000	-
Olli-Petteri Lehtinen	Member of the Board	70,000	12,000	11,200	93,200	79,800	86,650	58,800
Kristina Pentti-von Walzel	Member of the Board	50,000	12,000	6,400	68,400	61,800	68,300	68,800
Barbara Topolska	Member of the Board	50,000	30,000	28,000	108,000	125,000	88,000	-
Tiina Tuomela	Member of the Board	50,000	12,000	4,800	66,800	65,000	66,650	61,550
Previous members of the Board, total		-	-	-	-	-	7,700	170,350
Total		**490,000**	**129,200**	**158,400**	**777,600**	**751,000**	**690,300**	**556,050**

SHARES PURCHASED WITH THE FIXED FEES

Name	Position	YIT shares purchased in 2021	YIT shares purchased in 2020	YIT shares purchased in 2019	YIT shares purchased in 2018
Harri-Pekka Kaukonen	Chair of the Board	7,321	7,615	7,436	7,054
Eero Heliövaara	Vice Chair of the Board	5,125	5,330	5,205	4,937
Alexander Ehrnrooth	Member of the Board	3,660	3,807	3,718	-
Frank Hyldmar	Member of the Board	3,660	3,807	3,718	-
Olli-Petteri Lehtinen	Member of the Board	5,125	5,330	5,205	2,527
Kristina Pentti-von Walzel	Member of the Board	3,660	3,807	3,718	3,527
Barbara Topolska	Member of the Board	3,660	3,807	3,718	-
Tiina Tuomela	Member of the Board	3,660	3,807	3,718	3,527
Previous members of the Board, total		-	-	-	8,571
Total		**35,871**	**37,310**	**36,436**	**30,143**

REMUNERATION OF THE PRESIDENT AND CEO

The Board of Directors decides on the remuneration, benefits and other terms of the service contract of the YIT Group President and CEO. The President and CEO's remuneration consists of a fixed base salary, holiday bonus pay, fringe benefits, annual short-term incentive plan, long-term incentive plan and supplementary pension plan. Same remuneration components form the total remuneration also for The Interim President and CEO and the Deputy to President and CEO.

Markku Moilanen started as the President and CEO of the YIT Group on 1 April 2021. From 23 October 2020 to 31 March 2021 Antti Inkilä served as YIT Group's Interim CEO. Kari Kauniskangas served as the President and CEO of the YIT Group up until 22 October 2020. He is referred in this report as the Former CEO. Ilkka Salonen, the Chief Financial Officer of the YIT Group served as the Deputy to President and CEO to 31 July 2021. Later in this report he is referred as Former Deputy to President and CEO. Since 1 August 2021 the Deputy to President and CEO has been Antti Inkilä.

According to the remuneration policy, the President and CEO is paid for performance and variable pay, i.e. short- and long-term incentives, therefore forms a large part of his remuneration mix.

ANNUAL SHORT-TERM INCENTIVES (ANNUAL STIP)

The President and CEO's short-term target incentive opportunity in the earning period 2021 was 45% at the target level and 90% at the maximum level, based on the annueal fiexed base salary (including fringe benefits but excluding holiday bonus pay). Earning opportunities for the other roles for both the 2021 and 2020 earning periods are listed below.

Earning opportunity

	2021		2020	
Role	**Target**	**Maximum**	**Target**	**Maximum**
President and CEO[1]	45%	90%	-	-
Deputy to President and CEO[2]	30%	60%	-	-
Interim CEO[2]	30%	60%	25%	50%
Former CEO[3]	-	-	35%	70%
Former Deputy to President and CEO[4]	25%	50%	25%	50%

CEO Annual STIP metrics and results 2021

KPI	Weight	Performance
Adjusted operating profit	50%	0%
Operative Cash Flow	30%	100.0%
Customer satisfaction	10%	54.0%
Work Safety	10%	50.0%
Group adjusted operating profit as on/off type of trigger		On
Total	**100%**	**40,4%**

Former CEO Annual STIP metrics and results 2020

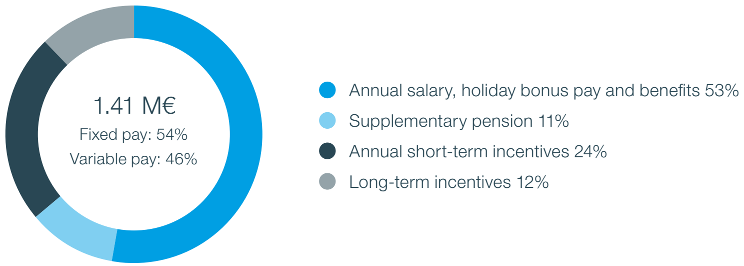
KPI	Weight	Performance
Adjusted operating profit	35.0%	0.0%
Operative Cash Flow	25.0%	100.0%
Work Safety	15.0%	71.6%
Customer Satisfaction	10.0%	50.0%
Strategic objectives	15.0%	0.0%
Group adjusted operating profit as on/off type of trigger		Off
Total	**100,0%**	**0,0%**

The Interim President and CEO[2] and the Former Deputy to President and CEO[4] received during 2021 no annual short-term incentive payment from the earning period 2020.

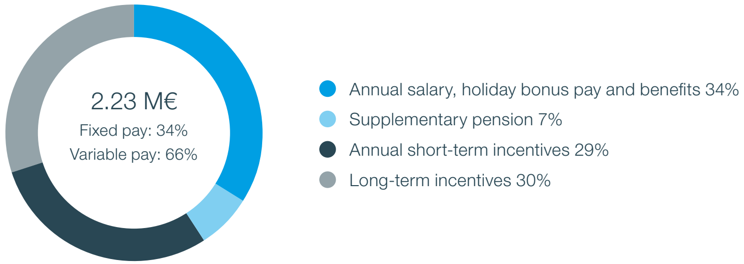
The President and CEO shall receive a short-term incentive payment of EUR 89,898 from the earning period 2021 in 2022. The Interim President and CEO[2] has received a short-term incentive payment of EUR 60,000 from the earning period 2021 in 2021. The new Deputy to President and CEO will receive a payment of EUR 77,000 from the earning period 2021 in 2022. The Former Deputy to President and CEO[4] shall receive a short-term incentive payment of EUR 26,987 from the earning period 2021 in 2022.

[1]Markku Moilanen, the President and CEO since 1 April 2021
[2]Antti Inkilä, the Interim President and CEO from 23 October 2020 to 31 March 2021 and the Deputy to President and CEO since 1 August 2021
[3]Kari Kauniskangas, the Former CEO since 23 October 2020
[4]Ilkka Salonen, the Former Deputy to President and CEO since 1 August 2021

CEO REMUNERATION MIX (TARGET, MEUR[1])



CEO REMUNERATION MIX (MAX, MEUR[1])



CEO REMUNERATION MIX (2021 ACTUAL, MEUR[2])

[1]Long term-incentive earning potential target and maximum calculated with YIT share rate at the end of 2021, 4.31 €/share.
[2]Consists of salary, holiday bonus pay, benefits and supplementary pension earned from 1 April, 2021 to 31 December 2021, no short-term or long-term incentive payments made to the new CEO between 1 April 2021 and 31 December 2021.

LONG-TERM INCENTIVES

YIT has long-term incentive plans (abbreviated LTIP) in use to drive strategic transformation, long-term financial performance and retain key persons.

The Board of Directors has decided in 2019 to establish an LTI Performance Share Plan with a three-year earning periods of which the first runs from 1 January 2020 to 31 December 2022 and the second earning period from 1 January 2021 to 31 December 2023. The potential share reward from the 2020–2022 earning period will be made in 2023 and from the 2021–2023 earning periods in 2024.

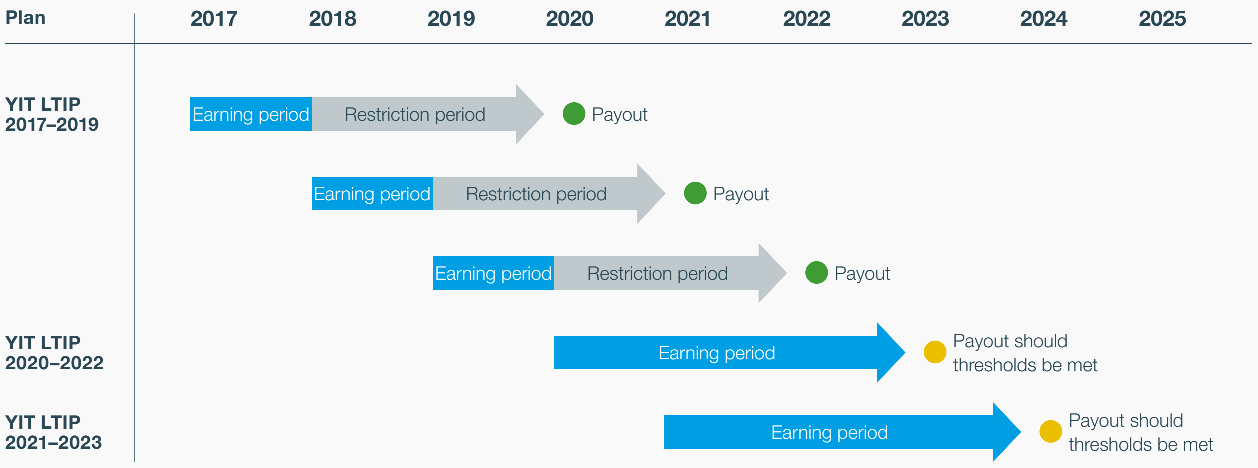
YIT's previous LTI Performance Share plan 2017–2019 had three one-year earning periods. There is a two-year commitment period associated with each earning period, after which the shares are transferred to participants still employed by YIT. The rewards from the earning period 2018 were paid out partly in cash and partly in company shares in May 2021. The purpose of the cash payment was to cover the taxes arising from the share reward.

The share rewards earned from the next earning period, 2019, will be paid out in 2022.

The Former Deputy to President and CEO[1] received a share payment of 1,000 shares and a cash payment of EUR 6,316 on 6 May 2021 based on the 2018 performance measures ROCE and NPS.

[1]Ilkka Salonen, Former Deputy to President and CEO since 1 August 2021.

Current and legacy LTI programs in use in YIT



LTI PLAN METRICS AND RESULTS

Plan	KPI	Weight	Result
YIT LTIP 2021–2023	ROCE	45%	Results can be assessed and disclosed after the earnig period ends.
	Absolute TSR	45%	
	Sustainability	10%	
YIT LTIP 2020–2022	ROCE	70%	Results can be assessed and disclosed after the earnig period ends.
	Absolute TSR	20%	
	NPS	10%	
YIT LTIP 2017–2019, earning period 2019	ROCE	80%	62.7%
	NPS	20%	
YIT LTIP 2017–2019, earning period 2018	ROCE	80%	4.9%
	NPS	20%	

PRESIDENT AND CEO'S SUPPLEMENTARY PENSION

The President and CEO of YIT has a supplementary defined contribution pension scheme. The same pension scheme applies also to the Interim President and CEO and the new Deputy to President and CEO and to the former Deputy to President and CEO. The annual contribution of the plan was 20% of the fixed base salary in 2019, 2020 and 2021.

The contributions made to the supplementary pension scheme are disclosed in the below table.

Pension contributions (EUR)	2021	2020	2019	2018
President and CEO[1]	109,499	0	0	0
Deputy to President and CEO[2]	40,000	0	0	0
Interim President and CEO[3]	24,000	11,535	0	0
Former President and CEO[4]	0	98,598	112,116	3,795
Former Deputy to President and CEO[5]	37,243	63,845	60,245	58,397

[1]Contributions to President and CEO Markku Moilanen from 1 April 2021 to 31 December 2021
[2]Contributions to Deputy to President and CEO Antti Inkilä from 1 August, 2021 to 31 December 2021
[2]Contributions to Interim President and CEO Antti Inkilä from 23 October 2020 to 31 December 2020 and from 1 January 2021 to 31 March 2021
[3]Contributions to Former President and CEO Kari Kauniskangas from 1 January 2020 to 22 October 2020
[4]Contributions to Former Deputy to President and CEO Ilkka Salonen from 1 January 2021 to 31 July 2021

TERMINATION COMPENSATION

In respect to the service contract of the former YIT Group President and CEO Kari Kauniskangas, the following final salary and severance payments were agreed upon. The payment of the notice pay started on 23 October 2020 and ended 21 April 2021. The other elements of final salary and severance payments are made in course of 2021 and 2022.

Final salary and severance payments to the Former CEO

Remuneration element	EUR, thousands
Salary from notice pay (6 months)	304.0
Unused holiday and holiday bonus pay	107.0
12 months severance payment	609.0
Annual short-term incentives 2020	0.0
LTIP 2018–2019	308.0
Total	**1,328.0**

In respect to the service contract of the former CFO and Deputy to President and CEO Ilkka Salonen, the following final salary and severance payments were agreed upon. The payment of the notice pay starts in 2022. The other elements of final salary and severance payments are made in course of 2022 and 2023.

Final salary and severance payments to the former Deputy to President and CEO

Remuneration element	EUR, thousands
Salary from notice pay (6 months)	159.6
Unused holiday and holiday bonus pay	0.0
6 months severance payment	159.6
Annual short-term incentives 2021	27,3
LTIP 2019[1]	136.4
Total	**455.6**

[1]Long term-incentive earning potential target and maximum calculated with the YIT share rate at the end of 2021, 4,31 €/share.

SUMMARY OF AGGREGATED REMUNERATION

	2021				2020			2019		2018	
Remuneration (EUR)	**CEO[1]**	**Deputy CEO[2]**	**Interim CEO[3]**	**Former Deputy CEO[5]**	**Interim CEO[3]**	**Former CEO[4]**	**Deputy CEO**	**CEO**	**Deputy CEO**	**CEO**	**Deputy CEO**
Annual salary	531,837	152,316	120,280	188,432	88,252	540,266	322,681	594,722	362,142	555,912	288,861
Benefits	15,660	5,103	3,630	6,755	2,891	15,111	11,925	18,200	13,163	18,155	12,210
Final salary and severance payments	0	0	0	0	0	999,708	0	0	0	0	0
Annual short-term incentives	0	0	60,000	0	0	79,151	43,717	187,374	87,543	99,300	4,005
Long-term incentives	0	0	0	11,862	0	168,760	44,593	86,929	42,861	171,109	48,314
Supplementary pension	109,499	40,000	24,000	37,243	11,535	98,598	63,845	112,116	60,245	3,795	58,397
Total compensation	**656,996**	**197,419**	**207,911**	**244,291**	**102,678**	**1,901,595**	**486,761**	**999,341**	**565,953**	**848,271**	**411,787**

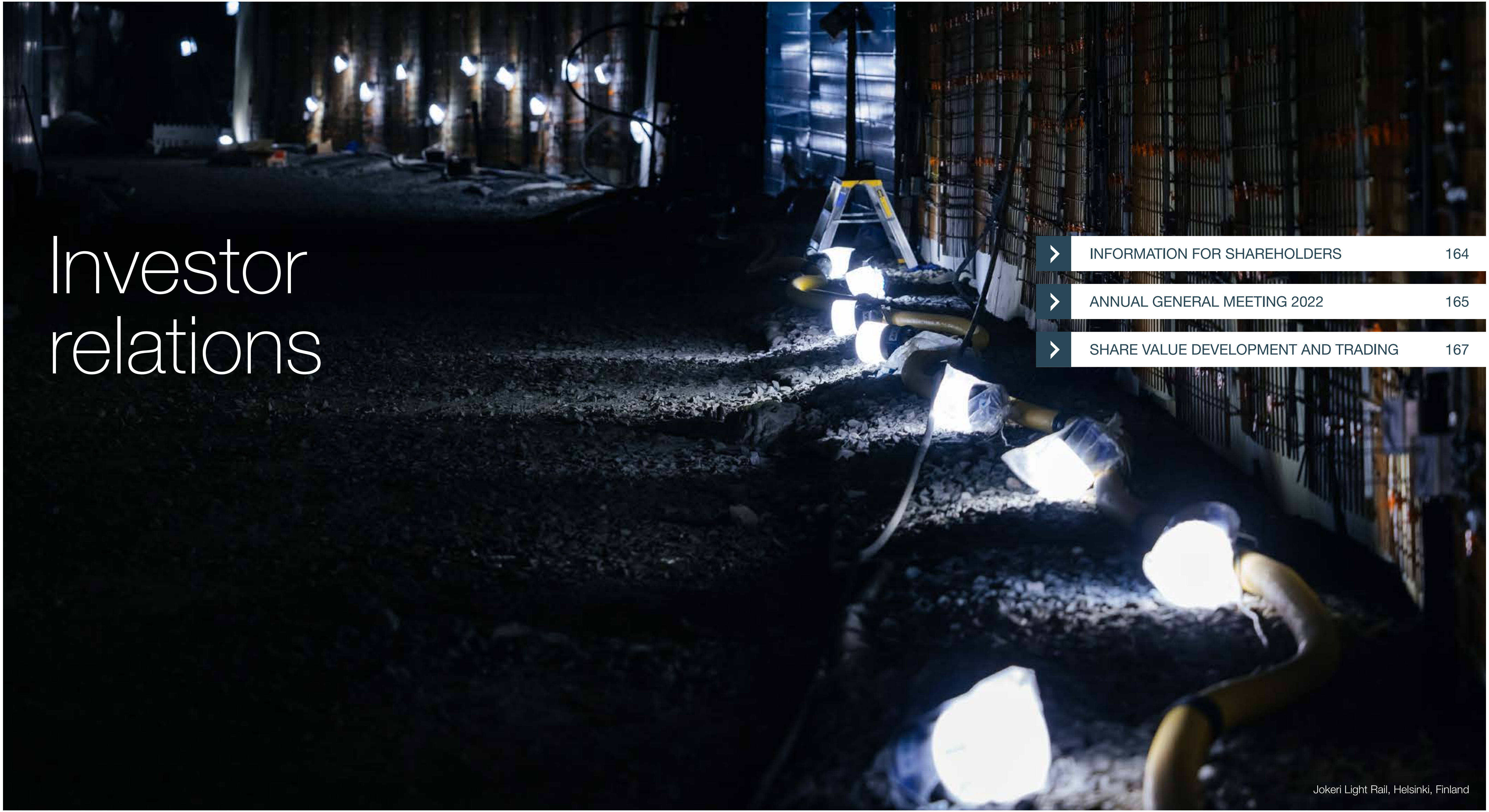
[1]Markku Moilanen, President and CEO since 1 April 2021
[2]Antti Inkilä, Deputy to President and CEO from 1 August 2021 to 31 December 2021
[3]Antti Inkilä, Interim President and CEO from 23 October, 2020 to 31 December 2020 and from 1 January 2021 to 31 March 2021
[4]Kari Kauniskangas, Former President and CEO of YIT to 22 October 2020
[5]Ilkka Salonen, Former Deputy to President and CEO from 1 January 2021 to 31 July 2021

YIT expects its President and CEO to hold ownership in the company. The long-term incentive program aligns business strategy with the interests of company owners and the interests of the President and CEO. The following table discloses the details of YIT shares which the President and CEO, the Interim President and CEO and the Deputy to President and CEO, the Former President and CEO and the Former Deputy to President and CEO have earned from the long-term incentive program and for which they have the earning opportunity.

Position	**Earned but not yet transferred, No of YIT shares[5]**	**Earning opportunity, no of YIT shares[6]**
President and CEO[1]	0	35,292
Interim President and CEO and new Deputy to President and CEO[2]	12,540	48,000
Former President and CEO[3]	0	0
Former Deputy to President and CEO[4]	12,540	0

[1]Markku Moilanen since April 1 2021
[2]Antti Inkilä served as Interim President and CEO from 23 October 2020 to 31 March 2021 and as Deputy to President and CEO since 1 July 2021
[3]Kari Kauniskangas served as President and CEO until 22 October 2020
[4]Ilkka Salonen served as Deputy to President and CEO to 31 July 2021
[5]Earnings from YIT LTIP 2017–2019 earning period 2019. Shares and related cash payments are due in three years, in 2022.
[6]YIT LTIP 2020–2022 and LTIP 2021-2023, target earning opportunity disclosed, this is 25% of max. These are gross shares before any taxes and other payments.

Investor relations



Jokeri Light Rail, Helsinki, Finland

Information for shareholders

YIT'S INVESTOR RELATIONS

ACTIVITIES IN 2021

COVID-19 pandemic had an impact on investor relations activities in 2021. Roadshows and other investor meetings and events were held mainly virtually, and YIT kept its activity level high. During 2021, YIT's Investor Relations started to publish IR Newsletters regularly with latest company and industry updates. Altogether, the company arranged over 30 investor events during the year.

Main event of the year was Capital Markets Day on 23 November. In connection with the CMD, YIT introduced its new strategy and financial targets. Materials and a webcast recording are available on YIT's **investor website.**

The publication dates of YIT's financial statement bulletin, half-year report and interim reports in 2021 were 3 February, 30 April, 30 July and 29 October. In connection with the earnings releases, YIT organised webcasts for investors, analysts and media. Reports, presentation materials and transcripts are available on YIT's **investor website**.

CONTACT INFORMATION

investorrelations@yit.fi
www.yitgroup.com/investors
Twitter: @YITInvestors

YIT Corporation, Investor Relations
P.O. Box 36 (Panuntie 11), FI-00621 Helsinki, Finland

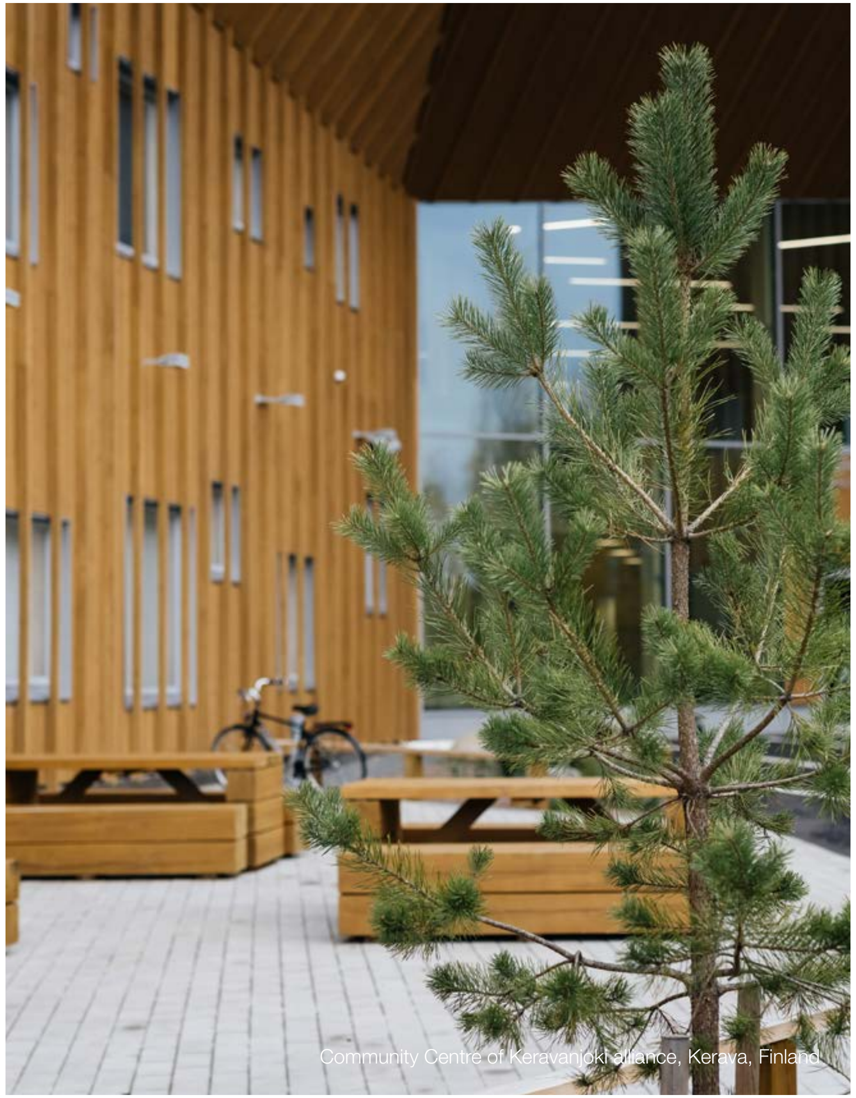
FINANCIAL REPORTING AND SILENT PERIOD IN 2022

Financial statements bulletin 2021	4 February 2022
Annual Review 2021	17 February 2022
Interim report January-March 2022	29 April 2022
Half-year report January-June 2022	28 July 2022
Interim report January-September 2022	27 October 2022

Prior to results publications, YIT follows a so-called silent period that will begin on 1 January, 1 April, 1 July and 1 October and that will last until the respective announcement of results. During a silent period, YIT's representatives will not comment on the company's financial position or meet capital market representatives.

Read more about YIT as an investment and YIT's Investor Relations.

to the website


Community Centre of Keravanjoki alliance, Kerava, Finland

Annual general meeting 2022

YIT Corporation's Annual General Meeting will be held on Thursday, 17 March 2022, starting at 10:00 a.m. (Finnish time GMT+2) at the Company's offices at Panuntie 11, Helsinki, Finland.

It will not be possible to participate in the meeting in person. The Company's shareholders can participate in the general meeting and exercise their rights by voting in advance and by presenting counterproposals and questions in advance.

For the purpose of restricting the spread of the COVID-19 epidemic, the Company's Board of Directors has decided to adopt the exceptional meeting procedure provided for in the act 677/2020, which temporarily deviates from some of the provisions of the Finnish Limited Liability Companies Act (the so-called temporary act). The Board of Directors has decided to take the measures permitted by the temporary act in order to hold the general meeting in a predictable manner while also taking into account the health and safety of the Company's shareholders, personnel and other stakeholders.

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 7 March 2022. A shareholder whose shares are registered in their personal book-entry account in the book-entry system maintained by Euroclear Finland Oy is registered in the shareholders' register of the Company. A shareholder can only participate in the meeting by voting in advance personally or by way of proxy representation.

NOTICE OF MEETING

The notice of meeting to be published on the company's website www.yitgroup.com/agm2022. 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 AND ADVANCE VOTING

Shareholders with a Finnish book-entry account can submit the notice of participation and vote in advance on certain matters on the agenda between 12 noon Finnish time on 1 March 2022 and 4 p.m. Finnish time on 11 March 2022 by using one of the following methods:

a) Online through YIT Corporation's website at www.yitgroup.com/agm2022
If the shareholder is an individual, electronic registration and voting in advance via the Company's website requires strong electronic authentication. Strong electronic authentication takes place either with a Finnish bank ID or a Finnish mobile certificate. Shareholders who are legal persons are not required to use strong electronic authentication, but they are required to give their book-entry account number and other required information. Terms and conditions of electronic voting in advance and other instructions related thereto will be available on the above-mentioned website upon the beginning of advance voting on 1 March 2022 at the latest.

b) By email or mail
Shareholders can also send the advance voting form available on the Company's website or corresponding information to Euroclear Finland Oy by email to the address yhtiokokous@euroclear.eu or by mail to the address Euroclear Finland Oy, Yhtiökokous / YIT, P.O. Box 1119, 00101 Helsinki, Finland.

The advance voting form as well as the instructions for advance voting will be available on the Company's website at www.yitgroup.com/agm2022 by the beginning of advance voting on 1 March 2022 at the latest.

Any proxy documents should be delivered either by email to agm@yit.fi or by post to YIT Corporation, AGM, Panuntie 11, 00621 Helsinki, Finland, prior to the end of the registration period and advance voting period at 4 p.m. Finnish time on 12 March 2022, by which time the proxy documents shall be received.

HOLDER OF NOMINEE REGISTERED SHARES

A holder of nominee registered shares has the right to participate in the Annual General Meeting based on the shares that would entitle him/her to be registered in the shareholders' register on the record date of the Annual General Meeting maintained by Euroclear Finland Oy on 7 March 2022. In addition, the right to participate requires that the holder of nominee registered shares is temporarily entered into the shareholders' register maintained by Euroclear Finland Oy based on these shares on 14 March 2022, at 10:00 a.m. at the latest. This is considered registration for the Annual General Meeting as regards nominee registered shares. Changes in shareholdings occurring after the record date of the Annual General Meeting shall not affect the right to attend the meeting or the voting rights of the shareholder.

Such shareholders are advised to request from their custodian bank the necessary instructions regarding registration in the temporary shareholders' register of the Company, the issuing of proxy documents and registration for the Annual General Meeting well in advance. The account operator of the custodian bank has to register a holder of nominee registered shares who wishes to participate in the Annual General Meeting into the temporary shareholders' register of the Company at the latest by the time stated above and arrange advance voting on behalf of the holder of nominee registered shares.

SHAREHOLDER RIGHTS

Shareholders who hold at least one one-hundredth of all the shares in the Company have the right to make counterproposals concerning the proposed decisions on the agenda of the Annual General Meeting to be placed for a vote. The counterproposals must be delivered to the Company by email to agm@yit.fi no later than at 4 p.m. Finnish time on 22 February 2022. In connection with the counterproposal, the shareholders must present a statement of their shareholding in the Company. The counterproposal is admissible for consideration at the Annual General Meeting if the shareholders who have made the counterproposal have the right to attend the meeting and represent at least one one-hundredth of all shares in the Company on the record date of the Annual General Meeting. If a counterproposal is non-admissible, votes cast for such counterproposal will not be recorded at the meeting. The Company will publish possible counterproposals eligible for voting on the Company's website at www.yitgroup.com/agm2022 no later than on 23 February 2022.

Shareholders have the right to ask questions and request information with respect to the matters to be considered at the meeting pursuant to Chapter 5, Section 25 of the Limited Liability Companies Act by email to the address agm@yit.fi or by post to YIT Corporation, AGM, Panuntie 11, 00620 Helsinki, Finland, no later than at 4 p.m. Finnish time on 24 February 2022. The Company will publish the shareholders' questions along with the management's responses as well as any counterproposals not eligible for voting on the Company's website at www.yitgroup.com/agm2022 at the latest on 28 February 2022. Asking questions and making counterproposals requires the shareholder to present an adequate statement of their shareholding in the Company.

ADDRESS CHANGES OF SHAREHOLDERS

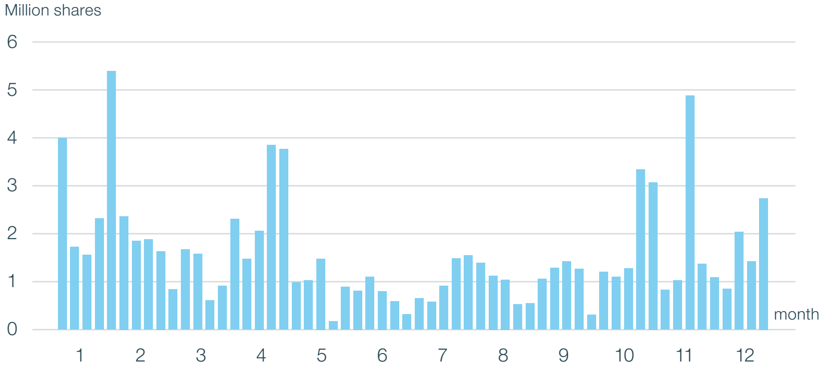
Shareholders are requested to give notification of any changes of address to the bank branch office at which their book-entry account is handled. If the account is handled by Euroclear Finland Ltd, notifications of a change of address should be sent to:
Euroclear Finland Ltd P.O. Box 1110, FI-00101 Helsinki, 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

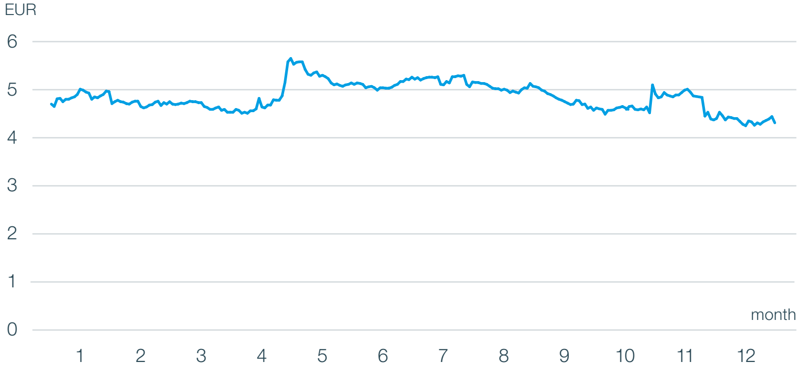
- Notice of AGM published 4 February 2022
- Publication of the Financial Statements 2021 17 February 2022
- Deadline for counterproposals to be put to a vote 22 February 2022 at 4:00 p.m. EET
- Publication of counterproposals to be put to a vote 23 February 2022
- Deadline for shareholders' questions and counterproposals that will not be put to a vote 24 February 2022 at 4:00 p.m. EET
- Publication of shareholders' questions, management's answers and counterproposals that will not be put to a vote 28 February 2022
- Registration and advance voting begins 1 March 2022 at 12 noon EET
- Record date of the AGM 7 March 2022
- Registration and advance voting ends 11 March 2022 at 4:00 p.m. EET
- Annual General Meeting 17 March 2022 at 10:00 a.m. EET
- Dividend record dates 22 March 2022 and 4 October 2022 at the earliest
- Minutes of the AGM at Company's website 31 March 2022 at the latest
- Proposed dividend payment dates 7 April 2022 and 12 October 2022 at the earliest
- Additional information on the Annual General Meeting on our web pages www.yitgroup.com/agm2022

Share value development and trading

WEEKLY EXCHANGE OF SHARES 2021



SHARE PRICE DEVELOPMENT IN 2021



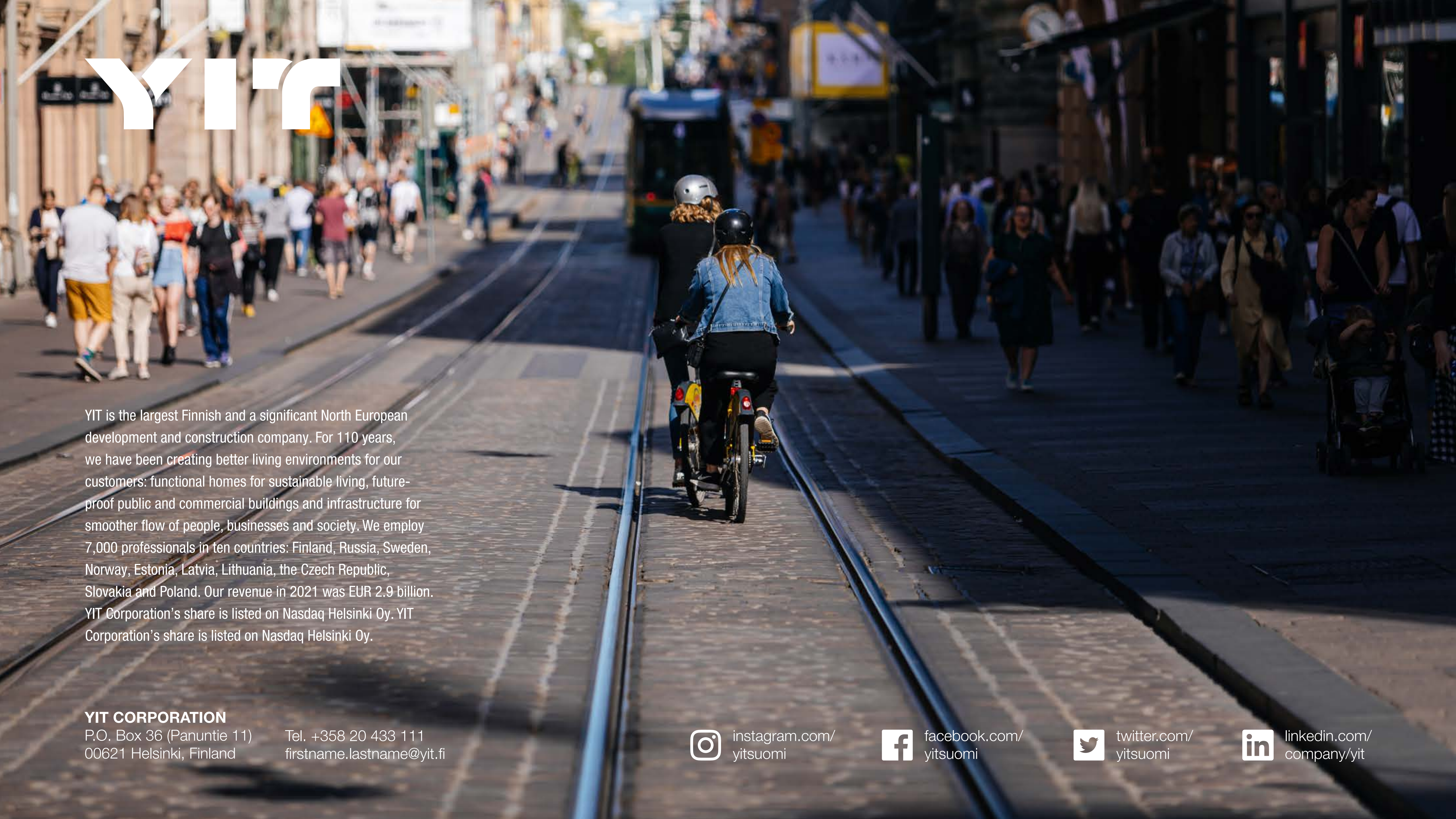
YIT's share price decreased approximately 8,25% during the reporting period. The opening price of YIT's share was EUR 4.70 on the first trading day of 2021. The closing price of the share at the end of the reporting period on 31 December 2021 was EUR 4.31. The highest price of the share during the reporting period was EUR 5.68, the lowest EUR 4.21 and the average price was EUR 4.81.

YIT Corporation's market capitalisation at the end of the reporting period on 31 December 2021 was EUR 901 million (1,031). The market capitalisation has been calculated excluding the shares held by the company.

Share turnover on Nasdaq Helsinki during the reporting period was approximately 91 million shares (97). The value of the share turnover was approximately EUR 439 million (497), source: Nasdaq Helsinki.

During the reporting period, approximately 14.7 million (14.5) YIT Corporation shares changed hands in alternative marketplaces, corresponding to approximately 14 per cent (13) of the total share trade, source: Euroland.

Konepaja, Helsinki, Finland



YIT is the largest Finnish and a significant North European development and construction company. For 110 years, we have been creating better living environments for our customers: functional homes for sustainable living, future-proof public and commercial buildings and infrastructure for smoother flow of people, businesses and society. We employ 7,000 professionals in ten countries: Finland, Russia, Sweden, Norway, Estonia, Latvia, Lithuania, the Czech Republic, Slovakia and Poland. Our revenue in 2021 was EUR 2.9 billion. YIT Corporation's share is listed on Nasdaq Helsinki Oy. YIT Corporation's share is listed on Nasdaq Helsinki Oy.

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